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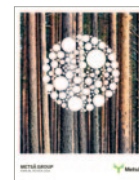
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Annual Review 2014



Sustainability Report  
2014

# METSÄ GROUP

SALES  
IN 2014 WERE  
EUR 5.0 BILLION

5.0

THE PARENT COMPANY  
METSÄLIITTO COOPERATIVE  
IS OWNED BY  
APPROXIMATELY 122,000  
FINNISH FOREST OWNERS

122,000

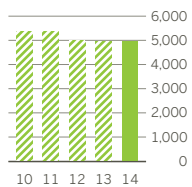
OPERATIONS  
IN SOME  
30 COUNTRIES

30

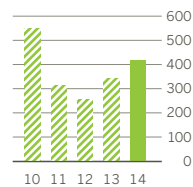
EMPLOYS  
APPROXIMATELY  
10,500 PEOPLE

10,500

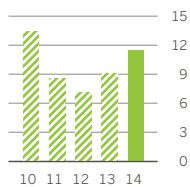
SALES  
EUR MILLION



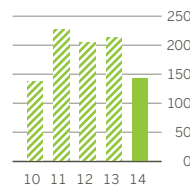
OPERATING RESULT,  
EXCL. NON-  
RECURRING ITEMS  
EUR MILLION



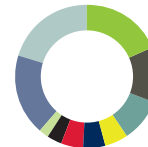
RETURN ON  
CAPITAL EMPLOYED,  
EXCL. NON-  
RECURRING ITEMS  
%



INVESTMENTS  
EUR MILLION

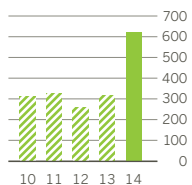


SALES  
BY MARKET AREA  
%

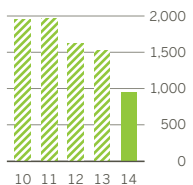


FINLAND	19
GERMANY	13
UNITED KINGDOM	10
ITALY	5
FRANCE	5
SWEDEN	5
POLAND	3
NORWAY	2
REST OF EUROPE	18
OTHER COUNTRIES	20

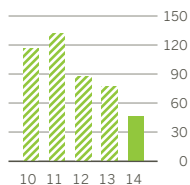
NET CASH FLOW  
FROM OPERATIONS  
EUR MILLION



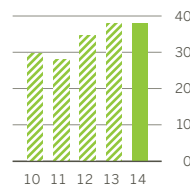
INTEREST-BEARING  
NET LIABILITIES  
EUR MILLION



NET GEARING  
RATIO  
%



EQUITY RATIO  
%



# REPORT OF THE BOARD OF DIRECTORS 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 and 2012: EUR 5,001.0).

Operating result excluding non-recurring items was EUR 418.1 million (2013: 342.9 and 2012: 255.7), or 8.4 per cent of sales (2013: 6.9 and 2012: 5.1). 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.

Non-recurring items included in Metsä Group's operating result were EUR -1.3 million net for the year (2013: -7.9 and 2012: -14.2). 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.

Operating result including non-recurring items was EUR 416.9 million (2013: 335.0 and 2012: 241.5). The share in the results of associated companies and joint ventures was EUR 16.4 million (2013: 9.6 and 2012: 4.8), financial income was EUR 6.5 million (2013: 8.3 and 2012: 15.3), exchange gains on financial items were EUR 2.7 million (2013: -4.6 and 2012: 2.4) and financial expenses were EUR 112.6 million (2013: 124.5 and 2012: 130.8). 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 (2013: 223.8 and 2012: 133.2), and taxes, including changes in deferred tax liabilities, were EUR 69.7 million (2013: 35.1 and 2012: 31.8). The net result for the financial period was EUR 260.3 million (2013: 188.7 and 2012: 101.4).

Excluding non-recurring items, the Group's return on capital employed was 11.4 per cent (2013: 9.1 and 2012: 7.1) and the return on equity was 13.4 per cent (2013: 10.3 and 2012: 6.9). Including non-recurring items, the return on capital employed was 11.1 per cent (2013: 8.9 and 2012: 6.7) and the return on equity was 13.0 per cent (2013: 9.9 and 2012: 6.1).

## BALANCE SHEET AND FINANCING

Metsä Group's liquidity is good. Total liquidity at the end of December was EUR 1,725.0 million (2013: 1,189.9 and 2012: 1,168.7). This consisted of EUR 947.9 million (2013: 454.4 and 2012: 519.4) of liquid assets and investments and EUR 777.1 million (2013: 735.5 and 2012: 649.3) 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 (2013: 174.7 and 2012: 526.5).

The Group's equity ratio at the end of December was 37.9 per cent (2013: 37.9 and 2012: 34.7) and net gearing was 46 per cent (2013: 77 and 2012: 87). Interest-bearing net liabilities stood at EUR 938.2 million (2013: 1,510.2 and 2012: 1,609.3).

Net cash flow from operations amounted to EUR 617.3 million (2013: 315.3 and 2012: 257.1). EUR 198.6 million was released from working capital during the year (2013: 47.7 tied up and 2012: 82.1 released). 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 (2013: 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 34.3 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 2016. The new credit facility replaced the undrawn credit facility of EUR 100 million, which would have matured in May 2015.

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 (2013: 11,216 and 2012: 11,986). At the end of the year, the Group had 10,410 employees (2013: 10,736 and 2012: 11,447), of whom 5,131 (2013: 5,227 and 2012: 5,414) were based in Finland and 5,279 (2013: 5,509 and 2012: 6,033) were based abroad. During the financial period, personnel turnover amounted to 7.4 per cent (2013: 9.5 and 2012: 20.0) and the average duration of employment was 16.8 years (2013: 16.7 and 2012: 16.3). Wages and salaries including share-based payments, paid to the employees of Metsä Group totalled EUR 469.6 million (2013: 466.6 and 2012: 469.3)

Metsäliitto Cooperative employed 2,471 people at the end of December (2013: 2,579 and 2012: 2,645). The parent company paid EUR 107.3 million in wages and salaries (2013: 105.3 and 2012: 97.1)

Metsä Group promotes good management practices by training managers, supervisors and employees to understand and comply with the Group's Code of Conduct and shared policies. Metsä Group's aim is to train the entire personnel in the Code of Conduct. The training began in



autumn 2011, and by the end of 2014, approximately 94 per cent of white-collar employees (2013: 93 and 2012: 73) had completed the training. Of the entire personnel, 72 per cent had been trained by the end of 2014.

The Group's HR administration and business areas have begun preparations for the future wave of retirements by developing supervisory work, investing in well-being at work and occupational safety, and by preparing for future recruitment needs. Metsä Group also took part the Finnish Forest Industries Federation's school campaign presenting career opportunities offered by the forest industry to ninth-graders.

Safety at work is Metsä Group's top priority. Systematic occupational safety work carried out in all business lines supports the continuous development of operations and achieving the Group's objectives. Our aim is to improve our lost-time accident frequency rate by 10 per cent each year. The long-term objective is zero accidents. In 2014, the lost-time accident rate decreased by 15 per cent to 11.2 per million hours worked (2013: 13.2 and 2012: 15.7). There were no fatal accidents in production during the period under review (2013: 1 and 2012: 1). Absence due to illness within the Group amounted to 4.0 per cent (2013: 4.0 and 2012: 4.1) of regular work time.

A personnel job satisfaction survey was also conducted in 2014, focusing specifically on matters concerning well-being at work and occupational safety. The survey results will help us improve job satisfaction and also help the business lines reach their strategic objectives. On a scale of 4–10, the Group-level result of the Organisation Functionality Survey was 8.2 (2013: 8.3). The results of the survey, carried out for the first time in 2013, will be utilised in work aiming to improve employees' job satisfaction and well-being at work, as well as efficiency in the business lines.

## MEMBERS

At the end of the year, Metsäliitto Cooperative had 121,941 members (2013: 123,275 and 2012: 124,255). 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 (2013: 213.5 and 2012: 204.5).

## ACQUISITIONS AND DISPOSALS OF SHARES

In January 2014 Metsäliitto Cooperative purchased shares representing a total of 6 per cent of the share capital of Metsä Tissue from Jozef Antošík. Following the transaction, Metsäliitto Cooperative holds a total of 91 per cent of the share capital of Metsä Tissue and Jozef Antošík 9 per cent.

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.

In June, Metsäliitto Cooperative sold the entire share capital of its subsidiary Metsä Wood Eesti AS to the Estonian Combimill OÜ. Simultaneously with the transaction, the parties have agreed on commercial cooperation in raw material procurement as well as by-product and sawn timber sales.

In December, Metsäliitto Cooperative agreed 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. The transaction was completed in February 2015. The sale will not have any material effect on the Group's result.

## 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).

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 85 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.

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.

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.

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.

#### 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 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.

In January 2015, the Regional State Administrative Agency for Western and Inland Finland granted an environmental and water-intake permit for the planned bioproduct mill in Äänekoski.

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.

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. An impairment 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 per cent (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.

#### 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.

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<sup>3</sup> 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 Tinto consumer products were launched in 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.

#### RESEARCH AND DEVELOPMENT

Metsä Group's research and development expenses totalled EUR 17.7 million (2013: 17.7 and 2012: 19.6), or 0.4 per cent of operating expenses (2013: 0.4 and 2012: 0.4).

Metsä Group's shared focus areas for research and development are improving processes and resource efficiency, renewable raw materials as a competitive advantage, and added-value products and services. The focus areas with regard to process and resource efficiency include increasing the yield of production, energy and water use efficiency, and optimum utilisation of by-products.

Metsä Group actively took part in the design and guidance of the research programmes run by FIBIC Oy (the Finnish Bioeconomy Clus-

ter). In addition, Metsä Group actively took part in research collaboration in bio-based industry through the Bio-based Industries Consortium.

Wood Supply and Forest Services made significant investments in the development of new information systems in 2014. The projects were related to the development of member services, the productivity of transportation, harvesting and forest services, as well as information systems supporting these. The most versatile forest planning mobile app on the market was launched for use by owner-members, allowing forest owners to view and update the information in their forest plans wherever they are.

Metsä Wood focused on the industrial manufacture and sales of northern timber, plywood and Kerto® products. The products were continuously developed in cooperation with customers. Process development to enhance material and energy efficiency throughout the supply chain was also an essential part of development at Metsä Wood.

In 2014, Metsä Wood focused on the further development of frame and structural solutions for wooden construction, such as prefabricated intermediate floors, next-generation LNG plywood and plywood product coatings as well as fire, moisture and mould protection finishes. Also, developing value yield-based sorting of logs, sawing pattern-specific log measurement, and market-specific sorting control were essential in improving the yield of sawmills and sawn timber products. Moreover, the opportunities provided by the Vilppula sawmill investment were utilised to launch new products, such as new sawing patterns and extra-dry grades.

The key objective of Metsä Board's R&D activities was to produce increasingly lightweight folding boxboards and linerboards without compromising their properties in end use. Metsä Board launched new products in the food service segment during the year. The aim is to develop product properties to minimise the environmental impact of products.

Metsä Fibre's process development targeted improved production efficiency and environmental performance, and also investigated business opportunities provided by new biomaterials. Among other things, Metsä Fibre studied wastewater treatment technologies and sludge gasification related to the planned bioproduct mill. In addition, Metsä Fibre, together with Metsä Board, participated in the first call for programmes in the new instrument for funding research and development projects (the Bio-Based Industries PPP).

Metsä Tissue's research and development activities were based on the evolution of the consumer environment and customer needs. The company's R&D is centralised at a technology centre in Germany. Metsä Tissue launched several consumer and away-from-home products during the year. New products were also developed for private label brands.

#### SUSTAINABILITY

Metsä Group is committed to promoting sustainability throughout the value chain. Sustainability management and objectives are viewed from the point of view of products, raw materials, production and influence on society. The operations are guided by the Group's Code of Conduct and the principles of sustainable development, as well as a wide spectrum of policies directing different areas.

Metsä Group supports sustainable and responsible forest management. The wood used by the Group is 100 per cent traceable and always comes from sustainably managed forests. The goal is to maintain the share of certified wood in our business at more than 80 per cent. In 2014, wood sourced from PEFC and/or FSC-certified forests accounted for 84 per cent (2013: 82 and 2012: 82) of wood procured by Metsä Group.

Metsä Group takes the climate and environment into account in everything it does. To mitigate climate change, the key aim is to reduce fossil



CO<sub>2</sub> emissions in production by 30 per cent per product tonne from the 2009 level by 2020. As a result of significant investments and development of operating methods, the objective was reached already during 2013, when CO<sub>2</sub> emissions were 32 per cent below the baseline. By the end of 2014, the reduction of fossil CO<sub>2</sub> emissions amounted to 36 per cent.

Eighty-six per cent of fuel used by Metsä Group is wood-derived bio-fuel (2013: 85 and 2012: 83). The Group's pulp business is already 140 per cent self-sufficient in terms of electricity production. Bark and black liquor, which are by-products of the business lines, are used to produce bioenergy. The majority, 83 per cent, of the total energy purchased was carbon dioxide neutral (2013: 83 and 2012: 82).

Metsä Group's energy efficiency has improved by 6 per cent since 2009. The goal is to improve the energy efficiency of operations by 10 per cent by 2020.

Metsä Group's aim is to reduce process water consumption by 10 per cent by 2020 from the 2010 level. In particular, the pulp business, which uses a lot of water in its processes, has made investments to enhance the recycling of water. As a result of systematic development work, the reduction of water consumption amounted to 11 per cent by the end of 2014. In 2014, the total consumption of water was 278 million cubic metres (2013: 302 and 2012: 258). Process water consumption amounted to 147 million cubic metres (2013: 146 and 2012: 149). The majority of Metsä Group's production units are located close to ample water resources, and therefore 99 per cent of water used is surface water.

In 2014, the Group's atmospheric emissions were as follows: 803,000 tonnes of fossil carbon dioxide (CO<sub>2</sub>) (2013: 855,000 and 2012: 962,000), 7,035,000 tonnes of biogenic carbon dioxide (2013: 7,070,000 and 2012: 6,884,000), 6,400 tonnes of nitrogen oxides (as NO<sub>2</sub>) (2013: 6,500 and 2012: 7,300) and 2,050 tonnes sulphur (as SO<sub>2</sub>) (2013: 2,160 and 2012: 1,700 tonnes). Emissions into water systems were 51 tonnes of phosphorous (2013: 54 and 2012: 50), and the chemical oxygen demand (COD) was 39,700 tonnes (2013: 42,900 and 2012: 43,600).

The amount of waste generated by Metsä Group's production in 2014 increased by 0.1 per cent, while production volumes increased by 0.2 per cent from the previous year. The amount of waste totalled 865,000 tonnes (2013: 843,000 and 2012: 689,000). More than 90 per cent of the residues and waste generated by the production plants is recycled, primarily in reuse of material, and secondarily in energy production. The amount of waste sent to landfill is minimised, and only waste that cannot be recovered and utilised is directed there. In 2014, the quantity of landfill waste was 70,000 tonnes (2013: 76,000 and 2012: 81,000).

Almost all of Metsä Group's production units have an ISO 9001 quality system and ISO 14001 environmental system in place, as well as a Chain of Custody system, enabling reliable verification of the amount of certified wood in the products. In addition, a certified OHSAS 18001 occupational and product safety system and an ISO 50001 energy efficiency system are in place in several of the Group's production units.

No deviations resulting in significant environmental effects occurred in Metsä Group's production units during the year under review. There were six deviations from permit conditions involving emissions into water systems and one concerning atmospheric emissions.

Metsä Group's subsidiaries also remain subject to environmental liabilities related to former industrial activities at sites that have since been closed, sold or leased, and from decommissioned landfill sites. Financial provision for the cost of land rehabilitation work has been made in cases where it has been possible to measure the Group's liability for land contamination. The Group's environmental obligations in 2014 totalled EUR 18.7 million (2013: 28.2 and 2012: 26.6). The Group's environmental

expenses in 2014 totalled EUR 48.6 million (2013: 47.6 and 2012: 49.5), and they comprised mainly the expenses of use and maintenance of production units, expenses related to waste management and environmental impact, and depreciation of capitalised environmental expenses.

In addition to its own functions, Metsä Group is committed to sustainability throughout the supply chain. Excluding wood deliveries, 87 per cent of all procurement (2013: 87) is from countries in which the Group has local production. Since 2011, the aim has been to include the Code of Conduct in all new and renewed supplier contracts. By the end of 2014, the Code of Conduct had been included in 335 new contracts (2013: 216 and 2012: 71), covering 70 per cent of all new procurement contracts (2013: 50). In all, the Code of Conduct is included in 996 contracts. Metsä Group aims to identify and audit all key raw material suppliers with a high risk rating by the end of 2015.

## RISK MANAGEMENT AND RISK FACTORS

The Group's governance system and risk management policy ratified by the Board of Directors regulate the risk management work carried out in Metsä Group. The Group's risk management is systematic and preventive and assesses and manages business-related risks, threats and opportunities.

Metsä Group assesses its strategic, operative, financial and liability risks as part of its continuing operations. In addition, the Group carries out risk assessments as part of the annual planning and strategy process. The risk assessment carried out in the annual planning process focuses on identifying sales and cost risks, and in the risk assessment in the strategy process, the business areas review risks related to the implementation of the company's business strategy. The Group's management team reviews the most significant risks regularly as part of its management work. The results of the risk management process are reported to the Board of Directors and the Board's Audit Committee on a regular basis.

Risk assessments carried out in 2014 identified the following risks and uncertainties with a possible impact on Metsä Group's financial performance and ability to operate:

### SITUATION OF THE GLOBAL ECONOMY AND THE EURO AREA

In the main market areas, demand for wood products, pulp, paper and paperboard follows the general economic development. The European economy is at a standstill, and no market recovery is in sight. Metsä Group is also pursuing growth outside our main market, especially in North America and Asia.

Should the development of the world economy continue to be weak, it may have negative effects on the demand for products, profitability, and potentially the availability and cost of financing in Metsä Group.

### SITUATION IN UKRAINE AND RUSSIA

The international sanctions imposed as a result of the crisis in Ukraine have not had direct effects on Metsä Group's business. However, should the crisis continue or if additional sanctions are imposed, this may have indirect effects on the availability of wood raw material and energy as well as on product sales in Russia and Ukraine, and thereby on Metsä Group's performance.

### AVAILABILITY OF FINANCING

The Group's access to capital and the price of capital are largely dependent on the conditions prevailing in the financial market and the Group's own financial position. The improvement of the Group's financial position and the stabilising financial market have had a positive effect on the Group's access to capital and price of financing. Should either factor dete-



riorate significantly, this could also have negative effects on the price and availability of external capital needed by Metsä Group.

Metsä Group has prepared for the refinancing risk by utilising a variety of financing sources, scheduling loans to have a balance maturity profile and starting refinancing processes well before the loans mature. In addition to its strong liquidity position, the Group had credit facilities of more than EUR 700 million at its disposal at the end of 2014.

#### CYCLICAL NATURE OF OPERATIONS AND THE COMPETITIVE ENVIRONMENT

Metsä Group operates in a cyclical sector, where the balance of supply and demand considerably affects the price level of products. Any decrease in demand or increase in supply may have unfavourable effects on the market balance. Unfavourable economic trends or competitors' increased capacity may lower the prices of end products. On the other hand, capacity cuts by competitors or further consolidation in the industry may correspondingly lead to price increases. Larger exchange rate fluctuations with long-term effects will impact the market balance of forest industry products in the main market areas and the competitiveness of producers in Europe.

#### DEMAND AND MARKET PRICE OF PULP

At full capacity, Metsä Fibre produces approximately 2.4 million tonnes of bleached softwood and hardwood pulp per year. The result of the pulp segment has a key impact on the business operations of Metsä Group as a whole. Due to new investments, the supply of hardwood pulp has increased, which may have an essential effect on the pulp market, and thereby a negative effect on the business and results of the entire Metsä Group.

#### CREDIT AND OTHER COUNTERPARTY RISKS

The management of the credit risks involved in commercial activities is the responsibility of the business areas and centralised credit control of the group. Credit control defines the internal credit limits set for customers and payment terms together with the company's business areas. Most of the credit risks are covered with insurance agreements made with credit insurance companies. Metsä Group's customer credit risk was at a regular level in 2014. The Group has reduced its credit risk by intensifying its own internal credit control procedures and processes.

The main principles of credit control are defined in the credit guidelines of the risk management policy confirmed by Metsä Group's Board of Directors. The operational management of the Group and the business areas participate in the assessment of credit risk and in making final decisions on credit, if needed.

In money market investments, derivatives and loans, we only approve counterparties which have been defined in the Group's financial policy, meet the creditworthiness criteria or have been separately designated by the Board's decision.

#### DEVELOPMENT OF CUSTOMER ACCOUNTS AND GROWTH OBJECTIVES

The Group's businesses focus on key customer accounts by e.g. developing sales strategies to secure new customer relationships. Some of the Group's businesses have also set growth objectives concerning specific markets or product segments. If these business development projects do not reach the set goals, this may have a negative effect on the performance of the business in question and the Group.

#### PRICE RISKS AND AVAILABILITY OF PRODUCTION INPUTS

Significant changes in the price of the production inputs most important for the operations, such as wood, energy and chemicals, or problems with

their availability, may reduce profitability and threaten the continuity of operations and production growth plans. Metsä Group works to hedge against these risks by entering into long-term delivery agreements and related derivative contracts. In addition, a steep increase in transportation and other logistics costs may affect Metsä Group's profitability.

Moreover, any amendments in legislation, regulations or taxation related to the most important production inputs may result in significantly increased costs for Metsä Group.

#### LIABILITY RISKS

Metsä Group's business operations involve various types of liability risks arising from damage to third parties, such as general operational liability risks, contract risks, environmental risks and product liability risks. These risks are mitigated by way of efficient business processes, agreement training, management practices, quality control and transparent operations. Some of the operational liability risks have been hedged with insurance policies.

#### BUSINESS INTERRUPTION RISKS

Large losses (such as fires and machine breakdowns), major accidents, natural disasters, environmental damage, serious malfunctions in information systems, labour disputes, delivery problems of the most important raw materials and disturbances in the logistics chain may interrupt business operations. If interruptions in production or deliveries to customers are prolonged, the financial losses could be extremely significant. In addition, they can result in the permanent loss of customers. Continuity and recovery plans have been drawn up in the business areas, mills and service operations (such as the Group's IT administration) in preparation for the realisation of these risks. The production units' property and business interruption risks are mainly covered through insurance policies.

#### SAFETY RISKS

Risks threatening corporate safety and security include shortcomings and failures in terms of occupational safety, information security, personal safety, corruption, external threats and lack of internal control. Management of corporate safety contributes to ensuring the Group's uninterrupted operations. This is carried out by developing and streamlining the most central operating processes which take safety into account and by increasing instructions, training and internal control related to the management of the key threats, as well as by emergency controls carried out at frequent intervals.

#### PERSONNEL

Metsä Group pays special attention to ensuring the availability and retention of competent personnel by means of various management training programmes, personnel development programmes, successor plans and developing the Group's image as an employer. Metsä Group also prepares for risks relating to generational shifts and other HR risks by means of measures ensuring working capacity, career planning and job rotation among personnel. In addition, Metsä Group strongly invests in cooperation with educational institutions at all levels. Trainee programmes are initiated as necessary.

#### FINANCIAL RISKS

The main financial risks in business operations relate mainly to currencies, interest rates, liquidity and counterparty risks, and the use of derivative instruments. Financial risks are managed in accordance with the financial policy confirmed by Metsä Group's Board of Directors. The goal is to reduce uncertainty, improve predictability, balance cash flow and give the



business units time to adjust their operations to the changed circumstances.

#### CHANGES IN MEMBERS' CAPITAL AND ADDITIONAL MEMBERS' CAPITAL

A member of Metsäliitto Cooperative who wishes to cancel their membership is entitled to receive a refund of the contribution payment and the additional contribution payment. The member may also receive a refund of the additional contributions based on a written claim. Based on the cooperative's rules, the amount of members' capital and additional contributions that can be refunded is the equivalent of one third of the distributable equity in accordance with the latest balance sheet adopted by the Annual General Meeting. Refunds of members' capital which are larger than usual may have an adverse effect on Metsä Group's financial position.

#### 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.

#### PREPARING FOR AND TRANSFERRING RISKS

The Group prepares for risks by identifying the key risk mitigation actions and assigning responsibilities for them. In addition, changes in key risks are monitored as part of business management.

With regard to loss risks, the Group works actively with insurance companies in risk management, for example by regularly executing risk assessments in different areas, such as at mills and in the delivery chain. The Group's production units and shared service units have also prepared for potential interruptions and disturbances in operations by drawing up continuity and recovery plans. The Group's crisis management plan directs crisis management within the Group, business areas and units.

The Group's business areas carry part of the risks themselves, and risks exceeding the business area's risk tolerance have been selectively transferred to insurance companies, banks and other counterparties by means of insurance, derivative and other contracts. The most common loss risks are covered by the following comprehensive global insurance contracts:

- Property and business interruption insurance programme
- General third-party and product liability insurance
- General liability insurance for the management and administrative bodies
- Cargo insurance programme
- Credit insurance programme

#### 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 was 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.

# PROPOSAL FOR THE DISTRIBUTION OF THE SURPLUS

## METSÄLIITTO COOPERATIVE

EUR

At the disposal of the Representative Council		
surplus of the period		65,145,495.35
retained earnings from previous years		595,420,577.62
total		660,566,072.97
The Board of Directors proposes,		
under Section 13, a transfer to general reserve II of	3,257,274.77	
in additional	5.23	3,257,280.00
an interest of		
5.5% be distributed on paid-in members' capital	11,255,612.79	
5.0% be distributed on paid-in additional members' capital A	28,956,117.14	
4.5% be distributed on paid-in additional members' capital B	5,471,658.77	45,683,388.70
to be retained on the surplus and deficit account		611,625,404.27
total		660,566,072.97
If the Representative Council approves the above proposal, the members' funds will be		
Members' capital		206,204,309.48
Additional members' capital A		597,627,724.33
Additional members' capital B		134,385,125.21
Transfer of refundable members' capital to liabilities for the waiting period		-47,328,440.59
General reserve I		3,939,904.28
General reserve II		67,401,740.00
Surplus and deficit account		611,625,404.27
Members' funds total		1,573,855,766.98

Espoo, 5 February 2015

Martti Asunta  
Chairman

Kari Jordan  
Vice Chairman  
President & CEO

Mikael Aminoff

Arto Hiltunen

Saini Jääskeläinen

Juha Parpala

Timo Saukkonen

Mikael Silvennoinen

Antti Tukeva





# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Note	1.1.–31.12.2014	1.1.–31.12.2013 <sup>*)</sup>
<b>SALES</b>	3, 5	<b>4,970.3</b>	4,938.7
Change in stocks of finished goods and work in progress		17.7	31.2
Other operating income	3, 6	170.3	81.0
Materials and services	3, 7	-3,329.6	-3,390.6
Employee costs	3, 7	-699.0	-692.0
Depreciation, amortisation and impairment charges	3, 8	-276.2	-257.1
Other operating expenses	3, 7	-436.7	-376.3
<b>OPERATING RESULT</b>		<b>416.9</b>	335.0
Share of results from associated companies and joint ventures		16.4	9.6
Net exchange gains/losses	9	2.7	-4.6
Other financial income	9	6.5	8.3
Interest and other financial expenses	9	-112.6	-124.5
<b>RESULT BEFORE TAX</b>		<b>329.9</b>	223.8
Income taxes	10	-69.7	-35.1
<b>RESULT FOR THE PERIOD</b>		<b>260.3</b>	188.7
<b>OTHER COMPREHENSIVE INCOME</b>	10, 21		
<b>ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT AND LOSS</b>			
Items relating to adjustments of defined benefit plans		-44.7	2.4
Income tax relating to items that will not be reclassified		11.9	-0.1
Total		-32.7	2.3
<b>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT AND LOSS</b>			
Cash flow hedges		-19.7	-2.5
Available for sale financial assets		-43.6	-57.9
Currency translation differences		-43.3	-20.3
Share of comprehensive income of joint venture		-4.4	0.0
Other items		0.3	-0.1
Income tax relating to items that may be reclassified		15.3	22.3
Total		-95.4	-58.5
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>		<b>-128.2</b>	-56.2
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>132.1</b>	132.5
<b>RESULT ATTRIBUTABLE TO:</b>			
Members of parent company		156.5	109.2
Non-controlling interest		103.8	79.5
		260.3	188.7
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Members of parent company		82.4	83.1
Non-controlling interest		49.7	49.3
		132.1	132.5

\*) The figures for 2013 have been restated due to the retroactive adoption of IFRS 10 and IFRS 11.

The notes are an integral part of these financial statements.

# CONSOLIDATED BALANCE SHEET

EUR million	Note	31.12.2014	31.12.2013*)	1.1.2013*)
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Goodwill	11	520.3	529.0	533.9
Other intangible assets	11, 33	240.8	255.0	239.4
Tangible assets	12, 33	1,831.2	2,012.7	2,093.0
Biological assets	13	11.8	11.1	8.4
Investments in associated companies and joint ventures	14	77.7	71.5	65.2
Available for sale investments	15	257.1	305.7	356.2
Other non-current financial assets	16	19.7	19.1	13.7
Deferred tax receivables	17	64.8	47.1	70.6
		<b>3,023.5</b>	<b>3,251.3</b>	<b>3,380.4</b>
<b>CURRENT ASSETS</b>				
Inventories	18	774.1	775.7	725.7
Accounts receivables and other receivables	19	686.3	703.0	706.9
Tax receivables based on the taxable income for the period		0.3	4.7	8.4
Derivative financial instruments	28	4.1	2.4	5.1
Cash and cash equivalent	20	947.9	454.4	519.4
		<b>2,412.7</b>	<b>1,940.1</b>	<b>1,965.5</b>
<b>ASSETS CLASSIFIED AS HELD FOR SALE</b>	4	<b>10.9</b>	<b>0.0</b>	<b>20.6</b>
<b>TOTAL ASSETS</b>		<b>5,447.0</b>	<b>5,191.3</b>	<b>5,366.5</b>
<b>MEMBERS' FUNDS AND LIABILITIES</b>				
<b>EQUITY ATTRIBUTABLE TO MEMBERS OF PARENT COMPANY</b>				
Members' capital	21	719.1	654.7	594.5
Translation differences	21	-7.1	24.9	37.9
Fair value and other reserves	21	206.7	224.9	236.1
Retained earnings		671.6	578.3	498.5
		<b>1,590.3</b>	<b>1,482.9</b>	<b>1,366.9</b>
<b>NON-CONTROLLING INTEREST</b>	14	<b>467.0</b>	<b>476.3</b>	<b>491.2</b>
<b>TOTAL MEMBERS' FUNDS</b>		<b>2,057.3</b>	<b>1,959.2</b>	<b>1,858.1</b>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities	17	230.6	244.4	319.5
Post employment benefit obligations	22	184.8	154.4	154.0
Provisions	23, 33	33.4	19.3	34.6
Borrowings	24	1,373.3	1,624.3	1,173.1
Other liabilities	25	5.5	6.7	4.2
Derivative financial instruments	28	15.7	20.9	31.5
		<b>1,843.3</b>	<b>2,069.9</b>	<b>1,716.9</b>
<b>CURRENT LIABILITIES</b>				
Provisions	23, 33	14.0	33.9	53.8
Current borrowings	24	528.9	356.9	966.2
Accounts payable and other liabilities	26	940.0	752.4	755.1
Tax liabilities based on the taxable income for the period		25.4	8.8	4.5
Derivative financial instruments	28	32.2	10.2	11.8
		<b>1,540.5</b>	<b>1,162.2</b>	<b>1,791.5</b>
<b>LIABILITIES CLASSIFIED AS HELD FOR SALE</b>	5	<b>6.0</b>	<b>0.0</b>	<b>0.0</b>
<b>TOTAL LIABILITIES</b>		<b>3,389.8</b>	<b>3,232.2</b>	<b>3,508.4</b>
<b>TOTAL MEMBERS' FUNDS AND LIABILITIES</b>		<b>5,447.0</b>	<b>5,191.3</b>	<b>5,366.5</b>

\*) The figures for 2013 have been restated due to the retroactive adoption of IFRS 10 and IFRS 11.

The notes are an integral part of these financial statements.



# CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' FUNDS

EUR million	Note	Equity attributable to members of parent company					Non-controlling interest	Total
		Members' capital	Translation differences	Fair value and other reserves	Retained earnings	Total		
<b>MEMBERS' FUNDS 1.1.2013</b>		<b>594.5</b>	<b>37.9</b>	<b>236.1</b>	<b>498.2</b>	<b>1366.7</b>	<b>491.2</b>	<b>1857.9</b>
Retroactive adoption of IFRS 10 and IFRS 11			0.0		0.3	0.3	0.0	0.3
<b>RESTATED MEMBERS' FUNDS 1.1.2013</b>		<b>594.5</b>	<b>37.9</b>	<b>236.1</b>	<b>498.5</b>	<b>1,366.9</b>	<b>491.2</b>	<b>1,858.1</b>
Result for the period					109.2	109.2	79.5	188.7
Other comprehensive income, net after tax	10, 21		-13.0	-17.0	3.9	-26.1	-30.2	-56.2
<b>TOTAL COMPREHENSIVE INCOME</b>			<b>-13.0</b>	<b>-17.0</b>	<b>113.1</b>	<b>83.1</b>	<b>49.3</b>	<b>132.5</b>
Transactions with owners								
Interest on members' capital and dividends paid	21				-31.6	-31.6	-36.8	-68.4
Change in members' capital	21	60.2			-1.4	58.9		58.9
Transfer from unrestricted to restricted equity	21			5.7	-5.7	0.0		0.0
Acquired shares from non-controlling interest, which did not change the controlling right	4			0.1	5.4	5.5	-27.4	-21.9
<b>MEMBERS' FUNDS 31.12.2013</b>		<b>654.7</b>	<b>24.9</b>	<b>224.9</b>	<b>578.3</b>	<b>1,482.9</b>	<b>476.3</b>	<b>1,959.2</b>
<b>MEMBERS' FUNDS 1.1.2014</b>		<b>654.7</b>	<b>24.9</b>	<b>224.9</b>	<b>578.0</b>	<b>1,482.6</b>	<b>476.3</b>	<b>1,958.9</b>
Retroactive adoption of IFRS 10 and IFRS 11			0.0		0.3	0.3	0.0	0.3
<b>RESTATED MEMBERS' FUNDS 1.1.2014</b>		<b>654.7</b>	<b>24.9</b>	<b>224.9</b>	<b>578.3</b>	<b>1,482.9</b>	<b>476.3</b>	<b>1,959.2</b>
Result for the period					156.5	156.5	103.8	260.3
Other comprehensive income, net after tax	10, 21		-32.0	-20.5	-21.4	-74.0	-54.1	-128.2
<b>TOTAL COMPREHENSIVE INCOME</b>			<b>-32.0</b>	<b>-20.5</b>	<b>135.0</b>	<b>82.4</b>	<b>49.7</b>	<b>132.1</b>
Transactions with owners								
Interest on members' capital and dividends paid	21				-35.1	-35.1	-42.5	-77.5
Change in members' capital	21	64.4			-1.8	62.6		62.6
Transfer from unrestricted to restricted equity	21			2.4	-2.4	0.0		0.0
Acquired shares from non-controlling interest, which did not change the controlling right	4				-3.0	-3.0	-17.9	-20.9
Sold shares from non-controlling interest, which did not change the controlling right	4			-0.1	0.6	0.4	1.3	1.8
<b>MEMBERS' FUNDS 31.12.2014</b>		<b>719.1</b>	<b>-7.1</b>	<b>206.7</b>	<b>671.6</b>	<b>1,590.3</b>	<b>467.0</b>	<b>2,057.3</b>

The notes are an integral part of these financial statements.



# CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	2014	2013*)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Result for the period		260.3	188.7
Adjustments to the result	29	305.0	349.8
Interest received		5.6	8.7
Interest paid		-91.9	-119.8
Dividends received		3.3	3.4
Other financial items, net		-11.0	-16.7
Income taxes paid		-52.7	-51.1
Change in working capital	29	198.6	-47.7
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>617.3</b>	<b>315.3</b>
<b>CASH FLOW ARISING FROM INVESTING ACTIVITIES</b>			
Acquisition of shares in associated companies	4	0.0	0.0
Acquisition of other shares		-3.4	-2.1
Investments in tangible and intangible assets		-143.0	-213.5
Proceeds from disposal of shares in subsidiaries, net of cash	4	14.9	5.4
Proceeds from disposal of shares in associated companies and joint ventures		0.3	0.5
Proceeds from disposal of other shares		76.0	0.6
Return of capital		2.0	0.0
Proceeds from sale of tangible and intangible assets		52.2	36.0
Change in non-current receivables		-6.2	-0.6
<b>NET CASH FLOW ARISING FROM INVESTING ACTIVITIES</b>		<b>-7.2</b>	<b>-173.7</b>
<b>CASH FLOW ARISING FROM FINANCING ACTIVITIES</b>			
Change in members' capital		67.8	60.4
Non-controlling interest acquired	4, 29	-20.9	-21.1
Increase in non-current liabilities		437.1	1,115.5
Decrease in non-current liabilities		-508.7	-1,279.6
Change in current liabilities, net		-1.7	3.1
Change in current interest-bearing receivables, net		0.0	-6.0
Interest on members' capital and dividends paid		-87.9	-78.1
<b>NET CASH FLOW ARISING FROM FINANCING ACTIVITIES</b>		<b>-114.3</b>	<b>-205.8</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>			
		<b>495.8</b>	<b>-64.3</b>
Cash and cash equivalents at beginning of period		454.4	519.4
Translation differences		-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
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	20	<b>947.9</b>	<b>454.4</b>

\*) The figures for 2013 have been restated due to the retroactive adoption of IFRS 10 and IFRS 11.

The notes are an integral part of these financial statements.



# NOTES TO THE ACCOUNTS

## 1. Accounting policies

The principal accounting policies to be adopted in the preparation of the consolidated financial statements are as follows.

### MAIN OPERATIONS

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. The Group has manufacturing operations in 8 countries. Europe is the Metsä Group’s main market area.

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.

A copy of the Annual Report can be obtained from website [www.metsagroup.com](http://www.metsagroup.com) or parent company’s head office at Revontulenpuisto 2, 02100 Espoo, Finland.

The consolidated financial statements were authorised for issue by the Board of Directors on 5 February 2015. According to Finnish Cooperative Act the Representative Council has the possibility to accept or reject the financial statements in the Annual General Meeting after date of publication. The Annual General Meeting also has the possibility to decide to change the financial statements.

### ACCOUNTING POLICIES AND MEASUREMENT BASES

Metsä Group’s consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), applying the IAS and IFRS standards and SIC and IFRIC interpretations that were effective and approved by the EU at the date of the financial statements 31 December 2014. International Financial Reporting Standards refer to the standards and their interpretations approved for use in the EU by the Finnish Accounting Act and the regulations set out pursuant to it in accordance with the procedure defined in the EU decree (EC) no. 1606/2002. The notes to the consolidated financial statements also comply with the requirements of Finnish accounting and Community legislation supplementing the IFRS regulations.

The consolidated financial statements include the information needed for a bond issue.

The consolidated financial statements are presented in millions of euros unless otherwise mentioned.

These financial statements have been prepared based on original acquisition costs, excluding available-for-sale financial assets, financial assets to be recognised at fair value through profit and loss, hedged items in fair value hedging, biological assets and share-based business operations settled by means of cash which have been recognised at fair value.

### GOING CONCERN

Management assesses that in foreseeable future the Group has enough resources to continue as a going concern. The Group has prepared the financial statements on a going concern basis.

### NEW AND AMENDED STANDARDS APPLIED IN THE FINANCIAL YEAR ENDED

Metsä Group has from the beginning of the year applied the following new and amended standards:

**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 figures for 2013 have been restated according to IFRS 10.

**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 jointly controlled entities are to be accounted for using only one method, equity method, and the other alternative, proportional consolidation is no longer allowed. The figures for 2013 have been restated according to IFRS 11.

**IFRS 10 Consolidated Financial Statements** and subsequent amendments and **IFRS 11 Joint Arrangements** and subsequent amendments had an impact on Metsä Group’s comparative figures as follows:

Punkavoima Oy is consolidated according to IFRS 10 as a subsidiary. Hartolan Kuningaslämpö Oy, Katrinefors Kraftvärme Ab, Lohjan Biolämpö Oy and Mittaportti Oy are consolidated according to IFRS 11 as joint operations. Punkavoima Oy, Hartolan Kuningaslämpö Oy, Katrinefors Kraftvärme Ab and Lohjan Biolämpö Oy were earlier consolidated according to the equity method and Mittaportti Oy as a subsidiary.

EUR million	Old accounting policy	New accounting policy	Change
<b>1.1.2013</b>			
Assets total	5,344.4	5,366.5	22.1
Total members’ funds	1,857.9	1,858.1	0.3
Interest-bearing net liabilities	1,590.0	1,609.3	19.3
<b>31.12.2013</b>			
Sales	4,931.6	4,938.7	7.1
Operating result	334.4	335.0	0.6
Assets total	5,164.0	5,191.3	27.4
Total members’ funds	1,958.9	1,959.2	0.3
Interest-bearing net liabilities	1,486.1	1,510.2	24.1

**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 arrange-

ments, 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. The new standard did not have any significant impact on consolidated financial statements.

**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. The amendments did not have any significant impact on consolidated financial statements.

**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. The new standard did not have any significant impact on consolidated financial statements.

**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. These amendments did not have any significant impact on consolidated financial statements.

Other new or amended standards and interpretations did not have any impact on consolidated financial statements.

## PRINCIPLES OF CONSOLIDATION

### SUBSIDIARIES

Subsidiaries include all companies (including structured entities) in which the Group has the right to control the principles of finances and operations. The Group controls the entity when it is exposed, or has right, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated in the consolidated financial statements in their entirety starting on the day on which the Group obtains control in them. The consolidation stops when the control ceases.

Business combinations are processed using the acquisition method. Consideration paid for the purchase of a subsidiary is determined as the fair value of paid assets, assumed liabilities and equity shares issued by the Group. The assigned consideration includes the fair value of an asset or liability arising as the result of a contingent consideration arrangement. Acquisition-related costs, excluding expenses incurred by the issuance of debt securities or equity securities, are recognised as expenses as they materialise. A paid consideration does not include transactions to be handled separately from the acquisition. The impact of these has been recognised through profit and loss in the acquisition. A possible contingent additional sales price has been measured at fair value at the time of acquisition and classified either as liability or equity. An additional sales price classified as liability is measured at fair value on the closing date of each reporting period and the resulting profit or loss is recognised through profit and loss. The additional sales price classified as equity is not measured again. Identifiable assets obtained in a business merger and assumed liabilities and conditional liabilities are valued at fair value at the date of acquisition. The holding of non-con-

trolling shareholders in the target of the acquisition is recognised on an acquisition-specific basis either at fair value or an amount corresponding to the proportion of the net assets of the target of the acquisition held by non-controlling shareholders.

The combined amount by which the sum of a consideration paid, the fair value of the proportion of non-controlling shareholders, and the fair value of the previously owned proportion of the target exceed the fair value of the itemisable net assets is reported on the balance sheet as goodwill. If the combined amount of the consideration paid, the fair value of the proportion of non-controlling shareholders, and the fair value of the previously owned proportion is smaller than the fair value of the acquired net assets of a subsidiary, the difference is recognised through profit and loss.

Business transactions, receivables and liabilities between the Group companies and unrealised profits are eliminated. Unrealised losses are not eliminated if the loss arises from impairment. The accounting principles followed by subsidiaries have been amended to correspond to the principles followed by the Group if necessary.

In an acquisition that is completed gradually, the previous holding is valued at fair value and the generated gain or loss is recognised through profit and loss. When the Group loses its control in a subsidiary, the remaining investment is measured at the fair value of the date the control is lost and the subsequent difference is recognised through profit and loss. Furthermore, when the Group loses its control, it handles all amounts recognised in other items in the comprehensive income statement related to the subsidiary on the same basis as they should be handled if the Group had transferred the assets and liabilities in question directly.

The acquisitions prior to 1 January 2010 have been handled according to the standards in effect during that time.

### STRUCTURED ENTITY

Metsäliitto Management Oy, established for the shareholding programme of the members of Metsä Group's Executive Management, has been consolidated as a subsidiary in the Group's financial statements.

As the conditions of the dissolution of the scheme were met, the scheme was dissolved in the first quarter of 2014 by selling shares of the company to Metsäliitto Cooperative. According to the shareholders' and loan agreement Metsäliitto Cooperative had the controlling right in the company before it was dissolved. The income statement and the balance sheet have been consolidated from the beginning of the arrangement. Metsäliitto Management's acquisitions of series B-shares in Metsä Board were dealt with as transactions with owners of non-controlling interest. The investment made by the executive managers was dealt with as a financial liability.

Additional information on share-based incentive schemes is presented in section Share-based payment in these accounting policies.

### TRANSACTIONS WITH NON-CONTROLLING SHAREHOLDERS

Business transactions with non-controlling shareholders are processed in the same way as those with Group shareholders. When shares are purchased from non-controlling shareholders, the difference between the consideration paid and the proportion of the net assets in the subsidiary purchased is recognised in equity. Also, profit or loss from sale of shares to non-controlling shareholders is recognised in equity.

### JOINT OPERATIONS

A joint operation is a joint arrangement in which parties who have joint control in the arrangement have rights concerning the assets related to





the arrangement and obligations concerning liabilities. "Joint control" means considering the control concerning the arrangement shared based on an agreement, and it prevails only when decisions concerning important operations require the unanimous approval of the parties sharing the control.

The Group consolidates in its financial statements its proportion of the assets, liabilities, income and expenses of the joint operation. The relevant assets, liabilities, income and expenses accounting items related to the Group's proportion of the joint operation are treated in accordance with IFRS.

The Group recognises the gains or losses caused by assets sold to a joint operation only in the extent of the proportion of the other parties to the joint operation. When such business transactions provide evidence of a decreased net realisation value of assets to be sold to the joint operation or an impairment loss concerning these assets, the Group recognises these losses in full.

The Group does not recognise its proportion of the gains and losses of the joint operation generated by assets the Group purchased from the joint operation until it sells the said assets on to a third party. When such business transactions provide evidence of a decreased net realisation value of assets to be purchased or an impairment loss concerning these assets, the Group recognises its proportion of these losses.

#### ASSOCIATED COMPANIES AND JOINT VENTURES

Associated companies include all companies in which the Group has considerable influence but no control. Usually, significant influence is based on a shareholding conferring 20–50 per cent of the voting rights. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associated companies and joint ventures are processed using the equity method, and they are initially recognised at cost. The Group's shares in associated companies and joint ventures also include the goodwill measured at the time of acquisition less any impairment.

The Group's share of profits or losses of associated companies and joint ventures is recognised in the income statement, and its proportion of changes in equity after the acquisition is recognised in other items of other comprehensive income. The book value of the investment is adjusted for changes accumulated after the acquisition. If the Group's share of associated companies' and joint ventures' losses is as large or larger than its share of the associated company and joint venture including any other unsecured receivables, the Group will not recognise additional losses unless it has commitments concerning the associated companies and joint ventures and it has not made payments on behalf of it.

A proportion corresponding to the Group's shareholding is eliminated from unrealised profits between the Group and its associated companies and joint ventures. Unrealised losses are also eliminated unless the transaction indicates an impairment of the value of the asset. The accounting principles followed by associated companies and joint ventures have been amended to correspond to the principles followed by the Group as necessary. Gains or losses due to the dilution effect when shareholdings in associated company and joint venture investments decreases are recognised in the income statement.

On the closing day of each reporting period, the Group assesses whether there are any indications of impairment of an investment made in an associated company or joint venture. If any such indications are detected, the Group tests the entire book value as one asset item by comparing the amount recoverable from it to its book value.

#### TRANSACTIONS IN FOREIGN CURRENCY

The figures concerning the profit and financial position of Group units are presented in the currency that is used in the primary operating environment of the unit in question. The consolidated financial statements are presented in euros, which is the parent company's functional and presentation currency.

Business transactions denominated in foreign currencies are recognised in the operating currency using the rate of the transaction date. Monetary items denominated in foreign currencies are translated into the functional currency using the rate of the closing date. Non-monetary items in foreign currencies recognised at fair value have been translated into the functional currency using the rate of the date on which the value was determined. Otherwise, non-monetary items have been recognised using the rate of the transaction date.

Any gains or losses resulting from transactions in foreign currencies, and from the translation of monetary items, are recognised under financial income and expenses with the exception of liabilities classified as hedges for net investment in a foreign entity, for which the currency gains and losses are entered for the part of hedge proven effective in the translation differences in other comprehensive income. A change in the fair value of a derivative hedge (currency forward contracts) proven effective is recognised directly in shareholders' equity in the fair value reserve, and only after the realisation of the forecasted sales transaction it is recognised in the income statement as an adjustment of the hedged sales.

The income statements of Group companies whose reporting currencies are other than euro are translated into euros using average exchange rates for the reporting period, and their balance sheets at the exchange rates prevailing at the balance sheet date. Translation differences arising on translation and on applying the purchase method of consolidation are recognised in other comprehensive income. In conjunction with divestments of subsidiaries, either by selling or by dissolving, translation differences accumulated by the time of divestment are recognised in the income statement as part of the gain or loss from the divestment.

When making the transition to IFRS, translation differences that arose prior to 1 January 2004, which was the transition date to IFRS standards, were recorded in the Group's retained earnings according to the exemption under IFRS 1, and they are no longer entered in the income statement if the subsidiary is disposed of subsequently. From the transition date translation differences have been presented in members' funds as a separate item.

#### FINANCIAL ASSETS

Financial assets have been classified according to IAS 39 standard as follows: 1) Financial assets at fair value through profit or loss, 2) Held-to-maturity investments, 3) Loans and other receivables and 4) Available-for-sale financial assets. Categorisation depends on the purpose for which the assets were acquired and is made at the time they were originally recorded. Financial assets are initially recognised at fair value. Transaction costs are included in the fair value unless the item is measured at fair value through profit and loss. The transaction costs related to the items measured at fair value through profit and loss are recognised immediately to profit and loss. Financial assets are derecognised when the Group has lost the contractual right to receive cash flows or it has transferred substantially risks and rewards of ownership to outside the Group. Financial asset purchases and sales are recorded at the settlement date.

Financial assets at fair value through profit and loss include mainly quoted bonds and money market fund investments that are classified as held for trading. Financial assets held for trading have been recognised at fair value based on price quotations in the market. Unrealised and realised gains and losses due to changes in fair value are recognised immediately in the income statement during the financial period in which they are incurred. Derivatives not included in hedge accounting are also classified as financial assets held for trading. Their accounting principles and principles of determining their fair value are described below.

Held-to-maturity investments include those investments with a maturity more than six months with a specific date of maturity which the Group has full intention and ability to retain until the date of their maturity. The Group has no held-to-maturity investments. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and other receivables comprise external loans and other receivables including accounts receivables. Financial assets designated in these categories are carried at amortised cost using the effective interest method.

Available-for-sale financial assets are publicly quoted and unquoted shares. They are valued at fair value, or if fair value cannot be reliably determined, at cost less impairment. The fair values of publicly quoted shares are based on the share price at the date of the financial statements. If there are no quoted prices for available-for-sale financial assets, the Group applies different types of valuation in their valuation, such as recent transactions and discounted cash flow. In this valuation, information received from the market is usually used, and factors specified by the Group itself are used as little as possible. Changes in fair value are recognised under other comprehensive income and presented in the fair value reserve, taking the tax effect into account. Accumulated changes in fair value are transferred from equity to profit and loss as a correction of classification when the investment is divested or its value has impaired so that an impairment loss is to be recognised for the investment.

Cash and cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. According to treasury policy Metsä Group has classified short-term money market investments as cash and cash equivalents.

The Group assesses at each balance sheet date whether there is objective evidence of impairment of a financial asset or group of financial assets. Objective evidence of impairment of available-for-sale financial assets includes a significant or long-term decrease of the value of the investment under the acquisition cost. If the fair value of investments has substantially gone under acquisition cost and exceeded the period of time defined by the Group, it shall indicate that the value of the investment may be impaired. If there is evidence of impairment, the accumulated losses recognised in fair value reserve shall be transferred to profit and loss. Impairment losses of equity instruments classified as available for sale financial assets shall not be reversed through profit and loss.

The criteria for determining whether there is objective evidence of impairment of loans and other receivables include:

- significant financial problems of the issuer or debtor
- breach of contractual terms and conditions, such as defaults on interest or capital payments
- concessions given by the Group to the debtor due to its financial or legal reason related to its financial problems that it would not otherwise contemplate giving

- probability of the debtor's bankruptcy
- the financial asset in question no longer having an active market due to financial problems

Impairment testing of accounts receivables is described below in more detail with regard to the relevant accounting principles.

The amount of the impairment loss is determined as the difference between the carrying amount of the financial asset and the current value of the estimated cash flows of the financial asset discounted using the original effective interest rate (excluding any non-realised future credit losses). Impairment of financial assets has to be recorded if the carrying amount of the financial asset exceeds its recoverable amount. The carrying amount of the asset is decreased and the loss is recognised in the consolidated income statement. If the amount of the impairment loss decreases during a subsequent period and the decrease can be objectively linked to an event realised after the recording of the impairment (such as the debtor's credit rating improving), the impairment loss is always reversed in the other comprehensive income. For assets classified as held for sale investments the impairment loss is always reversed in the other comprehensive income.

## FINANCIAL LIABILITIES

The Group has classified all financial liabilities under "Other liabilities". When a financial liability is entered in the accounts, it is measured at cost, which is equal to the fair value of the consideration received for it. Transaction costs are included in the original carrying amount of all financial liabilities. Subsequently, all financial liabilities are measured at amortised cost using the effective interest method. Derivative contracts for which hedge accounting is not applied are classified as "Financial liabilities at fair value through profit or loss".

## DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivative financial instruments are initially recognised in the balance sheet as fair value at cost and thereafter during their term-to-maturity revalued at their fair value at each reporting date. Gains and losses resulting from recognition at fair value are treated in accounting as required with regard to the intended use of the derivative in question. Derivatives are initially classified either as 1) Hedges of the exposure to changes in fair value of receivables, liabilities or firm commitments, 2) Hedges of the cash flow from a highly probable forecast transaction, 3) Hedges of a net investment in a foreign entity or 4) Derivatives to which it has been decided not to apply hedge accounting. Derivatives that do not qualify for hedge accounting are classified as financial assets or financial liabilities at fair value through profit or loss. When applying hedge accounting at the inception of a hedging relationship, the Group has documented the relationship between the hedged item and the hedging instruments as well as the hedging strategy observed. To meet the requirements of hedge accounting, the Group has also continuously carried out effectiveness testing to verify that changes in the fair value of the hedging instrument for each hedging relationship cover effectively enough, with respect to the hedged risk, any changes in the fair value of the hedged item.

Changes in the fair value of derivatives that meet the criteria for fair value hedging are recognised through profit and loss. Changes in the fair value of a hedged asset or liability item are presented similarly in terms of the hedged risk. Changes in the fair value of the effective portion of derivative instruments that meet the criteria for cash flow hedg-



ing are recognised directly in a hedging reserve in equity. The gains and losses recognised in equity are transferred to the income statement in the period in which the hedged item is recognised in the income statement. When the criteria for hedge accounting are no longer fulfilled, a hedging instrument matures or is sold or when the gain or loss accrued from hedging the cash flow remain in equity until the forecast transaction takes place. However, if the forecast hedged transaction is no longer expected to occur, the gain or loss accrued in equity is recognised immediately in the income statement.

The fair value of derivatives is disclosed in non-interest-bearing receivables or liabilities.

#### CURRENCY HEDGING

The group has applied cash flow hedge accounting in accordance with IAS 39 to some of its hedges of foreign exchange risk. A separately defined portion of the highly probable forecasted cash flow from Metsä Board's, Metsä Tissue's and Metsä Fibre's sales in USD, GBP, JPY, SEK, NOK and DKK is the object of hedge accounting. A change in the fair value of a derivative hedge (currency forward contracts) proven effective is recognised directly in shareholders' equity in the fair value reserve, and only after the realisation of the forecasted sales transaction it is recognised in the income statement as an adjustment of the hedged sales. Changes in the fair value of other currency derivatives to hedge foreign currency exposure are recognised under financial items in the income statement. The fair values of forward foreign exchange contracts are based on forward prices prevailing at the balance sheet date, and currency options are stated at market rates in accordance with the Black&Scholes model's fair value.

The hedging of a net investment in a foreign entity is accounted as cash flow hedge. Changes in the fair value of a derivative and loan hedge proven effective are recognised directly against the translation differences accumulated in members' funds. The ineffective portion of the hedge as well as the effect of the interest rate element of forward exchange contracts are recorded in financial income and expenses in the income statement.

#### INTEREST HEDGING

To hedge the fair value of separately defined loans with derivatives contracts (interest rate swaps and currency swaps), the Group has applied hedge accounting in accordance with IAS 39 as so-called fair value hedge. Changes in the fair value of both defined loans and derivative contracts that meet the criteria for effective hedge accounting are recognised in financial income and expenses through profit and loss. The fair value of loans is calculated in respect of interest rate risk and currency risk elements, but any changes in the company's credit risk premium have not been taken into account.

Moreover, to partly hedge its interest rate exposure, the Group has applied hedge accounting in accordance with IAS 39 to hedging of contractual cash flows of floating interest rates of loans as so-called cash flow hedge. A change in the fair value of derivative contracts (interest rate swaps) is recognised directly in members' funds in fair value reserve.

Interest rate derivatives, to which hedge accounting is not applied, are stated at their fair value, and changes in fair value are recognised under financial items in the income statement. The fair values of interest rate swaps and currency swaps are measured at the present value of future cash flows, with the calculation based on market interest rate yield curve.

#### COMMODITY RISK HEDGING

To partly hedge its electricity-, natural gas- and gas oil price risk exposure, the Group has applied hedge accounting in accordance with IAS 39 as so-called cash flow hedge. A separately defined portion of the highly probable forecast cash flow of Metsä Board's, Metsä Tissue's, Metsä Fibre's, Metsä Wood's and Metsä Forest's electricity, natural gas and logistics purchases in Finland, Sweden and Germany is the object of hedge accounting. Additionally hedge accounting is applied in hedging Metsä Board's, Metsä Tissue's and Metsä Fibre's pulp price risks as so-called cash flow hedge. A change in the fair value of a derivative hedge (forward electricity-, natural gas-, gas oil- and pulp contracts) proven effective is recognised directly in shareholders' equity in fair value reserve, and only after the realisation of the forecasted electricity purchases, natural gas purchases, logistics purchases or pulp sales or pulp purchases it is recognised in the income statement as an adjustment of the hedged purchases or sales. The ineffective part of derivatives classified to hedge accounting or other derivatives hedging commodity price risk are recognised at market rates at the balance sheet date, and changes in fair value are recognised in the income statement under "Other income and expenses".

Embedded derivatives are valued at fair value, and changes in fair value are recognised under financial items in the income statement. The amount of embedded derivatives in Metsä Group is insignificant.

#### SEGMENT REPORTING

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. All sales and other transactions between segments are eliminated on consolidation.

#### NON-RECURRING ITEMS

Exceptional and material items outside ordinary course of business are treated as non-recurring items. Non-recurring items are allocated to segments. These kinds of income or expenses are e.g. material profits or losses on sale, impairment charges and reverse of impairment charges related to IAS 36, Impairment of Assets, and expenses and releases of expenses related to structural changes.

#### NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

An asset item or operation is classified as held for sale when the amount corresponding to its carrying value will be generated primarily from sale of the asset item. Classification as held for sale requires management to be committed to the plan to sell the asset and requires that the Group has initiated an active program to complete the plan. The asset must be available for immediate sale in its present condition and the sale should be expected within one year from the date of classification.

Asset items classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Asset items classified as held for sale are not depreciated or amortised after the classification.

A discontinued operation is one which the Group has disposed of or that is classified as held for sale and represents a separate major line of business or geographical area of operations. The profit or loss from discontinued operations after tax is shown as a separate item in the consolidated income statement.

#### REVENUE RECOGNITION

Sales include income from the sale of products and services as well as raw materials and supplies corrected for indirect taxes, discounts and other sales adjustment items. Sale of goods is recognised as income when the risks and benefits associated with the ownership of the product are transferred to the buyer and the Group no longer has rights of possession or control on the product. Usually, this refers to the moment on which the product has been delivered to the customer in accordance with the agreed terms of delivery.

The Group's terms of delivery are based on the Incoterms 2010 delivery terms, a compilation of definitions of delivery terms published by the International Chamber of Commerce. The Group's most common delivery terms concerning sales are:

- D terms, according to which the Group has to deliver the products to the agreed destination. The sale is concluded at the moment of delivery to the buyer at the agreed destination at the agreed time.
- C terms, according to which the seller arranges and pays for transport to the agreed destination and certain other expenses. However, the Group's responsibility for the products ends after the products have been handed over to the carrier in accordance with the term used. The sale is concluded at the moment when the seller hands the goods over to the carrier for transport to the agreed destination.
- F terms, according to which the buyer arranges for the transport and is responsible for it. The sale is concluded when the products have been delivered to the buyer's carrier.

If local rules result in invoicing that deviates from the rules specified above, the impact of such income has been calculated and adjusted.

Revenue from the sale of services is recorded when the services have been rendered.

Income and expenses from long-term projects are recognised according to their degree of completion once the outcome of the project can be reliably estimated. The degree of a project's completion shall correspond to the share of its projected total cost represented by the work carried out up to the date of evaluation. Once it becomes probable that the total cost required to complete the project will exceed the total revenue gained from it, the expected loss is immediately recognised as an expense.

Dividend income is recognised when the right to receive a payment is established. Interest income is recognised by applying the effective interest rate method.

#### DELIVERY AND HANDLING COSTS

Costs arising from the delivery and handling of goods are recorded in materials and services in the income statement.

#### RESEARCH AND DEVELOPMENT EXPENDITURE

Research and development expenditure is recognised as an expense at the time it is incurred. Development expenditure is capitalised if it is probable that a development project will generate future economic benefit and the costs can be measured reliable. Capitalised development costs are amortised over their estimated useful lives. To date, Metsä Group has not capitalised any R&D expenditure.

#### BORROWING COSTS

Borrowing costs are generally recognised as an expense in the period in which they are incurred. When an item of property, plant and equipment is involved in a major and long-term investment project, the borrowing costs directly due to the acquisition and construction of the asset are included in the asset's cost.

#### INCOME TAXES

Tax expense in the income statement is comprised of the current tax and deferred taxes. Current tax and deferred tax that relates to items that are recognised in comprehensive income shall be recognised in comprehensive income. Income taxes are recorded on an accrual basis for the taxable income of each reporting unit, applying the tax rate in force in each country at that time. Taxes are adjusted for any taxes for previous periods.

Deferred tax assets and liabilities are calculated on all the temporary differences between the carrying amount and the tax base. Deferred tax liabilities are not recognised when the asset or liability in question is one that is originally entered at the carrying amount and does not concern the merging of business operations, and the recognition of such an asset or liability does not have an impact on the accounting result or taxable income at the date of the transaction. No deferred taxes are recognised for non-deductible goodwill, and no deferred taxes are recognised for undistributed profits of subsidiaries to the extent that the difference will not likely realise in the predictable future.

The most significant temporary differences result from depreciation on property, plant and equipment, fair value of available-for-sale financial assets and derivative instruments, defined benefit plans, unused tax losses and measurement at fair value in connection with acquisitions.

Deferred taxes have been calculated by applying the tax rates in force by the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilised.

#### INTANGIBLE ASSETS

##### GOODWILL

Goodwill arising from the merging of business operations is recognised to the amount by which the sum of the consideration paid, the share of non-controlling interest in the company to be acquired and the previous holding exceed the fair value of the net assets. Goodwill arising from the acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and recognised on the balance sheet at cost less accumulated impairment losses. Impairment losses from goodwill are not reversed. The book value of goodwill associated with a divested company influences the capital gain or loss.

Goodwill is allocated to cash-generating units for impairment testing. Goodwill is allocated to those units or groups of units which are





expected to benefit from the merger of business operations where the goodwill has arisen, specified by reporting segments.

#### OTHER INTANGIBLE ASSETS

Intangible assets are originally valued to their acquisition cost in the balance sheet, in the case that acquisition cost can be determined reliably and it is probable, that the expected financial benefit from the asset will be to the benefit of the group.

Those intangible assets, which have a limited financial useful life, are booked by straight line depreciation as expenses impacting profit, according to their known or estimated financial useful life. Intangible assets, which have unlimited financial useful lives, are not depreciated, but are tested yearly for decrease in value.

The residual value of an asset, the financial useful life and depreciation method are checked at least once at the end of the financial year and when necessary, adjustments are made to reflect changes in the expected financial benefit of the asset.

Depreciation for intangible assets begins, when the asset is ready for use, e.g. when it is in such a state, that it is able to function as intended by management. Depreciation bookings end, when an intangible asset is classified as for sale (or is included in a group classified as for sale) according to IFRS 5 standard Non-current Assets Held for Sale and Discontinued Operation.

#### EMISSION ALLOWANCES

The Group has received emission allowances in accordance with the European Union Emissions Trading System. Allowances are treated as intangible assets and are measured at fair value. Since allowances from governments are received without consideration, their acquisition cost is zero. Emission allowances are used simultaneously with the carbon dioxide emissions generated during their validity period. Surplus emission allowances are sold, and the earnings generated are recognised in other operating income.

If the emission allowances received free of charge are not sufficient to cover the amount of the emissions produced, the Group purchases additional allowances from the market. The allowances purchased are recognised in intangible rights at the fair value of the acquisition date.

The provision to fulfil the obligation to return the emission allowances is recognised at the fair value on the closing date of the reporting period if the emission allowances received free of charge and purchased are not sufficient to cover the amount of the actual emissions.

#### COMPUTER SOFTWARE

Expenditure on developing and building significant new computer software programs are recognised in the balance sheet as an intangible asset and amortised by using the straight-line-method over its estimated useful life, which is not to exceed seven years. Direct expenses to be capitalised include consultancy and expert advisory fees paid to outside parties, software licences obtained for the application, staff costs to the extent that they can be allocated directly to the project as well as other direct costs. Maintenance and operating expenditure related to computer software and EDP applications is recorded as an expense in the reporting period in which it has been incurred.

#### OTHERS

The cost of patents, licences and trademarks having a finite useful life is capitalised in the balance sheet under intangible assets and amortised on a straight-line basis over their estimated useful lives in 5–20 years.

#### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is measured at historical cost. The property, plant and equipment of acquired subsidiaries is measured at fair value at the time of the purchase. Property, plant and equipment is presented in the balance sheet at cost less accumulated depreciation and any impairment. For investments in property, plant and equipment requiring a long construction time, the interest incurred during construction is capitalised in the balance sheet as part of the asset for the time that is necessary for bringing the asset to working condition for its intended use. Spare parts, spare equipment and maintenance supplies are recognised in property, plant and equipment when they are in accordance with the definition of property, plant and equipment. Otherwise, such commodities are classified as inventories.

Environmental expenditures are capitalised if they have been incurred to prevent or reduce future damage or conserve resources and bring future economic benefits.

Subsequent costs of an item of property, plant and equipment shall be recognised as an asset if and only if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. The carrying amount of a component which has been replaced with a new component shall be derecognised. All other repair and maintenance expenditures are recognised in profit and loss as incurred.

Property, plant and equipment is depreciated on a straight-line basis over the following estimated useful lives:

Buildings and constructions	20–40 years
Machinery and equipment	
Heavy power plant machinery	20–40 years
Other heavy machinery	15–20 years
Lightweight machinery and equipment	5–15 years
Other tangible assets	3–10 years

Land and water areas are not depreciated. If the significant parts of an item of property, plant and equipment have estimated useful lives of differing length, each part is depreciated separately.

The residual value of an asset, the financial useful life and depreciation method are checked at least once at the end of the financial year and when necessary, adjustments are made to reflect changes in the expected financial benefit of the asset.

Depreciation for tangible assets begins, when the asset is ready for use, e.g. when it is in such a location and state, that it is able to function as intended by management. Depreciation bookings end, when a tangible asset is classified as for sale (or is included in a group classified as for sale) according to IFRS 5 standard Non-current Assets Held for Sale and Discontinued Operation.

Gains and losses arising on the sale and decommissioning of items of property, plant and equipment are calculated as the difference between the net revenue obtained and the carrying amount. Capital gains and losses are included in operating profit in the income statement.

#### GOVERNMENT GRANTS

Government grants, such as government grants received related to acquisition of fixed assets, are booked as reductions to the book value of said fixed assets, when it is fairly certain, that the grants will be received and the Group fulfills the requirements for receiving such grants. The grants are recognised as income in the form of lower depreciation during the useful life of the asset. Grants, which are received as compensa-

tion for already incurred expenses, are booked in “other operating income” during the period, when the right to the grant emerges.

#### LEASES

Leases on property, plant and equipment for which the Group assumes substantially all the risks and rewards characteristic to ownership of the asset are classified as finance lease agreements. A finance lease agreement is recognised in the balance sheet at an amount equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The corresponding lease payment liability is recorded in interest-bearing liabilities under other non-current liabilities. An asset obtained on a finance lease is depreciated over the useful life of the asset or, if shorter, the lease term. Lease payments are split between financial expenses and a reduction in the lease liabilities.

Lease agreements in which the risks and rewards incident to ownership remain with the lessor are treated as other lease agreements (operating leases). Lease payments under an operating lease are recognised as an expense in the income statement on a straight-line basis over the lease term.

#### IMPAIRMENT OF ASSETS NOT INCLUDED IN FINANCIAL ASSETS

No depreciation or amortisation is recognised for assets with an indefinite useful life, such as goodwill; they are annually tested for impairment. Assets that are subject to depreciation or amortisation are always tested for impairment when events or changes in conditions indicate that it is possible that the monetary amount corresponding to the book value of the assets might not be recoverable.

The recoverable amount is the fair value of an asset less costs to sell or its value in use, whichever is higher. Value in use is the estimated future net cash flows, discounted to their present value, expected to be derived from the said asset or cash-generating unit. The discount rate used is the interest rate before taxes that represents the market's view of the time value of money and special risks associated with the asset.

Asset items are grouped for impairment assessment to the lowest levels on which cash flows can be separately itemised (cash-generating units). An impairment loss is recognised if the carrying amount of the asset is higher than its recoverable amount. If the impairment loss concerns a cash-generating unit, it is first allocated to decrease the goodwill of the cash-generating unit and thereafter to decrease the other assets of the unit symmetrically. In connection with the recognition of the impairment loss, the useful life of the depreciated asset is re-evaluated. An impairment loss recognised for an asset other than goodwill is reversed if a change has taken place in the estimates used to determine the recoverable amount of the asset. However, the maximum reversal of an impairment loss amounts to no more than the carrying amount of the asset if no impairment loss had been recognised. An impairment loss recognised on goodwill is not reversed under any circumstances.

#### BIOLOGICAL ASSETS

Biological assets (growing trees) are measured at fair value less the estimated expenses of making a sale. The fair value of a stand of trees, excluding young seedlings, is based on the present value of expected cash flows (revenue and expenses). The calculations take into account the future growth of the stand as well as the environmental protection-related limits on the forests. The calculation of income from fellings

and silvicultural costs is based on the prevailing price level as well as the company's view of the future trend in prices and costs. Changes in the fair value of a stand of trees are included in operating result during the financial period. The measurement of Metsä Group's associated companies' biological assets is in line with the Group's accounting principles.

#### INVENTORIES

Inventories are measured at the lower of cost and net realisable value. The cost of finished and semi-finished products comprises raw materials, direct labour expenses, other direct expenses as well as an appropriate share of fixed and variable production overheads. The normal capacity of the production facilities is used as the divisor in allocating overheads to the different production units.

The value of inventories is determined using the FIFO (first-in, first-out) method or, alternatively, the weighted average cost method depending on the nature of the inventories. Net realisable value is the estimated selling price that is obtainable less the costs of completion and the costs necessary to make the sale.

#### ACCOUNTS RECEIVABLES

Accounts receivables are measured at the expected net realisable value, which is the original invoicing value less estimated impairment provisions on the receivables. Provisions are set up case by case when there is a justifiable reason to assume that the Group will not receive payment for the invoiced amount according to the original terms.

#### EQUITY

In IFRS reporting, financial instruments are classified either as financial liabilities or equity instruments. Under the IFRIC 2 interpretation “Members' Shares in Co-operative Entities and Similar Instruments”, shares for which the co-operative does not have an unconditional right to refuse redemption in accordance with the cooperative's rules are classified as financial liabilities. The rules of Metsäliitto Cooperative specify the maximum amount of members' capital that may be redeemed annually. The amount available for redemption of members' capital and additional members' capital corresponds to 1/3 of distributable surplus confirmed in the most recent balance sheet. This amount is recognised as an interest-bearing financial liability in the financial statements.

#### PROVISIONS

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event and it is probable that settlement of the obligation will require a financial payment or cause a financial loss, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. If some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recorded in the balance sheet as a separate asset, but only if it is virtually certain that reimbursement will be received.

#### RESTRUCTURING

A restructuring provision is recorded for the financial period when the Group has incurred a legal or constructive obligation to make a pay-



ment. Termination payments are recorded when a detailed plan has been made of the restructuring and the Group has raised valid expectations in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

#### **ONEROUS CONTRACTS**

A provision is recognised for an onerous contract, when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

#### **ENVIRONMENTAL OBLIGATIONS**

Costs arising from environmental remediation which do not increase present or future revenue are recorded as annual expenses. Environmental liabilities are recorded in accordance with present environmental protection laws and regulations when it is probable that the obligation which has arisen and its amount can be estimated reasonably.

#### **EMPLOYEE BENEFITS**

##### **PENSION BENEFITS**

The Group has several arrangements concerning benefits following the termination of employment, including both defined benefit pension plans and defined contribution pension plans.

A defined contribution plan is a pension arrangement in which fixed contributions are made to a separate unit, and the Group does not have legal or constructive obligations to make additional contributions if the fund has insufficient funds to pay all benefits based on the performance of the current and previous financial years to all employees. All arrangements that do not meet these requirements are considered defined benefit plans.

A defined benefit plan usually defines the pension benefit that the employee will receive upon retiring and the benefit amount, which usually depends on one or more factors, including the employee's age, service years and salary level.

With the defined benefit plans, the current value on the end date of the obligations reporting period, less the fair value of the assets included in the arrangement, is recognised in the balance sheet as a liability. The amount of the obligation arising from the defined benefit plan is based on annual calculations by independent actuaries using the Projected Unit Credit Method. The current value of the obligation is determined using the interest rate equalling the interest of high-quality bonds issued by the companies as the discount rate for the estimated future cash flows. The bonds used in determining the interest rate have been issued in the same currency as the benefits to be paid, and their maturity is approximately the same as that of the corresponding pension obligation.

Actuarial gains and losses from experience verifications and changes in actuarial assumptions are recognised through items in other comprehensive income as a reimbursement or charge in equity for the period during which they have incurred.

Past service costs are recognised immediately through profit and loss.

In defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans that are mandatory, contractual or voluntary. Apart from these contributions, the Group does not have any other payment obligations. The contributions paid are recognised as personnel expenses when they fall due. Prepaid contributions are recognised in assets in the balance sheet to the extent

that they can be recovered as reimbursements or deductions of future payments.

#### **BENEFITS RELATED TO THE TERMINATION OF EMPLOYMENT**

Benefits related to the termination of employment are paid when the Group terminates a person's employment contract before the regular retirement age or when a person agrees to resign voluntarily against such benefits. Benefits related to the termination of employment will be recognised at the earlier of the following points in time: (a) when the Group can no longer revoke its offer concerning said benefits, and (b) when it recognises the expense on a restructuring within the scope of IAS 37, which contains the payment of benefits related to the termination of employment. In the case of an offer made to promote voluntary resignation, the benefits related to the termination of employment are defined based on the number of persons expected to accept the offer. Benefits which fall due in more than 12 months after the end of the reporting period will be discounted at the current value.

#### **PROFIT SHARING AND BONUS ARRANGEMENTS**

A liability and expense to be recognised on profit sharing and bonus arrangements is based on the conditions of the profit sharing and bonus arrangements. A liability is recognised when the Group has an obligation based on an agreement or a constructive obligation has arisen on the basis of past practices.

#### **SHARE BASED PAYMENT**

Share-based incentive programmes in which the payments are made either with equity instruments or cash have been established for the company's top executives. The payments in the Group are mainly made in cash. The equity instruments are measured at fair value at the date of granting them and charged to the income statement evenly during the vesting period. In schemes where the payments are made in cash, the recognised liability and change in its fair value is correspondingly scheduled as expenses. The effect of the schemes on profit is presented under employee costs.

#### **DIVIDENDS PAYABLE AND INTEREST PAID ON MEMBERS' CAPITAL**

Dividends payable by the company are recognised as a decrease in equity in the period during which shareholders, in a general meeting, have approved the dividend for payment. Interest paid on members' capital is recognised as a decrease in equity in the period during which the representative council has approved the interest for payment. The share regarded as a financial liability of the interest on interest paid on members' capital has been recognised in interest expenses.

#### **COMPARATIVE FIGURES**

When necessary, comparative figures have been restated to conform to changes in presentation.

#### **ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS APPLICABLE IN FUTURE FINANCIAL YEARS**

Metsä Group has not yet adopted the following new and amended standards and interpretations already issued by the IASB. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

\* = not yet endorsed for use by the European Union as of 31 December 2014.

Amendments to IAS 19 **Employee Benefits – Defined Benefit Plans: Employee Contributions\*** (effective for financial years beginning on or after 1 July 2014): The amendments clarify the accounting treatment under IAS 19 in respect of defined benefit plans that involve contributions from employees or third parties towards the cost of benefits. The amendments have no impact on consolidated financial statements.

**Annual Improvements to IFRSs (2011–2013 cycle and 2010–2012 cycle\***, December 2013) (effective for financial years beginning on or after 1 July 2014): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in total four (2011–2013 cycle) and seven (2010–2012 cycle) standards. Their impacts vary standard by standard but are not significant.

**IFRIC 21 Levies** (effective for financial years beginning on or after 1 January 2014; in the EU to be applied at the latest, as from the commencement date of its first financial year starting on or after 17 June 2014): The interpretation clarifies the accounting treatment of levies. A liability for a levy is recognised when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation is applicable to all levies other than income taxes, fines, penalties and outflows that are in scope of other standards. The interpretation has no significant impact on consolidated financial statements.

Amendment to IAS 1 **Presentation of Financial Statements: Disclosure Initiative\*** (effective for financial years beginning on or after 1 January 2016). The amendments are designed to encourage companies to apply judgement in determining what information to disclose in the financial statements. For example, the amendments clarify the application of the materiality concept and judgement when determining where and in what order information is presented in the financial disclosures. The interpretation will not have any significant impact on consolidated financial statements.

Amendments to IAS 16 **Property, Plant and Equipment and IAS 38 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation\*** (effective for financial years beginning on or after 1 January 2016): The amendments clarify IAS 16 and IAS 38 that revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in limited circumstances to amortise intangible assets. The amendments will have no impact on consolidated financial statements.

Amendments to IFRS 10 **Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture\*** (effective for financial years beginning on or after 1 January 2016): The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are not assessed to have an impact on consolidated financial statements.

Amendments to IFRS 11 **Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations\*** (effective for financial years beginning on or after 1 January 2016): The amendments add new guidance to IFRS 11 on how to account for the acquisition of an interest in a joint operation that constitutes a business, i.e. business combina-

tion accounting is required to be applied. The amendments are not assessed to have an impact on consolidated financial statements.

**Annual Improvements to IFRSs, 2012–2014 cycle\*** (effective for financial years beginning on or after 1 January 2016): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover four standards. Their impacts vary standard by standard but are not significant.

New IFRS 15 **Revenue from Contracts with Customers\*** (effective for financial years beginning on or after 1 January 2017): IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. Under IFRS 15 an entity shall recognise revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group is currently assessing the impact of IFRS 15.

New IFRS 9 **Financial Instruments\*** (effective for financial years beginning on or after 1 January 2018): IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group is assessing the impact of IFRS 9.

Other new or amended standards or interpretations are not assessed to have an impact on consolidated financial statements.

## 2. Key accounting estimates applied in the financial statements and judgements used in the accounting principles

Preparing IFRS-compliant financial statements requires the use of certain key accounting estimates. In addition, it requires the management to use its judgement in applying the accounting principles. The estimates made and judgement-based decisions are continuously evaluated, and they are based on prior experience and other factors, such as expectations concerning future events. The expectations are considered to be reasonable, taking the circumstances into account. The topics that are associated with key assumptions and estimates in terms of consolidated financial statements and areas that require significant discretion are described below.

### IMPAIRMENT TESTING

The Group annually tests goodwill, intangible assets in progress and intangible assets with infinite useful lives for impairment. Testing for impairment is carried out for other long-term assets if there are indications that the value of the assets might be impaired. The recoverable amounts of cash-generating units are based on calculations of value in use. These calculations require that estimates are made. In 2014 an impairment loss of EUR 26.1 million was recognised in Metsä Board Zanders' Gohrsmühle mill and an impairment loss of EUR 0.9 million in Wood Products Industry's CEE sales companies. A sensitivity analy-





sis of the substantial assumptions used in the impairment testing and the impact of changes in them on the amount of impairment is presented in Note 8.

#### **BIOLOGICAL ASSETS**

Most of the biological assets in the Group belong to associated companies. The Group also has some direct possessions. Biological assets (growing trees) are measured at fair value less the estimated expenses of making a sale. The fair value of a stand of trees, excluding young seedlings, is based on the present value of expected cash flows. The calculation of fair value is based on the future growth of the stand, the fellings, the price development and the interest used for discounting. Changes in the fair value of a stand of trees of the direct possessions are included in operating result. Changes in the fair value of a stand of trees of the associated companies are included in "Share of results from associated companies and joint ventures."

#### **FINANCIAL INSTRUMENTS AT FAIR VALUE**

A fair value is determined for financial instruments not traded on an open market using valuation methods. Discretion is used in selecting the various methods and making assumptions based primarily on the market conditions prevailing at the end date of each reporting period. The greatest item at fair value not traded on an open market is the investment in Pohjolan Voima shares, reported under available-for-sale financial assets. Their price is determined based on realised transactions and an analysis of discounted cash flows. The carrying amount of Pohjolan Voima shares was on 31 December 2014 EUR 237.6 million. The carrying amount of Pohjolan Voima shares 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 Pohjolan Voima Oy would be estimated to be EUR 33 million higher or EUR 33 million lower should the energy prices used for calculating the fair value differ by 10 per cent from prices estimated by the management.

#### **IMPAIRMENT OF EQUITY INVESTMENTS CLASSIFIED AS AVAILABLE-FOR-SALE FINANCIAL ASSETS**

The question when the value of available-for-sale equity investments is impaired is solved according to the guidelines of IAS 39. This requires the use of significant judgement, e.g., in terms of for how long and to what extent the fair value of the investment has been lower than the acquisition cost. In addition, it is necessary to estimate the financial position of the investment object regarding the near-future outlook of the business operations, such as the profitability of the industry and sector, to find out whether there is objective proof of impairment. Should it be considered that the reduction of the fair value to below the acquisition cost is entirely or partially significant and prolonged, an additional after tax loss of EUR 158.1 million would be recognised in the financial statements for 2014 when the changes in fair value associated with impaired available-for-sale financial assets of Pohjolan Voima Oy recognised under equity are charged to the income statement.

#### **INVENTORIES**

The Group regularly reviews its inventories for situations where the inventories exceed their real value, contain downgraded items or their

market value falls below the acquisition cost, and records a deduction item that reduces the carrying amount of the inventories in the case of such deductions. The management must make estimates of the future demand for the products for the purpose of such review. Any changes in these estimates might lead to an adjustment in the carrying amount of the inventories in future periods. The Group's balance sheet included inventories amounting to EUR 774.1 million on 31 December 2014.

#### **ACCOUNTS RECEIVABLES**

Accounts receivables are recognised according to the original invoiced amount less any impairment and refunds due to returns. Impairment losses are recognised on a case-by-case basis and based on previous experience when there is objective proof that the receivable cannot be collected in full. If the customers' financial position weakens so that it affects their solvency, further impairment losses might need to be recognised for future periods. The Group's balance sheet at 31 December 2014 included accounts receivables amounting to EUR 579.8 million and impairment losses recorded for accounts receivables amounting to EUR 0.7 million.

#### **PENSION PLANS**

The present value of the pension obligations depends on various factors that are determined using various actuarial assumptions. The discount rate is also included in the assumptions used in determining the net expenditure (or income) arising from pension plans. Changes in these assumptions have an effect on the carrying amount of the pension obligations.

The appropriate discount rate is determined at the end of each year. This is a rate that is used in determining the current value of the future cash flows estimated to be required to fulfil the pension obligations. In determining the appropriate discount rate, the interest rates of long-term treasury notes or similar instruments are taken into consideration. Other key assumptions concerning pension obligations are based on the current market conditions.

#### **PROVISIONS**

A provision is recorded when the Group has a legal or constructive obligation as a result of a previous event and it is probable that the liability for payment will realise. The provisions are determined based on previous experience. Termination payments are recorded when a detailed plan has been made of the restructuring and the Group has raised valid expectations in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. Provisions amounted to EUR 47.3 million on Metsä Group's balance sheet at 31 December 2014.

#### **INCOME TAXES**

The management's judgement is required for determining the taxes based on the result for the period, deferred tax assets and liabilities and the extent to which deferred tax assets are recorded. The Group's balance sheet at 31 December 2014 includes deferred tax assets of EUR 28.5 million recognised for confirmed losses. The Group is subject to income taxation in several countries. Estimating the total amount of income taxes at the level of the entire Group requires significant judgement. The final amount of tax is uncertain in terms of several business

operations and calculations. The Group forecasts future tax audits and recognises liabilities based on estimates on whether further taxes will need to be paid. If the associated final tax differs from the originally recorded amounts, the difference has an effect on both the tax assets and liabilities based on the taxable income for the period and deferred tax assets and liabilities in the period during which they are observed.

#### LEGAL RESPONSIBILITIES

The management's assessment is required in measuring and recognising the provisions related to ongoing legal proceedings. A provision is recognised when, as a result of an earlier event, the Group has a legal or actual obligation, the realisation of a payment obligation is likely, and the amount of the obligation can be reliably estimated. Due to the course of legal proceedings being difficult to foresee, the actual cost of the proceedings may differ considerably from the original estimate.

### 3. 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 accounting principles for the segment information are equal to those of the Group. All intra-segment transactions are based on market prices. Intra-segment sales and other transactions between segments are eliminated on consolidation.

The segment's performance is evaluated based on the operating result.

Segment assets and liabilities are capital items directly used by the segments in their business operations or items that based on reasonable ground can be allocated to the segment. Unallocated capital items consist of tax and financial items and other common group items. Investments consist of additions of tangible and intangible assets used over a longer period than one year.

#### REPORTING SEGMENTS

##### WOOD SUPPLY AND FOREST SERVICES

Wood Supply and Forest Services provides high-quality wood and forest energy for Metsä Group's production units and other customers. It offers members of the parent company Metsäliitto Cooperative comprehensive services in wood trade and forest and nature management.

##### WOOD PRODUCTS INDUSTRY

Metsä Wood offers competitive and environmentally friendly wood products for construction, industry and distributor partners. The products are manufactured from Nordic wood, a sustainable raw material of premium quality.

##### PULP INDUSTRY

Pulp Industry is a world-leading producer of softwood pulp. The main products – sustainably and cost-efficiently produced bleached softwood and birch pulp – are developed for the production of tissue papers, magazine and speciality papers and packaging board. Pulp industry sells its products under the Botnia brand and has four pulp mills in Finland.

##### PAPERBOARD AND PAPER INDUSTRY

Paperboard and Paper Industry is Europe's leading producer of folding boxboard and white fresh forest fibre linerboard. It offers premium-quality paperboard for consumers in the consumer and retail packing and graphics sectors. The company's sales network serves brand owners, carton printers, corrugated packaging manufacturers, printing houses and merchants.



## TISSUE AND COOKING PAPERS

Tissue and Cooking Papers provides comfort to the everyday lives of consumers, end users and customers with its premium-quality products. It is a one of the leading suppliers in Europe of tissue paper products to households and industrial customers and the leading supplier of baking and cooking papers in the world. The company's brands are Lambi, Serla, Mola, Tento, Katrin and SAGA.

## OTHER OPERATIONS

Other operations include the Metsä Group head office functions, the company Metsä Group Treasury Oy and the holding function of Metsäliitto Cooperative as well as a share of Metsätapiola's real estates.

The Group has not aggregated segments when identifying the reporting segments.

### SEGMENTS 2014

EUR million	Wood Supply and Forest Services	Wood Products Industry	Pulp Industry	Paperboard and Paper Industry	Tissue and Cooking Papers	Other operations	Eliminations	Group total
External sales	391.0	836.4	791.1	1,939.4	1,012.3	0.1	0.0	4,970.3
Internal sales	1,184.0	60.5	504.6	69.1	0.5	9.4	-1,828.1	0.0
Sales total	1,575.0	896.9	1,295.7	2,008.4	1,012.8	9.6	-1,828.1	4,970.3
Operating result	26.7	34.1	227.9	116.5	61.8	-40.7	-9.5	416.9
Non-recurring items in operating result	-1.5	-3.1	20.3	-19.9	-0.4	-42.6	45.9	-1.3
Operating result excl. non-recurring items	28.2	37.2	207.5	136.5	62.2	1.9	-55.4	418.1
Share of results from associated companies and joint ventures								16.4
Finance costs, net								-103.4
Income taxes								-69.7
Result for the period								260.3
Assets	262.4	392.8	709.7	1,873.4	899.5	260.3	-238.1	4,160.1
Investments in associated companies and joint ventures								77.7
Assets classified as held for sale		8.8				2.1		10.9
Unallocated assets								1,198.3
Total assets								5,447.0
Liabilities	176.3	106.7	253.6	537.3	269.4	108.7	-238.1	1,213.8
Liabilities classified as held for sale		4.5				1.4		6.0
Unallocated liabilities								2,170.0
Total liabilities								3,389.8
Capital expenditure	4.8	13.7	26.0	42.5	38.0	19.4		144.4
Depreciation	3.0	29.1	62.0	99.8	38.7	2.2	14.2	248.9
Impairment charges		1.3		25.8			0.2	27.3
Personnel, average	909	2,401	897	3,200	2,863	505		10,775

Segment's assets = intangible and tangible assets, investments in associated companies, inventories, accounts receivables and other non-interest-bearing receivables (excl. interest and tax items).  
Segment's liabilities = accounts payable, advance payments and other non-interest-bearing liabilities (excl. interest and tax items)

### NON-RECURRING ITEMS IN OPERATING RESULT 2014

EUR million	Wood Supply and Forest Services	Wood Products Industry	Pulp Industry	Paperboard and Paper Industry	Tissue and Cooking Papers	Other operations	Eliminations	Group total
Sales profits in other operating income		0.2	20.3	32.1			50.0	102.6
Employee costs	-1.5	-1.7		-9.7	-0.4			-13.2
Share of results from associated companies and joint ventures				4.1			-4.1	0.0
Depreciation		-0.6						-0.6
Impairment charges		-0.9		-26.1				-27.0
Reversal of impairment charges				0.3				0.3
Other operating expenses		-0.2		-20.6		-42.6		-63.4
Total	-1.5	-3.1	20.3	-19.9	-0.4	-42.6	45.9	-1.3

**WOOD SUPPLY AND FOREST SERVICES:** the operating result includes employee cost provisions of EUR 1.5 million due to the organisational reform.

**WOOD PRODUCTS INDUSTRY:** The operating result includes employee cost provisions of EUR 1.7 million due to the performance improvement programme started in October 2014. In addition, operating result includes an impairment of EUR 0.9 million based on testing due to changes in distribution and warehousing operations in the Czech Republic and Slovakia.

**PULP INDUSTRY:** Operating result includes sales profits of EUR 20.3 million due to the sale of B-shares in Pohjolan Voima Oy.

**PAPERBOARD AND PAPER INDUSTRY:** Operating result includes sales profits of EUR 32.1 million due to property sales in Finland.

Employee costs includes EUR 9.2 million and other operating expenses EUR 4.1 million due to reorganisations at Metsä Board Husum, Sweden.

Share of results from associated companies and joint ventures includes Metsä Fibre's EUR 4.1 million sales profit from the sale of B-shares in Pohjolan Voima Oy.

Impairment charges include Metsä Board Zanders' impairment of EUR 26.1 million for the Gohrsmühle factory in Germany. The

impairment is based on testing. Furthermore, Metsä Board reversed an impairment of EUR 0.3 million from the sold, fully depreciated old paper machine in Simpele.

Other operating expenses include the Arbitral Tribunal's judgement of 11.2.2014, which ordered Metsä Board to pay an EUR 17.4 million compensation to UPM-Kymmene Corporation. In addition, other operating expenses include reversed rent provisions of EUR 1.1 million.

**OTHER OPERATIONS:** Operating result includes other operating expenses of EUR 41.9 million due to the Arbitral Tribunal's judgement of 11.2.2014, which ordered Metsäliitto Cooperative to pay compensation to UPM-Kymmene Corporation.

In 2012 Metsä Board sold B-shares of Pohjolan Voima Oy to Metsä Fibre. The sales gain was eliminated in Metsä Group. As Metsä Fibre in 2014 sold the shares in Pohjolan Voima Oy to an external buyer, the earlier eliminated sales gain of EUR 50.0 million was recognised as an revenue. The EUR 4.1 million sales gain of the B-shares in Pohjolan Voima Oy included in Paperboard and Paper Industry's operating result is eliminated on Metsä Group level.

In addition, interest and other financial expenses, which are presented after the operating result, include interest expenses totalling EUR 7.6 million due to the Arbitral Tribunal's judgement of 11.2.2014, which ordered Metsäliitto Cooperative and Metsä Board to pay compensation to UPM-Kymmene Corporation.

## SEGMENTS 2013

EUR million	Wood Supply and Forest Services	Wood Products Industry	Pulp Industry	Paperboard and Paper Industry	Tissue and Cooking Papers	Other operations	Eliminations	Group total
External sales	371.1	839.6	781.0	1,943.1	1,003.7	0.2	0.0	4,938.7
Internal sales	1,189.9	60.1	532.9	76.2	0.3	3.7	-1,863.1	0.0
Sales total	1,561.0	899.7	1,314.0	2,019.3	1,004.0	3.9	-1,863.1	4,938.7
Operating result	27.8	-1.8	196.6	113.6	55.3	-7.0	-49.6	335.0
Non-recurring items in operating result	0.0	-17.2	0.0	9.2	0.6	-0.4	0.0	-7.9
Operating result excl. non-recurring items	27.8	15.4	196.6	104.4	54.7	-6.5	-49.6	342.9
Share of results from associated companies and joint ventures								9.6
Finance costs, net								-120.8
Income taxes								-35.1
Result for the period								188.7
Assets	291.4	403.0	848.6	1,981.0	933.5	185.4	-268.8	4,374.1
Investments in associated companies and joint ventures								71.5
Unallocated assets								745.7
Total assets								5,191.3
Liabilities	228.9	109.7	117.1	455.5	274.3	69.5	-268.8	986.2
Unallocated liabilities								2,246.0
Total liabilities								3,232.2
Capital expenditure	5.4	43.5	28.7	66.9	60.4	17.2		222.0
Depreciation	2.8	30.2	59.9	103.6	40.4	2.0	12.5	251.4
Impairment charges		8.0		-2.3				5.7
Personnel, average	968	2,670	908	3,245	2,935	490		11,216

Segment's assets = intangible and tangible assets, investments in associated companies, inventories, accounts receivables and other non-interest-bearing receivables (excl. interest and tax items).  
Segment's liabilities = accounts payable, advance payments and other non-interest-bearing liabilities (excl. interest and tax items)





## NON-RECURRING ITEMS IN OPERATING RESULT 2013

EUR million	Wood Supply and Forest Services	Wood Products Industry	Pulp Industry	Paperboard and Paper Industry	Tissue and Cooking Papers	Other operations	Eliminations	Group total
Sales profits in other operating income				8.3				8.3
Change in inventories		-0.5						-0.5
Employee costs		-7.5		1.7	0.6	-0.4		-5.6
Impairment charges		-8.0		-0.2				-8.2
Reversal of impairment charges				2.5				2.5
Other operating expenses		-1.3		-3.1				-4.4
Total	0.0	-17.2	0.0	9.2	0.6	-0.4	0.0	-7.9

**WOOD PRODUCTS INDUSTRY:** The operating result includes employee cost provisions of EUR 7.5 million. The most significant are the EUR 2.4 million provision due to the closing of Casteljalous sawmill, further processing and distribution unit in France, the EUR 2.2 million provision due to the reorganisation of Metsä Wood UK, and the EUR 2.4 million provision due to the close down of Metsä Wood's upgrading and distribution unit in Kaskinen and the reorganisation of the panel and building operations.

Impairment charges include a EUR 4.9 million impairment loss related to the close down of Metsä Wood's upgrading and distribution unit in Kaskinen and a EUR 3,1 million impairment loss related to the close down of the extrusion coating line of Metsä Wood's plywood unit in Suolahti.

**PAPERBOARD AND PAPER INDUSTRY:** Operating result includes sales profits of EUR 8.3 million. The most important were the sale of EUR

5.3 million relates to sales of Metsä Board's properties in Finland, EUR 1.9 million to the sale of Metsä Board's Alizay mill in France and a EUR 0.5 million price correction for the associated company Plastiroll Oy sold in 2012.

Employee costs and other operating expenses include provisions of EUR 1.4 million. Most important are the environmental obligation of EUR 6.6 million at Metsä Board Husum, Sweden, the reversal of the provision of EUR 3.5 million due to the sale of Alizay, France and the reversal of the provision of EUR 1.9 million due to the reorganisation of the production in Metsä Board Gohrsmühle in 2011.

Reversal of impairment charges include reversed impairments of EUR 2.5 million relating to the sale of the old paper machine of Metsä Board Äänekoski Paper.

## GEOGRAPHICAL SEGMENTS

The sales of geographical segments are presented based on the location of the customer. Segment assets and investments are presented based on geographical location of the assets.

### GEOGRAPHICAL SEGMENTS

EUR million	SALES		NON-CURRENT ASSETS		CAPITAL EXPENDITURE	
	2014	2013	2014	2013	2014	2013
Finland	920.6	956.8	2,291.5	2,458.9	106.6	133.4
Germany	622.6	661.3	147.6	155.6	9.3	15.3
Great Britain	475.1	482.7	27.3	30.3	3.1	0.5
Italy	267.0	243.4	0.1	0.2	0.0	0.0
France	251.7	235.3	5.5	5.5	1.3	0.9
Sweden	241.7	241.9	321.3	360.5	12.5	38.7
Poland	168.0	152.0	78.1	79.5	6.3	20.9
The Netherlands	93.2	115.6	0.0	0.0	0.0	0.0
Other EU countries	548.4	538.9	58.8	66.9	2.3	3.7
Norway	115.6	121.5	0.0	0.0	0.0	0.0
Russia	112.2	138.3	27.8	46.3	2.8	8.4
Other Europe	148.4	176.0	0.1	0.1	0.0	0.1
China	313.9	329.5	0.3	0.3	0.1	0.1
USA	196.7	153.0	0.3	0.1	0.2	0.0
Other countries	495.2	392.5	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>4,970.3</b>	<b>4,938.7</b>	<b>2,958.7</b>	<b>3,204.2</b>	<b>144.4</b>	<b>222.0</b>

**PERSONNEL AT YEAR END**

	2014	2013
Finland	5,131	5,227
Germany	1,651	1,670
Sweden	1,402	1,414
Great Britain	557	590
Russia	478	537
Poland	429	422
Slovakia	316	325
France	138	182
Baltic countries	74	114
Other Europe	154	169
Other countries	80	86
Total	10,410	10,736

**INFORMATION ON MOST IMPORTANT CUSTOMERS**

Group's income from one customer did not exceed 10 per cent of the Group's total income in 2014 or 2013.

## 4. Acquisitions, assets classified as held for sale and disposed operations

**ACQUISITIONS**
**ACQUISITIONS IN 2014**
**Acquisitions of subsidiaries and joint ventures**

No significant acquisitions of subsidiaries or joint ventures were made in 2014.

**Acquisitions of non-controlling interest**

On January 15, 2014 Metsäliitto Cooperative acquired 6 per cent of the shares in Metsä Tissue Corporation owned by Josef Antošik. Including tax, the acquisition price was EUR 20.9 million. After the transaction, Metsäliitto Cooperative's holding in Metsä Tissue is 91 per cent. As a consequence of the acquisition the non-controlling interest decreased by EUR 17.9 million and the retained earnings by EUR 3.0 million.

No other acquisitions of non-controlling interest were made in 2014.

**EFFECT ON EQUITY ATTRIBUTABLE TO MEMBERS OF PARENT COMPANY DUE TO ARRANGEMENTS WITH NON-CONTROLLING INTEREST 31.12.2014**

EUR million	2014
From increase in shareholdings in Metsä Tissue Corporation	-3.0
From other arrangements	-0.1
Net effect on equity	-3.0

**ACQUISITIONS IN 2013**
**Acquisitions of non-controlling interest**

On May 2, 2013 Metsäliitto Cooperative acquired the shares of Metsä Tissue Corporation owned by Varma Mutual Employment Pension Company, a total of 8.381 per cent of the company's share capital. Including tax, the acquisition price was EUR 18.3 million. After the transaction, Metsäliitto Cooperative's holding in Metsä Tissue is 85.0 per cent. As a consequence of the acquisition the non-controlling interest decreased by EUR 25.0 million and the retained earnings increased by EUR 6.7 million.

In August, Metsäliitto Cooperative bought a 0.32 per cent share of Metsä Board for EUR 2.7 million. After the transaction, Metsäliitto Cooperative's holding in Metsä Board is 42.81 per cent. As a consequence of the acquisition the non-controlling interest decreased by EUR 1.5 million and the retained earnings by EUR 1.3 million.

On September 30, 2013 Metsäliitto Cooperative acquired all the shares of Metsä Group Treasury Oy owned by Metsä Board, a total of 51 per cent of the company's share capital. Including tax, the acquisition price was EUR 5.3 million. After the transaction, Metsäliitto Cooperative's holding in Metsä Group Treasury Oy is 100 per cent. As a consequence of the acquisition the non-controlling interest decreased by EUR 0.1 million and the retained earnings increased by EUR 0.1 million.

**EFFECT ON EQUITY ATTRIBUTABLE TO MEMBERS OF PARENT COMPANY DUE TO ARRANGEMENTS WITH NON-CONTROLLING INTEREST 31.12.2013**

EUR million	2013
From increase in shareholdings in Metsä Tissue Corporation	6.7
From increase in shareholdings in Metsä Board Corporation	-1.3
From increase in shareholdings in Metsä Group Treasury Oy	0.1
From other arrangements	0.0
Net effect on equity	5.4



### Assets classified as held for sale

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 and liabilities classified as held for sale have been recognised at fair value less costs of sale. An impairment loss of EUR 0.4 million was recognised in the income statement of 2014. The transaction was completed on 2 February 2015.

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. The apartments not sold have been recognised at book value and the parking places not sold at fair value less costs of sale. In 2014 an impairment loss of EUR 0.2 million was recognised for parking places not sold.

#### ASSETS CLASSIFIED AS HELD FOR SALE

EUR million	Note	2014	2013
Tangible assets	12	2.8	0.0
Inventories		5.6	0.0
Accounts receivables and other receivables		2.3	0.0
Cash and cash equivalents		0.2	0.0
<b>Total assets</b>		<b>10.9</b>	0.0
Provisions	23	0.5	0.0
Borrowings	24	2.1	0.0
Accounts payables and other payables		3.3	0.0
<b>Total liabilities</b>		<b>6.0</b>	0.0

### DISPOSED OPERATIONS

#### DISPOSED SUBSIDIARIES AND JOINT VENTURES

Metsäliitto Cooperative sold the shares of Metsä Wood Eesti AS to the Estonian company Combimill Invest OÜ. The transaction was closed on 30 June 2014. A sales profit of EUR 0.7 million was recognised and the cash flow was EUR 5.5 million positive.

Metsäliitto Cooperative agreed on 13 November 2014 on the sale of Metsä Wood's impregnated wood business to Aureskosken Jalostetehdas Oy. A sales profit of EUR 0.1 million was recognised and the cash flow was EUR 1.8 million positive.

During 2014 Metsäliitto Cooperative sold holdings in Asunto Oy Tapiolan Jalava and Kiinteistö Oy Tapiolan Jalopuupysäköinti. After these sales Metsäliitto Cooperative's share in Asunto Oy Tapiolan Jalava is 8.50 per cent and in Kiinteistö Oy Tapiolan Jalopuupysäköinti 40.06 per cent. A sales profit of EUR 4.7 million was recognised for the sales of the apartments and the cash flow was EUR 7.6 million positive.

Metsä Wood sold the shares of Metsä Wood Merk GmbH to the German-based Ed. Züblin AG Group, which is part of the Strabag Group. The transaction was closed on 22 April 2013. A sales profit of EUR 1.1 million was recognised and the cash flow was EUR 5.4 million positive. There were no other disposals during 2013.

### DISPOSED OPERATIONS TOTAL

EUR million	Note	2014	2013
Tangible and intangible assets	11, 12	12.5	2.8
Inventories		2.5	2.6
Accounts receivables and other receivables		1.8	1.8
Cash and cash equivalents		12.2	0.4
<b>Total assets</b>		<b>29.0</b>	7.6
Borrowings		6.7	0.0
Accounts payables and other payables		0.7	3.0
<b>Total liabilities</b>		<b>7.4</b>	3.0
<b>Net assets</b>		<b>21.6</b>	4.6
Translation differences and consultant fees paid		0.3	0.2
Selling price		27.4	5.9
Profit on disposal		5.5	1.1
Cash and cash equivalents received		27.4	5.9
Consultant fees paid		-0.3	-0.2
Cash and cash equivalents of disposed subsidiaries		-12.2	-0.4
<b>Net cash flow arising on disposals</b>		<b>14.9</b>	5.4

### DISPOSALS OF NON-CONTROLLING INTEREST

In March 2014 Metsä Group used 0.28 per cent of its B-shares in Metsä Board according to the share incentive scheme. After the share-based payments the Group's holding in Metsä Board is 42.53 per cent. As a consequence the non-controlling interest increased by EUR 1.3 million and the retained earnings increased by EUR 0.6 million.

## 5. Long-term projects

Only the Building Products business line in the Group's segment Wood Products Industry deals with long-term projects. Group sales include EUR 7.4 million (9.9) in income from long-term projects.

The income statement included EUR 1.3 million income from long-term projects in progress (2.9). The balance sheet included EUR 0.7 million in advance payments from long-term projects in progress (1.1).

## 6. Other operating income

EUR million	2014	2013
Gains on disposals	114.8	12.8
Rental income	4.9	5.8
Service revenue	12.1	13.7
Government grants	17.9	21.6
Sales of scrap and waste	5.2	4.0
Other operating income	15.3	23.2
Total	170.3	81.0

In 2014 the most significant gains on disposals were the gain of EUR 70.3 million related to the sale of B-shares in Pohjolan Voima Oy, Metsä Board's property sales in Finland for EUR 33.8 million and electricity certificates for EUR 2.7 million sold by Metsä Board Sverige.

In 2013 the most significant gains on disposals were the gains of EUR 5.9 million related to Metsä Board's property sales in Finland, EUR 2.3 million related to electricity certificates sold by Metsä Board Sverige and EUR 1.9 million related to the sale of Metsä Board Alizay.

Government grants concern the subsidies of training, healthcare and R&D expenses, energy subsidies as well as the carbon dioxide emission permits in accordance with the EU emission trading scheme.

## 7. Operating expenses

EUR million	2014	2013
Materials and services		
Materials, consumables and goods		
Purchases	2,313.0	2,410.1
Change in inventories	1.0	-29.4
External services		
Logistics expenses	652.3	632.2
Other external services	363.3	377.6
Materials and services, total	3,329.6	3,390.6
Employee costs		
Wages and salaries	456.7	460.9
Share-based payments	12.8	5.7
Social security costs		
Pension costs		
Defined contribution plans	3.6	5.5
Defined benefit plans	65.1	56.4
Other employee costs	160.7	163.6
Total	229.4	225.4
Employee costs total	699.0	692.0
Other operating expenses		
Rents	52.5	71.7
Purchased services	185.1	180.6
Losses on fixed asset disposals	1.7	0.3
Other operating expenses	197.3	123.7
Other operating expenses total	436.7	376.3

External services include production related services and logistics expenses of sold products. Other operating expenses include among others energy costs, marketing costs and administration costs.

Information on share-based payments is presented in Note 31 and remuneration paid to top management in Note 32.

The reorganisation at Metsä Board's Husum mill in Sweden increased the employee costs in 2014 by EUR 9.2 million and other operating expenses by EUR 4.1 million.

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 to pay EUR 47.3 million and Metsä Board EUR 19.6 million in damages to UPM-Kymmene Corporation. On the damages EUR 59.2 million has been recognised as other operating expenses and EUR 7.6 million as interest expenses.

Research and development costs in 2014 were EUR 17.7 million (19.6)

### PRINCIPAL AUDITOR'S FEES

The principal auditor is KPMG Oy Ab.

The audit fees are paid for the audit of the annual and quarterly financial statements for the group reporting purposes as well as the audit of the local statutory financial statements. Tax consultancy fees are the fees paid for tax consultancy services and the like.

### PRINCIPAL AUDITOR'S FEES

EUR million	2014	2013
Audit fees	1.2	1.2
Tax consulting fees	0.0	0.0
Other fees	0.0	0.0
Total	1.2	1.2

In 2014 fees paid to other auditors than KPMG were EUR 0.4 million (0.6).





## 8. Depreciation, amortisation and impairment charges

EUR million	2014	2013
Depreciation and amortisation		
Other intangible assets	16.3	14.5
Buildings	39.1	42.0
Machinery and equipment	190.5	191.8
Other tangible assets	3.0	3.1
<b>Total</b>	<b>248.9</b>	<b>251.4</b>
Impairment charges		
Goodwill	0.9	0.0
Other intangible assets	1.3	0.0
Land and water	3.1	0.0
Buildings	1.5	3.1
Machinery and equipment	18.6	2.6
Other tangible assets	1.8	0.0
<b>Total</b>	<b>27.3</b>	<b>5.7</b>
<b>Total</b>	<b>276.2</b>	<b>257.1</b>
Impairments of goodwill by segments		
Wood Products Industry	0.9	0.0
<b>Total</b>	<b>0.9</b>	<b>0.0</b>
Impairments of tangible and other intangible assets by segments		
Wood Products Industry	0.4	8.0
Paperboard and Paper Industry	25.8	-2.3
Tissue and Cooking Papers	0.2	0.0
<b>Total</b>	<b>26.4</b>	<b>5.7</b>
<b>Impairments total</b>	<b>27.3</b>	<b>5.7</b>

Impairments in 2014 include a goodwill impairment of EUR 0.9 million due to the reorganisation of Metsä Wood Industry's function model in the Czech Republic and Slovakia. The impairment was based on testing. The utility values are based on cash flow against the asset.

In 2014 an impairment loss of EUR 26.1 million was recognised in Metsä Board Zanders' Gohrsmühle mill. The impairment was based on testing. A reversed impairment of EUR 0.3 million was also recognised from the old, totally depreciated paper machine of Metsä Board Simpele

Depreciation, amortisation and impairment losses include a EUR 4.9 million impairment loss related to the close down of Metsä Wood's upgrading and distribution unit in Kaskinen. The recoverable cash flow of the assets in the upgrading and distribution unit in Kaskinen is EUR 1.1 million and it is based on a possible sales price less costs of sales.

Impairments also include a EUR 3.1 million loss related to the close down of the extrusion coating line of Metsä Wood's plywood unit in Suolahti. The extrusion coating line was totally depreciated in 2013.

Depreciation, amortisation and impairment losses also include reversed impairments of EUR 2.5 million relating to the sale of the old paper machine of Metsä Board Äänekoski Paper.

## IMPAIRMENT OF ASSETS

### TESTING PRINCIPLES

The accounting values of asset items or cash generating units (CGU) are evaluated for possible value depreciation. Cash generating units are reporting segments or smaller units to which a utility value can be defined to. If there are indications of value depreciation of an asset item or CGU, or if the unit's accounting value includes or it has been allocated goodwill, it is evaluated how much money the asset item or CGU can accumulate. The sum is the utility value based on the cash flow against the asset item or CGU, or its net sales price.

The goodwill impairment test results are evaluated by comparing the recoverable amount (V) with the carrying amount of the CGU (B) as follows:

RATIO			
V	0-5%	>	B
V	5-10%	>	B
V	10-15%	>	B
V	15-20%	>	B
V	20-50%	>	B
V	50%-	>	B

### WOOD PRODUCTS INDUSTRY

The Wood Products Industry's impairment tests were executed at the end of September 2014.

In 2014 testing all accumulated utility values are based on the cash flow against the asset or CGU. The recoverable cash flows of the CGUs are based on five-year projections and on consequent cash flows growing at a fixed annual growth rate.

The principal input data required for the projections include the price forecasts for sawn timber and panel products, demand and delivery volume estimates for these products, the cost development of key raw materials and other factors of production, such as roundwood, glue and energy, as well as the development of personnel costs and other fixed costs. The projections are also affected by the implementation of the cost-cutting measures already decided, as well as current and planned investments.

The forecasts of selling prices and key factors of production are estimates made by the company's management based on currently available industry sources. The figures for 2015 are based on the final budget at the time of testing.

In current and previous impairment tests the cash flows consequent to the five-year projected cash flows are based on a growth rate of 2 per cent, which is the managements estimate of long term growth in these cash generating units. Furthermore, the management's estimate of likely changes in the factors underlying the key assumptions (price, volume, variable costs) during the projection period have been used as a starting point.

The discount rate used is the Wood Products Industry's latest determined equity and debt Weighted Average Cost of Capital. The WACC used in the test performed is 5.31 per cent (5.60) Both the cash flows and the discount rate are calculated after tax.

The CGUs of Wood Products Industry, the goodwill allocated to them and testing result as of 30 September, 2014:

CASH GENERATING UNIT	GOODWILL, EUR MILL.	TEST RESULT (V-B)/B
Metsä Wood UK	0.8	over 50%
Pine sawmills	5.0	over 50%
Total	5.8	

Sensitivity analysis of the CGUs regarding the changes in the key assumptions:

CASH GENERATING UNIT (CGU)	V-B EUR MILLION	KEY ASSUMPTION	REQUIRED CHANGE IN ORDER FOR V TO EQUAL B
Metsä Wood UK	36.7	<ul style="list-style-type: none"> <li>Increasing end product sales margin on 5-year projection period (cumulative increase 5.0%)</li> <li>WACC based on interest rates and risk premiums at the time of testing</li> </ul>	<ul style="list-style-type: none"> <li>Cumulative increase in average price 2.5%-unit lower</li> <li>WACC 3.1%-units higher</li> </ul>
Pine sawmills	22.1	<ul style="list-style-type: none"> <li>Increasing end product sales margin on 5-year projection period (cumulative increase 4.0%)</li> <li>WACC based on interest rates and risk premiums at the time of testing</li> </ul>	<ul style="list-style-type: none"> <li>Cumulative increase in average price 2.0%-unit lower</li> <li>WACC 1.6%-units higher</li> </ul>

Assumptions to which the recoverable amount of the CGU is most sensitive are listed in the table. When considering the resulting effects of changes in other assumptions it was concluded that there are no correlations between assumptions that would materially change the result of the testing. The pricing of end products is mainly driven by the demand and supply balance, and that the cost based changes do not have any significant impact on product pricing.

#### PULP INDUSTRY

Metsä Group carries out a full impairment test of Pulp Industry at least once a year, during the last quarter based on the situation of 30 September. In addition, a sensitivity analysis is made each quarter. Should the sensitivity analysis indicate impairment, a full test will be initiated. The Audit Committee reviews the result of the sensitivity analysis or impairment test.

Metsä Fibre is the cash generating unit in the segment Pulp Industry, including goodwill and fair value allocations made by Metsä Group. In 2014 testing all accumulated utility values are based on the cash flow against the asset or CGU. The recoverable cash flows of the CGUs are based on five-year projections and on consequent cash flows growing at a fixed annual growth rate.

The essential testing assumptions are Metsäliitto management's estimates and projections as well as market forecasts. The key factors affecting the projections are development of market pulp prices, exchange rates, delivery volumes and cost of wood and energy. The cash flow against the asset or CGU is also substantially affected by the discount rate used.

For the situation on 30 September 2014 and for previous goodwill impairment tests the cash flows consequent to the 5-year projected cash flows are based on a 2 per cent fixed annual growth rate. Average values for the key assumptions (price, volume, variable costs) during the projection period have been used as initial point for the cash flows following the forecast period. The fixed costs are based on the projected costs for the fifth year.

The discount rate used is Metsäliitto's Weighted Average Cost of Capital (WACC). Both the cash flows and the discount rate are calculated after tax, which means that the established discounted cash flows and utility values are before tax as set out in IAS 36. For testing carried out on 30 September 2014, the WACC after taxes was 5.00 per cent (5.60).

The goodwill allocated to the CGU Pulp Industry as of 30 September 2014 and the testing result as of 30 September 2014:

CASH GENERATING UNIT	GOODWILL, EUR MILL.	TEST RESULT (V-B)/B
Pulp Industry	389.8	over 50%

Changes in key assumptions should be very remarkable before the carrying amount would exceed the recoverable amount. The discount rate used should be 13.9 per cent after tax or the average pulp price about 7 per cent lower than the price estimated by an independent expert.

#### PAPERBOARD AND PAPER INDUSTRY / METSÄ BOARD

Metsä Board carries out a full impairment test at least once a year, during the last quarter based on the situation of 30 September. In addition, a sensitivity analysis is made each quarter. Should the sensitivity analysis indicate impairment, a full test will be initiated. The Audit Committee reviews the sensitivity analysis or impairment testing results quarterly.

In 2014 the cash generating units are the same as in 2013 testing.

In 2014 testing all accumulated utility values are based on the cash flow against the asset or CGU except for Zanders. The cash flow that the CGUs under testing can accumulate is based on five-year forecasts and the evenly-growing cash flows that follows them.

The essential testing assumptions are Metsä Board management's estimates and projections as well as third party forecasts. The key factors affecting the projections are development of average paper and board prices, delivery volumes, foreign exchange rates, and capacity utilisation rates, the cost development of key raw materials such as wood, pulp, chemicals and energy, the development of personnel costs and other fixed costs as well as the discount rate. The key factors are similar to those used in 2013 testing.

Metsä Board's share of the cash flow, accounting value and the goodwill recognised in "Investments in associated companies and joint ventures" of Metsä Fibre (EUR 45.2 million) is allocated to CGUs in proportion of their pulp purchases.

For the situation on 30 September 2014 and for previous goodwill impairment tests the cash flows consequent to the 5-year projected cash flows are based on a 2 per cent fixed annual growth rate. Average values for the key assumptions (price, volume, variable costs) during the projection period have been used as initial point for the cash flows following the forecast period. The fixed costs are based on the projected costs for the fifth year.

The discount rate used is Metsä Board's Weighted Average Cost of Capital (WACC). When calculating WACC the cost of debt takes into account market based view on Metsä Board's risk premium. Both the cash flows and the discount rate are calculated after tax, which means that the established discounted cash flows and utility values are before tax as set out in IAS 36. For testing carried out, the WACC after taxes was 5.41 per cent (6.11) and for Metsä Fibre 4.88 per cent (5.30). Management's view is that the risk factors regarding future cash flows do not differ materially from one CGU to another.



The most important CGUs of Metsä Board, the goodwill allocated to them as of 30 September, 2014 as well as their testing result as of 30 September, 2014:

CASH GENERATING UNIT	GOODWILL, EUR MILL.	TEST RESULT (V-B)/B
Folding boxboard <sup>1)</sup>	21.9	over 50%
Kemi <sup>1)</sup>	18.6	over 50%
Kyro Paper <sup>1)</sup>	1.3	over 50%
Husum paper and linerboard	7.7	over 50%
Zanders <sup>1)</sup>	not allocated	< 0%
Market Pulp <sup>1)</sup>	8.4	over 50%
Total	57.9	

1) The amount includes the goodwill from Metsä Board's holding in Metsä Fibre (EUR 45.2 million), which is shown in "Investments in associated companies and joint ventures" in the balance sheet

In the following CGUs a reasonably possible change in a key assumption results in a situation where the carrying amount of the CGU exceeds the recoverable amount. Assumptions to which the recoverable amount of the CGU is most sensitive are listed in the table. When considering the resulting effects of changes in other assumptions it was concluded that there are no correlations between assumptions that would materially change the result of the testing. The pricing of end products is mainly driven by the demand and supply balance, and the cost based changes do not have any significant impact on product pricing.

CASH GENERATING UNIT (CGU)	V-B EUR MILLION	KEY ASSUMPTION	REQUIRED CHANGE IN ORDER FOR V TO EQUAL B
Zanders	0.0	• Net sales price	• No change needed

#### TISSUE AND COOKING PAPERS / METSÄ TISSUE

Metsä Tissue's goodwill has been tested as per September 30, 2014. In testing, all accumulated utility values are based on the cash flow against the asset or CGU.

In testing Metsä Tissue's goodwill the reporting segments have been used as cash generating units. The tissue operations consist of four regional segments and the cooking papers forms its own segment. Due to changes in management structure the testing has changed from last year when Finland, the Baltic countries and Russia formed a separate segment and Scandinavia a separate segment.

In calculating the utility values, the management's approved budgets and estimates for the next three years have been used. The cash flows consequent to the three-year projected cash flows have been extrapolated based on the estimated average GDP growth rate in the Euro zone, which was 1 per cent except for Central East Europe and Russia where the growth is expected to be 1.5 per cent and Baking and Cooking where the growth is expected to be 2 per cent.

The discount rate used is Metsä Tissue's Weighted Average Cost of Capital (WACC). When calculating WACC the cost of debt takes into account market based view on Metsä Tissue's risk premium. Both the cash flows and the discount rate are calculated after tax, which means that the established discounted cash flows and utility values are before tax as set out in IAS 36. For testing carried out on September 30, 2014 the WACC after taxes was 5.3 per cent (5.6). Management's view is that the risk factors regarding future cash flows do not differ materially from one CGU to another.

The most important CGUs of Metsä Tissue, the goodwill allocated to them as well as their testing result as of September 30, 2014:

CASH GENERATING UNIT	GOODWILL, EUR MILL.	TEST RESULT (V-B)/B
Nordic countries and Balticum (NOBA)	97.3	over 50%
West (WE)	11.8	over 50%
Central East Europe (CEE)	27.6	20–50%
Russia	0.0	over 50%
Baking & Cooking	3.6	over 50%
Total	140.3	

The test result is substantially (>50%) above in all cash generating units except CEE.

Changes in key assumptions should be very remarkable before the carrying amount would exceed the recoverable amount. In the CGUs where a reasonably possible change in a key assumption may result in a situation where the carrying amount of the CGU exceeds the recoverable amount, the discount rate should be 6.9 per cent after tax in CEE, or the average product price during the projection period 1.2 per cent lower.

## 9. Financial income and expenses

EUR million	2014	2013
<b>Exchange differences</b>		
Commercial items	22.3	-2.3
Hedging / hedge accounting not applied	-18.0	-1.4
The ineffectiveness from hedges of net investment in foreign operations	0.0	0.1
Others	-1.5	-0.9
<b>Exchange differences total</b>	<b>2.7</b>	<b>-4.6</b>
<b>Other financial income</b>		
Interest income on loans, other receivables and cash and cash equivalents	6.4	8.1
Dividend income	0.2	0.2
<b>Other financial income total</b>	<b>6.5</b>	<b>8.3</b>
<b>Interest and other financial expenses</b>		
<b>Valuation of financial assets and liabilities</b>		
Gains and losses on financial assets or liabilities at fair value through profit or loss (held for trading)	0.0	0.0
Gains / losses from changes in value of financial assets	0.0	-0.1
Gains / losses on derivatives (hedge accounting not applied)	-0.2	0.4
Gains / losses on hedging instrument in fair value hedges	0.8	-5.2
Fair value adjustments of hedged item in fair value hedges	-0.1	9.5
<b>Total</b>	<b>0.4</b>	<b>4.7</b>
Interest expenses from financial liabilities carried at amortised cost using the effective interest method	-107.0	-121.9
Other financial expenses	-6.0	-7.3
<b>Interest and other financial expenses total</b>	<b>-112.6</b>	<b>-124.5</b>
<b>Financial income and expenses total</b>	<b>-103.4</b>	<b>-120.8</b>

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 to pay EUR 47.3 million and Metsä Board to pay EUR 19.6 million in damages to UPM-Kymmene Corporation. Of the damages EUR 59.2 million were recognised in other operating expenses and EUR 7.6 million in interest expenses.





## 10. Income taxes

EUR million	2014	2013
Income taxes for the financial period	-62.9	-61.2
Income taxes for previous periods	-0.3	2.5
Change in deferred taxes	-6.0	23.8
Other	-0.5	-0.3
Total	-69.7	-35.1

### INCOME TAX RECONCILIATION

EUR million	2014	2013
Result before taxes	329.9	223.8
Computed tax at Finnish statutory rate	66.0	54.8
Change in Finnish tax rate from 24.5% to 20.0%	0.0	-24.5
Difference between Finnish and foreign rates	-2.9	-1.8
Tax exempt income	-4.2	-1.6
Non-deductible expenses	6.0	5.2
Impairment of goodwill	0.2	0.0
Restatement of deferred taxes from previous years	2.7	11.1
Previous years tax losses used during the period	-4.3	-15.5
Unrecognised deferred tax receivables from tax losses	8.3	9.3
Share of profit from associated companies and joint ventures	-3.1	-2.3
Income taxes for previous periods	0.3	-2.5
Other	0.7	3.0
Income tax expense	69.7	35.1
Effective tax rate, %	21.1	15.7

The Finnish corporate income tax rate changed from 24.5 per cent to 20.0 per cent from 1 January 2014. Deferred tax assets and liabilities concerning Finland have been measured using the changed tax rate from December 31, 2013. The effect of changed tax rate in 2013 was EUR 24.5 million.

### TAXES INCLUDED IN OTHER COMPREHENSIVE INCOME 2014

EUR million	Before tax	Tax effect	After tax
Items that will not be reclassified to profit and loss			
Items relating to adjustments of defined benefit plans	-44.7	11.9	-32.7
Items that may be reclassified subsequently to profit and loss			
Cash flow hedges	-19.7	11.2	-8.6
Available for sale financial assets	-43.6	4.1	-39.5
Currency translation differences	-43.3	0.0	-43.3
Share of other comprehensive income of joint venture	-4.4	0.0	-4.4
Other items	0.3	0.0	0.3
Total	-110.7	15.3	-95.4

### TAXES INCLUDED IN OTHER COMPREHENSIVE INCOME 2013

EUR million	Before tax	Tax effect	After tax
Items that will not be reclassified to profit and loss			
Items relating to adjustments of defined benefit plans	2.4	-0.1	2.3
Items that may be reclassified subsequently to profit and loss			
Cash flow hedges	-2.5	-0.4	-2.9
Available for sale financial assets	-57.9	22.8	-35.1
Currency translation differences	-20.3	-0.1	-20.4
Share of other comprehensive income of joint venture	0.0	0.0	0.0
Other items	-0.1	0.0	-0.1
Total	-80.8	22.3	-58.5

## 11. Intangible assets

### INTANGIBLE ASSETS 2014

EUR million	Goodwill	Other intangible assets	Construction in progress	Total
Acquisition cost, 1 Jan.	529.0	499.3	26.9	1,055.2
Translation differences	-7.8	-4.2	0.0	-12.0
Increase	0.0	15.1	5.3	20.3
Decrease	0.0	-19.0	0.0	-19.0
Transfers between items	0.0	19.4	-19.5	-0.1
Acquisition cost, 31 Dec.	521.2	510.6	12.6	1,044.5
Accumulated depreciation and impairment charges, 1 Jan.	0.0	-271.2	0.0	-271.2
Translation differences	0.0	2.4	0.0	2.4
Accumulated depreciation on deduction and transfers	0.0	3.9	0.0	3.9
Depreciation for the period	0.0	-16.3	0.0	-16.3
Impairment charges	-0.9	-1.3	0.0	-2.2
Accumulated depreciation and impairment charges, 31 Dec.	-0.9	-282.5	0.0	-283.3
Book value, 1 Jan. 2014	529.0	228.2	26.9	784.1
Book value, 31 Dec. 2014	520.3	228.2	12.6	761.2

Impairment charges in 2014 include a goodwill impairment of EUR 0.9 million due to the reorganisation of Metsä Wood Industry's function model in the Czech Republic and Slovakia. The impairment was based on testing. The utility values are based on cash flow against the asset.

In addition an impairment loss of EUR 1.3 million was recognised in Metsä Board Zanders' Gohrsmühle mill. The impairment was based on testing.

### INTANGIBLE ASSETS 2013

EUR million	Goodwill	Other intangible assets	Construction in progress	Total
Acquisition cost, 1 Jan.	533.9	490.0	10.1	1,033.9
Translation differences	-4.4	-1.3	0.0	-5.7
Increase	0.0	14.6	21.0	35.6
Decrease	-0.4	-11.5	0.0	-11.9
Transfers between items	0.0	7.5	-4.2	3.3
Acquisition cost, 31 Dec.	529.0	499.3	26.9	1,055.2
Accumulated depreciation and impairment charges, 1 Jan.	0.0	-260.6	0.0	-260.6
Translation differences	0.0	0.8	0.0	0.8
Accumulated depreciation on deduction and transfers	0.0	3.1	0.0	3.1
Depreciation for the period	0.0	-14.5	0.0	-14.5
Impairment charges	0.0	0.0	0.0	0.0
Accumulated depreciation and impairment charges, 31 Dec.	0.0	-271.2	0.0	-271.2
Book value, 1 Jan. 2013	533.9	229.4	10.1	773.3
Book value, 31 Dec. 2013	529.0	228.2	26.9	784.1

### GOODWILL ALLOCATED TO SEGMENTS

EUR million	2014	2013
Wood Supply and Forest Services	2.4	2.4
Wood Products Industry	5.8	6.7
Pulp Industry	3.9	3.9
Paperboard and Paper Industry	12.7	12.7
Tissue and Cooking Papers	136.8	144.6
Other operations	390.4	390.4
Eliminations	-31.7	-31.7
Total	520.3	529.0

Other operations include goodwill of EUR 389.8 million related to the Metsä Fibre acquisition and EUR 0.6 million related to the acquisition of Metsä Tissue. In testing goodwill these amounts have been allocated to Pulp Industry and Tissue and Cooking Papers.

Development expenditure has not been capitalised in Metsä Group.

In addition, intangible assets include among others computer software, patents, licenses and brands.



## 12. Tangible assets

### TANGIBLE ASSETS 2014

EUR million	Land and water areas	Buildings	Machinery and equipment	Other tangible assets	Construction in progress	Total
Acquisition cost, 1 Jan	85.9	1,452.0	5,883.2	149.1	76.6	7,646.8
Translation differences	0.0	-23.5	-90.6	-3.6	-1.5	-119.2
Increase	0.4	4.7	53.2	1.3	62.0	121.6
Decrease	-2.3	-26.0	-128.2	-1.3	-6.7	-164.4
Transfers between items	0.2	22.4	44.0	4.1	-70.6	0.1
Assets classified as held for sale	-0.3	-3.7	-4.9	0.0	0.0	-8.9
Acquisition cost, 31 Dec	83.9	1,425.9	5,756.7	149.6	59.9	7,476.0
Accumulated depreciation and impairment charges 1 Jan	-15.1	-930.0	-4,558.4	-130.6	0.0	-5,634.1
Translation differences	0.1	13.2	68.3	2.7	0.0	84.2
Accumulated depreciation on deduction and transfers	0.0	15.4	141.2	0.9	0.0	157.6
Assets classified as held for sale	0.0	0.9	4.1	0.0	0.0	5.0
Depreciation for the period	0.0	-39.1	-190.5	-3.0	0.0	-232.6
Impairment charges	-3.1	-1.5	-18.6	-1.8	0.0	-25.1
Accumulated depreciation and impairment charges 31 Dec	-18.1	-941.0	-4,553.9	-131.8	0.0	-5,644.9
Book value, 1 Jan 2014	70.8	522.1	1,324.8	18.5	76.6	2,012.7
Book value, 31 Dec 2014	65.8	484.9	1,202.7	17.8	59.9	1,831.2

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 tangible assets of BBH. The sale was closed on 2 February 2015.

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.

Impairment charges include Metsä Board Zanders' impairment of EUR 24.8 million for the Gohrsmühle factory in Germany. The impairment is based on testing. Furthermore, Metsä Board reversed an impairment of EUR 0.3 million from the sold, fully depreciated old paper machine in Simpele.

### TANGIBLE ASSETS 2013

EUR million	Land and water areas	Buildings	Machinery and equipment	Other tangible assets	Construction in progress	Total
Acquisition cost, 1 Jan	85.0	1,484.3	5,790.7	149.6	93.2	7,602.6
Translation differences	-0.3	-11.6	-50.5	-1.5	-1.3	-65.2
Increase	1.7	12.9	100.5	0.3	73.1	188.4
Decrease	-0.5	-54.5	-17.0	-0.2	-3.6	-75.8
Transfers between items	0.1	20.9	59.5	1.0	-84.7	-3.3
Acquisition cost, 31 Dec	85.9	1,452.0	5,883.2	149.1	76.6	7,646.8
Accumulated depreciation and impairment charges 1 Jan	-15.4	-933.6	-4,432.3	-128.3	0.0	-5,509.6
Translation differences	0.0	6.9	38.9	1.1	0.0	46.9
Accumulated depreciation on deduction and transfers	0.3	41.9	29.4	-0.4	0.0	71.2
Depreciation for the period	0.0	-42.0	-191.8	-3.1	0.0	-236.9
Impairment charges	0.0	-3.1	-2.6	0.0	0.0	-5.7
Accumulated depreciation and impairment charges 31 Dec	-15.1	-930.0	-4,558.4	-130.6	0.0	-5,634.1
Book value, 1 Jan 2013	69.6	550.7	1,358.3	21.3	93.2	2,093.0
Book value, 31 Dec 2013	70.8	522.1	1,324.8	18.5	76.6	2,012.7

Impairment charges include a EUR 4.9 million impairment loss related to the close down of Metsä Wood's upgrading and distribution unit in Kaskinen and a EUR 3.1 million impairment loss related to the close down of the extrusion coating line of Metsä Wood's plywood unit in Suolahti.

Impairment charges also include reversed impairments of EUR 2.5 million relating to the sale of the old paper machine of Metsä Board Äänekoski Paper.

Pledges and mortgages for loans from financial institutions, pension loans and other liabilities amounted to EUR 386.4 million (983.3). Commitments and contingencies are described in Note no. 30.

**TANGIBLE ASSETS INCLUDE ASSETS ACQUIRED UNDER FINANCE LEASE AGREEMENTS AS FOLLOWS:**

EUR million	Land and water areas	Buildings	Machinery and equipment	Total
Acquisition cost 1 Jan. 2014	0.0	19.4	47.0	66.5
Accumulated depreciation	0.0	-9.7	-35.8	-45.4
Book value, 31 Dec. 2014	0.0	9.8	11.3	21.1

EUR million	Land and water areas	Buildings	Machinery and equipment	Total
Acquisition cost 1 Jan. 2013	0.0	18.4	45.3	63.7
Accumulated depreciation	0.0	-8.6	-32.1	-40.6
Book value, 31 Dec. 2013	0.0	9.9	13.3	23.1

Additions in tangible assets in 2013 include assets of EUR 0.6 million acquired under finance lease agreements (0.7).

In 2014 borrowing costs of EUR 0.4 million (1.9) were capitalised. The average interest rate used was 1.8–4.3 per cent (2.12–5.76), which represents the costs for the loan used to finance the projects.

In 2014 Metsä Fibre's Joutseno mill got a government grant of EUR 2.2 million from the Finnish Ministry of Employment and the Economy to be used for the building of a gasification plant. The government grant has been booked as a deduction to the acquisition cost.

## 13. Biological assets

Biological assets (growing trees) are measured at fair value less the estimated expenses of a sale. The fair value of a stand of trees, excluding young seedlings, is based on the present value of expected cash flows (revenue and expenses). The change in fair value will be recognised yearly as income/cost in the income statement.

Biological assets are fair value categorised at Level 3 because fair value is based on company estimates and not market data. At the end of 2014 the Group had forest assets mainly in Finland.

Metsä Group has long-term forest lease agreements in Russia and Latvia. The agreements have not been recognised in the balance sheet, because their price or fixed price determination basis is not defined in the agreements. The price is determined by the government usually once a year or, in some cases, more frequently. In practice, the price follows the auction prices for short-term felling rights. Long-term felling rights are primarily used for ensuring the availability of wood.

Most of the Group's biological assets belong to associated companies in Finland. Therefore the amount of the biological assets in the balance sheet is small.

EUR million	2014	2013
At 1 Jan.	11.1	8.4
Purchases during the period	0.1	0.0
Sales during the period	0.0	0.0
Harvested during the period	-1.2	-1.3
Gains/losses arising from changes in fair values	1.8	4.0
At 31.12.	11.8	11.1

The Group has two associated companies that own biological assets. The Group owns 49.9 per cent of Finsilva Oyj, which in 2014 had forest assets to a fair value of EUR 231.6 million (208.5). The Group's share of this is EUR 115.6 million (104.0). The Group also owns 25 per cent of Metsäsijoitus Oy, which had forest assets to a fair value of EUR 17.7 million (16.1). The Group's share of this is EUR 4.4 million (4.0).





## 14. Group structure

### SUBSIDIARIES AND JOINT OPERATIONS

Principal subsidiaries and joint operations 31 December 2014

<b>METSÄLIITTO COOPERATIVE</b>	Country	Group's holding, %
<b>SUBSIDIARIES</b>		
Burt Boulton and Haywood Ltd	Great Britain	100.00
Finnforest UK Holdings Ltd	Great Britain	100.00
Kirkniemen Kartano Oy	Finland	100.00
Kumpuniemen Voima Oy	Finland	53.97
Metsa Forest Latvia SIA	Latvia	100.00
Metsä Board Corporation <sup>1)</sup>	Finland	42.53
Metsä Fibre Oy	Finland	60.79
Metsä Forest Eesti AS	Estonia	100.00
Metsä Forest Sverige AB	Sweden	100.00
Metsä Group Services Sp. z.o.o.	Poland	100.00
Metsä Group Treasury Oy	Finland	100.00
Metsä Tissue Corporation	Finland	91.00
Metsä Wood Deutschland GmbH	Germany	100.00
Metsä Wood France S.A.S.	France	100.00
Metsä Wood Holland B.V.	The Netherlands	100.00
Metsä Wood Ibérica S.L.U.	Spain	100.00
Metsä Wood Schweiz AG	Switzerland	100.00
Metsä Wood UK Ltd	Great Britain	100.00
Metsä Wood USA Inc.	USA	100.00
Metsäliitto Management Oy	Finland	100.00
Mittaportti Oy	Finland	100.00
OOO Metsa Forest Podporozhye	Russia	100.00
OOO Metsa Forest St. Petersburg	Russia	100.00
Punkavoima Oy <sup>2)</sup>	Finland	35.00
<b>JOINT OPERATIONS</b>		
Asunto Oy Tapiolan Jalava	Finland	8.50
Asunto Oy Tapiolan Pyökki	Finland	48.98
Asunto Oy Tapiolan Saarni	Finland	48.98
Asunto Oy Tapiolan Tammi	Finland	48.98
Hartolan Kuningaslämpö Oy <sup>3)</sup>	Finland	50.00
Kiinteistö Oy Metsätapiola	Finland	48.98
Kiinteistö Oy Metsätapiolan Pysäköinti	Finland	48.96
Kiinteistö Oy Tapiolan Jalopuupysäköinti	Finland	40.06
Lohjan Biolämpö Oy <sup>3)</sup>	Finland	46.00

1) Holding 62.15% by number of vote.

2) According to shareholder agreement all of the heat produced by Punkavoima Oy is distributed to mills owned by Metsäliitto Cooperation. Important operations are controlled by Metsäliitto Cooperative.

3) The primary goal for the arrangement is to produce energy to the parties and the liabilities of the arrangement are actually paid from the cash flow arising from the produced energy bought.

<b>METSÄ FIBRE GROUP</b>	Country	Group's holding, %
<b>SUBSIDIARIES</b>		
Metsä Fibre GmbH	Germany	100.00
Metsä Fibre S.r.l.	Italy	100.00
Metsä-Botnia Metsät Oy	Finland	100.00
OOO Metsä Svir	Russia	100.00
Oy Silva Shipping Ab	Finland	100.00
ZAO Petrovles Podporozhye	Russia	100.00

<b>METSÄ TISSUE GROUP</b>	Country	Group's holding, %
<b>SUBSIDIARIES</b>		
Dambi AB	Sweden	100.00
Metsa Tissue Czech s.r.o.	Czech Republic	100.00
Metsa Tissue Krapkowice Sp. z.o.o.	Poland	100.00
Metsa Tissue Poland Sp. z.o.o.	Poland	100.00
Metsa Tissue Slovakia s.r.o.	Slovakia	100.00
Metsa Tissue Ukraine LCC	Hungary	100.00
Metsä Tissue A/S	Denmark	100.00
Metsä Tissue AB	Sweden	100.00
Metsä Tissue AS	Norway	100.00
Metsä Tissue GmbH	Germany	100.00
Metsä Tissue Hungary Kft.	Hungary	100.00
Metsä Tissue Immobilienverwaltungs GmbH	Germany	100.00
Metsä Tissue Ltd	Great Britain	100.00
OOO Metsä Tissue	Russia	100.00

<b>JOINT OPERATIONS</b>		Group's holding, %
Katrinefors Kraftvärme AB <sup>1)</sup>	Sweden	50.00

1) The primary goal for the arrangement is to produce energy to the parties and the liabilities of the arrangement are actually paid from the cash flow arising from the produced energy bought.

<b>METSÄ BOARD GROUP</b>	Country	Group's holding, %
<b>SUBSIDIARIES</b>		
Alrec Boiler Oy <sup>1)</sup>	Finland	24.92
BGE Eisenbahn Güterverkehr GmbH	Germany	90.00
Metsä Board (Middle East & North Africa) Ltd	Cyprus	100.00
Metsä Board Americas Corporation	USA	100.00
Metsä Board Australia and New Zealand Pty Ltd	Australia	100.00
Metsä Board Hong Kong Ltd	Hong Kong	100.00
Metsä Board Ibérica S.A.	Spain	100.00
Metsä Board IBP (HK) Ltd	Hong Kong	100.00
Metsä Board IBP China Ltd	China	100.00
Metsä Board Italia S.r.l.	Italy	100.00
Metsä Board Shanghai Ltd	China	100.00
Metsä Board Singapore Pte Ltd	Singapore	100.00
Metsä Board UK Ltd	Great Britain	100.00
Metsä Board Benelux n.v./s.a	Belgium	100.00
Metsä Board CZ s.r.o.	Czech Republic	100.00
Metsä Board Deutsche Holding GmbH	Germany	100.00
Metsä Board Deutschland GmbH	Germany	100.00
Metsä Board France S.A.S.	France	100.00
Metsä Board Hungary Kft.	Hungary	100.00
Metsä Board IBP Deals Americas Ltd	USA	100.00
Metsä Board International Oy	Finland	100.00
Metsä Board Ireland Ltd	Ireland	100.00
Metsä Board Kemi Oy	Finland	100.00
Metsä Board Netherlands B.V.	The Netherlands	100.00
Metsä Board NL Holding B.V.	The Netherlands	100.00
Metsä Board Nordic A/S	Denmark	100.00
Metsä Board Nordic AB	Sweden	100.00
Metsä Board Polska Sp. Z o.o.	Poland	100.00
Metsä Board Reinsurance AG	Switzerland	100.00
Metsä Board Schweiz AG	Switzerland	100.00
Metsä Board Sverige AB	Sweden	100.00
Metsä Board Zanders GmbH	Germany	100.00
Metsäliitto Energie GmbH	Germany	80.00
M-real Hellas Ltd	Greece	51.00
M-real UK Holdings Ltd	Great Britain	100.00
M-real UK Services Ltd	Great Britain	100.00
OOO Metsä Board	Russia	100.00
OOO Peterbox	Russia	100.00
Oy Hangö Stevedoring Ab	Finland	100.00
<b>JOINT OPERATIONS</b>		
Äänevoima Oy <sup>2)</sup>	Finland	56.25
Ääneverkko Oy <sup>2)</sup>	Finland	56.25

1) A structured entity, in which Metsä Board has the right to redeem the shares, and it is likely that Metsä Board will use the right.

2) The primary goal for the arrangement is to produce energy to the parties and the liabilities of the arrangement are actually paid from the cash flow arising from the produced energy bought.

Changes in holdings of subsidiaries and joint operations in Note no. 4.



## NON-CONTROLLING INTEREST'S SHARES

Principal non-controlling interest's shares	Country	Non-controlling interest Holding, %		Non-controlling interest Share of result, EUR million		Non-controlling interest Share of equity, EUR million	
		2014	2013	2014	2013	2014	2013
Metsä Fibre Group	Finland	39.21	39.15	65.0	60.9	323.0	303.6
Metsä Board Group <sup>1)</sup>	Finland	57.47	57.19	35.6	15.3	114.9	127.1
Metsä Tissue Group	Finland	9.00	15.00	3.2	3.3	28.3	44.8
Other subsidiaries				0.0	0.0	0.8	0.8
				103.8	79.5	467.0	476.3

1) Non-controlling interest's holding by votes 37.85% (37.76).

Business transactions with non-controlling interest is presented in Note no. 4.

## SUMMARY OF FINANCIAL INFORMATION OF SUBSIDIARIES WITH A SUBSTANTIAL NON-CONTROLLING INTEREST

	Metsä Fibre Group		Metsä Board Group		Metsä Tissue Group	
	2014	2013	2014	2013	2014	2013
Sales	1,295.7	1,314.0	2,008.4	2,019.3	1,012.8	1,004.0
Result for the period	165.8	154.5	68.5	64.1	31.8	16.5
Non-controlling interest's share of the result	65.0	60.9	35.6	15.3	3.2	3.3
Total comprehensive income for the period	161.3	136.6	21.0	18.8	19.0	12.7
Non-controlling interest's share of the total comprehensive result	58.1	54.9	11.1	-8.7	2.0	3.1
Dividends paid to non-controlling interest	24.9	24.9	17.0	11.3	1.6	2.3
Non-current assets	752.6	860.8	1,250.4	1,337.4	654.8	673.4
Current assets	555.6	307.2	898.3	759.6	336.8	333.7
Non-current liabilities	125.4	145.2	803.6	844.7	461.4	474.8
Current liabilities	276.3	164.3	503.8	402.8	245.6	260.2
Net assets	906.5	858.5	841.4	849.6	284.6	272.0
Net cash flow from operating activities	398.2	141.7	198.2	82.2	83.8	57.3
Net cash flow arising from investing activities	48.5	-26.8	3.5	-395.5	-35.1	-60.0
Net cash flow arising from financing activities	-285.9	-114.5	-199.7	-102.0	-47.6	2.6
Change in cash and cash equivalents	160.8	0.4	2.0	-415.3	1.1	-0.1

The numbers are presented before Metsä Group eliminations. The subgroup's internal items are eliminated. The numbers have been consolidated according to the group's segment reporting.

## ASSOCIATED COMPANIES AND JOINT VENTURES

EUR million	2014	2013
<b>INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES</b>		
At 1 Jan	71.5	65.2
Share of results	16.4	9.6
Dividends received	-3.1	-3.2
Decreases	-2.5	-0.1
Translations differences	-4.5	-0.1
At 31 Dec	77.7	71.5
<b>AMOUNTS IN INCOME STATEMENT</b>		
Associated companies	15.4	8.7
Joint ventures	1.0	0.9
Total	16.4	9.6
<b>AMOUNTS IN BALANCE SHEET</b>		
Associated companies	67.6	57.3
Joint ventures	10.1	14.1
Total	77.7	71.5

Unamortised amount of goodwill for associated companies at 31 December 2014 include goodwill of EUR 1.3 million (1.3) from ZAO HK Vologodskie Lesopromyshlenniki.

## INFORMATION ON PRINCIPAL ASSOCIATED COMPANIES

EUR million	Business	Country	Holding, %	
			2014	2013
Finsilva Oy	Forest	Finland	49.9	49.9

**SUMMARY OF FINANCIAL INFORMATION OF PRINCIPAL ASSOCIATED COMPANIES**

EUR million	2014	2013
<b>FINSILVA OY</b>		
Sales	19.6	18.3
Result for the period	29.7	15.7
Dividends received from associated company	2.9	3.0
Non-current assets	262.2	233.9
Current assets	15.5	12.5
Non-current liabilities	145.4	139.7
Current liabilities	5.9	4.3
Net assets	126.5	102.5
Reconciliation of financial information against book value in group balance sheet		
Group's share of net assets	63.1	51.2
Book value of associated company in balance sheet	63.1	51.2

Finsilva is consolidated according to the equity method. The summary is prepared in accordance with IFRS.

The group has no other principal associated companies.

**SUMMARY OF FINANCIAL INFORMATION OF OTHER THAN PRINCIPAL ASSOCIATED COMPANIES**

EUR million	2014	2013
Group's share of results	0.6	0.9
Book value in group balance sheet	4.5	6.2

**JOINT VENTURES**

The Group has no principal joint ventures.

## 15. Available for sale investments

EUR million	2014	2013
Listed companies	0.4	0.3
Other companies	256.8	305.4
Total	257.1	305.7

Available for sale financial assets consist of listed and unlisted shares. The fair value of listed shares is based on public quotation for shares at the balance sheet date.

The most important shareholding of non-quoted companies consists of a 3.4 per cent stake in Finnish energy company Pohjolan Voima Oy, that produces electricity and heat for its shareholders in Finland. Pohjolan Voima trades with its shareholders at prices based on production costs, which generally are lower than the market prices.

The Group controls some 5.2 per cent of the electricity produced by Olkiluoto nuclear power plant (through Pohjolan Voima's B-shares, OL1 and OL2), some 6.7 percentage proportion in Meripori coal-fired power plant (through C2 shares). The Group also controls some 84.0 per cent of the energy produced by Hämeenkyron Voima Oy (through Pohjolan Voima's G10 shares). In addition, Metsä Group also has some 2.0 percentage proportion in new nuclear power plant under construction Olkiluoto 3 (through B2 shares).

The ownership in Pohjolan Voima Oy is measured at fair value quarterly by using the weighted average of discounted cash flow method and the valuation based on earlier transactions. The WACC used was 2.48 per cent (3.9) and for the Olkiluoto 3 under construction 6.48 per cent (6.9). 12 months rolling averages have been used for the energy price estimates, which evens out the short-term energy price fluctuations. The changes in fair value less deferred tax calculated with Finnish tax rate are recorded in fair value reserve in equity. The acquisition value of shares in Pohjolan Voima Oy is EUR 43.1 million (47.8) and the fair value EUR 249.6 million (297.9). The fair value of nuclear power shares was EUR 225.2 million (283.4), of which EUR 227.7 million (276.9) B-shares and EUR -2.5 million (6.5) B2-shares, coal-fired power shares (C2-shares) EUR -6.6 million (-4.7), hydroelectric power shares (A-shares) EUR 19.0 million (7.2) and G10-shares EUR 12.0 million (12.0).

In 2014, 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.

Metsä Fibre and Metsä Board acquired in 2013 more B2-shares for EUR 7.8 million.

The shareholder agreement of Pohjolan Voima prevents free selling of shares with others than shareholders. A sensitivity analysis of the book value of Pohjolan Voima Oy is presented in Note no. 2.

Other unlisted shares, of which the fair value cannot be reliably measured, have been valued at acquisition cost less impairment charges.

## 16. Other non-current financial assets

EUR million	2014	2013
Non-current financial assets at fair value through profit and loss		
At 1 Jan	0.0	0.0
Increases	5.3	0.0
Change in fair value	-0.1	0.0
At 31 Dec	5.3	0.0
Interest-bearing loan receivables		
From associated companies and joint ventures	2.1	2.0
Other loan receivables	6.6	6.9
Total	8.7	8.8
Non-interest-bearing receivables		
Defined benefit pension plans (Note no. 22)	4.8	9.0
Other loan receivables	1.0	1.3
Total	5.8	10.3
Other non-current financial assets, total	19.7	19.1





## 17. Deferred taxes

### RECONCILIATION OF DEFERRED TAX ASSETS AND LIABILITIES IN 2014

EUR million	1.1.2014	Charged in income statement	Charged in other items of comprehensive income	Translation differences	Acquisitions / disposals	31.12.2014
<b>Deferred tax assets in balance sheet</b>						
Pension obligations and other provisions	21.9	-1.4	10.7	-0.2	0.0	30.9
Intercompany margins	9.4	-12.9	12.7	-0.1	0.0	9.0
Unused tax losses and tax credit	24.0	4.7	0.0	-0.2	0.0	28.5
Financial instruments	15.0	-1.3	4.1	0.3	0.0	18.0
Other temporary differences	5.1	3.2	0.0	-0.3	0.0	8.0
<b>Deferred tax assets total</b>	<b>75.3</b>	<b>-7.6</b>	<b>27.4</b>	<b>-0.6</b>	<b>0.0</b>	<b>94.5</b>
Netting against liabilities	-28.2	2.3	-3.9	0.1	0.0	-29.7
<b>Deferred tax assets in balance sheet</b>	<b>47.1</b>	<b>-5.3</b>	<b>23.5</b>	<b>-0.4</b>	<b>0.0</b>	<b>64.8</b>
<b>Deferred tax liabilities in balance sheet</b>						
Pension obligations	1.5	0.3	-1.3	0.1	0.0	0.6
Appropriations and untaxed provisions	146.3	-3.7	0.0	-3.0	0.0	139.6
Acquired net assets and biological assets recognised at fair value	79.2	-3.9	0.0	-0.1	0.0	75.3
Available for sale financial assets recognised at fair value	38.2	0.0	1.3	0.0	0.0	39.5
Financial instruments	0.5	-0.1	0.2	0.3	0.0	0.9
Hedge of net investments in foreign operations	0.0	5.5	0.0	-5.5	0.0	0.0
Other temporary differences	6.9	0.2	0.0	-2.7	0.0	4.4
<b>Deferred tax liabilities total</b>	<b>272.6</b>	<b>-1.6</b>	<b>0.1</b>	<b>-10.8</b>	<b>0.0</b>	<b>260.3</b>
Netting against assets	-28.2	2.3	-3.9	0.1	0.0	-29.7
<b>Deferred tax liabilities in balance sheet</b>	<b>244.4</b>	<b>0.7</b>	<b>-3.8</b>	<b>-10.7</b>	<b>0.0</b>	<b>230.6</b>

### RECONCILIATION OF DEFERRED TAX ASSETS AND LIABILITIES IN 2013

EUR million	1.1.2013	Charged in income statement	Charged in other items of comprehensive income	Translation differences	Acquisitions / disposals	31.12.2013
<b>Deferred tax assets in balance sheet</b>						
Pension obligations and other provisions	25.9	-4.1	0.9	-0.8	0.0	21.9
Intercompany margins	14.3	-4.9	0.0	0.0	0.0	9.4
Unused tax losses and tax credit	21.4	2.6	0.0	0.0	0.0	24.0
Financial instruments	18.5	-3.2	-0.1	-0.4	0.0	15.0
Other temporary differences	5.9	-1.5	0.0	0.7	0.0	5.1
<b>Deferred tax assets total</b>	<b>85.9</b>	<b>-11.0</b>	<b>0.9</b>	<b>-0.5</b>	<b>0.0</b>	<b>75.3</b>
Netting against liabilities	-15.4	-11.8	-1.2	0.1	0.0	-28.2
<b>Deferred tax assets in balance sheet</b>	<b>70.6</b>	<b>-22.8</b>	<b>-0.3</b>	<b>-0.4</b>	<b>0.0</b>	<b>47.1</b>
<b>Deferred tax liabilities in balance sheet</b>						
Pension obligations	0.4	0.1	1.0	0.0	0.0	1.5
Appropriations and untaxed provisions	167.2	-16.6	0.0	-4.3	0.0	146.3
Acquired net assets and biological assets recognised at fair value	97.1	-17.9	0.0	0.0	0.0	79.2
Available for sale financial assets recognised at fair value	61.0	0.0	-22.8	0.0	0.0	38.2
Financial instruments	0.4	0.0	0.4	-0.2	0.0	0.5
Hedge of net investments in foreign operations	0.0	1.5	-1.1	-0.4	0.0	0.0
Other temporary differences	8.8	-1.9	0.0	0.0	0.0	6.9
<b>Deferred tax liabilities total</b>	<b>334.9</b>	<b>-34.8</b>	<b>-22.5</b>	<b>-4.9</b>	<b>0.0</b>	<b>272.6</b>
Netting against assets	-15.4	-11.8	-1.2	0.1	0.0	-28.2
<b>Deferred tax liabilities in balance sheet</b>	<b>319.5</b>	<b>-46.6</b>	<b>-23.6</b>	<b>-4.9</b>	<b>0.0</b>	<b>244.4</b>

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relates to the same taxation authority.

At 31 December 2014 the net operating loss carry-forwards amounted to EUR 142.6 million (112.9) for which EUR 28.5 million (24.0) tax assets have been recognised. The net operating loss carry-forwards derive mainly from Finland. In addition net operating loss carry-forwards derive from France, Germany, Slovakia and Russia. The management estimates that the companies in the future will generate taxable income from which the losses can be deducted.

The operating loss carry-forwards for which deferred tax assets have not been recognised due to uncertainty of the utilisation of these loss carry-forwards amounted to EUR 1,207.1 million (1,301.9). The net operating loss carry-forwards derive mainly from Finland, France, Germany, Poland and Russia. Of these losses EUR 147.8 million will expire in 2015–2019 and EUR 233.4 million in 2020–2024 due to internal ownership arrangements within Metsä Board. The deferred tax assets for these non-recognised loss carry-forwards amounted to EUR 286.6 million (374.6) at 31 December 2014.

The Group had loss carry-forwards of EUR 1,349.7 million at 31 December 2014. Of these EUR 810.4 million do not expire. Some EUR 220.6 million of the losses will expire in 2015–2019 and EUR 318.7 million later.

## 18. Inventories

EUR million	2014	2013
Inventories		
Raw materials and consumables	310.1	293.6
Work in progress	39.2	40.8
Finished goods and goods for sale	389.4	405.8
Advance payments	35.4	35.4
Total	774.1	775.7

The cost of inventories recognised as expense to lower the carrying amount to equal the net realisable value was EUR 3.6 million (0.4). The expense is included in materials and services.

## 19. Accounts receivables and other receivables

EUR million	2014	2013
Interest-bearing loan receivables		
Loans from associated companies and joint ventures	0.0	0.0
Other loan receivables	4.1	7.9
Total	4.1	7.9
Accounts receivables and other non-interest-bearing receivables		
From associated companies and joint ventures		
Accounts receivables	3.0	1.8
Other receivables	0.0	0.0
Prepayment and accrued income	0.2	0.3
	3.2	2.1
From others		
Accounts receivables	579.8	558.5
Loan receivables	0.4	0.0
Other receivables	57.5	89.3
Prepayment and accrued income	41.3	45.2
	679.0	693.0
Total	682.2	695.1
Accounts receivables and other receivables, total	686.3	703.0

### DOUBTFUL ACCOUNTS RECEIVABLES

#### ACCOUNTS RECEIVABLES ARE RECORDED NET OF THE FOLLOWING ALLOWANCES FOR DOUBTFUL ACCOUNTS:

EUR million	2014	2013
At 1 Jan.	5.6	5.2
Increases	2.4	5.8
Decreases	-2.5	-5.4
At 31 Dec.	5.4	5.6

EUR 0.7 million of credit loss was recognised during 2014 (1.1).

#### AGEING ANALYSIS OF ACCOUNTS RECEIVABLES

EUR million	2014	2013
No overdue	481.6	495.0
Overdue		
less than 30 days	83.9	52.2
between 31–60 days	5.6	7.2
between 61–90 days	3.2	0.0
between 91–180 days	2.1	0.9
more than 180 days	3.4	3.2
At 31 Dec.	579.8	558.5

## 20. Cash and cash equivalents

EUR million	2014	2013
Financial assets at fair value through profit and loss	20.4	20.1
Current investments	565.5	280.6
Cash at bank and in hand	362.0	153.7
Total	947.9	454.4



## 21. Members' capital

### CHANGES IN MEMBERS' CAPITAL

EUR million	Members' capital	Additional members' capital A	Additional members' capital B	Additional members' capital C	Total
Members' capital at 1 Jan 2014	153.3	418.1	83.3	0.0	654.7
Paid-in members' capital	4.9	28.2	27.6		60.6
Transfers from interests to members' capital	2.0	27.6	0.0		29.6
Equity bonus	0.0	1.8	0.0		1.8
Refund of members' capital	-4.1	-14.6	-3.8		-22.4
Transfers to current interest-bearing liabilities	1.9	-3.0	-4.2		-5.2
Members' capital at 31 Dec 2014	158.1	458.1	103.0	0.0	719.1
Members' capital at 1 Jan 2013	147.9	380.0	55.9	10.6	594.5
Paid-in members' capital	4.2	26.8	24.8		55.8
Transfers from interests to members' capital	1.8	24.3	0.0		26.0
Equity bonus	0.0	1.4	0.0		1.4
Refund of members' capital	-3.3	-13.5	-4.6		-21.4
Transfer to members' capital B			14.4	-14.4	0.0
Transfers to current interest-bearing liabilities	2.7	-0.8	-7.2	3.8	-1.5
Members' capital at 31 Dec 2013	153.3	418.1	83.3	0.0	654.7

### TRANSFERS TO CURRENT INTEREST-BEARING LIABILITIES

EUR million	Members' capital	Additional members' capital A	Additional members' capital B	Additional members' capital C	Total
31.12.2014	48.2	139.6	31.4	0.0	219.1
Change	-1.9	3.0	4.2		5.2
31.12.2013	50.1	136.6	27.2	0.0	213.9
Change	-2.7	0.8	7.2	-3.8	1.5
31.12.2012	52.8	135.7	20.0	3.8	212.3

### FAIR VALUE AND OTHER RESERVES

EUR million	2014	2013
Fair value reserve	40.9	61.6
Revaluation reserve	1.2	1.2
Restatement reserve	94.9	94.9
General reserves	68.1	65.7
Reserves stipulated by the rules	0.1	0.1
Reserve for invested unrestricted equity	1.6	1.6
Total	206.7	224.9

## SHARES

The par value of a share is one euro. The number of shares that a member is obliged to take shall be determined according to the area of the forest land owned by the member and according to the municipality where it is located, provided however, that a member shall be obliged and entitled to take no more than 30,000 shares.

## ADDITIONAL SHARES

There are three classes of additional shares: additional shares A, additional shares B and additional shares C. The additional shares C were transferred to B-shares in spring 2013. The par value of additional shares is one euro each. The amount paid for additional shares constitutes the additional share capital. The Board of Directors of Metsäliitto decides on the granting of any additional shares, payment for these and other terms and conditions. The additional shares of same series may differ from each other. In this case additional shares can be separated by different identifications. Only a member whose shares have been paid in full may take additional shares. The minimum number of A additional shares shall be one (1) and the maximum 900 million. The minimum of B additional shares shall be one (1) and the maximum 300 million. The minimum of C additional shares shall be one (1) and the maximum 100 million. The interest payable on additional shares may differ from the interest payable on shares. Furthermore, other financial benefits might be attached to additional shares. The additional share capital may be reduced by amending the rules in such a way that payments for additional shares are refunded to members or to a third part, to whom the right of a member has been transferred.

A member may take additional shares A with the net payment from wood trade from Metsäliitto. Additional shares A may also be taken with interest paid on members' capital. However, the maximum number of additional A shares may not be exceeded.

In the beginning of 2012, Metsäliitto Cooperative launched a new investment product called Equity Bonus, in which a member can subscribe to additional A shares worth EUR 1 in a combined issue at a price decided by the Board of Directors in any given year in accordance with the share issue terms. New additional A shares are offered for subscription from wood trade or income obtained from share interest. The maximum amount of the combined issue fund unit is EUR 100 million.

A member may take as many additional shares B as he/she likes. However, the maximum number of additional B shares may not be exceeded.

The additional share C was attached with a right to an additional interest depending on the price of Metsä Board's B-share. The additional interest was calculated as follows: if the weighted average price of Metsä Board's B-share at NASDAQ OMX Helsinki Oy during five days before 15 February 2013 would have exceeded 2.50 euros, every C share would be granted an additional interest which would be the difference between the price quoted and 2.50 euros. However, the maximum additional interest was 1 euro. No additional interest was paid in spring 2013 because the price of Metsä Board's B-share did not exceed 2.50 euros.

The right to an additional interest was recognised as an embedded derivative according to IAS 39. The liability due to the additional interest was unrecognised in spring 2013.

An interest or surplus refund or other financial income may be paid to the members from the surplus of Metsäliitto Cooperative. Any amount to be distributed must not exceed the sum of distributable surplus shown in the balance sheet approved for the preceding financial period considering the restrictions mentioned in the Cooperatives Act Section 8 subsections 3–5. One third of the distributable surplus shown in the balance sheet confirmed for the preceding financial period can be used for refunding of shares and additional shares.

## TRANSLATION DIFFERENCES

Translation differences include translation differences arising on translation of subsidiaries in other currencies than euro and gains and losses arising on hedging of net investments in these subsidiaries, when requirements of hedge accounting have been fulfilled.

## FAIR VALUE RESERVE

The reserve include the effective portion of fair value based on hedge accounting applied to interest, currency and commodity derivatives and the fair value change of available for sale financial assets less deferred tax.

## REVALUATION RESERVE

Revaluation of land and bonds in non-current assets are recognised in the revaluation reserve.

## REVALUATION SURPLUS

The revaluation surplus include the fair value of the previous holdings in Metsä Fibre which arised from the allocation of fair value of the acquired Metsä Fibre -shares in 2009.

## LEGAL RESERVE AND RESERVES STIPULATED BY THE ARTICLES OF ASSOCIATION/RULES

Legal reserve and reserves stipulated by the Articles of Association have been created and accumulated as a result of resolution by the Annual General Meeting of shareholders/representatives.

## RESERVE FOR INVESTED UNRESTRICTED EQUITY

The reserve for invested unrestricted equity includes other investments in equity and the share issue price to a sum especially decided not to be recognised in the share capital.

## INTEREST ON MEMBERS' CAPITAL

After balance sheet day the Board of Directors has proposed that an interest of EUR 45.7 million (44.5) be distributed on paid-in members' capital. Financial costs regarding the interest on members' capital was recognised to a sum of EUR 10.4 million (9.8).





**OTHER COMPREHENSIVE INCOME, NET OF TAX 2014**

EUR million	Equity attributable to members of parent company				Non-controlling interest	Total
	Translation differences	Fair value and other reserves	Retained earnings	Total		
Items relating to adjustments of defined benefit plans			-28.9	-28.9	-15.8	-44.7
Income tax relating to items that will not be reclassified			7.3	7.3	4.6	11.9
Cash flow hedges						
Currency flow hedges						
gains and losses recorded in equity		-15.0		-15.0	-15.8	-30.8
transferred to adjust sales		4.2		4.2	5.7	9.9
Interest flow hedges						
gains and losses recorded in equity		0.5		0.5	-0.9	-0.4
transferred to adjust financial items		0.0		0.0	0.0	0.0
Commodity hedges						
gains and losses recorded in equity		-0.6		-0.6	-1.0	-1.6
transferred to adjust purchases		1.1		1.1	2.1	3.1
Total		-9.8		-9.8	-10.0	-19.7
Available for sale investments						
gains and losses of fair valuation		7.3		7.3	4.5	11.8
transferred to other operating income		-24.6		-24.6	-30.9	-55.4
Total		-17.3		-17.3	-26.3	-43.6
Translation differences	-23.3			-23.3	-15.7	-39.0
Net invest hedge	-4.3			-4.3		-4.3
Share of comprehensive income of joint venture	-4.4			-4.4		-4.4
Total	-32.0			-32.0	-15.7	-47.7
Other items						
Income tax relating to items that may be reclassified	0.0	6.5	0.1	6.5	8.8	15.3
Other comprehensive income, net of tax	-32.0	-20.5	-21.4	-74.0	-54.1	-128.2

**OTHER COMPREHENSIVE INCOME, NET OF TAX 2013**

EUR million	Equity attributable to members of parent company				Non-controlling interest	Total
	Translation differences	Fair value and other reserves	Retained earnings	Total		
Items relating to adjustments of defined benefit plans			4.9	4.9	-2.5	2.4
Income tax relating to items that will not be reclassified			-0.9	-0.9	0.8	-0.1
Cash flow hedges						
Currency flow hedges						
gains and losses recorded in equity		-1.7		-1.7	-2.9	-4.6
transferred to adjust sales		1.1		1.1	1.5	2.5
Interest flow hedges						
gains and losses recorded in equity		5.1		5.1	0.4	5.6
transferred to adjust financial items		0.9		0.9	1.2	2.1
Commodity hedges						
gains and losses recorded in equity		-0.7		-0.7	0.5	-0.2
transferred to adjust purchases		-3.7		-3.7	-4.2	-7.9
Total		1.0		1.0	-3.5	-2.5
Available for sale investments						
gains and losses of fair valuation		-27.6		-27.6	-30.3	-57.9
transferred to other operating income		0.0		0.0	0.0	0.0
Total		-27.6		-27.6	-30.3	-57.9
Translation differences	-14.5			-14.5	-7.6	-22.1
Net invest hedge	1.6			1.6	0.2	1.8
Share of comprehensive income of joint venture	0.0			0.0		0.0
Total	-12.9			-12.9	-7.4	-20.3
Other items						
Income tax relating to items that may be reclassified	-0.1	9.6	-0.1	9.5	12.8	22.3
Other comprehensive income, net of tax	-13.0	-17.0	3.9	-26.1	-30.2	-56.2

## 22. Retirement benefit obligations

The Group has several arrangements concerning benefits following the termination of employment, including both defined benefit pension plans and defined contribution pension plans.

### PENSION AND OTHER POST-EMPLOYMENT BENEFITS

EUR million	2014	2013
Liabilities in balance sheet		
Defined benefit pension plans	176.8	143.8
Defined contribution pension plans	8.0	10.6
Total	184.8	154.4
Defined benefit pension plans		
In balance sheet	176.8	143.8
Surplus of funded plans in assets	-4.8	-9.0
Total	172.0	134.8

### DEFINED BENEFIT PENSION PLANS

The Group's most significant defined benefit pension plans are in Germany, Great Britain, Finland and Sweden.

The Group has several additional defined benefit pension plans in Germany. The arrangements grant old-age pensions, disability pensions and family pensions exceeding the statutory pension security to eligible employees, officials, senior management and former owners of the local company. The retirement age is usually 65 years, and the amount of pension depends on the length of service. Officials and senior management are required to have a service history of 25 to 30 years to receive a full pension. With employees, all service years after the age of 18 are taken into consideration. Some of the pension arrangements are closed. The defined benefit plans in Germany are unfunded.

The defined benefits plans in Great Britain guarantee participants of the plan a pension the amount of which is based on the length of service and the salary in the most recent working years. The arrangement is closed to new members. The assets in the arrangement have been invested in funds that are managed in accordance with local guidelines and practice. Funds administered by third parties pay the benefits to the eligible recipients. The Group actively participates in the operations of the foundation's investment committee.

In Finland, the Group has additional pension arrangements that are regarded as defined benefit plans. Metsäliitto Employees' Pension Foundation grants old-age pensions, disability pensions and family pensions exceeding the statutory pension security to some of its officials. New members are no longer accepted to the Pension Foundation. The Pension Foundation's assets have been invested in property, Group company shares and participations as well as other quoted shares. In addition, the Pension Foundation has promissory note receivables from the Group and bank deposits.

The members of the Group's Executive Management Team have a separate benefit-based pension agreement with a retirement age of 62. The level of pension is 60 per cent of the total salary under the Employees' Pensions Act, calculated on the basis of the five-year period preceding retirement. If the employment relationship with Metsä Group ends before retirement age, a member of the Executive Management Team is entitled to a paid-up policy.

The defined benefit pension plan in Sweden concerns officials born 1978 or earlier. The arrangement grant old-age pensions, family pensions and disability pensions. The amount of pension depends on the salary in which the future salary increases, length of service, promotions and other important factors like changes on the labour market are considered. The defined benefit plans in Sweden are unfunded. The obligation has a guarantee liability.

The Group has also defined benefit plans in Belgium, the Netherlands, Italy, Norway, Slovakia and Switzerland.

### AMOUNTS RECOGNISED IN BALANCE SHEET

EUR million	2014	2013
Present value of funded obligations	167.5	138.8
Fair value of plan assets	-151.9	-134.0
Total	15.5	4.9
Present value of unfunded obligations	156.5	130.0
Total	172.0	134.8
Net liability in balance sheet	172.0	134.8



**CHANGES IN DEFINED BENEFIT OBLIGATIONS 2014**

EUR million	Present value	Fair value of plan assets	Total
1.1.2013	268.8	-134.0	134.8
Current service cost	3.7	0.0	3.7
Administrative costs	0.0	0.0	0.0
Interest expense (+) or interest income (-)	9.4	-5.4	4.0
Past service cost	-0.2	0.0	-0.2
Income (-) and losses from settlement	0.0	0.0	0.0
Total amount recognised in profit and loss	12.9	-5.3	7.6
Remeasurements in other comprehensive income			
The return on plan assets, excl. amounts included in interest	0.0	-6.6	-6.6
Gains (-) and losses (+) from change in demographic assumptions	1.2	0.0	1.2
Gains (-) and losses (+) from change in financial assumptions	53.3	0.0	53.3
Experience gains and losses	-4.0	0.0	-4.0
Total remeasurements in other comprehensive income	50.4	-6.6	43.8
Translation differences	4.0	-6.0	-2.1
Contribution			
Employers	0.0	-5.2	-5.2
Plan participants	0.0	-0.1	-0.1
Payments from plans			
Benefit payments	-12.0	5.3	-6.6
Settlements	-0.2	0.0	-0.3
31.12.2014	323.9	-151.9	172.0

**CHANGES IN DEFINED BENEFIT OBLIGATIONS 2013**

EUR million	Present value	Fair value of plan assets	Total
1.1.2013	261.3	-122.2	139.1
Current service cost	4.5	0.0	4.5
Administrative costs	0.0	0.1	0.1
Interest expense (+) or interest income (-)	9.5	-4.8	4.8
Past service cost	0.6	0.0	0.6
Income (-) and losses from settlement	-3.3	3.7	0.3
Total amount recognised in profit and loss	11.3	-1.0	10.2
Remeasurements in other comprehensive income			
The return on plan assets, excl. amounts included in interest	0.0	-12.9	-12.9
Gains (-) and losses (+) from change in demographic assumptions	-0.4	0.0	-0.4
Gains (-) and losses (+) from change in financial assumptions	11.0	0.0	11.0
Experience gains and losses	-0.4	0.0	-0.4
Total remeasurements in other comprehensive income	10.1	-12.9	-2.7
Translation differences	-3.4	2.2	-1.2
Contribution			
Employers	0.0	-4.2	-4.2
Plan participants	0.0	-0.1	0.0
Payments from plans			
Benefit payments	-11.0	4.3	-6.7
Settlements	0.4	-0.1	0.3
31.12.2013	268.8	-134.0	134.8

Income and losses from settlement include EUR 3.3 million due to paid-up policy of two persons from the pension agreement of the Group's Executive Management Team.

**DEFINED BENEFIT PENSION PLANS AND PLAN ASSETS BY COUNTRY IN 2014**

EUR million	Germany	Great Britain	Finland	Sweden	Other countries	Total
Present value of obligations	135.5	95.7	51.1	19.9	21.7	323.9
Fair value of plan assets	0.0	-100.5	-35.6	0.0	-15.8	-151.9
Total	135.5	-4.8	15.5	19.9	5.9	172.0

**DEFINED BENEFIT PENSION PLANS AND PLAN ASSETS BY COUNTRY IN 2013**

EUR million	Germany	Great Britain	Finland	Sweden	Other countries	Total
Present value of obligations	108.2	79.3	42.9	20.7	17.6	268.8
Fair value of plan assets	0.0	-88.3	-32.9	0.0	-12.8	-134.0
Total	108.2	-9.0	10.0	20.7	4.8	134.8

**SIGNIFICANT ACTUARIAL ASSUMPTIONS 2014**

	Germany	Great Britain	Finland	Sweden	Other countries
Discount rate, %	1.0–2.0	3.55	0.4–2.07	2.8	1.27–4.1
Salary growth rate, %	3.0	2.0	2.0–3.81	3.0	1.0–3.8
Pension growth rate, %	2.0	2.6–3.4	2.1	1.5	1.0–3.5
Life expectancy, years					
Retiring at the end of the reporting period					
Male	21.1	22.9	19.0	20.0	17.2–21.4
Female	25.4	24.8	24.7	24.0	23.0–24.3
Retiring 20 years after the end of reporting period					
Male	23.9	24.3	20.6	20.1	17.2–25.7
Female	28.0	26.3	26.4	22.8	23.0–27.2

**SIGNIFICANT ACTUARIAL ASSUMPTIONS 2013**

	Germany	Great Britain	Finland	Sweden	Other countries
Discount rate, %	3.15	4.45	1.4–3.75	4.0	2.25–4.1
Salary growth rate, %	3.0	2.4	0.0–3.5	2.8	1.0–3.75
Pension growth rate, %	2.0	2.8–3.6	2.1	2.0	2.0–3.5
Life expectancy, years					
Retiring at the end of the reporting period					
Male	21.0	22.0	19.0	19.7	17.2–21.5
Female	25.3	24.2	24.7	22.8	23.0–24.3
Retiring 20 years after the end of reporting period					
Male	23.8	23.4	20.6	21.7	17.2–25.7
Female	27.9	25.7	26.4	24.2	23.0–27.2

Assumptions on mortality rate are based on guidance by actuaries on the basis of published statistics in each region and on experience. The assumptions are used to calculate the average life expectancy for people retiring at the age of 65.

**SENSITIVITY OF BENEFIT OBLIGATION TO CHANGES IN ESSENTIAL WEIGHTED ASSUMPTIONS 2014**

	Impact on benefit obligation		
	Change of assumption	Increase	Decrease
Discount rate, %	0.5%	7.5% decrease	8.4% increase
Increase in salary growth rate	0.5%	1.0% increase	0.9% decrease
Increase in pension growth rate	0.5%	5.8% increase	5.5% decrease
		Increase in assumption one year	Decrease in assumption one year
Life expectancy		4.6% increase	4.5% decrease

**SENSITIVITY OF BENEFIT OBLIGATION TO CHANGES IN ESSENTIAL WEIGHTED ASSUMPTIONS 2013**

	Impact on benefit obligation		
	Change of assumption	Increase	Decrease
Discount rate, %	0.5%	7.5% decrease	8.3% increase
Increase in salary growth rate	0.5%	1.1% increase	1.1% decrease
Increase in pension growth rate	0.5%	5.3% increase	5.3% decrease
		Increase in assumption one year	Decrease in assumption one year
Life expectancy		4.2% increase	4.2% decrease

The aforementioned sensitivity analyses are based on a situation where all other assumptions remain unchanged when one assumption changes. In practice, this is not probable, and changes in some assumptions may correlate with each other. The sensitivity of a defined benefit obligation to changes in significant actuarial assumptions has been calculated using the same method as is used in calculating the pension obligation entered in the balance sheet. The sensitivity analysis has been carried out using the same methods and assumptions as in the previous period.



#### PLAN ASSETS IN 2014

EUR million	Quoted	Unquoted	Total	%
Equity instruments	2.3	0.5	2.9	1.9
Debt instruments	2.7	16.2	19.0	12.5
Property	0.0	6.8	6.8	4.5
Qualifying insurance policies	0.0	9.0	9.0	5.9
Cash and cash equivalents	1.5	0.0	1.5	1.0
Investments funds	105.5	0.0	105.5	69.4
Funds in insurance companies	0.0	7.3	7.3	4.8
Total	112.1	39.9	151.9	100.0

#### PLAN ASSETS IN 2013

EUR million	Quoted	Unquoted	Total	%
Equity instruments	2.8	0.2	3.0	2.3
Debt instruments	3.1	15.9	19.0	14.1
Property	0.0	6.5	6.5	4.9
Qualifying insurance policies	0.0	6.6	6.6	4.9
Cash and cash equivalents	3.0	0.0	3.0	2.2
Investments funds	91.6	0.0	91.6	68.3
Funds in insurance companies	0.0	4.3	4.3	3.2
Total	100.5	33.5	134.0	100.0

Assets included in the pension arrangements include Metsäliitto Cooperative's participations at a fair value of EUR 0.2 million (0.2) and Metsä Board Corporation's A- and B -shares with a fair value of EUR 2.6 million (1.9).

Defined benefit plans expose the Group to several different risks, the most considerable being as follows:

#### VOLATILITY OF ASSETS

Liabilities arising from the arrangements have been calculated using a discount rate based on the return on bonds issued by the companies. If the return on assets included in the arrangement is less than this return, deficit is generated. The Group works to reduce investment risk by diversifying the assets in the arrangement to different asset types, such as shares, properties and government and corporate bonds. A considerable portion of the assets included in the arrangement in Great Britain consists of shares that are expected to provide a better long-term return than corporate bonds, although in the short-term they generate volatility and risks.

#### CHANGES IN BOND YIELDS

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

#### INFLATION RISK

The majority of the plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plans' assets are either unaffected by (fixed interest bonds) or loosely correlated with (shares) inflation, meaning that an increase in inflation will also increase the deficit.

#### LIFE EXPECTANCY

The majority of the arrangement obligations is related to producing lifetime benefits for members, so the expected increase in life expectancy will increase the arrangement obligations.

The contribution made to defined benefit plans following the termination of employment is expected to be EUR 11.5 million in the 2015 financial period.

The weighted average duration of the defined benefit obligation is 15.4 years (15.4).

## 23. Provisions

EUR million	Restructuring	Environmental obligations	Other provisions	Total
1.1.2014	11.8	28.2	13.2	53.2
Translation difference	-0.2	-0.4	-0.4	-1.0
Increases	13.2	0.9	3.0	17.1
Decreases	-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 classified as held for sale	0.0	0.0	-0.5	-0.5
31.12.2014	16.9	18.7	11.7	47.3

EUR million	2014	2013
Non-current	33.4	19.3
Current	14.0	33.9
Total	47.3	53.2

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.

The non-current portion will mostly be paid before the end of 2017.



## 24. Borrowings

### INTEREST-BEARING FINANCIAL LIABILITIES

EUR million	BOOK VALUE 2014	BOOK VALUE 2013
<b>NON-CURRENT INTEREST-BEARING FINANCIAL LIABILITIES</b>		
Bonds	410.3	189.3
Loans from financial institutions	708.3	1,075.1
Pension loans	234.9	272.5
Finance lease liabilities	16.3	33.9
Other liabilities	3.6	53.5
Total	1,373.3	1,624.3
<b>CURRENT INTEREST-BEARING FINANCIAL LIABILITIES</b>		
Current portion of long-term debt	308.3	137.1
Current loans	0.0	3.1
Other liabilities	220.6	216.7
Total	528.9	356.9
Assets classified as held for sale	2.1	0.0
Interest-bearing financial liabilities, total	1,904.3	1,981.3

### INTEREST-BEARING FINANCIAL ASSETS

EUR million	BOOK VALUE 2014	BOOK VALUE 2013
<b>NON-CURRENT INTEREST-BEARING FINANCIAL ASSETS</b>		
Financial assets at fair value through profit and loss	5.3	0.0
Loan receivables	8.7	8.8
Total	13.9	8.8
<b>CURRENT INTEREST-BEARING FINANCIAL ASSETS</b>		
Financial assets at fair value through profit and loss	20.4	20.1
Loan receivables	4.1	7.9
Current investments at amortised cost	565.5	280.6
Cash at bank and in hand	362.0	153.7
Total	952.0	462.3
Assets classified as held for sale	0.2	0.0
Interest-bearing financial assets, total	966.1	471.1
Interest-bearing net liabilities, total	938.2	1,510.2

### BONDS

EUR million	Interest, %	2014	2013
2004–2020	9.000	15.3	15.3
2012–2017	5.125	174.2	174.1
2014–2019	4.000	220.7	0.0
		410.3	189.3

### MATURITY OF FINANCE LEASE LIABILITIES

EUR million	2014	2013
<b>MINIMUM LEASE PAYMENTS</b>		
Not later than 1 year	21.9	7.1
1–2 years	2.4	21.5
2–3 years	2.1	1.8
3–4 years	1.9	1.5
4–5 years	2.7	1.3
Later than 5 years	9.1	10.2
Total	40.1	43.4
Future finance charges	2.6	3.2
Present value of minimum lease payments	37.4	40.2
Present value of minimum lease payments		
Not later than 1 year	21.1	6.3
1–2 years	2.0	20.8
2–3 years	1.7	1.5
3–4 years	1.6	1.2
4–5 years	2.5	1.1
Later than 5 years	8.5	9.2
Total	37.4	40.2

The most significant finance lease agreements concern Metsä Board's Äänevoima Oy's power plants. Äänevoima's contract periods vary between 10 and 15 years. All finance lease liabilities will be due in 2017 at the latest. These leases contain renewal and purchase options.

## 25. Other non-current liabilities

EUR million	2014	2013
<b>NON-INTEREST BEARING NON-CURRENT LIABILITIES TO OTHERS</b>		
Advance payments	1.0	1.9
Other liabilities	1.8	3.9
Accruals and deferred income	2.8	0.9
Total	5.5	6.7

## 26. Accounts payable and other liabilities

EUR million	2014	2013
<b>NON-INTEREST BEARING CURRENT LIABILITIES TO ASSOCIATED COMPANIES</b>		
Accounts payable	4.7	4.0
Accruals and deferred income	0.6	0.5
Total	5.3	4.5
<b>NON-INTEREST BEARING CURRENT LIABILITIES TO OTHERS</b>		
Advance payments	14.7	15.3
Accounts payable	522.4	331.8
Other liabilities	59.7	65.4
Accruals and deferred income	337.9	335.4
Total	934.6	747.9
Accounts payable and other liabilities, total	940.0	752.4



## 27. Management of financial risks

The financial risks associated with business operations are managed in accordance with the financial policy endorsed by the Board of Directors and the senior management of the Group. The policy defines focal instructions on the management of foreign currency, interest rate, liquidity and counterparty risks, and for the use of derivative financial instruments. Correspondingly, commodity risks are managed according to the Group's commodity risk policy. The purpose is to protect the company against major financial and commodity risks, to balance the cash flow and to allow the business units time to adjust their operations to changing conditions.

Metsä Group Treasury Oy is specialised in finance and functions as the Group's internal bank. Metsäliitto Cooperative's holding is 100 per cent of the company. Financial operations have been centralised to Metsä Group Treasury, which is in charge of managing the Group companies' financial positions according to the strategy and financial policy, providing necessary financial services and acting as an advisor in financial matters.

### FOREIGN CURRENCY RISK

The foreign currency exposure of Metsä Group consists of the risks associated with foreign currency flows, translation risk of net investments in foreign entities and economic currency exposure. Most of the Group's costs are incurred in the euro zone and to some extent in Sweden, but a significant part of the sales is in other currencies. Sales may therefore vary because of changes in exchange rates, while production costs remain unchanged. Product prices are also often quoted in currencies other than the home currency. The foreign currency transaction exposure is consisting of foreign currency denominated sales revenue and costs. The exposure is including foreign currency denominated balance sheet exposure consisting of accounts receivable and accounts payable and a quarter share of the annual contracted or estimated net currency cash flow.

The main currencies of the Group's foreign currency transaction exposure are the US dollar, the British pound and the Swedish krona. A strengthening of the dollar and the pound has a positive impact on the financial result and a weakening a negative impact. A weakening of the Swedish krona has a positive impact on the result of the Group. Other significant currencies are AUD, DKK, NOK, PLN and RUB. The effect of weakening of Russian rouble is diverse in various Group companies; the share of the direct Group currency transaction exposure is only about 2 per cent. The hedging policy is to keep the balance sheet exposure and a quarter of annual cash flow of contracted or estimated currency flows consistently hedged. The hedging level can, however vary between 0–12 months as the financial policy has defined separate risk mandates for deviating from the norm hedging. The Board of Directors of each Group company decides on significant changes in the hedging level if they see a reason to deviate from the norm set out in the financial policy. The amount of currency-specific hedging depends on current exchange rates and market expectations, on the interest rate differences between the currencies and the significance of the exchange rate risk for the financial result of the Group. The transaction exposure is mainly hedged by forward transactions but also by the use of foreign currency loans and currency options.

Hedge accounting in accordance with IAS 39 is applied to hedging of part of the currency transaction exposure, which allows fair value

changes of hedges designated to hedge accounting to be recognized directly in shareholders' equity in fair value reserve. At the end of the reporting period, the foreign exchange flow position had been hedged 4.8 months on average (2013: 4.6). During the reporting period, the hedging level has varied between 4 and 5 months (4–5). The dollar's hedging level was 4.0 months (3.2), of which the portion of hedge accounting was 2.8 months (3.5). The Swedish krona's hedging level was 7.6 months (8.2), of which the portion of hedge accounting was 4.3 months (4.5). The pound's hedging level was 4.7 months (4.9), of which the portion of hedge accounting was 1.9 months (1.9). Hedges allocated to hedge accounting have been used to hedge the portion of highly probable forecast sales of the currency transaction exposure. At the end of the reporting period on average 105 per cent of the norm determined in the hedging policy has been hedged (94).

The translation risk of a net investment in a foreign entity is generated from the consolidation of the equity of subsidiaries and associated companies outside the euro area into euros in the consolidated financial statements. According to the financial policy, 0–100 per cent of equity should be hedged. The translation risk of equity has been hedged through the use of forward transactions and hedge accounting in accordance with IAS is applied, which allows the exchange gains and losses of effective hedging to be recognised into the equity offsetting translation differences. During the reporting period, on average 9 per cent (10) of the equity position was hedged and at the end of the reporting period 8 per cent (10). The hedge ratio remains low, as Swedish krona and Polish zloty equity hedging has for the time been abandoned.

The Group applies the Value-at-Risk method to assess the risk of its open foreign currency positions. The VaR is calculated on the deviation from the balance sheet exposure plus the quarter of annual foreign currency exposure hedge norm defined in the financial policy. A 99 per cent confidence level on one month period is applied to the VaR risk figure, i.e., the VaR indicates that with a 1 per cent probability the market value of the open foreign currency position depreciates more than the amount of the risk figure in a month. The risk mandates regarding hedging decisions have been defined by restricting the company management's powers by linking them to maximum currency-specific hedging level changes and to a VaR limit. Possible strategic decisions which exceed the policy risk limits are made by the Board of Directors. The total amount of limits set for the Group companies' foreign currency risk is EUR 15.5 million (19.0) and the sum of VaR figures of the Group companies is at the end of the reporting period EUR 4.3 million (5.7). Average during the period has been EUR 3.9 million (4.6).

### HEDGING OF FOREIGN EXCHANGE TRANSACTION EXPOSURE

	EXPOSURE, NET		HEDGING, MONTHS	
	EUR	Hedging	31.12	Average
USD	835.2	-278.6	4.0	3.8
GBP	299.6	-117.9	4.7	5.3
SEK	-365.9	231.7	7.6	8.0
NOK	94.7	-29.6	3.7	3.4
DKK	78.4	-24.4	3.7	4.1
Other long	82.2	-27.0	3.9	3.9
Other short	-40.1	3.0	0.9	2.0
Total 2014	1,796.1	-712.2	4.8	4.9
Total 2013	1,411.3	-546.1	4.6	4.4

## HEDGING OF NET INVESTMENTS IN A FOREIGN ENTITY

	EQUITY EXPOSURE		HEDGING, %	
	EUR	Hedging	31.12	Average
GBP	77.9	-55.6	71.0	75.0
SEK	449.2	0.0	0.0	0.0
Others	129.3	0.0	0.0	0.0
Total 2014	656.4	-55.6	8.0	9.0
Total 2013	691.1	-70.0	10.0	10.0

## INTEREST RATE RISK

The interest rate risk is related mainly in the interest bearing receivables and loans and currency hedging. The most significant currencies in risk management are the euro, the US dollar, the British pound and the Swedish krona. The objective of the interest rate risk policy is to minimise the negative impact of interest rate changes on the Group's and group companies' result and the financial position, and to optimise financing costs within the framework of risk limits. The effect of interest rate changes on financial costs depends on the average interest fixing time of interest bearing assets and liabilities, which is measured in the Group by duration. As duration is lengthening the rise of interest rates affects more slowly the interest expenses of financial liabilities. The maturity of the loan portfolio can be influenced, e.g., by adjusting between floating-rate and fixed-rate loans and by using interest rate derivatives. The Group uses in its interest rate risk management interest rate swaps, interest rate futures and interest rate options.

The average interest duration norm based on the Group's financial policy is twelve months. The duration can, however, deviate from the hedging policy norm so that the decision of a deviation exceeding four months has to be made by the Board of Directors. The average duration of loans was 18.8 months (20.9) at the end of the year. During the reporting period duration has varied between 18 and 25 months (19–24). At the end of 2014, an increase of one per cent in interest rates would decrease interest rate costs of the next 12 months by EUR 1.0 million (increase of -2.2), as the amount of floating rate cash and current investments is high in relation to floating rate loans.

Metsä Group is exposed to a risk of change in the value of derivatives due to a change in market prices when using interest rate derivatives, since according to IAS 39 derivatives must be valued to their fair value in the balance sheet. However, the partial application of hedge accounting will balance the effects of changes in the market value of derivatives on the financial result of the Group. The Group is applying fair value hedge accounting in accordance with IAS 39 to fixed-rate loans which have been converted by interest rate and currency swaps to floating-rate financing. In addition, the Group is applying cash flow hedge accounting in accordance with IAS 39 to the major part of the interest rate swaps by which floating-rate financing has been converted to fixed-rate financing. The gross nominal volume of interest rate derivatives at the time of financial statements is EUR 464.6 million (822.7). Of the derivatives portfolio, EUR 439.3 million (659.2) is allocated to hedge accounting, and the portion of derivatives recognized in the balance sheet through profit or loss is EUR 25.3 million (163.5). The maturity of interest rate swap and currency swap contracts varies between 1–6 years (1–7).

## INTEREST RATE RISK

	2014	2013
Loan amount, EUR mill.	1,683	1,767
Duration, months	18.8	20.7
Average interest rate, %	4.0	4.5
Interest rate sensitivity, EUR mill.	-1.0	2.3

Interest rate sensitivity is an estimate of the effect of an interest rate change of one per cent on net interest cost based on year-end exposure. Interest rate risk exposure does not include the part of Metsäliitto Cooperative subscribed capital that is booked as short-term interest-bearing liability.

## RE-PRICING STRUCTURE OF LOANS

EUR million	TOTAL
1–4/2015	437
5–8/2015	105
9–12/2015	150
2016	254
2017	223
2018	210
>2018	304
Total	1,683

## COMMODITY RISK

In the hedging of commodity risks the Group applies risk management policies defined separately for each selected commodity. According to the policy, the management of commodity risks with regard to financial hedges is accomplished centralised by Metsä Group Treasury based on the strategy and risk management policy approved by Board of Directors of Metsä Group companies. So far the commodity hedging policy has been applied to the management of the price risks of electricity, natural gas, gas oil and pulp and also transactions related to Emission allowances have been managed by Metsä Group Treasury.

Metsä Group's target in managing the electricity price risk is to balance the effect of changes in the price of electricity on the Group's result and financial position. The main principle is to hedge the electricity purchase exposure, which consists of the difference of factory-specific electricity consumption estimates and power plant production shares in the possession of the Group. With regard to Metsä Board and Metsä Tissue Finnish and Swedish electricity procurement, the hedge strategy is implemented in cooperation with Metsä Group Energy service unit centralised through Metsä Group Treasury. The hedges of electricity price risk in Central Europe are implemented according to instructions and by Metsä Group Energy in co-operation with local production units by physical contracts. Metsä Board, Metsä Tissue and Metsä Wood hedge the electricity price risk actively by setting the hedging norm at 80, 40, 20 and 0 per cent share of the estimated net position during the first, second, third and fourth successive 12-month periods respectively. Hedge accounting in accordance with IAS 39 has been applied to electricity hedging. Consequently the fair value of hedges allocated to hedge accounting is recognised in equity in fair value reserve and only after the realisation of electricity purchases in the income statement as an adjustment of the purchases. Metsä Fibre is not hedging its electricity or natural gas exposure.

Approximately a quarter of mills' purchase of fuel is based on natural gas. The prices of natural gas in Central Europe are fixed to market prices of natural gas. In Finland the prices of gas deliveries are fixed to development of Fuel-Oil, coal import price and the energy price index. The hedging of natural gas price risks has mainly been done with physical, fixed-price contracts. In Finland the premise of natural gas price



risk hedging is to hedge the oil-related part of the contract by using fixed-priced physical supply contracts or oil derivatives depending on applied pricing practices. Metsä Tissue has carried out financial hedges of natural gas in Germany and is applying hedge accounting according to IAS 39. The hedging strategy is based on a risk policy according to which Metsä Group Energy makes the hedging decisions with the support of Metsä Group Treasury, and the Board of Directors of Group companies make significant strategic decisions.

Approximately 40 per cent (39) of electricity hedges have been carried out by using physical supply contracts and 60 per cent (61) as so-called financial hedges by using electricity derivatives. At the end of the year 99 per cent (99) of financial hedges have been designated to hedge accounting. About 80 per cent (72) of natural gas price risk hedges have been carried out by using physical supply contracts and 20 per cent (28) as so-called financial hedges.

Metsä Group has started gas oil price risk hedging related to logistics costs (sea freights), as gas oil price and consequently logistics costs are subject to uncertainty due to the implementation of sulphur directive since the beginning of 2015. Metsä Group companies have hedged the gas oil price risk of year 2015 with financial hedges and IFRS hedge accounting is applied.

According to the pulp price risk hedging policy a Group company may selectively hedge its price risk either by financial hedges through Metsä Group Treasury or fixed-price physical contracts. Hedge accounting in accordance with IAS is applied within the pulp price risk management. There are some valid price risk hedges at the end of 2014 within Metsä Tissue and Metsä Board.

#### HEDGING OF ELECTRICITY PRICE RISK, 31.12

GWh	2014	2013
Electricity exposure, net 2015	1,328.0	1,317.4
Electricity hedging 2015	1,419.6	1,485.0
Hedging, at end of year (%)	107	113

Electricity price risk is hedged based on defined risk management policy on a time horizon of four years either by physical contracts or by financial contracts. The table is applying only to the hedging of electricity price risk of the following year. The net electricity exposure has been calculated by taking into account the own and associated companies' electricity production.

#### LIQUIDITY RISK

Liquidity risk is defined as the risk that funds and available funding become insufficient to meet business needs, or costs that are incurred in arranging the necessary financing are unreasonable high. Liquidity risk is monitored by estimating the need for liquidity needs 12–24 months ahead and ensuring that the total liquidity available will cover a main part of this need. According to the financial policy, the liquidity reserve must at all times cover 100 per cent of the Group's liquidity requirement for the first 12 months and 50–100 per cent of the following 12–24 months liquidity requirement. The objective is that at the most 20 per cent of the Group's loans, including committed credit facilities, is allowed to mature within the next 12 months and at least 25 per cent of the total debt must have a maturity in excess of four years. When the financial markets are functioning normally from the Group's point of view, the target is to avoid keeping extra liquidity as liquid funds and instead maintain a liquidity reserve as committed credit facilities outside the balance sheet.

The cornerstone of liquidity risk management is to manage the Group's operative decisions in such a way that targets concerning indebtedness and sufficient liquidity reserve can be secured in all eco-

nomie conditions. Liquidity risk is also managed by diversifying the use of capital and money markets to decrease dependency on any single financing source. The optimisation of the maturity structure of loans is also emphasized in financial decisions. During the last years liquidity and especially the capital structure of Metsä Group has been strengthened through the change in the ownership structure of Metsä Fibre and other divestments. Financial arrangements during 2013 and 2014 have significantly balanced the maturity structure of loans. During the past year the liquidity reserve has been strengthened also by realised working capital financing arrangements and a good operative cash flow.

In March 2014, Metsä Board issued an unsecured bond of EUR 225.0 million, which will mature in 2019. In March, Metsä Board also signed an agreement of a new unsecured syndicated credit facility. The facility consists of a term loan facility of EUR 150.0 million and a revolving credit facility of EUR 100.0 million, which will mature in 2018. The financing arrangements were used to refinance the secured loan of EUR 350.0 million that would have matured in 2016 and the undrawn credit facility of EUR 100.0 million, which would have matured in 2015.

Metsä Group's liquidity has remained strong. The available liquidity was EUR 1,725.0 million (1,184.4) at the end of the reporting period, of which EUR 947.9 million (452.7) was liquid funds and investments and EUR 777.1 million (735.7) committed credit facilities. The Group had also at its disposal short-term, uncommitted commercial paper programmes and credit lines amounting to EUR 173.3 million (174.7). The amount of commercial paper programmes was measured during 2013 to correspond the size and needs of the Group. At the end of 2014, the liquidity reserve covers fully the forecasted financing need of 2014 and 2015. 13 per cent (5) of long-term loans and committed facilities fall due in a 12 month period and 38 per cent (34) have a maturity of over four years. The average maturity of long-term loans is 3.2 years (3.3). The share of short-term financing of the Group's interest bearing liabilities is 12 per cent (11).

#### COUNTERPARTY RISK

Financial instruments carry the risk that the Group may incur losses should the counterparty be unable to meet its commitments. The Group is managing this risk by entering into financial transactions only with most creditworthy counterparties and within pre-determined limits. During the reporting period, credit risks of financial instruments did not result in any losses. The financial counterparty risk is limited by the fact that the liquidity reserve is partially maintained in the form of committed credit facilities, although the strengthened liquidity position has increased the counterparty risk during the reporting period. Cash and cash equivalents and other investments have been spread to several banks and commercial papers of several institutions. Counterparty limits have been revised during the year by taking into account the needs of the company and the view on the financial position of the used counterparties. Derivatives trading is regulated by the standardised ISDA contracts made with the counterparties.

The Group's accounts receivable carry a counterparty risk that the Group may incur losses should the counterparty be unable to meet its commitments. Credit risk attached to accounts receivable is managed on the basis of the credit risk management policies approved by operative management. Credit quality of customers is assessed at regular intervals based on the customers' financial statements, payment behaviour, credit agencies and credit ratings agencies. Individual credit limits are reviewed at least annually. From time to time, as deemed necessary



by management, Letters of Credits, bank and parent company guarantees and Credit insurance are used to mitigate credit risk. Credit limits are approved according to credit risk management policy with approval limits of varying values across the Group. Operative management reviews and sets all major credit limits which are not supported by credit insurance and/or other security according to Credit Risk Management Policies.

The portion of overdue client receivables of all sales receivables of Metsä Group is at the time of financial statements 17.0 per cent (17.7), of which 0.4 per cent (0.1) is overdue between 90–180 days and 0.6 per cent (1.5) over 180 days. Additionally Metsä Group implements regular impairment tests for customer accounts receivables. Credit loss impairment is booked when a customer enters legal bankruptcy, or becomes past due for more than 6 months (180 days) without a valid payment plan or other valid reasons. The specification of doubtful receivables is presented in Note no. 19.

The geographical structure of the accounts receivable is diversified and is reflecting the external sales structure presented in the Segment information. Largest sources of credit risk exist in Great Britain, Germany, Finland, Italy, Sweden, Belgium, Poland, France, USA and the Netherlands. Top ten countries represent around 71 per cent of (70) external customer receivables. The share of largest individual customer (individual companies or groups of companies under common ownership) credit risk exposure of the Group at the end of 2014 was about 5 per cent (7) of total accounts receivable. About 28 per cent (30) of accounts receivable was owed by ten largest customer groups (individual companies or groups of companies under common ownership). At the end of 2014, the main part of trade receivables of Metsä Group were covered by insurance.

#### MANAGING THE CAPITAL

Terms capital and capital structure are used to describe investments made in the company by its owners and retained earnings (together equity) and debt capital (liabilities) as well as the relation between them. In managing its capital structure, the Group aims at maintaining an efficient capital structure that ensures the Group's operational conditions in financial and capital markets in all circumstances despite the fluctuations typical to the sector. Certain central target values, which correspond to standard requirements set by financing and capital markets, have been defined for the capital structure. The Group's capital structure is regularly assessed by the Group's Board of Directors and its Audit Committee.

The Group monitors the development of its capital structure through key ratios that describe net gearing and equity ratio. The objective of the Group on long term basis is to maintain its net gearing ratio at the maximum level of 100 per cent and equity ratio at the minimum level of 40 per cent (temporary deviations allowed).

#### THE KEY RATIOS DESCRIBING THE CAPITAL STRUCTURE AND THE CAPITAL AMOUNTS USED FOR THE CALCULATION OF THE KEY RATIO WERE ON 31.12.2014 AND 31.12.2013 AS FOLLOWS:

EUR million	2014	2013
Net gearing ratio, %	46	77
Equity ratio, %	37.9	37.9
Interest-bearing liabilities	1,904.3	1,981.3
- interest-bearing financial assets	966.1	471.1
Interest-bearing net liabilities	938.2	1,510.2
Members' funds	1,590.3	1,482.9
+ non-controlling interest	467.0	476.3
Total	2,057.3	1,959.2
Total assets	5,447.0	5,191.3
- advanced payments received	15.7	17.3
Total	5,431.3	5,174.0

The debt financing of Metsä Group was at the end of 2014 arranged so that Metsä Board, Metsä Fibre and Metsä Tissue each had required loans to cover the financial needs of the sub-groups formed by them and that the loans of the companies in question were independent of each other. Likewise Metsäliitto Cooperative had separately arranged financing to cover the financial needs of the parent company and Metsä Forest and Metsä Wood. In Metsä Group's certain financial contracts financial covenants have been set regarding financial performance and capital structure. Other covenants in the Group's loan agreements are customary terms and conditions including for example a negative pledge, restrictions on major asset disposals, limitations on subsidiary indebtedness, restrictions on changes of business and mandatory prepayment obligations upon a change of control of the Group. All Group companies have been in compliance with its covenants during the accounting periods 2014 and 2013.

In case Metsäliitto Cooperative or any of its subsidiaries could not meet its obligations as defined by the above mentioned key ratios and in order to avoid a breach of contract that could have an adverse effect on the company's financial position, it would need to renegotiate its financial arrangements, payback its loans or get its debtors to give up their claims to meet these obligations.





## IMPACT ON EQUITY EXPOSURE AND ANNUAL TRANSACTION EXPOSURE

EUR million	Impact on financial assets and liabilities		Impact on net equity of foreign entities		Impact on net equity of foreign entities incl. hedging		Impact on annual transaction exposure (cash flow)		Impact on annual transaction exposure (cash flow) incl. hedging	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
<b>INTEREST RATE RISK (100 BP RISE IN INTEREST RATES)</b>										
Effect on profit	0.8	1.6					1.0	-2.3	9.3	11.5
Effect on other change in equity	7.5	12.2								
<b>COMMODITY RISK (ELECTRICITY PRICE +20%)</b>										
Effect on profit	0.1	0.0					-5.6	-5.0	7.4	7.3
Effect on other change in equity	12.9	12.3								
<b>FX RISK (USD -10%)</b>										
Effect on profit	-1.4	-8.9					-83.5	-47.1	-55.7	-34.3
Effect on other change in equity	19.7	13.6	-0.2	-0.2	-0.2	-0.2				
<b>FX RISK (GBP -10%)</b>										
Effect on profit	3.5	2.9					-30.0	-27.6	-18.2	-16.4
Effect on other change in equity	10.3	10.7	-7.8	-8.6	-1.8	-1.6				
<b>FX RISK (SEK -10%)</b>										
Effect on profit	-3.6	-2.7					36.6	34.6	13.4	11.0
Effect on other change in equity	-13.0	-12.6	-44.9	-45.8	-44.9	-45.8				

Items with "+" sign = positive effect = increase of assets / decrease of liabilities / increase of cash flow  
 Items with "-" sign = negative effect = decrease of assets / increase of liabilities / decrease of cash flow

IFRS 7 requires an entity to disclose a sensitivity analysis for each type of market risk to which the entity is exposed at the reporting date, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date. The Group has recognised interest rates, electricity prices and foreign exchange rates as its key market risks and has set 1 per cent interest rate rise, 20 per cent rise in electricity price and 10 per cent weakening of USD, GBP and SEK as reasonably possible risk variables. These currencies represent nearly 80 per cent of the Group's annual transaction exposure. The nature of the market price risk is relatively linear so that the size of effects of opposite market price changes do not essentially differ from the presented figures. The scenarios have been calculated by using regular principles of calculating market values of financial instruments described in the Group Accounting policies. Figures at the reporting date reflect quite well the average market risk conditions throughout the reporting period.

Additionally the Group is presenting figures describing the effects of the risk variables to its equity exposure and annual transaction exposure (cash flow) to present a broader picture about market risks of interest rates, electricity prices and foreign exchange rates. Annual cash flows are based on estimates, but not existing commercial contracts. The weakening of USD and GBP has a negative impact on annual cash flow and the weakening of SEK has a positive impact. Hedges reduce this impact depending on hedging strategy. The impact on net equity of foreign entities is arising from the consolidation of subsidiaries to the Group consolidated accounts. The rise of electricity price has a negative impact on cash flow. As according to hedging policy the electricity price risk of the nearest year has mostly been hedged, the impact including hedges remains minor. When the cash flow of the nearest year and all electricity hedges have been taken into account, the calculatory impact is slightly positive.

**MATURITY OF REPAYMENT AND INTEREST PAYMENT OF FINANCIAL LIABILITIES 31 DEC 2014**

EUR million	BOOK VALUE	2015	2016	2017	2018	2019	2020-
<b>Bonds and debentures</b>	410.3						
Installments		0.0	0.0	-174.2	0.0	-220.7	-15.3
Interest payment		-19.4	-19.4	-19.4	-10.4	-10.4	-1.4
<b>Loans from financial institutions</b>	891.5						
Installments		-183.2	-60.3	-102.3	-281.2	-212.3	-52.3
Interest payment		-23.7	-17.9	-15.1	-8.9	-2.2	-6.2
<b>Pension loans</b>	287.9						
Installments		-53.1	-111.7	-32.6	-32.6	-32.6	-25.3
Interest payment		-12.4	-8.6	-5.1	-3.7	-2.2	-0.7
<b>Finance lease liabilities</b>	37.4						
Installments		-21.1	-2.0	-1.7	-1.6	-2.5	-8.5
Interest payment		-0.8	-0.4	-0.3	-0.3	-0.2	-0.7
<b>Other non-current interest-bearing liabilities</b>	54.5						
Installments		-50.9	-2.7	0.0	0.0	0.0	-0.9
Interest payment		-0.7	0.0	0.0	0.0	0.0	0.0
<b>Non-current interest-bearing liabilities, total</b>	1,681.6						
Installments in 2015		-308.3					
In balance sheet, total		1,373.3					
Installments		-308.3	-176.6	-310.9	-315.4	-468.2	-102.2
Interest payment		-57.0	-46.2	-40.0	-23.3	-15.0	-9.0
<b>Current interest-bearing liabilities</b>	220.6						
Installments		-220.6					
Interest payment		-10.4					
<b>Liabilities classified as held for sale</b>	2.1						
Installments		-2.1					
<b>Accounts payable and other liabilities</b>	971.0						
Installments		-965.4	-5.4	-0.1	0.0	0.0	-0.1
<b>Total liabilities</b>	2,875.3						
Installments		-1,496.4	-182.0	-311.0	-315.4	-468.2	-102.3
Interest payment		-67.4	-46.2	-40.0	-23.3	-15.0	-9.0
<b>Guarantees agreements</b>	29.8	-13.5	-12.0	-1.7	-0.3	-0.1	-2.2
<b>Derivative financial instrument liabilities</b>							
Interest rate swaps		-7.1	-4.7	-1.9	-0.7	0.3	0.0
Currency derivatives		-1,418.0					
Commodity derivatives		-13.5	-3.7	-0.9	-0.3	0.0	0.0
<b>Total</b>	47.9	-1,438.6	-8.4	-2.9	-1.0	0.3	0.0
<b>Derivative financial instrument assets</b>							
Currency derivatives		1,402.3					
Commodity derivatives		3.0					
<b>Total</b>	4.1	1,405.4	0.0	0.0	0.0	0.0	0.0
<b>Derivative financial instrument net of cash</b>		-33.3	-8.4	-2.9	-1.0	0.3	0.0



**MATURITY OF REPAYMENT AND INTEREST PAYMENT OF FINANCIAL LIABILITIES 31 DEC 2013**

EUR million	BOOK VALUE	2014	2015	2016	2017	2018	2019–
Bonds and debentures	189.3						
Installments		0.0	0.0	0.0	-174.1	0.0	-15.3
Interest payment		-10.4	-10.4	-10.4	-10.4	-1.4	-2.8
Loans from financial institutions	1,138.4						
Installments		-63.4	-183.0	-401.5	-102.5	-132.3	-255.8
Interest payment		-40.5	-38.4	-23.6	-12.9	-8.3	-5.1
Pension loans	335.6						
Installments		-63.1	-37.7	-111.7	-32.6	-32.6	-58.0
Interest payment		-15.2	-12.3	-8.8	-5.2	-3.7	-2.9
Finance lease liabilities	40.2						
Installments		-6.3	-20.8	-1.5	-1.2	-1.1	-9.2
Interest payment		-0.8	-0.6	-0.3	-0.3	-0.2	-1.1
Other non-current interest-bearing liabilities	57.9						
Installments		-4.4	-49.9	0.0	0.0	0.0	-3.6
Interest payment		-0.8	-0.8	0.0	0.0	0.0	0.0
Non-current interest-bearing liabilities, total	1,761.4						
Installments in 2014		-137.1					
In balance sheet, total	1,624.3						
Installments		-137.1	-291.4	-514.7	-310.4	-166.0	-341.8
Interest payment		-67.6	-62.5	-43.1	-28.7	-13.6	-11.9
Current interest-bearing liabilities	219.8						
Installments		-219.8					
Interest payment		-9.8					
Accounts payable and other liabilities	767.9						
Installments		-761.2	-4.5	-2.0	-0.1	0.0	-0.1
Total liabilities	2,749.1						
Installments		-1,118.1	-295.9	-516.7	-310.5	-166.0	-341.9
Interest payment		-77.4	-62.5	-43.1	-28.7	-13.6	-11.9
Guarantees agreements	27.1	-9.4	-6.3	-8.3	-0.3	-0.2	-2.7
Derivative financial instrument liabilities							
Interest rate swaps		-6.9	-6.8	-4.4	-1.9	-0.8	0.0
Currency derivatives		-1,212.1					
Commodity derivatives		-7.3	-4.7	-2.5	-0.2	0.0	0.0
Total	31.1	-1,226.3	-11.5	-6.9	-2.1	-0.8	0.0
Derivative financial instrument assets							
Currency derivatives		1,214.7					
Total	2.4	1,214.7	0.0	0.0	0.0	0.0	0.0
Derivative financial instrument net of cash		-11.6	-11.5	-6.9	-2.1	-0.8	0.0

## MATURITY ANALYSIS OF CASH FLOW HEDGE ACCOUNTING

Result of the hedging instrument is booked to the income statement at the realisation of the cash flow. Contractual maturities of hedging instruments equals to the hedged cash flow.

### 31.12.2014

Periods when the forecasted cash flows are expected to occur	Highly probable foreign currency cash flows	Contractual interest cash flows	Highly probable commodity cash flows
Q 1	170.9	-2.5	-24.0
Q 2	125.9	-1.7	-22.4
Q 3	62.1	-3.8	-17.4
Q 4	10.4	-1.7	-17.4
Total in 2015	369.2	-9.7	-81.2
2016	6.9	-6.4	-23.8
2017		-5.2	-14.9
2018		-1.8	-9.0
2019			-0.5
2020–			
Cash flows total	376.1	-23.1	-129.5
Total nominal values of derivatives directed to hedge accounting	376.1	374.0	129.5

### 31.12.2013

Periods when the forecasted cash flows are expected to occur	Highly probable foreign currency cash flows	Contractual interest cash flows	Highly probable commodity cash flows
Q 1	138.4	-5.7	-9.9
Q 2	101.8	-2.8	-9.6
Q 3	56.9	-5.0	-8.8
Q 4	7.7	-2.9	-7.8
Total in 2014	304.8	-16.4	-36.1
2015	2.4	-14.9	-23.1
2016		-9.6	-13.3
2017		-7.0	-4.2
2018		-2.2	
2019–			
Cash flows total	307.2	-50.1	-76.6
Total nominal values of derivatives directed to hedge accounting	307.2	577.0	76.6



## 28. Fair values of financial assets and liabilities

### FINANCIAL ASSETS AND LIABILITIES CLASSIFIED ACCORDING TO IAS 39 AND FAIR VALUES

EUR million	Note	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
<b>FINANCIAL ASSETS 31.12.2014</b>								
Available for sale investments	15		257.1				257.1	257.1
Other non-current financial assets	16	5.3		14.5			19.7	19.7
Accounts receivables and others	19			683.0			683.0	683.0
Cash and cash equivalent	20	20.4		927.5			947.9	947.9
Derivative financial instruments	28	1.1			3.0		4.1	4.1
Assets classified as held for sale	4			0.2			0.2	0.2
<b>Total</b>		<b>26.7</b>	<b>257.1</b>	<b>1,625.1</b>	<b>3.0</b>	<b>0.0</b>	<b>1,912.0</b>	<b>1,912.0</b>

### FINANCIAL LIABILITIES 31.12.2014

Non-current interest-bearing liabilities	24					1,373.3	1,373.3	1,420.1
Other non-current liabilities	25					5.5	5.5	5.5
Current interest-bearing liabilities	24					528.9	528.9	532.5
Accounts payable and others	26					824.5	824.5	824.5
Derivative financial instruments	28	3.1			44.9		47.9	47.9
Liabilities classified as held for sale	4					2.1	2.1	2.1
<b>Total</b>		<b>3.1</b>	<b>0.0</b>	<b>0.0</b>	<b>44.9</b>	<b>2,734.3</b>	<b>2,782.3</b>	<b>2,832.7</b>

EUR million	Note	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
<b>FINANCIAL ASSETS 31.12.2013</b>								
Available for sale investments	15		305.7				305.7	305.7
Other non-current financial assets	16			19.1			19.1	19.1
Accounts receivables and others	19			701.4			701.4	701.4
Cash and cash equivalent	20	20.1		434.3			454.4	454.4
Derivative financial instruments	28	-0.2			2.5		2.4	2.4
<b>Total</b>		<b>19.9</b>	<b>305.7</b>	<b>1,154.8</b>	<b>2.5</b>	<b>0.0</b>	<b>1,483.0</b>	<b>1,483.0</b>

### FINANCIAL LIABILITIES 31.12.2013

Non-current interest-bearing liabilities	24					1,624.3	1,624.3	1,660.8
Other non-current liabilities	25					4.8	4.8	4.8
Current interest-bearing liabilities	24					356.9	356.9	360.4
Accounts payable and others	26					650.3	650.3	650.3
Derivative financial instruments	28	5.0			26.1		31.1	31.1
<b>Total</b>		<b>5.0</b>	<b>0.0</b>	<b>0.0</b>	<b>26.1</b>	<b>2,636.3</b>	<b>2,667.4</b>	<b>2,707.3</b>

Accounts receivables and other receivables do not include advance payments, deferred taxes or periodisations of employee costs (Note no. 19). Accounts payable and other financial liabilities do not include advance payments, deferred tax liabilities or periodisations of employee costs (Note no. 26).

In Metsä Group all interest-bearing liabilities are valued in the balance sheet at amortised cost based on effective interest method. Interest-bearing financial assets are classified according to IAS 39. Fair values

are based on present value of cash flow of each liability or assets calculated by market rate. The discount rates applied are between 1.0–4.1 per cent (1.0–4.1). Of interest-bearing liabilities 41 per cent (48) is subject to variable rates and the rest to fixed rates. The average interest rate of interest-bearing liabilities at the end of 2014 was 4.0 per cent (4.5). The fair value of accounts and other receivables and account payables and other liabilities are not essentially deviating from the carrying amounts in the balance sheet.



## FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES

### 2014

EUR million	Note	Level 1	Level 2	Level 3	Total
<b>FINANCIAL ASSETS BOOKED AT FAIR VALUE</b>					
Non-current financial assets through profit and loss at fair value	16		5.3		5.3
Available for sale financial assets	15	0.4		256.8	257.1
Current financial assets through profit and loss at fair value	20	20.4			20.4
Derivative financial assets	28		4.1		4.1
<b>FINANCIAL LIABILITIES BOOKED AT FAIR VALUE</b>					
Derivative financial liabilities	28	18.4	29.6		47.9
<b>FINANCIAL ASSETS NOT BOOKED AT FAIR VALUE</b>					
Cash and cash equivalent	20		927.5		927.5
<b>FINANCIAL LIABILITIES NOT BOOKED AT FAIR VALUE</b>					
Non-current interest-bearing financial liabilities	24		1,420.1		1,420.1
Current interest-bearing financial liabilities	24		532.5		532.5

### 2013

EUR million	Note	Level 1	Level 2	Level 3	Total
<b>FINANCIAL ASSETS BOOKED AT FAIR VALUE</b>					
Available for sale financial assets	15	0.3		305.4	305.7
Current financial assets through profit and loss at fair value	20	20.1			20.1
Derivative financial assets	28		2.4		2.4
<b>FINANCIAL LIABILITIES BOOKED AT FAIR VALUE</b>					
Derivative financial liabilities	28	14.8	16.3		31.1
<b>FINANCIAL ASSETS NOT BOOKED AT FAIR VALUE</b>					
Cash and cash equivalent	20		434.3		434.3
<b>FINANCIAL LIABILITIES NOT BOOKED AT FAIR VALUE</b>					
Non-current interest-bearing financial liabilities	24		1,660.8		1,660.8
Current interest-bearing financial liabilities	24		360.4		360.4

### FINANCIAL ASSETS MEASURED AT FAIR VALUE BASED ON LEVEL 3

EUR million	2014	2013
Opening balance	305.4	355.8
Total gains and losses in profit and loss	20.3	0.1
Total gains and losses in other comprehensive income	6.3	-57.9
Purchases	1.7	7.8
Settlements	-77.0	-0.5
Closing balance	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

Fair value measurement of available for sale investments is described in Note no. 15.

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 include a more detailed description of the recognition and measurement principles applied.



## DERIVATIVES

31.12.2014

EUR million	Nominal value	Assets	Liabilities	Fair value Total	Fair value hedges	Cash flow hedges	Equity hedges	Derivatives, hedge accounting not applied
Interest rate swaps	464.6		12.7	-12.7	3.2	-13.6		-2.3
Interest rate derivatives, total	464.6	0.0	12.7	-12.7	3.2	-13.6	0.0	-2.3
Currency forward agreements	1,401.2	1.1	14.8	-13.6		-15.4	-0.7	2.5
Currency option agreements	266.6		2.0	-2.0				-2.0
Currency derivatives, 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		
Other commodity derivatives	34.2		9.3	-9.3		-9.3		
Commodity derivatives, 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

31.12.2013

EUR million	Nominal value	Assets	Liabilities	Fair value Total	Fair value hedges	Cash flow hedges	Equity hedges	Derivatives, hedge accounting not applied
Interest rate swaps	790.7		13.6	-13.6	2.5	-13.2		-2.9
Interest rate derivatives, total	790.7	0.0	13.6	-13.6	2.5	-13.2	0.0	-2.9
Currency forward agreements	1,168.8	2.3	0.6	1.7		2.5	-0.6	-0.2
Currency option agreements	74.4	0.0		0.0				0.0
Currency swap agreements	43.5		2.0	-2.0				-2.0
Currency derivatives, 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
Other commodity derivatives	7.2		0.1	-0.1		-0.1		
Commodity derivatives, 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

## 29. Notes to consolidated cash flow statement

EUR million	2014	2013
Adjustments to the result		
Taxes	69.7	35.1
Depreciation, amortisation and impairment charges	276.2	257.1
Biological assets	-0.6	-2.7
Share of profit from associated companies and joint ventures	-16.4	-9.6
Gains and losses on sale of non-current financial assets	-117.0	-12.9
Finance costs, net	103.4	120.8
Pension liabilities and provisions	-10.2	-38.0
<b>Total</b>	<b>305.0</b>	<b>349.8</b>
Change in working capital		
Change in inventories	-16.3	-63.1
Change in accounts receivables and other receivables	-24.3	6.0
Change in accounts payable and other liabilities	239.2	9.3
<b>Total change</b>	<b>198.6</b>	<b>-47.7</b>

### RESULT FOR THE PERIOD

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 to pay EUR 47.3 million and Metsä Board to pay EUR 19.6 million in damages to UPM-Kymmene Corporation. Of the damages EUR 59.2 million were recognised in other operating expenses and EUR 7.6 million in interest expenses.

### ACQUISITIONS AND DISPOSALS OF NON-CONTROLLING INTEREST

In 2014, the acquisitions of non-controlling interest include a EUR 20.9 million increase in ownership in Metsä Tissue (Note no. 4)

In 2013, the acquisitions of non-controlling interest include the EUR 18.3 million increase in ownership in Metsä Tissue and the EUR 2.7 million increase in ownership in Metsä Board (Note no. 4).

## 30. Commitments and contingencies

### 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 to pay EUR 47.3 million and Metsä Board to pay EUR 19.6 million in damages to UPM-Kymmene Corporation.

During the past few years companies belonging to Metsä Group have acted as sellers in many share transactions giving normal seller's securities. It is not impossible that demands against these companies are made regarding the given securities and that these securities could result in extra costs for the companies.

### CONTINGENT LIABILITIES

EUR million	2014	2013
For own liabilities		
Liabilities secured by pledges		
Loans from financial institutions	243.6	628.0
Pension loans	118.2	137.5
Other liabilities	9.0	11.7
Pledges granted	421.9	841.1
Liabilities secured by floating charges		
Loans from financial institutions	18.7	3.0
Floating charges	5.9	605.3
Liabilities secured by real estate mortgages		
Loans from financial institutions	41.7	36.8
Other liabilities	152.6	180.8
Real estate mortgages	381.8	978.7
Liabilities secured by chattels mortgages		
Loans from financial institutions	1.0	1.5
Chattels mortgages	4.6	4.6
Other commitments on own behalf		
Pledges granted	13.4	13.4
Guarantees and commitments	31.7	32.9
Leasing liabilities	31.7	37.6
Pension liabilities	0.3	0.3
Other liabilities	9.4	9.4
On behalf of associated companies and joint ventures		
Guarantee liabilities	1.4	2.0
On behalf of others		
Guarantee liabilities	6.0	6.7
<b>Total</b>		
Pledges	435.3	854.5
Mortgages	392.3	1,588.6
Guarantees and commitments	39.1	41.6
Leasing liabilities	31.7	37.6
Pension liabilities	0.3	0.3
Other liabilities	9.4	9.4
<b>Total</b>	<b>908.1</b>	<b>2,532.0</b>

Pledges granted are shares in subsidiaries as well as bank assets securing the Nord-Pool liabilities.



The reduction in liability commitments is related to Metsä Board's drawn EUR 225.0 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 150.0 million and a credit facility of EUR 100.0 million which will mature in March 2018. The funds from the new financing arrangements were primarily used for early repayment of a secured EUR 350.0 million loan which would have matured in March 2016. The new credit facility replaced the EUR 100.0 million undrawn syndicated credit facility which would have matured in May 2015.

#### OTHER LEASE COMMITMENTS

The Group leases various offices and warehouses under non-cancellable operating lease contracts. Some contracts are renewable at the end of the lease period.

#### THE FUTURE COSTS FOR NON-CANCELLABLE OPERATING LEASE CONTRACTS ARE AS FOLLOWS:

EUR million	2014	2013
Payments due in following 12 months	14.0	16.2
Payments due in following 1–5 years	16.9	20.0
Payments due later than 5 years	0.8	1.3
Total	31.7	37.6

## 31. Share-based payments

The Group had two incentive scheme during the review period: Share incentive scheme 2011 which Metsäliitto's Board of Directors adopted on 15 December 2010 and share incentive scheme 2014 which Metsäliitto's Board of Directors adopted on 2 February 2014. The schemes have been adopted as spurring and motivating arrangements for key personnel. The effect of the share incentive schemes on net result 2014 was 12,848,789 euros.

#### SHARE INCENTIVE SCHEME 2011

The scheme offers the target group the possibility to be awarded Metsä Board's B shares. The scheme includes three 3-year earning periods, calendar years 2011–2013, 2012–2014 and 2013–2015. The Board of Directors will decide on the earning criterias and on targets to be established for them at the beginning of each earning period. The bonus is paid by the end of April partly in shares and partly in cash. The proportion to be paid in cash will also cover taxes and tax-related costs arising from the bonus. The bonus is not paid if the person concerned ceases to be employed before the award is paid. The person concerned must also own the shares for at least two years after the date of the award payment.

Due to the criterias fulfilled during the vesting period 2011–2013 a number of 904,427 Metsä Board's B-shares were paid. In addition, cash was paid to cover taxes and tax-related costs arising from the bonus at the time of the transfer of the shares.

**SHARE INCENTIVE SCHEME 2011**

Issued by the Board's decision on 15 December 2010

	2011–2013	2012–2014	2013–2015	TOTAL
<b>BASIC INFORMATION</b>				
Maximum number of shares	2,347 500	2,347 500	2,550 000	7,245 000
Grant date(s)	4.4.2011/11.4.2012	11.4.2012/10.12.2013	10.5.2013/10.12.2013	
	10.12.13	12.5.2014/10.6.2014	12.5.2014/10.6.2014	
Vesting period starts	1.1.11	1.1.12	1.1.13	
Vesting period ends	31.12.13	31.12.14	31.12.15	
Obligation to hold shares, years	2	2	2	
Conditions of vesting requirements	Obligation to work	Obligation to work	Obligation to work	
Criteria	Equity ratio	Equity ratio	Equity ratio	
	ROCE, EBIT-factor	ROCE, EBIT-factor	ROCE, EBIT-factor	
Date of vesting requirement	30.4.14	30.4.15	30.4.16	
Release of the bonus	1.1.16	1.1.17	1.1.18	
Maximum validity, years	5	5	5	
Payment	Shares and cash	Shares and cash	Shares and cash	
Binding time left, years	1	2	3	
Number of key personnel (31.12.2014)	51	51	52	
Exercise price, EUR	3.26	-	-	
<b>FAIR VALUE MEASURING *)</b>				
Share price at grant date, EUR	3.09	1.90	2.8	
Fair value of share at grant date, EUR	2.73	1.83	2.54	
Assumed dividends, EUR	0.12	0.02	0.08	
Share price at time of payment / end of financial period, EUR	3.26	4.47	4.47	
Fair value at end of financial period, EUR	-	8,707 139	10,517 085	19,224 224
<b>EFFECT ON RESULT AND FINANCIAL POSITION</b>				
Expense 2014, share-based payment, EUR	1,841 871	4,895 046	4,350 086	11,087 003
Expense 2014, share-based payment, settled as equity, EUR	345,813	125,118	106,553	577,483
Liabilities, share-based payment, at the end of financial period, EUR	0	7,542 775	5,488 910	13,031 685
Amounts 1 Jan, 2014 **)				
Outstanding at the beginning of period	2,012 639	2,053 751	2,242 500	6,308 889
Changes during the period				
Shares granted	0	35,834	100,833	136,667
Shares forfeited	0	170,417	226,667	397,083
Shares exercised	904,427	0	0	904,427
Shares expired	1,108 212	0	0	1,108 212
Amounts 31 Dec, 2014				
Outstanding at the end of period	0	1,919 168	2,116 667	4,035 834
Exercisable at the end of period	0	1,919 168	2,116 667	4,035 834

\*) The fair value of the share-settled part at exercise date was the market price of Metsä Board's B share less any dividend paid before the payment of the reward. Correspondingly, the fair value of the cash-settled part is estimated on every balance sheet date until the end of incentive period. The fair value of share-based payment is recognised to the amount based on best possible estimate of the reward, which is believed to be granted.

\*\*) The amounts in the table reflect net amounts, i.e. the number of shares to be given based on share-based payment. In addition an amount corresponding at maximum to the value of the shares, is paid in cash to cover taxes.

**SHARE INCENTIVE SCHEME 2014**

The scheme offers the target group the possibility to be awarded Metsä Board's B shares. The scheme includes three 3-year earning periods, calendar years 2014–2016, 2015–2017 and 2016–2018. The Board of Directors will decide on the earning criteria and on targets to be established for them at the beginning of each earning period. The bonus is paid by the end of April partly in shares and partly in cash. The propor-

tion to be paid in cash will also cover taxes and tax-related costs arising from the bonus. The bonus is not paid if the person concerned ceases to be employed before the award is paid. The person concerned must also own the shares for at least two years after the date of the award payment. If the employment of a key person is ended during the vesting period the shares should be returned free of charge to the company as a rule.





**SHARE INCENTIVE SCHEME 2014**

Issued by the Board's decision on 6 February 2014

**2014–2016****TOTAL****BASIC INFORMATION**

Maximum number of shares	2,300,000	2,300,000
Grant date(s)	17.3.14	
Vesting period starts	1.1.14	
Vesting period ends	31.12.16	
Obligation to hold shares, years	2	
Conditions of vesting requirements	Obligation to work	
Criteria	Equity ratio	
	ROCE, EBIT-factor	
Date of vesting requirement	1.1.19	
Release of the bonus	1.1.19	
Maximum validity, years	5	
Payment	Shares and cash	
Binding time left, years	4	
Number of key personnel (31.12.2014)	51	
Exercise price, EUR	-	

**FAIR VALUE MEASURING \*)**

Share price at grant date, EUR	3.32	
Fair value of share at grant date, EUR	2.89	
Assumed dividends, EUR	0.11	
Share price at time of payment/end of financial period, EUR	4.47	
Fair value at end of financial period, EUR	10,766,923	10,766,923

**EFFECT ON RESULT AND FINANCIAL POSITION**

Expense 2014, share-based payment, EUR	1,761,786	1,761,786
Expense 2014, share-based payment, settled as equity, EUR	91,242	91,242
Liabilities, share-based payment, at the end of financial period, EUR	1,670,544	1,670,544
Amounts 1 Jan, 2014**)		
Outstanding at the beginning of period	0	0
Changes during the period		
Shares granted	2,415,834	2,415,834
Shares forfeited	246,668	246,668
Shares exercised	0	0
Shares expired	0	0
Amounts 31 Dec, 2014		
Outstanding at the end of period	2,169,167	2,169,167
Exercisable at the end of period	2,169,167	2,169,167

\*) The fair value of the share-settled part at exercise date was the market price of Metsä Board's B share less any dividend paid before the payment of the reward. Correspondingly, the fair value of the cash-settled part is estimated on every balance sheet date until the end of incentive period. The fair value of share-based payment is recognised to the amount based on best possible estimate of the reward, which is believed to be granted.

\*\*) The amounts in the table reflect net amounts, i.e. the number of shares to be given based on share-based payment. In addition an amount corresponding at maximum to the value of the shares, is paid in cash to cover taxes.

**METSÄLIITTO MANAGEMENT OY**

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.

In Metsä Group, the arrangement was processed as a share incentive scheme. Valuation was performed at each reporting day based on the fair value of the Metsä Board B-share.

In 2014, income amounting to EUR 0.3 million (expenses of 0.7) were recognised in the Group's income statement in connection with Metsäliitto Management Oy's share ownership programme.

**32. Related party transactions**

The Group's related parties include the parent company, subsidiaries and joint operations, associated companies and joint ventures as well as the Metsäliitto Employees' Pension Foundation. Also the members of the Board of Directors, the members of the Group Executive Management Team and the President and CEO as well as their close family members are considered as related parties.

Principal subsidiaries and joint operations as well as associated companies and joint ventures are presented in Notes no. 14.

**TRANSACTIONS WITH ASSOCIATED COMPANIES AND JOINT VENTURES**

EUR million	2014	2013
Sales	9.9	12.8
Purchases	86.6	97.2
Non-current receivables	1.0	2.0
Accounts receivables and other receivables	2.2	1.7
Accounts payable and other liabilities	5.3	7.2

The sales of Metsäliitto Cooperative's forest services to the associated company Finsilva Oyj were EUR 5.7 million (5.5) and the sales of wood energy to the joint venture Mäntän Energia Oy EUR 2.2 million (2.3).

In 2014 Metsäliitto Cooperative's wood purchases from the associated company Finsilva Oyj were EUR 19.6 million (18.3), Metsä Fibre's maintenance services purchases from the associated company Oy Botnia Mill Service Ab EUR 42.3 million (49.6) and Metsä Tissue's purchases from the joint venture Mäntän Energia Oy EUR 12.6 million (12.4).

The Metsäliitto Employees' Pension Foundation is a separate legal unit, which grants to some of the officials supplementary defined benefit pension security and manages the assets of the foundation. The Pension Foundation owns 0.18 per cent of Metsä Board and 0.2 per cent of Finsilva Oyj. The Pension Foundation has also invested EUR 0.2 million in Metsäliitto Cooperative's shares. In 2013 and 2014 the

Group did not pay any contributions to the Pension Foundation. The Pension Foundation has granted loans of EUR 15.4 million (15.4) to the Group.

#### REMUNERATION PAID TO TOP MANAGEMENT

Top management consists of the members of the Supervisory Board, Board of Directors and Group Executive Management Team including the President and CEO.

#### REMUNERATION PAID TO TOP MANAGEMENT

EUR million	2014	2013
Salaries and fees	5.8	5.5
Share-based payments	2.7	0.0
Pension costs	4.0	3.2
Total	12.4	8.7

#### REMUNERATION PAID TO THE MEMBERS OF THE SUPERVISORY BOARD

EUR	Salaries and fees		Pension benefits	
	2014	2013	2014	2013
Järvinen Hannu, chairman	57,300	56,400	9,827	9,757
Paajanen Juha, vice chairman	24,900	24,000	4,644	4,476
Members total	116,100	98,400		
Total	198,300	178,800	14,471	14,233

#### REMUNERATION PAID TO THE MEMBERS OF THE BOARD OF DIRECTORS

EUR	Salaries and fees		Pension benefits	
	2014	2013	2014	2013
Asunta Martti, chairman	86,640	83,640	14,859	14,470
Jordan Kari, vice chairman	0	0	0	0
Aminoff Mikael	47,400	46,500	8,129	8,045
Halonen Eino	51,600	48,000	8,849	8,304
Hiltunen Arto	64,800	48,900	11,113	8,460
Jääskeläinen Saini	46,800	46,800	8,026	8,096
Parpala Juha	47,400	47,100	8,840	8,784
Saukkonen Timo	46,800	46,800	8,728	8,728
Tukeva Antti	51,000	48,600	8,747	8,408
Total	442,440	416,340	77,291	73,294

The reward system of the management comprises a fixed monthly salary, a bonus determined on the basis of the task's effect on earnings, the management's pension benefits, share ownership system for the executive management team and a share-based incentive scheme for executives.

A share-based incentive scheme executed through Metsäliitto Management Oy and covering the members of the Group's Executive Management Team was dissolved in the first quarter of 2014. According to the contract agreement Metsäliitto Cooperative had the controlling right in the company and in its decisions.

The share-based incentive scheme for the executives and the share ownership system for the Group Executive Management Team are presented in Note no. 31.

Pursuant to the President and CEO's contract, the Board of Directors may decide that the President and CEO receives a bonus based on the profit, cash flow and personal performance, corresponding to nine months' salary.

The companies in Metsä Group paid the President and CEO Kari Jordan a total of EUR 2,638,103 (1,647,444) in salaries, fees and other benefits in 2014. The salary with fringe benefits paid by Metsäliitto

Cooperative amounted to EUR 1,098,223 (1,081,541), the bonus to EUR 447,908 (453,791) and the share reward to EUR 979,460 (0). The other Group companies paid to the President and CEO a total of EUR 112,512 (112,112) in salaries, fees and other benefits.

The maximum bonus paid to other members of the Group Executive Management Team employed by Metsäliitto Cooperative can vary, according to the task's effect on earnings, between the amounts corresponding to the person's 0–7 months' wages. The criterias of the profit pay system are the earnings requirements of the Group level and of its own area of responsibility.

The companies in Metsä Group paid their members of the Executive Management Team (excluding the President and CEO) a total of EUR 2,664,027 (2,690,932) in salaries with fringe benefits, EUR 802,636 (605,367) in bonuses and EUR 1,687,296 (0) in share rewards.

The term of notice of the President and CEO is six months. When the contract of the President and CEO is terminated by the Board, The President and CEO is entitled to a severance pay corresponding to 24 months' total salary. No severance compensation is paid if the contract is terminated by the President and CEO. The terms of notice of other members of the Group Executive Management Team is six months. For other members of the Group Executive Management Team, the period of additional severance compensation varies from six to eighteen months in case of severance due to other reasons than member related.

The President and CEO has a separate pension agreement with a retirement age of 60, as a rule. The President and CEO's maximum level of pension is 60 per cent of the total salary under the Employees' Pensions Act, calculated on the basis of the five-year period preceding retirement. If the contract of the President and CEO should terminate before retirement age, he/she is entitled to a paid-up policy.

The expenses of the President and CEO's defined benefit pension plans were EUR 1.6 million (1.1) and the expenses of the defined contribution plans were EUR 0.3 million (0.3)

Other members of the Executive Management Team have a separate benefit-based pension agreement with a retirement age of 62. The level of pension is 60 per cent of the total salary under the Employees' Pensions Act, calculated on the basis of the five-year period preceding retirement. If the employment relationship with Metsä Group ends before retirement age, he/she is entitled to a paid-up policy.

The expenses of the defined benefit pension plans of other members of the Group Executive Management Team were EUR 1.4 million (1.1) and the expenses of the defined contribution plans were EUR 0.6 million (0.6)

There are no loan receivables, guarantees or other liabilities from the members of the Group Executive Management Team, members of the Supervisory Board, members of the Board of Directors or their deputies or persons belonging to similar bodies.



### 33. Environmental affairs

Only additional identifiable costs that are primarily intended to prevent, reduce or repair damage to the environment are included in environmental costs. Environmental expenditures are capitalised if they have been incurred to prevent or reduce future damage or conserve resources and bring future economic benefits.

#### INCOME STATEMENT

EUR million	2014	2013
Materials and services	21.7	21.8
Employee costs		
Wages and fees	3.1	3.0
Other employee costs	1.5	1.5
Depreciation	12.0	12.2
Other operating expenses	10.3	9.0
Total	48.6	47.6

#### BALANCE SHEET

EUR million	2014	2013
Intangible and tangible assets		
Acquisition costs, 1 Jan.	290.6	306.8
Increases	5.8	6.3
Decreases	-6.5	-22.4
Accumulated depreciation at 31 Dec.	-194.0	-181.1
Book value, 31 Dec.	95.9	109.6
Provisions		
Environmental obligations	18.7	28.2

#### NOTES

EUR million	2014	2013
Guarantees due to environmental programmes	10.8	11.0

#### EMISSION ALLOWANCES

Metsä Group belongs to the European Union Emissions Trading System. In 2014 the group received 1,374,000 tonnes of emission allowances free of charge. In addition the group has purchased 163,000 tonnes of emission allowances from the market and sold 1,464,000 tonnes to the market. At balance closing date the group had emission allowances of 1,055,000 tonnes. Emissions during the reporting period were 776,000 tonnes.

Metsä Group has recognised the emission allowances according to the net method. The difference between actual emissions and emission allowances granted has been recognised through profit and loss if the actual emissions have exceeded the allowances granted.

In 2014 costs arising from emission allowances were EUR 1.1 million. At the end of the reporting period there were no provisions due to emission allowances in the balance sheet. In 2014 Metsä Group sold emission allowances amounting to EUR 7.8 million.

### 34. Events after the balance sheet date

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

# PARENT COMPANY INCOME STATEMENT

(FINNISH ACCOUNTING STANDARDS, FAS)

EUR million	Note	1.1.–31.12.2014	1.1.–31.12.2013
<b>SALES</b>	1	<b>1,702.7</b>	1,676.6
Change in stocks of finished goods and work in progress		5.4	2.0
Production for own use		0.2	0.3
Other operating income	2	89.5	64.4
Materials and services	3		
Raw materials and consumables			
Purchases during the financial period		-1,002.6	-1,043.5
Change in inventories		-7.7	33.8
External services		-441.5	-447.1
Employee costs		-170.3	-164.7
Depreciation and impairment charges	4	-26.6	-35.6
Other operating expenses		-122.6	-71.9
		<b>-1,771.3</b>	-1,729.1
<b>OPERATING RESULT</b>		<b>26.5</b>	14.2
Financial income and expenses	5		
Income from Group companies		79.4	65.7
Income from associated companies		3.0	3.1
Income from other financial investments		13.2	9.8
Other interest and similar income		1.8	5.3
Net exchange gains/losses	6	-8.0	1.2
Write-downs on non-current investments		-8.1	-11.7
Interest and similar expenses		-40.9	-37.9
		<b>40.5</b>	35.5
<b>RESULT BEFORE EXTRAORDINARY ITEMS</b>		<b>67.0</b>	49.8
Extraordinary income and expenses	7		
Extraordinary income		1.7	0.0
		<b>1.7</b>	0.0
<b>RESULT BEFORE APPROPRIATIONS AND TAXES</b>		<b>68.7</b>	49.8
Appropriations			
Change in depreciation differences		-3.5	-1.6
Income taxes	8	0.0	0.0
<b>SURPLUS FOR THE FINANCIAL PERIOD</b>		<b>65.1</b>	48.1



# PARENT COMPANY BALANCE SHEET

EUR million	Note	31.12.2014	31.12.2013
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
<b>INTANGIBLE ASSETS</b>			
	9		
Intangible rights		11.5	6.6
Goodwill		0.7	0.9
Other capitalised expenditure		1.0	1.4
Advance payments and construction in progress		8.5	15.3
		21.8	24.1
<b>TANGIBLE ASSETS</b>			
	9		
Land and water areas		5.9	6.0
Buildings		41.2	44.9
Machinery and equipment		84.0	93.0
Other tangible assets		2.7	1.9
Advance payments and construction in progress		3.0	5.7
		136.8	151.6
<b>INVESTMENTS</b>			
	10, 11		
Shares in Group companies		1,547.9	1,574.2
Receivables from Group companies		143.5	139.7
Investments in associated companies		54.0	26.5
Other shares and holdings		1.5	1.7
		1,746.9	1,742.2
<b>NON-CURRENT ASSETS TOTAL</b>			
		1,905.5	1,917.9
<b>CURRENT ASSETS</b>			
<b>INVENTORIES</b>			
Raw materials and consumables		115.6	123.4
Finished goods and work in progress		42.5	35.2
Other inventories		0.0	3.0
Advance payments		22.9	26.6
		181.0	188.1
<b>NON-CURRENT RECEIVABLES</b>			
	12		
Receivables from Group companies		4.2	11.2
Loan receivables		0.0	0.3
		4.2	11.5
<b>CURRENT RECEIVABLES</b>			
	12		
Accounts receivables		76.4	73.1
Receivables from Group companies		409.8	385.3
Receivables from associated companies		1.8	0.6
Loan receivables		0.4	0.5
Other receivables		2.6	7.0
Prepayment and accrued income		6.2	6.3
		497.3	472.8
<b>RECEIVABLES TOTAL</b>			
		501.5	484.3
<b>CASH AND CASH EQUIVALENT</b>			
		0.1	0.0
<b>CURRENT ASSETS TOTAL</b>			
		682.6	672.5
<b>ASSETS TOTAL</b>			
		2,588.0	2,590.4

EUR million	Note	31.12.2014	31.12.2013
<b>MEMBERS' FUNDS AND LIABILITIES</b>			
<b>MEMBERS' FUNDS</b>			
	13		
Members' capital		206.2	203.4
Additional members' capital A		597.6	554.7
Additional members' capital B		134.4	110.5
Transfer of refundable members' capital to liabilities for the waiting period		-47.3	-39.2
Other reserves			
General reserve I		3.9	3.9
General reserve II		64.1	61.7
Retained earnings		595.4	596.0
Surplus for the financial period		65.1	48.1
		1,619.5	1,539.2
<b>APPROPRIATIONS</b>			
Accumulated depreciation difference		17.5	14.0
<b>PROVISIONS</b>			
	14	4.1	3.9
<b>LIABILITIES</b>			
	15, 16		
<b>NON-CURRENT LIABILITIES</b>			
Bonds		174.8	174.8
Loans from financial institutions		274.3	433.4
Pension premium loans		65.0	65.0
Advance payments		1.0	1.9
Loans from Group companies		5.8	2.8
Accruals and deferred income		12.4	12.4
		533.3	690.3
<b>CURRENT LIABILITIES</b>			
	17		
Loans from financial institutions		159.1	40.5
Pension premium loans		9.5	9.5
Advance payments		7.5	6.2
Accounts payable		64.7	76.0
Payables to Group companies		16.6	54.2
Payables to associated companies		1.8	2.6
Other liabilities		46.6	38.0
Accruals and deferred income	18	108.0	116.2
		413.6	343.1
<b>LIABILITIES TOTAL</b>			
		946.9	1,033.4
<b>MEMBERS' FUNDS AND LIABILITIES TOTAL</b>			
		2,588.0	2,590.4

# CASH FLOW STATEMENT

EUR million	2014	2013
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Operating result	26.5	14.2
Adjustments to operating result 1)	3.7	35.5
Interest received	15.0	15.2
Interest paid	-39.8	-34.4
Dividends received	82.4	68.8
Other financial items, net	-9.6	-2.8
Taxes paid	0.0	0.0
Change in working capital 2)	-45.5	22.9
	32.6	119.3
<b>CASH FLOW ARISING FROM INVESTING ACTIVITIES</b>		
Purchase of shares	-34.5	-32.5
Investments in tangible assets	-16.5	-49.7
Proceeds from disposal of shares	30.9	0.4
Return of capital	18.0	0.0
Proceeds from sale of tangible assets	8.0	5.3
Change in non-current receivables	3.5	-130.3
	9.4	-206.8
<b>CASH FLOW BEFORE FINANCING</b>	42.0	-87.5
<b>CASH FLOW ARISING FROM FINANCING ACTIVITIES</b>		
Increase in non-current liabilities	4.1	202.7
Decrease in non-current liabilities	-42.5	-238.1
Change in current liabilities, net	0.5	-0.3
Change in current interest-bearing receivables, net	-27.5	22.3
Interest paid on members' capital	-44.5	-39.7
Change in members' capital	67.8	60.4
	-42.0	7.3
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	0.0	-80.2
Cash and cash equivalents at beginning of period	0.0	80.3
Change in cash and cash equivalents	0.0	-80.2
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	0.1	0.0
1) Adjustments to operating result		
Depreciation and impairment charges	26.6	35.6
Gains and losses on sale of tangible and intangible assets	-23.1	-0.3
Change in provisions	0.2	0.1
Total	3.7	35.5
2) Change in working capital		
Inventories (increase-/decrease+)	6.0	-33.7
Current non-interest bearing receivables (increase-/decrease+)	4.7	18.1
Current non-interest-bearing liabilities (increase+/decrease-)	-56.2	38.5
Total (increase-/decrease+)	-45.5	22.9





# PARENT COMPANY ACCOUNTING POLICIES

Metsäliitto Cooperative's financial statements have been prepared in accordance with Finnish Accounting Standards (FAS).

## SALES

Sales are calculated after deduction of indirect sales taxes, trade discounts and other items adjusting sales.

## LONG-TERM PROJECTS

Income and expenses from long-term projects are recognised according to their degree of completion once the outcome of the project can be reliably estimated. The degree of a project's completion shall correspond to the share of its projected total cost represented by the work carried out up to the date of evaluation. Once it becomes probable that the total cost required to complete the project will exceed the total revenue gained from it, the expected loss is immediately recognised as an expense.

## EXCHANGE RATE DIFFERENCES

Foreign exchange gains and losses have been booked to net exchange gains/losses under financial income and expense. Open and actual foreign exchange differences hedging sales are recorded immediately to financial income and expenses in the income statement.

## TRANSACTIONS IN FOREIGN CURRENCY

Transactions in foreign currency have been booked at the exchange rate on the day of the transaction. At the balance sheet date, receivables and liabilities denominated in foreign currency have been translated into euros at the exchange rate quoted by the European Central Bank at the balance sheet date.

## PENSIONS AND PENSION FUNDING

Statutory pension security is handled by pension insurance companies outside Metsä Group. In addition to statutory pension security, some salaried employees have supplementary pension arrangements which are either insured, arranged through the Metsäliitto Employees' Pension Foundation or are an unfunded liability of the company.

Pension insurance premiums have been periodised to correspond to the accrual-based wages and salaries given in the financial statements.

## RESEARCH AND DEVELOPMENT EXPENDITURE

Research and development expenditure is recorded as an expense in the relevant financial period.

## INVENTORIES

Inventories are measured at the lower of cost or net realisable value. In measuring inventories, the FIFO principle is observed or, alternatively, the weighted average price method.

## PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

The carrying values of property, plant and equipment are based on original acquisition costs less depreciation according to plan and impairment losses. Depreciation according to plan is based on the estimated useful life of the asset as follows:

Buildings	20–40 years
Machinery and equipment	3–15 years
Other items	5–10 years

Depreciation is not recorded on the purchase cost of land and water areas.

## LEASING

Lease payments are treated as rental expenses.

## ENVIRONMENTAL EXPENDITURE

Environmental expenditure comprises the specifiable expenses of environmental protection measures aiming primarily at combating, remedying or alleviating environmental damage.

## EXTRAORDINARY INCOME AND EXPENSES

Extraordinary income and expenses include group contributions received and paid. These contributions are eliminated on Metsä Group level. The tax effect of extraordinary items is presented in the notes to the financial statements.

## APPROPRIATIONS

Finnish tax legislation offers the possibility to deduct expenses prematurely from the profit for the financial year and to transfer them to the balance sheet as provisions. The items are taken into account in tax filings only if they have been entered in the accounts. These items are presented in the appropriations in the income statement. The most substantial of these appropriations is the depreciation difference on fixed assets, which is presented in appropriations in the balance sheet and as a change in depreciation difference in the income statement.

## PROVISIONS

Future costs and losses to which the company is committed and which are likely to be realised are included in the income statement under the appropriate expense heading and in the balance sheet under provisions for future costs whenever the precise amount and the time of occurrence are not known. In other cases they are included in accrued liabilities. These can be, for example, the pension liability or costs of discontinued operations and restructuring costs.

## COMPARATIVE FIGURES

The figures for 2013 have been restated regarding the refundable members' capital transferred to liabilities for the waiting period.

# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

EUR million	2014	2013
<b>1. SALES BY MARKET AREA</b>		
Finland	1,137.2	1,159.0
EU-countries	384.3	348.4
Other countries	181.2	169.3
Total	1,702.7	1,676.6
<b>2. OTHER OPERATING INCOME</b>		
Rents	1.5	1.5
Gains on disposal of assets	23.6	0.3
Service revenue	58.9	56.9
Others	5.5	5.8
Total	89.5	64.4

Gains on disposal of assets include in 2014 sales gains of EUR 4.8 million from the shares of Asunto Oy Tapiolan Jalava and EUR 17.3 million from the shares of Metsä Wood Eesti AS.

<b>3. OPERATING EXPENSES</b>		
Materials and services		
Rawmaterials and consumables		
Purchases during the financial period	1,002.6	1,043.5
Change in inventories	7.7	-33.8
External services		
Distribution costs	252.6	250.5
Other external services	188.8	196.6
Total	1,451.8	1,456.8
Employee costs		
Wages	107.3	105.3
Pension costs	28.2	24.6
Other employee costs	34.8	34.8
Total	170.3	164.7
Other operating expenses		
Rents and other property costs	8.8	11.4
Services bought	43.8	40.5
Loss on sale of non-current assets	1.2	0.0
Other operating expenses	68.8	20.0
Total	122.6	71.9

#### SALARIES AND REMUNERATIONS PAID TO MANAGEMENT

President and CEO	2.5	1.5
Members of the Board of Directors and their deputies	0.4	0.4
Members of the Supervisory Board	0.2	0.2
Total	3.2	2.1

#### PENSION COMMITMENTS

The President and CEO of the Group is entitled to retire on reaching the age of 60. Some Metsäliitto top executives have the right to a supplementary pension according to the pension rules when they retire at the age of 62.

EUR million	2014	2013
<b>AVERAGE PERSONNEL</b>		
White collars	1,113	1,165
Blue collars	1,480	1,533
Total	2,593	2,698
<b>PRINCIPAL AUDITOR'S FEES</b>		
Audit fees	0.2	0.1
Tax consulting fees	0.0	0.0
Other fees	0.0	0.0
Total	0.2	0.1

The principal auditor is KPMG Oy Ab.

<b>4. DEPRECIATION AND IMPAIRMENT CHARGES</b>		
Depreciations according to plan		
Intangible rights	3.2	2.7
Goodwill	0.1	0.1
Other capitalised expenditure	0.4	0.4
Buildings	4.9	8.0
Machinery and equipment	17.7	24.1
Other tangible assets	0.3	0.3
Depreciations according to plan, total	26.6	35.6
Change in depreciation difference	3.5	1.6
Total depreciation	30.1	37.2

<b>5. FINANCIAL INCOME AND EXPENSES</b>		
Income from non-current investments		
Dividend income		
From Group companies	79.4	65.7
From associated companies	3.0	3.1
From others	0.0	0.0
Total	82.4	68.8
Interest income		
From Group companies	13.2	9.8
Total	13.2	9.8
Income from non-current investments	95.6	78.6
Other interest and financial income		
Interest income from Group companies	1.6	4.9
Other interest income	0.3	0.5
Total	1.8	5.3
Exchange differences	-8.0	1.2
Write-downs of non-current investments	-8.1	-11.7



EUR million	2014	2013
Interest and financial expenses		
Interest expenses paid to Group companies	-3.9	-4.0
Other interest expenses	-34.1	-28.7
Other financial expenses paid to Group companies	-1.2	-1.2
Other financial expenses	-1.7	-4.0
Total	-40.9	-37.9
Total financial income and expenses	40.5	35.5

Write-downs of non-current investments include in 2014 write-downs of book values of EUR 8.1 million (11.7) of Wood Products Industry's foreign subsidiaries.

#### 6. NET EXCHANGE GAINS/LOSSES IN INCOME STATEMENT

Gains/losses on sales	1.3	-0.4
Gains/losses on purchases	-0.1	0.0
Gains/losses on financing	-9.1	1.7
Total	-8.0	1.2

#### 7. EXTRAORDINARY INCOME AND EXPENSES

Extraordinary income		
Group contributions received	1.7	0.0
Total	1.7	0.0

#### 8. INCOME TAXES

Taxes for the period	0.0	0.0
Taxes for previous periods	0.0	0.0
Total	0.0	0.0
Income taxes from ordinary operations	0.3	0.0
Income taxes from extraordinary items	-0.3	0.0
Total	0.0	0.0

#### 9. INTANGIBLE AND TANGIBLE ASSETS

##### INTANGIBLE ASSETS

Acquisition cost, 1 Jan	49.9	48.4
Increases	2.5	4.3
Decreases	-5.0	-5.2
Transfers between items	10.5	2.5
Acquisition cost, 31 Dec	57.9	49.9
Accumulated depreciation, 1 Jan	-43.3	-40.6
Accumulated depreciation on decreases and transfers	0.1	0.0
Depreciation for the period	-3.2	-2.7
Accumulated depreciation, 31 Dec	-46.5	-43.3
Book value, 31 Dec	11.5	6.6

##### GOODWILL

Acquisition cost, 1 Jan	1.1	1.1
Acquisition cost, 31 Dec	1.1	1.1
Accumulated depreciation, 1 Jan	-0.2	-0.1
Depreciation for the period	-0.1	-0.1
Accumulated depreciation, 31 Dec	-0.3	-0.2
Book value, 31 Dec	0.7	0.9

EUR million	2014	2013
<b>OTHER CAPITALISED EXPENDITURE</b>		
Acquisition cost, 1 Jan	8.8	8.9
Increases	0.1	0.1
Decreases	-1.3	0.0
Transfers between items	0.1	-0.2
Acquisition cost, 31 Dec	7.7	8.8
Accumulated depreciation, 1 Jan	-7.5	-7.1
Accumulated depreciation on decreases and transfers	1.1	0.0
Depreciation for the period	-0.4	-0.4
Accumulated depreciation, 31 Dec	-6.7	-7.5
Book value, 31 Dec	1.0	1.4

##### CONSTRUCTION IN PROGRESS

Acquisition cost, 1 Jan	15.3	7.7
Increases	3.8	9.9
Transfers between items	-10.6	-2.3
Acquisition cost, 31 Dec	8.5	15.3

##### INTANGIBLE ASSETS TOTAL

Acquisition cost, 1 Jan	75.1	66.1
Increases	6.5	14.3
Decreases	-6.3	-5.2
Transfers between items	0.0	0.0
Acquisition cost, 31 Dec	75.3	75.1
Accumulated depreciation, 1 Jan	-51.0	-47.8
Accumulated depreciation on decreases and transfers	1.2	0.0
Depreciation for the period	-3.7	-3.2
Accumulated depreciation, 31 Dec	-53.5	-51.0
Book value, 31 Dec	21.8	24.1

##### LAND AND WATER AREAS

Acquisition cost, 1 Jan	6.6	5.9
Increases	0.0	0.8
Decreases	-0.1	0.0
Transfers between items	0.0	0.0
Acquisition cost, 31 Dec	6.6	6.6
Accumulated depreciation, 1 Jan	-0.6	-0.6
Accumulated depreciation, 31 Dec	-0.6	-0.6
Book value, 31 Dec	5.9	6.0

##### BUILDINGS

Acquisition cost, 1 Jan	141.0	129.1
Increases	1.0	8.0
Decreases	-3.1	0.0
Transfers between items	0.7	3.9
Acquisition cost, 31 Dec	139.5	141.0
Accumulated depreciation, 1 Jan	-96.1	-88.1
Accumulated depreciation on decreases and transfers	2.6	0.0
Depreciation for the period	-4.9	-8.0
Accumulated depreciation, 31 Dec	-98.4	-96.1
Book value, 31 Dec	41.2	44.9

EUR million	2014	2013
<b>MACHINERY AND EQUIPMENT</b>		
Acquisition cost, 1 Jan	460.2	427.2
Increases	5.3	22.6
Decreases	-7.2	-0.1
Transfers between items	4.9	10.5
Acquisition cost, 31 Dec	463.2	460.2
Accumulated depreciation, 1 Jan	-367.2	-343.2
Accumulated depreciation on decreases and transfers	5.6	0.1
Depreciation for the period	-17.7	-24.1
Accumulated depreciation, 31 Dec	-379.2	-367.2
Book value, 31 Dec	84.0	93.0
<b>OTHER TANGIBLE ASSETS</b>		
Acquisition cost, 1 Jan	18.5	18.3
Increases	0.8	0.2
Decreases	-0.1	0.0
Transfers between items	0.3	0.0
Acquisition cost, 31 Dec	19.6	18.5
Accumulated depreciation, 1 Jan	-16.6	-16.2
Accumulated depreciation on decreases and transfers	0.1	0.0
Depreciation for the period	-0.3	-0.3
Accumulated depreciation, 31 Dec	-16.9	-16.6
Book value, 31 Dec.	2.7	1.9
<b>CONSTRUCTION IN PROGRESS</b>		
Acquisition cost, 1 Jan	5.7	16.0
Increases	3.1	4.1
Transfers between items	-5.9	-14.4
Acquisition cost, 31 Dec	3.0	5.7
<b>TANGIBLE ASSETS TOTAL</b>		
Acquisition cost, 1 Jan	632.1	596.6
Increases	10.2	35.7
Decreases	-10.4	-0.1
Transfers between items	0.0	0.0
Acquisition cost, 31 Dec	631.9	632.1
Accumulated depreciation, 1 Jan	-480.5	-448.1
Accumulated depreciation on decreases and transfers	8.3	0.1
Depreciation for the period	-22.9	-32.4
Accumulated depreciation, 31 Dec	-495.0	-480.5
Book value, 31 Dec	136.9	151.6

The undepreciated portion of capitalised interest expenses in “Buildings” was EUR 0.3 million (0.3) and in “Machinery and equipment” EUR 0.6 million (0.6). During 2014 there were no capitalised interest expenses (0.9).

EUR million	2014	2013
<b>10. INVESTMENTS, SHARES</b>		
<b>SHARES IN GROUP COMPANIES</b>		
Acquisition cost, 1 Jan	1,574.2	1,553.4
Increases	24.8	32.5
Decreases	-26.7	-11.7
Transfers between items	-24.5	0.0
Acquisition cost, 31 Dec	1,547.9	1,574.2
<b>SHARES IN ASSOCIATED COMPANIES</b>		
Acquisition cost, 1 Jan	26.5	26.5
Increases	8.3	0.0
Decreases	-5.2	0.0
Transfers between items	24.4	0.0
Acquisition cost, 31 Dec	54.0	26.5
<b>OTHER SHARES AND HOLDINGS</b>		
Acquisition cost, 1 Jan	1.7	2.0
Increases	1.4	0.0
Decreases	-1.7	-0.3
Transfers between items	0.1	0.0
Acquisition cost, 31 Dec	1.5	1.7
<b>INVESTMENTS, SHARES TOTAL</b>		
Acquisition cost, 1 Jan	1,602.5	1,581.9
Increases	34.5	32.5
Decreases	-33.5	-11.9
Acquisition cost, 31 Dec	1,603.5	1,602.5
<b>INVESTMENTS, RECEIVABLES</b>		
<b>RECEIVABLES FROM GROUP COMPANIES</b>		
Acquisition cost, 1 Jan	139.7	1.9
Increases	3.7	139.7
Decreases	0.0	-1.9
Acquisition cost, 31 Dec	143.5	139.7
<b>OTHER RECEIVABLES</b>		
Acquisition cost, 1 Jan	0.0	0.0
Increases	0.0	0.0
Acquisition cost, 31 Dec	0.0	0.0
<b>INVESTMENTS, RECEIVABLES TOTAL</b>		
Acquisition cost, 1 Jan	139.7	1.9
Increases	3.7	139.7
Decreases	0.0	-1.9
Acquisition cost, 31 Dec	143.5	139.7
<b>INVESTMENTS, RECEIVABLES</b>		
Other loan receivables	143.5	139.7
Total	143.5	139.7
<b>11. FAIR VALUES OF FINANCIAL INVESTMENT IN NON-CURRENT ASSETS</b>		
<b>STOCK EXCHANGE LISTED SHARES</b>		
Book value	528.2	530.0
Fair value	596.9	419.3
Difference	-68.7	110.7

The fair value of the listed Metsä Board shares exceeds the book value by EUR 68.7 million at 31 December 2014.



EUR million	2014	2013
<b>12. RECEIVABLES</b>		
<b>NON-CURRENT RECEIVABLES</b>		
Loan receivables	4.2	11.5
Total	4.2	11.5

There are no loan receivables, guarantees or other liabilities from the President and CEO, members of the Supervisory Board, members of the Board of Directors or their deputies or persons belonging to similar bodies.

<b>CURRENT RECEIVABLES</b>		
Receivables from Group companies		
Accounts receivables	49.4	54.2
Loan receivables	344.5	316.9
Other receivables	0.0	0.7
Prepayment and accrued income	16.0	13.5
Total	409.8	385.3
Receivables from associated companies		
Accounts receivables	1.8	0.6
Total	1.8	0.6
Receivables from others		
Accounts receivables	76.4	73.1
Loan receivables	0.4	0.5
Other receivables	2.6	7.0
Prepayment and accrued income	6.2	6.3
Total	85.6	86.8
Receivables total	501.5	484.3

Non-current loan receivables include in 2014 a non-current receivable of EUR 16.8 million (16.5) from Metsäliitto Management Oy. The capability of Metsäliitto Management Oy to meet its obligations depends on the share price development of Metsä Board's B-share. The fair value of Metsä Board's B-shares exceeds the book value at 31 December 2014.

<b>PREPAYMENT AND ACCRUED INCOME, CURRENT</b>		
Interest	0.0	0.0
Insurances	1.0	0.7
Periodisations of employee costs	1.7	0.9
Received compensations	1.1	1.3
Degrees of completion	0.6	0.9
Others	1.8	2.5
Total	6.2	6.3

<b>13. MEMBERS' FUNDS</b>		
Members' capital, 1 Jan	203.4	200.7
Participation shares	4.9	4.2
Transferred from interest	2.0	1.8
Refund of participation shares	-4.1	-3.3
Total	206.2	203.4
Transfer of refundable members' capital to liabilities for the waiting period	-0.7	-0.4
Members' capital, 31 Dec	205.6	203.0

EUR million	2014	2013
Additional members' capital A, 1 Jan	554.7	515.8
Increase in additional members' capital	29.9	28.1
Transferred from interest	27.6	24.3
Refund of additional members' capital	-14.6	-13.5
Total	597.6	554.7
Transfer of refundable members' capital to liabilities for the waiting period	-22.8	-20.2
Additional members' capital A, 31 Dec	574.8	534.5
Additional members' capital B, 1 Jan	110.5	75.9
Transferred from additional members' capital C	0.0	14.4
Increase in additional members' capital	27.6	24.8
Refund of additional members' capital	-3.8	-4.6
Total	134.4	110.5
Transfer of refundable members' capital to liabilities for the waiting period	-23.9	-18.7
Additional members' capital B, 31 Dec	110.5	91.9
Additional members' capital C, 1 Jan	0.0	14.4
Transferred to additional members' capital B	0.0	-14.4
Additional members' capital C, 31 Dec	0.0	0.0
General reserve I, 1 Jan	3.9	3.9
General reserve I, 31 Dec	3.9	3.9
General reserve II, 1 Jan	61.7	56.0
Transferred from retained earnings	2.4	5.7
General reserve II, 31 Dec	64.1	61.7
Retained earnings, 1 Jan	644.1	642.7
Interest paid	-44.5	-39.7
Transferred to general reserve II	-2.4	-5.7
Equity Bonus	-1.8	-1.4
Surplus for the financial period	65.1	48.1
Retained earnings, 31 Dec	660.6	644.1
Total members' funds	1,619.5	1,539.1
*) Unpaid participation shares		
Total called-up members' capital	261.9	259.6
Participation shares paid	-206.2	-203.4
Unpaid participation shares	55.7	56.2
The amount available for redemption of capital		
Members' capital (**)	206.2	203.4
Additional members' capital A (**)	597.6	554.7
Additional members' capital B (**)	134.4	110.5
Retained earnings	660.6	644.1
Transfer to General reserve II	-3.3	-2.4
Depreciation difference less tax liability	14.0	11.2
Total	1,609.5	1,521.5
***) Transfer of refundable members' capital to liabilities for the waiting period	47.3	39.2

EUR million	2014	2013
<b>14. PROVISIONS</b>		
<b>UNEMPLOYMENT PENSION COSTS</b>		
1 Jan	2.6	2.2
Increases	0.9	0.6
Decreases	-0.3	-0.2
31 Dec	3.2	2.6
<b>UNFUNDED PENSION COSTS</b>		
1 Jan	1.0	0.9
Increases	0.0	0.1
Decreases	-0.2	0.0
31 Dec	0.7	1.0
<b>OTHER PROVISIONS</b>		
1 Jan	0.3	0.7
Increases	0.0	0.1
Decreases	-0.2	-0.5
31 Dec	0.1	0.3
<b>PROVISIONS TOTAL</b>		
1 Jan	3.9	3.8
Increases	0.9	0.8
Decreases	-0.7	-0.7
31 Dec	4.1	3.9

EUR million	2014	2013
<b>15. LIABILITIES</b>		
Non-current		
Non-interest bearing	13.4	17.2
Interest-bearing	519.9	673.1
Total	533.3	690.3
Current		
Non-interest bearing	244.5	293.1
Interest-bearing	169.1	50.0
Total	413.6	343.1
Non-current non-interest bearing liabilities include transferred refundable members' capital for the waiting period:		
Additional members' capital B	12.4	12.4
Current non-interest bearing liabilities include transferred refundable members' capital for the waiting period:		
Members' capital	0.7	0.4
Additional members' capital A	22.8	20.2
Additional members' capital B	11.5	6.2
Total	34.9	26.8

#### 16. NON-CURRENT DEBTS WITH AMORTISATION PLAN

EUR million	Liabilities to Group companies	Bonds	Loans from financial institutions	Pension loans	Other liabilities	Total
2015	0.5	0.0	159.1	9.5	0.0	169.1
2016	3.4	0.0	34.1	65.0	0.0	102.5
2017	0.4	174.8	29.3	0.0	0.0	204.5
2018	0.4	0.0	10.9	0.0	0.0	11.3
2019	0.4	0.0	200.0	0.0	0.0	200.4
2020–	1.2	0.0	0.0	0.0	0.0	1.2
Total	6.4	174.8	433.4	74.5	0.0	689.0





**17. CURRENT LIABILITIES**

Loans from financial institutions	159.1	40.5
Pension loans	9.5	9.5
Advance payments	7.5	6.2
Account payables	64.7	76.0
Liabilities to Group companies		
Loans	0.5	0.0
Advance payments	6.9	48.9
Accounts payable	7.0	3.7
Other loans	0.0	0.0
Accruals and deferred income	2.2	1.6
Liabilities to associated companies		
Accounts payable	1.8	2.6
Liabilities to others		
Due members' capital transferred to liabilities during the waiting period	34.9	26.8
Other liabilities	11.6	11.2
Accruals and deferred income	108.0	116.2
<b>Total current liabilities</b>	<b>413.6</b>	<b>343.1</b>

**18. ACCRUALS AND DEFERRED INCOME**

Current		
Interest	3.3	3.9
Pension insurance premium	5.6	2.5
Other insurance premiums	2.4	2.8
Periodisations of employee costs	32.6	28.5
Periodisations of purchases	55.4	71.0
Others	8.7	7.5
<b>Total</b>	<b>108.0</b>	<b>116.2</b>

**19. COMMITMENTS AND CONTINGENCIES****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 to pay EUR 47.3 million and Metsä Board to pay EUR 19.6 million in damages to UPM-Kymmene Corporation.

During the past few years companies belonging to Metsä Group have acted as sellers in many share transactions giving normal seller's securities. It is not impossible that demands against these companies are made regarding the given securities and that these securities could result in extra costs for the companies.

EUR million	2014	2013
<b>CONTINGENT LIABILITIES</b>		
For own liabilities		
Liabilities secured by pledges		
Loans from financial institutions	243.6	260.0
Pension loans	65.0	65.0
Pledges granted	292.8	292.8
On behalf of own and Group companies' liabilities		
Guarantee liabilities	571.8	547.8
On behalf of others		
Guarantee liabilities	1.8	2.2
Other own liabilities		
Other liabilities	0.0	13.2
Leasing liabilities		
For the next 12 months	7.1	7.8
For subsequent years	15.7	19.6
Total		
Pledges	292.8	292.8
Guarantee liabilities	573.6	550.0
Other liabilities	0.0	13.2
Leasing liabilities	22.9	27.4
Total	889.3	883.4

#### LIABILITIES DUE TO OPEN DERIVATE CONTRACTS

EUR million	GROSS AMOUNT 2014	GOING VALUE	Gross amount 2013	Going value
Interest derivatives				
Interest rate swaps	119.0	-3.8	427.0	-6.8
Currency derivatives				
Forward agreements	127.6	-1.4	121.2	-0.7
Option agreements	45.1	-0.2	2.9	0.0
Commodity derivatives				
Other commodity derivatives	9.8	-3.2	0.0	0.0
Derivatives total	301.5	-8.6	551.1	-7.5

EUR million	2014	2013
<b>20. ENVIRONMENTAL ITEMS</b>		
Income statement		
Raw materials and consumables	0.4	0.7
Employee costs		
Wages and fees	0.5	0.5
Other employee costs	0.2	0.3
Depreciation	0.2	0.2
Other operating expenses	0.6	0.3
Total	1.9	2.0
Balance sheet		
Tangible assets		
Acquisition costs 1 Jan.	4.4	4.7
Increases	0.0	0.2
Decreases	0.0	-0.5
Accumulated depreciation	-3.5	-3.3
Book value 31 Dec.	0.8	1.0
Provisions		
Environmental obligations	0.0	0.1
Granted liabilities for environmental items	5.9	4.6

Only additional recognisable costs that are primarily intended to prevent, reduce or repair damage to the environment are included in environmental costs. Environmental expenditures are capitalised if they have been incurred to prevent or reduce future damage or conserve resources and bring future economic benefits.



# PARENT COMPANY SHARES AT 31 DECEMBER 2014

<b>SUBSIDIARIES</b>	Country	Parent company's holding, %	Group's holding, %	Number of shares	Book value, 1,000 EUR
Burt Boulton and Haywood Ltd	Great Britain	100.00			874
Finnforest Polska Sp. z.o.o.	Poland	100.00			0
Finnforest UK Holdings Ltd	Great Britain	100.00		43,200,000	53,458
Kirkniemen Kartano Oy	Finland	100.00		57,100	6,035
Kumpuniemen Voima Oy	Finland	53.97		34	462
Metsa Forest Latvia SIA	Latvia	100.00		670	3,259
Metsa Wood Italia S.r.l.	Italy	100.00		1	0
Metsä Board Corporation *	Finland	40.46	42.53	132,777,665	528,167
Metsä Fibre Oy	Finland	50.20	60.79	38,211	721,058
Metsä Forest Eesti AS	Estonia	100.00		150,000	1,146
Metsä Forest Sverige AB	Sweden	100.00		5,000	703
Metsä Group Services Sp. z.o.o.	Poland	100.00		100	2,000
Metsä Group Treasury Oy	Finland	100.00		50,000	10,236
Metsäliitto Management Oy	Finland	100.00		3,850	3,869
Metsä Tissue Corporation	Finland	91.00		8,297,915	195,711
Metsä Wood CZ s.r.o.	Czech Republic	100.00			0
Metsä Wood Deutschland GmbH	Germany	100.00			11,948
Metsä Wood France S.A.S.	France	100.00		405,000	0
Metsä Wood Holland B.V.	The Netherlands	100.00			143
Metsä Wood Hungary Kft.	Hungary	100.00			1,056
Metsä Wood Ibérica S.L.U.	Spain	100.00		500	146
Metsä Wood Schweiz AG	Switzerland	100.00		200	750
Metsä Wood USA Inc.	USA	100.00		500,000	316
Mittaportti Oy	Finland	100.00		3,000	50
OOO Metsa Forest Podporozhye	Russia	100.00			4,579
OOO Metsa Forest St. Petersburg	Russia	100.00		100	981
Punkavoima Oy	Finland	35.00		8,750	929
<b>SHARES IN GROUP COMPANIES</b>					<b>1,547,875</b>

\*) Holding 61.47% by number of votes, Group's total holding 62.15%

<b>ASSOCIATED COMPANIES</b>	Country	Parent company's holding, %	Group's holding, %	Number of shares	Book value, 1,000 EUR
Asunto Oy Tapiolan Jalava	Finland	8.50			312
Asunto Oy Tapiolan Pyökki	Finland	48.98			2,284
Asunto Oy Tapiolan Saarni	Finland	48.98			1,295
Asunto Oy Tapiolan Tammi	Finland	48.98			1,295
Finsilva Oyj	Finland	49.90		48,128,550	14,439
Hartolan Kuningaslämpö Oy	Finland	50.00		300	76
Kiinteistö Oy Metsätapiola	Finland	48.98		30,432	15,018
Kiinteistö Oy Metsätapiolan Pysäköinti	Finland	48.96		212	2,862
Kiinteistö Oy Tapiolan Jalopuupysäköinti	Finland	40.06			5,428
Lohjan Biolämpö Oy	Finland	46.00		782,000	782
Metsäteho Oy	Finland	24.00		40	67
Perkaus Oy	Finland	33.33		2,500	6
Punkaharjun Lämpö Oy	Finland	20.00		6	10
Suomen Metsäsijoitus Oy	Finland	25.00		23,850	2,011
ZAO HC Vologodskiy Lesopromyshlenniki	Russia	44.19			6,164
Äänevoima Oy	Finland	20.00	20.00	2,000,000	2,000
<b>INVESTMENTS IN ASSOCIATED COMPANIES</b>					<b>54,049</b>

<b>OTHER SHARES AND HOLDINGS</b>	Country	Parent company's holding, %	Group's holding, %	Number of shares	Book value, 1,000 EUR
Finnish Wood Research Oy	Finland	25.00		60	60
Finnish Bioeconomy Cluster FIBIC Oy	Finland	5.00		150	150
Misawa Homes of Finland	Finland			400	67
Real estate companies					1,030
Golf shares					167
Shares and holdings in telephone companies					31
Other shares and holdings					22
<b>OTHER SHARES AND HOLDINGS</b>					<b>1,528</b>



# STATEMENT BY THE SUPERVISORY BOARD

The Supervisory Board has examined the financial statements of Metsäliitto Cooperative and the Metsä Group consolidated financial statements for 2014 prepared in accordance with International Financial Reporting Standards, and has approved them for submission to the Auditors and to the Annual General Meeting. The Supervisory Board recommends that the surplus for the period be dealt with as proposed by the Board of Directors.

The terms of the following members are due to expire: Mats Brandt, Arto Hongisto, Hannu Järvinen, Esko Kinnunen, Timo Nikula, Mauri Ruuth, Ahti Siponen and Matti Äijö.

According to the age rule, the seats of Hannu Lassila, Martti Palojärvi and Erkki Vainionpää are at the disposal of the Representative Council.

Espoo, 24 March 2015

On behalf of the Supervisory Board

Hannu Järvinen  
Chairman

Miika Arola  
Secretary

# AUDITOR'S REPORT

## TO THE MEMBERS OF METSÄLIITTO COOPERATIVE

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Metsäliitto Cooperative for the year ended 31 December, 2014. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent cooperative's balance sheet, income statement, cash flow statement and notes to the financial statements.

## RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the cooperative's accounts and finances, and the Managing Director shall see to it that the accounts of the cooperative are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We

conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Supervisory Board or of the Board of Directors of the parent cooperative or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the cooperative or have violated the Cooperatives Act or the rules of the Cooperative.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the cooperative's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the cooperative's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and

cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

## OPINION ON THE COOPERATIVE'S FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent cooperative's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

## OTHER OPINIONS

We support that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the use of the surplus shown in the balance sheet is in compliance with the Cooperative Act. We support that the Members of the Supervisory Board and of the Board of Directors as well as the Managing Director of the parent cooperative should be discharged from liability for the financial period audited by us.

Espoo, 24 March 2015

KPMG Oy Ab

Raija-Leena Hankonen  
Authorized Public Accountant





# QUARTERLY DATA

EUR million	Yearly					Quarterly				
	2014	2013	Q4/2014	Q3/2014	Q2/2014	Q1/2014	Q4/2013	Q3/2013	Q2/2013	Q1/2013
<b>INCOME STATEMENT</b>										
Sales by segments										
Wood Supply and Forest Services	1,575.0	1,561.0	397.5	363.2	379.5	434.9	393.4	352.5	392.2	422.8
Wood Products Industry	896.9	899.7	215.9	207.3	251.8	221.9	214.6	207.9	260.8	216.4
Pulp Industry	1,295.7	1,314.0	337.1	303.8	325.8	329.0	339.8	341.7	309.3	323.2
Paperboard and Paper Industry	2,008.4	2,019.3	499.4	513.8	494.0	501.2	479.2	502.3	502.8	535.0
Tissue and Cooking Papers	1,012.8	1,004.0	257.6	252.4	250.2	252.6	259.9	248.3	244.4	251.5
Other operations	9.6	3.9	2.4	2.3	2.7	2.3	1.2	1.6	0.6	0.5
Eliminations	-1,828.1	-1,863.1	-462.4	-439.3	-438.9	-487.5	-468.7	-440.4	-468.2	-485.8
<b>SALES TOTAL</b>	<b>4,970.3</b>	<b>4,938.7</b>	<b>1,247.5</b>	<b>1,203.6</b>	<b>1,264.9</b>	<b>1,254.3</b>	<b>1,219.3</b>	<b>1,213.9</b>	<b>1,241.9</b>	<b>1,263.6</b>
Operating result by segments										
Wood Supply and Forest Services	26.7	27.8	8.1	4.5	5.5	8.6	7.1	5.5	7.7	7.4
Wood Products Industry	34.1	-1.8	5.8	6.3	14.4	7.7	2.2	-13.0	4.5	4.4
Pulp Industry	227.9	196.6	64.5	51.8	56.7	54.9	51.0	50.8	47.5	47.3
Paperboard and Paper Industry	116.5	113.6	6.7	34.1	32.2	43.5	30.6	19.3	28.9	34.8
Tissue and Cooking Papers	61.8	55.3	21.1	19.2	9.7	11.8	15.1	12.6	13.8	13.8
Other operations	-40.7	-7.0	-4.7	3.4	3.7	-43.2	-4.6	1.1	-2.5	-0.9
Eliminations	-9.5	-49.6	-17.4	-16.4	38.0	-13.7	-13.1	-13.3	-10.7	-12.5
<b>OPERATING RESULT TOTAL</b>	<b>416.9</b>	<b>335.0</b>	<b>84.1</b>	<b>102.9</b>	<b>160.2</b>	<b>69.7</b>	<b>88.3</b>	<b>63.0</b>	<b>89.2</b>	<b>94.5</b>
-", excluding non-recurring items	418.1	342.9	117.3	104.3	91.5	105.1	87.3	72.6	93.7	89.3
-", % of sales	8.4	6.9	9.4	8.7	7.2	8.4	7.2	6.0	7.5	7.1
Share of results from associated companies and joint ventures	16.4	9.6	1.9	-0.9	7.9	7.4	0.1	0.1	2.9	6.6
Net exchange gains/losses	2.7	-4.6	3.9	0.0	0.9	-2.1	-2.6	-2.0	-0.2	0.2
Financial income and expenses	-106.1	-116.2	-22.4	-22.6	-23.3	-37.8	-24.3	-30.1	-23.0	-38.9
<b>RESULT BEFORE TAX</b>	<b>329.9</b>	<b>223.8</b>	<b>67.5</b>	<b>79.4</b>	<b>145.7</b>	<b>37.2</b>	<b>61.5</b>	<b>31.0</b>	<b>68.9</b>	<b>62.4</b>
Income taxes	-69.7	-35.1	-11.1	-17.4	-35.8	-5.4	10.2	-10.6	-18.8	-16.0
<b>RESULT FOR THE PERIOD</b>	<b>260.3</b>	<b>188.7</b>	<b>56.4</b>	<b>62.0</b>	<b>109.9</b>	<b>31.8</b>	<b>71.7</b>	<b>20.4</b>	<b>50.1</b>	<b>46.4</b>
<b>OPERATING RESULT EXCLUDING NON-RECURRING ITEMS</b>	<b>2014</b>	<b>2013</b>	<b>Q4/2014</b>	<b>Q3/2014</b>	<b>Q2/2014</b>	<b>Q1/2014</b>	<b>Q4/2013</b>	<b>Q3/2013</b>	<b>Q2/2013</b>	<b>Q1/2013</b>
Wood Supply and Forest Services	28.2	27.8	8.1	4.5	7.0	8.6	7.1	5.5	7.7	7.4
Wood Products Industry	37.2	15.4	8.0	6.2	14.4	8.6	2.0	-2.9	11.9	4.4
Pulp Industry	207.5	196.6	64.5	51.8	36.3	54.9	51.0	50.8	47.5	47.3
Paperboard and Paper Industry	136.5	104.4	36.9	35.2	28.3	36.1	29.3	18.9	26.0	30.2
Tissue and Cooking Papers	62.2	54.7	21.1	19.6	9.7	11.8	15.1	12.6	13.8	13.2
Other operations and eliminations	-53.5	-56.1	-21.2	-13.0	-4.2	-15.0	-17.3	-12.3	-13.2	-13.4
<b>TOTAL</b>	<b>418.1</b>	<b>342.9</b>	<b>117.3</b>	<b>104.3</b>	<b>91.5</b>	<b>105.1</b>	<b>87.3</b>	<b>72.6</b>	<b>93.7</b>	<b>89.3</b>
<b>KEY RATIOS</b>	<b>2014</b>	<b>2013</b>	<b>Q4/2014</b>	<b>Q3/2014</b>	<b>Q2/2014</b>	<b>Q1/2014</b>	<b>Q4/2013</b>	<b>Q3/2013</b>	<b>Q2/2013</b>	<b>Q1/2013</b>
Equity ratio, %	37.9	37.9	37.9	38.5	37.9	37.2	37.9	35.9	34.8	34.9
Net gearing ratio, %	46	77	46	62	70	83	77	85	90	90
Interest-bearing net liabilities, EUR million	938	1,510	938	1,258	1,389	1,614	1,510	1,604	1,669	1,695
Return on capital employed, %	11.1	8.9	8.7	10.6	17.2	8.0	9.4	6.4	9.3	10.2
- ", excl. non-recurring items	11.4	9.1	12.0	10.7	10.3	12.3	9.3	7.4	9.7	9.7
Return on equity, %	13.0	9.9	11.1	12.4	22.4	6.5	14.9	4.4	10.7	9.9
- ", excl. non-recurring items	13.4	10.3	17.6	12.6	8.4	15.4	14.7	6.4	11.6	8.8

# FIVE YEARS IN FIGURES

EUR million	2014	2013	2012	2011	2010
Sales	4,970	4,938	5,001	5,346	5,377
Operating result	417	335	241	29	497
- " -, excluding non-recurring items	418	343	256	314	547
Result before tax	330	224	133	-98	345
Result for the period	260	189	101	-157	214
Non-current assets	3,024	3,251	3,380	3,413	3,534
Inventories	774	776	726	781	798
Other current assets	1,649	1,164	1,260	1,107	1,340
Total assets	5,447	5,191	5,366	5,300	5,672
Members' funds	1,590	1,483	1,367	1,126	1,154
Non-controlling interest	467	476	491	359	524
Non-current liabilities	1,843	2,070	1,717	2,429	2,534
Current liabilities	1,547	1,162	1,791	1,386	1,460
Total members' funds and liabilities	5,447	5,191	5,366	5,300	5,672
Return on capital employed, %	11.1	8.9	6.7	1.1	11.8
- " -, excluding non-recurring items	11.4	9.1	7.1	8.5	13.4
Return on equity, %	13.0	9.9	6.1	-9.9	13.9
- " -, excluding non-recurring items	13.4	10.3	6.9	8.6	18.2
Equity ratio, %	37.9	37.9	34.7	28.1	29.7
Net gearing ratio, %	46	77	87	132	116
Gearing ratio, %	93	101	115	154	143
Interest-bearing liabilities	1,904	1,981	2,139	2,293	2,398
Interest-bearing financial assets	966	471	530	339	459
Interest-bearing net liabilities	938	1,510	1,609	1,953	1,939
Investments in tangible assets	143	214	204	227	138
- " -, % of sales	2.9	4.3	4.1	4.2	2.6
Personnel, average	10,775	11,216	11,986	13,046	13,168
Personnel, at the end of year	10,410	10,736	11,447	12,525	12,820
- of whom in Finland	5,131	5,227	5,414	5,660	5,734

## CALCULATION OF KEY RATIOS

Return on capital employed (%), ROCE	=	$\frac{\text{Result before tax -/+ net exchange gains/losses + interest and other financial expenses}}{\text{Balance total - non-interest-bearing liabilities (average)}}$
Return on equity (%)	=	$\frac{\text{Result before tax - income taxes}}{\text{Members' funds total (average)}}$
Equity ratio (%)	=	$\frac{\text{Members' funds total}}{\text{Total assets - advance payments received}}$
Net gearing ratio (%)	=	$\frac{\text{Interest-bearing net liabilities}}{\text{Members' funds total}}$
Gearing ratio (%)	=	$\frac{\text{Interest-bearing liabilities}}{\text{Members' funds total}}$
Interest-bearing net liabilities	=	Interest-bearing liabilities - cash and cash equivalent - interest-bearing receivables



# CORPORATE GOVERNANCE STATEMENT

This statement concerning Metsä Group's Corporate Governance has been given as a separate report in accordance with Chapter 7, Section 7 of the Finnish Securities Markets Act, and it has been published simultaneously with Metsä Group's Financial Statements and Report of the Board of Directors.

Metsäliitto Cooperative is a Finnish cooperative and parent company of Metsä Group. In this report, Metsäliitto Cooperative is referred to when a matter is being discussed from the parent company's point of view only. The decision-making and administration of Metsä Group companies complies with the Cooperatives Act, the Limited Liability Companies Act, the Securities Markets Act, the cooperative rules, procedures approved by the administrative bodies and the policies and guidelines approved by the Metsäliitto Cooperative Board of Directors and the Executive Management Team. Metsäliitto Cooperative's rules are available in full on the Metsä Group's website under "Corporate Governance in Metsä Group."

This account of Metsä Group's corporate governance system follows the recommendation issued by the Securities Market Association on the corporate governance systems of listed companies on 15 June 2010 (see [www.egfinland.fi](http://www.egfinland.fi)) with regard to structure and content. However, Metsä Group's parent company Metsäliitto Cooperative takes into account the special characteristics of the cooperative form of incorporation and states the deviations from the recommendation with rationale. In accordance with the opinion issued by the Finnish Central Chamber of Commerce in January 2006, communities with an extensive ownership base, extensive operations or which are regionally or nationally significant, should comply with the recommendation to the extent that it is possible, taking their special characteristics into consideration in accordance with the comply or explain principle.

Metsä Group prepares its financial statements and interim reports in accordance with the International Financial Reporting Standards (IFRS). The financial statement documents are published in Finnish, Swedish and English.

Metsä Group's head office is located in Espoo, Finland. The registered office of the parent company Metsäliitto Cooperative is in Helsinki, Finland.

## MAIN ADMINISTRATIVE BODIES

Metsäliitto Cooperative's administrative bodies are the Representative Council, Supervisory

Board, Board of Directors and the CEO. The bodies separately specified below in this account assist the administrative bodies in their decision making and prepare their decisions. Currently, the CEO of Metsäliitto Cooperative acts as the President and CEO of Metsä Group. In this account, the CEO of Metsäliitto Cooperative is referred to as the "President and CEO".

## REPRESENTATIVE COUNCIL

The Representative Council uses the supreme decision-making power belonging to the members in Metsäliitto Cooperative in the matters specified by law and regulations. The Representative Council substitutes for the meeting of the cooperative in Metsäliitto Cooperative. The meeting of the Representative Council processes the matters specified in the Cooperatives Act and the cooperative rules, and other matters mentioned in the invitation to the meeting. The main tasks of the Representative Council are:

- to decide on adopting the financial statements;
- to decide on the distribution of profit to the members;
- to decide on discharging the Supervisory Board, Board of Directors and President and CEO from liability;
- to elect the members of the Supervisory Board and the auditors and to decide on their fees.

A full member of Metsäliitto Cooperative or his/her spouse may be elected to the Representative Council. The election of the Representative Council is carried out every fourth (4) year by mail, telecommunications or by some other technical device. Each member has one (1) vote. The election is carried out by election districts. From each election district, as many representatives will be elected as are recorded in the voting list of the district who are entitled to vote on 1 January of the election year, counted by numbers starting on or as of the number 2,300. The election districts are confirmed by the Supervisory Board, and fundamentally they are determined in accordance with Metsäliitto Cooperative's district organisations. A member of the personnel of the Metsä Group is not eligible according to the election system.

In accordance with the rules, the Representative Council convenes once a year in the spring. The Representative Council, Supervisory Board or the Board Directors may decide to arrange an extraordinary meeting. An extraordinary meet-

ing shall also be arranged if demanded by at least one tenth of the members. The Representative Council is convened by the Chairman of the Supervisory Board at the latest seven (7) days before the meeting with a written notice of a meeting sent to every member of the Representative Council, which must mention the issues processed in the meeting.

Each representative has one (1) vote in the meeting. Amending Metsäliitto Cooperative's rules requires the amendment proposal to be supported by a minimum of two thirds of the members participating in the meeting. In addition to the meeting representatives, the Chairman of the Board of Directors and, as a general rule, the members of the Board of Directors and Supervisory Board, shall be present at meetings of the Representative Council. In addition to these, the auditors shall also be present at the annual meeting.

The composition of the Representative Council is presented on page 97 of this publication.

## DISTRICT COMMITTEES

In accordance with Metsäliitto Cooperative's rules, there is a District Committee in each supply district. The District Committee comprises the members of the representative council, Supervisory Board and Board of Directors elected from the District's area and of the candidates not elected in the election of the Representative Council, in the order of their personal number of votes and twice the number of elected representatives, always at minimum five (5). The guidelines approved by the Supervisory Board specify the tasks of the District Committee. According to the guidelines, the main task of the District Committee is to promote communication and interaction between the members and Metsäliitto Cooperative's supply district in question with its operation.

## SUPERVISORY BOARD

Metsäliitto Cooperative's rules specify that the Supervisory Board is a part of Metsäliitto Cooperative's administration model. This aims to ensure the realisation of sufficient corporate governance and commitment of the members to Metsäliitto Cooperative's decision-making. Strategic and other far-reaching decisions, however, belong to the powers of Metsäliitto Cooperative's Board of Directors, and operational management to the acting management.

Metsäliitto Cooperative's rules specify the tasks of the Supervisory Board. The main task of the Supervisory Board is to ensure that

Metsäliitto Cooperative is managed in accordance with the rules and the decisions of the Representative Council and the Supervisory Board. In addition to this, the Supervisory Board:

- elects and dismisses members of the Metsäliitto Cooperative Board of Directors and decides on their fees;
- elects the CEO who also acts as the President and CEO unless otherwise decided by the Supervisory Board;
- gives the Board of Directors instructions in far-reaching matters and matters of importance in principle;
- audits the financial statements and issues a proposal on the use of any surplus to the Representative Council.

The Supervisory Board elects a Chairman and Deputy Chairman from among its members for one (1) year at a time and invites a secretary. The Supervisory Board convenes as summoned by the Chairman as often as necessary, or as proposed by the Board of Directors. The Supervisory Board is quorate when more than half the members are present. The opinion favoured by the majority shall be the decision. When the votes are even, the Chairman's vote decides, and elections are decided by lot.

The Supervisory Board comprises a minimum of twenty (20) and a maximum of thirty (30) members elected by the Representative Council from among the members of Metsäliitto Cooperative. Metsäliitto Cooperative's personnel may elect a maximum of five (5) members to the Supervisory Board. In addition, the Representative Council may, at the proposal of the Supervisory Board, elect a maximum of three (3) expert members to the Supervisory Board. The term of office of a member of the Supervisory Board begins at the closure of the annual meeting that elected him/her and runs until the annual meeting of the Representative Council three (3) years later. The aim of the three-year term of office is to ensure continuity in decision-making. Once a member of the Supervisory Board turns 65, his/her term of office, however, terminates at the annual meeting of the Representative Council the following year. When electing members to the Supervisory Board, the aim is to have nationwide representation that would cover all areas. A member of the Board of Directors may not be a member of the Supervisory Board.

The composition of the Supervisory Board is presented on page 97 of this publication.

#### NOMINATION COMMITTEE OF THE SUPERVISORY BOARD

A special nomination committee elected from among the members of the Supervisory Board

prepares the election of the members of the Board of Directors in accordance with procedures approved for it. In addition, the Nomination Committee makes a proposal for the fees paid to the Board of Directors. The Nomination Committee comprises six (6) members of the Supervisory Board as well as the Chairman and the Deputy Chairman of the Supervisory Board. The Chairman of the Supervisory Board acts as the chairman of the Nomination Committee, and the secretary of the Board of Directors acts as the secretary. The committee may invite the Chairman of the Board of Directors to attend their meeting as an expert member.

The Supervisory Board elected the following persons to the nomination committee in its meeting on 13 May 2014: Ville Hirvonen, Timo Kässi, Hannu Lassila, Timo Nikula, Erkki Vainionpää ja Jukka Vanhatalo. Furthermore, Hannu Järvinen, Chairman of the Supervisory Board, and Deputy Chairman Juha Paajanen are members of the Nomination Committee on the basis of their position.

#### INFORMATION ON THE MEETINGS OF THE SUPERVISORY BOARD DURING THE PREVIOUS FINANCIAL PERIOD

In 2014, there were 34 members in the Supervisory Board, four (4) of them personnel representatives elected by different personnel groups of Metsäliitto Cooperative. There were no expert members in the Supervisory Board in 2014. The Supervisory Board convened five (5) times, and the members' attendance rate was 98 per cent.

#### BOARD OF DIRECTORS

According to the Metsäliitto Cooperative's rules and legislation, the task of the Board of Directors is to ensure that Metsäliitto Cooperative and Metsä Group's operations and administration are appropriately arranged. The Board of Directors has composed a working order for its operations that specifies the operating principles followed in the decision-making of the Board of Directors in more detail. The working order is available in full on Metsä Group's website under "Corporate Governance in Metsä Group."

The tasks of the Board of Directors include:

- approving the tasks of the President and CEO and monitoring to ensure that they take care of the cooperative's running administration in accordance with the instructions and orders of the Board of Directors
- appointing and dismissing the President and CEO and the directors immediately subordinate to the President and CEO
- deciding on how members' capital shares are collected and additional shares made and their terms and conditions

- approving the strategy and annual budget of the cooperative and the Group, and supervising compliance with them
- signing the financial statements and consolidated financial statements, and presenting them to the Supervisory Board for audit
- preparing the matters to be decided by the Supervisory Board
- deciding on the sale, purchase and discontinuation of business operations and starting of new operations and mergers
- deciding on the wages and salaries and other benefits of the CEO/President and CEO and other senior management on the Compensation Committee's proposal
- deciding on other matters that, taking into account the extent and quality of the operations of the cooperative, are unusual and far-reaching.

The Board of Directors elects a chairman from among its members for one (1) year at a time. According to Metsäliitto Cooperative's rules, the President and CEO acts as the deputy chairman. According to the recommendation, the CEO should not be elected the chairman of the Board of Directors. However, the deviation from the Recommendation can be justified with Metsäliitto Cooperative's cooperative administrative model. The Board of Directors convenes as summoned by the chairman as often as necessary. The President and CEO prepares the Board's meetings. The Board of Directors is quorate when more than half the members of the Board are present. When the votes are equal, the chairman's vote decides. Minutes shall be kept of the meetings of the Board of Directors.

The Board of Directors regularly appraises its operation and procedures by conducting an annual self-assessment.

#### COMPOSITION AND TERM OF OFFICE OF THE BOARD OF DIRECTORS

The Supervisory Board elects Metsäliitto Cooperative's Board of Directors. Thus, the election of Metsäliitto Cooperative's Board of Directors deviates from the recommendation on the election of the Board of Directors. The deviating competence regulations secure the realisation of cooperative corporate governance and the members' extensive participation in Metsäliitto Cooperative's decision-making.

The Board of Directors comprises a minimum of five (5) and a maximum of eight (8) members, plus the President and CEO. All Board members apart from the President and CEO are independent of Metsä Group. Both genders are represented in the Board of Directors. A Board member's term of office com-



mences at the beginning of the calendar year following the meeting of the Supervisory Board that elected them and runs for three (3) years at a time. The term of office of a member of the Board of Directors ends at the end of the calendar year during which they turn 65. The term of office of the members of the Board of Directors deviates from the one-year term of office of the recommendation. However, the owners of the cooperative have not considered it necessary to shorten the term of office, as the three-year term has been considered necessary to secure continuity in decision-making. In the past few years, particular attention has been paid by the Supervisory Board's Nomination Committee to the composition of the Board of Directors and the diversity of its members' competence. In 2014, the Chairman of the Board of Directors was Martti Asunta, the Vice Chairman was Kari Jordan, and members were Mikael Aminoff, Eino Halonen, Arto Hiltunen, Saini Jääskeläinen, Juha Parpala, Timo Saukkonen and Antti Tukeva. On 5 November 2014, the Supervisory Board of Metsäliitto Cooperative elected Mikael Silvennoinen as a new member of the Board of Directors as of 1 January 2015. According to the rules of the Cooperative, Eino Halonen has resigned from the Board of Directors as from the beginning of 2015 having turned the age of 65. CVs of the members of the Board of Directors are presented on page 98–99 and their holdings in Metsä Group on page 95 of this publication.

#### BOARD COMMITTEES

In order to ensure that the Board of Directors' tasks are effectively managed, Metsäliitto Cooperative's Board of Directors has an Audit Committee and a Compensation Committee. The committees are not competent to make decisions independently; the Board of Directors makes the decisions on matters based on the preparation of the Committees. The Board of Directors elects the members of the committee from among its members.

#### AUDIT COMMITTEE

The Audit Committee assists the Board of Directors in performing its monitoring task. In this task, the Committee assesses and supervises matters related to financial reporting, auditing, internal audit and risk management in accordance with procedures approved for it. The Audit Committee comprises a minimum of three (3) members who are independent of Metsä Group, elected by the Board of Directors from among its members. In addition, the President and CEO attends the meetings of the Audit Committee, except for the times when the Audit Committee wishes to convene without the presence of the act-

ing management. The Audit Committee shall regularly report to the Board of Directors on its operations and observations. In 2014, the Chairman of the Audit Committee was Arto Hiltunen and members were Martti Asunta and Eino Halonen.

#### COMPENSATION COMMITTEE

The purpose of the Compensation Committee is to assist the Board of Directors in ensuring that Metsä Group has appropriate and competitive pay systems, and successor and development planning in accordance with the procedure approved by the Board of Directors.

In its task, the Committee presents e.g. the terms of the employment relationship of the CEO and the President and CEO, pay systems of the top management and key principles in the top management's contracts to the Board of Directors to decide on. In addition, the Compensation Committee presents the annual targets for the top management to the Board of Directors and monitors their realisation. Furthermore, the committee reviews matters related to the compensation systems of the top management and proposes them for the Board of Directors to decide on.

The Board of Directors elects three (3) members to the Compensation Committee from among its members. The majority of the members of the Compensation Committee must be independent of Metsä Group, and a member of Metsä Group's acting management may not be a member of the committee. The Compensation Committee shall regularly report to the Board of Directors on its operations. In 2014, the Chairman of the Compensation Committee was Martti Asunta and its members were Eino Halonen and Antti Tukeva.

#### INFORMATION ON THE MEETINGS OF THE BOARD OF DIRECTORS AND ITS COMMITTEES DURING THE PREVIOUS FINANCIAL PERIOD

The Board of Directors convened fourteen (14) times during 2014 and the members' attendance rate was 97 per cent. The Audit Committee convened six (6) times, and the members' attendance rate was 94 per cent. The Compensation Committee convened five (5) times, and the members' attendance rate was 93 per cent.

#### PRESIDENT AND CEO

Metsäliitto Cooperative has a CEO who also acts as the President and CEO of Metsä Group unless otherwise decided by the Supervisory Board. The President and CEO manages the operation of the entire Metsä Group. Currently, the President and CEO of Metsä Group, Kari Jordan, also acts as the CEO of Metsäliitto Cooperative.

The President and CEO's duty is to manage the operational actions of Metsä Group in accordance with the law, regulations, decisions and instructions of the administrative bodies. According to the Metsäliitto Cooperative's rules, the President and CEO is in charge of arranging the running administration of the cooperative and supervises financial administration.

The President and CEO is elected by the Supervisory Board, and the Board of Directors approves the contract of the President and CEO. The deviation from the Recommendation in the election of the President and CEO can be justified with Metsäliitto Cooperative's cooperative administrative model.

The CV of the President and CEO is presented on page 98 and his holdings in Metsä Group on page 95 of this publication.

#### EXECUTIVE MANAGEMENT TEAM

Metsä Group has an Executive Management Team with the Group's President and CEO as its chairman. The Executive Management Team assists the President and CEO in the planning and operational management of business operations and prepares proposals for the Board of Directors, such as business strategies, budgets and significant investments. The Executive Management Team has no authority based on laws or rules. The Executive Management Team comprises the Metsä Group's President and CEO, the CEOs of the subsidiaries, directors of Metsä Wood and Metsä Forest business areas as well as the Group's CFO and strategy officer.

The Executive Management Team convenes as summoned by the Chairman, primarily twice a month, and additionally whenever necessary.

During 2014, the Executive Management Team comprised Kari Jordan, President and CEO, Hannu Anttila (Executive Vice President, Strategy), Ilkka Hämälä (CEO of Metsä Fibre Oy), Mika Joukio, CEO of Metsä Tissue Corporation until 30 September 2014 and CEO of Metsä Board Corporation as of 1 October 2014, Esa Kaikkonen (Executive Vice President, Metsä Wood), Juha Mäntylä (Executive Vice President, Metsä Forest) and Vesa-Pekka Takala (CFO).

In addition, Mikko Helander, former CEO of Metsä Board, was a member in the Executive Management Team until 30 September 2014 when resigned from the Group as of 1 October 2014. Metsä Board's current CEO Mika Joukio acted as the CEO of Metsä Tissue until 30 September 2014. In the early 2015 Metsä Group announced that Petri Helsky, M.Sc (Chem. Eng.), M.Sc (Econ) will start as the CEO of Metsä Tissue Corporation and as a member of Metsä Group's Executive Management Team as of 16 April 2015. Until then Hannu Anttila, Executive



Vice President, Strategy is the acting CEO of Metsä Tissue.

CVs of the members of the Executive Management are presented on page 100–101 and their holdings in Metsä Group on page 95 of this publication.

## INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT

Profitable business requires that operations are monitored continuously and with adequate efficiency. Metsä Group's internal control covers the control of financial reporting, internal authorisation rights, investment follow-up and credit control. The functionality of internal control, on the other hand, is evaluated by Metsä Group's internal audit. Internal control is carried out throughout the organisation. Internal control methods include internal guidelines and reporting systems that support control.

The principles, objectives and responsibilities of Metsä Group's internal control and the principles of internal audit are described below. Metsä Group's acting management, risk management director and internal audit are in charge of composing the principles mentioned above and the Board of Directors for ultimately ratifying them.

### DEFINITION OF INTERNAL CONTROL AND ITS OBJECTIVES

In Metsä Group, internal control covers financial reporting and other monitoring. Internal control is implemented by the Board of Directors, the Audit Committee and the acting management, as well as the entire personnel. Internal control refers to those management activities that seek to ensure:

- achievement of the goals and objectives set for Metsä Group
- economical, appropriate and efficient use of resources
- management of operation-related risks
- reliable and correct financial and other management information
- adherence to external regulations and internal policies
- adherence to appropriate procedures related to customer relationships
- sufficient security of operations, information and property
- arranging adequate and suitable manual and IT systems to support operations.

### PROACTIVE CONTROL

Proactive control includes specifying Metsä Group's values, general operational and business principles as well as goals and strategy. Metsä Group's corporate culture, governance and the

approach to control together create the basis for the entire process of internal control.

### DAILY CONTROL

Daily control refers to general control and follow-up, with operational systems and work guidelines, related to operational steering. Examples include specifying personnel responsibilities and authority, identifying high-risk assignment combinations, job descriptions, approval authority and deputy procedures.

### SUBSEQUENT CONTROL

Subsequent control refers to control and checkup measures, such as different management evaluations and inspections, comparisons and verifications, the aim of which is to ensure that the goals are met and that the agreed operational and control principles are followed.

### CONTROLLING OF FINANCIAL REPORTING PROCESS, CREDIT CONTROL AND AUTHORISATION RIGHTS

The financial organisations of the business areas and the Group are responsible for financial reporting. The units and business areas report the financial figures each month. Business area controllers check the monthly performance of units from each business area and report them further to the Group financial administration. Business area profitability development and business risks and opportunities are discussed monthly at the Metsä Group Executive Management Team meetings attended by the senior management of Metsä Group and of each business area, and at financial management team meetings attended by the Group CFO and director of finance and the CFO of each business area, among others. The results are reported to the Board of Directors of Metsäliitto Cooperative each month. The results of the business areas are additionally reported to the Boards of Directors of their parent companies each month. Metsä Group's Controllers' Manual describes the reporting and control regulations and the reporting procedure in detail. Credit control in Metsä Group is carried out by each business area in accordance with the Group credit control policy and the business area-specific credit control policy based on it. Credit control is carried out by the Group's central credit control organisation in cooperation with the management of the business areas.

Authorisation rights concerning expenses, significant contracts and investments have been specified stepwise for different organisation levels, according to the decision-making order confirmed by the Board and the authority separately granted by the President and CEO and other management personnel.

Investment approval and follow-up is carried out by the business areas and the Group's financial administration according to the decision-making order and investment policy approved by the Board of Directors. The most significant investments are separately submitted for approval by the Executive Management Team and the Boards of the Group's parent company, and of the parent company of the business area.

### INTERNAL AUDIT

Metsä Group's internal audit assists the Board of Directors in performing its supervisory task by assessing the level of internal audit maintained in order to attain the targets of Metsä Group's operation. In addition, the department supports the organisation by assessing and ensuring the functioning of the business processes, risk management and management and administration systems. In its audit work, the internal audit function complies with the internal audit guideline ratified by the Board of Directors of Metsäliitto Cooperative.

The internal audit unit operates under the supervision of the Group's President and CEO and the Audit Committee. An internal audit action plan is prepared for one (1) calendar year at a time. The audit focuses on areas that have particular significance for the risk assessed and the Group's objectives at the time. The action plan will be reviewed with the management semi-annually, with regard to how up to date and appropriate it is.

The extent and coordination of auditing will be ensured with regular contact and flow of information with other internal control functions and auditors. Internal audit uses, if necessary, external outsourced services for temporary additional resourcing or performing assessment tasks that require special expertise. In this case, the external service providers act under the supervision of the head of the internal audit.

A report is written for each audit and distributed to the Group's President and CEO, the senior management of the affiliated group being audited and the management of the audited function or unit. The audit reports are submitted to the auditors for information and to the parties that are considered relevant based on the content of the report. The internal audit department shall compose a semiannual summary report to the Audit Committee on the audits carried out, the most significant observations and the agreed measures. In addition, the semi-annual report shall state the most significant changes in carrying out the audits compared to the action plan and other main duties performed by the internal audit department, as well as any changes in resources. An annual report of the activity of the internal audit shall be composed for the Board of Directors.





## RISK MANAGEMENT

Risk management is an essential part of Metsä Group's standard business planning and leadership. Risk management belongs to daily decision-making, operations follow-up and internal control, and it promotes the objectives set by the company and ensures that they are met.

Linking business management efficiently with risk management is based on the operational principles confirmed by Metsäliitto Cooperative's Board of Directors; the aim of the principle is to maintain risk management as a process that is well defined, understandable and sufficiently practical. Risks and their development are reported on a regular basis to the Board's Audit Committee. Centralised risk management also takes care of the coordination and competitive bidding for Metsä Group's insurance coverage.

The most crucial objective of risk management is to identify and evaluate those risks, threats and opportunities which may have an impact on the implementation of the strategy and on how short-term and long-term objectives are met. A separate risk review is also included in the most significant investment proposals.

The business areas regularly evaluate and monitor the risk environment and related changes as part of their annual and strategic planning. The risks identified and their means of control are reported to the company's management, Audit Committee and the Board of Directors at least twice a year. Business risks also involve opportunities, and they can be utilised within the boundaries of the agreed risk limits.

Conscious risk-taking decisions must always be based on an adequate evaluation of the risk-bearing capacity and the profit/loss potential, among other things.

## RISK MANAGEMENT RESPONSIBILITIES

Risk management responsibilities in Metsä Group are divided as follows:

- The Board of Directors is responsible for Metsä Group's risk management and confirms the company's risk management policy.
- The Audit Committee evaluates the adequacy of Metsä Group's risk management and the essential risk areas and provides the Board of Directors with related proposals.
- The President and CEO and the members of the Executive Management Team are responsible for the specification and adoption of the risk management principles. They are also responsible for ensuring that the risks are taken into account in the company's planning processes and that risk reporting is adequate and appropriate.
- The Group's Risk Management Director is in charge of the development and coordination

of the risk management process, performance of risk assessment and the essential insurance decisions.

- Business areas and services functions identify and evaluate the essential risks related to their own areas of responsibility in their planning processes, prepare for them, take necessary preventive action and report on the risks as agreed.

## RISK MANAGEMENT PROCESS

The purpose of risk management is to:

- promote and ensure the achievement of the goals set for business operations;
- ensure the safe and uninterrupted continuity of business operations in all circumstances;
- optimise Metsä Group's overall risk exposure.

Metsä Group's essential risk management elements include implementing a comprehensive corporate risk management process that supports the entire business, protecting property and ensuring business continuity, Metsä Group's security and its continuous development, as well as crisis management and continuity and recovery plans. According to the risk management policy and principles, adequate risk management forms a necessary part of the preliminary review and implementation stages of projects which are financially or otherwise significant.

## THE TASKS OF RISK MANAGEMENT ARE TO:

- ensure that all identified risks with an impact on personnel, customers, products, property, information assets, corporate image, corporate responsibility and operational capacity are controlled according to applicable laws and on the basis of best available information and financial aspects;
- ensure that Metsä Group's objectives are met;
- fulfil the expectations of stakeholders;
- protect property and ensure disruption-free business continuity;
- optimise the profit/loss possibility ratio;
- ensure the management of Metsä Group's overall risk exposure and minimise the overall risks.

The most significant risks and uncertainties that Metsä Group is aware of are described in the report of the Board of Directors.

## INSIDER GUIDELINES

In matters related to insiders, Metsä Group complies with securities market legislation and the insider guidelines of the subsidiary Metsä Board Corporation, composed in accordance with the standards of the Financial Supervisory Authority

and the guidelines prepared by NASDAQ OMX Helsinki Ltd (the Helsinki Stock Exchange). Metsä Group requires every employee to follow the insider regulations. The secretary of the Board of Directors of each Group company is in charge of the maintenance and administration of Metsä Group's statutory insider register. Metsä Group only recommends long-term investments and the use of purchase programmes. Metsä Board Corporation's public insider register comprises the members of Metsäliitto Cooperative's Board of Directors, the President and CEO and the auditors. Metsä Board's company-specific insiders include the members of the Group's Executive Management Team and persons appointed to legal, financial, communications and investor relations-related tasks of Metsä Group and thus regularly have access to insider information on Metsä Board.

## AUDIT

According to Metsäliitto Cooperative's rules, Metsäliitto Cooperative has one (1) auditor, who shall be an auditing firm authorised by the Central Chamber of Commerce of Finland. The Representative Council elects the auditor to review the accounts for the year underway, and their task ends at the closure of the next annual meeting of the Representative Council. The task of the auditor is to audit the financial statements and accounting of the Group and the parent company, and the administration of the parent company. The auditor provides a statutory auditor's report to the members of Metsäliitto Cooperative in connection with the annual financial statements and regularly reports on his/her observations to the Board of Directors and the management of Metsä Group.

In accordance with the resolution of the Representative Council meeting in the spring of 2014, Metsäliitto Cooperative's auditor for 2014 is KPMG Oy Ab, firm of authorized public accountants, with Raija-Leena Hankonen, APA, as main responsible auditor. Companies that belong to Metsä Group paid a total of EUR 1,209,000 (EUR 1,212,000 in 2013) in audit fees to the KPMG chain in Finland and internationally and a total of EUR 115,000 (EUR 223,000 in 2013) to other accounting firms in 2014. In addition, the KPMG chain was paid in Finland and internationally EUR 37,000 (EUR 32,000 in 2013) for services not related to the actual audit and other auditing firms were paid EUR 253,000 (EUR 393,000 in 2013).

# SALARY AND REMUNERATION REPORT

This salary and remuneration report of Metsä Group has been issued pursuant to Recommendation 47 of the Finnish Corporate Governance Code of 15 June 2010 and it was published on Metsä Group's website in March 2015. In accordance with the Group's practice the salary and remuneration report is updated preliminary two (2) times every calendar year and always in March–April in connection with the Corporate Governance Statement.

## FEES OF THE SUPERVISORY BOARD AND THE BOARD OF DIRECTORS

### METSÄLIITTO COOPERATIVE'S SUPERVISORY BOARD

Pursuant to a decision of the Representative Council, the Chairman and Deputy Chairman of the Supervisory Board are paid fixed monthly remuneration and meeting fees. The other members receive only meeting fees. The members are entitled to travel compensation according to Metsä Group's travel rules.

The Annual General Meeting of the Representative Council in the spring 2014 decided to keep the remuneration of the Supervisory Board members unchanged in 2014. In 2014, the monthly remuneration of the Chairman of the Supervisory Board was EUR 3,400 and the meeting fee EUR 600 per meeting. The Chairman was paid a total of EUR 57,300 (EUR 56,400 in 2013) in salaries and meeting fees. The monthly remuneration of the Deputy Chairman of the Supervisory Board was EUR 1,500 and the meeting fee EUR 600 per meeting in 2014. The Deputy Chairman was paid a total of EUR 24,900 (EUR 24,000 in 2013) in salaries and meeting fees. The other members were paid EUR 600 per meeting, totalling EUR 116,000 (EUR 98,400 in 2013). Members of the Supervisory Board were paid a total of EUR 198,300 (EUR 178,800 in 2013) in salaries and fees in 2014.

### METSÄLIITTO COOPERATIVE'S BOARD OF DIRECTORS

Pursuant to the Supervisory Board's decision, each member of the Board of Directors is paid fixed monthly remuneration and meeting fees. Meeting fees are paid also for committee meetings. Furthermore, pursuant to the Supervisory Board's decision in November 2013, the chairman of the Audit Committee

is entitled to a separate monthly remuneration of EUR 1,200. The members of the Board are entitled to travel compensation according to Metsä Group's travel rules.

The meeting of the Supervisory Board decided in November 2013 to keep the remuneration of the members of the Board of Directors unchanged in 2014. In 2014, the monthly remuneration of the Chairman of the Board of Directors was EUR 5,800 and the meeting fee EUR 600 per meeting. The Chairman was paid a total of EUR 86,640 (EUR 83,640 in 2013) in salaries and meeting fees. The monthly remuneration of the other members was EUR 3,200 and the meeting fee EUR 600 per meeting in 2014. The other members were paid a total of EUR 355,800 (EUR 332,700 in 2013) in salaries and meeting fees. The President and CEO is not paid a salary or remuneration for duties in the Board of Directors. Members of the Board of Directors were paid a total of EUR 442,440 (EUR 416,340 in 2013) in salaries and fees in 2014. The above-mentioned fees paid for Board duties accumulate pension benefits.

## REWARDS SYSTEM FOR ACTING MANAGEMENT

The purpose of the reward system for Metsä Group's acting management is to reward the management in a just and competitive manner for the performance of Metsä Group and realising the strategy and development of the business operations. The Board of Directors of Metsäliitto Cooperative decides on the remuneration and other financial benefits and the principles of the profit pay system of the Group President and CEO and members of the Group's Executive Management Team. All Metsä Group companies comply with the same reward principles, but the remuneration criteria are separately decided on by each subsidiary's Board of Directors.

The reward system comprises a fixed monthly salary, a bonus determined on the basis of the task's effect on earnings, the management's pension benefits and a share compensation system.

## SHORT-TERM INCENTIVES

### SALARY AND SEVERANCE PAY OF THE PRESIDENT AND CEO

In December 2014, the President and CEO's monthly salary with fringe benefits was EUR 87,400.26 (EUR 86,350.62 in 2013). The monthly salary includes housing, a car, chauffeur and other minor benefits.

Pursuant to the President and CEO's contract, the Board of Directors may decide that the President and CEO receives a bonus based on the profit, cash flow and personal performance, corresponding to nine (9) months' salary.

The companies in Metsä Group paid the President and CEO a total of EUR 2,638,103.34 (EUR 1,647,443.60 in 2013) in salaries, fees and other benefits in 2014. The salary with fringe benefits paid by Metsäliitto Cooperative amounted to EUR 1,098,222.70 (EUR 1,081,540 in 2013), and the bonus and share reward to EUR 1,427,368.69 (EUR 453,790.89 in 2013). The other Group companies paid the President and CEO a total of EUR 112,511.95 (EUR 112,111.99 in 2013) in salaries, fees and other benefits. The term of notice of the President and CEO is six (6) months.

When the contract of the President and CEO is terminated by the Board, the President and CEO is entitled to severance pay corresponding to 24 months' total salary. No severance compensation is paid if the contract is terminated by the President and CEO.

### SALARIES AND FEES OF OTHER MANAGEMENT

The maximum bonus paid to members of the Group Executive Management Team employed by Metsäliitto Cooperative can vary, according to the task's effect on earnings, corresponding up to the seven (7) months' wages for that person. The criteria of the bonus system are the performance targets of the Group level and of one's own area of responsibility. The companies in Metsä Group paid members of the Executive Management Team (excluding the President and CEO) a total of EUR 5,153,958.26 (EUR 3,292,98.78 in 2013) in salaries and fees in 2014.



## LONG-TERM INCENTIVES

### SHARE OWNERSHIP SYSTEM FOR THE EXECUTIVE MANAGEMENT TEAM

The members of the Metsä Group Executive Management Team except for Mika Joukio established a company named Metsäliitto Management Oy in 2010. Through the company, the management invested EUR 3,850,000 of their own funds in Metsä Board Corporation's B shares. The investment by President and CEO Kari Jordan amounted to EUR 1,000,000. In addition, some of the investments of the company in Metsä Board's B shares had been financed by a loan of EUR 15,400,000 granted by Metsäliitto Cooperative. The management themselves shouldered the ownership risk for the investment they had in the system. The purpose of the system was to encourage members of the Executive Management Team to acquire and own Metsä Board's B shares and, through this, to increase the shareholder value of Metsä Group in the long term and support the achievement of the Group's strategic objectives.

A total of 6,790,887 of Metsä Board's B shares were acquired through Metsäliitto Management, of which the President and CEO indirectly owned 1,763,867 shares and the other members of the Executive Management Team indirectly owned 5,027,020 shares.

Since the price of Metsä Board's B shares exceeded the average price of Metsä Board Corporation shares acquired for the system at the end of 2013, the system was dismantled as stated in its rules in February 2014. The Executive Management Team members who had participated in the system were entitled to a share in proportion to their shareholding. President and CEO's share of the net assets of Metsäliitto Management Oy totalled EUR 1,138,340.

### SHARE-BASED INCENTIVE SCHEME FOR EXECUTIVES

**Share-based incentive scheme for 2011–2015:** The Board of Directors of Metsäliitto Cooperative decided in December 2010 on a share-based incentive scheme for Metsä Group's executives for the years 2011–2015. The arrangement offers the target group an opportunity to receive Metsä Board Corporation's B Series shares in three earning periods of three calendar years each for achieving the targets

set for the periods' earning criteria. The earning periods are calendar years 2011–2013, 2012–2014 and 2013–2015.

The Board of Directors of Metsäliitto Cooperative determines the executives who belong to the target group and their maximum rewards at the beginning of each three-year earning period. The maximum reward for the earning period is expressed as a number of shares. Attaining the targets established for an earning period determines the proportion of the maximum reward that shall be paid to the executives. The possible reward will be paid partially in Metsä Board Corporation shares and partially in cash. The amount paid in cash covers the taxes and tax-like charges resulting from the reward. The reward will not be paid if the person's employment has terminated before the payment of the reward. The shares cannot be transferred during a commitment period of two years.

The possible reward from each earning period (2011–2013, 2012–2014 and 2013–2015) is based on the development of Metsä Group's equity ratio, return on capital employed (ROCE), and earnings before interest and taxes (EBIT).

The reward from the 2011–2013 earning period was paid in March 2014 to 51 persons, including all Executive Management Team members, and equating in value to approximately 1.8 million Metsä Board B shares, including also the portion payable in cash. President and CEO Kari Jordan's share of the reward equalled the value of approximately 0.3 million shares.

The reward from the 2012–2014 earning period was paid in February 2015 to 54 persons including all Executive Management Team members and equating to a maximum total of approximately 1.9 million Metsä Board B shares, including the portion payable in cash. President and CEO Kari Jordan's share of the reward equalled the value of approximately 0.3 million shares.

The possible reward from the 2013–2015 earning period equate to a maximum of approximately 4.2 million shares including the portion payable in cash. The system includes for the 2013–2015 earning period 52 persons including all Executive Management Team members.

**Share-based incentive scheme for 2014–2018:** The Board of Directors of Metsäliitto

Cooperative decided in February 2014 to extend the share-based incentive scheme for Metsä Group's executives for the years 2014–2018. The share-based incentive scheme has three three-year earning periods: the calendar years 2014–2016, 2015–2017 and 2016–2018.

The Board of Directors of Metsäliitto Cooperative shall determine the executives who belong to the target group and their maximum rewards at the beginning of every three year earning period. The maximum reward is expressed as a number of shares. Attaining the targets established for an earning period determines the proportion of the maximum reward that shall be paid to the executives. Any reward will be paid partially in Metsä Board Corporation's shares and partially in cash. The amount paid in cash covers the taxes and tax like charges resulting from the reward. Each earning period will be followed by a subsequent two-year commitment period during which the participant is not entitled to transfer or dispose of the shares. If the executive's employment contract is terminated or cancelled by the Group company or the executive during the commitment period, the executive shall return the shares received as reward without consideration.

The potential rewards for the earning periods 2014–2016 and 2015–2017 are based on Metsä Group's equity ratio and the development of return on capital employed (ROCE) and earnings before interest and taxes (EBIT).

The reward from the earning period 2014–2016 equates in value to the maximum of approximately 4.1 million Metsä Board B shares, including the portion payable in cash. The scheme covers 55 persons, including all members of Metsä Group's Executive Management Team.

The reward from the earning period 2015–2017 equates in value to the maximum of approximately 4.5 million Metsä Board B shares, including the portion payable in cash. At the beginning of the earning period, the scheme covers 50 persons, including all members of Metsä Group's Executive Management Team.

Additional information on the share-based incentive scheme is on pages 66–68 of this publication.

## MANAGEMENT PENSION ARRANGEMENTS

Members of Metsä Group's Executive Management Team fall within the scope of the Finnish Employees' Pensions Act. It provides pension security based on the period of service and earned income as provided in the Act. In the Finnish earnings-related pension system, basic salary, remuneration and taxable fringe benefits are included in earned income, but not income from options and share-based incentive systems for management.

## PENSION ARRANGEMENTS OF THE PRESIDENT AND CEO

As a rule, President and CEO has a separate pension agreement with a retirement age of 60. The President and CEO's maximum level of pension is 60 per cent of the total salary under the Employees' Pensions Act, calculated on the basis of the five-year period preceding retirement. In 2014, the annual contribution of the President and CEO's defined benefit pension plan was 60 per cent (66 per cent in 2013) of the total salary and remuneration paid by Metsä Group companies to the President and CEO. If the contract of the President and CEO should terminate before retirement age, he is entitled to a paid-up policy.

## MANAGEMENT PENSION ARRANGEMENTS

The members of the Metsä Group's Executive Management Team have a separate defined benefit pension agreement with a retirement age of 62. The level of pension is a maximum of 60 per cent of the total salary under the Employees' Pensions Act, calculated on the basis of the five-year period preceding retirement. If the employment relationship with Metsä Group ends before retirement age, a member of the Executive Management Team is entitled to a paid-up policy.

## MANAGEMENT'S MEMBERS' CAPITAL AND SHAREHOLDING IN METSÄLIITTO COOPERATIVE AND METSÄ BOARD CORPORATION

31.12.2014	Participation in Metsäliitto Cooperative EUR	Shares in Metsä Board Corporation (B share)
<b>METSÄLIITTO COOPERATIVE'S BOARD OF DIRECTORS</b>		
Mikael Aminoff	43,007	61,346
Martti Asunta	68,718	58,332
Eino Halonen, member of the Board of Directors until 31 Dec 2014	2,738	18,900
Arto Hiltunen	1,040	
Kari Jordan	520	206,178
Saini Jääskeläinen	122,790	2,678
Juha Parpala	19,347	1,000
Timo Saukkonen	73,235	3,699
Mikael Silvennoinen, member of the Board of Directors as from 1 Jan 2015		
Antti Tukeva	29,780	3,200
<b>METSÄ GROUP'S EXECUTIVE MANAGEMENT TEAM</b>		
Hannu Anttila		36,650
Ilkka Hämälä		36,650
Kari Jordan	520	206,178
Mika Joukio		68,552
Esa Kaikkonen		29,320
Juha Mäntylä	150,938	29,320
Vesa-Pekka Takala		29,320



# METSÄLIITTO COOPERATIVE'S REPRESENTATIVE COUNCIL

Members of Metsäliitto Cooperative elect a Representative Council from among the members every four years by mail, telecommunications or by some other technical device. The Representative Council is the highest decision-making body.

Aikkinen Ilmari	Farmer	Mynämäki	Nylund Mats	Farmer	Pedersöre
Alatalo Matti	Farmer	Soini	Nyysönen Olli-Pekka	Chauffeur	Pielavesi
Haukilahti Tapani	Farmer	Veteli	Pekonen Kari	Rural Entrepreneur	Parikkala
Häppölä Heikki	Farmer	Orimattila	Purhonen Petri	Farmer	Enonkoski
Idström Eero	Farmer	Kiuruvesi	Pyykkönen Rauno	Forestry Technician	Suomussalmi
Isomuotia Harri	Farmer, M.Sc. (Forestry)	Hämeenkyrö	Pärnänen Pekka	Farmer	Juva
Juvonen Matti	Pensioner	Joensuu	Raininko Tuomo	Farming and Forestry Entrepreneur	Jämijärvi
Järvi-Laturi Heikki	Farmer	Teuva	Raitala Juha	Farmer	Loimaa
Kallio Maarit	Agrologist	Sastamala	Rautiola Antti	Farmer	Oulainen
Kallunki Heikki	Physiotherapist	Kuusamo	Ryymän Jaakko	Farmer	Iisalmi
Kananen Jussi	Farmer, Agrologist	Viitasaari	Räsänen Tauno	Entrepreneur	Tuusniemi
Kangas Erkki	Agricultural Entrepreneur	Harjavalta	Savolainen Jyrki	Farmer	Laukaa
Keskinen Sakari	Farmer	Mänttä-Vilppula	Sipola Atso	Farmer	Oulu
Keskisarja Hannu	Famer	Nivala	Sirviö Antti	Farming Entrepreneur	Kemijärvi
Kivenmäki Ari	Agrologist, Farmer	Kuortane	Snellman Veli	M. Sc. (Forestry)	Helsinki
Kiviranta Esko	Farmer, Senior Lawyer	Sauvo	Storsjö Bo	Farmer	Kristiinankaupunki
Koskinen Jaakko	Farmer	Hamina	Tienhaara Asko	Farmer	Alajärvi
Kuisma Jaakko	Agrologist	Urjala	Tolvanen Matti	Farmer, Forest Technician	Varkaus
Kuivalainen Kyösti	Rural Entrepreneur	Lieksa	Tuominen Pasi	Rural Manager, Farmer	Eura
Laitinen Pirkko	Agrologist	Utajärvi	Tuppi Veli-Matti	Farmer, Entrepreneur	Laihia
Lamminsalo Asko	Rural Entrepreneur	Rääkkylä	Turtiainen Matti	Journalist, Farmer	Kerimäki
Lauttia Petri	Farmer	Hämeenlinna	Uotila Kirsi	Forestry Entrepreneur	Helsinki
Levänen Pertti	Senior Policeman	Pieksämäki	Uusitalo Ilkka	Farmer	Salo
Lunttila Tommi	Farming and Forestry Entrepreneur	Äänekoski	Vapaniemi Jukka-Pekka	Forestry Services Entrepreneur	Nurmijärvi
Lyömiö Matti	Agrologist	Mäntyharju	Wasberg Johan	Forestry Engineer	Mustasaari
Långgård Thomas	Farmer	Maalahti	Wasström Anders	Farming Entrepreneur	Raasepori
Morri Tiina	Forestry Entrepreneur	Virrat	Vuorela Erkki	Rural Manager	Salla
Murto Pentti	Agrologist	Tampere	Vuoremaa Heino	Forestry Entrepreneur	Haapavesi
Mäkinen Pirjo	Forestry Entrepreneur	Petäjävesi	Väänänen Martti	Farmer	Sillinjärvi
Nevavuori Jari	Development Manager, Farmer	Uusikaupunki	Ylitalo Martti	Farmer	Ii
Niemelä Henry	Farmer	Lapua	Ylä-Outinen Päivi	Farmer	Lappeenranta

# METSÄLIITTO COOPERATIVE'S SUPERVISORY BOARD

The Supervisory Board's duty is to supervise the appropriate management of the Metsäliitto Cooperative in compliance with the relevant regulations, the Supervisory Board's decisions, and in the interests of Metsäliitto Cooperative. It also supervises the implementation of the Representative Council's decisions and elects Metsäliitto Cooperative's Board of Directors.

<b>CHAIRMAN</b>					
Järvinen Hannu	Agronomist	Janakkala			
<b>VICE CHAIRMAN</b>					
Paajanen Juha	Farmer	Punkaharju			
<b>MEMBERS</b>					
Björkenheim Johan	Farmer	Isokyrö	Lappalainen Jukka	Farmer	Pielavesi
Brandt Mats	Agrologist	Kokkola	Lassila Hannu	Farmer	Veteli
Ekman Eero	Rural Secretary	Paimio	Lindqvist Hans-Erik	M.Sc. (Forestry), Town Manager	Närpiö
Hatva Teuvo	Forestry Entrepreneur	Kajaani	Linnaranta Jussi	Agronomist	Kuopio
Hirvonen Ville	Agrologist	Rääkkylä	Malmström Märten	Farmer	Espoo
Hongisto Arto	Farmer	Liminka	Mikkola Antti-Jussi	Farmer	Pälkäne
Isotalo Antti	Farmer	Kauhava	Nikula Timo	Agrologist	Laitila
Junttila Risto	Executive Manager	Kemijärvi	Palojärvi Martti	Farmer	Vihti
Jäärni Antti	Farmer	Simo	Ruuth Mauri	Agrologist	Mikkeli
Kinnunen Esko	Farmer	Pieksämäki	Siponen Ahti Tapani	M.Soc. Sc	Kiuruvesi
Kulmala Airi	Specialist, Farmer	Nousiainen	Tolonen Mikko	Farmer	Suomussalmi
Kuutti Petri	Farmer	Kouvola	Vainionpää Erkki	Farmer	Töysä
Kässi Timo	Agrologist	Uurainen	Vanhatalo Jukka	Farmer	Siikainen
Laineenoja Jari	Agronomist, Financing Manager	Huittinen	Äijö Matti	Forestry Engineer	Ikaalinen
<b>PERSONNEL REPRESENTATIVES</b>					
Hyvönen Jari	Mill measurer	Keuruu			
Keskinen Matti	Forest Specialist, wood trade and forestry services	Nastola			
Koljonen Timo	Solution Owner	Espoo			
Nurmi Mikko	Quality and Development Supervisor	Kyrö			





# METSÄLIITTO COOPERATIVE'S BOARD OF DIRECTORS

## MARTTI ASUNTA

b. 1955  
M.Sc (Forestry)  
Metsäneuvos  
(Finnish honorary title)



Member of the Board since 2005, Chairman since 2008

- **Metsä Board Corporation.** Vice Chairman of the Board (2008–)
- **Metsä Fibre Oy.** Member of the Board (2008–)
- **Metsä Tissue Corporation.** Member of the Board (2008–)
- **Pellervo-Seura ry.** Member of the Board (2008–), Chairman of the Board (2010–)
- **Pellervo-Media Oy.** Chairman of the Board (2013–)
- **Finnish Agri-Agency for Food and Forest Development.** Member of the Board (2012–)
- **Cooperative Council of Finland.** Chairman (2013–)
- **Kiinteistötoimisto Martti Asunta LKV.** entrepreneur (1995–)
- **Huoneistokeskus Oy.** Branch Manager (2003–2005)
- **Municipality of Kuru.** Project Manager (2001–2003)
- **Suomen Yhdyspankki.** Bank Manager (1993–1995)
- **Tampere Regional Savings Bank (SSP).** Area Manager (1988–1993)
- **Federation of Forest Management Associations in Pohjois-Häme.** Field Manager, Executive Manager (1982–1988)

## KARI JORDAN

b. 1956  
M.Sc (Economy)  
Vuorineuvos  
(Finnish honorary title)



Member and Vice Chairman of the Board since 2005

- **Metsä Group.** President and CEO (2006–)
- **Metsäliitto Cooperative.** CEO (2004–)
- **Metsä Board Corporation.** Chairman of the Board (2005–)
- **Metsä Fibre Oy.** Member of the Board (2004–), Chairman (2006–)
- **Metsä Tissue Corporation.** Chairman of the Board (2004–)
- **Central Chamber of Commerce of Finland.** Member of the Board (2007–2011), Chairman (2012–)
- **Confederation of Finnish Industries EK.** Member of the Board (2005–), Vice Chairman (2009–2011, 2013–2014), member of the Board's Working Committee (2015–)
- **Finnish Forest Industries Federation.** Chairman of the Board and the Board's Working Committee (2009–2011), Vice Chairman of the Board and Board's Working Committee (2005–2009, 2014–), Member of the Board (2012–2013)
- **Varma Mutual Pension Insurance Company.** Member of the Supervisory Board (2006–2012), Deputy Chairman of the Board (2013), Chairman of the Board (2014)
- **Holds several positions of trust in foundations and non-profit associations**

## MIKAEL AMINOFF

b. 1951  
M.Sc (Forestry)



Member of the Board since 2008

- **Metsä Board Corporation.** Member of the Board (2010–)
- **Entrepreneur in farming and forestry** (1992–)
- **Coastal regional council of the Finnish Forestry Centre.** Member (2010–)
- **Pellervo Society.** Member of the Delegation (2010–2011)
- **Coastal forest owners' union.** Chairman (2004–2007)
- **Eteläinen metsäreviiri.** Chairman of the Board (2000–2007)
- **Länsi-Uudenmaan metsäreviiri.** Executive Manager (1980–1997)

## ARTO HILTUNEN

b. 1958  
M.Sc (Economy)



Member of the Board since 2007

- **Metsä Tissue Corporation.** Member of the Board (2010–)
- **SOK Corporation.** CEO and Chairman of the Board (2007–2009)
- **Cooperative Society Elanto.** Managing Director, (2004–2007), Chairman of the Board (2005–2007)
- **Cooperative Elanto.** following the merger decision, Managing Director (2003)
- **Helsinki Cooperative Society HOK.** Managing Director, Chairman of the Board (1998–2003)
- **Veho Group Oy AB.** Member of the Board (2011–), Chairman of the Board (2012–)
- **Talent Vectia Oy.** member of the Board (2010–)
- **SRV Group Plc.** Member of the Board (2010–)
- **Posti Corporation.** Member of the Board (2010–), Chairman (2011–)
- **Jenny and Antti Wihuri Foundation.** Member of the Board of (2010–)

## SAINI JÄÄSKELÄINEN

b. 1959  
Entrepreneur in farming and forestry



Member of the Board since 2005

- **Central Finland Central Hospital.** anaesthetic nurse (1986–1988), midwife (1989–1998)
- **Korpilahti Cooperative Bank.** Member of the Supervisory Board of (2008), member of the Board (2009–2014)
- **Vapo Oy.** Member of the Supervisory Board (2005–2009)

Management's members' capital and shareholding in Metsäliitto Cooperative and Metsä Board Corporation are presented on page 95 of this report.

## JUHA PARPALA

b. 1967  
Agrologist



Member of the Board since 2009

- **Farmer** (1994–)
- **Simon Turvejaloste Oy**, Member of the Board (2011–)
- **Metsäliitto Cooperative**, District Committee (1997–), Member of the Supervisory Board (2001–2008)
- **Osuuskunta Pohjolan Maito**, Member of the Board (2006–2007)

## TIMO SAUKKONEN

b. 1963  
M.Sc (Agriculture and Forestry)



Member of the Board since 2007

- **Farmer** (1992–)
- **Metsäliitto Cooperative**, various positions of trust (1995–)
- **Delegation of Pellervo**, Confederation of Finnish Cooperatives, Member (2008–)
- **Simele Cooperative Bank**, Member of the Supervisory Board (2000–), Chairman (2011–)

## MIKAEL SILVENNOINEN

b. 1956  
M.Sc (Economy)



Member of the Board since 2015

- **IMS Talent Oy**, Chairman of the Board (2013–)
- **Pohjola Bank plc**, Managing Director (1997–2013)
- **Pohjola Bank plc**, various management positions (1989–1997)
- **Wärtsilä Group**, various management positions (1983–1989)
- **Konecranes Plc**, Member of the Board (2008–)
- **Orion Corporation**, member of the Board (2014–)
- **Hartwall Capital Ltd**, Member of the Board (2014–)

## ANTTI TUKEVA

b. 1953  
Agronomist  
Maanviljelysneuvos  
(Finnish honorary title)



Member of the Board since 2009

- **Osuuskunta Maitosuomi**, CEO (2007–)
- **Osuuskunta Normilk**, CEO (1994–)
- **Osuuskunta Maitojaloste**, CEO (1991–2006)
- **Arola farm**, Farming and forestry (1985–)
- **LähiTapiola Southern Ostrobothnia**, member of the Board (2012–)
- **Lakeus Local Insurance Mutual Company**, Vice Chairman of the Board (2006–2012)
- **Positions of trust in agrifood organisations**



# METSÄ GROUP EXECUTIVE MANAGEMENT TEAM

## KARI JORDAN

b. 1956  
M.Sc (Economy)  
Vuorineuvos (Finnish honorary title)



President and CEO, Metsä Group  
Member of the Executive  
Management Team since 2005

- **Metsä Group**, President and CEO (2006–)
- **Metsäliitto Cooperative**, CEO (2004–), Vice Chairman of the Board (2005–)
- **Metsä Board Corporation**, Chairman of the Board (2005–)
- **Metsä Fibre Oy**, Member of the Board (2004–), Chairman of the Board (2006–)
- **Metsä Tissue Corporation**, Chairman of the Board (2004–)
- **Central Chamber of Commerce of Finland**, Member of the Board (2007–2011), Chairman of the Board (2012–)
- **Confederation of Finnish Industries EK**, Member of the Board (2005–), Vice Chairman (2009–2011, 2013–2014), member of the Board's Working Committee (2015–)
- **Finnish Forest Industries Federation**, Chairman of the Board and the Board's Working Committee (2009–2011), Vice Chairman of the Board and Board's Working Committee (2005–2009, 2014–), Member of the Board (2012–2013)
- **Varma Mutual Pension Insurance Company**, Member of the Supervisory Board (2006–2012), Deputy Chairman of the Board (2013), Chairman of the Board (2014)
- **Holds several positions of trust in foundations and non-profit associations**

## HANNU ANTTILA

b. 1955  
M.Sc (Economy)



Executive Vice President, Strategy,  
Metsä Group  
Member of the Executive  
Management Team since 2005

- **Metsä Group**, Executive Vice President, Strategy (2006–)
- **Metsä Fibre Oy**, Member of the Board (2004–)
- **Metsä Tissue Corporation**, Member of the Board (2004–)
- **Metsä Tissue Corporation**, Acting CEO (1.10.2014–15.4.2015)
- **Metsä Group Financial Services Ltd.**, Chairman of the Board (2010–2013)
- **M-real Corporation**, (now Metsä Board Corporation), CEO (2005–2006)
- **Metsäliitto Group**, Chief Financial Officer (2003–2004)
- **Metsä Tissue Corporation**, CEO, (1998–2003)
- **Metsä-Botnia and Metsä Serla Corporation**, (now Metsä Fibre and Metsä Board), various management positions since 1980
- **Pohjolan Voima Oy**, Member of the Board (2009–)
- **Tapiola Mutual Life Assurance Company**, Member of the Advisory Board (2011–)
- **Teollisuuden Voima Oyj**, Member of the Board (2007–)

## PETRI HELSKY

b. 1966  
M.Sc (Chemical Engineering)  
M.Sc (Economy)



CEO, Metsä Tissue Corporation as of  
16.4.2015  
Member of the Executive  
Management Team as of 16.4.2015

- **Metsä Tissue Corporation**, CEO (16.4.2015–)
- **Kemira Oyj**, President, (Paper and Region APAC), member of the management team (2008–2015)
- **Kemira ChemSolutions**, Vice President (2007–2008)
- **Solvay Group**, several management positions (1993–2007)

## ILKKA HÄMÄLÄ

b. 1961  
M.Sc (Engineering)



CEO, Metsä Fibre Oy  
Member of the Executive  
Management Team since 2008

- **Metsä Fibre Oy**, CEO (2008–)
- **Oy Metsä-Botnia Ab (now Metsä Fibre Oy)**, various management positions in since 1988
- **Finnish Forest Industries Federation**, Vice Chairman of the Board and the Board's Working Committee (2012–2013), Member of the Board (2014–)
- **Pohjolan Voima Oy**, Deputy Member of the Board (2009–)
- **Ilmarinen Mutual Pension Insurance Company**, Member of the Supervisory Board (2009–)
- **Delegation of Excellence Finland**, Member (2008–)

Management's members' capital and shareholding in Metsäliitto Cooperative and Metsä Board Corporation are presented on page 95 of this report.

## MIKA JOUKIO

b. 1964  
M.Sc (Technology)  
MBA



CEO, Metsä Board Corporation  
Member of the Executive  
Management Team since 2012

- **Metsä Board Corporation**, CEO (1.10.2014–)
- **Metsä Tissue Corporation**, CEO (2012–2014)
- **M-real Corporation (now Metsä Board Corporation)**, Head of Consumer Packaging (2006–2012)
- **Metsä-Serla and M-real**, various positions in management since 1990

## ESA KAIKKONEN

b. 1969  
LL.M



Executive Vice President, Metsä Wood  
Member of the Executive  
Management Team since 2008

- **Metsä Wood**, Executive Vice President (2013–)
- **Metsä Group**, General Counsel (2003–2013)
- **Metsäliitto Group**, Legal counsel (2000–2003)
- **Metsä-Serla Corporation**, (now Metsä Board Corporation), Legal counsel (1998–2000)
- **Law firm**, lawyer (1995–1998)
- **Finnish Forest Industries Federation**, Member of Sawmill industry committee (2013–)
- **Finnish Wood Research (FWR) Oy**, Member of the Board (2014–)

## JUHA MÄNTYLÄ

b. 1961  
M.Sc (Agriculture and Forestry)  
Forester, Metsäneuvos  
(Finnish honorary title)



Executive Vice President,  
Metsä Forest  
Member of the Executive  
Management Team since 2008

- **Metsä Forest**, Executive Vice President (2008–)
- **Metsä Fibre Oy**, Member of the Board (2008–)
- **Metsäliitto Cooperative**, various positions in since 1988
- **Etelä-Pohjanmaa Forestry Centre and Enso Forest Development Ltd.**, previously various positions
- **CEPI (Confederation of European Paper Industries)**, Member of Forest Committee (2012–2014)
- **Swedish Forest Industries Federation**, Member of the Forest Committee (2011–)
- **Finnish Forest Industries Federation**, Chairman of the Forest Committee (2010–)
- **Finnish Forest Foundation**, Chairman of the Board (2010–2014), Member of the Board (2015–)
- **Pellervo Economic Research**, Member of the Board (2011–)
- **Finsilva Oyj**, Member of the Board (2007–)
- **Natural Resources Institute Finland**, Chairman of the Board (2015–)

## VESA-PEKKA TAKALA

b. 1966  
M.Sc (Enocomy)



Chief Financial Officer, Metsä Group  
Member of the Executive  
Management Team since 2010

- **Metsä Group**, Chief Financial Officer (2010–)
- **Metsä Group Treasury Oy**, Chairman of the Board (2013–)
- **Outotec Group**, Chief Financial Officer and Director of Finance (2006–2010), member of the management team, deputy to the CEO
- **Outokumpu Group**, Chief Financial Officer (2001–2006), member of the management team (2005)
- **Outokumpu Group**, previously management positions in the financial administration



# INTERNATIONAL AND EVOLVING METSÄ GROUP

**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.

METSÄ BOARD'S PAPER-  
BOARD DELIVERIES  
INCREASED MORE THAN

# 40%

IN NORTH  
AMERICA

## 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 <sub>2</sub> 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%







# FINANCIAL REPORTING

Metsä Group does not comment on the Group's financial performance or similar matters from the close of each reporting period up to the publication of the report for the period, apart from substantial changes in the market conditions or correcting incorrect information.

## FINANCIAL INFORMATION

The financial reports are published in Finnish, Swedish and English. Annual reviews and other publications can be ordered by sending e-mail to [communications@metsagroup.com](mailto:communications@metsagroup.com) and found on the Group's website at [www.metsagroup.com](http://www.metsagroup.com).

Stock exchange releases, interim reports and financial statements are updated on Metsä Group's website in real time. In addition, the website presents the Group's products, customers, sales network, environmental matters and organisation. You can order Metsä Group's publications and provide feedback on the website. Metsä Group's general e-mail address is [communications@metsagroup.com](mailto:communications@metsagroup.com).

Metsä Group aims to offer company-related information that is up to date and easy to utilise on a regular and open basis. The company aims to provide reliable and truthful information on its operations and financial position and short-term outlook. All investors are treated equally.

Metsä Group will publish its financial reports in 2015 as follows:

<b>CLOSED WINDOW</b>	<b>FINANCIAL REPORT</b>	<b>PUBLICATION DATE</b>
1 January to 5 Feb 2015	Financial result for 2014	Thursday 5 February 2015
1 April to 7 May 2015	Interim report January–March	Thursday 7 May 2015
1 July to 6 Aug 2015	Interim report January–June	Thursday 6 August 2015
1 October to 5 Nov 2015	Interim report January–September	Thursday 5 November 2015

# Make the most of Metsä



**METSÄ GROUP**

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