



METSÄ GROUP
ANNUAL REVIEW 2014



Metsä Board's paperboard deliveries increased by 10%.

+10%

86% of the fuels we use are wood-based.

86%

+10%

Metsä Tissue's energy efficiency improved from 2006 by more than 10%.

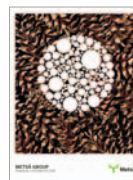
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PUBLISHER

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The Annual Review of Metsä Group is published in English, Finnish and Swedish. In addition, Metsä Group publishes Financial Statements and Sustainability Report as separate reports. All the publications are available in PDF format at www.metsagroup.com. Metsä Board and Metsä Fibre publish their own annual reports.



Financial Statements
2014



Sustainability Report
2014

A man in a plaid shirt is looking up at a large stack of lumber in a warehouse. The lumber is stacked high, and the man is reaching out towards it. The background shows the structure of the warehouse with metal beams and other stacks of wood.

+31%

Metsä Wood's work safety improved by 31%.

23

**MILLION
SAPLINGS**

Metsä Forest supplied a record-high number of saplings to forest owners.



d
ere a rough sawn finish
, boxing in, battening

Finish: Rough sawn
Treated: No
Internal or exterior use: Internal
Structural: No

■ Slow grown and kiln dried
and easier to work with
are stable

METSÄ GROUP is a responsible forest industry group whose products' main raw material is renewable and sustainably grown northern wood. Metsä Group focuses on tissue and cooking papers, fresh forest fibre paperboards, pulp, wood products, and wood supply and forest services. Its high-quality products combine renewable raw materials, customer-orientation, sustainable development and innovation. In 2014, Metsä Group's sales totalled EUR 5.0 billion. The Group employs approximately 10,500 people and operates in some 30 countries. Metsäliitto Cooperative is the parent company of Metsä Group and is owned by approximately 122,000 Finnish forest owners.

EFFICIENCY AND PRODUCTIVITY LAY THE FOUNDATION FOR COMPETITIVENESS

The year 2014 was significant in many ways for Metsä Group. The Group's parent company had its 80th anniversary, Metsä Fibre published its plan to build a bioproduct mill and, at the end of the year, Metsä Board announced that it will completely exit the paper business and focus on fresh forest fibre paperboard. Our financial position is on a solid foundation, and we can confidently continue to implement the planned development measures.

INVESTMENTS AND PRODUCT DEVELOPMENT STRENGTHEN COMPETITIVENESS

The announcement of the planned bioproduct mill project in Äänekoski last spring was the most significant news of 2014. Should it materialise, this EUR 1.1 billion investment would be the largest ever investment in the forest industry in Finland and further strengthen Metsä Fibre's position as a world leading producer of softwood pulp. The bioproduct mill is a great example of our ability to renew ourselves and develop new kinds of concepts to support our main products. In addition to high-quality pulp, the new mill would produce large amounts of renewable energy and other bioproducts. If the prerequisites for the investment are met, the decision about the construction of the mill will be made this spring.

Metsä Board's position as the leading folding boxboard company in Europe and the world's leading producer of coated white fresh forest fibre liners will strengthen further as a result of the measures announced at the end of 2014. Metsä Board will discontinue paper production in Husum, Sweden, mainly during 2015 and invest approximately EUR 170 million in the mill's new folding boxboard machine. The company has also launched measures concerning the Gohrsmühle mill in Germany. With these measures Metsä Board takes the final steps in its transformation into a paperboard company.

Customer-oriented product and service development and increasing operational efficiency are continuous efforts in our businesses. Metsä Wood concentrates its sales efforts particularly on serving industrial scale customers. The Vilppula sawmill investment, completed at the end of 2013, will offer excellent support for Metsä Wood's strategy, making it possible to manufacture products that meet customers' needs more flexibly. Metsä Tissue, a producer of tissue and cooking papers, launched several new products in 2014, developed to meet the varying desires and needs of consumers in different markets. Besides practicality, we invest in sustainability and safety of products.

The investments made in Sweden and Poland aim to improve both product quality and the energy efficiency of production.

Metsä Forest supplied 30 million cubic metres of wood to industry and a record-high number of saplings to forest owners. Sales of forest and nature management services for owner-members have increased strongly. At the end of the year, we launched a smartphone app that allows forest owners to access their forest plans or forest asset data on their mobile phones. This year, we will be the first company in Finland to digitise all wood trade and forest management purchase and sales processes, making the management of forest assets considerably easier and more efficient.

A WELL-FUNCTIONING WOOD MARKET IS IN EVERYONE'S INTEREST

The well-functioning wood market is paramount to both Metsä Group and the Finnish national economy. Sawmills and the pulp industry need an even supply of raw material throughout the year, and should the planned forest industry investments materialise, the need for raw material will increase even further.

It is particularly important to ensure that upgradable industrial wood does not end up being used in energy production. The government should ensure that the subsidies for renewable energy and the promotion of biofuels for transport do not hamper the availability of raw material to the upgrading industry and distort competition in the wood raw material market.

SUSTAINABILITY AS THE GUIDELINE

Metsä Group's business is based on sustainability. The main raw material for our products is renewable northern wood sourced from responsibly managed forests, and we always know its origin. In 2014, 84 per cent of the wood used by Metsä Group came from certified forests. All of our products are safe, ecological and can be recycled, and therefore they are excellent alternatives to products made from non-renewable raw materials. We have continuously increased the use of bioenergy at all of our production units, and the bioproduct mill planned in Äänekoski, for example, will not use any fossil fuels. In 2014, 86 per cent of the fuels we used were wood-based. Metsä Group is also a significant producer of bioenergy in Finland.

We are committed to the principles of the UN Global Compact, which emphasise human rights, labour rights, environmental responsibility and anti-corruption. We also require all of our partners to operate



OUR PRODUCTS ARE INCREASINGLY EXPORTED OUTSIDE EUROPE.

sustainably and safely. We provide additional information on the targets and achievements of sustainability at Metsä Group in a separate annual sustainability report.

FINLAND NEEDS A VIABLE EXPORT INDUSTRY

The role of the forest industry in Finland's national economy has been so significant for decades that the two are inseparable. The success of Finland and the forest industry go hand in hand. The industry has a lot of strengths on which it can continue to build competitiveness and success: renewable raw material from sustainably managed forests, modern production plants, premium products and excellently managed environmental aspects. We are also a trailblazer in the bioeconomy – the forest industry is bioeconomy.

When companies and the government take care of their own responsibilities and obligations, Finnish companies have needed prerequisites to prosper and generate well-being. Metsä Group maintains its competitiveness by means of innovation, cost-efficiency and high productivity. We invest in businesses with good future growth prospects.

We expect the government to take measures which will safeguard a favourable operating environment for the Finnish export industry and thus ensure continued industrial production in Finland. A viable export industry is the foundation of well-being and high living standards.

FROM METSÄ TO THE WORLD

The good atmosphere in the wood market and commitment of Metsäliitto Cooperative's owner-members to Metsä Group's development both contributed to the favourable development of our business during the year. This determined work has also been acknowledged outside the Group: our products sell well, our corporate image has improved and interest in Metsä Group has increased. Our products are increasingly exported beyond our traditional European market, to Asia and the United States.

Metsä Group is ready for 2015: our finances are solid and stable, our products are of the highest quality and our planned investments will further strengthen our position.

I would like to extend my thanks to the owner-members of the cooperative, our customers and other partners, as well as our employees for the good cooperation, trust and commitment to our common goals during the past year. Let's work together to grasp the opportunities that exist for Metsä in the future as well.



A handwritten signature in black ink, appearing to read 'Kari Jordan', positioned above the printed name and title.

Kari Jordan
President and CEO

MISSION

To be a profitable and competitive forest industry group that uses wood grown by its owner-members.

SALES
EUR billion

5.0



2013: 4.9

PERSONNEL
31 December 2014

10,410



2013: 10,736

VALUES

RELIABILITY

Our success is based on long-term cooperation with our stakeholders. We appreciate the work and competence of each other and strengthen the confidence of our various stakeholders by acting in a consistent and predictable way.

COOPERATION

We develop our operations in cooperation with our customers and share information and best practices with each other. We operate as one group of companies, utilising mutual synergies and relying on common benefits.

RESPONSIBLE PROFITABILITY

We bear responsibility for the environment, our partners and each other to ensure successful business activities and forestry. Profitability is an absolute prerequisite for the continuous development of operations.

RENEWAL

We are aware of future challenges and have the courage to question old practices in order to provide better products and services to our customers in support of their business operations.



STRATEGY

RESPONSIBLE PLAYER

Metsä Group is a responsible forest industry group whose core business consists of tissue and cooking papers, paperboard, pulp, wood products, and wood supply and forest services. According to our strategy, we focus our operations, investments and resources on areas where we have a clear competitive advantage and that offer good growth prospects. The approximately 122,000 Finnish owner-members of the parent company, Metsäliitto Cooperative, add continuity and long-term focus to our operations.

HIGH-QUALITY PRODUCTS AND SERVICES

We manufacture products that millions of people throughout the world need and in which renewable raw material, customer focus, innovation and sustainability are combined in a unique way. Our premium products are designed to meet the needs of corporate customers and consumers and to promote the well-being of people and the environment. All of the products we manufacture are ecological and safe, and they can be recycled or, for example, used to produce energy at the end of their life-cycles.

RENEWABLE RAW MATERIAL

Our business is based on renewable wood raw material that is grown, sourced and refined responsibly. We are familiar with the properties of the wood we use and always know its origin. We source the majority of the wood we use from our Finnish owner-members. Metsä Group's business areas make up a strong value chain in the different phases of which we utilise wood to its maximum as pulp, wood products, paper, paperboard, finished products or bioenergy.

WE OPERATE GLOBALLY

Metsä Group has operations in almost 30 countries and production in eight. As a result of systematic investments, all of the Group's production units are at the forefront of the industry, whether measured by environmental performance, energy efficiency or profitability. Our main market is Europe, but we are also seeking growth outside Europe, especially in North America and Asia.

BUSINESS AREAS



METSÄ FOREST

WOOD SUPPLY AND
FOREST SERVICES



SERVICES: forestry and wood trade services for forest owners. Deliveries of wood and energy wood to the Group's production units and other industrial customers.

STRENGTHS: extensive cooperation with owner-members, a pioneer in developing the management of forest assets and the profitability of forestry, as well as an efficient forest service organisation.

1.6

SALES
EUR BILLION

900

PERSONNEL



METSÄ WOOD

WOOD PRODUCTS



PRODUCTS: spruce and pine sawn timber, birch and spruce plywood and laminated veneer lumber (LVL) Kerto® for construction, industrial and distribution customers.

STRENGTHS: industrial efficiency, commitment to long-term customer relationships, reliability and high-quality wood products from renewable raw material.

0.9

SALES
EUR BILLION

2,300

PERSONNEL



METSÄ FIBRE

PULP



PRODUCTS: bleached softwood and birch pulp for the production of high-quality printing and tissue papers, paperboard and speciality papers. Other biobased products include tall oil and turpentine, which are used as raw materials in the paint and glue industry.

STRENGTHS: a responsible player, high-quality products, technical expertise, cost efficiency and smooth logistics.

1.3

SALES
EUR BILLION

850

PERSONNEL



METSÄ BOARD

PAPERBOARD



PRODUCTS: fresh forest fibre paperboards for consumer and retail packaging.

STRENGTHS: fresh forest fibre used as raw material, high quality, ecological, lightweight and safe products.

2.0

SALES
EUR BILLION

3,100

PERSONNEL



METSÄ TISSUE

TISSUE AND
COOKING PAPERS



PRODUCTS: tissue paper products for consumers (Lambi, Serla, Mola, Tento), Katrin products and hygiene solutions for public premises, and SAGA baking and cooking papers for home and professional use.

STRENGTHS: understanding of customer needs and consumer trends, solid product expertise, efficient sales and distribution channels and energy efficient production.

1.0

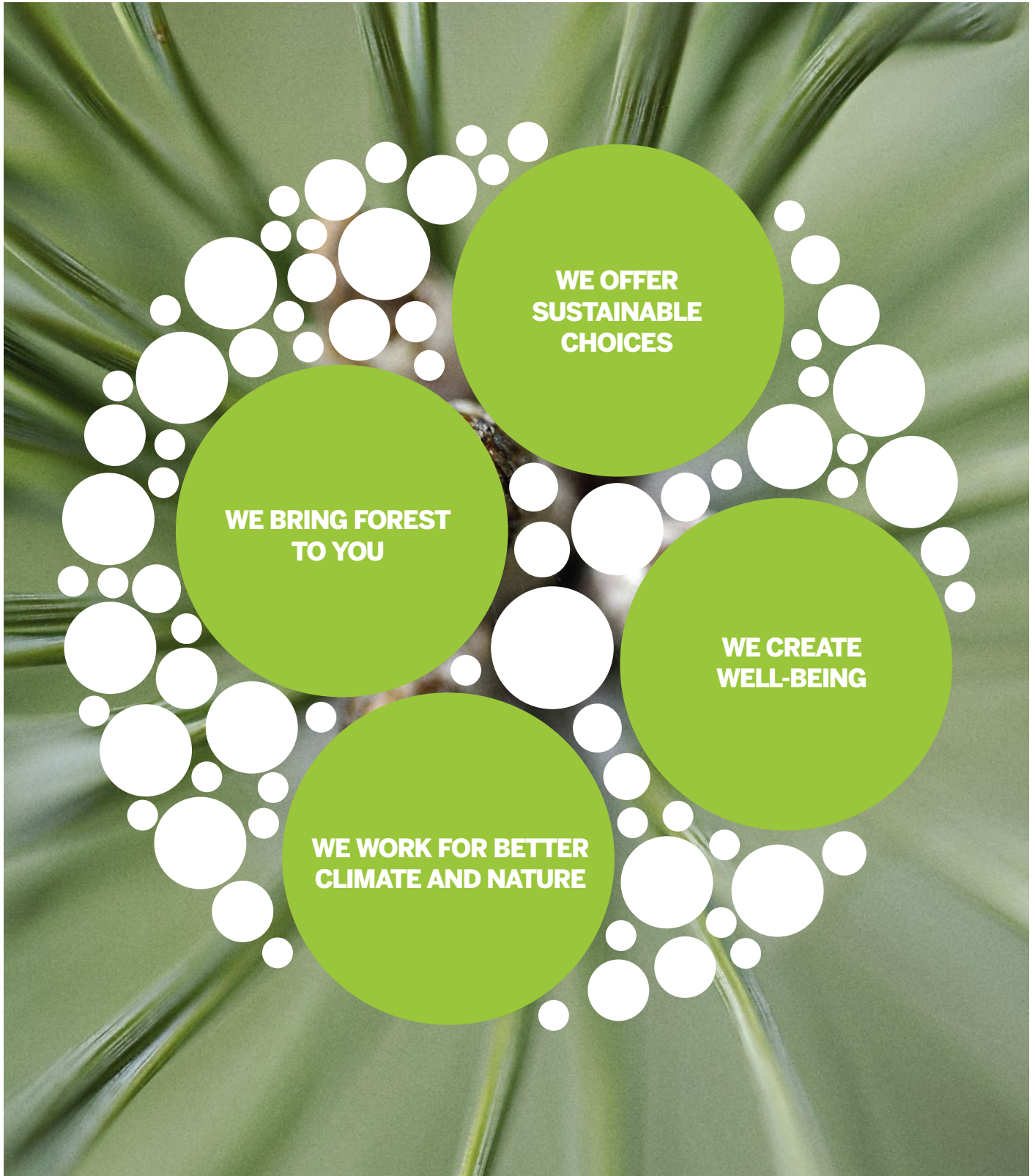
SALES
EUR BILLION

2,800

PERSONNEL

SUSTAINABILITY AGENDA AND TARGETS

The main raw material of Metsä Group's products is renewable northern wood. Our recyclable products are safe for both people and the environment and provide a sustainable alternative to non-renewable products. The sustainability agenda and targets have been developed together with our stakeholders.





METSÄ GROUP is committed to UN's Global Compact initiative.



READ MORE FROM Metsä Group's Sustainability Report
www.metsägroup.com/sustainability



WE OFFER SUSTAINABLE CHOICES

We produce from renewable wood raw material safe and recyclable products.

We provide customer-focused services and solutions.

Innovations support continuous improvement and renewal.

OUR TARGETS

PERFORMANCE IN 2014

WE BRING FOREST TO YOU

- Promoting sustainable forest management, certification and the diversity of forest nature
- Enhancing sustainability in the value chain
- Ensuring the traceability of raw materials

- Sustain the amount of certified wood above 80%
- Audit all of our risk-rated raw material key vendors against sustainability criteria by the end of 2015

SHARE OF CERTIFIED WOOD RAW MATERIAL

84%

WE WORK FOR A BETTER CLIMATE AND NATURE

- Utilising raw materials, energy and water efficiently
- Increasing the value of production's side streams
- Maximising the share of bioenergy
- Minimising emissions to water and air

- 30% less fossil CO₂ emissions per product tonne *
- 10% energy efficiency improvement *
- 10% less water used per product tonne **

FOSSIL CO₂ EMISSIONS/TONNE

-36% decreased during 2009–2014

ENERGY EFFICIENCY

+6% improved during 2009–2014

PROCESS WATER/PRODUCED TONNE

-11% decreased during 2010–2014

WE CREATE WELL-BEING

- Ensuring ethical business practices
- Improving safety at work
- Assuring responsible management
- Contributing to local livelihoods and society

- Personnel trained in the Code of Conduct: 100%
- Lost-time accident rate annually: 10%. Our long-term target is zero
- Retain sickness absenteeism below 3%

TRAINED IN THE CODE OF CONDUCT

72% white-collar employees

ACCIDENTS

-15% less than in 2013

SICKNESS ABSENTEEISM

4%

* by 2020 from the 2009 level
** by 2020 from the 2010 level

METSÄ GROUP IS A RENEWING EMPLOYER

Metsä Group employs approximately 10,500 people in 30 countries. Group-wide, value-based and responsible management practices lay the foundation for everything we do. We invest in the professional development, safety and well-being of our employees.



PERSONNEL
31 December 2014

10,410



2013: 10,736

SHARE OF PERMANENT EMPLOYMENT

94%

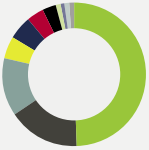
ACCIDENT FREQUENCY RATE
31 December 2014

11.2



2013: 13.2

PERSONNEL
by country 31 December 2014
%



● FINLAND	49
● GERMANY	16
● SWEDEN	13
● UNITED KINGDOM	5
● RUSSIA	5
● POLAND	4
● SLOVAKIA	3
● FRANCE	1
● BALTIC COUNTRIES	1
● REST OF EUROPE	1
● OTHER COUNTRIES	1

**WE SUPPORT
THE WORKING
CAPACITY OF OUR
PERSONNEL
IN ALL CAREER
PHASES.**

In 2014, Metsä Group invested in developing managerial and leadership skills. With effective leadership practices and skills we can ensure that employees understand their responsibilities, their work has clear goals and they receive feedback on their performance.

We support employees' personal development by regular development appraisals and by offering opportunities for training and job rotation.

In 2014, at Metsä Group a total of 9,751 training days were organised with 2,749 employees participating.

Promoting and maintaining well-being at work and working capacity is based on preventive activity. Metsä Group aims to identify threats to working ability at an early stage and begin systematic measures in a

timely manner. The operating model includes early support, assessment of working ability and personal working ability development plans to ensure well-being.

In 2014, job satisfaction at Metsä Group was 8.1 on a scale of 4 to 10 (8.3 in 2013). 81 per cent (73 per cent) of employees responded to the survey.

A SAFE ORGANISATION IS EFFECTIVE

Metsä Group continuously trains its personnel to create a healthy and safe workplace. Preventive measures are the key way of ensuring a safe working environment.

In 2014, the sickness absence rate was 4 per cent (4 per cent in 2013) and the lost-time accident frequency rate was 11.2 (13.2). The number of accidents was 15 per cent lower in 2014 than in 2013. Our long-term targets are zero accidents and a sickness absence rate of below 3 per cent.

In 2015, Metsä Group will expand the use of the HSE (Health, Safety and Environment) system for recording, processing, measuring and reporting safety-related matters. The system is part of Metsä Group's proactive safety work. It enables reliable and real time follow-up and reporting of the development of safety taking in account the business requirements.

Metsä Group is committed to sustainability throughout the supply chain. In 2014, 72 per cent of white-collar employees received training on the Code of Conduct (84 per cent in 2013).

WORK AND WELL-BEING

We employ approximately 10,500 people directly and tens of thousands of people indirectly in our local communities and society through our partners, suppliers and subcontractors.

We promote good employer practices to retain our current employees and attract future talent.

Open, continuous interaction between the personnel, local and regional authorities, partners and other stakeholders strengthens trust and commitment to shared goals.

We continued our active cooperation with educational institutions and universities in 2014 to make future employees aware of career opportunities at Metsä Group. We again took part in the forest industry's joint school campaign for ninth-graders presenting job and career opportunities offered by the industry. We also offered approximately 900 summer jobs and internships in Finland and abroad. In Finland, Metsä Group took part in a responsible summer job campaign.



→ READ MORE FROM Metsä Group's Sustainability Report
www.metsagroup.com/sustainability

Developing as a supervisor is about continuous improvement

RESPONSIBLE PROFITABILITY IS ONE OF METSÄ GROUP'S VALUES.

It relies fundamentally on effective result-oriented supervisory work, where each employee has clear goals and the required skills.

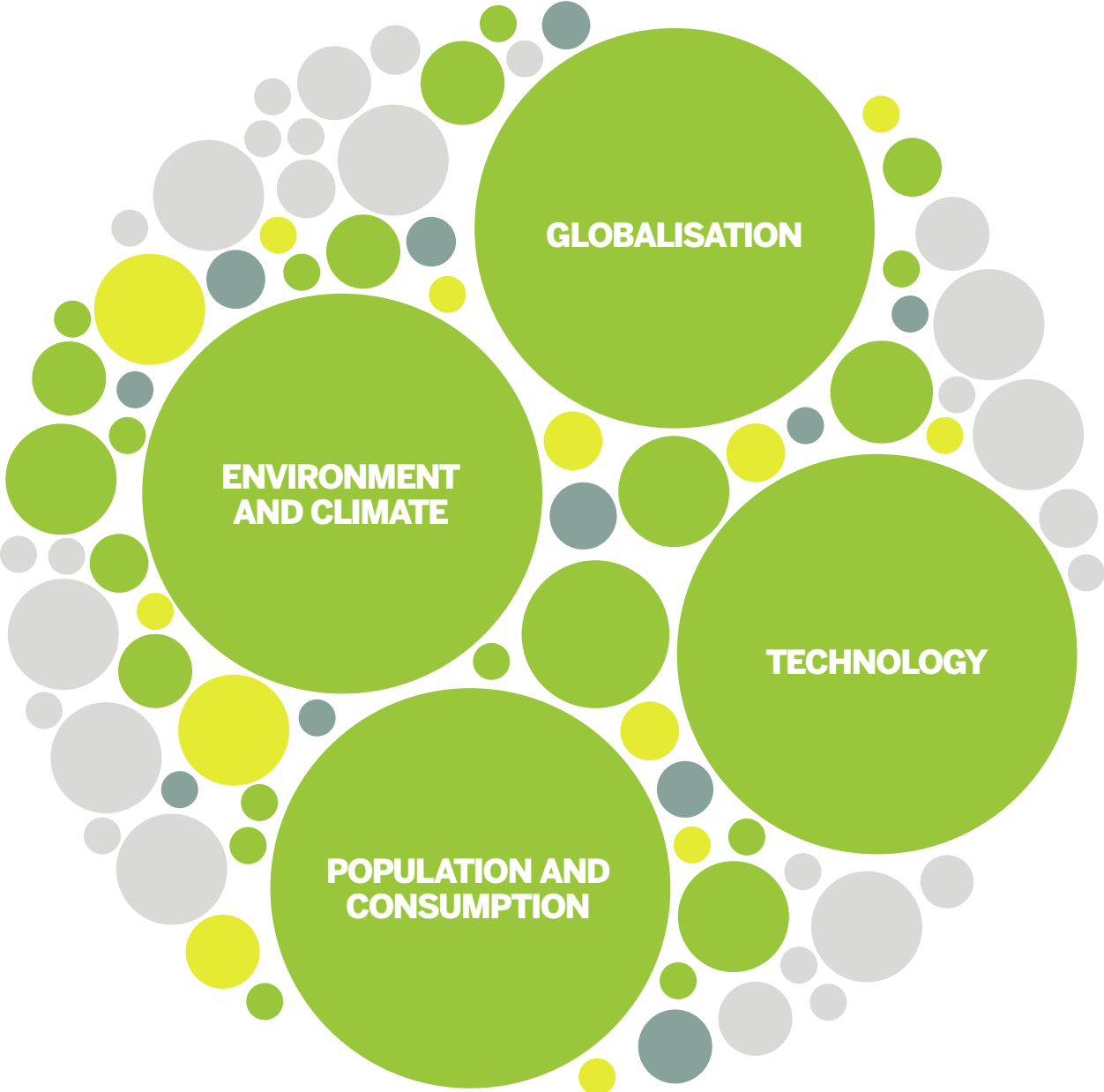
In 2014, over 270 supervisors completed the Learn. Grow. Lead training. In Finland, supervisors can furthermore take the Specialist Qualification in Management. We also launched the Booster training programme for middle management. The Challenger programme for senior management continued, and we participated in an international leadership programme organised by IMD.

A new tool, the Manager's Notebook was launched. The Notebook is a compilation of the management principles and the supervisor's areas of responsibility, and it provides supervisors and managers with tips and solution ideas to support their supervisory work. In 2015, we will publish the book in all of the Group's languages of operation.



BIOECONOMY PRODUCTS RESPOND TO FUTURE CHALLENGES

The world's population is growing and prospering. The competition for energy and natural resources will become tighter, and resources must be used more efficiently. The changes in the operating environment are mainly positive for Metsä Group, as we use renewable and sustainably grown northern wood as the raw material for our products and make future products from it.



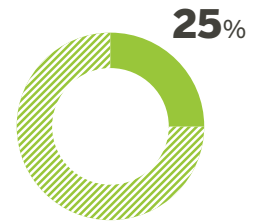
GLOBALISATION

The different economic areas in the world increasingly depend on each other. The focus of economic growth has shifted from the developed world to emerging countries.

- New markets increase competition
- The significance of logistics is emphasised
- Demand for transport materials increases

The demand for softwood pulp grows steadily, approximately 2 million tonnes by 2025. Growth is fastest in Asia.

ASIA ALREADY ACCOUNTS FOR APPROXIMATELY 25% OF OUR PULP SALES



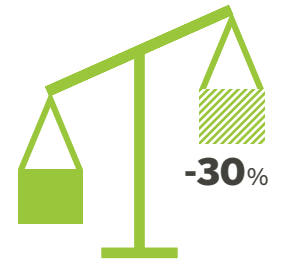
ENVIRONMENT AND CLIMATE

Efficient use of resources is vital in mitigating climate change and environmental problems. As awareness among consumers increases, their requirements for more ecological products also increase.

- The importance of resource efficiency increases
- Continuously tightening regulation results in additional obligations
- Operations are guided by the life-cycle effects of products

In the United States, ecological folding boxboard has a market share of only around 4%, while the corresponding figure for Asia is approximately 20%. There is global demand for lightweight paperboards.

OUR PAPERBOARDS ARE OVER 30% LIGHTER



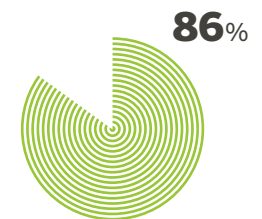
TECHNOLOGY

Technological evolution has changed business globally in all industries. The requirements set for manufacturing methods and products are becoming more stringent all the time, which is increasing R&D costs.

- The demand for bioenergy increases
- Production technologies must be developed continuously
- Special competence in utilising wood fibre gains importance

The use of bioenergy along with improving energy efficiency support the mitigation of climate change. They also improve cost-efficiency and competitiveness.

86% OF THE FUELS WE USE ARE WOOD-BASED



POPULATION AND CONSUMPTION

The ageing population and smaller household sizes in developed countries are changing consumption habits in particular. At the same time, rapid population growth, urbanisation and increasing living standards in emerging countries are resulting in increased consumption.

- Consumption increase and consumer requirements get higher
- Need for packaging continues to increase
- Digitisation changes purchasing behaviour

Tissue papers are products of higher standard of living. Annual consumption in the United States is approximately 25 kg per person, while in Eastern Europe it is 5 kg per person.

CONSUMPTION OF TISSUE PAPER HAS DOUBLED SINCE THE EARLY 1990's



DIVERSE PRODUCTS AND SERVICES



ECOLOGICAL AND SAFE PACKAGING

METSÄ BOARD'S new paperboards, Carta Dedicata and Carta Allura complement the current offering and target at novel end-uses.

Carta Dedicata is designed for the needs of the rapidly growing food service segment. The new paperboard meets the strict requirements for food service packaging and has excellent odour and flavour properties. Carta Dedicata's formability and stiffness make it an excellent choice for cups, plates, lids, fast-food packaging, trays and traditional food packaging.

The board is available in two versions, coated for premium print results and an uncoated version providing a more natural appearance. The yield of this light-weight yet durable paperboard is excellent, resulting in cost savings.

In English "allure" means power to attract. Metsä Board's new paperboard, Carta Allura, is designed especially for packaging of luxury products such as champagne and perfumes.

Luxury product packaging looks attractive and is designed to stand out. A variety of special effects, such as foil lamination, are used in packaging. Therefore, the paperboard needs to have good smoothness. In addition, Carta Allura is light in weight and extremely strong.



FOREST IN YOUR POCKET



METSÄ FOREST launched Finland's first forest planning mobile application in December 2014. The app is intended for forest owners to manage their forest assets and forest-related matters.

The mobile app allows forest owners to view maps and aerial photographs of forest holdings, browse data for individual forest plots, review proposed actions concerning the plots and mark them as completed. In this way, the forest plan is always up to date.

The application is also handy in the field. It allows forest owners to move from one plot to another to check, for example, urgent forest

management work according to the forest plan, add personal notes and photographs for a specific plot, and store the route they walked.

Metsä Group has invested strongly in developing services for forest owners in recent years. We want to offer our owner-members the best tools for increasing the value of their forest assets and make using forest ownership-related services as easy as possible. In spring 2015, owner-members will be able to sell wood and purchase forest management services online with their banking credentials.



BOTNIA IDEABOOSTER OPENS UP INTRIGUING OPPORTUNITIES

METSÄ FIBRE accelerates brainstorming and innovation with its new service, Botnia IdeaBooster. The purpose of the online service launched in 2014 is to activate both Metsä Fibre's customers and personnel to innovate. The innovations can be related to products, services and production or business processes.

The most interesting development ideas will be refined during an innovation event for customers. The ideas with the greatest potential will be processed further into development programmes aimed at producing a commercial innovation.

Metsä Fibre's innovation activity is an important part of customer relationship management. The purpose of IdeaBooster is to develop both the customer's and Metsä Fibre's business.



EXCELLENT RESISTANCE

METSÄ WOOD'S plywood is used in the cargo tanks of tankers for transporting liquefied natural gas (LNG). Plywood is an excellent technical material for use in these tanks due to its uniform quality and strength. Plywood must be able to withstand both the constant stress of seafaring and high temperature differences.

Plywood is a load-bearing and supporting material in the tanks. LNG is stored at very high pressure, and a partially filled tank also causes impact forces on the tank structures.

Gas is transported at a temperature of -162°C , while the external temperature can be as high as $+40^{\circ}\text{C}$. Even with these high temperature differences, birch plywood does not lose its strength, nor does it contract or expand, unlike metals.

One Mark III tank requires a total of 800 m^3 of birch plywood in three layers. This means approximately 25 shipping containers of plywood – for a single tanker. This provides Metsä Wood with significant growth opportunities.



EASY CLEANING WITH SERLA

METSÄ TISSUE'S convenient Serla cleaning products – Serla Siivouspaperi and Serla Kostea Siivousliina – are excellently suited for daily cleaning. The products can be disposed of as biowaste after use.

Three-ply Serla Siivouspaperi is strong even when wet, completely lint-free, and in addition to cleaning, it can be used, for example, for wiping liquids off surfaces and for polishing shiny surfaces.

Another new product, Serla Kostea Siivousliina, is suitable for all moisture-resistant surfaces. It can be used, for example, for kitchen and bathroom surfaces, as well as for cleaning windows and oven trays.





METSÄ FOREST



WOOD SUPPLY AND FOREST SERVICES

RESPONSIBLE EXPERTISE

Metsä Forest serves both forest owners and industry that uses wood. We are the market leader in wood and energy wood supply in Finland. We offer forest owners diverse forest services and the best way to accumulate wealth from the forest. Metsäliitto Cooperative has approximately 122,000 members, who own nearly half of private forest area in Finland.



LOGS

are processed at sawmills and Kerto® and plywood mills



PULPWOOD

is used as the raw material for pulp



ENERGY WOOD

is obtained from tree crowns and stumps as well as from bark and sawdust

- Metsä Forest delivered 30.2 million cubic metres of wood to customers.
- A record-high number of 23 million saplings were delivered to forest owners.
- Finland's first forest management plan mobile application was launched.
- Metsä Forest announced the launching of electronic wood trade and forest management service sales in 2015.

Metsä Forest is a pioneer in developing the management of forest assets and profitability of forestry. We want to be forest owners' best partner. We secure our customers' wood supply through competitive harvesting and logistics in cooperation with our subcontractors. We develop harvesting and forest management methods so that the wood raw material can be utilised as effectively as possible in the manufacturing of products and the production of bioenergy. We are the leading supplier of energy wood in Finland and a significant player in the Baltic Sea area.

In 2014, we supplied 30.2 million cubic metres of wood to our customers, of which approximately 85 per cent was delivered to industry located in Finland. The majority of wood was supplied from the members of Metsäliitto Cooperative. In addition, we supplied wood from Russia, the Baltic countries and Sweden. We only supply wood from sustainably managed forests. In 2014, 84 per cent of the wood we supplied originated from certified forests.

The sales and implementation of our forest management services continued to grow strongly, and we are approaching the market position we are seeking. Our owner-members purchased forest management services at a record-high rate.

IMPROVED PROFITABILITY

Regular, systematic forest management with the right methods substantially enhances the profitability of forestry. By good forest management, we ensure forest growth and biodiversity as well as steady wood production also in the future.

An increasing number of forest owners want us to manage their forest assets as a turnkey service. Forest management agreements offer good service in terms of enhancing forest assets for forest owners in whose forests felling and forestry operations are performed annually. According to our customer survey, the operating result of our customers with a forest asset management agreement was approximately 30–40 per cent

higher than the average in Central Finland. The number of our forest asset management agreement customers continued to grow strongly.

A FOREST OWNERS' BEST PARTNER

Membership in Metsäliitto Cooperative provides financial benefits and enables carefree forest ownership.

We want to continue to be a pioneer in developing the management of forest assets and the profitability of forestry. Our aim is to create in cooperation with forest owners solutions that make their daily lives easier. In November, a society of 11 owner-members began their work. The society participates in the development of forest management services.

Our owner-members actively utilised the investment opportunities provided by Metsäliitto Cooperative. The increase in contribution investments was higher than in the previous year, and the members' capitals reached record levels.



Metsä Forest Eesti recognised as developer of private forestry

ESTONIAN PRIVATE FOREST ORGANISATIONS recognised Metsä Forest Eesti for its contribution to the development of private forestry. The recognition was awarded at the traditional private forest owner event in April. Estonian private forest organisations recognised private persons and organisations that had contributed to the development of private forestry during the year.

According to the award justification, Metsä Forest Eesti prefers certified wood in its sourcing policy, pays a higher price for PEFC-certified wood and seeks potential uses for inferior raw material. This is a way for the company to help private forest owners to contribute to environmentally friendly and economically feasible forestry.

Metsä Forest Eesti supplies logs to several sawmills in Estonia and pulpwood to Finland and Sweden for use at Metsä Group's production units.



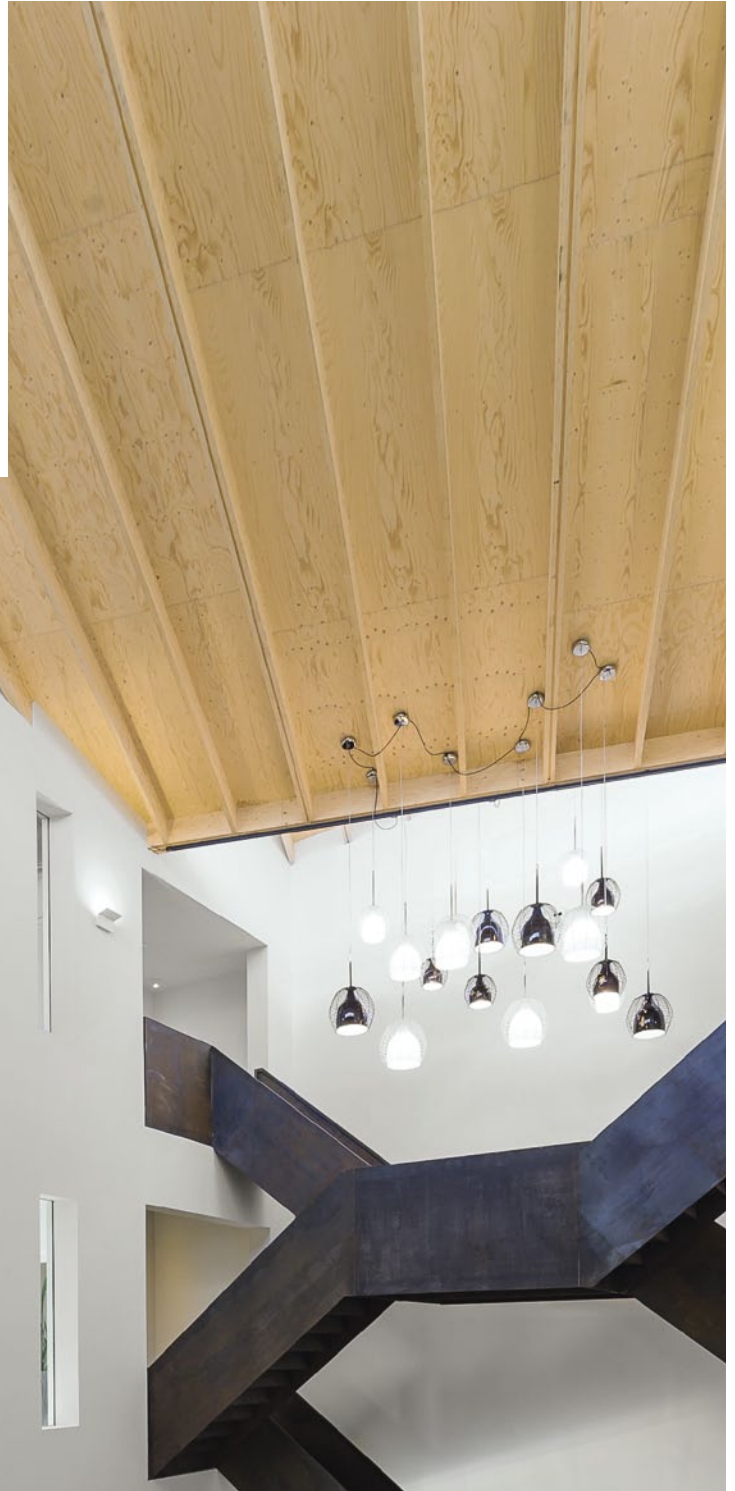
METSÄ WOOD



WOOD PRODUCTS

INDUSTRIAL EFFICIENCY

Metsä Wood offers wood products for construction, industrial customers and distribution partners. We concentrate on producing high-quality wood products on an industrial scale. Our goal is to be our customers' best partner.



LOST-TIME ACCIDENT RATE

LTA1

in 2013

26.8

in 2014

18.5



-31%

less accidents at work
at Metsä Wood

- The efficiency of Metsä Wood's operations was enhanced by focusing on profitable core businesses, and capital was released to develop them.
- Productivity and profitability improved significantly.
- The performance improvement programme launched in the second phase of Metsä Wood's industrial efficiency strategy is pursuing a significant profitability improvement by the end of 2016.

Metsä Wood's greatest strength lies in industrial efficiency, which is underpinned by partnership, reliability and quality. We always push ourselves and our partners to new heights.

We use the world's best renewable raw material that is always traceable to sustainably managed northern forests. Our sawmills and other production units are located in the middle of these forests, which ensures reliable supply of raw material. Our key products are spruce and pine sawn timber, birch and spruce plywood and laminated veneer lumber (LVL) Kerto®.

TOWARDS INDUSTRIAL EFFICIENCY

Industrial efficiency is not only about mass production; it means providing innovative products to demanding industrial-scale customers. We continuously develop our products and revise our production methods and ways of working. We do that in all phases

METSÄ WOOD'S MATERIAL EFFICIENCY CONTINUED TO IMPROVE.

of the value chain and in cooperation with our customers. We always supply products as agreed. We take pride in our reliability.

The northern wood is strong, lightweight and of consistent quality. Moreover, it has excellent acoustic properties and its thermal expansion is minimal. We continuously develop our production units to improve our efficiency

and to ensure that there are no surprises in terms of quality, safety or the environment. A good example of this is our sawmill in Vilppula, which is the most modern sawmill in the world.

FOCUS ON GROWTH MARKETS

The global demand for sawn timber and sheet products is growing continuously, and we want our share of the growth. We have a strong position in Europe and ambitious growth targets in Asia and the United States, where urbanisation and economic growth are currently the strongest. We will also increase our sales and marketing efforts in these markets.

Growth in e-commerce and the significance of liquefied natural gas as a source of energy will increase the volume of transports globally, and this will also be reflected in our product portfolio and its development.

Premium raw material and good service are the key to success

METSÄ WOOD LAUNCHED a new technical customer service for its sawn timber customers in spring 2014. We produce and deliver tailored products to the needs of our customers so that we will not waste any valuable raw material.

Many of our customers use tens of thousands of cubic metres of sawn timber every year and therefore need a large and reliable supplier. The functionality of new solutions at an industrial scale is always ensured in the production of both parties. By reviewing the opportunities together, we can improve the customer's yield and efficient utilisation of raw material at sawmills. This means we can also utilise the opportunities provided by the new Vilppula sawmill in the best way possible.

Our ultimate goal is a satisfied customer whose competitiveness in their own business is improved and increasing material efficiency in the supply chain. The technical customer service has received positive feedback from our partners, and it has allowed us to find increasingly efficient products that better meet customer needs.





METSÄ FIBRE



PULP

BIOPRODUCTS FOR GROWING MARKETS

Metsä Fibre is a world-leading producer of softwood pulp. The demand for our high-quality Botnia pulps is growing as a result of urbanisation and improving living standards. In the future, we will produce increasingly more bioproducts and bioenergy from renewable wood raw material.



EVERYONE IS INNOVATING
at Metsä Fibre

13,700
ideas/year

↓

20
ideas/person

EVENTS IN 2014

- Metsä Fibre announced plans to build a bioproduct mill in Äänekoski.
- The renewal of the recovery boiler and chip silo in Joutseno significantly reduced emissions into the air and odorous gases.
- Metsä Fibre developed a system for real-time monitoring of the wastewater load from the process at the Rauma mill. Thanks to the system, the load on watercourses can be reduced more effectively.

Metsä Fibre's aim is to be the first choice supplier of premium-quality bioproducts and services that support customers' operations. Product development projects with our customers, technical applications and our fibre expertise improve our customers' products, production and competitiveness. Our excellent Botnia products and services make us the world's leading supplier of softwood pulp.

Our wide product range meets the requirements of the manufacturers of paperboard, tissue and printing papers, as well as producers of speciality products set for pulp fibre. In addition to the fibre we produce, we also supply Metsä Board's and Cenibra's pulps to the global market. In total, the pulp sales were 3,080,000 tonnes.

Metsä Fibre is renewing its Botnia product range with both pulp developed for customer needs and new bioproducts. We are developing Joutseno's Botnia Nordic+ polysulphide pulp for tissue paper manufacturers' needs, and the Rauma mill will focus on the production of

Botnia Nordic Strong pulp suitable for manufacturing printing paper.

In 2014, we complemented the Botnia product range with biochemicals. We thereby support the business of our tall oil and turpentine customers, with the aim of growing with them. Biochemical and bioenergy operations account for over 10 per cent of Metsä Fibre's sales.

BETTER ALL THE TIME

Metsä Fibre's efficiency is world-class, and our Botnia products allow our customers to reduce the environmental footprint of their products. Our mills are in excellent condition due to timely investments and continuous improvement of operations.

For example, the amount of wastewater from our mills has decreased by approximately 30 per cent in a decade, and fossile carbon dioxide emissions from pulp production have decreased by more than 20 per cent in the last four years. Our most significant investment in 2014, the replacement of the chip silo and

recovery boiler at the Joutseno mill, significantly reduced emissions into the air and odorous gases.

Future investments will focus on improving the environmental performance of our mills and the planned Äänekoski bioproduct mill. If realised, the world's most modern bioproduct mill will produce 1.3 million tonnes of pulp per year.

INNOVATION AS THE GROWTH PATH

Metsä Fibre's growth is based on innovative collaboration supported by the innovation process and tools. In 2014, we recorded 13,700 ideas and improvement proposals.

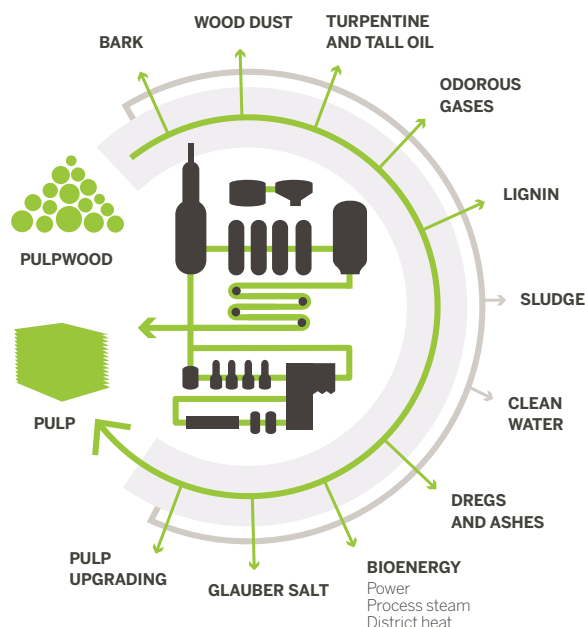
We develop products and production processes that support our existing business. We also aim to improve our customers' profitability. Years of determined research work has also laid a solid foundation for the Äänekoski bioproduct mill. The bioproduct mill has good prerequisites to develop the industrial ecosystem around it, which in turn would further increase resource efficiency.

Preparing a resource-efficient bioproduct mill

METSÄ FIBRE IS PREPARING TO BUILD a bioproduct mill to replace the existing 30-year-old pulp mill in Äänekoski. Should it materialise, the mill would be the largest ever investment in the forest industry in Finland.

The bioproduct mill would produce almost three times as much pulp as the existing mill. The mill would also produce other bioproducts and bioenergy. Due to its modern technology, the mill's emissions would be lower than the environmental permit limits of the existing mill. The mill would not use any fossil fuels, which would increase the use of renewable energy in Finland by over two percentage points. Furthermore, the mill would generate annual revenues of over EUR 0.5 billion in Finland and offer over 2,500 jobs throughout the value chain, mainly in harvesting and transport.

The environmental impact of the mill was assessed in an EIA process that was completed in October 2014. The mill was granted an environmental and water intake permits in January, 2015. If the prerequisites for the investment are met, the investment decision will be made in spring 2015 and the mill would be operational in 2017.





METSÄ BOARD



PAPERBOARD

PROFITABLE GROWTH WITH PREMIUM PAPERBOARD

Metsä Board is a leading European manufacturer of folding boxboard and coated white fresh forest fibre linerboards. The company's sales network serves mainly brand owners, carton printers, corrugated packaging manufacturers and merchants.



LINER AND FOLDING BOXBOARD DELIVERIES INCREASED

in 2014 by

+10%



TO NORTH AMERICA

+40%

- Metsä Board's profitability improved and the balance sheet strengthened compared to 2013.
- Delivery volumes of folding boxboards and fresh forest fibre linerboards clearly increased. In North America, delivery volumes increased by over 40 per cent.
- New folding boxboard products were launched: Carta Dedicata for food service packaging and Carta Allura for luxury packaging. The Modo Northern Light product range expanded with a coated fully-bleached linerboard.

With Metsä Board's light-weight, ecological and safe paperboards consumer goods companies can replace traditional packaging materials and improve the sustainability of their operations globally. This is the main reason for the growth in our paperboard business.

The delivery volumes of Metsä Board's paperboards grew approximately by 10 per cent in 2014. The strongest growth was in North America, where delivery volumes increased by more than 40 per cent. We aim to strengthen our market position further in Europe and accelerate our growth in North America.

Quality leadership is the number one growth factor for us. We have high-quality fibre raw material, efficient pulp and paperboard capacity, and world-class fibre and paperboard production expertise. Long-term product development plays a significant role. We work with our customers and partners to discover new ways of further improving the quality, sustainability and safety of our products. We are also seeking new applications to support profitable growth.

During 2014, Metsä Board launched two new folding boxboard products. Carta Dedicata is aimed at a completely new application area, food service segment, and Carta Allura is intended for packaging luxury products.

We complemented our linerboard range with a new fully-bleached coated Modo Northern Light product.

GROWING THE PAPERBOARD BUSINESS

Metsä Board is investing EUR 170 million in a new folding boxboard production line at the Husum mill in Sweden. Due for completion in early 2016, the investment will increase annual production capacity by approximately 400,000 tonnes. Our aim is also to increase our linerboard annual production by almost 300,000 tonnes by the end of 2017.

Paper production at the Husum mill is planned to be discontinued for the most part at the end of 2015 and completely 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.

IMPROVING PROFITABILITY

Metsä Board's profitability and balance sheet structure have improved steadily during the last few years. The new measures at the Husum mill are estimated to have a positive effect of EUR 50 million on Metsä Board's annual operating result excluding non-recurring items compared to 2014. The result improvement is expected to take full effect as of 2018. In addition, eliminating the losses of the Gohrsmühle mill would improve the operating result by approximately EUR 20 million.

Productivity improvement and cost-savings will continue in all operations. As the market leader, it is important for Metsä Board to keep the prices at a good level.

.....
Metsä Board's reporting segments from the beginning of 2015 onwards are Paperboard and Non-core operations.



Quality, light-weight and safety as core strengths

METSÄ BOARD'S HIGH-QUALITY, LIGHT-WEIGHT AND SAFE paperboards and their superior environmental performance have turned out to be excellent selling points also in North America. During the last five years, delivery volumes of linerboard have increased nearly 70 per cent in North America. In 2014, sales volumes of Metsä Board's fresh forest fibre paperboards increased over 40 per cent.

The greatest growth potential is in food service packaging, since North America is a solid consumer of microwaveable meals and cup stock.

Metsä Board has invested in local customer service in North America. Paperboard is shipped to warehouses in the ports of Philadelphia and Baltimore on a weekly basis. Regular customers can be promised a delivery time of 48 hours.



METSÄ TISSUE



TISSUE AND COOKING PAPER

WELL-BEING AND HYGIENE

Metsä Tissue is a leading tissue paper products supplier in Europe and a leading producer of cooking papers in the world. We manufacture products for home and professional use. Our main brands are Lambi, Serla, Mola, Tento, Katrin and SAGA.



GOOD HAND HYGIENE CAN REDUCE SICK LEAVE

by up to half, as

80%

of cases of flu are spread by touch



DRYING ONE'S HANDS WITH A PAPER TOWEL

decreases the amount of bacteria on the hands on average by

75%

- Metsä Tissue's performance development was favourable thanks to increased sales volumes and improved cost efficiency.
- At Mariestad mill in Sweden, a new consumer product converting line and biopower plant were commissioned at the end of the year. The new power plant will decrease the mill's oil consumption by 90 per cent.
- At the Krapkowice mill in Poland, a new converting line for manufacturing both consumer and away-from-home products was commissioned.

Metsä Tissue seeks to be the best growth partner for its customers in all product groups. Understanding our customers' businesses, meeting their needs and close collaboration to generate growth are the cornerstones of our strategy.

CLOSE TO END MARKETS

In order to respond to the varying needs of consumers and different markets, our products are mainly manufactured close to their end markets. All of our production units are located in Europe, which is the main market area for our tissue papers. We market cooking papers globally.

The product ranges of our consumer brands (Lambi, Serla, Mola and Tinto) comprise toilet papers, kitchen towels and facial tissues, as well paper handkerchiefs and napkins. Katrin products and solutions are intended for use in public premises. SAGA cooking products are suitable for both home kitchens and professional use.

Metsä Tissue's sales increased and its operating result improved in 2014. The positive development is underpinned by growth in sales volumes and improved cost

efficiency. During the year, we launched several novelty products in our main markets, such as renewed Lambi toilet papers and Serla handkerchief range, Serla and Mola towel sheets and Serla cleaning products. Mola and Tinto products, among others, were launched in large consumer packages in eastern Central Europe.

AIMING FOR GROWTH

Demand for tissue paper is expected to continue to grow moderately in all market areas, and particularly in eastern Central Europe. Global trends – such as improving living standards, urbanisation, consumers' pursuit of well-being and health, requirements for ecological products and increasing environmental awareness – will increase the demand for tissue and cooking papers in all markets.

Metsä Tissue is seeking growth both in the European tissue paper and global cooking paper markets. We develop new product and service concepts in close collaboration with our customers, and we are also renewing our production processes and operating models to achieve increased efficiency. Our new organi-

sation takes our operations close to our customers, which allows swift and timely service according to local needs.

We continuously invest in improving the efficiency of our operations and the quality of our products. Our mill investments in 2014 focused on Poland and Sweden in particular. At the Krapkowice mill in Poland, we commissioned a new converting line for manufacturing both consumer and away-from-home products. A new converting line was completed at the Mariestad mill in Sweden, significantly increasing the mill's capacity and enabling the production of tissue papers that are softer and of a higher quality to the consumer markets.

The efficiency of energy and water use has been improved at the Mänttä mill for years. The overhaul of the Mänttä power plant carried out in 2014 significantly improved the energy efficiency of the mill and provided considerable cost savings. In 2014, the mill saved approximately 20,000 MWh of energy and some 250,000 m³ of water, equivalent to the energy and water consumption of over a thousand Finnish private homes.

Better energy efficiency, lower CO₂ emissions

SUSTAINABLE OPERATIONS are the foundation for future growth. Metsä Tissue aims to improve the energy efficiency of our mills by 10 per cent by 2020 while simultaneously reducing the carbon dioxide emissions from tissue paper production at all of our mills. Our energy efficiency had improved by more than 10 per cent by the end of 2014.

For example, the renewal of the Krapkowice mill in Poland completed in 2013 reduced the mill's carbon dioxide (CO₂) emissions by approximately 60 per cent, while nitrogen oxide (NO_x) emissions have halved.

At the Mariestad mill in Sweden, a new biopower plant was completed towards the end of 2014, significantly increasing the use of renewable energy in production. The new power plant decreased the oil consumption of the mill by up to 90 per cent, while the CO₂ emissions of the mill decreased by approximately 30 per cent.



INTERNATIONAL AND EVOLVING METSÄ GROUP

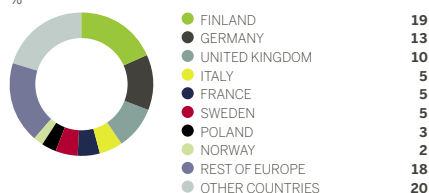
We are a Finnish forest industry group that operates on the international market. Our production units are at the top of the industry, and their efficiency and environmental performance are continuously being developed by a systematic investment programme. Sales companies, retailers and agents sell our products around the world. Europe is our main market area. We are seeking growth in Asia and North America.

METSÄ BOARD'S PAPER-BOARD DELIVERIES INCREASED MORE THAN

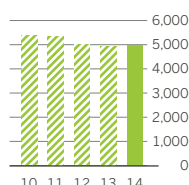
40%

IN NORTH AMERICA

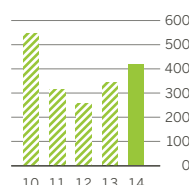
SALES BY MARKET AREA %



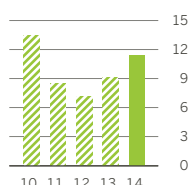
SALES EUR MILLION



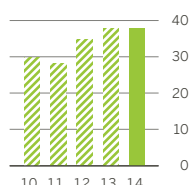
OPERATING RESULT, EXCL. NON-RECURRING ITEMS EUR MILLION



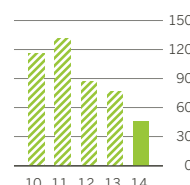
RETURN ON CAPITAL EMPLOYED, EXCL. NON-RECURRING ITEMS %



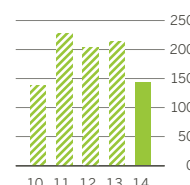
EQUITY RATIO %



NET GEARING RATIO %



INVESTMENTS EUR MILLION



KEY FIGURES

	2014	2013	2012	2011	2010
Sales, EUR million	4,970	4,938	5,001	5,346	5,377
Operating result, EUR million	417	335	241	29	497
Operating result, excl. non-recurring items, EUR million	418	343	256	314	547
Return on capital employed, %	11.1	8.9	6.7	1.1	11.8
Return on capital employed, excl. non-recurring items, %	11.4	9.1	7.1	8.5	13.4
Equity ratio, %	37.9	37.9	34.7	28.1	29.7
Net gearing ratio, %	46	77	87	132	116
Investments, EUR million	143	214	204	227	138
Personnel, 31 December	10,410	10,736	11,447	12,525	12,820
Share of certified wood, %	84	82	82	81	80
Lost-time accident rate, per million worked hours	11.2	13.2	15.7	18.3	17.3
Fossil CO ₂ emissions, 1,000 tonnes	803	855	962	1,200	1,251

FOR FOREST OWNERS
MORE THAN

100

SERVICE OFFICES
IN FINLAND

SALES COMPANIES

35

APPROXIMATELY

25%

OF METSÄ FIBRE'S PULP
IS SOLD TO ASIA

APPROXIMATELY

900

SUMMER JOBS AND
INTERNSHIPS

- PRODUCTION
- SALES COMPANIES

METSÄ GROUP

SALES

5.0 EUR
BILLION

PERSONNEL

10,500

METSÄLIITTO COOPERATIVE

GROUP'S PARENT COMPANY

OWNED BY 122,000 FINNISH FOREST OWNERS

METSÄ TISSUE

TISSUE AND COOKING PAPERS

SALES
EUR 1.0 BILLION

PERSONNEL
2,800

OWNERSHIP OF METSÄLIITTO
COOPERATIVE 91%

METSÄ BOARD

PAPERBOARD

SALES
EUR 2.0 BILLION

PERSONNEL
3,100

OWNERSHIP OF METSÄLIITTO
COOPERATIVE 42.53%
(HOLDING OF VOTES 62.15%)

METSÄ FIBRE

PULP

SALES
EUR 1.3 BILLION

PERSONNEL
850

OWNERSHIP OF METSÄLIITTO
COOPERATIVE 50.2%,
METSÄ BOARD 24.9%,
ITOCHU CORPORATION 24.9%

METSÄ WOOD

WOOD PRODUCTS

SALES
EUR 0.9 BILLION

PERSONNEL
2,300

OWNERSHIP OF METSÄLIITTO
COOPERATIVE 100%

METSÄ FOREST

WOOD SUPPLY AND FOREST SERVICES

SALES
EUR 1.6 BILLION

PERSONNEL
900

OWNERSHIP OF METSÄLIITTO
COOPERATIVE 100%

Make the most of Metsä



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