METSÄ GROUP
FINANCIAL STATEMENTS

2014

METSÄ GROUP'S OPERATING RESULT FOR 2014 EXCLUDING NON-RECURRING ITEMS WAS EUR 418 MILLION

OPERATING RESULT EXCLUDING NON-RECURRING ITEMS WAS EUR 117 MILLION IN OCTOBER–DECEMBER

FULL YEAR RESULT FOR 2014

- Sales amounted to EUR 4,970 million (2013: EUR 4,939 million).
- Operating result excluding non-recurring items was EUR 418 million (343). Operating result including non-recurring items was EUR 417 million (335).
- Result before taxes excluding non-recurring items was EUR 339 million (232). Result before taxes including non-recurring items was EUR 330 million (224).
- Return on capital employed excluding non-recurring items was 11.4 per cent (9.1).
- Cash flow from operations amounted to EUR 764 million (491).
- Metsäliitto Cooperative's Board of Directors has decided to propose to the Supervisory Board that interest of 5.5 per cent (5.5 + 1.0 per cent for 2013) be paid on the members' capital for 2014. Interest of 5.0 per cent (5.0) is proposed for additional members' capital A, and interest of 4.5 per cent (4.5) for additional members' capital B.

RESULT FOR OCTOBER–DECEMBER 2014

- Sales amounted to EUR 1,248 million (10–12/2013: EUR 1,219 million).
- Operating result excluding non-recurring items was EUR 117 million (87). Operating result including non-recurring items was EUR 84 million (88).
- Result before taxes excluding non-recurring items was EUR 101 million (61). Result before taxes including non-recurring items was EUR 68 million (60).
- Return on capital employed excluding non-recurring items was 12.0 per cent (9.3).
- Cash flow from operations amounted to EUR 390 million (195).

EVENTS IN THE FOURTH QUARTER OF 2014

- Profitability improved in all of Metsä Group's business areas year-on-year.
- Metsä Board launched measures to complete its restructuring and decided to invest approximately EUR 170 million in a new folding boxboard machine at the Husum mill in Sweden. In addition, the company is planning to discontinue paper production and has launched the divestment process of the loss-making Gohrsmühle mill in Germany
- Metsäliitto Cooperative announced that it will sell the entire share capital of Metsä Wood's UK-based pole business subsidiary Burt Boulton and Haywood Ltd. The transaction was completed in February 2015. The sale will not have any material effect on the Group's result.
- Mika Joukio, M.Sc. (Tech.), MBA, started as CEO of Metsä Board Corporation on 1 October 2014.

EVENTS AFTER THE PERIOD

- Metsä Tissue Corporation's Board of Directors appointed Petri Helsky, M.Sc. (Chem. Eng.), M.Sc. (Econ), 48, as CEO of the company. He will start in his new position and as a member of Metsä Group's Executive Management Team on 1 July 2015 at the latest.

NEAR-TERM OUTLOOK

- Metsä Group's operating result excluding non-recurring items in the first quarter of 2015 is expected to be approximately on the same level compared to the fourth quarter of 2014.

"In the light of our key indicators, and considering the business environment, 2014 was a good year. Our operating result excluding non-recurring items clearly improved, the return on capital employed increased, net debt continued to decrease and our cash flow was strong.

We will continue the determined implementation of our focused strategy. We are the market leader in wood supply and forest services, and this year we will be the first company in Finland to digitise all sales and purchase processes in wood trade and forest management. Metsä Wood's decision to focus on large industrial customers has already strengthened our position in the wood product market. We are also among the leading players in tissue and cooking papers in our key markets. Metsä Board's decision to discontinue paper production and build a new folding boxboard machine at Husum will finalise the company's restructuring into a paperboard company.

If the prerequisites *for the investment are met, the investment decision regarding building Metsä Fibre's planned bioproduct mill in Äänekoski will be made this spring. The preparations for the decision have progressed smoothly.*

The basis for year 2015 is good: our finances are solid and stable, our products are of the highest quality and our planned investments will further strengthen our position. We are heading for the future with confidence."

Kari Jordan, President & CEO

KEY FIGURES

Income statement, EUR million The figures for 2013 are restated	2014 1–12	2013 1–12	2014 10–12	2013 10–12
Sales	4 970.3	4 938.7	1 247.5	1 219.3
Other operating income	170.3	81.0	29.2	25.1
Operating expenses	-4 447.5	-4 427.7	-1 105.2	-1 094.8
Depreciation and impairment losses	-276.2	-257.1	-87.4	-61.3
Operating result	416.9	335.0	84.1	88.3
Share of results from associated companies and joint ventures	16.4	9.6	1.9	0.1
Exchange gains and losses	2.7	-4.6	3.9	-2.6
Other net financial items	-106.1	-116.2	-22.4	-24.3
Result before income tax	329.9	223.8	67.6	61.5
Income tax	-69.7	-35.1	-11.1	10.2
Result for the period	260.3	188.7	56.5	71.7

Profitability The figures for 2013 are restated	2014 1–12	2013 1–12	2014 10–12	2013 10–12
Operating result, EUR million	416.9	335.0	84.1	88.3
- ” -, excluding non-recurring items	418.1	342.9	117.3	87.3
- ” -, % of sales	8.4	6.9	9.4	7.2
Return on capital employed, %	11.1	8.9	8.7	9.4
- ” -, excluding non-recurring items	11.4	9.1	12.0	9.3
Return on equity, %	13.0	9.9	11.1	14.9
- ” -, excluding non-recurring items	13.4	10.3	17.6	14.7

Financial position The figures for 2013 are restated	2014 31.12.	2013 31.12.	2014 30.9.	2013 30.9.
Equity ratio, %	37.9	37.9	38.5	35.9
Net gearing ratio, %	46	77	62	85
Interest-bearing net liabilities, EUR million	938	1 510	1 258	1 604

SEGMENTS

Sales and Operating result 1–12/2014, EUR million	Wood Supply and Forest Services	Wood Products Industry	Pulp Industry	Paperboard and Paper Industry	Tissue and Cooking Papers
Sales	1 575.0	896.9	1 295.7	2 008.4	1 012.8
Other operating income	6.7	10.1	33.4	69.6	9.3
Operating expenses	-1 552.0	-842.5	-1 039.2	-1 835.8	-921.6
Depreciation and impairment losses	-3.0	-30.4	-62.0	-125.6	-38.7
Operating result	26.7	34.1	227.9	116.5	61.8
Non-recurring items	1.5	3.1	-20.3	19.9	0.4
Operating result excluding non-recurring items	28.2	37.2	207.5	136.5	62.2
- " -, % of sales	1.8	4.1	16.0	6.8	6.1

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FINANCIAL STATEMENTS 2014

SALES AND RESULT

Metsä Group's sales in 2014 totalled EUR 4,970.3 million, remaining more or less at the same level as in the previous year (2013: EUR 4,938.7 million).

Operating result excluding non-recurring items was EUR 418.1 million (342.9), or 8.4 per cent of sales (6.9). The operating result improved, mainly as a result of higher market prices of softwood pulp, increased delivery volumes of folding boxboard and white-top linerboard, and increased sales prices for wood products, as well as efficiency programmes.

Sales for the last quarter of the year were EUR 1,247.5 million (10–12/2013: 1,219.3) and operating result excluding non-recurring items was EUR 117.3 million (10–12/2013: 87.3).

Non-recurring items included in Metsä Group's operating result were EUR -1.3 million net (-7.9) for the year. The most significant non-recurring item was the sale of Pohjolan Voima Oy's B shares to Kymppivoima Oy for EUR 75.0 million. A sales gain of EUR 70.3 million was recognised for this transaction in the operating result. However, the transaction only had a minor positive effect on the group's equity, as Pohjolan Voima's shares are measured at fair value in the balance sheet. Other significant non-recurring items were the sales gains of EUR 32.1 million from the real estate property in Niemenranta, Tampere, the EUR 59.2 million paid in damages to UPM-Kymmene Corporation, an impairment loss of EUR 26.1 million related to Metsä Board's Gohrsmühle mill, and cost provisions of EUR 13.4 million related to Metsä Board's Husum mill. Non-recurring items in the fourth quarter totalled EUR -33.1 million net.

Operating result including non-recurring items was EUR 416.9 million (335.0). The share in the results of associated companies and joint ventures was EUR 16.4 million (9.6), financial income was EUR 6.5 million (8.3), exchange gains on financial items were EUR 2.7 million (-4.6) and financial expenses were EUR 112.6 million (124.5). The financial expenses include a non-recurring item of EUR 7.6 million related to the damages paid to UPM-Kymmene Corporation and an expense of approximately EUR 6 million related to the early repayment of Metsä Board's loans. The financial expenses in the comparison period include additional interest of approximately EUR 8 million related to the early repayment of Metsä Board's USD-denominated loan.

Result before taxes for 2014 was EUR 329.9 million (223.8), and taxes, including changes in deferred tax liabilities, were EUR 69.7 million (35.1). The net result for the financial period was EUR 260.3 million (188.7).

Excluding non-recurring items, the Group's return on capital employed was 11.4 per cent (9.1) and the return on equity was 13.4 per cent (10.3). Including non-recurring items, the return on capital employed was 11.1 per cent (8.9) and the return on equity was 13.0 per cent (9.9).

BALANCE SHEET AND FINANCING

Metsä Group's liquidity is good. Total liquidity at the end of December was EUR 1,725.0 million (1,189.9). This consisted of EUR 947.9 million (454.4) of liquid assets and investments and EUR 777.1 million (735.5) of committed credit facility agreements not included on the balance sheet.

The Group's liquidity reserve is complemented by uncommitted commercial paper programmes and credit facilities amounting to EUR 173.3 million (174.7).

The Group's equity ratio at the end of December was 37.9 per cent and net gearing was 46 per cent (37.9 and 77, respectively). Interest-bearing net liabilities stood at EUR 938.2 million (1,510.2).

Cash flow from operations amounted to EUR 763.9 million (490.7). EUR 198.6 million was released from working capital during the year (2013: 47.7 tied up). The introduction of new instruments for working capital financing has reduced the amount of working capital.

The equity ratio of the parent company Metsäliitto Cooperative was 63.0 per cent at the end of December and net gearing was 12 per cent (60.8 and 17, respectively).

During January–December 2014, Metsäliitto Cooperative's members' capital increased by a total of EUR 69.6 million (61.8). The actual members' capital grew by EUR 2.8 million (2.7), the additional members' capital A by EUR 42.9 million (38.9), and the additional members' capital B by EUR 23.9 million (34.6). The increase in additional members' capital B in 2013 includes EUR 14.4 million transferred from the additional members' capital C. Based on notifications received by the end of 2014, EUR 34.0 million (26.4) of the additional members' capital will fall due on 1 July 2015.

In March, Metsä Board issued an unsecured bond of EUR 225 million. The bond matures on 13 March 2019 and it carries a fixed coupon interest rate of 4.0 per cent. In March, Metsä Board also signed an agreement on a new unsecured syndicated credit facility. The new arrangement consists of a loan facility of EUR 150 million and a revolving credit facility of EUR 100 million, which will both mature in March 2018. Most of the funds from the financing arrangements were used for the early repayment of a secured loan of EUR 350 million that would have matured in March. The new credit facility replaced the undrawn credit facility of EUR 100 million, which would have matured in May 2015.

In April, Metsä Fibre sold a total of 170,000 of Pohjolan Voima Oy's B shares to Kymppivoima Oy for EUR 75 million. The shares entitle the holder to purchase approximately 200,000 MWh of electricity from Teollisuuden Voima Oyj's nuclear plants (Olkiluoto 1 and 2) annually.

Moody's Investors Service raised Metsä Board's credit rating from level B2 to B1 in November. The outlook of the rating is positive. The raised credit rating does not have an impact on Metsä Board's current financial expenses.

PERSONNEL

Metsä Group employed an average of 10,775 people in January–December (11,216). At the end of the year, the Group had 10,410 employees (10,736), of whom 5,131 (5,227) were based in Finland and 5,279 (5,509) were based abroad. Metsäliitto Cooperative employed 2,471 people at the end of December (2,579).

Mika Joukio (50), M.Sc. (Tech.), MBA, started as CEO of Metsä Board Corporation on 1 October 2014. Joukio transferred to the new position from Metsä Tissue Corporation, where he had held the position of CEO since the beginning of 2012.

Metsä Tissue Corporation's Board of Directors appointed Petri Helsky, M.Sc. (Chem. Eng.), M.Sc. (Econ), 48, CEO of the company in January 2015. He will start in his new position and as a member of Metsä Group's Executive Management Team on 1 July 2015 at the latest. Hannu Anttila, Metsä Group Executive Vice President, Strategy, heads the Tissue and Cooking Papers business for the time being.

MEMBERS

At the end of the year, Metsäliitto Cooperative had 121,941 members (123,275). During 2014, a total of 2,961 new members joined the Cooperative and 4,295 members cancelled their membership.

INVESTMENTS

Metsä Group's capital expenditure totalled EUR 143.0 million (213.5).

BUSINESS DEVELOPMENT

Metsä Fibre is planning to build a bioproduct mill with a value of approximately EUR 1.1 billion to replace the current pulp mill in Äänekoski, Finland. The annual pulp production capacity of the mill would be 1.3 million tonnes, which is approximately 800,000 tonnes more than the current production capacity in Äänekoski. If the prerequisites for the investment are met, Metsä Fibre aims to make the investment decision in spring 2015, with the mill starting up during 2017.

Metsä Board announced in December that it will introduce new measures to finalise its transformation into a paperboard company and invest approximately EUR 170 million in a new folding boxboard machine at its Husum mill in Sweden. The production capacity of the new machine is approximately 400,000 tonnes per annum, and it will start up in early 2016. Full production capacity is expected to be reached by the end of 2016. Paper production at the Husum mill is planned to be discontinued mostly at the end of 2015 and fully by the end of 2017.

Metsä Board is also planning new measures to eliminate the losses of the Gohrsmühle mill in Germany. The primary goal is to sell the mill during the first half of 2015. If the divestment does not materialize within the set time frame, Metsä Board will introduce other measures to eliminate the unit's losses. Gohrsmühle mill has approximately 480 employees and its main products are cast-coated and label papers. In 2014, the mill's annual sales amounted to approximately EUR 90 million and its operating loss to approximately EUR 20 million.

Metsä Board is planning to finance these measures through current liquidity, credit facilities, operating cash flow and potentially also by a rights issue of approximately EUR 100 million, based on the Board of Directors' authority granted by the AGM. The potential rights issue is targeted to be implemented during the first quarter in 2015. Metsäliitto Cooperative is committed to a pro rata investment of approximately EUR 43 million in the potential rights issue.

BUSINESS AREAS

Wood supply and forest services

Metsä Forest's sales in 2014 totalled EUR 1,575.0 million (2013: 1,561.0) and its operating result excluding non-recurring items was EUR 28.2 million (27.8).

Sales in the fourth quarter of 2014 amounted to EUR 397.5 million (10–12/2013: 393.4) and the operating result totalled EUR 8.1 million (7.1).

The availability of wood was good throughout the year and stumpage prices remained stable. During the fourth quarter, the mild weather hampered the purchase and harvesting of logging sites. Metsä Forest bought all timber grades through both standing and delivery sales. Opportunities to procure wood energy were weakened by the poor market situation of energy wood throughout the Baltic Sea region.

Deliveries to production plants progressed as planned. In 2014, Metsä Forest delivered 30.2 million cubic metres (29.6) of wood raw material to its customers, of which approximately 83 per cent went to industry in Finland. The majority of wood in Finland was sourced from Metsäliitto Cooperative's members.

The availability of wood in Russia was somewhat lower than normal during the first months of the year due to the mild winter. The availability increased towards the end of the year as a result of the strong weakening of the rouble. There was scarce availability of logs in the Baltic countries throughout the year, but the supply of softwood pulpwood was high. In Sweden, the oversupply of softwood pulpwood and partly also birch pulpwood continued throughout the year.

The sales and implementation of forest management services continued to grow, and Metsä Forest is approaching the market position it is seeking. Metsä Forest delivered a record-high number of 23 million saplings to forest owners.

The Finnish Forest Management Association Act was amended at the beginning of 2015, and a new register organisation is being built for PEFC certification in Finland to support regional forest certification. Owner-members can join Metsä Group's PEFC group certificate free of charge for the duration of the transition period.

Wood products industry

Metsä Wood's sales in 2014 totalled EUR 896.9 million (2013: 899.7) and its operating result excluding non-recurring items was EUR 37.2 million (15.4). This was a marked improvement over the previous year. The increase resulted not only from a rise in sales prices, but also from implemented efficiency programmes and closures of unprofitable units.

Sales for the fourth quarter of 2014 amounted to EUR 215.9 million (10–12/2013: 214.6) and the operating result excluding non-recurring items was EUR 8.0 million (2.0).

The relatively high demand in the first half of the year in Finland and the main markets in Europe weakened during the second half of the year. Uncertainty over the economic outlook and the impact of political instability reduced construction volumes. Construction activity continued to develop favourably in the United Kingdom and Scandinavia. Demand in Asia increased towards the end of the year, except for Japan, where demand weakened from the spring onwards. Economic growth in the United States and the strengthening of the US dollar during the year indirectly supported the demand for Nordic wood products.

The market balance of sawn timber weakened after the beginning of the year. The production of Nordic sawn timber increased by 7–10 per cent, which led to oversupply of spruce sawn timber in particular. The average prices of deliveries began to decrease during the second half of the year, and the profitability of sawing weakened along with decreasing prices, despite the decreased price of raw materials. Metsä Wood's sawmill industry implemented market-based production curtailments at the turn of the year.

The use of plywood products increased globally. Due to the measures to improve productivity, profitability developed favourably towards the end of the year.

Sales of Kerto® products also increased from the previous year. However, sales weakened during the year in the main markets, except for the United Kingdom where construction activity continued to be brisk throughout the year. Market-based production curtailments were implemented during the fourth quarter.

Metsä Wood announced in July that it will shut down the Karihaara sawmill. Production operations had been suspended and the entire staff had been subject to a temporary layoff since June 2009.

Metsäliitto Cooperative sold all of the shares in Metsä Wood Eesti AS to the Estonian company Combimill OÜ in August. Simultaneously with the transaction, the parties agreed on commercial cooperation in raw material procurement as well as by-product and sawn timber sales.

In October, Metsä Wood launched a performance improvement programme consisting of sales growth projects, cost savings and structural changes. As part of the programme, the need for personnel reduction is estimated to total approximately 200 man-years in total, of which 140 are in Finland. The personnel reductions are planned to be carried out in stages over the next two years.

Metsä Wood sold the impregnated wood business of the Kaskinen upgrading and distribution unit to Aureskosken Jalostetehdas Oy in December. At the same time, the parties agreed on commercial cooperation in sawn timber and energy deliveries.

Metsä Wood signed a cooperation agreement on sawn timber sales in the Japanese market with Itochu Kenzai Corporation in December.

Metsäliitto Cooperative agreed on the sale of the entire share capital of Metsä Wood’s subsidiary Burt Boulton & Haywood Ltd to ScanPole Ltd, a subsidiary of Iivari Mononen Oy, in December. With this transaction Metsä Wood discontinued its pole business. The sale was completed in February 2015.

Pulp industry

Metsä Fibre’s sales for 2014 totalled EUR 1,295.7 million (2013: 1,314.0) and the operating result excluding non-recurring items was EUR 207.5 million (196.6). The key factors contributing to the improvement of the operating result were increased softwood pulp and decreases in wood and other raw material prices year-on-year. The decrease in delivery volumes had a weakening effect on sales and operating result.

The foreign currency-denominated market prices of softwood pulp were on average 8 per cent higher, and of hardwood pulp 6 per cent lower, than in 2013. The softwood pulp market remained balanced, and the supply of hardwood pulp increased due to new capacity.

Deliveries of pulp amounted to 2,246,000 tonnes (2,297,000). Of this, softwood accounted for approximately 76 per cent and hardwood for approximately 24 per cent.

Metsä Fibre's sales for the last quarter of the year were EUR 337.1 million (10–12/2013: 339.8) and the operating result totalled EUR 64.5 million (51.0).

Metsä Fibre's most significant investment in 2014 was the replacement of the bottom of the recovery boiler and modernisation of the air system of the Joutseno mill, as well as the renewal of the woodchip silo and its malodorous gas treatment system. The investments improved the operational reliability of the mill, ensured the boiler safety of the mill and decreased the nitrogen oxide emissions of flue gases and malodorous gas emissions.

The upgrade of the automation system of the Kemi pulp mill was continued with regard to the fibre line. The investment project will be fully completed in 2015. The renewal of the system ensures the uninterrupted operation of the mill's process control.

Metsä Fibre is preparing to build a bioproduct mill in the area of its pulp mill in Äänekoski. The project is proceeding as planned. If the prerequisites for the investment are met, the investment decision on building the mill will be made this spring. The preparation of the mill area commenced during the fourth quarter with demolition work of the pulp mill that was closed down in 1985.

The planning of the bioproduct mill's technical and bioproduct concept and the environmental impact and environmental permit processes were completed in January 2015. Vuosaari harbour in Helsinki has been chosen as the export harbour for the mill. Once completed, the bioproduct mill would increase pulp export deliveries by 800,000 tonnes annually.

Paperboard and paper industry

Metsä Board's sales in 2014 totalled EUR 2,008.4 million (2013: 2,019.3) and its operating result excluding non-recurring items was EUR 136.5 million (104.4).

Lower production costs and increased delivery volumes of folding boxboard and white fresh forest fibre linerboard, as well as the weaker Swedish krona against the euro, had a positive effect on the operating result compared to the previous year. Lower average prices and delivery volumes for coated and uncoated papers had a negative effect on the operating result.

Sales in the fourth quarter of 2014 amounted to EUR 499.4 million (10–12/2013: 479.2) and the operating result excluding non-recurring items was EUR 36.9 million (29.3). Non-recurring items in the fourth quarter amounted to EUR -30.1 million net.

Non-recurring items recognised in the operating result in 2014 amounted to EUR -19.9 million net (+9.2). The most significant items were a sales gain of EUR 32.1 million related to the sales of the Niemenranta real estate property in Niemenranta, Tampere, and a sales gain of EUR 4.0 million from Metsä Fibre selling its shares in Pohjolan Voima. A write-down of EUR 26,1 million was made as a result of the weak profitability of the Gohrsmühle mill, and a cost provision of EUR 13.4 million related to the planned discontinuation of paper production at the Husum mill was made. EUR 17.4 million was paid in damages to UPM-Kymmene related to the sale of Metsä Fibre Oy shares in May 2012.

Metsä Board's operating result including non-recurring items was EUR 116.5 million (113.6).

Excluding non-recurring items, Metsä Board's return on capital employed was 9.1% (6.4), and its earnings per share were EUR 0.27 (0.17). Including non-recurring items, the return on capital employed was 7.7 per cent (7.0), and the earnings per share were EUR 0.21 (0.19).

At the end of December, Metsä Board's equity ratio was 39.2 per cent and net gearing was 51 per cent (31 December 2013: 40.7 per cent and 70 per cent, respectively).

In December, Metsä Board announced that it will renew its management and reporting structure to enable successful implementation of its growth strategy.

Metsä Board's financial statements were published on 5 February 2015.

Tissue and cooking papers

Metsä Tissue's sales in January–December totalled EUR 1,012.8 million (2013: 1,004.0). Operating result excluding non-recurring items was EUR 62.2 million (54.7). Underlying the favourable performance development were increased sales volumes and improved cost efficiency. Changes in exchange rates and pulp prices had a negative effect on the result.

Metsä Tissue's sales for the last quarter of the year were EUR 257.6 million (10–12/2013: 259.9), and its operating result was EUR 21.1 million (15.1).

The biopower plant at the Mariestad mill in Sweden will be commissioned for commercial use during the first half of 2015. The power plant was built in cooperation with the local energy company KKAB. The total investment amounted to approximately EUR 30 million, of which Metsä Tissue's share was 50 per cent. The power plant will produce energy from renewable fuel for the mill and the surrounding area.

A new converting line for manufacturing both consumer products and away-from-home products was commissioned at the Krapkowice mill in Poland in June 2014. A new, about EUR 10 million converting line for consumer products was built at the Mariestad mill in Sweden and commissioned at the end of the year.

The overhaul of the Mänttä power plant carried out in 2014 significantly improved the energy efficiency of

Metsä Tissue's Mänttä mill and provided cost savings. In 2014, the mill saved approximately 20,000 MWh of energy and around 250,000 m^3 of water, which is equivalent to the energy and water consumption of over a thousand Finnish single-family homes.

Metsä Tissue introduced several new products in 2014, such as the renewed Lambi toilet papers and Serla handkerchiefs, Serla and Mola household sheets and Serla cleaning products. Large packages of Mola and Tento consumer products were launched in the the eastern Central European markets, among other products. The production of a new type of soft tissue packaging aimed at international markets began in Slovakia.

RISKS AND UNCERTAINTIES

The estimates and statements in this financial statements bulletin are based on current plans and estimates. They involve risks and uncertainties that may cause the results to differ from those expressed in such statements. In the short term, the price of and demand for end products, raw material costs, energy prices and the exchange rate development of the euro have an effect on the results of Metsä Group.

The sanctions issued by the EU and Russia, and the USA and Russia, due to the crisis in Ukraine have not had a direct impact on Metsä Group's operations thus far. However, the sanctions have an indirect impact on the demand of Metsä Group's products, for example through the unfavourable development of exchange rates. For the time being, the economic impact of the sanctions on Metsä Group has been minor. Any additional sanctions could have a negative impact on the scope and result of Metsä Group's operations.

The risks related to the Group's business have been explained more extensively in Metsä Group's Financial Statements for 2013.

PENDING DISPUTES

In March 2011, the state enterprise Metsähallitus filed a claim for damages at the District Court of Helsinki, demanding that Metsäliitto Cooperative and two other forest industry companies jointly pay compensation for alleged damage caused by prohibited cooperation with regard to prices in the raw wood market. The claim is related to the 3 December 2009 decision by the Market Court which states that the aforementioned companies have violated the act on competition restrictions in the raw wood market. In addition, some municipalities, parishes and a group of individuals in Finland have instituted similar proceedings. The total amount of all claims that Metsäliitto Cooperative is aware of and that were directed at Metsäliitto Cooperative and the other aforementioned companies jointly is approximately EUR 202 million, of which approximately EUR 65 million is directed at Metsäliitto Cooperative alone. The aforementioned proceedings are associated with interest, value added tax claims and legal process expenses. In addition to the aforementioned claims, new claims for damages have been filed by private individuals and entities in January 2015, the amounts of which are not yet known by Metsäliitto. Metsäliitto Cooperative's view is that the claims for damages are unfounded, and the company has not recognised any provisions regarding them.

In May, Metsäliitto Cooperative and Metsä Board demanded the District Court of Helsinki to revoke the judgment issued by the Arbitral Tribunal on 11 February 2014 that ordered Metsäliitto Cooperative and Metsä Board to pay a total of EUR 67 million in damages to UPM-Kymmene Corporation.

NEAR-TERM OUTLOOK

Metsä Forest buys wood from across the country, primarily from stands harvested when the ground is unfrozen. Winter thinning stands are purchased in limited volumes, as some of the logging sites planned to be harvested last year were moved to this winter's harvest due to the poor weather conditions. The aim in forest management services is to continue strong growth and be the owner-members' first choice partner.

In spite of seasonal fluctuations in demand, wood products industry's sales for the first quarter of 2015 are expected to develop steadily compared to the fourth quarter of 2014. The outlook for construction is challenging in Europe, and especially in Finland. Competition in the sawn timber market, which is suffering from oversupply, is expected to continue to be tight, and production curtailments may need to be continued. The exchange rates of the currencies of the key competitor countries have weakened more than the euro against the main trade currencies, which weakens the competitiveness of the Finnish wood products industry.

Demand for pulp has remained stable, and no signs of rapid changes in the market are in sight. The strengthening of the US dollar against the euro has improved the profitability of pulp producers in the euro area.

Delivery volumes of paperboard are estimated to increase slightly during the first quarter of 2015 compared to the previous quarter. No material changes in the price of paperboard are in sight at the moment.

Metsä Board's paper deliveries are estimated to increase slightly during the first quarter, while the average price is expected to decrease.

Price competition in the retail trade of tissue and cooking papers will continue to be tight in all markets. Demand is expected to continue to be at the level of 2014. Changes in energy and raw material prices and the quality of recycled paper and its local availability are significant drivers of the development of Metsä Tissue's operating result.

Metsä Group's operating result excluding non-recurring items in the first quarter of 2015 is expected to be approximately on the same level compared to the fourth quarter of 2014.

PROPOSAL FOR INTEREST ON MEMBERS' CAPITAL

Metsäliitto Cooperative's Board of Directors has decided to propose to the Supervisory Board that an interest of 5.5 per cent be distributed for 2014 on the statutory capital invested by the members (5.5 + 1.0 for 2013). An interest of 5.0 per cent (5.0) is proposed for additional members' capital A, and an interest of 4.5 per cent (4.5) for additional members' capital B.

The proposal of the Board of Directors will be dealt with in March by Metsäliitto Cooperative's Supervisory Board, which, in turn, will make a proposal on the interest on members' capital to the Representative Council meeting in May.

Espoo, Finland, 5 February 2015

BOARD OF DIRECTORS

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Metsä Group will publish its financial reports in 2015 as follows:
7 May Interim Report January–March 2015
6 Aug. Interim Report January–June 2015
5 Nov. Interim Report January–September 2015

SEGMENTS

Wood Supply and Forest Services The figures for 2013 are restated	2014 1–12	2013 1–12	2014 10–12	2013 10–12
Sales, EUR million	1 575.0	1 561.0	397.5	393.4
EBITDA, EUR million	29.7	30.7	8.8	7.8
- "- excl. non-rec. items, EUR million	31.2	30.7	8.8	7.8
Depreciation and impairment, EUR million	-3.0	-2.8	-0.7	-0.7
Operating result, EUR million	26.7	27.8	8.1	7.1
- " - excl. non-rec. items, EUR million	28.2	27.8	8.1	7.1
- " -, % of sales	1.8	1.8	2.0	1.8
ROCE excl. non-rec. items, %	24.7	25.6	25.3	23.5
Capital expenditure, EUR million	4.8	5.4	0,9	1.6
Personnel at end of period	887	919	887	919

Wood Products Industry The figures for 2013 are restated	2014 1–12	2013 1–12	2014 10–12	2013 10–12
Sales, EUR million	896.9	899.7	215.9	214.6
EBITDA, EUR million	64.5	36.4	14.1	9.1
- " - excl. non-rec. items, EUR million	66.2	45.6	15.8	9.1
Depreciation and impairment, EUR million	-30.4	-38.2	-8.3	-6.9
Operating result, EUR million	34.1	-1.8	5.8	2.2
- " - excl. non-rec. items, EUR million	37.2	15.4	8.0	2.0
- " -, % of sales	4.2	1.7	3.7	0.9
ROCE excl. non-rec. items, %	11.2	5.0	7.9	4.7
Capital expenditure, EUR million	13.7	43.5	2.4	10.2
Personnel at end of period	2 249	2 490	2 249	2 490

Pulp Industry The figures for 2013 are restated	2014 1–12	2013 1–12	2014 10–12	2013 10–12
Sales, EUR million	1 295.7	1 314.0	337.1	339.8
EBITDA, EUR million	289.9	256.5	78.9	64.8
- " - excl. non-rec. items, EUR million	269.5	256.5	78.9	64.8
Depreciation and impairment, EUR million	-62.0	-59.9	-14.4	-13.8
Operating result, EUR million	227.9	196.6	64.5	51.0
- " - excl. non-rec. items, EUR million	207.5	196.6	64.5	51.0
- " -, % of sales	16.0	15.0	19.1	15.0
ROCE excl. non-rec. items, %	29.8	28.9	37.6	28.7
Capital expenditure, EUR million	26.0	26.6	7.2	8.5
Personnel at end of period	842	884	842	884

Paperboard and Paper Industry The figures for 2013 are restated	2014 1–12	2013 1–12	2014 10–12	2013 10–12
Sales, EUR million	2 008.4	2 019.3	499.4	479.2
EBITDA, EUR million	242.2	214.8	56.4	56.7
- " - excl. non-rec. items, EUR million	236.2	208.0	60.6	55.5
Depreciation and impairment, EUR million	-125.6	-101.3	-49.7	-26.2
Operating result, EUR million	116.5	113.6	6.7	30.6
- " - excl. non-rec. items, EUR million	136.5	104.4	36.9	29.3
- " -, % of sales	6.8	5.2	7.4	6.1
ROCE excl. non-rec. items, %	9.1	6.4	9.6	7.9
Capital expenditure, EUR million	44.2	66.9	18.2	20.2
Personnel at end of period	3 111	3 116	3 111	3 116

Tissue and Cooking Papers The figures for 2013 are restated	**2014** **1–12**	**2013** **1–12**	**2014** **10–12**	**2013** **10–12**
Sales, EUR million	1 012.8	1 004.0	257.6	259.9
EBITDA, EUR million	100.5	95.7	31.1	25.2
- "- excl. non-rec. items, EUR million	100.9	95.1	31.1	25.2
Depreciation and impairment, EUR million	-38.7	-40.4	-10.0	-10.1
Operating result, EUR million	61.8	55.3	21.1	15.1
- " - excl. non-rec. items, EUR million	62.2	54.7	21.1	15.1
- " -, % of sales	6.1	5.5	8.2	5.8
ROCE excl. non-rec. items, %	9.3	8.4	12.8	9.2
Capital expenditure, EUR million	38.0	60.4	13.6	33.2
Personnel at end of period	2 805	2 843	2 805	2 843

Other operations The figures for 2013 are restated	**2014** **1–12**	**2013** **1–12**	**2014** **10–12**	**2013** **10–12**
Sales, EUR million	9.6	3.9	2.4	1.2
EBITDA, EUR million	-38.6	-5.0	-4.1	-4.0
- " - excl. non-rec. items, EUR million	4.1	-4.6	-3.4	-3.6
Depreciation and impairment, EUR million	-2.2	-2.0	-0.5	-0.6
Operating result, EUR million	-40.7	-7.0	-4.7	-4.6
- " - excl. non-rec. items, EUR million	1.9	-6.5	-3.9	-4.2
Capital expenditure, EUR million	18.0	17.2	4.2	3.7
Personnel at end of period	516	484	516	484

Other operations include among others Metsä Group's service and holding functions as well as a share of Metsätapiola's real estate operations.

Internal sales and eliminations The figures for 2013 are restated	**2014** **1–12**	**2013** **1–12**	**2014** **10–12**	**2013** **10–12**
Sales, EUR million	-1 828.1	-1 863.1	-462.4	-468.7
EBITDA, EUR million	4.9	-37.1	-13.6	-9.9
- " - excl. non-rec. items, EUR million	-41.0	-37.1	-13.6	-9.9
Depreciation and impairment, EUR million	-14.4	-12.5	-3.7	-3.2
Operating result, EUR million	-9.5	-49.6	-17.4	-13.1
- " - excl. non-rec. items, EUR million	-55.4	-49.6	-17.4	-13.1

Metsä Group The figures for 2013 are restated	**2014** **1–12**	**2013** **1–12**	**2014** **10–12**	**2013** **10–12**
Sales, EUR million	4 970.3	4 938.7	1 247.5	1 219.3
EBITDA, EUR million	693.1	592.1	171.5	149.6
- "- excl. non-rec. items, EUR million	667.1	594.3	178.2	148.9
Depreciation and impairment, EUR million	-276.2	-257.1	-87.4	-61.3
Operating result, EUR million	416.9	335.0	84.1	88.3
- " - excl. non-rec. items, EUR million	418.1	342.9	117.3	87.3
- " -, % of sales	8.4	6.9	9.4	7.2
ROCE excl. non-rec. items, %	11.4	9.1	12.0	9.3
Capital expenditure, EUR million	143.0	213.5	47.0	79.8
Personnel at end of period	10 410	10 736	10 410	10 736

EBITDA = Operating result before depreciation and impairment losses
ROCE = Return on capital employed

QUARTERLY DATA

EUR million	2014 10–12	2014 7–9	2014 4–6	2014 1–3	2013 10–12	2013 7–9	2013 4–6	2013 1–3
Sales								
Wood Supply and Forest Services	397.5	363.2	379.5	434.9	393.4	352.5	392.2	422.8
Wood Products Industry	215.9	207.3	251.8	221.9	214.6	207.9	260.8	216.4
Pulp Industry	337.1	303.8	325.8	329.0	339.8	341.7	309.3	323.2
Paperboard and Paper Industry	499.4	513.8	494.0	501.2	479.2	502.3	502.8	535.0
Tissue and Cooking Papers	257.6	252.4	250.2	252.6	259.9	248.3	244.4	251.5
Other operations	2.4	2.3	2.7	2.3	1.2	1.6	0.6	0.5
Internal sales	-462.4	-439.3	-438.9	-487.5	-468.7	-440.4	-468.2	-485.8
Sales total	**1 247.5**	**1 203.6**	**1 264.9**	**1 254.3**	**1 219.3**	**1 213.9**	**1 241.9**	**1 263.6**
Operating result								
Wood Supply and Forest Services	8.1	4.5	5.5	8.6	7.1	5.5	7.7	7.4
Wood Products Industry	5.8	6.3	14.4	7.7	2.2	-13.0	4.5	4.4
Pulp Industry	64.5	51.8	56.7	54.9	51.0	50.8	47.5	47.3
Paperboard and Paper Industry	6.7	34.1	32.2	43.5	30.6	19.3	28.9	34.8
Tissue and Cooking Papers	21.1	19.2	9.7	11.8	15.1	12.6	13.8	13.8
Other operations	-4.7	3.4	3.7	-43.2	-4.6	1.1	-2.5	-0.9
Eliminations	-17.4	-16.4	38.0	-13.7	-13.1	-13.3	-10.7	-12.5
Operating result total	**84.1**	**102.9**	**160.2**	**69.7**	**88.3**	**63.0**	**89.2**	**94.5**
-”-, % of sales	6.7	8.5	12.7	5.6	7.2	5.2	7.2	7.5
Share of results from associated companies and joint ventures	1.9	-0.9	7.9	7.4	0.1	0.1	2.9	6.6
Exchange gains and losses	3.9	-0.0	0.9	-2.1	-2.6	-2.0	-0.2	0.2
Other net financial items	-22.4	-22.6	-23.3	-37.8	-24.3	-30.1	-23.0	-38.9
Result before income tax	**67.6**	**79.4**	**145.7**	**37.2**	**61.5**	**31.0**	**68.9**	**62.4**
Income tax	-11.1	-17.4	-35.8	-5.4	10.2	-10.6	-18.8	-16.0
Result for the period	**56.5**	**62.0**	**109.9**	**31.8**	**71.7**	**20.4**	**50.2**	**46.4**
Operating result excl. non-rec. items								
Wood Supply and Forest Services	8.1	4.5	7.0	8.6	7.1	5.5	7.7	7.4
Wood Products Industry	8.0	6.2	14.4	8.6	2.0	-2.9	11.9	4.4
Pulp Industry	64.5	51.8	36.3	54.9	51.0	50.8	47.5	47.3
Paperboard and Paper Industry	36.9	35.2	28.3	36.1	29.3	18.9	26.0	30.2
Tissue and Cooking Papers	21.1	19.6	9.7	11.8	15.1	12.6	13.8	13.2
Other operations and eliminations	-21.2	-13.0	-4.2	-15.0	-17.3	-12.3	-13.2	-13.4
Operating result total	**117.3**	**104.3**	**91.5**	**105.1**	**87.3**	**72.6**	**93.7**	**89.3**
-”-, % of sales	9.4	8.7	7.2	8.4	7.2	6.0	7.5	7.1

CALCULATION OF KEY RATIOS

Return on capital employed (%) ROCE	=	(Result before tax + exchange gains/losses and other net financial expenses) per (Balance total – non-interest-bearing liabilities) (average))
Return on equity (%) ROE	=	(Result before tax – income tax) per (Members' funds (average))
Equity ratio (%)	=	(Members' funds) per (Balance total – advance payments received)
Net gearing ratio (%)	=	(Interest-bearing borrowings – cash and cash equivalents - interest-bearing receivables per (Members' funds)

FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million The figures for 2013 are restated	Note	2014 1–12	2013 1–12	Change	2014 10–12	2013 10–12
Sales	2	**4 970.3**	**4 938.7**	**31.6**	**1 247.5**	**1 219.3**
Change in stocks of finished goods and work in progress		17.7	31.2	-13.4	8.2	24.1
Other operating income		170.3	81.0	89.3	29.2	25.1
Material and services		-3 329.6	-3 390.6	61.0	-826.9	-845.1
Employee costs		-699.0	-692.0	-7.0	-180.5	-167.6
Depreciation and impairment losses		-276.2	-257.1	-19.1	-87.4	-61.3
Other operating expenses		-436.7	-376.3	-60.4	-106.0	-106.2
Operating result	2	**416.9**	**335.0**	**81.9**	**84.1**	**88.3**
Share of results from associated companies and joint ventures		16.4	9.6	6.8	1.9	0.1
Exchange gains and losses		2.7	-4.6	7.3	3.9	-2.6
Other net financial items	2	-106.1	-116.2	10.2	-22.4	-24.3
Result before income tax		**329.9**	**223.8**	**106.1**	**67.6**	**61.5**
Income tax	3	-69.7	-35.1	-34.5	-11.1	10.2
Result for the period		**260.3**	**188.7**	**71.6**	**56.5**	**71.7**
Other comprehensive income						
Items that will not be reclassified to profit and loss						
Items relating to adjustments of defined benefit plans		-44.7	2.4	-47.1	-10.2	10.2
Income tax relating to items that will not be reclassified		11.9	-0.1	12.1	3.2	-2.8
Total		-32.7	2.3	-35.0	-7.0	7.4
Items that may be reclassified subsequently to profit and loss						
Cash flow hedges		-19.7	-2.5	-17.3	-8.0	-9.6
Available for sale financial assets	8	-43.6	-57.9	14.3	6.3	-5.0
Currency translation differences		-43.3	-20.3	-23.0	-26.5	-11.2
Share of comprehensive income of joint venture		-4.4	0.0	-4.4	-4.4	-0.0
Other items		0.3	-0.1	0.4	0.1	-0.2
Income tax relating to items that may be reclassified		15.3	22.3	-7.0	-0.4	11.8
Total		-95.4	-58.5	-36.9	-32.9	-14.1
Other comprehensive income, net of tax		**-128.2**	**-56.2**	**-71.9**	**-39.9**	**-6.7**
Total comprehensive income for the period		**132.1**	**132.5**	**-0.3**	**16.6**	**65.0**
Result for the period attributable to:						
Members of parent company		156.5	109.2	47.2	40.4	37.4
Non-controlling interests		103.8	79.5	24.4	16.2	34.3
Total		260.3	188.7	71.6	56.5	71.7
Total comprehensive income attributable						
Members of parent company		82.4	83.1	-0.7	13.8	35.6
Non-controlling interests		49.7	49.3	0.4	2.8	29.5
Total		132.1	132.5	-0.3	16.6	65.0

The notes are an integral part of these unaudited financial statements.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

EUR million The figures for 2013 are restated	Note	2014 31.12.	2013 31.12.	2013 1.1.
ASSETS				
Non-current assets				
Goodwill		520.3	529.0	533.8
Other intangible assets		240.8	255.0	239.4
Tangible assets	4	1 831.2	2 012.7	2 093.0
Biological assets		11.8	11.1	8.4
Investments in associated companies and joint ventures		77.7	71.5	65.2
Available for sale investments	8	257.1	305.7	356.2
Non-current financial assets	8	19.7	19.1	13.7
Deferred tax receivables		64.8	47.1	70.6
		3 023.5	**3 251.3**	**3 380.4**
Current assets				
Inventories		774.1	775.7	725.7
Accounts receivables and other receivables		690.4	705.4	712.0
Tax receivables based on the taxable income for the period		0.3	4.6	8.4
Cash and cash equivalents	8	947.9	454.4	519.4
		2 412.7	**1 940.1**	**1 965.5**
Assets classified as held for sale		10.8	-	20.6
Total assets		**5 447.0**	**5 191.3**	**5 366.5**
MEMBERS' FUNDS AND LIABILITIES				
Members' funds				
Members' funds		1 590.3	1 482.9	1 366.9
Non-controlling interests		467.0	476.3	491.2
		2 057.3	**1 959.2**	**1 858.1**
Non-current liabilities				
Deferred tax liabilities		230.6	244.4	319.5
Post-employment benefit obligations		184.8	154.4	154.0
Provisions	5	33.4	19.3	34.6
Borrowings	8	1 373.3	1 624.3	1 173.1
Other liabilities		21.3	27.6	35.7
		1 843.3	**2 069.9**	**1 716.9**
Current liabilities				
Provisions	5	14.0	33.9	53.8
Current borrowings	8	528.9	356.9	966.2
Accounts payable and other liabilities		972.2	762.6	766.9
Tax liabilities based on the taxable income for the period		25.4	8.8	4.5
		1 540.5	**1 162.2**	**1 791.5**
Liabilities classified as held for sale		6.0	-	-
Total liabilities		**3 389.8**	**3 232.2**	**3 508.4**
Total members' funds and liabilities		**5 447.0**	**5 191.3**	**5 366.5**

The notes are an integral part of these unaudited financial statements.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' FUNDS

		Equity attributable to members of parent company						
EUR million	Note	Members' capital	Translation differences	Fair value and other reserves	Retained earnings	Total	Non-controlling interest	Total
Members' funds 1.1.2013		594.5	37.9	236.1	498.2	1 366.7	491.2	1 857.9
IFRS 10 and 11 restatement	1		-0.0		0.3	0.3	-0.0	0.3
Adjusted members' funds 1.1.2013		**594.5**	**37.9**	**236.1**	**498.5**	**1 366.9**	**491.2**	**1 858.1**
Result for the period					109.2	109.2	79.5	188.7
Other comprehensive income, net after tax			-13.0	-17.0	3.9	-26.1	-30.2	-56.2
Total comprehensive income			**-13.0**	**-17.0**	**113.1**	**83.1**	**49.3**	**132.5**
Transactions with owners:								
Dividends paid					-31.6	-31.6	-36.8	-68.4
Change in members' capital		60.2			-1.4	58.9		58.9
Transfer from unrestricted to restricted				5.7	-5.7	0.0		0.0
Acquired shares from non-controlling interests, which did not change the controlling right				0.1	5.4	5.5	-27.4	-21.9
Members' funds 31.12.2013		**654.7**	**24.9**	**224.9**	**578.3**	**1 482.9**	**476.3**	**1 959.2**

		Equity attributable to members of parent company						
EUR million	Note	Members' capital	Translation differences	Fair value and other reserves	Retained earnings	Total	Non-controlling interest	Total
Members' funds 1.1.2014		654.7	24.9	224.9	578.0	1 482.6	476.3	1 958.9
IFRS 10 and 11 restatement	1		-0.0		0.3	0.3	-0.0	0.3
Adjusted members' funds 1.1.2014		**654.7**	**24.9**	**224.9**	**578.3**	**1 482.9**	**476.3**	**1 959.2**
Result for the period					156.5	156.5	103.8	260.3
Other comprehensive income, net after tax			-32.0	-20.5	-21.4	-74.0	-54.1	-128.2
Total comprehensive income			**-32.0**	**-20.5**	**135.0**	**82.4**	**49.7**	**132.1**
Transactions with owners:								
Dividends paid					-35.1	-35.1	-42.5	-77.5
Change in members' capital		64.4			-1.8	62.6		62.6
Transfer from unrestricted to restricted				2.4	-2.4	0.0		0.0
Acquired shares from non-controlling interests, which did not change the controlling right					-3.0	-3.0	-17.9	-20.9
Sold shares from non-controlling interests, which did not change the controlling right				-0.1	0.6	0.4	1.3	1.8
Members' funds 31.12.2014		**719.1**	**-7.1**	**206.7**	**671.6**	**1 590.3**	**467.0**	**2 057.3**

The notes are an integral part of these unaudited financial statements.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	2014 1–12	2013 1–12
Result for the period	7	260.3	188.7
Total adjustments	7	305.0	349.8
Change in working capital		198.6	-47.7
Cash flow arising from operations		**763.9**	**490.7**
Net financial items		-93.9	-124.4
Income taxes paid		-52.7	-51.1
Net cash flow arising from operating activities		**617.3**	**315.3**
Acquisitions		-3.4	-2.1
Investments in tangible and intangible assets		-143.0	-213.5
Disposals and other items	7	139.2	41.9
Net cash flow arising from investing activities		**-7.2**	**-173.7**
Change in members' funds		67.8	60.4
Change in shares of non-controlling interests		-20.9	-21.1
Change in long-term loans and other financial items		-73.3	-167.0
Dividends paid		-87.9	-78.1
Net cash flow arising from financing activities		**-114.3**	**-205.8**
Change in cash and cash equivalents		**495.8**	**-64.3**
Cash and cash equivalents at beginning of period		454.4	519.4
Translation difference		-2.2	-0.8
Change in cash and cash equivalents		495.8	-64.3
Cash and cash equivalents of assets classified as held for sale		-0.2	0.0
Cash and cash equivalents at end of period		**947.9**	**454.4**

The notes are an integral part of these unaudited financial statements.

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

NOTE 1 – BACKGROUND AND ACCOUNTING POLICIES

Metsäliitto Cooperative and its subsidiaries comprise a forest industry group (“Metsä Group” or “Group”), which operations are organised into five business segments: Wood Supply and Forest Services, Wood Products Industry, Pulp Industry, Paperboard and Paper Industry and Tissue and Cooking Papers. Metsä Group’s parent company is Metsäliitto Cooperative. The parent company is domiciled in Helsinki and the registered address is Revontulenpuisto 2, 02100 Espoo, Finland.

This unaudited financial statements bulletin has been prepared in accordance with IAS 34, Interim Financial Reporting, and it should be read in conjunction with the 2013 IFRS financial statements. The same accounting policies have been applied as in the 2013 IFRS financial statements with the following exception:

- Depreciation of machinery and equipment during the financial year has been specified further between the quarters where applicable in order to correspond with the allocation of the use of the economic benefit of the asset.

In 2014 Metsä Group has adopted the following new and amended standards and interpretations:

- IFRS 10 *Consolidated Financial Statements* and subsequent amendments: IFRS 10 builds on existing principles by identifying the concept of control as the determining factor when deciding whether an entity should be incorporated within the consolidated financial statements. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The comparative figures have been adjusted to IFRS 10 and presented in the interim report Q1 2014.
- IFRS 11 *Joint Arrangements* and subsequent amendments: In the accounting of joint arrangements IFRS 11 focuses on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. In future joint ventures are to be accounted for using only one method, equity method, and the other alternative, proportional consolidation is no longer allowed. The comparative figures have been adjusted to IFRS 11 and presented in the interim report Q1 2014.
- IFRS 12 *Disclosures of Interests in Other Entities* and subsequent amendments: IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including associates, joint arrangements, structured entities and other off-balance sheet vehicles. The new standard will expand the notes the Group provides for its interests in other entities.
- IAS 28 *Investments in Associates and Joint Ventures* (revised 2011): Following the issue of IFRS 11 the revised IAS 28 includes the requirements for joint ventures, as well as associates, to be equity accounted.
- Amendments to IAS 32 *Financial Instruments: Presentation*: The amendments provide clarifications on the application of presentation requirements for offsetting financial assets and financial liabilities on the statement of financial position and give more related application guidance.
- Amendments to IAS 36 *Impairment of Assets*: The objective of the amendments is to clarify that the scope of the disclosures of information about the recoverable amount of assets, where that amount is based on fair value less costs of disposal, is limited to impaired assets.
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement*: The amendments made to IAS 39 provide an exception to the requirement to discontinue hedge accounting in certain circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.

All amounts are presented in millions of euros, unless otherwise stated.

This financial statements bulletin was authorised for issue by the Board of Directors of Metsäliitto Cooperative on 5 February 2015.

NOTE 2 – SEGMENT INFORMATION

The Group's operating segments are comprised of the Group's business areas. The business areas produce different products and services, and they are managed as separate units. The operating segments are reported uniformly with internal reporting submitted to the chief operational decision-maker. The President and CEO has been appointed as the chief operational decision-maker in charge of allocating resources to the operating segments and evaluating their performance.

The same accounting policies are applied in segment reporting as for the Group as a whole. Transactions between segments are based on market prices. The figures for 2013 are restated.

SALES BY SEGMENTS

EUR million	1–12/2014 External	1–12/2014 Internal	1–12/2014 Total	1–12/2013 External	1–12/2013 Internal	1–12/2013 Total
Wood Supply and Forest Services	391.0	1 184.0	1 575.0	371.1	1 189.9	1 561.0
Wood Products Industry	836.4	60.5	896.9	839.6	60.1	899.7
Pulp Industry	791.1	504.6	1 295.7	781.0	532.9	1 314.0
Paperboard and Paper Industry	1 939.4	69.1	2 008.4	1 943.1	76.2	2 019.3
Tissue and Cooking Papers	1 012.3	0.5	1 012.8	1 003.7	0.3	1 004.0
Other operations	0.1	9.4	9.6	0.2	3.7	3.9
Elimination of internal sales	-	-1 828.1	-1 828.1	-	-1 863.1	-1 863.1
Total sales	4 970.3	0.0	4 970.3	4 938.7	0.0	4 938.7

OPERATING RESULT BY SEGMENTS

EUR million	2014 1–12	2013 1–12
Wood Supply and Forest Services	26.7	27.8
Wood Products Industry	34.1	-1.8
Pulp Industry	227.9	196.6
Paperboard and Paper Industry	116.5	113.6
Tissue and Cooking Papers	61.8	55.3
Other operations	-40.7	-7.0
Eliminations	-9.5	-49.6
Operating result total	416.9	335.0
Share of results from associated companies and joint ventures	16.4	9.6
Financial costs, net	-103.4	-120.8
Income taxes	-69.7	-35.1
Result for the period	260.3	188.7

Metsä Group's operating result 2014 includes non-recurring items net of EUR -1.3 million (-7.9). The most significant non-recurring item was the sale of Pohjolan Voima Oy's B shares to Kymppivoima Oy for EUR 75.0 million. A sales gain of EUR 70.3 million was recognised for this transaction in the operating result. Other significant items were the EUR 32.1 million sale of Metsä Board's Niemenranta properties in Tampere, the compensation of EUR 59.2 million paid to UPM-Kymmene, the impairment loss of EUR 26.1 million at Metsä Board Gohrsmühle and the provision of EUR 13.4 million at Metsä Board Husum.

ASSETS AND LIABILITIES BY SEGMENTS

Assets EUR million	2014 31.12.	2013 31.12.
Wood Supply and Forest Services	262.4	291.4
Wood Products Industry	392,8	403.0
Pulp Industry	709.7	848.6
Paperboard and Paper Industry	1 873.4	1 981.0
Tissue and Cooking Papers	899.5	933.5
Other operations	260.3	185.4
Assets classified as held for sale	10,9	0,0
Eliminations	-238.1	-268.8
Unallocated assets	1 276,0	817.2
Total	5 447.0	5 191.3

Assets = intangible and tangible assets, inventories, accounts receivables and other non-interest-bearing receivables (excl. interest and tax items).

Liabilities EUR million	2014 31.12.	2013 31.12.
Wood Supply and Forest Services	176.3	228.9
Wood Products Industry	106.7	109.7
Pulp Industry	253.6	117.1
Paperboard and Paper Industry	537.3	455.5
Tissue and Cooking Papers	269.4	274.3
Other operations	108.7	69.5
Liabilities classified as held for sale	6,0	0,0
Eliminations	-238.1	-268.8
Unallocated liabilities	2 170.0	2 246.0
Total	3 389.8	3 232.2

Liabilities = accounts payable, advance payments and other non-interest-bearing liabilities (excl. interest and tax items).

NOTE 3 – INCOME TAXES

Tax expense in the income statement is comprised of the current tax and deferred taxes.

EUR million	2014 1–12	2013 1–12
Taxes for the period	62.9	61.2
Taxes for the prior periods	0.7	-2.3
Change in deferred taxes	6.0	-23.8
Total income taxes	69.7	35.1

NOTE 4 – CHANGE IN PROPERTY, PLANT AND EQUIPMENT

EUR million	2014 1–12	2013 1–12
Book value at beginning of period	2 012.7	2 093.0
Investments	130.8	189.7
Decreases	-16.5	-6.5
Assets classified as held for sale	-3.9	-2.1
Depreciation and impairment losses	-257.9	-242.6
Translation differences and other changes	-34.1	-18.7
Book value at end of period	1 831.2	2 012.7

Metsäliitto Cooperative agreed on 31 December 2014 on the sale of the entire share capital of Metsä Wood's UK-based pole business subsidiary Burt Boulton & Haywood Ltd (BBH) to ScanPole Ltd, a subsidiary of Iivari Mononen Oy. Assets classified as held for sale include the property, plant and equipment of BBH. Assets classified as held for sale also include apartments and parking places of Asunto Oy Tapiolan Jalava not sold by the end of December 2014.

Depreciation and impairment losses include Metsä Board Zanders´ impairment of EUR 24.8 million for the Gohrsmühle factory in Germany. The impairment is based on the weak profitability of the factory.

NOTE 5 – PROVISIONS

EUR million	Restructuring	Environmental obligations	Other provisions	Total
At 1 January 2014	11.8	28.2	13.2	53.2
Translation differences	-0.2	-0.4	-0.4	-1.0
Increases	13.2	0.9	3.0	17.1
Utilised during the year	-7.8	-10.2	-2.5	-20.4
Unused amounts reversed	-0.1	0.0	-1.1	-1.2
Effect of discounting	0.0	0.2	0.0	0.2
Liabilities of assets classified as held for sale	0.0	0.0	-0.5	-0.5
At 31 December 2014	16.9	18.7	11.7	47.3

The most significant increase in provisions is due to the reorganisation at Metsä Board Sverige AB. The provision of EUR 12.9 million was made in December 2014. Unused amounts reversed of EUR 1.1 million is due to a rent provision in England made by Metsä Board.

Of the Metsä Group's total provisions of EUR 47.3 million, the non-current portion was EUR 33.4 million and the current portion EUR 14.0 million. The non-current portion will mostly be paid during 2017.

NOTE 6 – RELATED PARTY TRANSACTIONS

The sales of Metsäliitto Cooperative's wood deliveries and forest services to the Group subsidiaries and joint operations totalled EUR 757.6 million in January–December (768.0). Sales of wood deliveries and forest services to associated companies and joint ventures were EUR 7.7 million (11.2).

Metsä Group's forest holdings are centralised in Finsilva Corporation, which is an associated company of Metsäliitto Cooperative (49.9%). The value of wood deliveries in January–December was EUR 19.6 million (18.3).

A share-based incentive scheme covering the members of the Group's Executive Management Team was launched in 2010, and executed through Metsäliitto Management Oy. The date of granting the scheme was 10 August 2010, and 6.8 million Metsä Board Corporation's B shares were purchased in the scheme. The share purchases were funded by means of capital inputs worth a total of EUR 3,850,000 from Executive Management Team members and a EUR 15,400,000 loan granted by Metsäliitto Cooperative.

As the conditions of the dissolution of the scheme were met, the scheme was dissolved in the first quarter of 2014 by selling the shares of the company to Metsäliitto Cooperative. The dissolution of the scheme had no impact on Metsä Group's result.

Transactions with associated companies and joint ventures

EUR million	2014 1–12	2013 1–12
Sales	9.9	12.8
Purchases	86.6	97.2
Non-current receivables	1.0	2.0
Current receivables	2.2	1.7
Non-current liabilities	0.0	0.0
Current liabilities	5.3	7.2

NOTE 7 – NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Adjustments to the result for the period

EUR million	2014 1–12	2013 1–12
Taxes	69.7	35.1
Depreciation and impairment charges	276.2	257.1
Biological assets	-0.6	-2.7
Share of results from associated companies	-16.4	-9.6
Gains and losses on sale of non-current financial assets	-117.0	-12.9
Financial costs, net	103.4	120.8
Pension liabilities and provisions	-10.2	-38.0
Total	305.0	349.8

Result for the period

Metsä Board and Metsäliitto Cooperative announced on 2 November 2012 the initiation by UPM-Kymmene Corporation of arbitration proceedings in which UPM-Kymmene claimed jointly from Metsäliitto Cooperative and Metsä Board primarily EUR 58.5 million in damages and secondarily to return an EUR 58.5 million claimed unjust enrichment based on an alleged breach of the tag-along clause specified in Metsä Fibre's shareholder agreement signed in 2009. The Arbitral

Tribunal has in its judgment 11 February 2014, taken by vote, ordered Metsäliitto Cooperative and Metsä Board to jointly compensate UPM-Kymmene EUR 67.1 million for damages including arbitration costs and penalty interests. The compensation is included in the result for 2014.

In May 2014, Metsäliitto Cooperative and Metsä Board demanded the District Court of Helsinki to revoke the judgment issued by the Arbitral Tribunal on 11 February 2014 that ordered Metsäliitto Cooperative and Metsä Board to pay EUR 67.1 million in damages to UPM-Kymmene Corporation.

Disposals and other items

Disposals and other items include the sale of Metsäliitto Cooperative's subsidiary Metsä Wood AS for EUR 5.5 million, the sale of Metsä Wood's impregnation business of EUR 1,8 million, the sale of apartments and parking places of Asunto Oy Tapiolan Jalava for EUR 7.6 million, the sale of B-shares in Pohjolan Voima Oy for EUR 75.0 million, sale of fixed assets for EUR 52.2 million and from other items for -2.9 million. The most significant fixed asset items were the EUR 35.1 million sale of Metsä Board's properties in Finland and the sale of emission rights and electricity certificates of EUR 8.8 million.

NOTE 8 – FINANCIAL INSTRUMENTS

Financial assets and liabilities classified according to IAS 39 and fair value

Financial assets 31 December 2014

EUR million	Fair value through profit and loss	Available for sale financial assets	Loans and other receivables	Derivatives at hedge accounting	Amortised cost	Book value	Fair value
Available for sale investments		257.1				257.1	257.1
Other non-current financial assets	5.3		14.5			19.7	19.7
Account receivables and others			683.0			683.0	683.0
Cash and cash equivalents	20.4		927.5			947.9	947.9
Derivative financial instruments	1.1			3.0		4.1	4.1
Receivables of assets classified as held for sale			0.2			0.2	0.2
Total	26.7	257.1	1 625.1	3.0	0.0	1 912.0	1 912.0

Financial liabilities 31 December 2014

EUR million	Fair value through profit and loss	Available for sale financial assets	Loans and other receivables	Derivatives at hedge accounting	Amortised cost	Book value	Fair value
Non-current interest-bearing liabilities					1 373.3	1 373.3	1 420.1
Other non-current liabilities					5.5	5.5	5.5
Current interest-bearing liabilities					528.9	528.9	532.5
Accounts payable and others					824.5	824.5	824.5
Derivative financial instruments	3.1			44.9		47.9	47.9
Liabilities of assets classified as held for sale					2.1	2.1	2.1
Total	3.1	0.0	0.0	44.9	2 734.3	2 782.3	2 832.7

Financial assets 31 December 2013

EUR million	Fair value through profit and loss	Available for sale financial assets	Loans and other receivables	Derivatives at hedge accounting	Amortised cost	Book value	Fair value
Available for sale investments		305.7				305.7	305.7
Other non-current financial assets			19.1			19.1	19.1
Account receivables and others			701.4			701.4	701.4
Cash and cash equivalents	20.1		434.3			454.4	454.4
Derivative financial instruments	-0.2			2.5		2.4	2.4
Total	19.9	305.7	1 154.8	2.5	0.0	1 483.0	1 483.0

Financial liabilities 31 December 2013

EUR million	Fair value through profit and loss	Available for sale financial assets	Loans and other receivables	Derivatives at hedge accounting	Amortised cost	Book value	Fair value
Non-current interest-bearing liabilities					1 624.3	1 624.3	1 660.8
Other non-current liabilities					4.8	4.8	4.8
Current interest-bearing liabilities					356.9	356.9	360.4
Accounts payable and others					650.3	650.3	650.3
Derivative financial instruments	5.0			26.1		31.1	31.1
Total	5.0	0.0	0.0	26.1	2 636.3	2 667.4	2 707.3

Fair value hierarchy of financial assets and liabilities 31 December 2014

EUR million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Non-current financial assets through profit and loss at fair value		5.3		5.3
Available for sale financial assets	0.4		256.8	257.1
Current financial assets through profit and loss at fair value	20.4			20.4
Derivative financial assets		4.1		4.1
Financial liabilities measured at fair value				
Derivative financial liabilities	18.4	29.6		47.9
Financial assets not measured at fair value				
Financial assets		927.5		927.5
Financial liabilities not measured at fair value				
Non-current interest-bearing liabilities		1 420.1		1 420.1
Current interest-bearing liabilities		532.5		532.5

Fair value hierarchy of financial assets and liabilities 31 December 2013

EUR million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Available for sale financial assets	0.3		305.4	305.7
Current financial assets through profit and loss at fair value	20.1			20.1
Derivative financial assets		2.4		2.4
Financial liabilities measured at fair value				
Derivative financial liabilities	14.8	16.3		31.1
Financial assets not measured at fair value				
Financial assets		434.3		434.3
Financial liabilities not measured at fair value				
Non-current interest-bearing liabilities		1 660.8		1 660.8
Current interest-bearing liabilities		360.4		360.4

Financial assets measured at fair value based on level 3

EUR million	2014	2013
Opening balance 1.1.	305.4	355.8
Gains and losses in income statement	20.3	0.1
Gains and losses in other comprehensive income	6.3	-57.9
Purchases	1.7	7.8
Settlements	-77.0	-0.5
Closing balance 31.12.	256.8	305.4

Assets have been categorised according to paragraphs 27 A and 27 B in IFRS 7 Financial Instruments: Disclosures.

Level 1: Fair value is based on quoted prices in active markets.

Level 2: Fair value is based on inputs observable for the asset either directly or indirectly.

Level 3: Fair value is based on company estimates and not on market data.

The fair values of electric power, natural gas and gas oil derivatives are measured on the basis of publicly quoted market prices (Level 1). The fair values of currency forwards and options are determined on the basis of market prices at the closing date of the reporting period.

The fair values of interest rate swaps are measured applying a method based on the present value of future cash flows, supported by market interest rates at the closing date of the reporting period and other market inputs (Level 2). The fair value of financial instruments not traded in an active market is determined using various measurement methods. Discretion is used in choosing the methods and making assumptions based primarily on the market conditions prevailing at the closing date of the reporting period (Level 3).

The accounting policies applied in preparing the financial statements include a more detailed description of the recognition and measurement principles applied.

The most significant item at fair value not traded on an open market is the investment in Pohjolan Voima Oy shares, reported under available-for-sale financial assets. The valuation method is described in the 2013 Financial Statements. The average weighed capital cost applied in the calculation was 2.48 per cent on 31 December 2014 and for the Olkiluoto 3 power plant under construction 6.48 per cent. The acquisition cost of the Pohjolan Voima Oy shares is EUR 43.1 million and their fair value is EUR 237.6 million.

The carrying amount of available-for-sale financial assets would be estimated to be EUR 4.2 million lower or EUR 7.5 million higher should the rate used for discounting the cash flows differ by 10 per cent from the rate estimated by the management. The carrying amount of available-for-sale financial assets would be estimated to be EUR 33.0 million higher or EUR 33.3 million lower should the energy prices applied in the fair value calculation differ by 10 per cent from the rate estimated by the management.

Derivatives 31 December 2014

EUR million	Nominal value	Assets	Liabilities	Fair value total	Fair value hedges	Cash flow hedges	Equity hedges	Hedge accounting not applied
Interest rate swaps	464.6		12.7	-12.7	3.2	-13.6		-2.3
Total	464.6	0.0	12.7	-12.7	3.2	-13.6	0.0	-2.3
Currency forwards	1 401.2	1.1	14.8	-13.6		-15.4	-0.7	2.5
Currency options	266.6		2.0	-2.0				-2.0
Total	1 667.8	1.1	16.8	-15.7	0.0	-15.4	-0.7	0.5
Electricity derivatives	80.4		9.1	-9.1		-9.0		-0.1
Pulp derivatives	23.9	3.0		3.0		3.0		
Commodity derivatives	34.2		9.3	-9.3		-9.3		
Total	138.5	3.0	18.4	-15.4	0.0	-15.4	0.0	-0.1
Derivatives total	2 270.9	4.1	47.9	-43.8	3.2	-44.3	-0.7	-2.0

Derivatives 31 December 2013

EUR million	Nominal value	Assets	Liabilities	Fair value total	Fair value hedges	Cash flow hedges	Equity hedges	Hedge accounting not applied
Interest rate swaps	790.7		13.6	-13.6	2.5	-13.2		-2.9
Total	790.7	0.0	13.6	-13.6	2.5	-13.2	0.0	-2.9
Currency forwards	1 168.8	2.3	0.6	1.7		2.5	-0.6	-0.2
Currency options	74.4	0.0		0.0				0.0
Currency swaps	43.5		2.0	-2.0				-2.0
Total	1 286.8	2.4	2.6	-0.3	0.0	2.5	-0.6	-2.2
Electricity derivatives	172.3		14.7	-14.7		-14.7		0.0
Commodity derivatives	7.2		0.1	-0.1		-0.1		
Total	179.5	0.0	14.8	-14.8	0.0	-14.8	0.0	0.0
Derivatives total	2 257.0	2.4	31.1	-28.7	2.5	-25.4	-0.6	-5.2

NOTE 9 – COMMITMENTS AND CONTINGENCIES

EUR million	31.12.2014	31.12.2013
Own liabilities for which commitments granted	584.7	1 011.5
Pledges granted	421.9	841.1
Floating charges	5.9	605.9
Real estate mortgages	381.8	978.7
Chattels mortgage	4.6	4.6
Commitments for own liabilities, total	814.2	2 430.3
Other commitments on own behalf	86.6	93.5
On behalf of associated companies	1.4	2.3
On behalf of others	6.0	6.7
Total	908.1	2 532.8

Securities and guarantees include pledges, floating charges, real estate mortgages, chattels mortgage and guarantee liabilities.

The reduction in liability commitments is related to Metsä Board's drawn EUR 225 million unsecured bond in March 2014. The loan will mature on 13 March 2019. In addition, Metsä Board signed a new unsecured term loan syndicated credit agreement in March 2014. The new arrangement consists of a loan of EUR 150 million and a credit facility of EUR 100 million which will mature in March 2018. The funds from the new financing arrangements were primarily used for early repayment of a secured EUR 350 million loan which would have matured in March 2016. The new credit facility replaced the EUR 100 million undrawn syndicated credit facility which would have matured in May 2015.

The future costs for non-cancellable operating lease contracts were EUR 31.7 million (37.6).