



METSÄ GROUP
INTERIM REPORT

JANUARY–SEPTEMBER 2014



METSÄ GROUP'S OPERATING RESULT FOR JANUARY–SEPTEMBER 2014 EXCLUDING NON-RECURRING ITEMS WAS EUR 301 MILLION

RESULT FOR JANUARY–SEPTEMBER 2014

- Sales amounted to EUR 3,723 million (1–9/2013: EUR 3,719 million).
- Operating result excluding non-recurring items was EUR 301 million (256). Operating result including non-recurring items was EUR 333 million (247).
- Result before taxes excluding non-recurring items was EUR 238 million (171). Result before taxes including non-recurring items was EUR 262 million (162).
- Return on capital employed excluding non-recurring items was 11.1 per cent (9.0).
- Cash flow from operations amounted to EUR 374 million (295).

RESULT FOR JULY–SEPTEMBER 2014

- Sales amounted to EUR 1,204 million (7–9/2013: EUR 1,214 million).
- Operating result excluding non-recurring items was EUR 104 million (73). Operating result including non-recurring items was EUR 103 million (63).
- Result before taxes excluding non-recurring items was EUR 81 million (41). Result before taxes including non-recurring items was EUR 79 million (31).
- Return on capital employed excluding non-recurring items was 10.7 per cent (7.4).
- Cash flow from operations amounted to EUR 180 million (170).

EVENTS IN THE THIRD QUARTER OF 2014

- The euro-denominated price of softwood pulp increased compared to the previous quarter due to the strengthening of the US dollar.
- The increase in paperboard deliveries continued, and the delivery volume was at the previous quarter's level. There were no significant changes in the price levels.
- The profitability of the wood products industry weakened seasonally from the previous quarter, but was better than in the previous year.

- The profitability of tissue and cooking papers clearly improved compared to the previous quarter.
- Demolition of the old Äänekoski pulp mill, closed in 1985, was started. The preliminary planning of the bio-product mill has progressed according to plan.

EVENTS AFTER THE PERIOD

- Mika Jourkio, M.Sc. (Tech.), MBA, started as CEO of Metsä Board Corporation on 1 October 2014.
- In October, Metsä Wood announced it would launch a performance improvement programme consisting of sales growth projects, cost savings and structural changes.

NEAR-TERM OUTLOOK

- Metsä Group's operating result excluding non-recurring items in the last quarter of 2014 is expected to be approximately on the same level as in the third quarter of 2014.

"The third quarter operating result excluding non-recurring items was at the higher end of our guidance. The results of pulp and paperboard businesses were at a good level, as expected. Tissue and cooking papers increased its operating result considerably from the previous quarter.

Metsä Group has maintained its solid financial performance by means of cost-efficiency and high productivity. Because economic growth in Europe is at a standstill and no market recovery is in sight, we are also seeking growth outside of our main market Europe, in particular in North America and Asia. Our paperboard business is on a good growth track in North America, and our wood products industry has also strengthened its position outside Europe. Approximately one quarter of our pulp deliveries are shipped to Asia, which is an interesting market area for our other business operations as well.

We are continuing our systematic investments in order to ensure our long-term competitiveness. From the government we expect measures which safeguard a favourable operating environment for the Finnish export industry and thus ensure continued industrial production in Finland."

Kari Jordan, President & CEO, Metsä Group

KEY FIGURES

Income statement, EUR million	2014	2013	2014	2013	2013
The figures for 2013 are restated	1–9	1–9	7–9	7–9	1–12
Sales	3 722.8	3 719.4	1 203.6	1 213.9	4 938.7
Other operating income	141.2	55.9	16.9	16.7	81.0
Operating expenses	-3 342.3	-3 332.9	-1 054.5	-1 099.7	-4 427.7
Depreciation and impairment losses	-188.9	-195.8	-63.1	-67.9	-257.1
Operating result	332.7	246.7	102.9	63.0	335.0
Share of results from associated companies and joint ventures	14.5	9.5	-0.9	0.1	9.6
Exchange gains and losses	-1.2	-1.9	-0.0	-2.0	-4.6
Other net financial items	-83.7	-92.0	-22.6	-30.1	-116.2
Result before income tax	262.3	162.4	79.4	31.0	223.8
Income tax	-58.6	-45.4	-17.4	-10.6	-35.1
Result for the period	203.7	117.0	62.0	20.4	188.7

Profitability	2014	2013	2014	2013	2013
The figures for 2013 are restated	1–9	1–9	7–9	7–9	1–12
Operating result, EUR million	332.7	246.7	102.9	63.0	335.0
- " -, excluding non-recurring items	300.9	255.6	104.3	72.6	342.9
- " -, % of sales	8.1	6.9	8.7	6.0	6.9
Return on capital employed, %	12.0	8.7	10.6	6.4	8.9
- " -, excluding non-recurring items	11.1	9.0	10.7	7.4	9.1
Return on equity, %	13.6	8.3	12.4	4.4	9.9
- " -, excluding non-recurring items	12.0	9.0	12.6	6.4	10.3

Financial position	2014	2013	2014	2013	2013
The figures for 2013 are restated	30.9.	30.9.	30.6.	30.6.	31.12.
Equity ratio, %	38.5	35.9	37.9	34.8	37.9
Net gearing ratio, %	62	85	70	90	77
Interest-bearing net liabilities, EUR million	1 258	1 604	1 389	1 669	1 510

SEGMENTS

Sales and Operating result 1–9/2014, EUR million	Wood Supply and Forest Services	Wood Products Industry	Pulp Industry	Paperboard and Paper Industry	Tissue and Cooking Papers
Sales	1 177.5	681.0	958.6	1 509.0	755.2
Other operating income	4.5	6.8	30.3	49.0	7.1
Operating expenses	-1 161.1	-637.3	-777.8	-1 372.2	-692.9
Depreciation and impairment losses	-2.3	-22.1	-47.6	-76.0	-28.7
Operating result	18.6	28.4	163.4	109.8	40.7
Non-recurring items	1.5	0.8	-20.3	-10.2	0.4
Operating result excluding non-recurring items	20.1	29.2	143.1	99.6	41.0
- " -, % of sales	1.7	4.3	14.9	6.6	5.4

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, consumer packaging paperboards, pulp, wood products, and wood supply and forest services. Its high-quality products combine renewable raw materials, customer-orientation, sustainable development and innovation. Metsä Group's sales totalled EUR 4.9 billion in 2013, and it employs approximately 11,000 people. The Group operates in some 30 countries. Metsäliitto Cooperative is the parent company of Metsä Group and is owned by approximately 123,000 Finnish forest owners.

THE INTERIM REPORT IS UNAUDITED**INTERIM REPORT 1 JANUARY–30 SEPTEMBER 2014****SALES AND RESULT**

Metsä Group's sales in January–September totalled EUR 3,722.8 million, remaining more or less at the same level as in the corresponding period of the previous year (1–9/2013: EUR 3,719.4 million).

Operating result excluding non-recurring items was EUR 300.9 million (255.6), or 8.1 per cent of sales (6.9). Operating result improved, mainly as a result of higher market prices of softwood pulp, increased delivery volumes of folding boxboard and white-top linerboard, and increased sales prices for wood products, as well as efficiency programmes.

Sales for the third quarter of the year totalled EUR 1,203.6 million, whereas they were EUR 1,213.9 million in the corresponding period in the previous year. Operating result excluding non-recurring items was EUR 104.3 million (7–9/2013: 72.6).

Non-recurring items included in Metsä Group's operating result were EUR 31.9 million net (-8.9) in January–September. 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 were measured at fair value in the balance sheet. Other significant non-recurring items were the sales gain of EUR 24.8 million from the real estate property in Lielahdi and the EUR 59.2 million paid in damages to UPM-Kymmene Corporation. Non-recurring items in the third quarter totalled EUR -1.3 million net.

Operating result including non-recurring items was EUR 332.7 million (246.7). The share of results of associated companies and joint ventures was EUR 14.5 million (9.5). Financial income amounted to EUR 6.7 million (3.6), exchange rate differences in financing were EUR -1.2 million (-1.9), and financial expenses totalled EUR 90.4 million (95.6). 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 January–September was EUR 262.3 million (162.4), and taxes, including changes in deferred tax liabilities, were EUR 58.6 million (45.4). Net result for the period was EUR 203.7 million (117.0).

Excluding non-recurring items, the Group's return on capital employed was 11.1 per cent (9.0), and the return on equity was 12.0 per cent (9.0). Including non-recurring items, the Group's return on capital employed was 12.0 per cent (8.7), and the return on equity was 13.6 per cent (8.3).

BALANCE SHEET AND FINANCING

Metsä Group's liquidity is good. Total liquidity at the end of September was EUR 1,387.3 million (31 December 2013: 1,189.9). This consisted of EUR 653.9 million (454.4) of liquid assets and investments and EUR 733.4 million (735.5) of committed credit facility agreements not included in the balance sheet.

The Group's liquidity reserve is complemented by uncommitted commercial paper programmes and credit facilities amounting to EUR 175.2 million (31 December 2013: 174.7).

The Group's equity ratio at the end of September was 38.5 per cent and net gearing was 62 per cent (31 December 2013: 37.9 per cent and 77 per cent, respectively). Interest-bearing net liabilities stood at EUR 1,258.5 million (31 December 2013: 1,510.2).

Cash flow from operations amounted to EUR 373.8 million (295.3). Since the beginning of the year, the amount tied to working capital is EUR 30.6 million (1–9/2013: 101.9). Increase in working capital has been reduced by the introduction of new instruments for working capital financing.

The equity ratio of the parent company Metsäliitto Cooperative was 64.6 per cent at the end of September, and its net gearing ratio was 17 per cent (31 December 2013: 62.3 per cent and 16 per cent, respectively).

In January–September, Metsäliitto Cooperative's members' capital increased by a total of EUR 55.0 million (46.9). The actual members' capital grew by EUR 2.4 million (2.3), the additional members' capital A by EUR 36.1 million (30.9), and the additional members' capital B by EUR 16.5 million (28.1). The increase in additional members' capital B of the comparison period includes EUR 14.4 million transferred from the additional members' capital C.

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 facility consists of a term 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 revolving credit facility replaced the undrawn revolving credit facility of EUR 100 million, which would have matured in May 2015.

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

PERSONNEL

In January–September, Metsä Group had an average of 10,880 employees (11,359). At the end of September, the Group had 10,590 employees (31 December 2013: 10,736), of whom 5,239 (5,227) were based in Finland and 5,351 (5,509) were based abroad. The parent company Metsäliitto Cooperative employed 2,546 people at the end of September (31 December 2013: 2,579).

Mika Jokio (50), M.Sc. (Tech.), MBA, started as CEO of Metsä Board Corporation on 1 October 2014. Jokio transferred to the new position from Metsä Tissue Corporation, where he had held the position of CEO since the beginning of 2012. Hannu Anttila, Metsä Group's Executive Vice President, Strategy, heads the Tissue and Cooking Papers business area for the time being. This arrangement will continue until a new CEO has been appointed and started in his position at Metsä Tissue.

MEMBERS

At the end of September, Metsäliitto Cooperative had 122,336 members (31 December 2013: 123,275). During 2014, a total of 2,055 new members joined the Cooperative and 2,994 members cancelled their membership.

INVESTMENTS

Metsä Group's capital expenditure totalled EUR 96.0 million in January–September (133.7).

The preliminary planning of Metsä Fibre's bioproduct mill is progressing on schedule. The Environmental Impact Assessment of the bioproduct mill was completed in the end of October, when the contact authority issued its statement. The bioproduct mill's environmental permit application is progressing according to the schedule agreed with the authorities. The planning of the mill's technical concept will be completed in January 2015. The demolition of the old Äänekoski mill, closed in 1985, was started during the period under review. The work is estimated to take six months.

The new upgrading line for consumer products at Metsä Tissue's Mariestad mill and the new biopower plant being constructed at the mill will be commissioned this year.

BUSINESS AREAS

Wood supply and forest services

Metsä Forest's sales in January–September were EUR 1,177.5 million (1–9/2013: 1,167.6), and its operating result excluding non-recurring items was EUR 20.1 million (20.7).

Sales in the third quarter of 2014 amounted to EUR 363.2 million (7–9/2013: 352.5) and the operating result totalled EUR 4.5 million (5.5).

In Finland, the wood trade got off to a smooth start in the autumn. The supply of wood has been good throughout the year and stumpage prices have remained stable.

Metsä Forest bought all timber grades through both standing and delivery sales. Demand focused on stands harvested when the ground is unfrozen, in particular regeneration felling of predominantly pine and birch logs. Demand for pulpwood varied by region. Opportunities to procure wood energy were weakened by the poor market situation of energywood throughout the Baltic Sea region.

Sales of forest management services continued to be strong. The autumn cultivation progressed as expected, and the total number of seedlings delivered during the year reached a record level. Forest management services switched to an operating model in line with the new organisation on 1 July 2014.

Harvesting conditions were favourable, and deliveries to customers' production plants progressed as planned. In January–September, we delivered a total of 22.5 million cubic metres of wood (22.2).

In the Baltic states, Russia and Sweden, the harvesting conditions were good as a result of the dry summer. The supply of softwood pulpwood was higher than that of birch pulpwood throughout the Baltic Sea region. Demand for logs continued to be stable, which was reflected in the price level in Russia, in particular. In Sweden, the supply of wood continued to be ample due to the storm damage at the beginning of the year.

Wood products industry

Metsä Wood's sales in January–September totalled EUR 681.0 million (1–9/2013: 685.1), and its operating result excluding non-recurring items was EUR 29.2 million (13.4). This was a marked improvement over the corresponding period of the previous year. The increase resulted not only from a rise in sales prices, but also from last year's efficiency programmes and closures of unprofitable units.

Metsä Wood's sales for the third quarter of 2014 totalled EUR 207.3 million (7–9/2013: 207.9) and the operating result excluding non-recurring items was EUR 6.2 million (-2.9).

The market balance for spruce sawn timber weakened in the third quarter decreasing the delivery volumes slightly. The delivery volumes of pine sawn timber were higher compared to the corresponding period of previous year. The sales prices of both species were slightly higher than in the third quarter of the previous year. As a result, the profitability of sawing improved, despite the increased price of raw materials.

The sales of construction and industrial products reduced from the corresponding period in the previous year. The delivery volumes of Kerto products decreased slightly. The demand for birch and softwood plywood remained stable, and the average prices of deliveries were higher than in the comparison period.

The statutory labour negotiations initiated by Metsä Wood in June to close the Karihaara sawmill were completed on 11 July 2014. As a result of the negotiations, Metsä Wood decided to shut down the Karihaara sawmill and terminate the employment of five employees in 2014.

The labour negotiations initiated in September for adjusting production at the Kerto mills in Punkaharju and Lohja and at the glulam mill in Hartola were concluded on 18 September. As a result of the negotiations, Metsä Wood will carry out temporary lay-offs of a maximum of two weeks at both of its Kerto mills by the end of 2014 depending on the market situation. In glulam production, a lay-off of a maximum of 90 days will be implemented by the end of March 2015.

After the period under review, Metsä Wood announced the launch of a performance improvement programme consisting of sales growth projects, cost savings and structural changes. As part of this programme, the need for personnel reduction is estimated to be approximately 200 man-years in total, of which 140 in Finland. The personnel reductions are planned to be carried out in stages over the next two years. Reductions in production personnel will be realised mainly through retirements.

Pulp industry

Metsä Fibre's sales decreased in January–September by approximately 2 per cent compared to the corresponding period in the previous year and amounted to EUR 958.6 million (1–9/2013: 974.2). The sales volume of pulp decreased slightly to 1,677,000 tonnes (1,699,000).

Metsä Fibre's operating profit excluding non-recurring items in January–September was EUR 143.1 million (145.6). Annual maintenance shutdowns at three mills during the review period had a negative effect on the operating result, with one of the shutdowns being longer than usual. In addition, the average exchange rate of

the US dollar was nearly 3 per cent weaker than the euro. The result was improved by the increased price of softwood pulp and reduced variable costs. The currency-denominated market prices of softwood pulp increased by 9 per cent compared to the corresponding period in the previous year. On the other hand, the average prices of hardwood pulp decreased by 6 per cent.

The softwood pulp supply situation is in balance. The supply of hardwood pulp was higher due to new investments, which has increased the price difference between long-fibre and short-fibre pulp in all markets. The price of softwood pulp in Europe was USD 908 per tonne at the beginning of January and USD 931 at the end of the period under review. The price of hardwood pulp was USD 770 and USD 725, respectively.

Metsä Fibre's sales for the third quarter of 2014 totalled EUR 303.8 million (7–9/2013: 341.7) and operating result totalled EUR 51.8 million (50.8). The capacity utilisation rates of mills were in general at a good level despite the preparations for shutdowns. The Äänekoski mill made a production record in September.

Metsä Fibre is preparing to build a bioproduct mill in the area of its pulp mill in Äänekoski. The Environmental Impact Assessment of the bioproduct mill was completed in the end of October, when the contact authority issued its statement. The bioproduct mill's environmental permit application is progressing according to the schedule agreed with the authorities. The planning of the mill's technical concept will be completed in January 2015. The demolition of the old Äänekoski mill, closed in 1985, also was started during the period under review. The work is estimated to take six months. After the period under review, Vuosaari harbour in Helsinki was chosen as the export harbour for the bioproduct 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 January–September were EUR 1,509.0 million (1–9/2013: 1,540.1), and its operating result excluding non-recurring items was EUR 99.6 million (75.1).

Lower production costs and increased delivery volumes of folding boxboard and white-top fresh forest fibre linerboard, as well as a weaker rate of the Swedish krona against the euro, had a positive effect on the operating result compared to the corresponding period in the previous year. Lower average prices of folding boxboard and coated and uncoated papers, in particular, had a negative effect on the operating result. The delivery volumes of papers decreased considerably as well.

Sales in the third quarter of 2014 amounted to EUR 513.8 million (7–9/2013: 502.3), and the operating

result excluding non-recurring items was EUR 35.2 million (18.9).

Non-recurring items recognised in the operating result in January–September amounted to EUR +10.2 million net (+7.9). In the first quarter, a real estate divestment in Tampere realised a sales gain of EUR 24.8 million, and the damages paid to UPM-Kymmene incurred an expense of EUR 17.4 million. In the second quarter, the most significant non-recurring item was a sales gain of EUR 4.0 million from Metsä Fibre selling its shares in Pohjolan Voima. Non-recurring items in the third quarter totalled EUR -1.1 million net.

Metsä Board's operating result including non-recurring items was EUR 109.8 million (83.0) in January–September. Net interest and other financial expenses totalled EUR 33.5 million (44.1). Net interest in the review period was increased by approximately EUR 6 million due to the early repayment of a loan of EUR 350 million and standby credit of EUR 100 million as well as refinancing. In addition, a non-recurring item of EUR 2.2 million related to the damages paid to UPM-Kymmene Corporation was recognised in financial expenses. Financial expenses in the comparison period include additional interest of approximately EUR 8 million related to the early repayment of a USD-denominated loan.

Excluding non-recurring items, Metsä Board's return on capital employed was 8.9 per cent (6.2), and its earnings per share were EUR 0.17 (0.08) in January–September. Including non-recurring items, the return on capital employed was 9.6 per cent (6.8), and the earnings per share were EUR 0.19 (0.10).

Metsä Board's equity ratio at the end of September was 39.8 per cent, and its net gearing ratio was 57 per cent (31 December 2013: 40.7 per cent and 70 per cent, respectively).

Metsä Board's interim report was published on 5 November 2014.

Tissue and cooking papers

Metsä Tissue's sales in January–September totalled EUR 755.2 million (1–9/2013: 744.2). The improvement is largely explained by an increase in sales volumes.

Operating result excluding non-recurring items was EUR 41.0 million (39.6). Operating result improved slightly from the corresponding period in the previous year due to increased sales volumes and improved cost efficiency.

Metsä Tissue's sales in the third quarter were EUR 252.4 million (7–9/2013: 244.4), and its operating result excluding non-recurring items was EUR 19.6 million (12.6). Some of the price increases for tissue paper products announced by Metsä Tissue in March took effect during the third quarter.

The construction of an upgrading line for consumer products and the biopower plant at the Mariestad mill have progressed on the planned schedule. The plan is

to commission the upgrading line and the biopower plant in 2014.

A new upgrading line for manufacturing both consumer products and large consumer products was commissioned at the Krapkowice mill in Poland.

In the third quarter, Metsä Tissue introduced Serla cleaning products and Jojoba and Balsam brand paper handkerchiefs as well as the new packaging sizes of basic paper handkerchiefs in Finland. The renewed grades of Lambi toilet tissue were introduced to the market in Finland and Sweden as well. The production of a new type of soft tissue packaging aimed at international markets began in Slovakia.

RISKS AND UNCERTAINTIES

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

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

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

PENDING DISPUTES

In March 2011, the state enterprise Metsähallitus filed a claim for damages at the District Court of Helsinki, demanding that Metsäliitto Cooperative and two other forest industry companies jointly pay compensation for alleged damage caused by prohibited cooperation with regard to prices in the raw wood market. The claim is related to the 3 December 2009 decision by the Market Court which states that the aforementioned companies have violated the act on competition restrictions in the raw wood market. In addition, some municipalities, parishes and a group of individuals in Finland have instituted similar proceedings. The total amount of all claims that Metsäliitto Cooperative is aware of and that were directed at Metsäliitto Cooperative and the other aforementioned companies jointly is approximately EUR 202 million, of which approximately EUR 65 million is directed at Metsäliitto Cooperative alone. In addi-

tion, the aforementioned proceedings are associated with interest, value added tax claims and legal process expenses. 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 EUR 67 million in damages to UPM-Kymmene Corporation.

NEAR-TERM OUTLOOK

Metsä Forest buys wood from across the country, primarily from stands harvested when the ground is unfrozen. Winter thinning stands are purchased in limited volumes, mainly from active contract customers. This is due, among other things, to an inability to carry out some of the thinnings planned for last winter because of the poor weather conditions, which were then moved to the upcoming winter harvest.

Sales in the wood products industry are expected to grow slightly in the fourth quarter compared to both the third quarter and the corresponding period in the previous year. The strengthening exchange rate of the US dollar supports the sales prices and competitiveness of wood products in markets outside Europe. The balance between demand and supply in sawn timber has weak-

ened due to increased supply in the Nordic countries. The production of sawn timber might have to be restricted during the remainder of the year. The weak trend in construction in our main markets in Europe decreases demand for wood products. In other markets demand is picking up. The market balance for softwood plywood is still good.

The global demand for softwood pulp is expected to continue to grow moderately, and softwood pulp supply and demand are expected to be in balance in the near future as well. The capacity utilisation rates of Metsä Fibre's mills are expected to remain at a good level in the last quarter of the year.

Compared to the previous quarter, the delivery volumes of folding boxboard and white-top fresh forest fibre linerboard are expected to decrease slightly in the last quarter of 2014 due to the seasonally weak month of December. The delivery volumes of papers are expected to remain at approximately the same level as in the third quarter.

Demand in the tissue paper market is expected to continue to grow in all market areas and particularly in eastern Central Europe.

Metsä Group's operating result excluding non-recurring items in the last quarter of 2014 is expected to be approximately on the same level as in the third quarter of 2014.

Espoo, Finland, 5 November 2014

BOARD OF DIRECTORS

For further information, please contact:

Vesa-Pekka Takala, CFO, Metsä Group, tel. +358 (0)10 465 4260

Reeta Kaukainen, SVP, Communications, Metsä Group, tel. +358 (0)10 465 4541, +358 (0)50 522 0924

Metsä Group will publish its financial reports in 2015 as follows:

5 Feb. Financial statements for 2014

7 May Interim Report January–March 2015

6 Aug. Interim Report January–June 2015

5 Nov. Interim Report January–September 2015

SEGMENTS

Wood Supply and Forest Services	2014	2013	2014	2013	2013
The figures for 2013 are restated	1–9	1–9	7–9	7–9	1–12
Sales, EUR million	1 177.5	1 167.6	363.2	352.5	1 561.0
EBITDA, EUR million	20.9	22.9	5.2	6.2	30.7
- " - excl. non-rec. items, EUR million	22.4	22.9	5.2	6.2	30.7
Depreciation and impairment, EUR million	-2.3	-2.2	-0.8	-0.7	-2.8
Operating result, EUR million	18.6	20.7	4.5	5.5	27.8
- " - excl. non-rec. items, EUR million	20.1	20.7	4.5	5.5	27.8
- " - % of sales	1.7	1.8	1.2	1.6	1.8
ROCE excl. non-rec. items, %	20.4	24.6	13.0	18.3	25.6
Capital expenditure, EUR million	3.9	3.8	1.4	1.3	5.4
Personnel at end of period	900	943	900	943	919

Wood Products Industry	2014	2013	2014	2013	2013
The figures for 2013 are restated	1–9	1–9	7–9	7–9	1–12
Sales, EUR million	681.0	685.1	207.3	207.9	899.7
EBITDA, EUR million	50.4	27.3	13.5	2.5	36.4
- " - excl. non-rec. items, EUR million	50.4	36.5	13.4	4.4	45.6
Depreciation and impairment, EUR million	-22.1	-31.3	-7.2	-15.5	-38.2
Operating result, EUR million	28.4	-4.0	6.3	-13.0	-1.8
- " - excl. non-rec. items, EUR million	29.2	13.4	6.2	-2.9	15.4
- " - % of sales	4.3	2.0	3.0	-1.4	1.7
ROCE excl. non-rec. items, %	11.9	5.2	7.9	-3.2	5.0
Capital expenditure, EUR million	11.3	33.3	3.8	12.3	43.5
Personnel at end of period	2 331	2 544	2 331	2 544	2 490

Pulp Industry	2014	2013	2014	2013	2013
The figures for 2013 are restated	1–9	1–9	7–9	7–9	1–12
Sales, EUR million	958.6	974.2	303.8	341.7	1 314.0
EBITDA, EUR million	211.0	191.7	66.4	64.3	256.5
- " - excl. non-rec. items, EUR million	190.7	191.7	66.4	64.3	256.5
Depreciation and impairment, EUR million	-47.6	-46.2	-14.6	-13.6	-59.9
Operating result, EUR million	163.4	145.6	51.8	50.8	196.6
- " - excl. non-rec. items, EUR million	143.1	145.6	51.8	50.8	196.6
- " - % of sales	14.9	14.9	17.0	14.9	15.0
ROCE excl. non-rec. items, %	28.1	27.9	31.1	28.0	28.9
Capital expenditure, EUR million	18.8	18.1	8.6	4.9	26.6
Personnel at end of period	864	880	864	880	884

Paperboard and Paper Industry	2014	2013	2014	2013	2013
The figures for 2013 are restated	1–9	1–9	7–9	7–9	1–12
Sales, EUR million	1 509.0	1 540.1	513.8	502.3	2 019.3
EBITDA, EUR million	185.8	158.1	60.7	44.0	214.8
- " - excl. non-rec. items, EUR million	175.6	152.5	61.8	43.6	208.0
Depreciation and impairment, EUR million	-76.0	-75.1	-26.6	-24.7	-101.3
Operating result, EUR million	109.8	83.0	34.1	19.3	113.6
- " - excl. non-rec. items, EUR million	99.6	75.1	35.2	18.9	104.4
- " - % of sales	6.6	4.9	6.9	3.8	5.2
ROCE excl. non-rec. items, %	8.9	6.2	9.2	4.9	6.4
Capital expenditure, EUR million	26.0	46.7	7.3	16.0	66.9
Personnel at end of period	3 164	3 178	3 164	3 178	3 116

Tissue and Cooking Papers	2014	2013	2014	2013	2013
The figures for 2013 are restated	1–9	1–9	7–9	7–9	1–12
Sales, EUR million	755.2	744.2	252.4	248.3	1 004.0
EBITDA, EUR million	69.4	70.6	28.9	22.6	95.7
- " - excl. non-rec. items, EUR million	69.8	70.0	29.3	22.6	95.1
Depreciation and impairment, EUR million	-28.7	-30.3	-9.7	-9.9	-40.4
Operating result, EUR million	40.7	40.2	19.2	12.6	55.3
- " - excl. non-rec. items, EUR million	41.0	39.6	19.6	12.6	54.7
- " -, % of sales	5.4	5.3	7.7	5.1	5.5
ROCE excl. non-rec. items, %	8.2	8.1	11.5	7.7	8.4
Capital expenditure, EUR million	24.4	27.2	8.0	13.8	60.4
Personnel at end of period	2 833	2 866	2 833	2 866	2 843

Other operations	2014	2013	2014	2013	2013
The figures for 2013 are restated	1–9	1–9	7–9	7–9	1–12
Sales, EUR million	7.2	2.7	2.3	1.6	3.9
EBITDA, EUR million	-34.4	-0.9	3.9	1.5	-5.0
- " - excl. non-rec. items, EUR million	7.4	-0.9	3.9	1.5	-4.6
Depreciation and impairment, EUR million	-1.6	-1.4	-0.5	-0.5	-2.0
Operating result, EUR million	-36.1	-2.4	3.4	1.1	-7.0
- " - excl. non-rec. items, EUR million	5.8	-2.4	3.4	1.1	-6.5
Capital expenditure, EUR million	13.8	13.5	3.7	4.4	17.2
Personnel at end of period	499	497	499	497	484

Other operations include among others Metsä Group's service and holding functions as well as a 48.98% share of Metsätapiola's real estate operations.

Internal sales and eliminations	2014	2013	2014	2013	2013
The figures for 2013 are restated	1–9	1–9	7–9	7–9	1–12
Sales, EUR million	-1 365.7	-1 394.4	-439.3	-440.4	-1 863.1
EBITDA, EUR million	18.5	-27.2	-12.7	-10.2	-37.1
- " - excl. non-rec. items, EUR million	-27.4	-27.2	-12.7	-10.2	-37.1
Depreciation and impairment, EUR million	-10.6	-9.3	-3.7	-3.1	-12.5
Operating result, EUR million	7.9	-36.5	-16.4	-13.3	-49.6
- " - excl. non-rec. items, EUR million	-38.0	-36.5	-16.4	-13.3	-49.6

Metsä Group	2014	2013	2014	2013	2013
The figures for 2013 are restated	1–9	1–9	7–9	7–9	1–12
Sales, EUR million	3 722.8	3 719.4	1 203.6	1 213.9	4 938.7
EBITDA, EUR million	521.6	442.5	166.0	130.9	592.1
- " - excl. non-rec. items, EUR million	488.9	445.4	167.3	132.3	594.3
Depreciation and impairment, EUR million	-188.9	-195.8	-63.1	-67.9	-257.1
Operating result, EUR million	332.7	246.7	102.9	63.0	335.0
- " - excl. non-rec. items, EUR million	300.9	255.6	104.3	72.6	342.9
- " -, % of sales	8.1	6.9	8.7	6.0	6.9
ROCE excl. non-rec. items, %	11.1	9.0	10.7	7.4	9.1
Capital expenditure, EUR million	96.0	133.7	31.1	52.2	213.5
Personnel at end of period	10 590	10 910	10 590	10 910	10 736

EBITDA = Operating result before depreciation and impairment losses

ROCE = Return on capital employed

QUARTERLY DATA

EUR million	2014 7–9	2014 4–6	2014 1–3	2013 10–12	2013 7–9	2013 4–6	2013 1–3
Sales							
Wood Supply and Forest Services	363.2	379.5	434.9	393.4	352.5	392.2	422.8
Wood Products Industry	207.3	251.8	221.9	214.6	207.9	260.8	216.4
Pulp Industry	303.8	325.8	329.0	339.8	341.7	309.3	323.2
Paperboard and Paper Industry	513.8	494.0	501.2	479.2	502.3	502.8	535.0
Tissue and Cooking Papers	252.4	250.2	252.6	259.9	248.3	244.4	251.5
Other operations	2.3	2.7	2.3	1.2	1.6	0.6	0.5
Internal sales	-439.3	-438.9	-487.5	-468.7	-440.4	-468.2	-485.8
Sales total	1 203.6	1 264.9	1 254.3	1 219.3	1 213.9	1 241.9	1 263.6
Operating result							
Wood Supply and Forest Services	4.5	5.5	8.6	7.1	5.5	7.7	7.4
Wood Products Industry	6.3	14.4	7.7	2.2	-13.0	4.5	4.4
Pulp Industry	51.8	56.7	54.9	51.0	50.8	47.5	47.3
Paperboard and Paper Industry	34.1	32.2	43.5	30.5	19.3	28.9	34.8
Tissue and Cooking Papers	19.2	9.7	11.8	15.1	12.6	13.8	13.8
Other operations	3.4	3.7	-43.2	-4.6	1.1	-2.5	-0.9
Eliminations	-16.4	38.0	-13.7	-13.1	-13.3	-10.7	-12.5
Operating result total	102.9	160.2	69.7	88.3	63.0	89.2	94.5
-", % of sales	8.5	12.7	5.6	7.2	5.2	7.2	7.5
Share of results from associated companies and joint ventures	-0.9	7.9	7.4	0.1	0.1	2.9	6.6
Exchange gains and losses	-0.0	0.9	-2.1	-2.6	-2.0	-0.2	0.2
Other net financial items	-22.6	-23.3	-37.8	-24.3	-30.1	-23.0	-38.9
Result before income tax	79.4	145.7	37.2	61.5	31.0	68.9	62.4
Income tax	-17.4	-35.8	-5.4	10.2	-10.6	-18.8	-16.0
Result for the period	62.0	109.9	31.8	71.7	20.4	50.2	46.4
Operating result excl. non-rec. items							
Wood Supply and Forest Services	4.5	7.0	8.6	7.1	5.5	7.7	7.4
Wood Products Industry	6.2	14.4	8.6	2.0	-2.9	11.9	4.4
Pulp Industry	51.8	36.3	54.9	51.0	50.8	47.5	47.3
Paperboard and Paper Industry	35.2	28.3	36.1	29.3	18.9	26.0	30.2
Tissue and Cooking Papers	19.6	9.7	11.8	15.1	12.6	13.8	13.2
Other operations and eliminations	-13.0	-4.2	-15.0	-17.3	-12.3	-13.2	-13.4
Operating result total	104.3	91.5	105.1	87.3	72.6	93.7	89.3
-", % of sales	8.7	7.2	8.4	7.2	6.0	7.5	7.1

CALCULATION OF KEY RATIOS

Return on capital employed (%)
ROCE

= $\frac{(\text{Result before tax} + \text{exchange gains/losses and other net financial expenses}) \text{ per}}{(\text{Balance total} - \text{non-interest-bearing liabilities}) \text{ (average)}}$

Return on equity (%)
ROE

= $\frac{(\text{Result before tax} - \text{income tax}) \text{ per}}{(\text{Members' funds (average)})}$

Equity ratio (%)

= $\frac{(\text{Members' funds}) \text{ per}}{(\text{Balance total} - \text{advance payments received})}$

Net gearing ratio (%)

= $\frac{(\text{Interest-bearing borrowings} - \text{cash and cash equivalents} - \text{interest-bearing receivables}) \text{ per}}{(\text{Members' funds})}$

FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million		2014 1–9	2013 1–9	Change	2014 7–9	2013 7–9	2013 1–12
The figures for 2013 are restated	Note						
Sales	2	3 722.8	3 719.4	3.4	1 203.6	1 213.9	4 938.7
Change in stocks of finished goods and work in progress		9.5	7.1	2.5	10.2	-25.2	31.2
Other operating income		141.2	55.9	85.2	16.9	16.7	81.0
Material and services		-2 502.7	-2 553.9	51.2	-809.0	-822.0	-3 401.8
Employee costs		-518.4	-524.4	6.0	-169.7	-171.1	-692.0
Depreciation and impairment losses		-188.9	-195.8	6.9	-63.1	-67.9	-257.1
Other operating expenses		-330.7	-261.6	-69.1	-86.0	-81.4	-365.0
Operating result	2	332.7	246.7	86.0	102.9	63.0	335.0
Share of results from associated companies and joint ventures		14.5	9.5	4.9	-0.9	0.1	9.6
Exchange gains and losses		-1.2	-1.9	0.7	-0.0	-2.0	-4.6
Other net financial items	2	-83.7	-92.0	8.3	-22.6	-30.1	-116.2
Result before income tax		262.3	162.4	100.0	79.4	31.0	223.8
Income tax	3	-58.6	-45.4	-13.2	-17.4	-10.6	-35.1
Result for the period		203.7	117.0	86.8	62.0	20.4	188.7
Other comprehensive income							
Items that will not be reclassified to profit and loss							
Items relating to adjustments of defined benefit plans		-34.5	-7.8	-26.7	-14.4	-0.2	2.4
Income tax relating to items that will not be reclassified		8.7	2.6	6.1	3.4	0.4	-0.1
Total		-25.7	-5.2	-20.6	-11.0	0.2	2.3
Items that may be reclassified subsequently to profit and loss							
Cash flow hedges		-11.7	7.2	-18.9	-4.2	10.8	-2.5
Available for sale financial assets	8	-49.9	-52.9	3.0	14.3	-5.7	-57.9
Currency translation differences		-16.8	-9.1	-7.6	-1.3	5.9	-20.3
Other items		0.2	0.0	0.2	0.2	0.0	-0.1
Income tax relating to items that may be reclassified		15.7	10.5	5.2	-1.9	-0.9	22.3
Total		-62.5	-44.4	-18.2	7.1	10.2	-58.5
Other comprehensive income, net of tax		-88.3	-49.5	-38.7	-4.0	10.4	-56.2
Total comprehensive income for the period		115.5	67.4	48.1	58.0	30.8	132.5
Result for the period attributable to:							
Members of parent company		116.1	71.8	44.3	40.6	8.0	109.2
Non-controlling interests		87.7	45.1	42.5	21.4	12.4	79.5
Total		203.7	117.0	86.8	62.0	20.4	188.7
Total comprehensive income attributable							
Members of parent company		68.6	47.6	21.0	36.8	14.9	83.1
Non-controlling interests		46.9	19.8	27.0	21.2	15.8	49.3
Total		115.5	67.4	48.1	58.0	30.8	132.5

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

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

EUR million		2014 30.9.	2013 30.9.	2013 31.12.	2013 1.1.
The figures for 2013 are restated		Note			
ASSETS					
Non-current assets					
Goodwill		523.8	532.1	529.0	533.8
Other intangible assets		244.1	246.6	255.0	239.4
Tangible assets	4	1 895.0	2 010.9	2 012.7	2 093.0
Biological assets		11.8	11.3	11.1	8.4
Investments in associated companies and joint ventures		82.8	71.4	71.5	65.2
Available for sale investments	8	252.5	310.8	305.7	356.2
Non-current financial assets	8	13.5	13.2	19.1	13.7
Deferred tax receivables		59.2	66.8	47.1	70.6
		3 082.8	3 263.1	3 251.3	3 380.4
Current assets					
Inventories		794.7	753.4	775.7	725.7
Accounts receivables and other receivables		743.7	760.7	705.4	712.0
Tax receivables based on the taxable income for the period		0.8	5.3	4.6	8.4
Cash and cash equivalents	8	653.9	466.3	454.4	519.4
		2 193.0	1 985.8	1 940.1	1 965.5
Assets classified as held for sale		2.8	-	-	20.6
Total assets		5 278.6	5 248.9	5 191.3	5 366.5
MEMBERS' FUNDS AND LIABILITIES					
Members' funds					
Members' funds		1 565.2	1 432.3	1 482.9	1 366.9
Non-controlling interests		464.1	447.7	476.3	491.2
		2 029.3	1 880.0	1 959.2	1 858.1
Non-current liabilities					
Deferred tax liabilities		232.2	294.3	244.4	319.5
Post-employment benefit obligations		178.3	160.3	154.4	154.0
Provisions	5	24.7	22.9	19.3	34.6
Borrowings	8	1 465.0	1 375.5	1 624.3	1 173.1
Other liabilities		23.4	25.7	27.6	35.7
		1 923.7	1 878.8	2 069.9	1 716.9
Current liabilities					
Provisions	5	16.8	32.5	33.9	53.8
Current borrowings	8	459.5	710.4	356.9	966.2
Accounts payable and other liabilities		820.4	733.8	762.6	766.9
Tax liabilities based on the taxable income for the period		26.9	13.4	8.8	4.5
		1 323.7	1 490.1	1 162.2	1 791.5
Liabilities classified as held for sale		1.9	-	-	-
Total liabilities		3 249.3	3 368.8	3 232.2	3 508.4
Total members' funds and liabilities		5 278.6	5 248.9	5 191.3	5 366.5

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

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' FUNDS

<u>Equity attributable to members of parent company</u>								
EUR million	Note	Mem- bers' capital	Trans- lation differ- ences	Fair value and other reserves	Re- tained earnings	Total	Non- control- ling interest	Total
Members' funds 1.1.2013		594.5	37.9	236.1	498.2	1 366.7	491.2	1 857.9
IFRS 10 and 11 restatement	1		-0.0		0.3	0.3	-0.0	0.3
Adjusted members' funds 1.1.2013		594.5	37.9	236.1	498.5	1 366.9	491.2	1 858.1
Result for the period					71.8	71.8	45.1	117.0
Other comprehensive income, net after tax			-7.0	-14.5	-2.7	-24.2	-25.3	-49.5
Total comprehensive income			-7.0	-14.5	69.1	47.6	19.8	67.4
Transactions with owners:								
Dividends paid					-33.5	-33.5	-36.8	-70.3
Change in members' capital		46.9			-1.1	45.8		45.8
Transfer from unrestricted to restricted				5.7	-5.7	0.0		0.0
Acquired shares from non-controlling interests, which did not change the controlling right				0.1	5.4	5.6	-26.6	-21.0
Members' funds 30.9.2013		641.4	30.9	227.4	532.7	1 432.3	447.7	1 880.0

<u>Equity attributable to members of parent company</u>								
EUR million	Note	Mem- bers' capital	Trans- lation differ- ences	Fair value and other reserves	Re- tained earnings	Total	Non- control- ling interest	Total
Members' funds 1.1.2014		654.7	24.9	224.9	578.0	1 482.6	476.3	1 958.9
IFRS 10 and 11 restatement	1		-0.0		0.3	0.3	-0.0	0.3
Adjusted members' funds 1.1.2014		654.7	24.9	224.9	578.3	1 482.9	476.3	1 959.2
Result for the period					116.1	116.1	87.7	203.7
Other comprehensive income, net after tax			-10.0	-19.9	-17.6	-47.5	-40.8	-88.3
Total comprehensive income			-10.0	-19.9	98.5	68.6	46.9	115.5
Transactions with owners:								
Dividends paid					-37.3	-37.3	-42.5	-79.7
Change in members' capital		55.0			-1.5	53.5		53.5
Transfer from unrestricted to restricted				2.4	-2.4	0.0		0.0
Acquired shares from non-controlling interests, which did not change the controlling right					-3.0	-3.0	-17.9	-20.9
Sold shares from non-controlling interests, which did not change the controlling right				-0.1	0.6	0.4	1.3	1.8
Members' funds 30.9.2014		709.7	14.9	207.4	633.2	1 565.2	464.1	2 029.3

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	2014	2013	2013
		1–9	1–9	1–12
Result for the period	7	203.7	117.0	188.7
Total adjustments	7	200.7	280.3	349.8
Change in working capital		-30.6	-101.9	-47.7
Cash flow arising from operations		373.8	295.3	490.7
Net financial items		-62.1	-87.6	-124.4
Income taxes paid		-35.9	-38.3	-51.1
Net cash flow arising from operating activities		275.8	169.4	315.3
Acquisitions		-1.4	-2.1	-2.1
Investments in tangible and intangible assets		-96.0	-133.7	-213.5
Disposals and other items	7	122.2	35.8	41.9
Net cash flow arising from investing activities		24.9	-100.0	-173.7
Change in members' funds		53.5	45.8	60.4
Change in shares of non-controlling interests		-20.9	-21.0	-21.1
Change in long-term loans and other financial items		-45.7	-68.8	-167.0
Dividends paid		-87.9	-78.1	-78.1
Net cash flow arising from financing activities		-101.0	-122.1	-205.8
Change in cash and cash equivalents		199.7	-52.7	-64.3
Cash and cash equivalents at beginning of period		454.4	519.4	519.4
Translation difference		-0.1	-0.5	-0.8
Change in cash and cash equivalents		199.7	-52.7	-64.3
Cash and cash equivalents at end of period		653.9	466.3	454.4

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

NOTE 1 – BACKGROUND AND ACCOUNTING POLICIES

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

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

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

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

- IFRS 10 *Consolidated Financial Statements* and subsequent amendments: IFRS 10 builds on existing principles by identifying the concept of control as the determining factor when deciding whether an entity should be incorporated within the consolidated financial statements. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The comparative figures have been adjusted to IFRS 10 and presented in the interim report Q1 2014.
- IFRS 11 *Joint Arrangements* and subsequent amendments: In the accounting of joint arrangements IFRS 11 focuses on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. In future joint ventures are to be accounted for using only one method, equity method, and the other alternative, proportional consolidation is no longer allowed. The comparative figures have been adjusted to IFRS 11 and presented in the interim report Q1 2014.
- IFRS 12 *Disclosures of Interests in Other Entities* and subsequent amendments: IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including associates, joint arrangements, structured entities and other off-balance sheet vehicles. The new standard will expand the notes the Group provides for its interests in other entities.

- IAS 28 *Investments in Associates and Joint Ventures* (revised 2011): Following the issue of IFRS 11 the revised IAS 28 includes the requirements for joint ventures, as well as associates, to be equity accounted.

- Amendments to IAS 32 *Financial Instruments: Presentation*: The amendments provide clarifications on the application of presentation requirements for offsetting financial assets and financial liabilities on the statement of financial position and give more related application guidance.

- Amendments to IAS 36 *Impairment of Assets*: The objective of the amendments is to clarify that the scope of the disclosures of information about the recoverable amount of assets, where that amount is based on fair value less costs of disposal, is limited to impaired assets.

- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement*: The amendments made to IAS 39 provide an exception to the requirement to discontinue hedge accounting in certain circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.

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

This interim report was authorized for issue by the Board of Directors of Metsäliitto Cooperative on 5 November 2014.

NOTE 2 – SEGMENT INFORMATION

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

maker in charge of allocating resources to the operating segments and evaluating their performance.

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

SALES BY SEGMENTS

EUR million	1–9/2014	1–9/2014	1–9/2014	1–9/2013	1–9/2013	1–9/2013
	External	Internal	Total	External	Internal	Total
Wood Supply and Forest Services	288.9	888.7	1 177.5	272.3	895.3	1 167.6
Wood Products Industry	635.8	45.2	681.0	641.7	43.5	685.1
Pulp Industry	584.2	374.3	958.6	578.0	396.1	974.2
Paperboard and Paper Industry	1 458.9	50.1	1 509.0	1 483.3	56.8	1 540.1
Tissue and Cooking Papers	754.8	0.3	755.2	744.0	0.2	744.2
Other operations	0.1	7.1	7.2	0.1	2.6	2.7
Elimination of internal sales	-	-1 365.7	-1 365.7	-	-1 394.4	-1 394.4
Total sales	3 722.8	0.0	3 722.8	3 719.4	0.0	3 719.4

EUR million	2013	2013	2013
	External	Internal	Total
Wood Supply and Forest Services	371.1	1 189.9	1 561.0
Wood Products Industry	839.6	60.1	899.7
Pulp Industry	781.0	532.9	1 314.0
Paperboard and Paper Industry	1 943.1	76.2	2 019.3
Tissue and Cooking Papers	1 003.7	0.3	1 004.0
Other operations	0.2	3.7	3.9
Elimination of internal sales	-	-1 863.1	-1 863.1
Total sales	4 938.7	0.0	4 938.7

OPERATING RESULT BY SEGMENTS

EUR million	2014	2013	2013
	1–9	1–9	1–12
Wood Supply and Forest Services	18.6	20.7	27.8
Wood Products Industry	28.5	-4.0	-1.8
Pulp Industry	163.4	145.6	196.6
Paperboard and Paper Industry	109.8	83.0	113.6
Tissue and Cooking Papers	40.7	40.2	55.3
Other operations	-36.1	-2.3	-7.0
Eliminations	7.9	-36.5	-49.6
Operating result total	332.7	246.7	335.0
Share of results from associated companies and joint ventures	14.5	9.5	9.6
Financial costs, net	-84.9	-93.9	-120.8
Income taxes	-58.6	-45.4	-35.1
Result for the period	203.7	117.0	188.7

Metsä Group's operating result 1–9/2014 includes non-recurring items net of EUR 31.9 million (-8.9). Of these EUR 70.3 million related to the sale of B-shares in

Pohjolan Voima Oy, EUR 24.8 million to the sale of Metsä Board's Lielahdi properties and EUR 59.2 million to the paid compensation to UPM-Kymmene.

ASSETS AND LIABILITIES BY SEGMENTS

Assets EUR million	2014 30.9.	2013 30.9.	2013 31.12.
Wood Supply and Forest Services	341.0	291.8	291.4
Wood Products Industry	420.6	402.6	403.0
Pulp Industry	747.9	882.5	848.6
Paperboard and Paper Industry	1 930.3	1 995.4	1 981.0
Tissue and Cooking Papers	922.2	915.1	933.5
Other operations	214.5	165.7	185.4
Eliminations	-305.4	-268.8	-268.8
Unallocated assets	1 007.5	864.6	817.2
Total	5 278.6	5 248.9	5 191.3

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

Liabilities EUR million	2014 30.9.	2013 30.9.	2013 31.12.
Wood Supply and Forest Services	201.0	197.1	228.9
Wood Products Industry	134.3	134.4	109.7
Pulp Industry	153.0	113.2	117.1
Paperboard and Paper Industry	500.4	443.6	455.5
Tissue and Cooking Papers	270.3	269.1	274.3
Other operations	100.0	55.8	69.5
Eliminations	-305.4	-268.8	-268.8
Unallocated liabilities	2 195.7	2 424.4	2 246.0
Total	3 249.3	3 368.8	3 232.2

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

NOTE 3 – INCOME TAXES

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

EUR million	2014 1–9	2013 1–9	2013 1–12
Taxes for the period	53.9	50.7	61.2
Taxes for the prior periods	0.2	-0.5	-2.3
Change in deferred taxes	4.5	-4.8	-23.8
Total income taxes	58.6	45.4	35.1

NOTE 4 – CHANGE IN PROPERTY, PLANT AND EQUIPMENT

EUR million	2014 1–9	2013 1–9	2013 1–12
Book value at beginning of period	2 012.7	2 093.0	2 093.0
Investments	89.4	119.6	189.7
Decreases	-14.3	-6.1	-6.5
Assets classified as held for sale	-3.1	0.0	-2.1
Depreciation and impairment losses	-176.4	-185.1	-242.6
Translation differences and other changes	-13.4	-10.5	-18.7
Book value at end of period	1 895.0	2 010.9	2 012.7

Assets classified as held for sale include apartments and parking places of Asunto Oy Tapiolan Jalava not sold by the end of September 2014.

NOTE 5 – PROVISIONS

EUR million	Restructuring	Environmental obligations	Other provisions	Total
At 1 January 2014	11.8	28.2	13.2	53.2
Translation differences	-0.1	-0.2	-0.2	-0.5
Increases	0.3	0.8	2.2	3.3
Utilised during the year	-6.1	-6.2	-2.1	-14.4
At 30 September 2014	5.9	22.5	13.1	41.6

Of the total provisions of EUR 41.6 million, the non-current portion was EUR 24.7 million and the current portion EUR 16.8 million. The non-current portion will mostly be paid during 2017.

NOTE 6 – RELATED PARTY TRANSACTIONS

The sales of Metsäliitto Cooperative's wood deliveries and forest services to the Group subsidiaries and joint operations totalled EUR 567.4 million in January–September (578.6). Sales of wood deliveries and forest services to associated companies and joint ventures were EUR 6.0 million (8.2).

Metsä Group's forest holdings are centralised in Finsilva Corporation, which is an associated company of Metsäliitto Cooperative (49.9%). The value of wood deliveries in January–September was EUR 10.7 million (14.3).

A share-based incentive scheme covering the members of the Group's Executive Management Team was

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

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

Transactions with associated companies and joint ventures

EUR million	2014 1–9	2013 1–9	2013 1–12
Sales	7.4	9.2	12.8
Purchases	55.1	73.7	97.2
Non-current receivables	2.1	1.6	2.0
Current receivables	1.3	1.7	1.7
Non-current liabilities	0.0	0.0	0.0
Current liabilities	7.1	8.0	7.2

NOTE 7 – NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Adjustments to the result for the period

EUR million	2014 1–9	2013 1–9	2013 1–12
Taxes	58.6	45.4	35.1
Depreciation and impairment charges	188.9	195.8	257.1
Biological assets	-0.7	-2.9	-2.7
Share of results from associated companies	-14.5	-9.5	-9.6
Gains and losses on sale of non-current financial assets	-103.5	-6.7	-12.9
Financial costs, net	84.9	93.9	120.8
Pension liabilities and provisions	-13.0	-35.6	-38.0
Total	200.7	280.3	349.8

Result for the period

Metsä Board and Metsäliitto Cooperative announced on 2 November 2012 the initiation by UPM-Kymmene Corporation of arbitration proceedings in which UPM-

Kymmene claimed jointly from Metsäliitto Cooperative and Metsä Board primarily EUR 58.5 million in damages and secondarily to return an EUR 58.5 million claimed unjust enrichment based on an alleged breach

of the tag-along clause specified in Metsä Fibre's shareholder agreement signed in 2009. The Arbitral Tribunal has in its judgment 11.2.2014, taken by vote, ordered Metsäliitto Cooperative and Metsä Board to jointly compensate UPM-Kymmene EUR 67.1 million for damages including arbitration costs and penalty interests. The compensation is included in the result for January–September.

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 EUR 67.1 million in damages to UPM-Kymmene Corporation.

Disposals and other items

Disposals and other items include the sale of Metsäliitto Cooperative's subsidiary Metsä Wood AS for EUR 5.5 million, the sale of apartments and parking places of Asunto Oy Tapiolan Jalava for EUR 7.1 million, the sale of B-shares in Pohjolan Voima Oy for EUR 75.0 million, sale of fixed assets for EUR 35.6 million and from other items for -1.0 million. The most significant fixed asset items were the EUR 27.0 million sale of Metsä Board's properties in Finland and the sale of emission rights and electricity certificates of EUR 4.9 million

NOTE 8 – FINANCIAL INSTRUMENTS

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

Financial assets 30.9.2014

EUR million	Fair value through profit and loss	Available for sale financial assets	Loans and other receivables	Derivatives at hedge accounting	Amortised cost	Book value	Fair value
Available for sale investments		252.5				252.5	252.5
Other non-current financial assets	1.7		11.4			13.1	13.1
Account receivables and others			740.3			740.3	740.3
Cash and cash equivalents	20.3		633.6			653.9	653.9
Derivative financial instruments	0.0			2.2		2.2	2.2
Total	22.0	252.5	1 385.3	2.2	0.0	1 662.0	1 662.0

Financial liabilities 30.9.2014

EUR million	Fair value through profit and loss	Available for sale financial assets	Loans and other receivables	Derivatives at hedge accounting	Amortised cost	Book value	Fair value
Non-current interest-bearing liabilities					1 465.0	1 465.0	1 506.4
Other non-current liabilities					6.6	6.6	6.6
Current interest-bearing liabilities					459.5	459.5	463.3
Accounts payable and others					692.0	692.0	692.0
Derivative financial instruments	7.2			36.9		44.1	44.1
Total	7.2	0.0	0.0	36.9	2 623.2	2 667.3	2 712.5

Financial assets 30.9.2013

EUR million	Fair value through profit and loss	Available for sale financial assets	Loans and other receivables	Derivatives at hedge accounting	Amortised cost	Book value	Fair value
Available for sale investments		310.8				310.8	310.8
Other non-current financial assets			13.2			13.2	13.2
Account receivables and others			755.8			755.8	755.8
Cash and cash equivalents	10.1		456.2			466.3	466.3
Derivative financial instruments	-0.8			4.3		3.5	3.5
Total	9.3	310.8	1 225.2	4.3	0.0	1 549.5	1 549.5

Financial liabilities 30.9.2013

EUR million	Fair value through profit and loss	Available for sale financial assets	Loans and other receivables	Derivatives at hedge accounting	Amortised cost	Book value	Fair value
Non-current interest-bearing liabilities					1 375.5	1 375.5	1 400.1
Other non-current liabilities					5.3	5.3	5.3
Current interest-bearing liabilities					710.4	710.4	712.5
Accounts payable and others					624.3	624.3	624.3
Derivative financial instruments	10.3			19.6		29.9	29.9
Total	10.3	0.0	0.0	19.6	2 715.5	2 745.4	2 772.2

Fair value hierarchy of financial assets and liabilities 30.9.2014

EUR million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Non-current financial assets through profit and loss at fair value		1.7		1.7
Available for sale financial assets	0.4		252.1	252.5
Current financial assets through profit and loss at fair value	20.3			20.3
Derivative financial assets		2.2		2.2
Financial liabilities measured at fair value				
Derivative financial liabilities	7.7	36.4		44.1
Financial assets not measured at fair value				
Financial assets		633.6		633.6
Financial liabilities not measured at fair value				
Non-current interest-bearing liabilities		1 506.4		1 506.4
Current interest-bearing liabilities		463.3		463.3

Fair value hierarchy of financial assets and liabilities 30.9.2013

EUR million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Available for sale financial assets	0.3		310.5	310.8
Current financial assets through profit and loss at fair value	10.1			10.1
Derivative financial assets		3.5		3.5
Financial liabilities measured at fair value				
Derivative financial liabilities	6.5	23.4		29.9
Financial assets not measured at fair value				
Financial assets		456.2		456.2
Financial liabilities not measured at fair value				
Non-current interest-bearing liabilities		1 400.1		1 400.1
Current interest-bearing liabilities		712.5		712.5

Financial assets measured at fair value based on level 3

EUR million	9/2014	9/2013
Opening balance 1.1.	305.4	355.8
Gains and losses in income statement	0.0	0.2
Gains and losses in other comprehensive income	0.1	-52.8
Purchases	1.7	7.9
Settlements	-55.1	-0.5
Closing balance 30.9.	252.1	310.5

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

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

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

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

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

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

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

The most significant item at fair value not traded on an open market is the investment in Pohjolan Voima Oy

shares, reported under available-for-sale financial assets. The valuation method is described in the 2013 Financial Statements. The average weighed capital cost applied in the calculation was 2.94 per cent on 30 September 2014 and for the Olkiluoto 3 power plant under construction 6.94 per cent. The acquisition cost of the Pohjolan Voima Oy shares is EUR 43.1 million and their fair value is EUR 231.3 million. The carrying amount of available-for-sale financial assets would be

estimated to be EUR 2.1 million lower or EUR 2.7 million higher should the rate used for discounting the cash flows differ by 10 per cent from the rate estimated by the management.

The carrying amount of available-for-sale financial assets would be estimated to be EUR 30.3 million higher or EUR 30.3 million lower should the energy prices applied in the fair value calculation differ by 10 per cent from the rate estimated by the management.

Derivatives 30.9.2014

EUR million	Nominal value	Assets	Liabilities	Fair value total	Fair value hedges	Cash flow hedges	Equity hedges	Hedge accounting not applied
Interest rate swaps	470.5		14.6	-14.6	3.0	-15.0		-2.6
Total	470.5	0.0	14.6	-14.6	3.0	-15.0	0.0	-2.6
Currency forwards	1 307.7		18.1	-18.1		-16.0	-1.2	-0.9
Currency options	272.2		3.6	-3.6				-3.6
Total	1 579.9	0.0	21.7	-21.7	0.0	-16.0	-1.2	-4.5
Electricity derivatives	147.5		7.4	-7.4		-7.4		0.0
Pulp derivatives	29.7	2.2		2.2		2.2		
Commodity derivatives	42.3		0.3	-0.3		-0.3		-0.1
Total	219.5	2.2	7.8	-5.6	0.0	-5.5	0.0	-0.1
Derivatives total	2 270.0	2.2	44.1	-41.9	3.0	-36.5	-1.2	-7.2

Derivatives 30.9.2013

EUR million	Nominal value	Assets	Liabilities	Fair value total	Fair value hedges	Cash flow hedges	Equity hedges	Hedge accounting not applied
Interest rate swaps	796.6		14.9	-14.9	2.4	-14.0		-3.2
Total	796.6	0.0	14.9	-14.9	2.4	-14.0	0.0	-3.2
Currency forwards	942.7	3.2	1.5	1.7		4.3	-1.5	-1.1
Currency options	73.8	0.3		0.3				0.3
Currency swaps	44.3		1.5	-1.5				-1.5
Total	1 060.8	3.5	3.0	0.5	0.0	4.3	-1.5	-2.3
Electricity derivatives	183.3		11.8	-11.8		-6.3		-5.5
Commodity derivatives	7.5		0.3	-0.3		-0.2		-0.1
Total	190.8	0.0	12.1	-12.1	0.0	-6.5	0.0	-5.6
Derivatives total	2 048.1	3.5	29.9	-26.4	2.4	-16.3	-1.5	-11.1

NOTE 9 – COMMITMENTS AND CONTINGENCIES

EUR million	30.9.2014	30.9.2013	31.12.2013
Own liabilities for which commitments granted	589.3	1 075.3	999.3
Pledges granted	410.6	882.1	841.1
Floating charges	5.3	605.3	605.3
Real estate mortgages	382.5	887.6	978.7
Chattels mortgage	4.6	4.6	4.6
Commitments for own liabilities, total	803.0	2 379.7	2 429.7
Other commitments on own behalf	86.1	100.5	93.5
On behalf of associated companies	1.9	2.1	2.3
On behalf of others	6.8	7.0	6.7
Total	897.9	2 489.3	2 532.3

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

The reduction in liability commitments is related to Metsä Board's drawn EUR 225 million unsecured bond in March 2014. The loan will mature on 13 March 2019. In addition, Metsä Board signed a new unsecured term loan syndicated credit agreement in March 2014. The new arrangement consists of a loan of EUR 150 million

and a credit facility of EUR 100 million which will mature in March 2018. The funds from the new financing arrangements were primarily used for early repayment of a secured EUR 350 million loan which would have matured in March 2016. The new credit facility replaced the EUR 100 million undrawn syndicated credit facility which would have matured in May 2015.

The future costs for non-cancellable operating lease contracts were EUR 30.2 million (31.12.2013: 37.6).