



METSÄ GROUP ANNUAL REPORT

2012



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8 INTERNATIONAL TOP PRODUCTS

We are investing in improving the efficiency and profitability of all our production units. The investments also support our product development.

10 DEVELOPMENT WITH CUSTOMERS

Prime raw material, fibre technology expertise and efficient use of raw materials support customer-driven product development.

12 EFFICIENT USE OF WOOD

We use raw materials and resources efficiently: in our company, less is more. This also means that we use the wood we harvest efficiently not only in production, but also as a by-product.

26 SUSTAINABILITY IS ACTION

Sustainability is as in integral part of our operations and daily work.

RESPONSIBLE COOPERATION.



METSÄ GROUP

Metsä Group is a responsible forest industry group whose products' main raw material is renewable and sustainably grown Nordic 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.



**WE ARE STRONGER
AND MORE UNIFIED.
WE ARE HEADING
FOR THE FUTURE
WITH CONFIDENCE.**

The year 2012 was a significant year of renewal for Metsä Group making the Group even stronger and more unified. The finalisation of the strategic review of Metsä Board's paper business and the company's clear focus on paperboard complete the restructuring which began in 2005.

Metsä Group's harmonised corporate identity, launched in February 2012, reflects a strong Finnish forest industry company which is heading for the future with confidence. We focus on pulp, wood products, packaging paperboards and tissue and cooking papers. In these areas, we are among the leading players, and the future outlook for these areas is good. Our operations are supported by the parent company Metsäliitto Cooperative's 125,000 owner-members, who provide us with high-quality wood raw material and forest energy for our production units.

REGULATION CREATES CHALLENGES

The economic instability in Europe and globally continued in 2012 also affecting the demand for forest industry products. Metsä Group's sales declined slightly from the previous year but considering the circumstances, the result remained satisfactory.

In addition to the uncertain market conditions, the continuously increasing national and EU-level regulation pose additional challenges for our operations. Many decisions made by the EU and nationally in Finland create new burdens which often weaken the competitiveness and prerequisites for success of Finnish companies.

Companies' main task is to ensure the effectiveness, profitability and competitiveness of their operations and to develop them further – this is part of our daily work. Political decision-makers should take prompt action to create equal grounds for competition in relation to our main competing countries and to ensure that regulation is brought to a reasonable level.

INVESTMENTS IMPROVE EFFICIENCY AND PRODUCTIVITY

We continuously invest in the development of our business operations and production capacity. We want to ensure sufficient production capacity in product areas where demand is

forecasted to continue to grow in all markets. Our goal is to be the leading player in all of our selected business areas. In 2012, our investments of approximately EUR 200 million were directed towards improving efficiency and productivity, in particular.

In Finland, we decided to modernise the Vilppula saw mill, increase the use and production of bioenergy in Joutseno, Kyröskoski and Lohja implemented a new RFID system at all pulp mills, and decided to invest in the development of the production process at the Joutseno pulp mill. Thanks to the renewed processes, we are able to bring to the

OUR CUSTOMERS PREFER PRODUCTS WHICH ARE ECOLOGICAL, BIODEGRADABLE AND RECYCLABLE.

market a new kind of pulp, which will improve the end products' cost-effectiveness and technical qualities. In addition, Metsä Board increased its folding box-board capacity in Simpele, Kyröskoski and Äänekoski by a total of approximately 150,000 tonnes in 2011–

2012. The total production capacity increased to approximately 935,000 tonnes per year. Our foreign investments consisted primarily of the modernisation of tissue paper capacity in Poland and Russia.

Thanks to our systematic investment programme, our production units are among the best in class in terms of efficiency, profitability and environmental performance.

The transaction with the Japanese Itochu Corporation, completed in the spring of 2012, was a significant step for our pulp business. Through the transaction, Itochu became a shareholder in Metsä Fibre with a 24.9 per cent holding. The arrangement strengthens Metsä Fibre's position as one of the leading players in the global pulp market, and the cooperation with Itochu opens up new opportunities for Metsä Group, above all in the growing markets in Asia.

PRODUCTS ADDRESSING CUSTOMER NEEDS

Product development is of utmost importance in the entire forest industry value chain. Our customers and consumers prefer products which are ecological, biodegradable and recyclable. Therefore, we carry out continuous product development in order to meet customer needs.

Metsä Fibre's high-quality pulp grades are a basis of many successful products, and the company won the Excellence Finland 2012 award and the Quality Innovation of the Year competition. Our lightweight, ecological and safe paperboards manufactured from fresh forest fibres are an indication of long-term and consistent development work carried out with customers. Thanks to its strong product portfolio and competence, Metsä Board is today a leading player in its industry and a trusted partner valued by customers.

Metsä Tissue's tissue and cooking papers are among the most popular in the market, and Metsä Wood's innovative, eco-efficient wood construction solutions are industry forerunners. Thanks to its excellent environmental properties, wood is the building material of the future. Interest in wood construction is increasing again. A good example of

this is Finland's largest wooden multi-storey building quarter in the Viikki area in Helsinki.

Our success is based on renewable raw materials and sustainable operations throughout the value chain, from the forest to our customers and all the way to the end users of products.

AMONG THE LEADERS IN SUSTAINABILITY

Sustainability is an integral part of our strategy and a natural aspect of all our operations. We want to be a pioneer in responsible operations and comply with the principles of the UN Global Compact initiative.

All our products are forerunners in sustainability. We know the origin of our raw materials, and more than 80 per cent of the wood we use comes from certified forests. We promote the bioeconomy by using renewable raw materials and fuels and by producing safe, recyclable products.

We have continuously invested in increasing the production and use of bioenergy in our mills. We already produce 16 per cent of the bioenergy in Finland, and 80 per cent of the fuels we use are wood-based. The new bioenergy and biopower plants operating at the Kyröskoski and Lohja mills increase the use of renewable fuels and reduce carbon dioxide emissions. The bark gasification plant makes the

Joutseno pulp mill carbon dioxide-neutral in normal operation, as the use of natural gas can be discontinued. We are currently investigating opportunities to build a similar plant at the pulp mill in Kemi.

We promote sustainable forestry and offer our owner-members comprehensive services in wood supply as well as in forest

WE DEVELOP OUR BUSINESS OPERATIONS AND PRODUCTION – WE WANT TO ENSURE SUFFICIENT CAPACITY FOR PRODUCTS WHICH HAVE A POSITIVE GROWTH OUTLOOK.

and nature management. Responsibly managed forests are a good foundation for building the future. We cover the implementation of sustainability in our operations in greater detail in a separate sustainability report.

A LONG HISTORY – AND THE JOURNEY CONTINUES

The year 2013 is Metsä Group's 80th year of operation. Therefore, I would like to thank our owner-members for their long-term commitment and confidence in us over the past decades.

I would also like to extend my warmest thanks to our customers and partners for great cooperation, and to Metsä Group's personnel for determined work which enables us to be an even more unified and competitive group today.

Kari Jordan
President and CEO

METSÄ GROUP

Sales total **5.0** EUR BILLION

Personnel total

11,500

METSÄLIITTO COOPERATIVE

GROUP'S PARENT COMPANY

OWNED BY 125,000 FINNISH FOREST OWNERS

METSÄ TISSUE

TISSUE AND COOKING PAPERS

SALES
1.0 EUR BILLION
PERSONNEL
3,000

METSÄLIITTO COOPERATIVE'S OWNERSHIP 76.62%

METSÄ BOARD

PAPERBOARD AND PAPER

SALES
2.1 EUR BILLION
PERSONNEL
3,300

METSÄLIITTO COOPERATIVE'S OWNERSHIP 61.72%*

METSÄ FIBRE

PULP

SALES
1.3 EUR BILLION
PERSONNEL
900

METSÄLIITTO COOPERATIVE'S OWNERSHIP 60.78%**

METSÄ WOOD

WOOD PRODUCTS

SALES
0.9 EUR BILLION
PERSONNEL
2,700

METSÄLIITTO COOPERATIVE'S OWNERSHIP 100%

METSÄ FOREST

WOOD SUPPLY AND FOREST SERVICES

SALES
1.5 EUR BILLION
PERSONNEL
1,000

METSÄLIITTO COOPERATIVE'S OWNERSHIP 100%

* Holding by number of votes, holding of shares 42.49%

** Direct holding through Metsäliitto Cooperative 50.2%, total holding including holding via Metsä Board 60.78%

SALES, € MILLION

5,001

-6% 2011: 5,346

OPERATING RESULT
EXCL. NON-RECURRING ITEMS,
€ MILLION

252

-20% 2011: 314

EQUITY RATIO, %

35.4

2011: 28.3

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

7.0

2011: 8.5

INVESTMENTS
€ MILLION

204

-10% 2011: 227

PERSONNEL, AT THE END OF YEAR

11,447

-9% 2011: 12,525

NET GEARING RATIO, %

84

2011: 131

FOSSIL CO₂ EMISSIONS, TONNES

962,328

-19% 2011: 1,200,090

LOST-TIME
ACCIDENT RATE ¹⁾

15.7

2011: 18.3

1) per million worked hours

CERTIFIED WOOD, %

82

2011: 81

MISSION

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

VISION

To be a focused and profitable Finnish forest industry company that operates in the international market, and that integrates customer-orientation, sustainability and innovations in its products and services in a unique way.

VALUES FORM THE BASIS FOR OUR OPERATIONS.

RELIABILITY



Our success is based on long-term cooperation with our stakeholders.

We appreciate the work and competence of each other and strengthen the confidence of our various stakeholders by acting in a consistent and predictable way.

COOPERATION



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

RESPONSIBLE PROFITABILITY



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

RENEWAL



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

FOCUSED OPERATIONS AND SUSTAINABILITY GUIDE US

Metsä Group is a responsible forest industry group whose core operations consist of tissue and cooking papers, paperboard, pulp, wood products, and wood supply and forest services.

The Group's vision is to be a focused and profitable Finnish forest industry company which operates in the international market and integrates sustainable raw material, customer orientation, innovation and sustainable development in its operations in a unique way. The high-quality products have been developed for the needs of both corporate customers and consumers, and are strongly present in everyday life and promote people's well-being. The main raw material is Nordic wood grown in a sustainable manner.

Metsä Group's production units are at the top of the industry, and their efficiency and environmental performance is continuously developed by systematic investment programmes. New business opportunities are actively sought in all the Group's core businesses. For example, wood energy and wood construction operations are being strengthened, as well as by otherwise making use of the opportunities provided by bioeconomy.

The unified corporate identity implemented in the beginning of 2012 completed Metsä Group's restructuring. It clarifies the Group's operations and strengthens competitiveness.

A STRONG VALUE CHAIN

Metsä Group's business areas form a strong value chain. The unique ownership structure of 125,000 Finnish forest owners supports the continuity and long-term focus of our operations and sets us apart from the competition.

Lambi, Serla, Mola, Tento, Katrin and SAGA, tissue and cooking papers' manufacturer Metsä Tissue's brands, are among the leaders in their main markets. The success of the business area is based on knowing customers' needs, strong product competence, effective distribution and sales channels, as well as sustainable, eco-efficient operations.

Metsä Board has a strong focus on paperboard, and it is Europe's leading fresh forest fibre paperboard company. The strengths of the company's packaging paperboards include the fresh forest fibres used as raw material, eco-friendliness, light weight and safety making the products excellent choices for even the most demanding packaging solutions. They provide a high-quality foundation for packaging leading brands and are an excellent alternative for packaging made of non-renewable raw materials.

Metsä Group produces pulp for further processing and sells market pulp. The operations are based on a profound understanding

of customer relationships, comprehensive service and personnel competence. Metsä Fibre's pulp mills are significant producers of bioenergy in Finland and their energy efficiency rank at the top of the industry.

In the wood products industry, Metsä Group has strong competence in structural solutions for wood construction, wood products for renovation and interior decoration, as well as in wood and panel products in the industrial sector. Metsä Wood's innovative and sustainable solutions promote energy-efficient construction and living.

Metsä Forest is the market leader in wood supply and forest energy in Finland. It is responsible for Metsä Group's wood supply and provides the owner-members of the Group's parent company, Metsäliitto Cooperative, with extensive services in wood supply as well as forest and nature management. The main objective of the Cooperative is to increase the value of its members' forest assets.

TARGETING PROFITABLE GROWTH

Metsä Group seeks profitable growth by investing and operating in a customer-oriented and cost-effective manner. Due to our focused strategy, resources and investments can be centralised in areas where the Group has clear competitive advantage and which have good growth outlook. A global, rapidly changing operating environment requires effective management of business risks, so that the Group maintains its renewal capability and flexibility.

In the future, success will be achieved by responsible operators who introduce new kinds of customer-oriented product solutions to the market and whose operations are based on the principle of sustainable development. Metsä Group is one of these operators.



CENTRAL TRENDS

- Globalisation and new markets
- Development of information technology
- Electronic commerce
- Urbanisation
- Higher standard of living
- Sustainability
- Increased regulation

TRENDS IN THE OPERATING ENVIRONMENT HIGHLIGHT ECO-FRIENDLINESS

The forest industry's operating environment has gone through extensive changes in the 2000s. Global trends are favourable for the forest industry, as ecological products manufactured from renewable raw materials are increasing their foothold. On the other hand, uncertainty in the global economy, increasing competition and, in particular, stricter environmental legislation are creating new challenges.

GLOBALISATION – A CHALLENGE AND AN OPPORTUNITY

The focus of economic growth has shifted to emerging markets, such as Brazil, China and India, which have launched their own forest industry production. At the same time, traditional forest industry companies have established their own production units in these countries. Price, lower costs and rapidly strengthening competence are among the competitive advantages of the new players.

Specialisation is among the strengths of the forest industry companies operating in traditional markets. It is based, among other things, on experience, competence, the proximity of markets, and differences in the raw material base in different market areas. For example, long-fibre Nordic softwood pulp is an unparalleled raw material in certain products, which is why its availability is a significant competitive factor.

The growth of information technology – the availability of affordable technology and

the digitalisation of information and services – strengthens globalisation. Urbanisation, a higher standard of living, increased electronic

SPECIALISATION, EXPERIENCE, COMPETENCE AND RENEWABLE RAW MATERIAL ARE OUR CORE STRENGTHS.

services and the real-time nature of information are changing buying behaviour and consumption habits. Consumption depends less and less on time and place, and increase in purchasing power is visible as growth in demand for higher quality ecological products.

OPERATIONS GUIDED BY RESPONSIBILITY

Increasing environmental awareness, the requirement for sustainability in companies'

operations, as well as more stringent national and international regulations, strongly impact the operations of forest industry companies as well.

On one hand, intensifying regulation increases costs, but on the other, it encourages companies to make further improvements in energy and material efficiency, for example. As the requirements increase, responsibility becomes an increasingly integral part of all operations of companies.

The importance of the eco-friendliness and sustainability of the product origin, raw materials and end products keeps increasing. Consumers, companies and the public sector are more and more interested in the sustainability and eco-efficiency of the entire life cycle of the product, which is also reflected in buying decisions.

Consumers and customers value sustainable options, such as safe, ecological packaging, biodegradable tissue and cooking papers, and wood construction.



IMPACT ON THE FOREST INDUSTRY

- Increased electronic service and information options reduce consumption of paper in developed countries
- Consumption and buying behaviour change. Need for packaging increases
- The importance of ecological products and production increases
- Good outlook for products manufactured from wood fibre
- Requirements and costs increase. Energy, material and cost efficiency are highlighted



INTERNATIONAL AND RENEWING

We process high-quality raw material into top products. With the investments completed in recent years, we are aiming to develop new products. The investments are an integral part of our profitability improvement and growth, and they help us improve the energy-efficiency and environmental performance of our business operations.

Read more about the investments on pages 35–36 ➔

METSÄ GROUP'S TOTAL INVESTMENTS IN 2012 WERE

204 EUR MILLION

OUR INVESTMENTS IN BIOENERGY REDUCE OUR ANNUAL CARBON DIOXIDE BURDEN BY

200,000 TONNES



PRODUCTION IN
9
COUNTRIES



SALES COMPANIES IN
26
COUNTRIES



FOR FOREST OWNERS
117
SERVICE OFFICES
IN FINLAND



RETAILERS AND AGENTS SELL THE GROUP'S PRODUCTS AROUND THE WORLD

PRODUCTION UNITS:

- METSÄ TISSUE
- METSÄ BOARD
- METSÄ FIBRE
- METSÄ WOOD

MOST SIGNIFICANT INVESTMENTS IN PRODUCTION UNITS IN 2011–2012

HUSUM new turbine to increase self-sufficiency in electricity

KEMI modernised coating section, two new products

KASKINEN modernised production line, a new product

ÄÄNEKOSKI increased paperboard capacity, research and development centre and paperboard sheeting plant

MÄNTTÄ new hand towel line

VILPPULA modernised sawmill

KYRO increased paperboard capacity and production of bioenergy

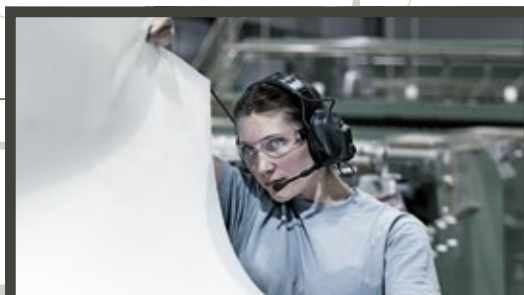
JOUTSENO production of bioenergy and a new kind of process for pulp production

LOHJA new bioenergy heating plant

VORSINO new processing and logistics unit

GOHRSMÜHLE paperboard sheeting plant

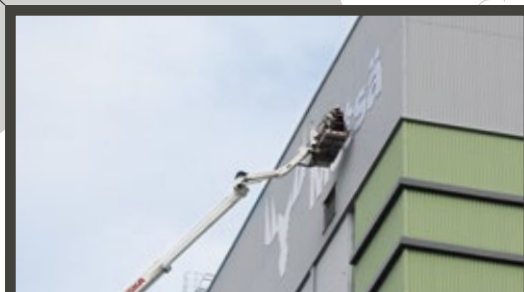
DÜREN new paper machine



SIMPELE increased paperboard capacity



KRAPKOWICE new paper machine and processing line for hand towel paper



Metsä Group renewed its corporate identity. Rauma was among the first locations to see the new signs

TOP PRODUCTS THROUGH COOPERATION.



Did you know that food waste burdens the environment more than food packaging?

SAGA COOK & CHILL

AGAINST FOOD WASTE

Metsä Tissue's new cooking paper helps minimise food waste and reduce costs. With SAGA Cook & Chill paper, food can be prepared, cooked, transported and served using the same sheet. The paper was tested in authentic institutional kitchen environments in 2010 and 2011. In the tests, food waste was cut in half and costs incurred in mechanical work and washing decreased by 95 per cent.

MULTI-STOREY SYSTEM MAKES

COMFORTABLE AND QUICK



Finland's largest multi-storey building quarter was completed in Helsinki in the summer 2012. The five 4-storey blocks of flats, built by using Metsä Wood's Multi-Storey System, consist of a total of 104 flats.

The Multi-Storey System offers benefits such as construction speed and cost-efficiency. Metsä Wood has been developing the system in a network of the leading experts in the industry for several years. In addition to Finland, wooden multi-storey buildings built using Metsä Wood's system have been constructed in, for example, Germany, France and Italy.

DIVERSE DEVELOPMENT

Increased amounts of forest energy will be needed in the future. Therefore, Metsä Group is participating in several cooperation projects developing forest energy operations.

The cooperation projects study ways of ensuring the dryness, or energy content, of wood, since dryness is the most decisive factor in the profitable use of energy. To increase the energy content, development focuses on harvesting, transport, storage and chipping at the right time. It is important to process every form of forest energy in the best possible manner.

Factors important in terms of forest energy harvesting include drying and ensuring that sufficient amounts of nutrients remain in habitats. Coverings used over stored energy wood are also being developed to allow moisture to evaporate from wood and to prevent the covering's shrinking.

Metsä Group is a forerunner in combined harvesting. In combined harvesting, energy wood and pulpwood are harvested simultaneously, and the forest machine processes several trees at the same time. This makes it possible to harvest more timber simultaneously, which also offers increased earnings to forest owners.



NEW SOFTWOOD PULP IMPROVES

CUSTOMER AND MILL EFFICIENCY

Metsä Group will introduce a new kind of softwood pulp to the market which will improve customers' process runnability and cost-effectiveness. Brightness, cleanliness and the length of fibre, the basic properties of pulp, remain unchanged.

Production of the new pulp will begin in Joutseno, Finland, which will switch to a new kind of pulp production process: polysulphide digestion. The customer benefits provided by the new pulp come from the improved beating properties and tensile strength of the pulp, reduced energy consumption and more effective use of raw material. At the same time, the efficiency of the Joutseno mill will improve and production capacity increase by nearly ten per cent, since the same amount of wood produces more pulp.



LIGHTER PAPERBOARD

FOR A BETTER FUTURE

Lightweight yet strong paperboards are ecological and economical, and can be used in versatile applications. They are also safe for both users and the environment. Lightweight paperboards reduce the environmental footprint and costs throughout their entire life cycle, since less energy and raw materials are needed to produce them, they are lighter to transport and generate less waste.

The weight of paperboard can be reduced by nearly 45 per cent by optimising its structure and raw material. Switching to a ten per cent lighter paperboard grade reduces the carbon footprint generated, for example, by the manufacture of four million boxes of biscuits by as much as cutting down driving by 40,000 kilometres.

The light weight, strength and excellent printing surface of paperboards make them well suited for the packaging needs of the world's leading brands, for example in foodstuffs, pharmaceuticals and cosmetics.



TO THE LAST BRANCH

We use the wood raw material we procure in full – to the last branch. We find the best possible end use for every part of a tree, whether it is pulp to make paper or paperboard, or wood for various structures or energy. At the end of their life cycle, every product we manufacture can be recycled or made use of by burning.

In Finland, the timber raw material required for making one tonne of paper grows back in less than one second.



Paper and paperboard can be recycled approximately five times. Thereafter, they can still be utilised for energy.

Energy is generated throughout the value chain. We supply energy wood to power plants, and our own production units are also significant producers of bioenergy.

Forest energy is mainly generated from tree tops. By-products include for example bark. In 2012, we harvested forest energy

3.0 million m³



FOREST ENERGY AND BY-PRODUCTS

Pulpwood is raw material for pulp and panels made of wood fibre. In 2012, we harvested pulp wood

20.2 million m³



PULPWOOD

Roundwood is processed at sawmills and plywood mills. In 2012, we harvested these

6.3 million m³



ROUNDWOOD

WOOD SUPPLY AND FOREST SERVICES

ONE CUBIC METRE OF WOOD CAN BE CONVERTED INTO ONE OF THESE:



TOILET PAPERS FOR ONE YEAR FOR

12 people



CHOCOLATE BOXES

10,000 pcs



SHEETS OF A4 COPY PAPER

60,000 pcs



PULP

200 kg



BOARD FOR

1 decking

The energy-efficiency of mills has improved by 20% since 2007.



TISSUE AND COOKING PAPERS



TISSUE PAPER

Fibre sludge, a by-product of tissue paper manufacturing, is used in landscaping and sports field construction as a substitute for other natural materials. It offers benefits such as light weight, low water permeability and good frost resistance.



COOKING PAPER

Using cooking paper can halve the amount of food waste and cut costs. After use, cooking paper can be utilised for energy.

Bioenergy covers 55% of the total energy consumption of mills. The majority of bioenergy is by-products from our own production.



PAPERBOARD AND PAPER



PAPERBOARD

Production of paperboard for food packaging is meticulous, since the paperboard must be clean. For example, forklifts used at the mills run on natural gas or electricity to avoid exposing paperboard to exhaust fumes.



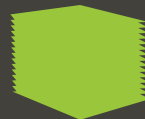
OFFICE PAPER

By optimising the use of certain raw materials for certain office paper, up to 20% less wood can be used in production, compared to the production of competing products.

The company's energy self-sufficiency is 151%. For example, the amount of surplus bio electricity generated by one pulp mill would satisfy the electricity needs of a Finnish town of 50,000 people.



PULP



PULP

In addition to energy, important side products of pulp production are tall oil and turpentine. Tall oil is used in the manufacturing of tall oil soap and as raw material in paint and adhesive industry.

Sawmill by-products can be more than just by-products: Hunter bedding is made from planing chips by recovering the fractions best suited for bedding from the chips. The remainder is used in energy production.



WOOD PRODUCTS

WOOD SOLUTIONS FOR CONSTRUCTION AND INDUSTRY

Using wood is an overall economical choice: Thanks to the light weight of wood products, the environmental impact of transportation is also small but they also act as carbon sinks throughout their entire life cycles.



According to studies, compared to a building with a concrete structure, the carbon dioxide footprint of a wooden multi-storey building is 45% smaller, and producing materials consumes 4% less energy.

TISSUE AND COOKING PAPERS

COMFORT FOR EVERYDAY LIFE



METSÄ TISSUE



With its high-quality tissue and cooking papers, Metsä Tissue makes life more comfortable for consumers, customers and end-users every day. Metsä Tissue is a leading tissue paper products supplier to households and professionals in Europe and the world's leading supplier of baking and cooking papers. Our main brands are Lambi, Serla, Mola, Tento, Katrin and SAGA.

HIGHLIGHTS IN 2012

A new tissue paper processing line opened at Mänttä mill in Finland. In Krapkowice, Poland, new production and processing lines for tissue paper were commissioned.

In Vorsino, Russia, a new processing and logistics centre was opened.

A loan of EUR 35 million was agreed on with the European Bank for Reconstruction and Development to finance investments in Poland and the operations' development in Russia.

At the end of 2012, organisational change was launched to streamline the company's operations.

The operating result excluding non-recurring items doubled. Sales of the company's own brands increased from the previous year.



Metsä Tissue's tissue and cooking papers bring convenience, hygiene and well-being to the everyday lives of consumers and professionals.

The consumer brands Lambi, Serla, Mola and Tinto comprise a full selection of toilet papers, kitchen towels and facial tissues as well as paper handkerchiefs and napkins. Katrin offers comprehensive hygiene solutions for public sanitary facilities. The SAGA products serve cooking and baking needs in home kitchens and in professional use worldwide. Metsä Tissue develops and manufactures innovative products for private labels as well.

CUSTOMER-ORIENTED PRODUCTS FOR INCREASING DEMAND

Metsä Tissue's vision is to be the market leader in its selected markets in Europe. One of the cornerstones of our strategy is product development based on our consumers' needs and cooperation with the customers. In 2012, we introduced several new products to the market, upgraded the Serla, Mola and Tinto tissue grades and consolidated baking and cooking products under the SAGA brand.

Growth in demand for both tissue and cooking papers continues to be steady in all markets. In emerging markets, growth in demand is based on increased purchasing power and a shift in consumption habits towards more versatile products with higher quality.

GROWTH THROUGH INVESTMENTS AND RENEWAL

Metsä Tissue's growth and performance are based on reliability, strong innovations in

brands and private retail labels, effective marketing and an extensive distribution network. The focus is on cost-efficiency in all operations, and increasing sales and cash flow as well as improving the operating profit are supported by strategic development programmes.

The investments improving the performance and energy-efficiency of the Krapkowice mill in Poland progressed as planned, and a new paper machine and processing line were commissioned in 2012. The new processing and logistics unit opened in Vorsino strengthens the company's position in Russia. The performance of the Düren mill in Germany was improved, and the work continues. The new production line commissioned at the Mänttä mill in Finland is used to manufacture Katrin Non Stop hand towels. The Konstancin-Jeziorna mill in Poland was closed.

The reorganisation launched in 2012 clarifies roles, responsibilities and brings decision-making closer to the customers. The company-wide enterprise resource planning (ERP) system implemented during the year streamlines operations.

Read more about Metsä Tissue's year 2012 on page 38 →

DID YOU KNOW?



Serla supports the prevention of social exclusion of children in cooperation with the Tukikummit Foundation. Serla has sponsored the foundation with EUR 100,000, which is directed to the improvement of the conditions and future of children and young people in need of direct assistance. Tukikummit supports underprivileged children and young people who live in Finland and are in danger of becoming socially excluded due to financial reasons.

ENERGY CONSUMPTION DECLINED BY 20%

METSÄ TISSUE IS AMONG THE TOP COMPANIES IN ITS INDUSTRY IN TERMS OF THE SUSTAINABLE OPERATIONS. THE TISSUE 20 PROJECT, LAUNCHED IN 2008, REACHED ITS SET OBJECTIVES FOR THE END OF 2012. THE USE OF ENERGY DECLINED BY 20.4 PER CENT FROM THE 2007 LEVEL.

Tissue 20 project completed more than 400 practical measures to improve energy-efficiency and during the project, nearly EUR 20 million was invested in energy-efficiency measures. Energy-efficiency is an important criterion in procurement decisions as well.

Thanks to the project, Metsä Tissue ranked first in the 2012 Energy Masters Award assessment, and the EU issued the company a grant of over EUR 400,000 as part of the Sustainable Industry Low Carbon (SILC) programme.

Work to reduce energy consumption continues in accordance with Metsä Group's shared objectives.



2012 IN NUMBERS

SALES
EUR MILLION

982

+1% 2011: 971

OPERATING RESULT
EXCL. NON-RECURRING ITEMS, EUR MILLION

40

+96% 2011: 20

PERSONNEL
AT THE END OF YEAR

3,035

-7% 2011: 3,263

SALES
BY MARKET AREA, %



GERMANY	28
SWEDEN	12
NORWAY	10
FINLAND	9
REST OF EUROPE	39
REST OF WORLD	2



PAPERBOARD AND PAPER

SAFE AND ECOLOGICAL HIGH-QUALITY PAPERBOARDS

METSÄ BOARD



Metsä Board is Europe's leading producer of fresh forest fibre cartonboards, the world's leading manufacturer of coated white-top kraftliners, and a major paper supplier. It offers premium solutions for consumer and retail packaging, graphics and office end-uses. The company's sales network serves brand owners, carton printers, corrugated packaging manufacturers, printers, merchants and office suppliers.

HIGHLIGHTS IN 2012

Profitability improved and balance sheet strengthened compared to 2011.

The EUR 120 million investment programme in the Paperboard business area was finalised. The programme included increasing the annual folding boxboard capacity by 150,000 tonnes, modernisation of the Kemi linerboard machine's coating section in Finland and the commissioning of the biopower plant at the Kyrö mill.

The strategic review of the paper business was completed, including the closure of the Alizay mill in France and the discontinuation of unprofitable operations at the Gohrsmühle mill in Germany.

The year 2012 was an important milestone for Metsä Board. The company's transformation from a paper company to Europe's leading producer of fresh forest fibre paperboard was completed. Capacity was increased in order to meet paperboard customers' increasing demand.

The strategic review launched in 2006 in order to transform the company into a producer of fresh forest fibre paperboard was successfully completed. The change has stabilised our business operations, and we have an opportunity to succeed in all economic situations.

The paper mill in Husum, Sweden, is the largest unit in its field in Europe. The remaining paper and market pulp operations generate cash flow, which enable further development of the paperboard business.

The most important strategic investments included increasing the annual folding boxboard capacity by 150,000 tonnes, or 20 per cent. The new capacity is available in full from

early 2013. Other important investments included the modernisation of the Kemi linerboard machines' coating section and the biopower plant at the Kyrö mill.

SUSTAINABLE PRODUCTS

Replacing traditional packaging materials with Metsä Board's safe and ecological folding boxboard is an excellent way for consumer goods companies to improve their operations' sustainability. Our paperboards feature top-class technical qualities, and their inspiring visual properties provide added value for our customers and brand products.

Metsä Board is able to further increase the capacity of its existing folding boxboard machines with reasonable investments. We are continuing to develop products that are even more ecological and safe.

DEMAND FOR GOOD PACKAGING IS GROWING

Demand for safe, ecological folding boxboard is increasing, both in Europe and globally. As a company specialising in fresh forest fibre paperboard, Metsä Board has good prerequi-

sites to be the most profitable company in its field in Europe.

The main positive factors impacting our result include full utilisation of our expanded folding boxboard capacity, new innovations in paperboard operations, further improvements in productivity, and cost management.

Read more about Metsä Board's year 2012 on page 37 →

DID YOU KNOW?



Since we make board using fresh forest fibre – which is by nature very clean – Metsä Board's products are safe for food packaging. No mineral oils or other harmful substances are transferred to foodstuffs from the board.

NEW BIOPOWER PLANT CUTS CARBON FOOTPRINT IN HALF

A 55-MEGAWATT BIOPOWER PLANT WAS COMMISSIONED AT METSÄ BOARD'S KYRÖ MILL. THE POWER PLANT RECEIVES THE WOOD-BASED FUEL IT NEEDS FROM A RADIUS OF SOME 100 KILOMETRES.

A new biopower plant was commissioned at Metsä Board's Kyrö mill in Finland in order to increase the mill's already high share of bioenergy. The plant produces electricity and heat and replaces the use of fossil natural gas at the mill. It also produces district heating for the nearby municipality of Hämeenkyrö.

The biopower plant reduces Kyrö mill's carbon dioxide emissions by approximately 100,000 tonnes per year, to a quarter of the previous level. At the same time, the carbon footprint of folding boxboard and wallpaper base manufactured at the mill is cut in half. The biopower plant uses wood as fuel – primarily bark, chips, stumps and other energy wood, together with other by-products from Metsä Group's production plants.

The biopower plant, commissioned in October 2012, was built as a joint project of Metsä Group, Pohjolan Voima and Leppäkosken Sähkö.



2012 IN NUMBERS

SALES
EUR MILLION

2,108

-15% 2011: 2,485

OPERATING RESULT
EXCL. NON-RECURRING ITEMS, EUR MILLION

74

+24% 2011: 59

PERSONNEL
AT THE END OF YEAR

3,279

-19% 2011: 4,070

SALES,
BY MARKET AREA, %



PULP

A LEADING PRODUCER OF SOFTWOOD PULP



METSÄ FIBRE



Metsä Fibre is a world-leading producer of softwood pulp. Our main products – sustainably and cost-efficiently produced softwood and birch pulp – are specially developed for the production of high-quality fine papers, magazine and tissue papers, and board. Our main brand is Botnia.

HIGHLIGHTS IN 2012

The Japanese Itochu Corporation acquired strategic ownership of 24.9 per cent in Metsä Fibre.

A bark gasification plant was commissioned at the Joutseno pulp mill in Finland.

A decision was made at the Joutseno pulp mill to switch to a new kind of pulp production process: polysulphide digestion. We will introduce a new kind of softwood pulp to the market.

We achieved a new record on annual pulp production: a total of 2,237,000 tonnes.

Metsä Fibre was awarded the Excellence Finland 2012 and the Quality Innovation of the Year. In addition, the company received the Recognised for Excellence award.

2012 IN NUMBERS

SALES
EUR MILLION

1,274

-2% 2011: 1,301

OPERATING RESULT
EXCL. NON-RECURRING ITEMS, EUR MILLION

148

-44% 2011: 267

PERSONNEL
AT THE END OF YEAR

876

0% 2011: 872

SALES
BY MARKET AREA, %



FINLAND	53
ITALY	5
GERMANY	3
FRANCE	2
REST OF EUROPE	12
REST OF WORLD	25



In 2012, Metsä Fibre strengthened its position in using renewable energy and as a producer of softwood pulp in the globally growing markets.

The consistent renewal continues with investments in the production and use of bioenergy and in developing the Botnia product palette to better meet customers' overall needs.

Approximately EUR 15 million was invested in the development of the production process of the Joutseno pulp mill in Finland.

TOWARDS CARBON DIOXIDE-NEUTRAL PRODUCTION

METSÄ FIBRE DECIDED TO BUILD A GASIFICATION PLANT AT THE WORLD'S LARGEST SINGLE-LINE SOFTWOOD PULP MILL IN JOUTSENO, FINLAND. THE GASIFICATION PLANT MAKES THE USE OF RENEWABLE ENERGY MORE EFFICIENT AND THE PLANT WILL REPLACE THE NATURAL GAS USED AT THE MILL WITH BIO FUEL MADE FROM TREE BARK.

Joutseno mill's bio power plant produces 48 MW of bark-based bioenergy which corresponds to the annual consumption of 2,500 oil-heated houses. It makes the pulp mill a carbon dioxide-neutral facility during normal operations.

The technology in the gasification plant is a new application in the Finnish pulp industry. This innovative and comprehensive solution uses surplus heat from the mill in drying tree bark. The plant considerably improves the mill's energy-efficiency and further improves the mill's environmental performance.

Development work is under way at Metsä Fibre's other mills as well, and all mills will become carbon dioxide-neutral in the coming years.



The plant switched to a new kind of pulp production method: polysulphide digestion. This investment allows us to introduce a new softwood pulp grade, polysulphide pulp, to the market. It will improve runnability and cost-effectiveness in customers' processes. At the same time, the production capacity of the Joutseno mill will increase by nearly ten per cent and production efficiency will improve.

PROFOUND UNDERSTANDING OF CUSTOMER RELATIONSHIPS

In accordance with our strategy, our operations are based on a profound understanding of customer relationships, comprehensive services and personnel competence. This focus was recognised when we won the Excellence Finland 2012 award and the Quality Innovation of the Year Competition in the large companies category with the highest total score of all time.

According to the competition jury, Metsä Fibre's customer orientation and value creation for the customer are prominent throughout the organisation from the management to the production personnel. Also the development of operations is managed systematically. We won the Quality Innovation Competition with our proprietary index Botnia FOX (Fibre Online Index), which indicates the quality of pulp and provides real-time information on quality, which can be used to improve the efficiency of the value chain.

UNPARALLELED RAW MATERIAL

The responsibility and eco-efficiency of our production and the entire life cycle of our products are our core principles. Metsä Fibre's pulp mills already are significant producers of bioenergy in Finland. The bark gasification plant commissioned at the Joutseno mill in 2012 strengthens our position further. It enables the mill to run normal operations completely without external fossil energy. We are also conducting a feasibility study concerning the construction of a biogas-generating biorefinery in Joutseno in cooperation with Helsingin Energia and Gasum and planning to increase the use of bio energy at the Kemi mill in Finland.

Long-fibre northern softwood pulp is an unparalleled raw material. Combined with our responsible production process and versatile services, it has a competitive advantage beyond compare in the growing pulp market.

Read more about Metsä Fibre's year 2012 on page 37 →

DID YOU KNOW?



Metsä Fibre's mills account for one fifth of all wood-derived electricity generated in Finland.



WOOD PRODUCTS

A FORERUNNER IN PROVIDING WOOD SOLUTIONS

METSÄ WOOD



Metsä Wood offers competitive and eco-efficient wood-based solutions for industrial construction customers, other industrial customers and the home and lifestyle sectors. We manufacture products from Nordic wood, a sustainable raw material of premium quality.

HIGHLIGHTS IN 2012

The continued economic uncertainty in Europe created unsteadiness into the demand of wood based structural and industrial solutions as well as that of distribution markets. Increasing added value, improving cost-efficiency, streamlining sales and investing in product and service development were integral aspects of the implementation of the business strategy.

We decided to build a new sawmill line and a green sorting line at the Vilppula sawmill in Finland, as well as to modernise other parts of the sawmill. The rebuild will be completed in 2013.

The construction of Finland's largest wooden multi-storey building block, based on the Metsä Wood Multi-Storey System, was completed in Helsinki.

2012 IN NUMBERS

SALES
EUR MILLION

904

-4% 2011: 939

OPERATING RESULT
EXCL. NON-RECURRING ITEMS, EUR MILLION

19

+59% 2011: 12

PERSONNEL
AT THE END OF YEAR

2,749

-4% 2011: 2,874

SALES
BY MARKET AREA, %



■ GREAT BRITAIN	30
■ FINLAND	22
■ FRANCE	11
■ GERMANY	9
■ REST OF EUROPE	15
■ REST OF WORLD	13



Our solutions cover the entire value chain, from a diverse product range based on high-quality raw materials and an efficient supply chain, to local, high-quality customer service and understanding of our customers' business. We offer products and services that create added value for industrial customers, retailers and wholesalers as well as the construction industry.

In 2012, we introduced next-generation concrete formwork plywood and fire-resistant softwood plywood to address the needs of our industrial customers. The Kerto product family was also expanded with the Kerto-QP roof beam. The structure guarantees straightness and stability. At the Kaskinen processing unit, we invested in a new automated baling line, and Hunter horse bedding made from plane shavings was introduced to the market in Finland.

We decided to invest approximately EUR 30 million to the modernisation of

the Vilppula sawmill in Finland. The sawmill investment will be completed during 2013. The investment will enable us to offer fit for purpose sawn timber products to our customers, based on the requirements of their product ranges and production processes.

During the year, we also carried out development investments at production units, the most important of which were a new SAP ERP system serving Metsä Wood's business needs and the completion of the biopower plant built at the Kerto mill in Lohja, Finland. We also launched an occupational safety improvement contest for our personnel in Finland. The campaign will be extended to all Metsä Wood's production units in 2013.

ECO-EFFICIENT SOLUTIONS

The benefits of wood construction compared to competing materials are highlighted in discussions regarding the environment and energy. Eco-efficient wood products are a natural choice of material for responsible construction, living and interior decoration. Wood construction is a sustainable choice in community planning.

Wood is a versatile and aesthetic material which offers designers opportunities to satisfy their creativity in a cost-effective manner. Wood creates comfortable living and working environments and increases the well-being of people.

The construction of Finland's largest wooden multi-storey building block was completed in Helsinki in 2012. Based on the Metsä Wood Multi-Storey System, the project is an important milestone in a shift towards ecologically sustainable multi-storey construction with emphasis in utilising the strengths of wood.

A FUTURE FORERUNNER

Taking care of our competitive edge is necessary as the challenges in our main markets continue. Besides the ongoing actions in cost-effectiveness and productivity, we will be a pioneer in serving industrial and construction customers by increasing added value and investing in product and solution development in the future as well.

Read more about Metsä Wood's year 2012 on page 37 →

DID YOU KNOW?



Plywood's resistance to wear, impact, weather and chemicals as well as its friction properties can be improved by coating.

Metsä Wood's plywoods are manufactured from birch, which is consistent in quality, and softwood, which has dense fibres. Thanks to the high-quality raw material and structure, the plywood has good strength and rigidity properties. The highest quality plywood includes sound-insulated and flame-retardant grades, which comply with stringent standards. For example, in a fire, the product reduces heat production and slows down the spread of fire. The main applications of plywood are thus in construction and the transport vehicle industry.

BIOWEIGHT PLANT IMPROVES KERTO MILL'S COMPETITIVENESS

THE CARBON DIOXIDE EMISSIONS OF THE KERTO MILL AND THE LOHJA REGION WILL BE REDUCED BY A TOTAL OF 40,000 TONNES PER YEAR.

The bioenergy heating plant constructed at Metsä Wood's Kerto mill in Lohja supports our objective of improving the energy-efficiency and eco-friendliness of our production units. The bioenergy heating plant plays a significant role in the energy supply the region as well, since it produces heat for the district heating network in Lohja and process steam for the mill. A bulk of the former, coal-based heat

production has been replaced by bioheat, since the plant is fuelled by Kerto mill's by-products, such as wood chips and other wood-derived fuels.

The building developer of the plant was Lohjan Biolämpö Oy, which is owned by Metsäliitto Cooperative, Lohjan Energiahuolto Oy Loher and Äänesseudun Energia Oy.



WOOD SUPPLY AND FOREST SERVICES

HIGH-QUALITY WOOD FROM SUSTAINABLY MANAGED FORESTS



2012 IN NUMBERS

SALES
EUR MILLION

1,515

+3% 2011: 1,476

OPERATING RESULT
EXCL. NON-RECURRING ITEMS, EUR MILLION

20

-18% 2011: 24

PERSONNEL
AT THE END OF YEAR

1,007

-2% 2011: 1,028

WOOD DELIVERIES
BY SOURCE COUNTRY, %



■ FINLAND	74
■ BALTIC COUNTRIES	9
■ SWEDEN	7
■ RUSSIA	7
■ OTHERS	3

Metsä Forest was active in the wood market throughout 2012 and increased its market share in forest management services.

We supplied 29.8 million cubic metres of wood to our customers, of which approximately 80 per cent was delivered to industry located in Finland. In Finland, the majority of wood was procured from Metsäliitto Cooperative's members. In addition, we procured wood from Russia, the Baltic countries, and Sweden.

The commitment of the EU member states to increasing the share of renewable energy will impact our industry in many ways, and therefore, the use of forest energy is also increasing powerfully. We are a leading supplier of wood energy in Finland and are seeking growth in the Baltic Sea area. During the year, we developed forest energy harvesting, transportation and storage methods in various projects.

The sales of our forest management services grew more than expected, and we completed a record number of forest cultivation tasks in our members' forests. Our owner-members also made use of extensive investment opportunities, such as our new investment product Equity Bonus. The increase in contribution investments was higher than in the previous year, and the members' capital reached record levels.

A WELL-MANAGED FOREST IS AN INVESTMENT IN THE FUTURE

We procure wood from sustainably managed forests and are a pioneer in the development of tracking systems for the origin of wood. In 2012, 82 per cent of the wood we supplied originated from certified forests.

For the forest owner, a forest is a living asset. By tending to forests properly, we ensure forest growth and biodiversity as well as steady wood production also in the future. We developed a tool in our Metsäverkko web service which forest owners can easily use to assess the impact of different forest management methods on the growth of the growing stock and on the cash flow of their forest holdings.

THE BEST SERVICE FOR OUR CUSTOMERS

We want to be forest owners' best partner in increasing the value of their forest assets in a sustainable manner. Membership of our cooperative provides financial benefits and enables carefree forest ownership. We offer our members the most extensive services for the management of forest assets as well as benefits, such as investment products and bonuses in the wood trade.

We ensure our customers' wood supply by means of competitive harvesting and logistics in cooperation with our entrepreneurs and subcontractors. We develop harvesting and forest management methods so that the wood raw material can be utilised as effectively as possible in the manufacturing of products and production of bioenergy.

Read more about Metsä Forest's year 2012 on pages 36–37 ➔

DID YOU KNOW?



98.4 per cent of forest owners have recommended or would recommend our forest services (Customer satisfaction survey 2012).

HOMES FOR MORE THAN 30,000 BIRDS



WE HAVE BEEN WORKING TO IMPROVE NESTING CONDITIONS FOR BIRDS IN FINLAND.

Metsä Group has been handing out birdhouses at events for forest owners, in schools and day care centres since 2008. The Group's partners, such as harvesting and transportation entrepreneurs, have also participated in organising the events.

In the spring of 2012, the Group handed out its 30,000th birdhouse. The events have received a lot of praise and will continue in the coming years as well.

METSÄ FOREST



Metsä Forest is the market leader in wood trade and forest energy in Finland. It is responsible for Metsä Group's wood supply and provides the owner-members of the parent company, Metsäliitto Cooperative, with extensive services in wood trade as well as forest and nature management. Metsäliitto Cooperative has approximately 125,000 members, who own nearly half of the private forest area in Finland.

HIGHLIGHTS IN 2012

Our delivery volume was as planned.

Procurement of forest energy developed favourably.

The development of forest management services received a special focus, and the sales of these services continued to grow strongly.

Metsä Group was awarded an FSC® group certificate in September. The certificate covers part of Metsä Group's forests, and in the future, the Cooperative's contractual customers will also be able to join it.

In July, Metsäliitto Cooperative sold its holding in Thosca Holz, a wood procurement company operating in Germany and Austria.

METSÄ GROUP'S SUSTAINABILITY TARGETS

WOOD

TARGET: We support sustainable forest management. Our wood is 100 per cent traceable and it always comes from sustainable sources. Our target is to sustain the amount of certified wood in our operations above 80 per cent.

PERFORMANCE: 82 per cent in 2012



SHARE OF
CERTIFIED WOOD
OVER **80%**

SUPPLY CHAIN

TARGET: We are committed to sustainability throughout the whole supply chain. Our target is to have a supplier Code of Conduct included in all new supplier contracts.

PERFORMANCE: Code of Conduct included in all new and renewed contracts since June 2011, in total 71 contracts in 2012.



WELL-BEING

TARGET: Work safety is our top priority. We strive for continuous improvement and our aim is to improve our lost-time accident frequency rate by 10 per cent each year. Our long-term target for lost-time accidents is zero.

PERFORMANCE: The lost-time accident frequency rate was 15.7 in 2012.

TARGET: We work hard to ensure a healthy work environment. Our target is to keep the sickness absenteeism rate at the best European level and below 3 per cent at all times.

PERFORMANCE: Sickness absenteeism was 4.1 per cent in 2012.

0

LOST-TIME
ACCIDENTS



CO₂

-30%

ENERGY AND CLIMATE

TARGET: We focus on mitigating climate change. Our target is to reduce fossil CO₂ emissions in production by 30 per cent per product tonne by 2020 from the 2009 level.

PERFORMANCE: -27 per cent in (2009–2012)

TARGET: We ensure efficient energy consumption. Our target is to improve energy efficiency by 10 per cent by 2020 from the 2009 level.

PERFORMANCE: 4 per cent (2009–2012)

PROMOTING A SUSTAINABLE FUTURE



BIOECONOMY – A WAY OF THE FUTURE

Bioeconomy has many definitions, one of them meaning: products manufactured from renewable and recyclable raw materials, energy and resource efficiency, as well as economic, social and ecological sustainability.

A focus and growing demand for renewable and sustainably produced wood, paper and board-based products are the cornerstones of bioeconomy. The role of bioeconomy is expected to further increase in the coming years, especially as the European Union will focus on green growth and on becoming more resource efficient.

Large-scale industrial products and processes which have significant positive impacts on climate change and resource efficiency play a key role in bio-based societies. To maintain this position requires further improved products, smarter use of raw materials as well as completely new bio-based innovations developed by the current forest industry.

Metsä Group is a company that already plays a crucial role in bio-based economy development. We are strongly committed on continuing along this path.



100%
COVERAGE IN CODE OF
CONDUCT TRAINING

ETHICAL BUSINESS PRACTICES

TARGET: Ethical business practices are the core of all our operations. Our target is to have the whole personnel covered by Code of Conduct training by the end of 2012.

PERFORMANCE: The Code of Conduct training started during autumn 2011 and continued throughout 2012. Some 75 per cent of white-collar and a vast majority of blue-collar employees have now been trained.

➔ In addition to this Annual Report 2012, Metsä Group has published a separate Sustainability Report. Read more about our sustainability performance on Sustainability Report 2012 or at www.metsagroup.com/sustainability

SUSTAINABILITY IN ACTION.

In Metsä Group, sustainability is based on our mission, vision and values. Therefore, sustainability is an integral part of our operations and daily work. Looking back in 2012, we are proud of all our accomplishments to create more sustainable environment for the coming generations.



AWARD FOR ENERGY MANAGEMENT

Metsä Tissue was granted the Energy Masters Award 2012 by Europe's leading networking platform for energy management in the industrial sector, the Energy Masters by Econique Group. The award was for Metsä Tissue's Sustainable Low Carbon Tissue Manufacturing Project. The project was linked to Metsä Tissue's project to improve energy efficiency by 20 per cent by 2012 from the 2007 level.



THE FUTURE LIES IN BIOENERGY



During 2012, we realised many of our bioenergy investments. In the past two years, we have invested in four major bioenergy projects that together reduce the Group's annual carbon dioxide load of fossil fuels by some 200,000 tonnes.

In the autumn, Metsä Board and its partners completed the construction of a new power plant at Kyro mill. As fuel, the power plant uses logging residues and other wood raw materials unsuitable for further processing. Metsä Board has also completed a turbine investment at Husum mill. The investment increased the mill's power self-sufficiency from 30 per cent to 50 per cent.

Metsä Fibre's Joutseno mill's new gasification plant produces bioenergy from bark, one of the by-products of pulp production. The renewal makes the mill carbon neutral since no fossil fuels are used during the normal production conditions. Thus Joutseno mill is the first carbon neutral pulp mill within the industry.

At the beginning of 2013, a bioenergy heating plant was finalised at Metsä Wood's Kerto mill in Lohja. The investment makes it possible to use wood-based energy instead of the coal-based energy previously bought from external energy suppliers.

FSC CERTIFICATE FOR GROUP'S FORESTS

Metsä Group was granted FSC® (Licence code FSC-CO14476) certification in July covering some 35,000 hectares of the Group companies' forests in Finland. The forests have already been certified according to PEFC. Metsä Group's FSC certificate offers forest owners that are contractual customers of Metsäliitto Cooperative, Metsä Group's parent company, the possibility to join the FSC group certificate.

UNILEVER'S 'PARTNER TO WIN' AWARD IN SUSTAINABILITY

Metsä Board received a 'Partner to Win' award in sustainability from Unilever in May. The award was presented to Metsä Board for its development of lightweight and sustainable boards, and their significant contribution to Unilever's packaging. Unilever launched the Partner to Win programme in 2011 to work more closely with its key suppliers, ensure faster innovation and promote sustainability throughout its value chain.

APPLAUSE FROM WWF

The WWF Environmental Paper Company Index rates paper producers on their global ecological footprint in different categories of paper producers. Metsä Group's businesses participated in the tissue paper category (Metsä Tissue) and fine paper category (Metsä Board). In February, WWF ranked Metsä Tissue the best in the category of public Corporate Responsibility reporting and Environmental Management Systems. Correspondingly, Metsä Board was given the top ranking in the category of Environmental Management and Reporting.

In November, Metsä Board was commended by WWF's Environmental Paper Awards in the category of "Transparency" for listing the majority of its uncoated fine papers in WWF's database of eco-rated papers, Check Your Paper. WWF created the WWF Environmental Paper Awards 2012 to give credit to manufacturers and suppliers that post their brands on Check Your Paper, using WWF's eco-rating method for measuring the environmental footprint of papers.

THE LARGEST WOODEN MULTI-STOREY BLOCK IN FINLAND



Finland's largest wooden multi-storey residential building project was completed in Viikki, Helsinki. Based on the Metsä Wood Multi-Storey System, the five wooden buildings have three or four floors with a total gross floor area of 6,300 m². A wooden multi-storey building is more eco-efficient and has a smaller carbon footprint than a multi-storey building based on competing construction materials, as the manufacture and transport of wooden construction parts and the construction of the building itself consume less energy. In addition, while growing, the wood has absorbed carbon dioxide from the air, storing it in wooden constructions throughout their life cycle.

ACKNOWLEDGEMENT BY LAATUKESKUS EXCELLENCE FINLAND

Metsä Fibre won Excellence Finland 2012 and the Quality Innovation of the Year Competition in the large companies category organised by Laatukeskus Excellence Finland. According to the jury, Metsä Fibre's customer orientation and value creation for its customers are prominent throughout the organisation. The safety management model has established safety as a central objective – fewer accidents at work have strengthened the positive attitude of the personnel towards safety. The company's commitment to environmental aspects was also praised.



RECYCLABLE PRODUCTS FROM RENEWABLE RAW MATERIALS

We offer products and services that enable our customers to improve their environmental footprint and make more sustainable choices. Our main raw material is renewable and sustainably grown wood. All our products are recyclable and good alternatives in replacing many carbon-intensive products and raw materials.



The northern forests play a significant role not only as a source of wood raw material, but by providing a wide range of benefits from recreation possibilities

and food production to the maintenance of hydrological systems and soil quality. Underlying these ecosystem services there is a vital and diverse

natural environment which is highly valued by us.

Regardless of whether the wood originates from certified or non-certified forests, Metsä Group always knows the origin of the wood, ensures its legality and takes measures to prevent the risk of unacceptable practices in

the supply chain. While only some 10 per cent of all the forests in the world have been certified, the target of Metsä Group is to sustain the amount of certified wood in our operations above 80 per cent.

Metsä Group is actively promoting forest certification initiatives in the whole wood supply region. In 2012, of the total 29.8 million m³ of the wood supplied by Metsä Group 82 per cent was either PEFC or FSC certified or both.

PLENTY OF FRESH WATER CLOSE TO OUR OPERATIONS

Metsä Group needs water in all its production processes. It is needed for cleaning and cooling as well as for making steam for thermal energy. Hence, as water is essential in our processes, our mills are located in areas with abundant water sources.

WE OPERATE IN AREAS WITH ABUNDANT FOREST AND WATER SOURCES.

258 million m³ (370 million m³ in 2011), almost all 98 per cent (97 per cent) was surface water from rivers and lakes.

Nevertheless, to minimise wastewater emissions and energy consumption, we continuously seek new ways to reduce the use of fresh water in our processes by recycling it effectively. In 2012, our fresh water intake totalled

Read more about our sustainability performance on Sustainability Report 2012 or at www.metsagroup.com/sustainability ➔

YEAR 2012 IN NUMBERS

SHARE OF
CERTIFIED WOOD, %

82

2011: 81

FOSSIL CO₂ EMISSIONS
IN 2009–2012, %

-27

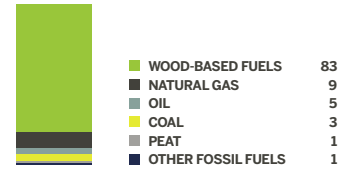
2009–2011: -16

SHARE OF SURFACE WATER, %

98

2011: 97

FUEL CONSUMPTION, %



LEADING BIOENERGY PRODUCER AND SUPPLIER

Metsä Group is one of the leaders in bioenergy production within the industry. We have systematically increased the share of bioenergy in energy sourcing. Over the last few years, we have also increasingly expanded our operations to supply wood biomass fuels to third parties.

Today, more than 83 per cent of fuels used by Metsä Group are wood-based biofuels and 66 per cent of the Group's own energy need is satisfied with bioenergy. Additionally, Metsä Group is the biggest supplier of wood-based biomass to customers throughout Finland.



DID YOU KNOW?



In 2012, we completed three major bioenergy projects that further increase our already high proportion of bioenergy. The projects will partially or fully replace fossil fuel-based energy with renewable biomass. Together, they reduce the Group's annual carbon dioxide load of fossil fuels by some 200,000 tonnes. Continuous efforts are being made to assess and further improve the energy efficiency of all processes.

METSÄ GROUP'S SUSTAINABILITY AGENDA

Metsä Group has four sustainable development themes which cover the entire value chain of our business. In this way, we can make sure that sustainable development is implemented in all our operations from the

origin of wood raw material to products, services and supply chain management, and that it also covers the possible environmental and social impact of our production and business.

WE OFFER SUSTAINABLE CHOICES



PRODUCTS AND SERVICES

- Sustainable products, services and innovations
- Product safety

WE BRING THE FOREST TO YOU



SUSTAINABLE SUPPLY

- Sustainable forest management and nature values
- Sustainable supply chain
- Partnership with suppliers and forest owners

THE SMALLER THE ENVIRONMENTAL IMPACT THE BETTER



ENVIRONMENTAL EFFICIENCY

- Energy and climate
- Water
- Material efficiency
- Environmental risk management

WE CREATE WELL-BEING

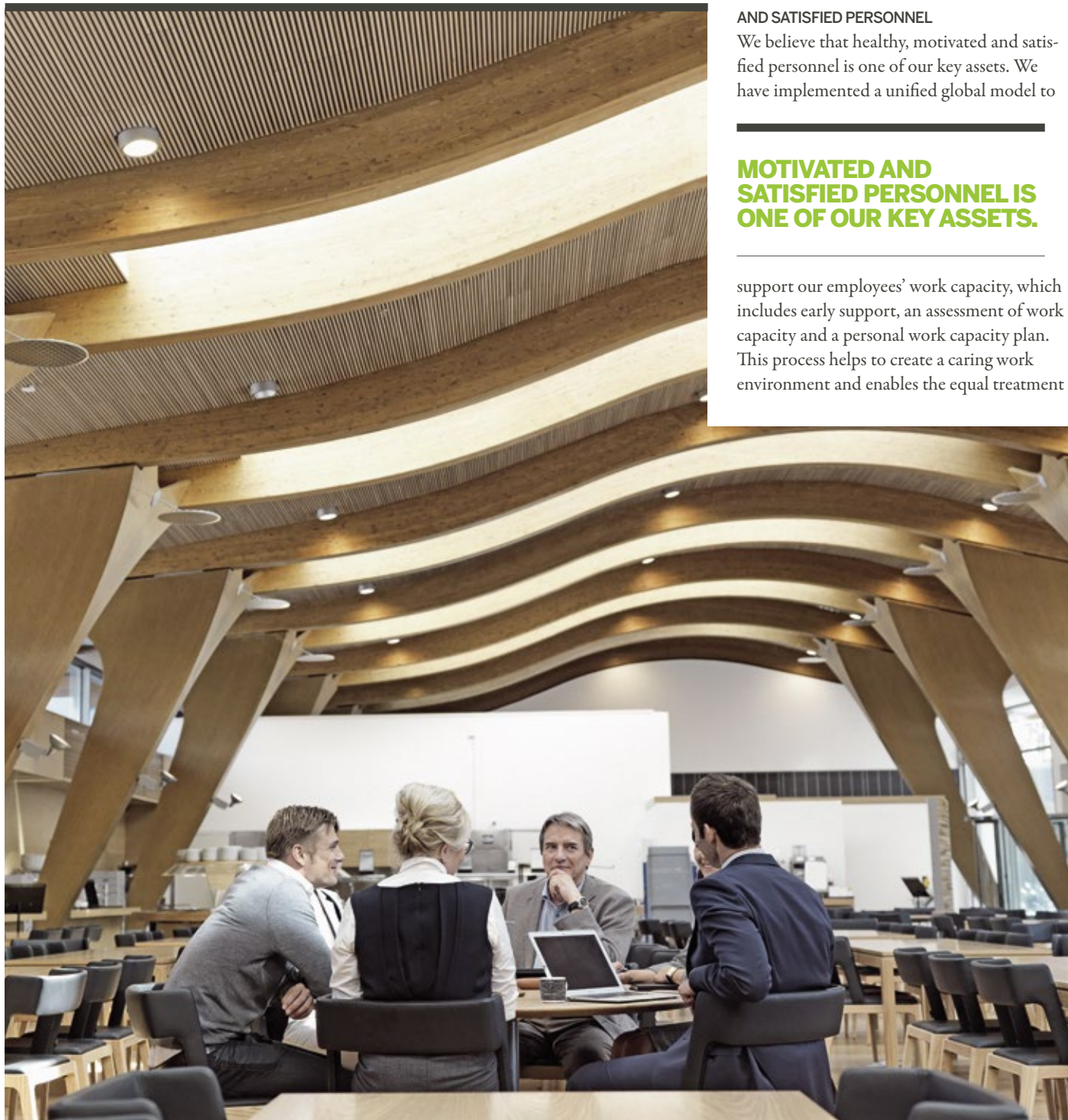


STAKEHOLDERS

- Human rights
- Ethical business practices
- Responsible employer
- Well-being for local communities

WELL-BEING FOR EVERYONE

As Metsä Group is a regional player that operates in some 30 countries and has production units in nine, we recognise our responsibility to various stakeholders. For us, sustainability is the only way to operate – we want to improve the quality of life and thus provide well-being.



ATTITUDE IS THE KEY TO SAFETY AT WORK

The fundamental requirement in everything we do is safety. It applies to our working environment, the products we offer and the well-being of our employees, suppliers and cooperation partners. We continuously develop and promote occupational safety and well-being at work. We believe that the level of safety reflects the overall high quality of Metsä Group's operations.

OUR GOAL IS HEALTHY AND SATISFIED PERSONNEL

We believe that healthy, motivated and satisfied personnel is one of our key assets. We have implemented a unified global model to

MOTIVATED AND SATISFIED PERSONNEL IS ONE OF OUR KEY ASSETS.

support our employees' work capacity, which includes early support, an assessment of work capacity and a personal work capacity plan. This process helps to create a caring work environment and enables the equal treatment

of all employees. In addition to cooperating closely with occupational health care providers, our supervisors are given tools and training to identify any potential situations that can threaten the employee's ability to well-being at work.

We continuously monitor employee satisfaction. In 2012, we unified our employee satisfaction survey and developed the questionnaire to include aspects of well-being at work and safety issues. The survey reflects the personnel's views on their working environment and development.

CONTINUOUS LEARNING AND DEVELOPMENT

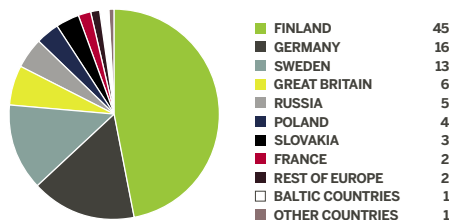
Metsä Group offers its employees the possibility to enhance their competences through training, internal job rotation and other learning opportunities. Each employee has the right to work-related training and development. The employee's annual personal development plan is made for the forthcoming year in the Personnel Development Appraisal (PDA).

CREATING VALUE IN COMMUNITIES

Where Metsä Group operates locally, especially in remote areas, we create value in several ways. We employ directly 11,500 persons, and indirectly we create jobs for our partners and subcontractors.

Our operations enable many services that would otherwise diminish; moreover, we prevent migration loss, for example, by gener-

THE GROUP'S PERSONNEL BY COUNTRY AT THE END OF YEAR, %



ating new employment opportunities. We thus know our responsibility and the impact we might cause; for instance, when we invest in existing or start new projects, or if we need to discontinue operations.

Read more about our sustainability performance on Sustainability Report 2012 or at www.metsagroup.com/sustainability →

THE FOREST INDUSTRY ANALYSES SOCIAL MEDIA



Metsä Group is an active member of the Finnish Forest Industries Federation that promotes a competitive and innovative operating environment for the forest industry. In 2012, Metsä Group was involved in a social media analysis that aimed to determine the forest industry's reputation in the social media and to learn which of our stakeholder groups are there.

Based on the analysis, the most active stakeholder group in forest industry-related discussions were individual citizens followed by the authorities, non-governmental organisations, scientists, and media. The discussions during the study in late spring 2012 focused on global forest legislation, EU's Sulphur Directive review, climate change conferences, palm oil and community involvement. Emerging trends were nanotechnology, bioeconomy and illegal timber. These findings assist Metsä Group to further develop its stakeholder engagement in various media channels.

DID YOU KNOW?



Forest industry and its related operations are a significant employer especially in many remote areas. There are over 500,000 people working for the forestry sector in Finland alone. As an example, one mill integrate combining a pulp mill, a paper mill and a sawmill creates an annual monetary flow of EUR 700 million for the local and surrounding community.

By far the majority of the products from Finnish forest industry are exported and the value of the exported forestry goods account for approximately 20 per cent of the total Finnish exports.

YEAR 2012 IN NUMBERS

PERSONNEL
FULL TIME EQUIVALENT

11,447

2011: 12,525

COVERAGE OF CODE OF
CONDUCT TRAINING, %

75

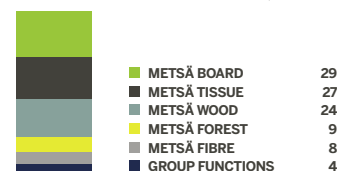
OF WHITE-COLLAR EMPLOYEES

LOST-TIME ACCIDENT RATE
PER MILLION WORKED HOURS

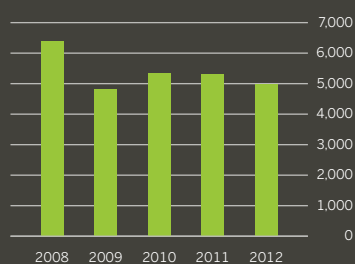
15.7

2011: 18.3

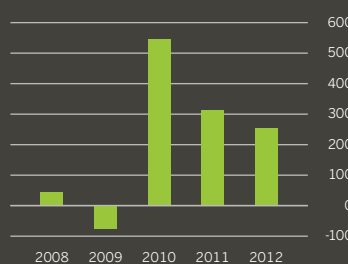
THE GROUP'S PERSONNEL
BY BUSINESS AREA AT THE END OF YEAR, %



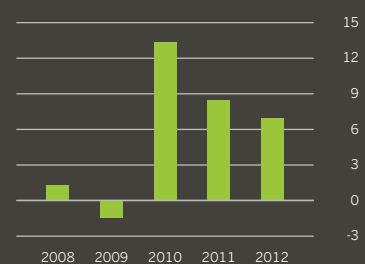
SALES € MILLION



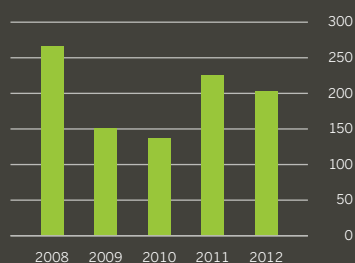
OPERATING RESULT EXCL. NON-RECURRING ITEMS, € MILLION



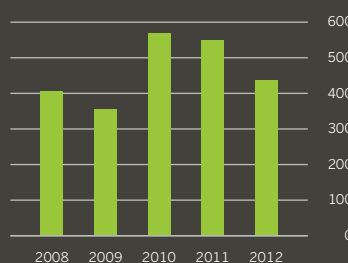
RETURN ON CAPITAL EMPLOYED EXCL. NON-RECURRING ITEMS, %



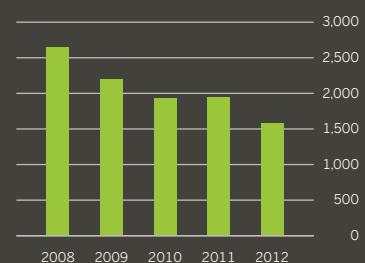
INVESTMENTS € MILLION



CASH FLOW FROM OPERATIONS € MILLION



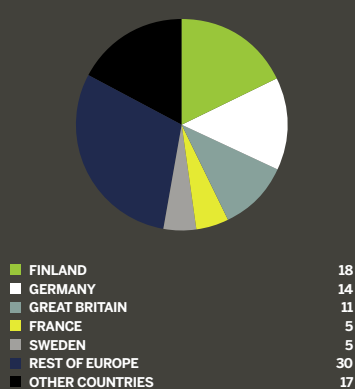
INTEREST-BEARING NET LIABILITIES € MILLION



NET GEARING RATIO %



SALES BY MARKET AREA %



EQUITY RATIO %





FINANCIAL STATEMENTS 2012

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REPORT OF THE BOARD OF DIRECTORS 2012

SALES AND RESULT

Metsä Group's sales in 2012 totalled EUR 5,001 million (2011: EUR 5,346 million and 2010: EUR 5,377 million). Closed and restructured units decreased the Group's sales by approximately EUR 470 million compared to 2011.

Operating result excluding non-recurring items was EUR 252 million (2011: 314 and 2010: 547), or 5.0 per cent of sales (2011: 5.9 and 2010: 10.2). Compared to 2011, the operating result excluding non-recurring items was improved by decreased losses in the units that were closed down or restructured. On the other hand, the losses in these units still had a negative impact of approximately EUR 30 million on the operating profit for 2012. Operating profit was mainly affected by lower prices of pulp and office paper.

The non-recurring items recognised in 2012 totalled EUR -14 million (-285), of which income accounted for EUR 24 million (11) and expenses accounted for EUR 38 million (296). Of the non-recurring income, EUR 18 million was related to the reversals of previous provisions and impairments and EUR 5 million was related to sales of fixed assets and property. EUR 21 million of the non-recurring expenses were related to efficiency improvements in operations, EUR 12 million to cleaning costs and EUR 5 million to the termination of the lease agreements of redundant office space.

The operating result including non-recurring items was EUR 237 million (2011: 29 and 2010: 497). Financial income was EUR 16 million (9), net exchange gains in financial items were EUR 2 million (2) and financial expenses were EUR 126 million (142). Results from associations were EUR 5 million (4).

Financial income includes a EUR 8 million dividend from Pohjolan Voima Oy. Financial expenses include EUR 11 million of valuation gains on interest rate hedges (-2). EUR 8 million of the profit has resulted from the ending of fair value hedge accounting, as a loan of approximately USD 100 million and the associated currency and interest rate swaps matured. Financial expenses in the reference period include dividends of approximately EUR 9 million paid on Metsä Fibre's shares under the redemption obligation. These shares were redeemed in June 2011.

The result before taxes for the period was EUR 134 million (2011: -98 and 2010: 345) and taxes, including changes in deferred tax liabilities, were EUR 32 million (2011: 59 and 2010: 131). The net result for the period was EUR 103 million (2011: -157 and 2010: 214).

Excluding non-recurring items, the Group's return on capital employed was 7.0 per cent (2011: 8.5 and 2010: 13.4) and the return on equity was 6.9 per cent (2011: 8.6 and 2010: 18.2). Including non-recurring items, the return on capital employed was 6.6 per cent (2011: 1.1 and 2010: 11.8) and the return on equity was 6.1 per cent (2011: -9.9 and 2010: 13.9).

BALANCE SHEET AND FINANCING

Metsä Group's liquidity is good. Total liquidity at the end of December was EUR 1,168 million (2011: 855 and 2010: 1,054). This consisted of EUR 519 million (2011: 330 and 2010: 440) of liquid assets and investments and EUR 649 million (2011: 525 and 2010: 614) of committed credit facility agreements not included in the balance sheet. In addition, in order to meet its short-term financing needs, the Group had at its disposal uncommitted domestic and foreign commercial paper programmes and credit facilities amounting to EUR 526 million (524).

The Group's equity ratio at the end of December was 35.4 per cent (2011: 28.3 and 2010: 29.7) and net gearing was 84 per cent (2011: 131 and 2010: 116). Interest-bearing net liabilities stood at EUR 1,590 million (2011: 1,953 and 2010: 1,939).

Cash flow from operations amounted to EUR 440 million (2011: 552 and 2010: 573). During 2012, EUR 82 million of working capital was released (74).

The equity ratio of the parent company Metsäliitto Cooperative was 61.0 per cent at the end of December (2011: 60.7 and 2010: 57.9) and net gearing 21 per cent (2011: 41 and 2010: 45).

During January–December, Metsäliitto Cooperative's members' capital increased by a total of EUR 45.4 million (41.8). The actual members' capital grew by EUR 2.4 million (3.9), the additional members' capital A by EUR 28.9 million (23.7) and the additional members' capital B by EUR 14.2 million (14.2). The additional members' capital C decreased by EUR 0.1 million. Based on notifications received by the end of 2012, EUR 28.7 million (2011: 26.9 and 2010: 21.7) of the additional members' capital will fall due on 1 July 2013.

In May, Metsä Board signed a committed syndicated credit facility totalling EUR 600 million in order to refinance a EUR 500 million bond maturing on 1 April 2013.

Metsä Tissue signed an agreement on a EUR 35 million, 8.5-year loan with the European Bank for Reconstruction and Development (EBRD) in September. The loan will be used to finance the future development of operations in Poland and Russia.

Metsäliitto Cooperative issued a EUR 175 million bond in November. The bond replaced existing loans. The bond matures in five years, and it carries a fixed interest rate of 5.125 per cent per annum.

At 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 to be covered from retained earnings is EUR 100 million.

PERSONNEL

Metsä Group employed an average of 11,986 people in January–December (2011: 13,046 and 2010: 13,168). At the end of December, the number of personnel in the Group was 11,447 (2011: 12,525 and 2010: 12,820). The parent company Metsäliitto Cooperative employed 2,645 people at the end of December (2011: 2,723 and 2010: 2,495).

Salaries and fees paid to the employees totalled EUR 469 million (2011: 599 and 2010: 509)

Metsä Group promotes good management practices and trains managers, supervisors and employees to understand and comply with the Group's shared Codes of Conduct. In 2012, all office staff employed by the company completed an electronic training programme on the policies.

The Group takes care of the professional development of its personnel at all levels of the organisation. Learning on the job, vocational degrees and management and supervisor training programmes are part of the annual plan in each business area. The Challenger management training programme as well as international, business area-specific coaching sessions for middle management continued at the Group level. Local training events were also organised.

The Group's business areas launched measures to ensure sufficient resources for the future, both by developing current personnel and preparing for future recruitment needs. Trainee programmes continued in Finland and in Sweden.

The President and CEO's productivity and innovation contest was organised for the second time. It generated nearly 100 good development ideas, the best of which were rewarded. Ideas obtained through the productivity and innovation contest help us develop our operation and practices further.

A personnel job satisfaction survey was also conducted in 2012, focusing specifically on matters concerning well-being at work and occupational safety. The survey results will help us improve personnel job satisfaction and also help the business areas reach their strategic objectives.

In the entire Group, there were 15.7 accidents per one million working hours (18.3) resulting in an absence of more than one day. The goal is to reduce the number of accidents resulting in absence by 10 per cent per year.

Absences due to illness within the Group amounted to 4.1 per cent (4.4) of regular work time. The goal is to keep absences due to illness at the best European level and always under 3 per cent.

MEMBERS

At the end of the review period, Metsäliitto Cooperative had 124,255 members (2011: 125,144 and 2010: 126,382). During the year, 2,289 new members joined the Cooperative and 3,178 members cancelled their membership.

INVESTMENTS

Metsä Group's capital expenditure totalled EUR 204 million (2011: 227 and 2010: 138). In addition, about EUR 5 million worth of shares in Pohjolan Voima Oy were purchased and approximately EUR 1 million worth of other shares.

In 2011 and 2012, Metsä Board increased its folding boxboard capacity by 150,000 tonnes. The investments have increased the total production capacity to 935,000 tonnes a year. The entire capacity is available from the beginning of 2013.

Metsä Tissue's investment programme at the Krapkowice mill in Poland includes 2 new paper machines, of which the first was started up in the third quarter. The second machine will be started up during 2013. In addition, the programme includes a new upgrading line and the modernisation of paper machine 6. With these investments, the company will improve the profitability of its operations and energy efficiency, as well as reducing its carbon dioxide and sulphur dioxide emissions.

Metsä Wood decided to invest EUR 30 million in upgrading its Vilppula sawmill. The investment will be carried out in 2013. It involves building a new sawmill line and product handling unit and modernising other parts of the sawmill.

An RFID system designed for automatic monitoring of Metsä Fibre's pulp units was deployed at all of the plants and key loading and unloading ports during 2012. The RFID system will improve the efficiency of supply chain management and delivery accuracy.

In June, Metsä Fibre decided to invest EUR 15 million in the development of production processes at the Joutseno mill. The mill will adopt a new pulp manufacturing process: polysulphide cooking. With this investment, Metsä Fibre will launch a new type of softwood pulp on the market, which will improve customers' cost-efficiency and the technical properties of end products. At the same time, the production capacity of the Joutseno mill will increase by nearly 10 per cent and production efficiency will improve. Construction work began in the autumn of 2012, and the new process will be commissioned in the summer of 2013.

The bark gasification plant at the Joutseno mill entered production use during the autumn. Enabled by the gasification plant, the Joutseno mill will be the first carbon-dioxide-neutral pulp mill in Finland.

A feasibility study on the construction of a biogas-generating refinery at Metsä Fibre's Joutseno mill in cooperation with Helsingin Energia and Gasum was completed in the summer of 2013. A decision was made to continue the survey with an environmental impact assessment and investigation of public subsidy mechanisms.

Metsä Fibre also launched a feasibility study to increase the use and production of renewable energy sources at the Kemi pulp mill. One possible production technology being reviewed is a gasification plant to produce biofuel to replace the fossil fuel used in the lime kiln, i.e. oil. The feasibility study will be completed by the end of June 2013.

Metsä Group has been involved in joint projects aiming to increase the use of bio energy at its mills. The biopower plant owned by



Pohjolan Voima and Leppäkosken Sähkö at Metsä Board's Kyrö mill was inaugurated in the autumn, and the bioenergy heating plant next to Metsä Wood's Kerto mill in Lohja, implemented in cooperation with Lohjan Biolämpö Oy, was completed at the end of the year. The new plants will increase the use of renewable fuels at Metsä Group's mills while reducing the carbon dioxide emissions of energy production.

Metsä Group withdrew from the planned biodiesel mill project in Ajos, Kemi. Based on the feasibility study, Metsä Group did not find the investment profitable enough from its perspective.

STRUCTURAL CHANGES

Metsäliitto Cooperative decided in April 2012 to use its option to buy 11 per cent of the shares in Metsä Fibre owned by UPM-Kymmene Corporation. The price was EUR 150 million. Also in April, Metsäliitto Cooperative, Metsä Board and Itochu Corporation agreed on a transaction in which Itochu acquired a 24.9 per cent strategic stake in Metsä Fibre at a cost of EUR 472 million. The deal was concluded on 3 May 2012. After the transaction, holdings in Metsä Fibre are as follows: Metsäliitto Cooperative, 50.2 per cent; Metsä Board, 24.9 per cent; and Itochu Corporation, 24.9 per cent. At the same time, the parties entered into a commercial agreement whereby Itochu's sales agent position in selling Metsä Fibre's long-fibre pulp in Asia and Metsä Fibre's sales agent position in selling Itochu's short-fibre pulp in Europe were renewed. Under the agreement, Metsä Fibre will sell 500,000 tonnes of pulp to Asia and Itochu 150,000 tonnes of pulp to Europe annually.

Metsä Board's restructuring process from a paper company to the leading paperboard company in its field has been completed. The strong paperboard business together with the paper and pulp mill in Husum provides an excellent foundation for good profitability. The focus of the operations has increasingly shifted from restructuring to development, as demonstrated by the investments in the Simpele, Äänekoski, Kyrö and Kemi board mills in 2011–2012. As a result of the investments, Metsä Board's annual folding boxboard capacity has increased from 785,000 tonnes to 935,000 tonnes. The restructuring of production in Husum makes it possible to increase annual pulp production to 750,000 tonnes and paper production to over 800,000 tonnes. The Husum mill was granted a new environmental permit at the end of 2012, corresponding to the higher production.

In 2011, Metsä Board announced it would divest the Hallein mill and restructure its coated paper business. In 2012, Metsä Board announced the divestment of the Premium Paper business of the Reflex mill, the closure of the Alizay mill and the discontinuation of the unprofitable operations of the Gohrsmühle mill. Overall, the impact of these measures on the company's annual result excluding non-recurring items was estimated to be approximately EUR 110 million compared to the actual figures of 2011. The impact on profit materialised mainly already in 2012 and is estimated to materialise in full as of the beginning of 2013.

As part of the transition process, Metsäliitto Group announced on 9 February 2012 that it will change its name to Metsä Group and adopt a new corporate image. The names of the Group's business areas were also changed. Wood Products Industry was renamed Metsä Wood, and Metsä-Botnia became Metsä Fibre. The Annual General Meeting of 28 March 2012 decided to change the name of M-real Corporation to

Metsä Board Corporation. Metsä Tissue's name was not changed. Wood Supply is now Metsäliitto Puunhankinta in Finland and Metsä Forest internationally. The name of Metsä Group's parent company continued to be Metsäliitto Cooperative.

During the year Metsämannut Oy and Biokraft Oy were incorporated in Metsäliitto Cooperative.

BUSINESS AREAS

WOOD SUPPLY

Metsä Forest's sales totalled EUR 1,515 million (1,476) in 2012 and operating result amounted to EUR 20 million (24). There were no non-recurring items impacting the operating result.

Metsä Forest delivered about 30 million cubic metres (29) of wood raw material to its customers, of which approximately 80 per cent went to industry in Finland. In Finland, the majority of wood was sourced from Metsäliitto Cooperative's members. The purchase volume from Finnish private forests was 12.7 million cubic metres (10.6). Wood deliveries to production plants went as planned in spite of the exceptionally rainy summer and autumn. Only for logs was there a delivery shortage towards the end of the year. Deliveries of forest energy and by-products from the Group's production plants totalled 2.6 million cubic metres (2.6).

The storms after Christmas 2011 in Finland caused the wood trade to remain busier than during previous years throughout the first half of the year. The wood trade got off to a modest start after the summer, but began to increase as the autumn proceeded. The poor peat production situation increased the demand for energy wood throughout Finland.

Metsä Forest actively purchased all grades of timber through standing and delivery sales. In the autumn, the wood trade focused on stands marked for summer felling, with priority given for pine logs, birch fibre and energy wood. Strong investments were made in the development of forestry services, and sales of services continued their strong growth.

Russia's WTO membership took effect in August, which decreased export duties on wood. However, for softwood, the problems of the licence system still restricted operations at the end of the year. In the Baltic countries, the oversupply of soft pulpwood balanced out towards the end of the year as demand increased. Sawmills suffered from a shortage of logs at the end of the period. The oversupply of soft pulpwood continued in Sweden throughout the year, especially in the central parts of the country. In July, Metsäliitto Cooperative sold its share of the wood supply company Thosca Holz, which operates in Germany and Austria.

Various events were arranged for Metsäliitto Cooperative's owner members during the year. The seminar tour on sustainable wood production and forestry attracted more than 2,000 forest owners interested in profitable forestry methods. The new investment product, Equity Bonus, included in the service range for owner-members at the beginning of the year attracted much interest among those members who are interested in long-term investment. A new tool was developed for the Metsäverkko internet service, offering data, maps and calculators with which a forest owner can plan the management of forest assets and the profitability of forestry.

Metsä Group was awarded an FSC® group certificate in September. The certificate covers part of Metsä Group's forests, and in the future,

the Cooperative's owner members will also be able to join it. Metsä Group's FSC license code is FSC-C014476.

WOOD PRODUCTS INDUSTRY

Metsä Wood's sales in January–December totalled EUR 904 million (939) and the operating result excluding non-recurring items was EUR 19 million (12). The operating result including non-recurring items was EUR 17 million (3). Business volumes decreased in the first half of the year compared to the previous year. Sales developed similarly to the previous year during the second half of the year. Management of costs and capital employed as well as increasing the share of high-added-value products supported profitability.

Economic uncertainty in Europe and the difficult financing situation of construction projects affected the construction market. Competition in the main markets became tighter, especially with a decrease in new construction start-ups. The development of demand levelled off towards the end of the year according to ordinary seasonal fluctuations.

The market balance of sawn timber remained unsatisfactory throughout the year. Similarly, the price development of sawn timber and imbalance between the price and availability of log raw material led to production restrictions and layoffs during the second half of the year. Demand in the European market continued to be weak, but the other markets developed favourably. As a result, the competition in far exports became tighter.

Industrial use of plywood products decreased in the main markets, and sales of building board and transportation equipment industry decreased. Profitability remained moderate with the help of added product value and management of costs and capacity. Changes in the trade of processed products were minor compared to the previous year.

Next-generation concrete formwork plywood and fire-protected softwood plywood were launched during the year to meet industrial customers' needs. The Kerto product family was also expanded to include the new Kerto-QP roof beam, whose unique structure guarantees straightness and stability and which is suitable for low-energy and passive construction.

Metsä Wood implemented several construction projects in Finland and elsewhere in Europe during the year. The construction of Finland's largest wooden apartment building block, based on the Metsä Wood Multi-Story System, was completed in Helsinki. Metsä Wood's construction solutions were also used in Paris in a completed school centre and an apartment block for social housing.

Metsä Wood decided on an investment of approximately EUR 30 million in upgrading its Vilppula sawmill. A new sawmill line and raw processing plant will be built in Vilppula. In addition, other parts of the sawmill will be renovated. The renewal commenced in the autumn of 2012 and the sawmill line will enter production use towards the end of 2013.

PULP INDUSTRY

Metsä Fibre's sales for 2012 totalled EUR 1,274 million (1,301) and the operating result excluding non-recurring items was EUR 148 million (267). The weaker sales and operating result were primarily due to the drop in pulp prices. Foreign currency-denominated market prices fell by 15 per cent for softwood pulp and 5 per cent for hardwood pulp on average compared with 2011. On the other hand, the US dollar strengthened by 8 per cent on average against the euro, having a positive

impact on the result. There were indications of the price trend turning upwards towards the end of the year.

The production volume of pulp was 2,237,000 tonnes (2,205,000) and new, mill-specific annual production records were reached at all mills. The production volume of the Svir Timber sawmill was 221,000 cubic metres (193,000), also a new annual production record.

Total deliveries of pulp were 2,258,000 tonnes (2,124,000), of which 905,000 tonnes went to shareholders (1,196,000) and 1,353,000 to market customers (928,000). Softwood pulp accounted for 76 per cent (75) of the production and hardwood pulp for 24 (25).

Metsä Fibre's wood consumption totalled 11.7 million cubic metres (11.5). Of this softwood accounted for 9.4 million cubic metres (9.3) and hardwood for 2.3 million cubic metres (2.2).

All Metsä Fibre mills are authorised to use the PEFC label, according to which wood supply, pulp production and sales comply with the requirements of the certificate. About 87 per cent of the wood procured by Metsä Fibre came from certified forests.

PAPERBOARD AND PAPER INDUSTRY

Metsä Board's sales for 2012 totalled EUR 2,108 million (2,485) and the operating result excluding non-recurring items was EUR 74 million (59).

A total of EUR +146 million of non-recurring items were recognised during the year (-274). The largest items were the EUR 85 million gain on the divestment of the 7.3 percentage point holding in Metsä Fibre to Itochu Corporation, the EUR 59 million gain on the divestment of the 0.5 percentage point holding in Pohjolan Voima to Metsä Fibre and a EUR 5 million sales gain from property transactions. Furthermore, Metsä Board reversed previous provisions and impairments totalling EUR 18 million.

The non-recurring items additionally include among others an environmental provision of approximately EUR 12 million and a cost provision of EUR 5 million related to the Husum mill operational efficiency programmes.

The operating result excluding non-recurring items improved compared to 2011 due to increasing folding boxboard and liner delivery volumes, a decrease in the losses of the units that will be closed down and restructured, and the strengthening of the US dollar and pound sterling. On the other hand, the operating result was affected by lower pulp and office paper prices and the stronger Swedish krona.

The operating result including non-recurring items was EUR 220 million in January–December (-214). Net interest and other financial expenses were EUR 49 million (63) and exchange gains/losses recognised in financial items were EUR 5 million (3). Results from associates were EUR 0 million (-7).

Excluding non-recurring items, the result before taxes for the period was EUR 30 million (0), earnings per share was EUR 0.13 (0.02) and the return on capital employed was 4.7 per cent (3.4). Including non-recurring items, the result before taxes was EUR 176 million (-281), earnings per share was EUR 0.53 (-0.83) and the return on capital employed was 12.3 per cent (-9.9).

At the end of December, Metsä Board's equity ratio was 33.6 per cent and net gearing was 72 per cent (27.4 and 106).



TISSUE AND COOKING PAPERS

The January–December sales of Metsä Tissue, producer of tissue and cooking papers, totalled EUR 982 million (971). The sales of Metsä Tissue's own brands increased by 4 per cent compared to the previous year. Demand for Lambi and Serla, in particular, improved positively.

The operating result excluding non-recurring items was EUR 40 million (20). The operating result including non-recurring items was EUR 33 million (20). Factors that contributed to the improvement in the operating result included the structure of sales, lower raw material costs and the increase in the performance and cost efficiency of the Düren mill in Germany.

The investment programme in Poland progressed according to plan at the Krapkowice mill. The programme includes 2 new paper machines, a processing line for Away-from-Home products, buildings, infrastructure and partial modernisation of paper machine 6, as well as closing down one paper machine. The first of the new paper machines was started up in the third quarter and the second one will be started up in 2013.

Metsä Tissue signed an agreement on leasing a new processing and logistics units in Vorsino, located approximately 90 kilometres from Moscow. The new premises were taken into use in the third quarter. At the same time, operations in Naro Fominsk were discontinued.

In September, Metsä Tissue announced a rearrangement and organisational reform affecting the entire organisation, supporting the goals related to the company's growth and profitability. The new organisation entered into force on 1 December 2012. The reform aims to simplify operations and clarify roles and responsibilities. At the same time, decision-making was shifted closer to the customers. As part of the reform, the company started negotiations to reduce personnel in all of its sites. As a result of the negotiations, the number of employees decreased by a total of 137 people.

RESEARCH AND DEVELOPMENT

Metsä Group's research and development expenses totalled EUR 20 million (2011: 19 and 2010: 21), or 0.4 per cent of sales (2011: 0.4 and 2010: 0.4).

Metsä Group compiled shared objectives for research and development until 2020. Three focus areas were identified for the objectives: improving processes and resource effectiveness, renewable raw materials as a competitive advantage, and added-value products and services.

Wood Supply projects were related to the development of member services, the profitability of harvesting and transportation as well as information systems supporting these.

Wood Products Industry focused on the development of structural solutions for residential and commercial construction as well as added-value products. New products launched during the year include the Kerto-QP roof beam for guaranteed beam straightness and stability, and the plywood product group was expanded by introducing flame-retardant and moisture-resistant plywood grades as well as a next-generation concrete formwork plywood. The flame-retardant softwood plywood meets the statutory needs of today's construction, and the moisture-resistant softwood plywood offers protection against mould. The next-generation concrete formwork plywood has a high-quality, durable casting skin.

Pulp Industry's focus areas include product development meeting customer needs, growth in the bioenergy business as well as process development aiming to improve production efficiency. Product development projects were related to improving product performance in customers' processes and preparing for the use of the new polysulphide pulp. Process development focused on identifying fossil-free options for the pulp mill concept and reducing the use of water in the pulp process.

Paperboard and Paper Industry invested increasingly in customer-oriented product development of paperboard. In February, a new R&D Centre opened in Äänekoski, where Metsä Board already had skilled personnel as well as a modern laboratory and product development equipment. Its task is to ensure the company's competitiveness in the rapidly developing packaging market. The development work follows signals from the market and customer feedback. During the period under review, all Metsä Board mills also focused on optimising the use of raw materials and energy through a special development programme.

The goal of product development in Tissue and Cooking Papers is to add value to products by offering customers the best possible concepts and solutions. During the year, Metsä Tissue introduced several new products to the market: the company launched the new Lambi packaging line and renewed the Serla, Mola and Tento tissue paper grades. In addition, the Lambi product range was expanded with multi-purpose wet wipes. Cooking products were consolidated under the SAGA brand, and the company launched the SAGA One-Up Express products as well as the Cook & Chill line for reduced food waste. Under the Katrin brand, an easy-to-use Katrin Handy Pack package for multi-fold paper towels was introduced to the market.

THE ENVIRONMENT

Metsä Group is committed to promoting sustainable development, continuously improving its operations and conducting responsible business. 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 forest management. Wood used by the Group can be traced back to its origins and originates from sustainably managed forests. The goal is to maintain the share of certified wood in our business at more than 80 per cent. In 2012, 82 per cent (81) of the wood procured by wood supply came from certified forests.

Metsä Group was issued an FSC® certificate in July. The certificate covers approximately 35,000 hectares of forest in Finland. The forests were already PEFC-certified.

To mitigate climate change, the Group is working to reduce fossil CO₂ emissions in production by 30 per cent per product tonne from the 2009 level by 2020. In 2009–2012, the carbon dioxide load decreased by approximately 27 per cent.

83 per cent of fuel used by Metsä Group mills is wood-derived bio fuel. During the past 2 years, the Group has invested in 4 bioenergy projects, 3 of which have been finalised. Through the projects, fossil fuels will be replaced either in part or completely with renewable biomass. Together, these projects will reduce the carbon dioxide load from fossil fuels in the Group by 200,000 tonnes annually.

Metsä Group's goal is to improve the energy-efficiency of all processes by 10 per cent by 2020 from the 2009 level. Energy-efficiency improved by 4 per cent in 2009–2012. In addition, a total of 87 (135)

smaller projects aiming to reduce energy consumption were completed in 2012. Their total impact on energy savings is approximately 179 GWh (260) of heat and 101 GWh (54) of electricity.

The volume of fuel used by the Group's production units was 22.8 TWh (24.3) in 2012. The amount of purchased electricity was 2.4 TWh (2.7) and the amount of purchased heat was 0.2 TWh (0.12). These added up to a total energy consumption of 29.0 TWh (31.1).

In 2012, the total consumption of water was EUR 258 million cubic metres (370), of which 98 per cent, or nearly the entire volume, was surface water from lakes and rivers (97).

In 2012, the Group's atmospheric emissions were as follows: carbon dioxide (CO₂), 962,327 tonnes (1,200,090); sulphur dioxide (SO₂), 1,681 tonnes (2,359); and nitrogen oxides (as NO₂), 6,432 tonnes (7,358). Emissions into water systems were: chemical oxygen demand (COD), 43,630 tonnes (45,920); and phosphorous 50 tonnes (79).

Almost all of the 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 significant deviations resulting in considerable environmental effects occurred in the Group's production units in 2012. Some deviations from permit conditions were, however, recorded.

The 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. Environmental liabilities are made for expenses incurred by land rehabilitation when it is probable that an obligation has arisen and its amount can be estimated reasonably. Metsä Group's environmental obligations at the end of the year totalled EUR 27 million (2011: 26 and 2010: 11) and environmental expenses in 2012 totalled EUR 49 million (2011: 54 and 2010: 52).

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. Metsä 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 2012 identified the following risks and uncertainties with a possible impact on Metsä Group's financial performance and ability to operate:

CONTINUING UNCERTAINTY IN THE GLOBAL ECONOMY

In the main market areas, demand for wood products, pulp, paper and paperboard follows the general economic development. There are still significant uncertainties related to the development of the global economy and the euro area. The continuing unfavourable development of the economy may have direct negative effects on the demand for products, profitability, and potentially the availability and cost of financing in Metsä Group.

AVAILABILITY OF FINANCING

The Group's access to capital and the price of capital are largely dependent on the conditions prevailing in the financial markets, changes in them and the Group's own financial position. The prolonged European debt crisis continues to have an impact on the international financial markets and the operations of and lending provided by banks. In addition, increasingly stringent regulation of the financial markets will make the availability of financing tighter. These factors may have negative effects on the availability and price of external capital needed by Metsä Group.

Metsä Group has prepared for the refinancing risk by utilising a variety of financing sources and starting refinancing processes well before the loans mature. In addition, the Group had credit facilities of more than EUR 600 million at its disposal at the end of 2012.

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. A possible 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, potential capacity closures in the industry or consolidation of the industry structure may correspondingly lead to an increase in prices. 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. Therefore, a steep decline in pulp prices and subsequent weakening of Metsä Fibre's profitability may have an adverse impact on Metsä Group's business operations, result and financial position as a whole.

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. Credit control defines the internal credit limits set for customers and payment terms together with the company's business areas. Some 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 2012. The Group has worked to reduce 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.

MARKET CHANGES AND TRENDS AS WELL AS CUSTOMER RELATIONSHIPS

Changes in the market, such as the development of communication technologies and marketing channels as well as consumer trends, may have an adverse effect on the demand for, and the price level of, the Group's main products.

A considerable amount of sales in certain business operations of the Group is directed to a small volume of customers. Losing several significant customer relationships may thus have an adverse impact on the Group's result.

PRICE RISKS IN THE PRODUCTION AND LOGISTICS COSTS AND AVAILABILITY OF PRODUCTION INPUTS

A radical and unforeseen rise 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. Metsä Group works to hedge against this risk 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.

Potential changes in regulation and taxation regarding, among other things, carbon dioxide emissions and supporting renewable energy, may also increase Metsä Group's expenses considerably.

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 managed by, for example, improving the effectiveness of business processes through agreement training, improving management practices, increasing quality requirements and increasing the transparency of operations. Some of the aforementioned liability risks are covered with insurance agreements made with insurance companies.

BUSINESS INTERRUPTION RISKS

Large losses, major accidents, natural disasters, environmental damage, serious malfunctions in key information systems, labour disputes and delivery problems of the most important raw materials may interrupt business operations and, if prolonged, even cause loss of customers. Continuity and recovery plans have been drawn up in the business areas, mills and service operations in preparation for the realisation of these risks. The property and interruption risks of the production units are assessed regularly and the risks have mainly been covered by insurance contracts.

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 crisis management drills for emergencies, carried out at frequent intervals.

PERSONNEL

Metsä Group has paid special attention to ensuring the availability and retention of competent personnel by means of various personnel development programmes, successor plans and development of the Group's image as an employer. Metsä Group prepares for, among others, risks relating to generational shifts and other HR risks by means of measures ensuring working ability, career planning and work rotation of personnel. In addition, Metsä Group invests heavily in cooperation with educational institutions at all levels and launches trainee programmes as needed.

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 1/3 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 2 other forest industry companies jointly pay compensation for alleged damage due to 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 and parishes in Finland as well as a group of private citizens have launched similar proceedings.

In November 2012, UPM-Kymmene Corporation launched arbitration proceedings in which it is claiming EUR 58.5 million in damages

and secondarily a reimbursement of an alleged unjustified benefit of EUR 58.5 million jointly from Metsäliitto Cooperative and Metsä Board. The claim is based on an alleged breach of the co-sale clause under the Metsä Fibre shareholder agreement signed in 2009.

Pending disputes are presented in Notes no. 36.

PREPARING FOR AND TRANSFERRING RISKS

The identified risks are prepared for to the best of the company's knowledge and in the manner which is most appropriate for the Group. 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 of business operations, such as at mills and in the export chain. The Group's production units have also prepared for potential 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 bear 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

EVENTS AFTER THE PERIOD

A reindustrialisation project was launched in Alizay in the spring of 2012 in cooperation between Metsä Board, the employees' representatives and the local authorities. As a result of the project, in January 2013 the company sold the Alizay mill site in France, including all equipment and buildings, to Conseil Général de l'Eure, representing the French state, for EUR 22 million.

After the reporting period Esa Kaikkonen, LLM, was appointed Executive Vice President of Metsä Wood as of 5 February 2013. Kaikkonen has worked as Metsä Group's Legal Counsel since 2003 and he has been a member of Metsä Group's Executive Management Team since 2008. He reports to Kari Jordan, Metsä Group's President and CEO.

NEAR-TERM OUTLOOK

For 2013, the wood orders of Metsä Forest's customers are at a normal level. The demand for wood continues to be steady for all timber grades.

The balance of the sawn timber market is improving due to the decreased stock levels of suppliers and customers. Sales of both ply-woods and Kerto products are expected to develop favourably during the next few months.

Pulp prices in different market areas have levelled off and partly begun to increase during early 2013. The favourable development is

supported by the low levels of softwood suppliers' stock, delays in additional capacity projects and China's investments in tissue paper production capacity.

The demand for tissue and cooking papers is expected to continue to increase in all markets. Metsä Tissue's strong focus areas in 2013 include Poland and Russia. In particular, changes in energy and raw material prices and local availability of recycled paper contribute to the development of operating profit.

Delivery volumes of folding boxboard and linerboard are estimated to increase slightly during the first quarter of 2013 compared to the previous quarter. As a result of the completed annual folding boxboard contract negotiations, the volumes are increasing in 2013 compared to 2012 and no material price changes are expected. No significant changes are expected in linerboard prices in the next few months.

Delivery volumes of uncoated fine paper are estimated to increase slightly in the first quarter of 2013 compared to the previous quarter, and Metsä Board's pulp delivery volumes are expected to be on a par with the previous quarter. No significant changes in the price of uncoated fine paper are visible. The market situation of coated paper has weakened further during the first months of the year, and delivery volume and prices are estimated to decrease slightly early in the year.

Metsä Group's operating result excluding non-recurring items in the first quarter of 2013 is expected to be slightly better compared to the fourth quarter of 2012.

PROPOSAL FOR INTEREST ON MEMBERS' CAPITAL

Metsäliitto Cooperative's Board of Directors has decided to propose to the Supervisory Board that interest of 5.5 per cent (5.5 for 2011) be paid on the statutory capital invested by the members for 2012. Interest of 5.0 per cent (5.0) is proposed for additional members' capital A, and interest of 4.5 per cent (4.5) for additional members' capital B and C.

Furthermore, the additional C shares will be paid possible additional interest totalling a maximum of EUR 14.4 million according to the subscription terms of the additional C shares. If the volume-weighted trade average price of Metsä Board Corporation's B shares on the NASDAQ OMX Helsinki Stock Exchange exceeds EUR 2.5 (the "Limit Price") on 5 trading days before 15 February 2013 (the "Closing Price"), each additional C share will be paid additional interest corresponding to the difference between the Closing Price and the Limit Price ("Additional Interest"), however not more than EUR 1 per additional C share. If the Closing Price is equal to or less than the Limit Price, no Additional Interest will be paid.

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



PROPOSAL FOR THE DISTRIBUTION OF THE SURPLUS 2012

METSÄLIITTO COOPERATIVE

EUR

AT THE DISPOSAL OF THE REPRESENTATIVE COUNCIL		
SURPLUS OF THE PERIOD		113,942,303.24
RETAINED EARNINGS FROM PREVIOUS YEARS		528,801,622.16
TOTAL		642,743,925.40

THE BOARD OF DIRECTORS PROPOSES,		
UNDER SECTION 13, A TRANSFER TO GENERAL RESERVE II OF	5,697,115.16	
IN ADDITIONAL	4.84	5,697,120.00

AN INTEREST OF		
5.5% BE DISTRIBUTED ON PAID-IN MEMBERS' CAPITAL	10,963,644.53	
5.0% BE DISTRIBUTED ON PAID-IN ADDITIONAL MEMBERS' CAPITAL A	25,065,166.70	
4.5% BE DISTRIBUTED ON PAID-IN ADDITIONAL MEMBERS' CAPITAL B	3,006,301.69	
4.5% BE DISTRIBUTED ON PAID-IN ADDITIONAL MEMBERS' CAPITAL C	649,307.81	39,684,420.73
ADDITIONAL INTEREST ON ADDITIONAL MEMBERS' CAPITAL C, MAX. *)	14,430,106.93	54,114,527.66
TO BE RETAINED ON THE SURPLUS AND DEFICIT ACCOUNT, MIN.		582,932,277.74
TOTAL		642,743,925.40

*) according to the subscription terms of the additional C shares

IF THE REPRESENTATIVE COUNCIL APPROVES THE ABOVE PROPOSAL, THE MEMBERS' FUNDS WILL BE		
MEMBERS' CAPITAL		200,709,452.91
ADDITIONAL MEMBERS' CAPITAL A		515,780,505.98
ADDITIONAL MEMBERS' CAPITAL B		75,927,308.50
ADDITIONAL MEMBERS' CAPITAL C		14,430,106.93
GENERAL RESERVE I		3,939,904.28
GENERAL RESERVE II		61,739,550.00
SURPLUS AND DEFICIT ACCOUNT		852,932,277.74
MEMBERS' FUNDS TOTAL		1,455,459,106.34

Espoo, 7 February 2013

Martti Asunta
Chairman

Kari Jordan
Vice Chairman
President and CEO

Mikael Aminoff

Eino Halonen

Arto Hiltunen

Saini Jääskeläinen

Juha Parpala

Timo Saukkonen

Antti Tukeva

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR MILLION	NOTE	1.1.–31.12.2012	1.1.–31.12.2011
SALES	4, 6	5,001.0	5,345.8
CHANGE IN STOCKS OF FINISHED GOODS AND WORK IN PROGRESS		-13.4	33.4
OTHER OPERATING INCOME	4, 7	76.8	95.3
MATERIALS AND SERVICES	4, 8	-3,462.4	-3,769.7
EMPLOYEE COSTS	4, 8	-709.5	-862.7
DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES	4, 9	-249.1	-353.9
OTHER OPERATING EXPENSES	4, 8	-406.0	-459.0
OPERATING RESULT		237.5	29.2
SHARE OF PROFIT FROM ASSOCIATED COMPANIES		4.8	4.2
NET EXCHANGE GAINS/LOSSES	10	2.4	2.3
OTHER FINANCIAL INCOME	10	15.3	8.7
INTEREST AND OTHER FINANCIAL EXPENSES	10	-125.5	-142.0
RESULT BEFORE TAX		134.5	-97.7
INCOME TAXES	11	-31.8	-58.9
RESULT FOR THE PERIOD		102.6	-156.6
OTHER COMPREHENSIVE INCOME	12		
CASH FLOW HEDGES		-0.5	-38.4
AVAILABLE FOR SALE INVESTMENTS		-17.3	25.0
TRANSLATION DIFFERENCES		15.6	5.8
OTHER ITEMS		0.1	0.0
INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME		5.3	7.6
OTHER COMPREHENSIVE INCOME, NET OF TAX		3.2	0.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		105.8	-156.5
RESULT ATTRIBUTABLE TO:			
MEMBERS OF PARENT COMPANY		59.6	-41.8
NON-CONTROLLING INTEREST		43.0	-114.8
		102.6	-156.6
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
MEMBERS OF PARENT COMPANY		61.6	-44.9
NON-CONTROLLING INTEREST		44.2	-111.5
		105.8	-156.5

The notes are an integral part of these financial statements



CONSOLIDATED BALANCE SHEET

EUR MILLION	NOTE	31.12.2012	31.12.2011
ASSETS			
NON-CURRENT ASSETS			
GOODWILL	13	533.8	528.5
OTHER INTANGIBLE ASSETS	13, 39	238.9	232.2
TANGIBLE ASSETS	13, 39	2,073.3	2,129.0
BIOLOGICAL ASSETS	15	8.4	8.5
INVESTMENTS IN ASSOCIATED COMPANIES	16	66.6	69.6
AVAILABLE FOR SALE INVESTMENTS	17	356.2	367.9
OTHER NON-CURRENT FINANCIAL ASSETS	18	17.2	12.6
DEFERRED TAX RECEIVABLES	19	60.0	61.8
		3,354.3	3,410.0
CURRENT ASSETS			
INVENTORIES	20	724.8	781.3
ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES	21	705.7	735.1
CURRENT INCOME TAX RECEIVABLES		8.4	34.0
DERIVATIVE FINANCIAL INSTRUMENTS	31	5.1	0.3
CASH AND CASH EQUIVALENT	22	518.5	330.4
		1,962.4	1,881.1
ASSETS CLASSIFIED AS HELD FOR SALE			
	5	20.6	6.8
TOTAL ASSETS		5,337.3	5,297.9
MEMBERS' FUNDS AND LIABILITIES			
EQUITY ATTRIBUTABLE TO MEMBERS OF PARENT COMPANY			
MEMBERS' CAPITAL	23	594.5	572.6
TRANSLATION DIFFERENCES	23	38.2	28.9
FAIR VALUE AND OTHER RESERVES	23	236.1	240.2
RETAINED EARNINGS		519.0	293.5
		1,387.8	1,135.2
NON-CONTROLLING INTEREST	24	500.0	359.9
TOTAL MEMBERS' FUNDS		1,887.8	1,495.2
NON-CURRENT LIABILITIES			
DEFERRED TAX LIABILITIES	19	320.2	362.4
POST EMPLOYMENT BENEFIT OBLIGATIONS	25	116.2	122.6
PROVISIONS	26, 39	34.6	44.7
BORROWINGS	27	1,161.2	1,854.2
OTHER LIABILITIES	28	4.2	6.3
DERIVATIVE FINANCIAL INSTRUMENTS	31	30.7	26.4
		1,667.1	2,416.7
CURRENT LIABILITIES			
PROVISIONS	26, 39	53.8	144.8
CURRENT BORROWINGS	27	958.2	438.5
ACCOUNTS PAYABLE AND OTHER LIABILITIES	29	754.0	761.8
CURRENT INCOME TAX LIABILITIES		4.5	12.2
DERIVATIVE FINANCIAL INSTRUMENTS	31	11.8	28.8
		1,782.4	1,386.1
TOTAL LIABILITIES		3,449.5	3,802.8
TOTAL MEMBERS' FUNDS AND LIABILITIES		5,337.3	5,297.9

The notes are an integral part of these financial statements.

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		
MEMBERS' FUNDS 1.1.2011		539.2	25.5	243.8	345.7	1,154.2	523.8	1,678.0
RESULT FOR THE PERIOD					-41.8	-41.8	-114.8	-156.6
OTHER COMPREHENSIVE INCOME	12							
CASH FLOW HEDGES				-22.5		-22.5	-15.8	-38.4
AVAILABLE FOR SALE INVESTMENTS				11.2		11.2	13.9	25.0
TRANSLATION DIFFERENCES			3.5			3.5	2.3	5.8
OTHER ITEMS					0.0	0.0	0.0	0.0
INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME			-0.1	4.8		4.8	2.8	7.6
OTHER COMPREHENSIVE INCOME TOTAL			3.4	-6.6	0.0	-3.2	3.3	0.1
COMPREHENSIVE INCOME TOTAL			3.4	-6.6	-41.8	-44.9	-111.5	-156.5
TRANSACTIONS WITH OWNERS								
DIVIDENDS PAID	23				-27.5	-27.5	-20.5	-48.0
CHANGE IN MEMBERS' CAPITAL	23	33.4				33.4		33.4
OTHER CHANGE IN MEMBERS' FUNDS	23			1.6		1.6	2.3	3.9
TRANSFER FROM UNRESTRICTED TO RESTRICTED EQUITY	23			1.4	-1.4	0.0		0.0
BUSINESS ARRANGEMENTS	5		0.0			0.0		0.0
CHANGE IN SHARES OF NON-CONTROLLING INTERESTS	5				18.5	18.5	-34.1	-15.7
MEMBERS' FUNDS, 31 DECEMBER 2011		572.6	28.9	240.2	293.5	1,135.2	359.9	1,495.2
MEMBERS' FUNDS 1.1.2012		572.6	28.9	240.2	293.5	1,135.2	359.9	1,495.2
RESULT FOR THE PERIOD					59.6	59.6	43.0	102.6
OTHER COMPREHENSIVE INCOME	12							
CASH FLOW HEDGES				-2.2		-2.2	1.8	-0.5
AVAILABLE FOR SALE INVESTMENTS				-7.9		-7.9	-9.4	-17.3
TRANSLATION DIFFERENCES			8.8			8.8	6.8	15.6
OTHER ITEMS					0.0	0.0	0.0	0.1
INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME			0.5	2.9		3.4	1.9	5.3
OTHER COMPREHENSIVE INCOME TOTAL			9.3	-7.3	0.0	2.0	1.2	3.2
COMPREHENSIVE INCOME TOTAL			9.3	-7.3	59.7	61.6	44.2	105.8
TRANSACTIONS WITH OWNERS								
DIVIDENDS PAID	23				-29.6	-29.6	-12.8	-42.3
CHANGE IN MEMBERS' CAPITAL	23	21.9				21.9		21.9
TRANSFER FROM UNRESTRICTED TO RESTRICTED EQUITY	23			3.2	-3.2	0.0		0.0
CHANGE IN SHARES OF NON-CONTROLLING INTERESTS	5				198.6	198.6	108.6	307.3
MEMBERS' FUNDS, 31 DECEMBER 2012		594.5	38.2	236.1	519.0	1,387.8	500.0	1,887.8

The notes are an integral part of these financial statements



CONSOLIDATED CASH FLOW STATEMENT

EUR MILLION	NOTE	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES			
RESULT FOR THE PERIOD		102.6	-156.6
ADJUSTMENTS TO THE RESULT	33	255.4	634.3
INTEREST RECEIVED		7.2	9.3
INTEREST PAID		-120.4	-110.1
DIVIDENDS RECEIVED		12.6	6.4
OTHER FINANCIAL ITEMS, NET		-26.4	-21.3
INCOME TAXES PAID		-56.2	-113.5
CHANGE IN WORKING CAPITAL	33	82.1	74.4
NET CASH FLOW FROM OPERATING ACTIVITIES		257.1	323.0
CASH FLOW ARISING FROM INVESTING ACTIVITIES			
ACQUISITION OF SHARES IN SUBSIDIARIES	5	0.0	-101.8
ACQUISITION OF SHARES IN ASSOCIATED COMPANIES		-0.7	-1.4
ACQUISITION OF OTHER SHARES		-5.9	-4.9
INVESTMENTS IN TANGIBLE AND INTANGIBLE ASSETS		-201.7	-227.1
PROCEEDS FROM DISPOSAL OF SHARES IN SUBSIDIARIES	5	-2.8	27.9
PROCEEDS FROM DISPOSAL OF SHARES IN ASSOCIATED COMPANIES		11.9	6.8
PROCEEDS FROM DISPOSAL OF OTHER SHARES		1.2	0.3
PROCEEDS FROM SALE OF TANGIBLE AND INTANGIBLE ASSETS		27.9	38.7
CHANGE IN NON-CURRENT RECEIVABLES		-4.8	-1.5
NET CASH FLOW ARISING FROM INVESTING ACTIVITIES		-174.9	-263.0
CASH FLOW ARISING FROM FINANCING ACTIVITIES			
CHANGE IN MEMBERS' CAPITAL		45.4	41.8
OTHER CHANGE IN MEMBERS' FUNDS	33	0.0	3.9
CHANGE IN NON-CONTROLLING INTERESTS	5, 33	306.7	-44.4
INCREASE IN NON-CURRENT LIABILITIES		339.2	194.3
DECREASE IN NON-CURRENT LIABILITIES		-524.6	-300.2
CHANGE IN CURRENT LIABILITIES, NET		-9.3	-4.3
CHANGE IN CURRENT INTEREST-BEARING RECEIVABLES, NET		0.2	5.0
INTEREST ON MEMBERS' CAPITAL AND DIVIDENDS PAID		-52.3	-66.5
NET CASH FLOW ARISING FROM FINANCING ACTIVITIES		105.2	-170.4
CHANGE IN CASH AND CASH EQUIVALENTS		187.3	-110.5
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		330.4	440.4
TRANSLATION ADJUSTMENTS		0.9	0.4
CHANGE IN CASH AND CASH EQUIVALENTS		187.3	-110.5
CASH AND CASH EQUIVALENTS AT END OF PERIOD	21	518.5	330.4

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 5 business segments: Wood Supply, Wood Products Industry, Pulp Industry, Paperboard and Paper Industry and Tissue and Cooking Papers. The Group has manufacturing operations in 9 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 or parent company's head office Revontulenpuisto 2, 02100 Espoo Finland.

The consolidated financial statements were authorised for issue by the Board of Directors on 7 February 2013. 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 2012. 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 are presented in millions of euros unless otherwise mentioned.

The financial statements have been prepared based on historical costs, except for biological assets, derivative contracts and certain other financial assets and liabilities that have been measured at fair value.

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 amended standard. The change in the standard had no material impact on the consolidated financial statements.

Amendments to IFRS 7 **Financial Instruments: Disclosures** (effective for financial years beginning on or after 1 July 2011): The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial instruments and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The amendments will impact the notes to the consolidated financial statements.

PRINCIPLES OF CONSOLIDATION

SUBSIDIARIES

Subsidiaries include all companies (including units established for a specific purpose) in which the Group has the right to control the principles of finances and operations. This is usually based on holding shares conferring more than one half of the voting rights. When evaluating whether the Group has control over another company, the existence and impact of potential voting power that can be realised at the time of the review by exercising the right or performing an exchange. 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-controlling 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 amount by which the sum of paid consideration, proportion of non-controlling shareholders in the target and previously owned



proportion exceed the Group's proportion of the fair value of the acquired net assets is reported on the balance sheet as goodwill. If the total amount of consideration, proportion of non-controlling shareholders and previously owned portion is lower than the fair value of the net assets and the transaction is a beneficial one, the difference is recognised in the income statement.

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 as 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.

SPECIAL PURPOSE 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. According to the shareholders' and loan agreement Metsäliitto Cooperative has the controlling right in the company. The controlling right comes from the conditions in the agreement regarding the administration of the series B shares in Metsä Board, e.g. restrictions in voting, disposals and deposits of shares. Without the permission of Metsäliitto, the company may not make such decisions which have nothing to do with the business of the company or with the execution of the arrangement. Metsäliitto Cooperative or companies controlled by Metsäliitto have no holdings in Metsäliitto Management Oy. 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 have been dealt with as transactions with owners of non-controlling interest.

Metsäliitto Management Oy will be liquidated according to the shareholder agreement after the publication of Metsä Board's third quarter 2013 interim report or at the latest by third quarter 2017 if the arrangement is to be continued. When the arrangement is dismantled and Metsäliitto hands over the shares or cash to the owners of the company, the investments made by the executive managers will be dealt with as a financial liability and not as a non-controlling interest.

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 sub-

sidary purchased is recognised in equity. Also, profit or loss from sale of shares to non-controlling shareholders is recognised in equity.

ASSOCIATED COMPANIES

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

The Group's share of profits or losses of associated companies following the acquisition is recognised in the income statement, and its proportion of changes in equity after the acquisition is recognised in equity. The book value of the investment is adjusted for changes accumulated after the acquisition. If the Group's share of associated companies' losses is as large or larger than its share of the associated company including any other unsecured receivables, the Group will not recognise additional losses unless it has commitments concerning the associated companies 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. Unrealised losses are also eliminated unless the transaction indicates an impairment of the value of the asset. The accounting principles followed by associated companies have been amended to correspond to the principles followed by the Group as necessary. Profits or losses from investments in associated companies due to the dilution effect are recognised in the income statement.

The Group assesses at each balance sheet date whether there are objective evidence of impairment of investments in associated companies. If so, the Group carries out a full impairment test by comparing the recoverable amount of the investment with the carrying amount.

JOINT VENTURES

The Group's holdings in jointly controlled units are processed in the consolidated financial statements using proportional consolidation. The Group's proportion of the joint venture's individual income items, expenses, assets and liabilities and cash flows are consolidated in the corresponding items of the consolidated financial statements. For assets sold to a joint venture, the proportion of profits or losses belonging to third parties is recognised. The Group does not recognise its share of a joint venture's profits or losses arising from assets purchased from it by the Group before the assets have been sold further to an independent party. However, a loss incurred by business transactions will be recognised immediately if it indicates a decrease in the net realisation value or impairment of current assets.

Äänevoima Oy and Ääneverkko Oy have been consolidated on a proportionate basis line by line. The Group has a 48.98 per cent interest in Metsätapiola's real estates. The Group's proportion of the joint venture's income items, expenses, assets and liabilities are consolidated in the financial statements.

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 envi-

ronment 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 the 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 that are classified as held for trading. These are mainly stock exchange listed bonds. 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 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 cash in hand, deposits held at call with banks and other short-term highly liquid investments. Cash and cash equivalents include items with original maturities of three months or less from the date of acquisition.

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 reasons 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.

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".

Financial assets and liabilities are classified according to IAS 39 and fair values are presented in Note 30.

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 hedging 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 current non-interest-bearing receivables or liabilities. The fair values of derivatives classified in accordance with the applied accounting practice are presented in Notes to the accounts no. 31. The maturity analysis of cash flow hedge accounting is presented in Notes to the accounts no. 32.

CURRENCY HEDGING

To partly hedge its foreign currency 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 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.

All other 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 forward rate agreements, interest rate futures and options are based on quoted market rates at the balance sheet date, and 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 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 and Metsäliitto's electricity purchases in Finland and Sweden is the object of hedge accounting. In 2012, Metsä Tissue has applied hedge accounting in accordance with IAS 39 as so called cash flow hedge to hedge its natural gas price risk. Moreover 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 contracts 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 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 electricity and pulp 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/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 reliably. 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. 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 in 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

Non-tangible 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 non-tangible 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. Non-tangible 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 non-tangible 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 a non-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.

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 7 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 com-

puter software and EDP applications is recorded as an expense in the reporting period in which it has been incurred.

EMISSION ALLOWANCES

Allowances received by the governments free of charge have initially been recognised as intangible assets and the corresponding government grant as advance payment in liabilities based on fair value at the date of initial recognition. Allowances are measured at its cost or at their fair value if less. Allowances are not amortised. The emissions produced are recognised as cost and as liability together with the corresponding government grant as income both based on the value at the date of initial recognition. Rights consumed that are within the original range have no positive or negative effect on profit for the period. The costs of purchasing additional allowances to cover excess emissions or the sale of unused allowances have effect on profit.

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.

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 new a 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 estimated useful lives and carrying values are reviewed at each balance sheet date and if they differ significantly from previous estimates, the depreciation periods are altered accordingly.

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 compensation 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 incident 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.

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 payment. 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.

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

Pension plans are classified as either defined benefit or defined contribution plans. Under a defined contribution plan, the Group pays fixed contributions to a separate unit. The Group has no legal or constructive obligation to pay further contributions if the recipient of the payments is not able to pay the pension benefits in question. All plans that do not meet these requirements are considered defined benefit plans. Contributions paid to defined contribution pension plans are expensed in the period to which they relate.

The Group's obligations associated with defined benefit pension plans have been calculated separately for each plan using the Projected Unit Credit Method. Pension costs are expensed for the employees' period of service based on calculations made by authorised actuaries. In calculating the current value of the pension obligation, the market return of high-quality bonds issued by the company is used as the discount rate. The maturity of the bonds and treasury bills essentially cor-

responds to the maturity of the calculated pension obligation. The pension plan assets measured at fair value at the balance sheet date, unrecognised actuarial gains and losses and past service costs are deducted from the present value of the pension obligation to be recognised in the balance sheet.

Actuarial gains and losses are recognised in the income statement over the expected average remaining working lives of the employees to the extent that such gains and losses exceed the greater of 10 per cent of the present value of the benefit obligation or 10 per cent of the fair value of any plan assets. Past service costs are recognised to the income statement in fixed instalments over the period during which they are paid-up. If the past service costs are already vested, they are immediately charged to the income statement. Gains and losses resulting from the restriction of a defined benefit plan or performance of the obligation are recognised at the time of the restriction or fulfilment.

SHARE BASED PAYMENT

A share-based incentive programme in which the payments are made either with equity instruments or cash has been established for the company's top executives. The benefits issued in connection with the scheme 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.

Metsäliitto Management Oy has been established to manage Metsä Group's share-based incentive scheme. The income statement and balance sheet of Metsäliitto Management Oy have been consolidated in the financial statements of the Group.

DIVIDENDS PAYABLE AND INTEREST PAID ON MEMBERS' CAPITAL

Dividends payable by the company are recorded 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 recorded 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 classified 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

FINANCIAL YEAR 2013

Amendments to IAS 1 **Presentation of Financial Statements** (effective for financial years beginning on or after 1 July 2012): The major change is the requirement to group items of other comprehensive income as to whether or not they will be reclassified subsequently to profit or loss when specific conditions are met. The amendments only have an impact on the presentation of Group's other comprehensive income.

Amendment to IAS 19 **Employee Benefits** (effective for financial years beginning on or after 1 January 2013): The major changes are as follows: in future all actuarial gains and losses are immediately recognised in other comprehensive income, i.e. the corridor approach is eliminated, and finance costs are calculated on a net funding basis. Group assesses the amendments to impact the consolidated financial statements as follows:

The impact on the balance sheet as at 31 December 2012 and on the statement of comprehensive income for the period 1 January 2012–31 December 2012 (in millions of Euro):

Non-current assets	+7.1
Non-current liabilities	+37.0
Members' funds total	-30.0
Employee costs	-4.0
Other financial expenses	+5.2
Comprehensive income for the financial year	-18.1

IFRS 13 **Fair Value Measurement** (effective for financial years beginning on or after 1 January 2013): IFRS 13 establishes a single source for all fair value measurements and disclosure requirements for use across IFRSs. The new standard also provides a precise definition of fair value. IFRS 13 does not extend the use of fair value accounting, but it provides guidance on how to measure fair value under IFRSs when fair value is required or permitted. IFRS 13 will expand the disclosures to be provided for non-financial assets measured at fair value. The new standard is not assessed to have a material impact on Group's consolidated financial statements.

Annual Improvements to IFRSs 2009–2011* (May 2012) (effective for financial years beginning on or after 1 January 2013): 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 five standards. Their impacts vary standard by standard but are not significant.

Amendments to IFRS 7 **Financial Instruments: Disclosures** (effective for financial years beginning on or after 1 January 2013): The amendments clarify disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements. The disclosures required by those amendments are to be provided retrospectively. The amendments are not assessed to have a significant impact on Group's consolidated financial statements.

FINANCIAL YEAR 2014

IFRS 10 **Consolidated Financial Statements** and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): 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 new standard is not assessed to have a material impact on Group's consolidated financial statements.

IFRS 11 Joint Arrangements and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): 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 new standard is not assessed to have a material impact on Group's consolidated financial statements.

IFRS 12 Disclosures of Interests in Other Entities and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): 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. The new standard is not assessed to have a material impact on Group's consolidated financial statements.

IAS 28 Investments in Associates and Joint Ventures (revised 2011) and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): 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 revised standard is not assessed to have a significant impact on Group's consolidated financial statements.

Amendments to **IAS 32 Financial Instruments: Presentation** (effective for financial years beginning on or after 1 January 2014): 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 amended standard is to be applied retrospectively. The amendments are not assessed to have a significant impact on Group's consolidated financial statements.

FINANCIAL YEAR 2015

IFRS 9 Financial Instruments* and subsequent amendments (effective for financial years beginning on or after 1 January 2015): IFRS 9 is the first step of the IASB's originally three-phase project to replace the current IAS 39 Financial Instruments: Recognition and Measurement. The amendments resulting from the first phase (published in November 2009) address the classification and measurement of financial assets. Based on measurement, financial assets are classified into two main groups: financial assets at amortised cost and financial assets at fair value. Classification depends on a company's business model and the characteristics of contractual cash flows. The amendments published in October 2010 deal with the classification and measurement of financial liabilities and the standard retains most of the related IAS 39 requirements. The unfinished parts of IFRS 9, i.e. the impairment of financial assets and general hedge accounting phases are still a work in progress. Furthermore, the IASB is also considering limited amendments regarding the classification and measurement of financial assets. The macro hedge accounting phase has been taken apart from the IFRS 9 project

as a separate project. As the IFRS 9 project is incomplete, the impacts of the standard on the consolidated financial statements cannot yet be assessed.

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.

KEY ACCOUNTING ESTIMATES

IMPAIRMENT TESTING

The Group annually tests the goodwill and intangible assets not ready to use 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. Impairment losses or reverse of impairment losses were not recognised in 2012 based on impairment testing. A sensitivity analysis 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 9.

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 should be 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.

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 most significant 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 available-for-sale financial assets would be estimated to be EUR 5.4 million lower or EUR 6.1 million higher should the rate used for discounting the cash flows differ by 10 percentageunits from the rate estimated by the management. The carrying amount of available-for-sale financial assets would be estimated to be EUR 48.2 million higher or EUR 48.2 million lower, if energy prices used for calculating the fair value differ by 10 percentageunits from prices estimated by the management.

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 88.4 million on Metsä Group's balance sheet at 31 December 2012.

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 2012 includes deferred tax assets of EUR 21.3 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.

KEY JUDGEMENT-BASED DECISIONS IN APPLYING THE ACCOUNTING POLICIES

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 724.8 million on 31 December 2012.

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 2012 included accounts receivables amounting to EUR 577.4 million and impairment losses recorded for accounts receivables amounting to EUR 1.0 million.

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 188.1 million would be recognised in the financial statements for 2012 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.

3. 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 Financial Services Oy ("Metsä Finance") is specialised in finance and functions as the Group's internal bank. Metsä Board's holding in Metsä Finance is 51 per cent, and Metsäliitto Cooperative's holding is 49 per cent. Financial operations have been centralised to Metsä Finance, which is in charge of managing the Group companies' financial positions according to the strategy and financial policy, providing necessary financial services within the Metsä Group 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, CHF, DKK, NOK and RUB. 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 recognised directly in shareholders' equity in fair value reserve. At the end of the reporting period, the foreign exchange flow position had been hedged 4.7 months on average (2011: 5.0). During the reporting period, the hedging level has varied between 4 and 5 months (4–5). The dollar's hedging level was 5.6 months (5.6), of which the portion of hedge accounting was 2.6 months (3.3). The Swedish krona's hedging level was 5.0 months (4.7), of which the portion of hedge accounting was 4.2 months (3.8). The pound's hedging level was 3.8 months (6.1), of which the portion of hedge accounting was 2.3 months (2.5). 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 94 per cent of the norm determined in the hedging policy has been hedged (102).

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 (0–100) 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 12 per cent (32) of the equity position was hedged and at the end of the reporting period 10 per cent (15). The hedge ratio remains low, as Swedish krona and Polish zloty equity hedging was abandoned during 2011 and 2012.

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 16.0 million (20.0) and the sum of VaR figures of the Group companies is at the end of the reporting period EUR 3.0 million (4.9). Average during the period has been EUR 3.9 million (4.2). The volumes and fair values of derivatives used in the management of foreign currency risks are presented in Notes no. 31.

HEDGING OF FOREIGN EXCHANGE TRANSACTION EXPOSURE

EUR MILLION	EXPOSURE, NET		HEDGING, MONTHS	
	EUR	HEDGING	31.12	AVERAGE
USD	394.2	-182.5	5.6	5.4
GBP	308.8	-96.7	3.8	4.3
SEK	-435.2	182.1	5.0	4.8
NOK	119.7	-37.7	3.8	4.2
DKK	75.5	-26.8	4.3	4.2
OTHER LONG	64.5	-31.8	5.9	6.1
OTHER SHORT	-86.9	18.9	2.6	2.5
TOTAL 2012	1,484.8	-576.5	4.7	4.6
TOTAL 2011	1,684.0	-695.0	5.0	4.8

HEDGING OF NET INVESTMENTS IN A FOREIGN ENTITY

EUR MILLION	EQUITY EXPOSURE		HEDGING, %	
	EUR	HEDGING	31.12	AVERAGE
GBP	89.3	-77.7	87.0	93.0
SEK	512.9	0.0	0.0	0.0
OTHERS	151.1	0.0	0.0	7.0
TOTAL 2012	753.3	-77.7	10.0	12.0
TOTAL 2011	688.0	-102.3	15.0	32.0

INTEREST RATE RISK

The interest rate risk is related mainly in the interest bearing receivables and loans and currency hedging. Interest bearing receivables and loans are presented in Notes no. 27. 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 6 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 23.2 months (17.9) at the end of the year. During the reporting period duration has varied between 15 and 24 months (10–18). At the end of 2012, an increase of one per cent in interest rates would increase interest rate costs of the next 12 months by EUR -0.3 million (5.2), 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 (including currency swap contracts) is EUR 1,298 million (1,115). Of the derivatives portfolio, EUR 1,079 million (1,033) is allocated to hedge accounting, and the portion of derivatives recognised in the balance sheet through profit or loss is EUR 219 million (82). The maturity of interest rate swap and currency swap contracts varies between 1–8 years (1–9).

INTEREST RATE RISK

	2012	2011
LOAN AMOUNT, EUR MILLION	1,907	2,104
DURATION, MONTHS	23.2	17.9
AVERAGE INTEREST RATE, %	5.1	5.4
INTEREST RATE SENSITIVITY, EUR MILLION	-0.3	5.2

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
1–4/2013	494
5–8/2013	71
9–12/2013	132
2014	508
2015	129
2016	238
>2016	335
TOTAL	1,907

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 Finance 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 and pulp and also transactions related to Emission allowances have been managed by Metsä Finance.

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 Finance. The hedges of electricity price risk in Central Europe are implemented according to instructions and by Metsä Group Energy in cooperation with local production units either by physical contracts or by financial contracts through Metsä Finance. 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 (80, 40, 20 and 0) 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 only the oil-related part of the contract has been fixed. 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 started financial hedges of natural gas in 2012 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 Finance, and the Board of Directors of Group companies make significant strategic decisions.

Approximately 41 per cent (54) of electricity hedges have been carried out by using physical supply contracts and 59 per cent (46) as so-called financial hedges by using electricity derivatives. At the end of the year 100 per cent (93) of financial hedges have been designated to hedge accounting. About 91 per cent (100) of natural gas price risk hedges have been carried out by using physical supply contracts and 9 per cent (0) as so-called financial hedges.

According to the pulp price risk hedging policy a Group company may selectively hedge its price risk either by financial hedges through Metsä Finance or fixed-price physical contracts. Hedge accounting in accordance with IAS is applied within the pulp price risk management. Out of Group companies Metsä Board and Metsä Tissue have had pulp price risk hedges during 2012, but at the end of 2012 Metsä Group has no more pulp derivatives in place. The volumes and fair values of derivatives used in the management of commodity risks are presented in Notes no. 31.

HEDGING OF ELECTRICITY PRICE RISK, 31 DEC.

GWH	2012	2011
ELECTRICITY EXPOSURE, NET 2013	1,393.5	1,187.4
ELECTRICITY HEDGING 2013	1,394.5	1,360.5
HEDGING, AT END OF YEAR (%)	100	115

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 80–100 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 35 per cent of the total debt must have a maturity in excess of 4 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 economic 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 emphasised 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.

Metsä Board has realised Supply Chain Finance arrangement during 2012, where the receivable of a Metsä Board customer is paid by the customer's bank in 2–4 days after invoicing. The customer's bank bears the credit risk of the receivable after payment. The sale of receivables programme used by Metsä Wood is about to be extended to new customers. The extent of the arrangements is not significant.

The Group has also been able to significantly stabilise the maturity structure of long-term loans by refinancing of Metsäliitto's syndicated credit facility in December 2010, Metsä Fibre's syndicated credit facility in December 2011 and through Metsäliitto's EUR 175 million bond in November 2012. In May, Metsä Board signed a term loan and revolving credit facility totalling EUR 600 million. The credit facility will be utilised to refinance the EUR 500 million Eurobond which maturing 1 April 2013 and it enhances Metsä Board's liquidity position further.

Metsä Group's liquidity has clearly strengthened due to the credit facility signed by Metsä Board in the review period as well as due to the reduction of shareholding in Metsä Fibre Oy. The available liquidity was EUR 1,168 million (855) at the end of the reporting period, of which EUR 649 million (525) was committed credit facilities and EUR 519 million (330) liquid funds and investments. The Group had also at its disposal short-term, uncommitted commercial paper programmes and credit lines amounting to EUR 526 million (524). At the end of 2012, the liquidity reserve covers fully the forecasted financing need of 2013. The refinancing alternatives of 2013–2015 are examined at the moment. 26 per cent (10) of long-term loans and committed facilities fall due in a 12 month period and 16 per cent (21) have a maturity of over 4 years, taken into account the in advance agreed refinancing for bond maturing in 2013. The average maturity of long-term loans is 2.0 years (2.3). The share of short-term financing of the Group's interest bearing liabilities is 10 per cent (8). The maturity of repayment of financial liabilities is presented in Notes no. 27.

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. 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 and the reporting of counterparty risk has been specified. 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 13.0 per cent (10.2), of which 0.2 per cent (0.1) is overdue between 90–180 days and 0.8 per cent (0.6) 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 in Notes no. 21.

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 Germany, Great Britain, Italy, Finland, Belgium, France, Sweden and Poland. Top 10 countries represent around 70 per cent of 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 2012 remains about 7 per cent (8) 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 2012, 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 31.12.2012 and 31.12.2011 the following:

EUR MILLION	2012	2011
NET GEARING RATIO, %	84	131
EQUITY RATIO, %	35.4	28.3
INTEREST-BEARING LIABILITIES	2,119.5	2,292.7
- INTEREST-BEARING FINANCIAL ASSETS	529.5	339.3
INTEREST-BEARING NET LIABILITIES	1,590.0	1,953.4
MEMBERS' FUNDS	1,387.8	1,135.2
+ NON-CONTROLLING INTERESTS	500.0	359.9
TOTAL	1,887.8	1,495.2
TOTAL ASSETS	5,337.3	5,297.9
- ADVANCED PAYMENTS RECEIVED	6.4	11.2
TOTAL	5,330.9	5,286.7

The debt financing of Metsä Group was at the end of 2012 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 2012 and 2011.

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.



EUR MILLION	IMPACT ON EQUITY EXPOSURE AND ANNUAL TRANSACTION EXPOSURE									
	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	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
INTEREST RATE RISK (100 BP RISE IN INTEREST RATES)										
EFFECT ON PROFIT	3.4	4.2					0.3	-5.2	17.4	10.9
EFFECT ON OTHER CHANGE IN EQUITY	13.7	11.9								
COMMODITY RISK (ELECTRICITY PRICE +20%)										
EFFECT ON PROFIT	0.0	0.5					-6.6	-3.7	9.4	5.4
EFFECT ON OTHER CHANGE IN EQUITY	15.9	8.6								
FX RISK (USD -10%)										
EFFECT ON PROFIT	-4.3	-4.1					-39.4	-53.4	-21.2	-28.7
EFFECT ON OTHER CHANGE IN EQUITY	8.3	13.1	-0.1	-0.1	-0.1	-0.1				
FX RISK (GBP -10%)										
EFFECT ON PROFIT	0.5	3.0					-30.9	-36.6	-21.2	-17.9
EFFECT ON OTHER CHANGE IN EQUITY	13.6	14.3	-10.9	-8.1	-3.2	0.0				
FX RISK (SEK -10%)										
EFFECT ON PROFIT	2.3	0.2					43.5	43.1	25.3	26.3
EFFECT ON OTHER CHANGE IN EQUITY	-14.6	-12.1	-51.3	-50.3	-51.3	-50.3				

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.

4. 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

Wood Supply 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

Wood Products Industry is a forerunner in providing eco-efficient, wood-derived solutions for industrial construction and the needs of industrial customers as well as home and living. The products are manufactured from northern wood, a sustainable raw material of premium quality.

PULP INDUSTRY

Pulp Industry is a world-leading producer of softwood pulp. Our main products – sustainably and cost-efficiently produced bleached softwood and birch pulp – are developed for the production of high-quality fine papers, magazine and tissue papers and paperboard. 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 largest producer of folding boxboard, the world's largest manufacturer of coated white-top kraftliner and a significant supplier of paper, which offers premium-quality paperboard and paper for its customers in the consumer packaging, communications and advertising sectors. The company's global sales network serves brand owners, carton printers, printing houses, merchants and office suppliers.

TISSUE AND COOKING PAPERS

Tissue and Cooking Papers is a leading supplier of tissue paper products to households and industrial consumers in Europe and the leading supplier of baking and cooking papers in the world. Its premium-quality tissue and cooking papers bring convenience to the daily life of consumers, end users and customers. The company's main brands are Lambi, Serla, Mola, Tento, Katrin and SAGA.

OTHER OPERATIONS

Other operations include the Metsä Group head quarter functions, the company Metsäliitto Management Oy and the holding function of Metsäliitto Cooperative as well as a 48.98 per cent share of Metsätapiola's real estates.

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



2012

EUR MILLION	WOOD SUPPLY	WOOD PRODUCTS INDUSTRY	PULP INDUSTRY	PAPERBOARD AND PAPER INDUSTRY	TISSUE AND COOKING PAPERS	OTHER OPERATIONS	ELIMINATIONS	GROUP TOTAL
EXTERNAL SALES	349.4	850.2	772.9	2,046.7	981.5	0.3	0.0	5,001.0
INTERNAL SALES	1,166.0	54.0	501.0	60.9	0.0	3.0	-1,784.8	0.0
SALES TOTAL	1,515.4	904.2	1,273.9	2,107.6	981.5	3.3	-1,784.8	5,001.0
OPERATING RESULT	20.2	16.6	150.4	219.8	32.8	67.7	-270.0	237.5
NON-RECURRING ITEMS IN OPERATING RESULT	0.0	-2.3	2.3	146.2	-6.8	73.7	-227.3	-14.2
OPERATING RESULT EXCL. NON-RECURRING ITEMS	20.2	18.9	148.1	73.6	39.6	-5.9	-42.7	251.7
SHARE OF RESULTS FROM ASSOCIATED COMPANIES								4.8
FINANCE COSTS, NET								-107.8
INCOME TAXES								-31.8
RESULT FOR THE PERIOD								102.6
ASSETS	267.5	390.7	877.9	2,057.7	905.4	144.0	-251.1	4,392.2
INVESTMENTS IN ASSOCIATED COMPANIES								66.6
ASSETS CLASSIFIED AS HELD FOR SALE				20.6				20.6
UNALLOCATED ASSETS								857.8
TOTAL ASSETS								5,337.3
LIABILITIES	193.1	112.0	158.4	473.7	257.7	32.3	-251.1	975.9
UNALLOCATED LIABILITIES								2,473.6
TOTAL LIABILITIES								3,449.5
CAPITAL EXPENDITURE	5.9	26.8	35.3	66.1	65.0	17.0	-5.3	210.9
DEPRECIATION	2.7	31.1	59.3	111.1	40.8	5.0	10.2	260.3
IMPAIRMENT CHARGES			-2.3	-10.8	1.8			-11.3
PERSONNEL, AVERAGE	1,015	2,859	913	3,551	3,205	443		11,986

Segment's assets = intangible and tangible assets, 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 2012

EUR MILLION	WOOD SUPPLY	WOOD PRODUCTS INDUSTRY	PULP INDUSTRY	PAPERBOARD AND PAPER INDUSTRY	TISSUE AND COOKING PAPERS	OTHER OPERATIONS	ELIMINATIONS	GROUP TOTAL
SALES PROFITS IN OTHER OPERATING INCOME				149.6		80.9	-226.7	3.7
CHANGE IN INVENTORIES		-0.1		-1.0				-1.1
EMPLOYEE COSTS		-2.1		-5.0	-6.8	-1.8		-15.8
SHARE OF RESULTS FROM ASSOCIATED COMPANIES				0.6			-0.6	0.0
IMPAIRMENT CHARGES				-0.2				-0.2
REVERSAL OF IMPAIRMENT CHARGES			2.3	11.0				13.3
OTHER OPERATING EXPENSES				-8.8	0.0	-5.4		-14.2
TOTAL	0.0	-2.3	2.3	146.2	-6.8	73.7	-227.3	-14.2

WOOD PRODUCTS INDUSTRY: The operating result includes a EUR 2.1 million cost provision due to efficiency programmes.

PULP INDUSTRY: Reversal of impairment charges include a reversal of the previously recognised impairment loss of EUR 2.3 million for Metsä Fibre's Kaskinen mill, based on the selling of bark and oil boilers to Metsä Board.

PAPERBOARD AND PAPER INDUSTRY: Operating result includes sales profits of EUR 149.6 million. The most important were the sale of Metsä Fibre shares for EUR 84.6 million, the sale of Pohjolan Voima shares to Metsä Fibre for EUR 58.6 million and the sale of property in Finland for EUR 5.4 million.

Employee costs include a total of EUR 5.0 million, of which the most significant are the reversal of provisions booked earlier due to the

reorganisation of Metsä Board Gohrsmühle, an additional cost due to the closing of Metsä Board Alizay Paper Mill and a EUR 4.7 million restructuring provision due to the efficiency programme at Metsä Board Husum, Sweden.

The buildings and machinery in Metsä Board Alizay, France, have been classified as assets held for sale. At the same time Metsä Board booked a reversal of the previously recognised impairment losses of EUR 10.7 million.

Other operating expenses include a total of EUR 8.8 million, of which the most significant are the cost of EUR 2.2 million due to the production reorganisation in Metsä Board Gohrsmühle, the reversal of earlier booked provisions of EUR 7.0 million due to the closing of Metsä Board Alizay Paper Mill, the EUR 8.0 million environmental provision related to the cleaning costs of Metsä Board's Niemenranta lot in Tampere and the cleaning costs of EUR 3.5 million of the industry lot in Nurmes.

METSÄ TISSUE: Operating result includes a restructuring provisions of EUR 6.8 million due to the restructuring and reorganisation of all operations.

OTHER OPERATIONS: The operating result includes a sales profit of EUR 80.9 million due to the sale of Metsä Fibre shares, an employee cost provision of EUR 1.8 million due to efficiency programmes and a EUR 5.4 million cost provision for the termination of lease agreements of redundant office space.

The sales profit of EUR 84.6 million from the sale of Metsä Fibre shares included in the operating result of Paperboard and Paper Industry as well as the sales profit of EUR 80.9 million from the sale of Metsä Fibre shares included in the operating result of Other operations, have been eliminated on Group level. The selling of the shares in Metsä Fibre has been processed in accordance with IAS 27 as a transaction between controlling and non-controlling interest in the parent company (Note no. 5). Eliminations also include Paperboard and Paper Industry's EUR 59.1 million gain from the sale of shares in Pohjolan Voima Oy as well as sales profits of EUR 1.7 million from sales of tangible assets.

2011

EUR MILLION	WOOD SUPPLY	WOOD PRODUCTS INDUSTRY	PULP INDUSTRY	PAPERBOARD AND PAPER INDUSTRY	TISSUE AND COOKING PAPERS	OTHER OPERATIONS	ELIMINATIONS	GROUP TOTAL
EXTERNAL SALES	323.1	882.8	743.3	2,424.8	971.4	0.3	0.0	5,345.8
INTERNAL SALES	1,153.1	56.5	557.9	60.5	0.1	2.8	-1,830.9	0.0
SALES TOTAL	1,476.2	939.3	1,301.3	2,485.3	971.5	3.2	-1,830.9	5,345.8
OPERATING RESULT	24.5	2.9	262.6	-214.1	20.2	-4.2	-62.8	29.2
NON-RECURRING ITEMS IN OPERATING RESULT	0.0	-9.0	-4.0	-273.5	0.0	0.0	1.2	-285.3
OPERATING RESULT EXCL. NON-RECURRING ITEMS	24.5	11.9	266.6	59.4	20.2	-4.2	-64.0	314.5
SHARE OF RESULTS FROM ASSOCIATED COMPANIES								4.2
FINANCE COSTS, NET								-131.0
INCOME TAXES								-58.9
RESULT FOR THE PERIOD								-156.6
ASSETS	303.6	402.2	836.6	2,322.5	873.8	101.2	-228.7	4,611.2
INVESTMENTS IN ASSOCIATED COMPANIES								69.6
ASSETS CLASSIFIED AS HELD FOR SALE				6.8				6.8
UNALLOCATED ASSETS								610.3
TOTAL ASSETS								5,297.9
LIABILITIES	167.3	106.3	161.1	647.8	232.8	20.5	-228.7	1,107.1
UNALLOCATED LIABILITIES								2,695.7
TOTAL LIABILITIES								3,802.8
CAPITAL EXPENDITURE	3.8	14.0	44.9	95.4	61.1	8.0		227.1
DEPRECIATION	2.7	32.6	63.4	119.3	39.6	1.6	14.5	273.7
IMPAIRMENT CHARGES		8.5	0.2	71.5				80.2
PERSONNEL, AVERAGE	1,059	2,967	907	4,428	3,247	438		13,046

Segment's assets = intangible and tangible assets, 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 2011

EUR MILLION	WOOD SUPPLY	WOOD PRODUCTS INDUSTRY	PULP INDUSTRY	PAPERBOARD AND PAPER INDUSTRY	TISSUE AND COOKING PAPERS	OTHER OPERATIONS	ELIMINATIONS	GROUP TOTAL
SALES PROFITS IN OTHER OPERATING INCOME				10.7				10.7
CHANGE IN INVENTORIES				-18.8				-18.8
EMPLOYEE COSTS		-1.0		-123.5				-124.5
SHARE OF RESULTS FROM ASSOCIATED COMPANIES				-1.2			1.2	0.0
IMPAIRMENT CHARGES		-8.5	-0.2	-71.5				-80.2
OTHER OPERATING EXPENSES		0.6	-3.8	-69.2				-72.5
TOTAL	0.0	-9.0	-4.0	-273.5	0.0	0.0	1.2	-285.3

WOOD PRODUCTS INDUSTRY: The most significant non-recurring items in operating result were: EUR 1.0 million cost provisions due to the profit improvement programme, EUR 4.4 million goodwill impairment losses in the business line Home & Living and EUR 2.3 million in the business line Engineered Wood. Wood Products Industry also booked impairment losses of tangible assets of EUR 1.8 million.

PULP INDUSTRY: Other operating expenses include a compensation fee of EUR 3.8 million related to the sale of the business operations in Uruguay in 2009.

PAPERBOARD AND PAPER INDUSTRY: Operating result includes a sales profit of EUR 10.8 million on Metsä Board's property sales in Finland. Change in inventories includes write-downs of book value totalling EUR 18.9 million: EUR 11.8 million concerning the plans to shut down Metsä Board Alizay Paper mill, EUR 4.7 million concerning the plans to close down the unprofitable functions in Metsä Board Gohrsmühle and Reflex and EUR 2.4 million concerning the restructuring at Metsä Board Äänekoski Paper mill.

Employee costs include costs of EUR 123.5 million: EUR 57.9 million concerning the plans to shut down Metsä Board Alizay Paper mill, EUR 54.1 million concerning the plans to close down the unprofitable functions in Metsä Board Gohrsmühle and Reflex and EUR 10.8 million concerning the restructuring at Metsä Board Äänekoski Paper mill.

Write-downs and impairment charges include write-downs of EUR 71.5 million: EUR 7.7 million concerning the plans to shut down Metsä Board Alizay Paper mill, EUR 36.5 million concerning the sale of Metsä Board Hallein Pulp mill, EUR 14.8 million concerning the plans to close down the unprofitable functions in Metsä Board Gohrsmühle and Reflex and EUR 12.2 million concerning the restructuring at Metsä Board Äänekoski Paper mill including the shutdown of PM2.

Other operating expenses include cost provisions of EUR 69.2 million: EUR 36.3 million concerning the plans to shut down Metsä Board Alizay Paper mill, EUR 16.6 million regarding the sale of Metsä Board Hallein Pulp mill and EUR 15.2 million concerning the plans to close down the unprofitable functions in Metsä Board Gohrsmühle and Reflex.

"Share of results from associated companies" includes a non-recurring impairment loss of approximately EUR 4.3 million associated with the sale of Metsä Board's 35 per cent holding and subordinated loan in Myllykoski Paper Oy and an impairment loss of approximately EUR 3.4 million connected to Zanders' associated companies in China and Hungary.

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 AREAS

EUR MILLION	EXTERNAL SALES		NON-CURRENT ASSETS		CAPITAL EXPENDITURE	
	2012	2011	2012	2011	2012	2011
FINLAND	903.1	934.6	2,518.8	2,594.8	82.7	148.9
GERMANY	672.2	792.0	161.0	167.0	13.6	24.1
GREAT BRITAIN	542.4	569.9	29.7	31.0	0.5	0.7
FRANCE	250.2	298.7	23.8	13.3	0.9	1.6
SWEDEN	245.6	236.9	375.5	384.5	28.1	23.6
ITALY	211.4	224.2	0.3	0.4	0.0	0.0
POLAND	125.1	137.3	63.3	34.2	75.6	21.7
THE NETHERLANDS	99.1	127.8	0.0	0.1	0.0	0.0
AUSTRIA	93.5	101.1	0.0	0.0	0.0	0.5
BELGIUM	84.9	172.7	0.2	0.2	0.0	0.1
SPAIN	74.5	93.4	0.0	0.0	0.0	0.0
OTHER EU COUNTRIES	335.6	367.3	71.2	73.4	4.4	3.0
SWITZERLAND	68.8	87.8	0.1	0.1	0.0	0.0
RUSSIA	154.1	120.3	49.9	48.7	5.0	2.8
NORWAY	126.4	117.3	0.0	0.1	0.0	0.0
OTHER EUROPE	143.1	143.7	0.0	0.0	0.0	0.0
CHINA	322.1	297.4	0.4	0.4	0.0	0.2
USA	127.3	114.2	0.1	0.1	0.0	0.0
OTHER COUNTRIES	421.6	409.2	0.0	0.0	0.0	0.0
TOTAL	5,001.0	5,345.8	3,294.3	3,348.2	210.9	227.1

PERSONNEL AT YEAR END

	2012	2011
FINLAND	5,414	5,660
GERMANY	1,876	2,305
SWEDEN	1,450	1,440
GREAT BRITAIN	720	753
RUSSIA	531	586
POLAND	430	465
SLOVAKIA	399	397
FRANCE	228	521
BALTIC COUNTRIES	140	126
OTHER EUROPE	174	179
OTHER COUNTRIES	85	93
TOTAL	11,447	12,525

INFORMATION ON MOST IMPORTANT CUSTOMERS

The Group's income from one customer exceeded to some EUR 383.4 million or some 7.7 per cent of total sales (560.6 and 10.5). The sales are included in the segments of Wood Supply and Paperboard and Paper Industry.

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

ACQUISITIONS

ACQUISITIONS IN 2012

ACQUISITIONS OF NON-CONTROLLING INTEREST

On 24 April 2012, Metsäliitto Cooperative used its purchase option concerning Metsä Fibre shares owned by UPM-Kymmene. Including tax, the realisation price of the purchase option concerning UPM's 11 per cent holding in Metsä Fibre was EUR 152.4 million. After the completion of the transaction, Metsäliitto Cooperative's holding in Metsä Fibre was 67.81 per cent. The book value of Metsä Fibre's net assets at the acquisition date was EUR 516.3 million. As a consequence of the acquisition the non-controlling interest decreased by EUR 83.6 million and the retained earnings decreased by EUR 68.8 million.

On 12 June 2012, Metsäliitto Cooperative bought a 81 per cent share of Biokraft Oy from Vapo Oy for EUR 7.0 million. After the acquisition Metsäliitto Cooperative owns 100 per cent of Biokraft Oy. The book value of Biokraft's net assets at the acquisition date was EUR 8.8 million. As a consequence of the acquisition the non-controlling interest decreased by EUR 7.2 million and the retained earnings increased by EUR 0.2 million.

During 2012 the Group has acquired some 0.7 per cent of the shares of Metsä Board at the sum of EUR 4.9 million. After the acquisitions



the Group's holding in Metsä Board was 42.49 per cent of the shares. The book value of Metsä Board's net assets at the acquisition date was EUR 680.9 million. As a consequence of the acquisition the non-controlling interest decreased by EUR 4.6 million and the retained earnings decrease by EUR 0.6 million.

EFFECT ON EQUITY ATTRIBUTABLE TO MEMBERS OF PARENT COMPANY DUE TO ARRANGEMENTS WITH NON-CONTROLLING INTEREST 31.12.2012.

EUR MILLION	2012
FROM INCREASE IN SHAREHOLDINGS IN METSÄ FIBRE OY	-68.8
FROM DECREASE IN SHAREHOLDINGS IN METSÄ FIBRE OY	268.3
FROM INCREASE IN SHAREHOLDINGS IN BOKRAFT OY	0.2
FROM INCREASE IN SHAREHOLDINGS IN METSÄ BOARD CORPORATION	-0.6
FROM OTHER ARRANGEMENTS	-0.5
NET EFFECT ON EQUITY	198.6

ACQUISITIONS IN 2011

In June, Oy Metsä-Botnia Ab redeemed its own shares by EUR 142.8 million from UPM-Kymmene so that the ownership structure between the Groups, defined in the shareholder agreement, was achieved after the arrangement. The redemption price was accounted for as debt in the original acquisition in December 2009. When the redemption price deviated from the estimate, the Group recognised EUR 31.0 million as increased goodwill. As a result of the arrangement the share of non-controlling interests in Metsä Group increased by 1.3 percentage points.

ACQUISITIONS OF NON-CONTROLLING INTEREST

During 2011 the Group has acquired some 0.75 per cent of the shares of Metsä Board at the sum of EUR 3.3 million. After the acquisitions the Group's holding in Metsä Board was 41.78 per cent of the shares. As a consequence of the acquisitions the non-controlling interest decreased by EUR 6.6 million and the retained earnings increased by EUR 2.4 million.

ASSETS CLASSIFIED AS HELD FOR SALE

The buildings and machinery at a total of EUR 20.4 million in Metsä Board Alizay, France, have been classified as assets held for sale in 2012. At the same time Metsä Board booked a reversal of the previously recognised impairment losses of EUR 10.7 million. Alizay has no liabilities for sale. In addition, Metsä Board classified the old paper machine in Simpele as an asset held for sale.

In 2011 Metsä Board classified the Premium Paper business of Metsä Board Zanders' Reflex mill as an asset held for sale. The business had no assets or liabilities.

At 31 December 2011, Metsä Board classified the associated company Plastiroll Oy as an asset held for sale. Metsä Board sold its 39 per cent share in Plastiroll after the reporting period in January 2012 (Note no. 16).

ASSETS CLASSIFIED AS HELD FOR SALE

EUR MILLION	NOTE	2012	2011
TANGIBLE ASSETS	14	20.6	0.0
INVESTMENTS IN ASSOCIATED COMPANIES		0.0	6.8
TOTAL ASSETS		20.6	6.8

DISPOSED OPERATIONS

Metsä Board disposed in 2012 Metsä Board Reflex mill's Premium Paper business in Germany. The agreement consisted of the whole Premium paper operation including real estates and some 100 employees. No profit or loss was recognised. Cash flow effect was EUR -2.9 million. There were no other disposals during 2012.

In September 2011 Metsä Board disposed M-real Hallein GmbH in Austria. The selling price was EUR 31.7 million. The loss on sale was EUR 0.8 million. There were no other disposals during 2011.

DISPOSED OPERATIONS TOTAL

EUR MILLION	NOTE	2012	2011
TANGIBLE AND INTANGIBLE ASSETS	13	0.6	33.3
INVENTORIES		0.0	18.9
ACCOUNTS AND OTHER RECEIVABLES		0.3	9.0
CASH AND CASH EQUIVALENTS		3.0	3.8
TOTAL ASSETS		3.9	65.0
DEFERRED TAX LIABILITIES	19	0.0	2.4
POST EMPLOYMENT BENEFIT OBLIGATIONS		1.2	4.6
PROVISIONS	26	1.8	0.0
FINANCIAL LIABILITIES		0.0	2.0
ACCOUNTS AND OTHER PAYABLES		0.1	23.9
TOTAL LIABILITIES		3.1	32.9
NET ASSETS		0.7	32.2
TRANSLATION DIFFERENCES AND OTHER ITEMS		-0.1	0.3
SELLING PRICE		0.2	31.7
LOSS ON DISPOSAL		-0.4	-0.8
CASH AND CASH EQUIVALENTS RECEIVED		0.2	31.7
CASH AND CASH EQUIVALENTS OF DISPOSED SUBSIDIARIES		-3.0	-3.8
NET CASH FLOW ARISING ON DISPOSALS		-2.8	27.9

DISPOSALS OF NON-CONTROLLING INTEREST

On April 11, Metsäliitto Cooperative, Metsä Board and Itochu Corporation agreed on a transaction in which Itochu acquires a 24.9 per cent strategic holding in Metsä Fibre Oy. The transaction was completed on May 3, 2012. According to the agreement Metsäliitto Cooperative sold 17.62 per cent in Metsä Fibre for EUR 334.0 million and Metsä Board 7.28 per cent for EUR 138.1 million to Itochu.

As a consequence of the transaction the non-controlling interest increased by EUR 202.8 million and the retained earnings increased by EUR 268.3 million. After the transaction Metsäliitto Cooperative's holding in Metsä Fibre is 50.20 per cent of the shares, Metsä Board's 24.90 per cent and Itochu's 24.90 per cent. As a consequence of the transaction the non-controlling interest in Metsä Group increased by 9.66%-units. Consultant fees due to the transaction were EUR 0.9 million and they were booked directly against equity.

6. 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 8.0 million (20.1) in income from long-term projects.

The income statement included EUR 3.1 million income from long-term projects in progress (2.0). The balance sheet included EUR 2.7 million in advance payments for long-term projects in progress (2.2).

7. Other operating income

EUR MILLION	2012	2011
GAINS ON DISPOSALS	18.4	20.4
RENTAL INCOME	5.2	4.9
SERVICE REVENUE	13.9	11.5
GOVERNMENT GRANTS	14.0	22.8
OTHER OPERATING INCOME	25.4	35.8
TOTAL	76.8	95.3

In 2012 the most significant gains on disposals were the gains of EUR 3.9 million related to Metsä Board's property sales in Finland and EUR 8.0 million related to electricity certificates sold by Metsä Board Sverige.

In 2011 the most significant gains on disposals were the gains of EUR 10.6 million related to Metsä Board's property sales in Finland and EUR 4.6 million related to electricity certificates sold by Metsä Board Sverige.

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.

8. Operating expenses

EUR MILLION	2012	2011
MATERIALS AND SERVICES		
MATERIALS, CONSUMABLES AND GOODS		
PURCHASES	2,466.8	2,783.3
CHANGE IN INVENTORIES	22.8	17.1
EXTERNAL SERVICES		
LOGISTICS EXPENSES	627.4	612.6
OTHER EXTERNAL SERVICES	345.4	356.8
MATERIALS AND SERVICES, TOTAL	3,462.4	3,769.7
EMPLOYEE COSTS		
WAGES AND SALARIES	466.4	593.4
SHARE-BASED PAYMENTS (NOTE NO. 37)	2.9	0.7
SOCIAL SECURITY COSTS		
PENSION COSTS		
DEFINED CONTRIBUTION PLANS	5.5	10.9
DEFINED BENEFIT PLANS	57.4	60.5
OTHER EMPLOYEE COSTS	177.4	197.2
TOTAL	240.3	268.6
EMPLOYEE COSTS TOTAL	709.5	862.7
OTHER OPERATING EXPENSES		
RENTS	46.0	40.1
PURCHASED SERVICES	101.5	98.4
LOSSES ON FIXED ASSETS DISPOSAL	0.8	1.2
OTHER OPERATING EXPENSES	257.7	319.3
OTHER OPERATING EXPENSES TOTAL	406.0	459.0

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

In 2012, rents include EUR 5.4 million due to the termination of the lease agreements of redundant office space.

The research and development costs in 2012 were EUR 19.6 million (19.4)



REMUNERATION PAID TO TOP MANAGEMENT

Top management consists of the members of the supervisory board, board of directors and executive management team including the President and CEO.

REMUNERATION PAID TO TOP MANAGEMENT

EUR MILLION	2012	2011
WAGES AND SALARIES	5.1	7.0
SHARE-BASED PAYMENTS	0.0	0.0
PENSION COSTS	3.0	4.0
TOTAL	8.1	11.0

REMUNERATION PAID TO THE MEMBERS OF THE SUPERVISORY BOARD

EUR	2012	2011
JÄRVINEN HANNU CHAIRMAN	57,000	56,600
PAAJANEN JUHA VICE CHAIRMAN	22,800	20,000
MEMBERS TOTAL	90,000	80,300
	169,800	156,900
FORMER MEMBERS OF THE SUPERVISORY BOARD	1,200	
TOTAL	171,000	156,900

REMUNERATION PAID TO THE MEMBERS OF THE BOARD OF DIRECTORS

EUR	2012	2011
ASUNTA MARTTI CHAIRMAN	86,640	85,440
JORDAN KARI VICE CHAIRMAN	0	0
AMINOFF MIKAEL	48,000	47,300
HALONEN EINO	51,600	48,600
HILTUNEN ARTO	49,800	49,200
JÄÄSKELÄINEN SAINI	48,000	47,650
PARPALA JUHA	48,000	48,150
SAUKKONEN TIMO	48,000	48,150
TUKEVA ANTTI	50,400	48,000
TOTAL	430,440	422,490

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.

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 6 months' salary.

The companies in Metsä Group paid the President and CEO Kari Jordan a total of EUR 1,362,171 (2,813,700) in salaries, fees and other benefits in 2012. The salary with fringe benefits paid by Metsäliitto Cooperative amounted to EUR 1,054,878 (1,027,766), the bonus to EUR 196,766 (1,674,522) and the share reward to EUR 0 (0). The other Group companies paid to the President and CEO a total of EUR 110,527 (111,412) 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 0–6 months' wages. The criteria 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 2,814,891 (2,958,999) in salaries with fringe benefits, EUR 357,057 (667,965) in bonuses and EUR 0 (0) in share rewards.

The term of notice of the President and CEO is 6 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 Executive Management Team is 6 months. For other members of the Executive Management Team, the period of additional severance compensation varies from 6 to 18 months in case of severance due to other reasons than member related.

The share-based incentive scheme for the executives and the share ownership system for the Executive Management Team are presented in Note no. 37.

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 5-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 1.0 million (1.0) and the expenses of the defined contribution plans were EUR 0.2 million (0.5).

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 5-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 Executive Management Team were EUR 1.1 million (1.9) and the expenses of the defined contribution plans were EUR 0.6 million (0.6).

PRINCIPAL AUDITORS FEES

The principal auditor in 2012 was KPMG Oy Ab and in 2011 PricewaterhouseCoopers Oy.

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 AUDITORS FEES

EUR MILLION	KPMG 2012	PWC 2011
AUDIT FEES	1.2	1.9
TAX CONSULTING FEES	0.0	0.3
OTHER FEES	0.0	0.3
TOTAL	1.3	2.5

In 2012 fees paid to other auditors than KPMG were EUR 1.2 million. In 2011 fees paid to other auditors than PricewaterhouseCoopers Oy were EUR 0.7 million.

9. Depreciation, amortisation and impairment charges

EUR MILLION	2012	2011
DEPRECIATION AND AMORTISATION		
OTHER INTANGIBLE ASSETS	14.1	15.2
BUILDINGS	43.5	48.9
MACHINERY AND EQUIPMENT	199.2	205.1
OTHER TANGIBLE ASSETS	3.5	4.4
TOTAL	260.3	273.7
IMPAIRMENT CHARGES		
GOODWILL	0.0	6.7
OTHER INTANGIBLE ASSETS	0.2	0.5
LAND	0.0	1.2
BUILDINGS	-6.8	38.2
MACHINERY AND EQUIPMENT	-2.3	28.2
OTHER TANGIBLE ASSETS	-2.3	5.5
TOTAL	-11.3	80.2
TOTAL	249.1	353.9
IMPAIRMENTS BY SEGMENT (GOODWILL)		
WOOD PRODUCTS INDUSTRY	0.0	6.7
TOTAL	0.0	6.7
IMPAIRMENTS BY SEGMENT TANGIBLE AND OTHER INTANGIBLE ASSETS		
WOOD PRODUCTS INDUSTRY	0.0	1.8
PULP INDUSTRY	-2.3	0.2
PAPERBOARD AND PAPER INDUSTRY	-10.8	71.5
TISSUE AND COOKING PAPERS	1.8	0.0
TOTAL	-11.3	73.5
IMPAIRMENTS TOTAL	-11.3	80.2

Impairments in Pulp Industry include in 2012 a reversal of the previously recognised impairment loss of EUR 2.3 million for Metsä Fibre's Kaskinen mill, based on the selling of bark and oil boilers to Metsä Board.

Depreciation, amortization and impairment charges for 2012 include EUR 10.7 million reversal of earlier made impairment charges related to reclassification made in Alizay mill in France in Paperboard and Paper Industry.

Furthermore, impairments include an impairment loss of EUR 1.8 million related to the closure of Metsä Tissue's power plant and paper machine 5 in Poland.

Impairments included in 2011 goodwill impairment losses of EUR 4.4 million in Wood Products Industry's business line Home & Living and EUR 2.3 million in the business line Engineered Wood. In December 2011 Wood Products Industry also booked impairment losses of tangible assets of EUR 1.8 million.

In 2011 impairments also include Paperboard and Paper Industry's impairment losses of EUR 71.5 million: EUR 12.2 million concerning restructuring and shutdown of PM2 at Metsä Board Äänekoski, EUR 36.5 million concerning the sale of Metsä Board Hallein pulpmill, EUR 14.8 million concerning the plans to close down the unprofitable func-

tions in Metsä Board Gohrsmühle and Reflex and EUR 7.7 million concerning the plans to shut down Metsä Board Alizay 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 / METSÄ WOOD

The Wood Products Industry's impairment tests were executed in November 2012.

In 2012 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 2013 are based on the preliminary 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 4.81 per cent (5.62). The change in WACC derives from the increase in short-term interest rates. 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 November 2012:

CASH GENERATING UNIT	GOODWILL, EUR MILL.	TEST RESULT (V-B)/B
METSÄ WOOD MERK	0.4	OVER 50%
CEE SALES COMPANIES	0.9	20–50%
PINE SAWMILLS	5.0	OVER 50%
METSÄ WOOD UK	0.8	OVER 50%
TOTAL	7.1	

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

CASH GENERATING UNIT (CGU)	V-B EUR MILL.	KEY ASSUMPTION	REQUIRED CHANGE IN ORDER FOR V TO EQUAL B
METSÄ WOOD MERK	2.4	<ul style="list-style-type: none"> • INCREASING END PRODUCT SALES MARGIN ON 5-YEAR PROJECTION PERIOD (CUMULATIVE INCREASE 4%) • WACC BASED ON INTEREST RATES AND RISK PREMIUMS AT THE TIME OF TESTING 	<ul style="list-style-type: none"> • CUMULATIVE INCREASE IN SALES MARGIN 0.9%-UNITS LOWER • WACC 0.9%-UNITS HIGHER
CEE SALES COMPANIES	0.8	<ul style="list-style-type: none"> • INCREASING END PRODUCT AVERAGE PRICE ON 5-YEAR PROJECTION PERIOD (CUMULATIVE INCREASE 4%) • WACC BASED ON INTEREST RATES AND RISK PREMIUMS AT THE TIME OF TESTING 	<ul style="list-style-type: none"> • CUMULATIVE INCREASE IN AVERAGE PRICE 1.0%-UNIT LOWER • WACC 0.3%-UNITS HIGHER
PINE SAWMILLS	17.3	<ul style="list-style-type: none"> • INCREASING END PRODUCT SALES MARGIN ON 5-YEAR PROJECTION PERIOD (CUMULATIVE INCREASE 4%) • WACC BASED ON INTEREST RATES AND RISK PREMIUMS AT THE TIME OF TESTING 	<ul style="list-style-type: none"> • CUMULATIVE INCREASE IN AVERAGE PRICE 1.6%-UNIT LOWER • WACC 2.1%-UNITS HIGHER

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 FIBRE

Metsäliitto 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 2012 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 5-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 development 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 2012 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 2012, the WACC after taxes was 4.41 per cent (5.22).

The goodwill allocated to the CGU Pulp Industry as of 30 September 2012 and the testing result as of 30 September 2012:

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 31.7 per cent after tax or the average pulp price about 23 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 2012 the cash generating units are the same as in 2010 testing, except for Alizay.

In 2012 testing all accumulated utility values are based on the cash flow against the asset or CGU. 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 2011 testing.

Metsä Board's share of the cash flow, accounting value and the goodwill recognised in "investments in associated companies" of Metsä Fibre (EUR 45 million) is allocated to CGUs in proportion of their pulp purchases.

For the situation on 30 September 2012 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 5.88 per cent (6.55) and for Metsä Fibre 4.41 per cent (5.22). 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 31 December 2012 as well as their testing result as of 30 September 2012:

CASH GENERATING UNIT	GOODWILL, EUR MILLION	TEST RESULT (V-B)/B
FOLDING BOXBOARD MILLS ¹⁾	20.8	OVER 50%
LINERBOARD ¹⁾	17.3	OVER 50%
KYRO PAPER ¹⁾	1.4	OVER 50%
HUSUM UNCOATED PAPERS	7.7	OVER 50%
HUSUM COATED PAPERS	0.0	0–5%
ZANDERS ¹⁾	0.6	5–10%
MARKET PULP ¹⁾	10.1	OVER 50%
TOTAL	57.9	

¹⁾ The amount includes the goodwill from Metsä Board's holding in Metsä Fibre (EUR 45 million), which is shown in "Investments in associated companies" 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
HUSUM COATED PAPERS	4.3	• WACC BASED ON INTER-EST RATES AND RISK PREMIUMS AT THE TIME OF TESTING	• WACC 0.10%-UNITS HIGHER
ZANDERS	3.3	• WACC BASED ON INTER-EST RATES AND RISK PREMIUMS AT THE TIME OF TESTING	• WACC 0.25%-UNITS HIGHER

TISSUE AND COOKING PAPERS / METSÄ TISSUE

Metsä Tissue's goodwill has been tested as per 31 December, 2012. 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. The testing has changed from 2011 when the costumer and product segments area were defined as CGUs. 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 2 per cent except for CEE where the growth is expected to be 3 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 31 December 2012, the WACC after taxes was 5.3 per cent (5.3). 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 31 December 2012:

CASH GENERATING UNIT	GOODWILL, EUR MILLION	TEST RESULT (V-B)/B
NORTH-EAST (NEE)	36.1	OVER 50%
SCANDINAVIA (SCD)	64.7	OVER 50%
WEST (WE)	14.4	OVER 50%
CENTRAL-EAST EUROPE (CEE)	29.8	20–50%
BAKING & COOKING	4.0	OVER 50%
TOTAL	149.0	

The test result is substantially (>50%) above in all cash generating units except CEE (46%).

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 7.7 per cent after tax in CEE, or the average product price during the projection period 2.3 per cent lower.



10. Financial income and expenses

EUR MILLION	2012	2011
EXCHANGE DIFFERENCES		
COMMERCIAL ITEMS	6.9	6.7
HEDGING / HEDGE ACCOUNTING NOT APPLIED	-6.0	-1.6
THE INEFFECTIVENESS FROM HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS	-0.2	-0.3
OTHERS	1.7	-2.5
EXCHANGE DIFFERENCES TOTAL	2.4	2.3
OTHER FINANCIAL INCOME		
INTEREST INCOME	7.2	7.4
DIVIDEND INCOME	8.0	1.2
OTHER FINANCIAL INCOME TOTAL	15.3	8.7
INTEREST AND OTHER FINANCIAL EXPENSES		
VALUATION OF FINANCIAL ASSETS AND LIABILITIES		
GAINS AND LOSSES ON FINANCIAL ASSETS OR LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (HELD FOR TRADING)	-0.1	0.0
GAINS / LOSSES ON DERIVATIVES (HEDGE ACCOUNTING NOT APPLIED)	0.6	-2.2
GAINS / LOSSES ON HEDGING INSTRUMENT IN FAIR VALUE HEDGES	17.6	-8.8
FAIR VALUE ADJUSTMENTS OF HEDGED ITEM IN FAIR VALUE HEDGES	-6.6	13.4
TOTAL	11.5	2.4
INTEREST EXPENSES FROM FINANCIAL LIABILITIES CARRIED AT AMORTISED COST USING THE EFFECTIVE INTEREST METHOD	-126.1	-135.0
OTHER FINANCIAL EXPENSES	-10.9	-9.4
INTEREST AND OTHER FINANCIAL EXPENSES TOTAL	-125.5	-142.0
FINANCIAL INCOME AND EXPENSES TOTAL	-107.8	-131.0

11. Income taxes

EUR MILLION	2012	2011
INCOME TAXES FOR THE FINANCIAL PERIOD	-75.6	-97.1
INCOME TAXES FOR PREVIOUS PERIODS	0.1	4.6
CHANGE IN DEFERRED TAXES	43.9	33.9
OTHER	-0.2	-0.3
TOTAL	-31.8	-58.9

INCOME TAX RECONCILIATION

EUR MILLION	2012	2011
RESULT BEFORE TAXES	134.5	-97.7
COMPUTED TAX AT FINNISH STATUTORY RATE OF 26.0%	32.9	-25.4
CHANGE IN FINNISH TAX RATE FROM 26.0% TO 24.5%	0.0	-9.7
CHANGE IN SWEDISH TAX RATE FROM 26.3% TO 22.0%	-9.8	0.0
DIFFERENCE BETWEEN FINNISH AND FOREIGN RATES	0.0	-1.4
TAX EXEMPT INCOME	-2.7	-4.2
NON-DEDUCTIBLE EXPENSES	12.2	32.2
IMPAIRMENT OF GOODWILL	0.0	1.7
PREVIOUS YEARS TAX LOSSES USED DURING THE PERIOD	-10.6	-15.4
TAX LOSSES WITH NO TAX BENEFIT	8.6	82.9
SHARE OF PROFIT FROM ASSOCIATED COMPANIES	-1.2	-1.0
INCOME TAXES FOR PREVIOUS PERIODS	-0.1	-4.6
OTHER	2.4	3.8
INCOME TAX EXPENSE	31.8	58.9
EFFECTIVE TAX RATE, %	23.7	-60.3

The Swedish Parliament passed legislation on a corporate income tax rate change from 26.3 per cent to 22.0 per cent in November 2012. The change was effective from 1 January 2013. Deferred tax assets and liabilities as at 31 December 2012 concerning Sweden have been measured using the changed tax rate. The effect of changed tax rate in 2012 was EUR 9.8 million.

The Finnish corporate income tax rate changed from 26.0 per cent to 24.5 per cent from 1 January 2012. Deferred tax assets and liabilities from 31 December 2011 on concerning Finland have been measured using the changed tax rate. The effect of changed tax rate in 2011 was EUR 9.7 million.

Taxes regarding other items of comprehensive income is presented in Notes no. 12.

12. Other items of comprehensive income

EUR MILLION	2012		
	RECORDED IN OTHER ITEMS OF COMPRE- HENSIVE INCOME	RECLASSIFICA- TION	TOTAL
CASH FLOW HEDGES			
CURRENCY FLOW HEDGES			
RECORDED IN EQUITY	7.0		
TRANSFERRED TO SALES		2.8	
INTEREST FLOW HEDGES			
RECORDED IN EQUITY	-8.9		
TRANSFERRED TO FINANCIAL ITEMS		0.0	
COMMODITY HEDGES			
RECORDED IN EQUITY	-2.9		
TRANSFERRED TO PURCHASES		1.6	
TOTAL	-4.9	4.4	-0.5
AVAILABLE FOR SALE INVESTMENTS			
GAINS AND LOSSES AT FAIR VALUE	-17.3		
TRANSFERRED TO OTHER OPERATING INCOME		0.0	
TOTAL	-17.3	0.0	-17.3
TRANSLATION DIFFERENCES	17.9		
NET INVEST HEDGE	-2.3		
TOTAL	15.6		15.6
OTHER ITEMS	0.1		0.1
TOTAL	-6.5	4.4	-2.1

INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

EUR MILLION	2012		
	BEFORE TAXES	TAXES	AFTER TAXES
CASH FLOW HEDGES	-0.5	0.2	-0.3
AVAILABLE FOR SALE INVESTMENTS	-17.3	4.6	-12.7
TRANSLATION DIFFERENCES	15.6	0.6	16.1
OTHER ITEMS	0.1	0.0	0.1
TOTAL	-2.1	5.3	3.2

The Swedish Parliament passed legislation on a corporate income tax rate change from 26.3 per cent to 22.0 per cent in November 2012. The change was effective from 1 January 2013. Deferred tax assets and liabilities as at 31 December 2012 concerning Sweden have been measured using the changed tax rate.

EUR MILLION	2011		
	RECORDED IN OTHER ITEMS OF COMPRE- HENSIVE INCOME	RECLASSIFICA- TION	TOTAL
CASH FLOW HEDGES			
CURRENCY FLOW HEDGES			
RECORDED IN EQUITY	-4.5		
TRANSFERRED TO SALES		-6.1	
INTEREST FLOW HEDGES			
RECORDED IN EQUITY	-5.2		
TRANSFERRED TO FINANCIAL ITEMS		-4.2	
COMMODITY HEDGES			
RECORDED IN EQUITY	-18.9		
TRANSFERRED TO PURCHASES		0.6	
TOTAL	-28.6	-9.7	-38.4
AVAILABLE FOR SALE INVESTMENTS			
GAINS AND LOSSES AT FAIR VALUE	25.0		
TRANSFERRED TO OTHER OPERATING INCOME		0.0	
TOTAL	25.0	0.0	25.0
TRANSLATION DIFFERENCES	3.4		
NET INVEST HEDGE	2.4		
TOTAL	5.8		5.8
OTHER ITEMS	0.0		0.0
TOTAL	2.2	-9.7	-7.5

INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

EUR MILLION	2011		
	BEFORE TAXES	TAXES	AFTER TAXES
CASH FLOW HEDGES	-38.4	9.3	-29.1
AVAILABLE FOR SALE INVESTMENTS	25.0	-1.3	23.7
TRANSLATION DIFFERENCES	5.8	-0.4	5.4
OTHER ITEMS	0.0	0.0	0.0
TOTAL	-7.5	7.6	0.1

The Finnish corporate income tax rate changed from 26.0 per cent to 24.5 per cent from 1 January 2012. Deferred tax assets and liabilities from 31 December 2011 on concerning Finland have been measured using the changed tax rate.



13. Intangible assets

INTANGIBLE ASSETS 2012

EUR MILLION	GOODWILL	OTHER INTANGIBLE ASSETS	CONSTRUC- TION IN PROGRESS	TOTAL
ACQUISITION COST, 1 JAN.	528.5	464.2	11.6	1,004.3
TRANSLATION DIFFERENCES	5.3	0.7	0.0	6.0
INCREASE	0.0	22.2	7.0	29.1
DECREASE	0.0	-6.7	0.0	-6.7
TRANSFERS BETWEEN ITEMS	0.0	9.2	-8.5	0.7
ACQUISITION COST, 31 DEC.	533.8	489.6	10.1	1,033.5
ACCUMULATED DEPRECIA- TION AND IMPAIRMENT CHARGES, 1 JAN.	0.0	-243.6	0.0	-243.6
TRANSLATION DIFFERENCES	0.0	-0.5	0.0	-0.5
ACCUMULATED DEPRECIA- TION ON DEDUCTION AND TRANSFERS	0.0	-2.5	0.0	-2.5
DEPRECIATION FOR THE PERIOD	0.0	-14.1	0.0	-14.1
IMPAIRMENT CHARGES	0.0	-0.2	0.0	-0.2
ACCUMULATED DEPRECIA- TION AND IMPAIRMENT CHARGES, 31 DEC.	0.0	-260.9	0.0	-260.9
BOOK VALUE, 1 JAN. 2012	528.5	220.6	11.6	760.7
BOOK VALUE, 31 DEC. 2012	533.8	228.8	10.1	772.7

INTANGIBLE ASSETS 2011

EUR MILLION	GOODWILL	OTHER INTANGIBLE ASSETS	CONSTRUC- TION IN PROGRESS	TOTAL
ACQUISITION COST, 1 JAN.	503.3	469.7	11.0	984.0
TRANSLATION DIFFERENCES	0.8	-0.2	0.0	0.6
INCREASE	31.0	26.0	9.7	66.7
DECREASE	0.0	-40.6	0.0	-40.6
TRANSFERS BETWEEN ITEMS	0.0	9.3	-9.1	0.2
ACQUISITION COST, 31 DEC.	535.2	464.2	11.6	1,011.0
ACCUMULATED DEPRECIA- TION AND IMPAIRMENT CHARGES, 1 JAN.	0.0	-238.2	0.0	-238.2
TRANSLATION DIFFERENCES	0.0	0.2	0.0	0.2
ACCUMULATED DEPRECIA- TION ON DEDUCTION AND TRANSFERS	0.0	10.2	0.0	10.2
DEPRECIATION FOR THE PERIOD	0.0	-15.2	0.0	-15.2
IMPAIRMENT CHARGES	-6.7	-0.5	0.0	-7.2
ACCUMULATED DEPRECIA- TION AND IMPAIRMENT CHARGES, 31 DEC.	-6.7	-243.6	0.0	-250.3
BOOK VALUE, 1 JAN. 2011	513.6	220.9	19.2	753.7
BOOK VALUE, 31 DEC. 2011	528.5	220.6	11.6	760.7

Impairments include in 2011 goodwill impairment losses of EUR 4.4 million in Wood Products Industry's business line Home & Living and EUR 2.3 million in the business line Engineered Wood.

GOODWILL ALLOCATED TO SEGMENTS

EUR MILLION	2012	2011
WOOD SUPPLY	2.4	2.4
WOOD PRODUCTS INDUSTRY	7.1	7.1
PULP INDUSTRY	3.9	3.9
PAPERBOARD AND PAPER INDUSTRY	12.7	12.7
TISSUE AND COOKING PAPERS	149.0	143.7
OTHER OPERATIONS	390.4	390.4
ELIMINATIONS	-31.7	-31.7
TOTAL	533.8	528.5

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.

The carrying value of emission allowances included in intangible assets was on 31 December 2012 EUR 7.7 million (9.4) and the fair value EUR 9.5 million (20.9). In addition, intangible assets include among others computer software, patents, licenses and brands.

14. Tangible assets

TANGIBLE ASSETS 2012

EUR MILLION	LAND AND WATER AREAS	BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	CONSTRUCTION IN PROGRESS	TOTAL
ACQUISITION COST, 1 JAN.	84.0	1,474.2	6,147.0	147.6	89.3	7,942.1
TRANSLATION DIFFERENCES	0.4	11.0	58.4	1.3	2.0	73.0
INCREASE	0.7	12.1	61.5	0.6	112.2	187.1
DECREASE	0.0	-6.8	-49.0	-0.9	0.0	-56.8
TRANSFERS BETWEEN ITEMS	0.0	38.3	68.1	3.2	-110.4	-0.7
ASSETS CLASSIFIED AS HELD FOR SALE	0.0	-50.0	-523.7	-2.5	0.0	-576.2
ACQUISITION COST, 31 DEC.	84.9	1,478.8	5,762.2	149.4	93.2	7,568.5
ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES 1 JAN.	-15.4	-936.1	-4,737.2	-124.5	0.0	-5,813.1
TRANSLATION DIFFERENCES	0.0	-7.6	-44.2	-1.0	0.0	-52.8
ACCUMULATED DEPRECIATION ON DEDUCTION AND TRANSFERS	0.0	6.6	47.2	-4.0	0.0	49.8
ASSETS CLASSIFIED AS HELD FOR SALE	0.0	41.4	511.7	2.5	0.0	555.6
DEPRECIATION FOR THE PERIOD	0.0	-43.5	-199.2	-3.5	0.0	-246.2
IMPAIRMENT CHARGES	0.0	6.8	2.3	2.3	0.0	11.4
ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES 31 DEC.	-15.4	-932.3	-4,419.4	-128.2	0.0	-5,495.2
BOOK VALUE, 1 JAN. 2012	68.6	538.1	1,409.8	23.1	89.3	2,129.0
BOOK VALUE, 31 DEC. 2012	69.5	546.5	1,342.8	21.2	93.2	2,073.3

Impairment charges include in 2012 a reversal of the previously recognised impairment loss of EUR 2.3 million for Metsä Fibre's Kaskinen mill, based on the selling of bark and oil boilers to Metsä Board.

Impairment charges for 2012 include EUR 10.7 million reversal of earlier made impairment charges related to reclassification made in

Metsä Board Alizay mill, France. Furthermore, impairments include an impairment loss of EUR 1.8 million related to the closure of Metsä Tissue's power plant and paper machine 5 in Poland.

TANGIBLE ASSETS 2011

EUR MILLION	LAND AND WATER AREAS	BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	CONSTRUCTION IN PROGRESS	TOTAL
ACQUISITION COST, 1 JAN.	120.6	1,568.1	6,176.1	145.0	73.3	8,083.1
TRANSLATION DIFFERENCES	0.1	-2.7	3.3	0.0	-1.7	-1.1
INCREASE	0.4	15.6	109.5	0.9	89.5	215.9
DECREASE	-38.2	-111.3	-203.1	-0.3	-2.7	-355.6
TRANSFERS BETWEEN ITEMS	1.2	4.5	61.2	2.1	-69.1	-0.2
ACQUISITION COST, 31 DEC.	84.0	1,474.2	6,147.0	147.6	89.3	7,942.1
ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES 1 JAN.	-48.0	-956.3	-4,687.9	-109.7	0.0	-5,801.9
TRANSLATION DIFFERENCES	0.0	1.5	-2.0	0.0	0.0	-0.5
ACCUMULATED DEPRECIATION ON DEDUCTION AND TRANSFERS	33.8	105.9	185.9	-4.9	0.0	320.7
DEPRECIATION FOR THE PERIOD	0.0	-48.9	-205.1	-4.4	0.0	-258.4
IMPAIRMENT CHARGES	-1.2	-38.2	-28.2	-5.5	0.0	-73.0
ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES 31 DEC.	-15.4	-936.1	-4,737.2	-124.5	0.0	-5,813.1
BOOK VALUE, 1 JAN. 2011	78.4	542.8	1,373.0	30.8	109.8	2,134.7
BOOK VALUE, 31 DEC. 2011	68.6	538.1	1,409.8	23.1	89.3	2,129.0



In December 2011 Wood Products Industry booked impairment losses of tangible assets of EUR 1.8 million.

In 2011 impairments also include Paperboard and Paper Industry's impairment losses of EUR 71.5 million: EUR 12.2 million concerning restructuring and shutdown of PM2 at Metsä Board Äänekoski, EUR 36.5 million concerning the sale of Metsä Board Hallein, EUR 14.8 million concerning the plans to close down the unprofitable functions in Metsä Board Gohrsmühle and Reflex and EUR 7.7 million concerning the plans to shut down Metsä Board Alizay Paper.

Pledges and real estate mortgages for loans from financial institutions, pension loans and other liabilities amounted to EUR 289.5 million (302.7)

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. 2012	0.0	18.4	51.1	69.5
ACCUMULATED DEPRECIATION	0.0	-7.5	-33.5	-41.1
BOOK VALUE, 31 DEC. 2012	0.0	10.9	17.5	28.4

EUR MILLION	LAND AND WATER AREAS	BUILDINGS	MACHINERY AND EQUIPMENT	TOTAL
ACQUISITION COST 1 JAN. 2011	0.1	19.5	82.8	102.4
ACCUMULATED DEPRECIATION	0.0	-6.8	-40.0	-46.8
BOOK VALUE, 31 DEC. 2011	0.1	12.7	42.8	55.6

Additions in tangible assets in 2012 include assets of EUR 3.7 million acquired under finance lease agreements (4.1).

In 2012 borrowing costs of EUR 0.8 million (0.7) were capitalised. The average interest rate used was 3.35–3.66 per cent (3.93), which represents the costs for the loan used to finance the projects.

In 2012 Metsä Fibre's Joutseno Mill got a government grant of EUR 2.0 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.

15. Biological assets

Biological assets (forests) have been recognised at fair value. The change in fair value will be recognised yearly as income/cost in the income statement. At the end of 2012 the Group had forest assets mainly in Finland. Forest assets are included in land and water in non-current assets.

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.

EUR MILLION	2012	2011
AT 1 JAN.	8.5	7.9
PURCHASES DURING THE PERIOD	0.2	0.1
SALES DURING THE PERIOD	0.0	0.0
HARVESTED DURING THE PERIOD	-1.2	-0.9
GAINS/LOSSES ARISING FROM CHANGES IN FAIR VALUES	0.9	1.3
AT 31.12.	8.4	8.5

16. Investments in associated companies

EUR MILLION	2012	2011
AT 1 JAN	69.6	79.8
SHARE OF RESULTS FROM ASSOCIATES	4.8	4.2
DIVIDENDS RECEIVED	-4.6	-5.2
INCREASES	0.7	1.4
DECREASES	-4.7	-3.1
ASSETS CLASSIFIED AS HELD FOR SALE	0.0	-6.8
TRANSLATIONS DIFFERENCES	0.8	-0.6
AT 31 DEC	66.6	69.6

Share of results from associates includes an impairment loss of EUR 4.3 million associated with the sale of Metsä Board's 35 per cent holding and subordinated loan in Myllykoski Paper Oy and an impairment loss of EUR 3.4 million connected to Zanders' associated companies in China and Hungary.

Metsä Tissue acquired 45 per cent of the shares in Mäntän Energia Oy on October 15, 2012. After the acquisition Metsä Tissue owns 90 per cent of the shares in Mäntän Energia Oy.

Metsäliitto Cooperative sold its 50 per cent holding in Thosca Holz GmbH on July 6, 2012.

At 31 December 2011, Metsä Board classified the associated company Plastiroll Oy as an asset held for sale. Metsä Board sold its 39 per cent share in Plastiroll after the reporting period in January 2012 (Notes no. 5).

Unamortised amount of goodwill for associated companies at 31 December 2012 include goodwill of EUR 0 million (1.6) from Thosca Holz GmbH and EUR 1.3 million (1.3) from ZAO HC Vologodskiy Lesopromyshlenniki.

MOST IMPORTANT ASSOCIATED COMPANIES 2012

EUR MILLION	COUNTRY	ASSETS	LIABILITIES	SALES	RESULT	OWNER-SHIP, %
FINSILVA OYJ	FINLAND	196.5	133.9	18.0	5.6	49.9
KATRINEFORS KRAFTVÄRME AB	SWEDEN	19.7	19.1	11.4	0.1	50.0
LOHJAN BIOLÄMPÖ OY	FINLAND	15.5	13.8	1.3	0.0	46.0
MÄNTÄN ENERGIA	FINLAND	9.1	5.4	12.4	0.2	90.0
SUOMEN METSÄSIJOITUS OY	FINLAND	16.5	0.1	0.7	0.3	25.0

MOST IMPORTANT ASSOCIATED COMPANIES 2011

EUR MILLION	COUNTRY	ASSETS	LIABILITIES	SALES	RESULT	OWNER-SHIP, %
FINSILVA OYJ	FINLAND	199.4	134.4	17.7	5.8	49.9
KATRINEFORS KRAFTVÄRME AB	SWEDEN	19.6	19.7	10.9	0.1	50.0
MÄNTÄN ENERGIA	FINLAND	9.1	6.7	12.5	0.3	45.0
PLASTIROLL OY	FINLAND	22.5	5.0	27.1	2.3	39.0
SUOMEN METSÄSIJOITUS OY	FINLAND	17.1	0.3	0.8	0.6	25.0

None of the associated companies are listed.

TRANSACTIONS WITH ASSOCIATED COMPANIES

EUR MILLION	2012	2011
SALES	16.1	11.8
PURCHASES	94.1	95.1
INTEREST INCOME	0.1	0.1
INTEREST EXPENSES	0.0	0.0
RECEIVABLES		
NON-CURRENT	1.5	1.5
CURRENT	1.9	2.6
LIABILITIES		
NON-CURRENT	0.0	0.0
CURRENT	6.0	8.6

17. Available for sale investments

EUR MILLION	2012	2011
LISTED COMPANIES	0.4	0.4
OTHER COMPANIES	355.8	367.5
TOTAL	356.2	367.9

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 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 6.6 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, the 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 3.38 per cent (4.07). 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 40.0 million (34.1) and the fair value EUR 347.9 million (359.3). The fair value of nuclear power shares was EUR 329.9 million (349.2), of which EUR 304.7 million (311.6) B shares and EUR 25.2 million (37.6) B2 shares, coal-fired power shares (C2 shares) EUR -4.4 million (-6.0), hydroelectric power shares (A shares) EUR 10.5 million (9.5) and G10 shares EUR 12.0 million (6.6).

Metsä Board acquired in 2012 more G10 shares for EUR 5.4 million.

The shareholder agreement prevents free selling of shares with others than shareholders. Other unlisted shares, of which the fair value cannot be reliably measured, have been valued at acquisition cost less impairment charges.

18. Other non-current financial assets

EUR MILLION	2012	2011
INTEREST-BEARING LOAN RECEIVABLES		
LOANS FROM ASSOCIATED COMPANIES	1.5	0.5
OTHER LOAN RECEIVABLES	7.3	6.1
TOTAL	8.9	6.7
NON-INTEREST-BEARING RECEIVABLES		
DEFINED BENEFIT PENSION PLANS (NOTES NO. 25)	6.5	4.5
OTHER LOAN RECEIVABLES	1.8	1.4
TOTAL	8.3	5.9
OTHER NON-CURRENT FINANCIAL ASSETS, TOTAL	17.2	12.6



19. Deferred taxes

RECONCILIATION OF DEFERRED TAX ASSETS AND LIABILITIES IN 2012

EUR MILLION	AT 1 JAN. 2012	CHARGED IN INCOME STATEMENT	CHARGED IN OTHER ITEMS OF COMPREHENSIVE INCOME	TRANSLATION DIFFERENCES	ACQUISITIONS / DISPOSALS	AT 31 DEC. 2012
DEFERRED TAX ASSETS IN BALANCE SHEET						
PENSION OBLIGATIONS AND OTHER PROVISIONS	16.7	-1.4		0.0		15.4
INTERCOMPANY MARGINS	14.4	14.4	-14.5			14.3
UNUSED TAX LOSSES AND TAX CREDIT	20.5	0.6		0.1		21.3
OTHER TEMPORARY DIFFERENCES	27.3	-1.2	-2.1	0.5		24.5
DEFERRED TAX ASSETS TOTAL	79.0	12.4	-16.6	0.6	0.0	75.4
NETTING AGAINST LIABILITIES	-17.2	-0.6	2.5			-15.4
DEFERRED TAX ASSETS IN BALANCE SHEET	61.8	11.7	-14.1	0.6	0.0	60.0
DEFERRED TAX LIABILITIES IN BALANCE SHEET						
APPROPRIATIONS	163.4	-23.8		2.3		141.8
ACQUIRED NET ASSETS AND BIOLOGICAL ASSETS RECOGNISED AT FAIR VALUE	83.7	-3.7		0.0		80.1
AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNISED AT FAIR VALUE	79.8		-18.7			61.0
HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS		-1.5	1.5			0.0
OTHER TEMPORARY DIFFERENCES	52.7	-2.6	-2.1	4.5		52.6
DEFERRED TAX LIABILITIES TOTAL	379.6	-31.5	-19.4	6.8	0.0	335.5
NETTING AGAINST ASSETS	-17.2	-0.6	2.5			-15.4
DEFERRED TAX LIABILITIES IN BALANCE SHEET	362.4	-32.2	-16.9	6.8	0.0	320.2

RECONCILIATION OF DEFERRED TAX ASSETS AND LIABILITIES IN 2011

EUR MILLION	AT 1 JAN. 2011	CHARGED IN INCOME STATEMENT	CHARGED IN OTHER ITEMS OF COMPREHENSIVE INCOME	TRANSLATION DIFFERENCES	ACQUISITIONS / DISPOSALS	AT 31 DEC. 2011
DEFERRED TAX ASSETS IN BALANCE SHEET						
PENSION OBLIGATIONS AND OTHER PROVISIONS	17.6	-1.0		0.2		16.7
INTERCOMPANY MARGINS	17.5	-3.1		0.0		14.4
UNUSED TAX LOSSES AND TAX CREDIT	14.5	6.0		0.0		20.5
OTHER TEMPORARY DIFFERENCES	27.7	-4.2	9.4	-5.6		27.3
DEFERRED TAX ASSETS TOTAL	77.2	-2.2	9.4	-5.4	0.0	79.0
NETTING AGAINST LIABILITIES	-14.6	1.7	-4.3			-17.2
DEFERRED TAX ASSETS IN BALANCE SHEET	62.6	-0.5	5.1	-5.4	0.0	61.8
DEFERRED TAX LIABILITIES IN BALANCE SHEET						
APPROPRIATIONS	190.6	-24.7	0.0	-0.1	-2.4	163.4
ACQUIRED NET ASSETS AND BIOLOGICAL ASSETS RECOGNISED AT FAIR VALUE	92.6	-8.8	0.0			83.7
AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNISED AT FAIR VALUE	78.1		1.6			79.8
HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS		-2.0	2.0			0.0
OTHER TEMPORARY DIFFERENCES	62.1	-0.6	-0.9	-7.9		52.7
DEFERRED TAX LIABILITIES TOTAL	423.4	-36.1	2.7	-7.9	-2.4	379.6
NETTING AGAINST ASSETS	-14.6	1.7	-4.3			-17.2
DEFERRED TAX LIABILITIES IN BALANCE SHEET	408.8	-34.4	-1.6	-7.9	-2.4	362.4

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 2012 the net operating loss carry-forwards amounted to EUR 80.9 million (78.4) for which EUR 21.3 million (20.5) tax assets have been recognised. The net operating loss carry-forwards derive mainly from Finland, France, Germany, Slovakia and Russia. 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 1,326.0 million (1,222.6). The net operating loss carry-forwards derive mainly from Finland, Sweden, France, Germany, Austria, Poland and Russia. The deferred tax assets for these non recognised loss carry-forwards amounted to EUR 383.3 million (352.3) at 31 December 2012.

The Group had loss carry-forwards of EUR 1,406.9 million at 31 December 2012. Of these EUR 1,311.5 million do not expire. Some EUR 17.0 million of the losses will expire in 2013–2017 and the rest later.

20. Inventories

EUR MILLION	2012	2011
INVENTORIES		
RAW MATERIALS AND CONSUMABLES	271.0	316.2
WORK IN PROGRESS	37.7	38.4
FINISHED GOODS AND GOODS FOR SALE	381.6	390.5
ADVANCE PAYMENTS	34.5	36.4
TOTAL	724.8	781.3

The cost of inventories recognised as expense to lower the carrying amount to equal the net realisable value was EUR 1.4 million (20.2). The expense is included in materials and services.

The costs in 2011 include write-downs of EUR 11.8 million concerning the plans to shut down Metsä Board Alizay Paper mill, EUR 4.7 million concerning the plans to close down the unprofitable functions in Metsä Board Gohrsmühle and Reflex and EUR 2.4 million concerning the restructuring at Metsä Board Äänekoski Paper mill.

21. Accounts receivables and other receivables

EUR MILLION	2012	2011
CURRENT FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS		
AT 1 JAN.	0.0	1.0
DECREASES	0.0	-1.0
CHANGES IN FAIR VALUE	0.0	0.0
AT 31 DEC.	0.0	0.0
INTEREST-BEARING LOAN RECEIVABLES		
LOANS FROM ASSOCIATED COMPANIES	0.1	0.1
OTHER LOAN RECEIVABLES	1.9	2.1
TOTAL	2.1	2.2
ACCOUNTS RECEIVABLES AND OTHER NON-INTEREST-BEARING RECEIVABLES		
FROM ASSOCIATED COMPANIES		
ACCOUNTS RECEIVABLES	2.2	3.1
OTHER RECEIVABLES	0.0	0.0
PREPAYMENT AND ACCRUED INCOME	0.3	0.1
	2.5	3.3
FROM OTHERS		
ACCOUNTS RECEIVABLES	575.2	597.1
LOAN RECEIVABLES	0.0	0.0
OTHER RECEIVABLES	86.8	94.1
PREPAYMENT AND ACCRUED INCOME	39.1	38.5
	701.1	729.6
TOTAL	703.6	732.9
ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES, TOTAL	705.7	735.1

Financial assets at fair value through profit or loss are mainly bonds, classified entirely as held for trading.

There are no loan receivables from the managing directors of the Group companies, members of the Board of Directors or their deputies or persons belonging to similar bodies. Details on Metsäliitto Management Oy, established for the shareholding programme of the members of Metsä Group's Executive Management Team, is described in Notes no. 37.



DOUBTFUL ACCOUNTS RECEIVABLES

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

EUR MILLION	2012	2011
AT 1 JAN.	5.4	9.2
INCREASES	2.2	1.7
DECREASES	-2.4	-5.6
AT 31 DEC.	5.2	5.4

EUR 1.0 million of credit loss was recognised during 2012 (0.6)

AGEING ANALYSIS OF ACCOUNTS RECEIVABLES

EUR MILLION	2012	2011
NO OVERDUE	500.2	536.5
OVERDUE		
LESS THAN 30 DAYS	61.6	52.3
BETWEEN 31-60 DAYS	7.5	2.2
BETWEEN 61-90 DAYS	0.4	1.9
BETWEEN 91-180 DAYS	1.0	0.7
MORE THAN 180 DAYS	4.6	3.5
AT 31 DEC.	575.2	597.1

PREPAYMENT AND ACCRUED INCOME

EUR MILLION	2012	2011
NON-CURRENT		
OTHERS	1.1	0.8
TOTAL	1.1	0.8
CURRENT		
PERIODISATIONS OF EMPLOYEE COSTS	1.5	2.4
INTEREST	6.2	1.3
INSURANCE	1.5	4.4
ACCRUALS OF SALES	0.3	0.3
OTHERS	29.9	30.1
TOTAL	39.4	38.6
PREPAYMENT AND ACCRUED INCOME, TOTAL	40.5	39.4

22. Cash and cash equivalents

EUR MILLION	2012	2011
CURRENT INVESTMENTS	401.0	183.5
CASH AT BANK AND IN HAND	117.5	146.9
TOTAL	518.5	330.4

Current investments are certificates of deposits and time deposits with original maturities less than three months.

23. 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. 2012	149.1	366.1	46.4	10.9	572.6
PAID-IN MEMBERS' CAPITAL	4.1	22.4	15.6	0.0	42.1
TRANSFERS FROM INTERESTS TO MEMBERS' CAPITAL	1.8	22.7	0.0	0.0	24.5
REFUND OF MEMBERS' CAPITAL	-3.6	-16.2	-1.4	-0.1	-21.3
TRANSFERS TO CURRENT INTEREST-BEARING LIABILITIES	-3.6	-15.0	-4.7	-0.2	-23.5
MEMBERS' CAPITAL AT 31 DEC. 2012	147.9	380.0	55.9	10.6	594.5
MEMBERS' CAPITAL AT 1 JAN. 2011	145.7	347.1	35.6	10.8	539.2
PAID-IN MEMBERS' CAPITAL	5.1	15.7	16.2	0.0	37.1
TRANSFERS FROM INTERESTS TO MEMBERS' CAPITAL	2.0	20.2	0.0	0.0	22.1
REFUND OF MEMBERS' CAPITAL	-3.2	-12.2	-2.0	0.0	-17.4
TRANSFERS TO CURRENT INTEREST-BEARING LIABILITIES	-0.4	-4.6	-3.4	0.0	-8.4
MEMBERS' CAPITAL AT 31 DEC. 2011	149.1	366.1	46.4	10.9	572.6

TRANSFERS TO CURRENT INTEREST-BEARING LIABILITIES

EUR MILLION	MEMBERS' CAPITAL	ADDITIONAL MEMBERS' CAPITAL A	ADDITIONAL MEMBERS' CAPITAL B	ADDITIONAL MEMBERS' CAPITAL C	TOTAL
31.12.2012	52.8	135.7	20.0	3.8	212.3
CHANGE	3.6	15.0	4.7	0.2	23.5
31.12.2011	49.2	120.8	15.3	3.6	188.9
CHANGE	0.4	4.6	3.4	0.0	8.4
31.12.2010	48.8	116.1	11.9	3.6	180.5

FAIR VALUE AND OTHER RESERVES

EUR MILLION	2012	2011
FAIR VALUE RESERVE	78.4	85.7
REVALUATION RESERVE	1.2	1.2
RESTATEMENT RESERVE	94.9	94.9
GENERAL RESERVES	60.0	56.8
RESERVES STIPULATED BY THE RULES	0.1	0.1
RESERVE FOR INVESTED UNRESTRICTED EQUITY	1.6	1.6
TOTAL	236.1	240.2

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 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 1 and the maximum 900 million. The minimum of B additional shares shall be 1 and the maximum 300 million. The minimum of C additional shares shall be 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 is attached with a right to an additional interest depending on the price of Metsä Board's B share. The additional interest is calculated as follows: if the weighted average price of Metsä Board's B share at NASDAQ OMX Helsinki Oy during 5 days before 15 February 2013 exceeds 2,50 euros, every C share will be granted an additional interest which is the difference between the price quoted and 2,50 euros. However, the maximum additional interest is 1 euro.

The right to an additional interest has been recognised as an embedded derivative according to IAS 39. The related liability recorded on 31 December 2012 was EUR 0.9 million (1.1).

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 preceeding 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 preceeding 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. Metsä Board adopted the book-entry security system in 1993. In November 2001, Metsä Board sold the shares that were not transferred to the book-entry securities by the deadline of 11 October, 2001. The assets received less costs were saved in the regional state administrative agency. The assets on the account were paid to Metsä Board in November 2011 since the period of 10 years had elapsed since the assets were saved. The funds have been recognised in the reserve for invested unrestricted equity.

INTEREST ON MEMBERS' CAPITAL

After balance sheet day the Board of Directors has proposed that an interest of EUR 39.7 million (37.8) be distributed on paid-in members' capital. Financial costs regarding the interest on members' capital was recognised to a sum of EUR 10.0 million (8.8).

24. Non-controlling interest

SIGNIFICANT NON-CONTROLLING INTERESTS

EUR MILLION	2012	2011
METSÄ FIBRE GROUP	288.6	212.4
METSÄ BOARD GROUP	139.8	69.8
METSÄ TISSUE GROUP	69.9	69.6
OTHERS	1.8	8.2
TOTAL	500.0	359.9

25. Retirement benefit obligations

The Group operates a number of defined benefit pension plans and defined contribution plans in different countries, which are arranged in accordance with local regulations and practices. Most of them are defined contribution plans.

The most significant pension plan in Finland is the statutory Finnish employee pension scheme (TyEL) according to which benefits are linked directly to the employee's earnings. In Finland there are pension schemes which are the responsibility of Metsäliitto Employees' Pension Foundation. The Metsäliitto Employees' Pension Foundation scheme is a defined benefit plan. There are other defined benefit plans in Finland, too.

Pension plans outside Finland are both defined benefit and defined contribution plans.

PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

EUR MILLION	2012	2011
DEFINED BENEFIT PENSION PLANS	98.1	101.7
DEFINED CONTRIBUTION PENSION PLANS	11.6	16.4
NET LIABILITY	109.7	118.1
OVER-FUNDED PLAN SHOWN AS ASSET	6.5	4.5
TOTAL LIABILITY	116.2	122.6

DEFINED BENEFIT PENSION PLANS

AMOUNTS RECOGNISED IN BALANCE SHEET

EUR MILLION	2012	2011
PRESENT VALUE OF FUNDED OBLIGATIONS	139.0	128.9
PRESENT VALUE OF UNFUNDED OBLIGATIONS	103.4	89.7
	242.4	218.6
FAIR VALUE OF PLAN ASSETS	-117.1	-108.1
UNRECOGNISED ACTUARIAL GAINS AND LOSSES	-27.5	-9.3
UNRECOGNISED PRIOR SERVICE COSTS	0.0	0.0
EFFECT OF CURTAILMENT	0.3	0.5
NET LIABILITY IN BALANCE SHEET	98.1	101.7

AMOUNTS RECOGNISED IN INCOME STATEMENT

EUR MILLION	2012	2011
CURRENT SERVICE COST	2.5	4.7
INTEREST COST	9.0	9.2
EXPECTED RETURN ON PLAN ASSETS	-5.1	-4.9
ACTUARIAL GAINS AND LOSSES	-0.1	1.8
ACTUARIAL LOSSES/GAINS RECOGNISED IN PRIOR YEAR	0.0	-0.1
SETTLEMENTS	-0.7	0.1
PROFIT/LOSS ON CURTAILMENT	-0.1	0.1
TOTAL INCLUDED IN EMPLOYEE COSTS	5.5	10.9

The actual return on plan assets in 2012 was EUR 7.9 million (4.6).

CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS

EUR MILLION	2012	2011
DEFINED BENEFIT OBLIGATION AS AT 1 JAN.	218.6	197.3
CURRENT SERVICE COST	2.5	4.7
INTEREST COST	9.0	9.2
CONTRIBUTION BY PLAN PARTICIPATIONS	-0.3	-0.4
ACTUARIAL GAINS AND LOSSES	22.3	2.8
ACTUARIAL LOSSES/GAINS RECOGNISED IN PRIOR YEAR	0.0	-0.1
CURTAILMENTS AND SETTLEMENTS	0.0	1.0
PROFIT/LOSS ON CURTAILMENT	-1.8	0.0
BENEFITS PAID	-9.5	-9.7
OTHER ADJUSTMENTS	-1.2	11.5
TRANSLATION DIFFERENCES	2.8	2.2
DEFINED BENEFIT OBLIGATION AS AT 31 DEC.	242.4	218.6



CHANGES IN THE FAIR VALUE OF PLAN ASSETS

EUR MILLION	2012	2011
FAIR VALUE OF PLAN ASSETS AS AT 1 JAN	108.1	97.1
EXPECTED RETURN ON PLAN ASSETS	5.1	4.9
ACTUARIAL GAINS AND LOSSES	2.9	-0.2
CONTRIBUTION BY PLAN PARTICIPANTS	0.2	0.2
CONTRIBUTION BY THE EMPLOYER	3.7	5.5
SETTLEMENTS	-1.4	1.0
BENEFITS PAID	-3.3	-2.4
OTHER ADJUSTMENTS	0.0	0.0
TRANSLATION DIFFERENCES	1.9	2.1
FAIR VALUE OF PLAN ASSETS AS AT 31 DEC	117.1	108.1

Group expects to contribute EUR 4.4 million to its defined benefit pension plans in 2013.

MAJOR CATEGORIES OF PLAN ASSETS AS A PERCENTAGE OF TOTAL PLAN ASSETS

%	2012	2011
EQUITY SECURITIES	31.4	29.2
DEBT SECURITIES	36.2	37.4
REAL ESTATE	11.3	12.0
BONDS	10.1	9.3
OTHERS	11.0	12.1
TOTAL	100.0	100.0

AMOUNTS FOR THE CURRENT AND PREVIOUS PERIODS

EUR MILLION	2012	2011
PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS	-242.4	-218.6
FAIR VALUE OF PLAN ASSETS	117.1	108.1
FUNDED STATUS	-125.3	-110.5
EXPERIENCE ADJUSTMENTS ON PLAN LIABILITIES	-0.9	0.4
EXPERIENCE ADJUSTMENTS ON PLAN ASSETS	1.7	-0.8

ACTUARIAL ASSUMPTIONS USED

	2012	2011
FINLAND		
DISCOUNT RATE, %	3.25	4.75–4.8
EXPECTED RETURN ON PLAN ASSETS, %	0–5.9	0–5.7
FUTURE SALARY INCREASES, %	0–2.2	0–2.19
FUTURE PENSION INCREASES, %	2.1	2.0–2.1
EXPECTED AVERAGE REMAINING WORKING YEARS OF STAFF	0–5	0–3.1
GREAT BRITAIN		
DISCOUNT RATE, %	4.35	4.7
EXPECTED RETURN ON PLAN ASSETS, %	5.32–5.86	6.26–6.62
FUTURE SALARY INCREASES, %	2.5–2.8	3.0
FUTURE PENSION INCREASES, %	2.8	3
EXPECTED AVERAGE REMAINING WORKING YEARS OF STAFF	10–11	11
NORWAY		
DISCOUNT RATE, %	3.8	3.3
EXPECTED RETURN ON PLAN ASSETS, %	4.0	4.8
FUTURE SALARY INCREASES, %	3.5	4.0
FUTURE PENSION INCREASES, %	3.25	3.75
EXPECTED AVERAGE REMAINING WORKING YEARS OF STAFF	11.4	11.4
SWEDEN		
DISCOUNT RATE, %	3.2	3.5
EXPECTED RETURN ON PLAN ASSETS, %		
FUTURE SALARY INCREASES, %	3.0	3.0
FUTURE PENSION INCREASES, %	2.0	2.0
EXPECTED AVERAGE REMAINING WORKING YEARS OF STAFF	11	11
GERMANY		
DISCOUNT RATE, %	3.76	5.3
EXPECTED RETURN ON PLAN ASSETS, %		
FUTURE SALARY INCREASES, %	2.0–3.0	2.5
FUTURE PENSION INCREASES, %	2.0–2.5	2.0
EXPECTED AVERAGE REMAINING WORKING YEARS OF STAFF	10–14.4	10–14.4
SLOVAKIA		
DISCOUNT RATE, %	0.66	1.0
EXPECTED RETURN ON PLAN ASSETS, %		
FUTURE SALARY INCREASES, %	2.5	3.0
FUTURE PENSION INCREASES, %	2.5	3.0
EXPECTED AVERAGE REMAINING WORKING YEARS OF STAFF	20	21
SWITZERLAND		
DISCOUNT RATE, %	2.3	3.0
EXPECTED RETURN ON PLAN ASSETS, %	2.3	3.5
FUTURE SALARY INCREASES, %	1.0	1.5
FUTURE PENSION INCREASES, %	0.0	0.5
EXPECTED AVERAGE REMAINING WORKING YEARS OF STAFF	4.7	5.3

26. Provisions

EUR MILLION	RESTRUC- TURING	ENVIRON- MENTAL OBLIGATIONS	OTHER PROVISIONS	TOTAL
AT 1 JAN. 2012	115.5	26.3	47.7	189.5
TRANSLATION DIFFERENCE	0.2	0.0	0.3	0.5
INCREASES	25.2	12.9	2.8	40.9
DECREASES	-83.0	-7.5	-28.3	-118.7
UNUSED AMOUNTS REVERSED	-12.9	-5.4	-5.7	-24.0
EFFECT OF DISCOUNTING	0.1	0.2	0.0	0.3
AT 31 DEC. 2012	45.0	26.6	16.9	88.4

EUR MILLION	2012	2011
NON-CURRENT	34.6	44.7
CURRENT	53.8	144.8
TOTAL	88.4	189.5

The most significant increase in provisions in 2012 was the EUR 11.5 million environmental provision related to the cleaning costs of Metsä Board's Niemenranta lot in Tampere (EUR 8.0 million) and the cleaning costs of the industry lot in Nurmes (EUR 3.5 million). Related to the closure of Alizay Paper mill, Metsä Board increased the restructuring provision by EUR 10.7 million and decreased the environmental provision by EUR 5.0 million and other provisions by EUR 5.6 million. Metsä Board also recognised a EUR 4.7 million restructuring provision due to the efficiency programme at Husum, Sweden and a EUR 1.7 million restructuring provision due to the personnel dismissals at the sales office in France. Related to Metsä Board's plans to discontinue Gohrsmühle's loss-making operations, EUR 10.9 million of restructuring provisions were reversed related to dismissals, and other provisions were increased by EUR 2.4 million, related to logistical arrangements. In addition, Metsä Board reversed EUR 1.5 million of logistics provisions made in 2008 related to the selling of Graphic Papers.

Metsä Tissue recognised restructuring provisions of EUR 7.2 million due to the restructuring and re-organisation of all operations. The plans were published in September 2012.

The non-current portion for 2012 is estimated to dissolve for the most part by the end of year 2014.

27. Borrowings

INTEREST-BEARING FINANCIAL LIABILITIES

EUR MILLION	BOOK VALUE 2012	BOOK VALUE 2011
NON-CURRENT INTEREST-BEARING FINANCIAL LIABILITIES		
BONDS	261.0	611.3
LOANS FROM FINANCIAL INSTITUTIONS	565.9	845.7
PENSION LOANS	245.1	298.3
FINANCE LEASE LIABILITIES	37.7	43.6
OTHER LIABILITIES	51.5	55.2
TOTAL	1,161.2	1,854.2
CURRENT INTEREST-BEARING FINANCIAL LIABILITIES		
CURRENT PORTION OF LONG-TERM DEBT	743.8	247.2
CURRENT LOANS	0.3	0.0
BILL OF EXCHANGE PAYABLE	0.0	1.1
OTHER LIABILITIES	214.2	190.2
TOTAL	958.2	438.5
INTEREST-BEARING FINANCIAL LIABILITIES, TOTAL	2,119.5	2,292.7

INTEREST-BEARING FINANCIAL ASSETS

EUR MILLION	BOOK VALUE 2012	BOOK VALUE 2011
NON-CURRENT INTEREST-BEARING FINANCIAL ASSETS		
LOAN RECEIVABLES	8.9	6.7
CURRENT INTEREST-BEARING FINANCIAL ASSETS		
LOAN RECEIVABLES	2.1	2.2
CURRENT INVESTMENTS AT AMORTISED COST	401.0	183.5
CASH AT BANK AND IN HAND	117.5	146.9
TOTAL	520.6	332.6
INTEREST-BEARING FINANCIAL ASSETS, TOTAL	529.5	339.3
INTEREST-BEARING NET LIABILITIES, TOTAL	1,590.0	1,953.4



MATURITY OF REPAYMENT AND INTEREST PAYMENT OF FINANCIAL LIABILITIES 31 DEC. 2012

EUR MILLION	BOOK VALUE	2013	2014	2015	2016	2017	2018-
BONDS AND DEBENTURES	725.2						
INSTALLMENTS		-464.1	-87.2			-173.8	
INTEREST PAYMENT		-40.8	-14.7	-9.0	-9.0	-9.0	
LOANS FROM FINANCIAL INSTITUTIONS	767.2						
INSTALLMENTS		-201.3	-249.6	-169.3	-53.9	-39.6	-53.4
INTEREST PAYMENT		-21.2	-14.8	-11.7	-5.1	-2.8	-3.8
PENSION LOANS	313.9						
INSTALLMENTS		-68.8	-43.4	-33.4	-98.3	-19.4	-50.7
INTEREST PAYMENT		-16.8	-12.3	-10.1	-6.7	-3.5	-4.2
FINANCE LEASE LIABILITIES	44.3						
INSTALLMENTS		-6.6	-5.4	-3.0	-2.3	-2.0	-24.9
INTEREST PAYMENT		-1.1	-0.9	-0.7	-0.7	-0.6	-1.6
OTHER NON-CURRENT INTEREST-BEARING LIABILITIES	54.5						
INSTALLMENTS		-2.9		-49.7			-1.8
INTEREST PAYMENT		-0.7	-0.7	-0.7			
NON-CURRENT INTEREST-BEARING LIABILITIES, TOTAL	1,905.0						
INSTALLMENTS IN 2013	-743.8						
IN BALANCE SHEET, TOTAL	1,161.2						
INSTALLMENTS		-743.8	-385.6	-255.4	-154.5	-234.9	-130.8
INTEREST PAYMENT		-80.6	-43.4	-32.3	-21.4	-15.8	-9.6
CURRENT INTEREST-BEARING LIABILITIES	214.5						
INSTALLMENTS		-214.5					
INTEREST PAYMENT		-10.0					
ACCOUNTS PAYABLE AND OTHER LIABILITIES	762.7						
INSTALLMENTS		-758.5	-2.3	-1.4	-0.3	-0.1	-0.1
TOTAL LIABILITIES	2,882.1						
INSTALLMENTS		-1,716.7	-387.9	-256.8	-154.8	-234.9	-130.9
INTEREST PAYMENT		-90.5	-43.4	-32.3	-21.4	-15.8	-9.6
GUARANTEES AGREEMENTS	26.9	-13.3	-8.0	-0.7	-2.1	-0.3	-2.6
DERIVATIVE FINANCIAL INSTRUMENT LIABILITIES							
INTEREST RATE SWAPS		-2.1	-6.3	-5.4	-3.2	-0.7	0.2
CURRENCY DERIVATIVES		-877.1	-46.3				
COMMODITY DERIVATIVES		-7.5	-2.4	-2.4	-0.9		
TOTAL	42.6	-886.8	-55.0	-7.8	-4.1	-0.7	0.2
DERIVATIVE FINANCIAL INSTRUMENT ASSETS							
CURRENCY DERIVATIVES		881.8	46.5				
TOTAL	5.1	881.8	46.5	0.0	0.0	0.0	0.0
DERIVATIVE FINANCIAL INSTRUMENT NET OF CASH		-5.0	-8.5	-7.8	-4.1	-0.7	0.2

MATURITY OF REPAYMENT AND INTEREST PAYMENT OF FINANCIAL LIABILITIES 31 DEC. 2011

EUR MILLION	BOOK VALUE	2012	2013	2014	2015	2016	2017-
BONDS AND DEBENTURES	714.7						
INSTALLMENTS		-103.4	-523.0	-88.3			
INTEREST PAYMENT		-58.8	-32.9	-6.8			
LOANS FROM FINANCIAL INSTITUTIONS	927.4						
INSTALLMENTS		-81.7	-204.9	-343.5	-211.2	-35.1	-50.9
INTEREST PAYMENT		-33.4	-31.7	-19.5	-15.1	-4.2	-6.0
PENSION LOANS	354.8						
INSTALLMENTS		-56.5	-118.1	-43.4	-33.4	-33.4	-70.1
INTEREST PAYMENT		-18.2	-13.3	-9.2	-7.0	-5.1	-7.7
FINANCE LEASE LIABILITIES	49.2						
INSTALLMENTS		-5.6	-3.7	-5.4	-3.1	-2.2	-29.3
INTEREST PAYMENT		-1.7	-1.5	-1.3	-1.2	-1.1	-3.4
OTHER NON-CURRENT INTEREST-BEARING LIABILITIES	55.2						
INSTALLMENTS		0.0	-3.9		-49.5		-1.8
INTEREST PAYMENT		-1.5	-1.5	-1.5	-1.5		
NON-CURRENT INTEREST-BEARING LIABILITIES, TOTAL	2,101.4						
INSTALLMENTS IN 2012	-247.2						
IN BALANCE SHEET, TOTAL	1,854.2						
INSTALLMENTS		-247.2	-853.6	-480.6	-297.2	-70.6	-152.2
INTEREST PAYMENT		-113.5	-80.9	-38.2	-24.7	-10.4	-17.0
CURRENT INTEREST-BEARING LIABILITIES	191.3						
INSTALLMENTS		-191.3					
INTEREST PAYMENT		-8.8					
ACCOUNTS PAYABLE AND OTHER LIABILITIES	780.3						
INSTALLMENTS		-774.0	-4.1	-0.8	-0.8	-0.3	-0.2
TOTAL LIABILITIES	3,072.9						
INSTALLMENTS		-1,212.5	-857.7	-481.4	-298.0	-70.9	-152.3
INTEREST PAYMENT		-122.3	-80.9	-38.2	-24.7	-10.4	-17.0
GUARANTEES AGREEMENTS	28.1	-11.5	-4.8	-7.8	-0.3	-2.0	-1.7
DERIVATIVE FINANCIAL INSTRUMENT LIABILITIES							
INTEREST RATE SWAPS		3.3	-0.5	-3.0	-2.3	-1.5	-0.1
CURRENCY DERIVATIVES		-1,035.1	-6.5	-2.1			
COMMODITY DERIVATIVES		-8.0	-2.7	-0.3	-0.5		
TOTAL	55.2	-1,039.8	-9.6	-5.4	-2.8	-1.5	-0.1
DERIVATIVE FINANCIAL INSTRUMENT ASSETS							
CURRENCY DERIVATIVES		1,024.1	6.6	2.0			
COMMODITY DERIVATIVES		0.2					
TOTAL	0.3	1,024.3	6.6	2.0	0.0	0.0	0.0
DERIVATIVE FINANCIAL INSTRUMENT NET OF CASH		-15.4	-3.1	-3.3	-2.8	-1.5	-0.1



BONDS

	INTEREST, %	2012	2011
2002–2012	9.200	0.0	103.4
2002–2014	9.400	87.2	88.3
2004–2013	9.000	15.3	26.4
2006–2013	8.750	448.8	496.7
2012–2017	5.125	173.8	0.0
		725.2	714.7

MATURITY OF FINANCE LEASE LIABILITIES

EUR MILLION	2012	2011
MINIMUM LEASE PAYMENTS		
NOT LATER THAN 1 YEAR	7.7	7.3
1–2 YEARS	6.3	5.3
2–3 YEARS	3.8	6.7
3–4 YEARS	3.0	4.2
4–5 YEARS	2.6	3.2
LATER THAN 5 YEARS	26.5	32.7
TOTAL	49.9	59.4
FUTURE FINANCE CHARGES	5.6	10.2
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	44.3	49.2
PRESENT VALUE OF MINIMUM LEASE PAYMENTS		
NOT LATER THAN 1 YEAR	6.6	5.6
1–2 YEARS	5.4	3.7
2–3 YEARS	3.0	5.4
3–4 YEARS	2.3	3.1
4–5 YEARS	2.0	2.2
LATER THAN 5 YEARS	24.9	29.3
TOTAL	44.3	49.2

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.

28. Other non-current liabilities

EUR MILLION	2012	2011
NON-INTEREST BEARING NON-CURRENT LIABILITIES TO OTHERS		
ACCRUALS AND DEFERRED INCOME	2.4	1.1
OTHER LIABILITIES	1.8	5.1
TOTAL	4.2	6.3

29. Accounts payable and other liabilities

EUR MILLION	2012	2011
NON-INTEREST BEARING CURRENT LIABILITIES TO ASSOCIATED COMPANIES		
ADVANCE PAYMENTS	0.0	0.0
ACCOUNTS PAYABLE	4.0	6.8
OTHER LIABILITIES	0.0	0.0
ACCRUALS AND DEFERRED INCOME	0.8	0.5
TOTAL	4.8	7.3
NON-INTEREST BEARING CURRENT LIABILITIES TO OTHERS		
ADVANCE PAYMENTS	4.6	10.3
ACCOUNTS PAYABLE	330.4	330.9
OTHER LIABILITIES	78.7	88.0
ACCRUALS AND DEFERRED INCOME	335.5	325.5
TOTAL	749.1	754.6
ACCOUNTS PAYABLE AND OTHER LIABILITIES, TOTAL	754.0	761.8

ACCRUALS AND DEFERRED INCOME

EUR MILLION	2012	2011
NON-CURRENT		
OTHERS	2.4	1.1
TOTAL	2.4	1.1
CURRENT		
PERIODISATIONS OF EMPLOYEE COSTS	88.2	88.6
INTERESTS	18.0	19.9
ACCRUALS OF PURCHASES	96.6	92.5
OTHERS	133.5	124.9
TOTAL	336.3	326.0

30. Financial assets and liabilities classified according to IAS 39 and fair values

EUR MILLION	NOTE	FAIR VALUE THROUGH PROFIT & LOSS	AVAILABLE FOR SALE FINANCIAL ASSETS	LOANS AND RECEIVABLES	DERIVATIVES AT HEDGE ACCOUNTING	AMORTISED COST	BOOK VALUE TOTAL	FAIR VALUE
FINANCIAL ASSETS 31 DEC. 2012								
AVAILABLE FOR SALE INVESTMENTS	17		356,2				356,2	356,2
OTHER NON-CURRENT FINANCIAL ASSETS	18			17,2			17,2	17,2
ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES	21			704,2			704,2	704,2
CASH AND CASH EQUIVALENT	22			518,5			518,5	518,5
DERIVATIVE FINANCIAL INSTRUMENTS	31	-0,2			5,3		5,1	5,1
TOTAL		-0,2	356,2	1,239,9	5,3	0,0	1,601,2	1,601,2
FINANCIAL LIABILITIES 31 DEC. 2012								
NON-CURRENT INT.-BEARING FINANCIAL LIABILITIES	27					1,161,2	1,161,2	1,194,5
OTHER NON-CURRENT FINANCIAL LIABILITIES	28					4,2	4,2	4,2
CURRENT INT.-BEARING FINANCIAL LIABILITIES	27					958,2	958,2	971,4
ACCOUNTS PAYABLE AND OTHER FINANCIAL LIABILITIES	29					661,1	661,1	661,1
DERIVATIVE FINANCIAL INSTRUMENTS	31	12,5			30,1		42,6	42,6
TOTAL		12,5	0,0	0,0	30,1	2,784,8	2,827,4	2,873,8
FINANCIAL ASSETS 31 DEC. 2011								
AVAILABLE FOR SALE INVESTMENTS	17		367,9				367,9	367,9
OTHER NON-CURRENT FINANCIAL ASSETS	18			12,6			12,6	12,6
ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES	21			732,8			732,8	732,8
CASH AND CASH EQUIVALENT	22			330,4			330,4	330,4
DERIVATIVE FINANCIAL INSTRUMENTS	31	0,1			0,2		0,3	0,3
TOTAL		0,1	367,9	1,075,7	0,2	0,0	1,444,0	1,444,0
FINANCIAL LIABILITIES 31 DEC. 2011								
NON-CURRENT INT.-BEARING FINANCIAL LIABILITIES	27					1,854,2	1,854,2	1,861,2
OTHER NON-CURRENT FINANCIAL LIABILITIES	28					6,3	6,3	6,3
CURRENT INT.-BEARING FINANCIAL LIABILITIES	27					438,5	438,5	442,2
ACCOUNTS PAYABLE AND OTHER FINANCIAL LIABILITIES	29					663,0	663,0	663,0
DERIVATIVE FINANCIAL INSTRUMENTS	31	17,8			37,5		55,2	55,2
TOTAL		17,8	0,0	0,0	37,5	2,961,9	3,017,1	3,027,8

Accounts receivables and other receivables do not include advance payments, deferred taxes or periodisations of employee costs (Notes no. 21).

Accounts payable and other financial liabilities do not include advance payments, deferred tax liabilities or periodisations of employee costs (Notes no. 29).

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 1.0–5.4 per cent (1.0–9.9). Of interest-bearing liabilities 37 per cent (55) is subject to variable rates and the rest to fixed rates. The average interest rate of interest-bearing liabilities at the end of 2012 was 5.1 per cent (5.4). 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
2012

EUR MILLION	NOTE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
AVAILABLE FOR SALE FINANCIAL ASSETS	17	0.4		355.8	356.2
DERIVATIVE FINANCIAL ASSETS	31		5.1		5.1
DERIVATIVE FINANCIAL LIABILITIES	31	7.1	35.4		42.6

2011

EUR MILLION	NOTE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
AVAILABLE FOR SALE FINANCIAL ASSETS	17	0.4		367.5	367.9
DERIVATIVE FINANCIAL ASSETS	31		0.3		0.3
DERIVATIVE FINANCIAL LIABILITIES	31	8.2	47.1		55.2

FINANCIAL ASSETS MEASURED AT FAIR VALUE BASED ON LEVEL 3

EUR MILLION	2012	2011
OPENING BALANCE	367.5	337.7
TOTAL GAINS AND LOSSES IN PROFIT OR LOSS	0.1	0.1
TOTAL GAINS AND LOSSES IN OTHER COMPREHENSIVE INCOME	-17.3	25.0
PURCHASES	5.9	4.9
SETTLEMENTS	-0.5	-0.3
CLOSING BALANCE	355.8	367.5

Assets have been categorised according to IFRS 7 paragraph 27 A and 27 B.

- Level 1 assets are valued based on quoted prices in active markets.
- Level 2 assets are valued based on inputs observable for the asset either directly or indirectly.
- Level 3 assets are valued based on company estimates and not on market data.

31. Derivatives

31 DECEMBER 2012

EUR MILLION	NOMINAL VALUE	ASSETS	LIABILITIES	FAIR VALUE TOTAL	FAIR VALUE HEDGES	CASH FLOW HEDGES	DERIVATIVES, HEDGE EQUITY ACCOUNTING HEDGES NOT APPLIED
INTEREST RATE SWAPS	1,256.0		28.9	-28.9	-1.8	-20.9	-6.2
INTEREST RATE DERIVATIVES, TOTAL	1,256.0	0.0	28.9	-28.9	-1.8	-20.9	-6.2
CURRENCY FORWARD AGREEMENTS	874.8	5.0		5.0		4.6	-0.2
CURRENCY OPTION AGREEMENTS	47.3	0.0		0.0			0.0
CURRENCY SWAP AGREEMENTS	42.4		0.5	-0.5	-0.5		
CURRENCY DERIVATIVES, TOTAL	964.5	5.1	0.5	4.6	-0.5	4.6	-0.2
ELECTRICITY DERIVATIVES	164.1		12.9	-12.9		-6.9	-6.0
OTHER COMMODITY DERIVATIVES	3.8		0.3	-0.3		0.0	-0.3
COMMODITY DERIVATIVES, TOTAL	167.8	0.0	13.2	-13.2	0.0	-6.9	-6.3
DERIVATIVES TOTAL	2,388.3	5.1	42.6	-37.5	-2.3	-23.2	-12.7

31 DECEMBER 2011

EUR MILLION	NOMINAL VALUE	ASSETS	LIABILITIES	FAIR VALUE TOTAL	FAIR VALUE HEDGES	CASH FLOW HEDGES	DERIVATIVES, HEDGE EQUITY ACCOUNTING HEDGES NOT APPLIED
INTEREST FORWARD AGREEMENTS	4.0		0.1	-0.1			-0.1
INTEREST RATE SWAPS	1,009.9		22.4	-22.4	-3.7	-12.0	-6.7
INTEREST RATE DERIVATIVES, TOTAL	1,013.9	0.0	22.6	-22.6	-3.7	-12.0	-6.9
CURRENCY FORWARD AGREEMENTS	1,020.2	0.1	11.6	-11.5		-5.2	-3.4
CURRENCY OPTION AGREEMENTS	41.1		0.1	-0.1			-0.1
CURRENCY SWAP AGREEMENTS	101.2		9.6	-9.6	-9.6		
CURRENCY DERIVATIVES, TOTAL	1,162.6	0.1	21.3	-21.2	-9.6	-5.2	-3.5
ELECTRICITY DERIVATIVES	131.3		8.9	-8.9		-4.1	-4.8
PULP DERIVATIVES	24.7	0.2	0.0	0.2		0.2	
OTHER COMMODITY DERIVATIVES	6.7		2.5	-2.5			-2.5
COMMODITY DERIVATIVES, TOTAL	162.8	0.2	11.4	-11.2	0.0	-3.9	-7.3
DERIVATIVES TOTAL	2,339.3	0.3	55.2	-54.9	-13.3	-21.1	-17.7



32. 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 DECEMBER 2012

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	HIGHLY PROBABLE COMMODITY CASH FLOWS
Q 1	125.9	-3.9		-9.6
Q 2	112.1	-1.7		-9.1
Q 3	38.1	-4.7		-8.0
Q 4	14.8	-1.7		-8.0
TOTAL IN 2013	290.8	-12.0	0.0	-34.7
2014	2.1	-9.5		-26.6
2015		-8.2		-17.4
2016		-3.5		-9.3
2017		-1.2		
2018–		-0.3		
CASH FLOWS TOTAL	292.9	-34.6	0.0	-88.0
TOTAL NOMINAL VALUES OF DERIVATIVES DIRECTED TO HEDGE ACCOUNTING	292.9	590.0		88.0

31 DECEMBER 2011

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	HIGHLY PROBABLE COMMODITY CASH FLOWS
Q 1	161.7	-3.3	6.7	-7.7
Q 2	133.4	-0.5	6.7	-7.7
Q 3	45.4	-6.1	4.4	-7.7
Q 4	13.4	-0.5		-7.7
TOTAL IN 2012	353.9	-10.3	17.8	-30.9
2013	2.5	-8.7		-14.9
2014		-8.0		-4.8
2015		-7.6		-4.7
2016		-2.4		
2017–		-1.3		
CASH FLOWS TOTAL	356.4	-38.4	17.8	-55.2
TOTAL NOMINAL VALUES OF DERIVATIVES DIRECTED TO HEDGE ACCOUNTING	356.4	365.0	17.8	55.2

33. Notes to Consolidated cash flow statement

EUR MILLION	2012	2011
ADJUSTMENTS TO THE RESULT		
TAXES	31.8	58.9
DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES	249.1	353.9
BIOLOGICAL ASSETS	0.2	-0.6
SHARE OF PROFIT FROM ASSOCIATED COMPANIES	-4.8	-4.2
GAINS AND LOSSES ON SALE OF NON-CURRENT FINANCIAL ASSETS	-20.1	-25.3
FINANCE COSTS, NET	107.8	131.0
PENSION LIABILITIES AND PROVISIONS	-108.7	120.7
TOTAL	255.4	634.3
CHANGE IN WORKING CAPITAL		
CHANGE IN INVENTORIES	63.3	-0.3
CHANGE IN ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES	28.1	99.3
CHANGE IN ACCOUNTS PAYABLE AND OTHER LIABILITIES	-9.4	-24.5
TOTAL CHANGE	82.1	74.4

CHANGE IN OTHER EQUITY

Metsä Board adopted the book-entry security system in 1993. In November 2001, Metsä Board sold the shares that were not transferred to the book-entry securities system by the deadline of 11 October, 2001. The assets received less costs were saved in the regional state administrative agency. The assets on the account were paid to Metsä Board in November 2011 since the period of 10 years had elapsed since the assets were saved.

CHANGE IN NON-CONTROLLING INTEREST

In 2012 the change in non-controlling interest include a positive cash flow effect of EUR 471.1 million due to the disposal of shares in Metsä Fibre Oy and negative cash flow effects due to the acquisition of Metsä Fibre shares (EUR 152.4 million), the acquisition of Metsä Board shares (EUR 4.9 million) and the acquisition of Biokraft Oy shares (EUR 7.0 million). See also Note no. 5.



34. Principal subsidiaries at 31 December 2012

METSÄLIITTO COOPERATIVE

The parent company Metsäliitto Cooperative's shares are listed on pages 114–115.

METSÄ FIBRE	COUNTRY	NUMBER OF SHARES	GROUP'S HOLDING, %
IN FINLAND			
METSÄ-BOTNIA METSÄT OY	FINLAND	100,000	100.00
OY SILVA SHIPPING AB	FINLAND	400,000	100.00
IN OTHER COUNTRIES			
METSÄ FIBRE GMBH	GERMANY	1,000	100.00
METSÄ FIBRE S.R.L.	ITALY	1	100.00
OOO METSÄ SVIR	RUSSIA	1	100.00
ZAO PETROVLES PODPOROZHYE	RUSSIA	43,700	99.00

METSÄ TISSUE

IN FINLAND			
FINNCAO OY	FINLAND	945	100.00
IN OTHER COUNTRIES			
DAMBI AB	SWEDEN	4,501,000	100.00
METSÄ TISSUE AB	SWEDEN	2,000,000	100.00
METSÄ TISSUE A/S	DENMARK	1,000	100.00
METSÄ TISSUE AS	NORWAY	6,020	100.00
METSÄ TISSUE IMMOBILIENVERWALTUNGS GMBH	GERMANY	1	100.00
METSÄ TISSUE CSECH S.R.O.	CSECH REPUBLIC		100.00
METSÄ TISSUE KRAPKOWICE SP. Z O.O.	POLAND	800,000	100.00
METSÄ TISSUE POLAND SP Z O.O.	POLAND	98,171	100.00
METSÄ TISSUE ROMANIA S.R.L.	ROMANIA	4,000	100.00
METSÄ TISSUE SLOVAKIA S.R.O.	SLOVAKIA		100.00
METSÄ TISSUE UKRAINE LCC	UKRAINE		100.00
METSÄ TISSUE GMBH	GERMANY	1	100.00
METSÄ TISSUE HUNGARY KFT.	HUNGARY		100.00
METSÄ TISSUE LTD	GREAT BRITAIN	250,000	100.00
OOO METSÄ TISSUE	RUSSIA	1	100.00

METSÄ BOARD

IN FINLAND			
METSÄLIITTO COOPERATIVE	FINLAND	179,171	
ALREC BOILER OY *)	FINLAND	899	24.92
LOGISWARE OY	FINLAND	4,500	100.00
OOO PETERBOX	RUSSIA		100.00
METSÄ BOARD INTERNATIONAL OY	FINLAND	10,000	100.00
METSÄ BOARD (MIDDLE EAST & NORTH AFRICA) LTD	CYPRUS	742,105	100.00
METSÄ BOARD AMERICAS CORPORATION	USA	180	100.00
METSÄ BOARD AUSTRALIA AND NEW ZEALAND PTY LTD	AUSTRALIA	1	100.00
METSÄ BOARD HONG KONG LTD	HONG KONG	100	100.00
M-REAL SHANGHAI LTD	CHINA		100.00
METSÄ BOARD IBÉRIA S.A.	SPAIN	147,871	100.00
METSÄ BOARD ITALIA S.R.L.	ITALY	100,000	100.00
METSÄ BOARD SINGAPORE PTE LTD	SINGAPORE	10,000	100.00
METSÄ BOARD UK LTD	GREAT BRITAIN	2,400	100.00
METSÄ BOARD BENELUX N.V./S.A	BELGIUM	2,921	100.00
METSÄ BOARD CZ S.R.O.	CSECH REPUBLIC		100.00
METSÄ BOARD DEUTSCHLAND GMBH	GERMANY	1	100.00
METSÄ BOARD FRANCE S.A.S.	FRANCE	8,211	100.00
METSÄ BOARD HUNGARY KFT.	HUNGARY	30	100.00
METSÄ BOARD IRELAND LTD	IRELAND	5,000	100.00
METSÄ BOARD NORDIC A/S	DENMARK	36	100.00
METSÄ BOARD NORDIC AB	SWEDEN	1,000	100.00
METSÄ BOARD POLSKA SP. Z O.O.	POLAND	232	100.00
METSÄ BOARD SCHWEIZ AG	SWITZERLAND	100	100.00
M-REAL BENELUX B.V.	THE NETHERLANDS	2,000	100.00
M-REAL HELLAS LTD	GREECE	306	51.00
OOO METSÄ BOARD	RUSSIA	100	100.00
METSÄ BOARD KEMI OY	FINLAND	2,000,000	100.00
METSÄ GROUP FINANCIAL SERVICES OY	FINLAND	25,500	51.00
OY HANGÖ STEVEDORING AB	FINLAND	150	100.00
IN OTHER COUNTRIES			
METSÄ BOARD DEUTSCHE HOLDING GMBH	GERMANY		100.00
METSÄ BOARD ZANDERS GMBH	GERMANY	2,800,000	100.00
BGE EISENBAHN GUTVERKEHR GMBH	GERMANY		72.00
METSÄLIITTO ENERGIE GMBH	GERMANY		80.00
METSÄ BOARD NETHERLANDS FINE B.V.	THE NETHERLANDS	1,000	100.00
METSÄ BOARD NL HOLDING B.V.	THE NETHERLANDS	15,350	100.00
M-REAL IBP DEALS (CHINA) LTD	CHINA		100.00
M-REAL IBP HK LTD	HONG KONG	7,009,900	100.00
METSÄ BOARD REINSURANCE AG	SWITZERLAND	19,997	100.00
METSÄ BOARD SVERIGE AB	SWEDEN	10,000,000	100.00
M-REAL HOLDING FRANCE S.A.S.	FRANCE	520,000	100.00
M-REAL ALIZAY S.A.S.	FRANCE	3,203,210	100.00
M-REAL IBP DEALS AMERICAS LTD	USA	50	100.00
M-REAL UK HOLDINGS LTD	GREAT BRITAIN	146,750,000	100.00
M-REAL UK SERVICES LTD	GREAT BRITAIN	115,800,001	100.00

*) Consolidated as a subsidiary under shareholders' agreement

35. Joint ventures

Joint ventures have been consolidated using line-by-line method proportionate to the Group's holding. Group's consolidated income statement and balance sheet included assets, liabilities, income and costs as follows:

EUR MILLION	2012	2011
NON-CURRENT ASSETS	47.9	42.2
CURRENT ASSETS	4.8	5.5
TOTAL ASSETS	52.7	47.7
NON-CURRENT LIABILITIES	40.8	35.4
CURRENT LIABILITIES	5.1	4.0
TOTAL LIABILITIES	45.9	39.4
SALES	12.2	13.7
EXPENSES	14.0	15.1
RESULT	-1.6	-1.2

SIGNIFICANT JOINT VENTURES:

GROUP'S HOLDING, %	2012	2011
ÄÄNEVOIMA OY	56.25	56.25
METSÄTAPIOLA'S REAL ESTATES	48.98	48.98

36. Commitments and contingencies

In March 2011, the state enterprise Metsähallitus filed a claim for damages at the District Court of Helsinki, demanding that Metsäliitto Cooperative and 2 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 is aware of and that were directed at Metsäliitto and the other aforementioned companies jointly is approximately EUR 236 million, of which amount approximately EUR 87 million is alternatively directed at Metsäliitto alone. In addition, the aforementioned proceedings are associated with interest and value added tax claims. Metsäliitto's view is that the claims for damages are unfounded, and the company has not recognised any provisions regarding them.

UPM-Kymmene Corporation launched arbitration proceedings in November 2012, whereby it claims jointly from Metsäliitto Cooperative and Metsä Board primarily EUR 58.5 million in damages, and secondarily the return of a EUR 58.5 million claimed unjust enrichment. The claims are based on an alleged breach of the tag-along clause specified in Metsä Fibre's shareholders' agreement signed in 2009. Metsä-

liitto considers the claim unfounded and has not booked provisions related to the claim.

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	2012	2011
FOR OWN LIABILITIES		
LIABILITIES SECURED BY PLEDGES		
LOANS FROM FINANCIAL INSTITUTIONS	260.0	260.0
PENSION LOANS	132.5	155.0
OTHER LIABILITIES	10.0	7.4
PLEDGES GRANTED	354.3	337.6
LIABILITIES SECURED BY MORTGAGES		
LOANS FROM FINANCIAL INSTITUTIONS	31.9	46.2
PENSION LOANS	164.1	184.0
REAL-ESTATE MORTGAGES	281.4	294.8
LIABILITIES SECURED BY CHATTEL MORTGAGES		
LOANS FROM FINANCIAL INSTITUTIONS	3.0	3.0
OTHER LIABILITIES	3.0	2.5
CHATTEL MORTGAGES	8.1	7.9
ON BEHALF OF GROUP COMPANIES		
PLEDGES	13.4	13.4
GUARANTEE LIABILITIES	18.1	18.4
ON BEHALF OF ASSOCIATED COMPANIES		
GUARANTEE LIABILITIES	3.5	3.8
ON BEHALF OF OTHERS		
PLEDGES	0.0	0.0
GUARANTEE LIABILITIES	5.4	5.9
OTHER LIABILITIES		
AS SECURITY FOR OWN COMMITMENTS	11.8	15.4
PENSION LIABILITIES	0.6	0.5
TOTAL		
PLEDGES	367.7	351.0
REAL ESTATE MORTGAGES	289.5	302.7
GUARANTEES	26.9	28.1
OTHER LIABILITIES	11.8	15.4
PENSION LIABILITIES	0.6	0.5
LEASING LIABILITIES	39.7	44.3
TOTAL	736.2	742.0

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



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	2012	2011
PAYMENTS DUE IN FOLLOWING 12 MONTHS	16.8	15.2
PAYMENTS DUE IN FOLLOWING 1–5 YEARS	20.6	28.0
PAYMENTS DUE LATER THAN 5 YEARS	2.4	1.1
TOTAL	39.7	44.3

JOINT VENTURES

Metsä Tissue AB's mill in Mariestad Sweden has an agreement to buy process steam from the local energy company Katrinefors Kraftvärme AB of which Metsä Tissue owns 50 per cent. The agreement is valid until 2016.

37. Share-based payment

The Group had two incentive schemes during the review period: Share incentive scheme 2008–2010 which Metsäliitto's Board of Directors decided to adopt on 16 January 2008 and Share incentive scheme 2011 which was adopted on 15 December 2010. The effect of the share incentive schemes on net result 2012 was EUR 2,851,708.

SHARE INCENTIVE SCHEME 2008–2010

The programme offers target groups the possibility to be awarded Metsä Board's B shares for achieving the goals set for three periods each of one calendar year. The Board of Directors decides yearly upon the group's financial key ratios which criterias to be used and which upper and lower limits (targets) should be implemented. The achievement of performance targets set determines how much of the maximum reward will be paid to key personnel. The bonus is paid by the end of April. In addition to shares, cash is paid to cover tax effects. 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 2 years after the date of the award payment.

The bonus paid under the share incentive scheme 2008–2010 was 133,595 Metsä Board's B shares for the vesting period 2010. Cash was also paid to cover taxes and tax related costs at the day of transfer.

SHARE INCENTIVE SCHEME 2008–2010

ISSUED BY THE BOARD'S DECISION ON 16 JAN. 2008

	2010 *	TOTAL
BASIC INFORMATION		
MAXIMUM NUMBER OF SHARES	280,000	280,000
MAXIMUM NUMBER OF SHARES IN CASH	280,000	280,000
GRANT DATE(S)	1./3./4.2.2010	
VESTING PERIOD STARTS	1.1.2010	
VESTING PERIOD ENDS	31.12.2010	
OBLIGATION TO HOLD SHARES, YEARS	2	
CONDITIONS OF VESTING REQUIREMENTS	OBLIGATION TO WORK	
CRITERIAS	EBIT, CASH FLOW 2	
DATE OF VESTING REQUIREMENT	1.1.2013	
MAXIMUM VALIDITY, YEARS	3	
PAYMENT	SHARES AND CASH	
BINDING TIME LEFT, YEARS	1	
NUMBER OF KEY PERSONNEL	17	
EXERCISE PRICE, EUR	0	0
FAIR VALUE MEASURING **		
SHARE PRICE AT GRANT DATE, EUR	1.62 /1.78 /1.80	
FAIR VALUE OF SHARE AT GRANT DATE, EUR	1.62 /1.78 /1.80	
ASSUMED DIVIDENDS, EUR	0	
SHARE PRICE AT THE END OF FINANCIAL PERIOD, EUR	3.16	
FAIR VALUE AT END OF FINANCIAL PERIOD, EUR	701,173	701,173
EFFECT ON RESULT AND FINANCIAL POSITION		
EXPENSE, SHARE-BASED PAYMENT, EUR	206,336	206,336
EXPENSE, SHARE-BASED PAYMENT, SETTLED AS EQUITY, EUR	37,901	37,901
LIABILITIES, SHARE-BASED PAYMENT, AT THE END OF FINANCIAL PERIOD, EUR	0	0
AMOUNTS 1 JAN.		
OUTSTANDING AT THE BEGINNING OF PERIOD	133,595	133,595
CHANGES DURING THE PERIOD		
SHARES GRANTED	0	0
SHARES FORFEITED	16,931	16,931
SHARES EXERCISED	0	0
SHARES EXPIRED	116,664	116,664
AMOUNTS 31 DEC.		
OUTSTANDING AT THE END OF PERIOD	0	0
EXERCISABLE AT THE END OF PERIOD	0	0

* The amounts in the table reflect the number of shares to be given on the base of share-based payment. Metsä Group has also committed not to pay more than the value of shares in cash (tax-portion).

** The fair value of the share-settled part at exercise date was the market price of Metsä Board's B shares 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.



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 propor-

tion to be paid in cash will at a maximum equal the value of the shares. It 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 2 years after the date of the award payment.

SHARE INCENTIVE SCHEME 2011

ISSUED BY THE BOARD'S DECISION ON 15 DEC. 2010

	2011–2013	2012–2014	TOTAL
BASIC INFORMATION			
MAXIMUM NUMBER OF SHARES	2,347,500	3,130,000	5,477,500
GRANT DATE(S)	4.4.2011/11.4.2012	11.4.2012	
VESTING PERIOD STARTS	1.1.2011	1.1.2012	
VESTING PERIOD ENDS	31.12.2013	31.12.2014	
OBLIGATION TO HOLD SHARES, YEARS	2	2	
CONDITIONS OF VESTING REQUIREMENTS	OBLIGATION TO WORK	OBLIGATION TO WORK	
CRITERIAS	EQUITY RATIO	EQUITY RATIO	
	ROCE, EBIT	ROCE, EBIT	
DATE OF VESTING REQUIREMENT	30.4.2014	30.4.2015	
RELEASE OF THE BONUS	1.1.2016	1.1.2017	
MAXIMUM VALIDITY, YEARS	5	5	
PAYMENT	SHARES AND CASH	SHARES AND CASH	
BINDING TIME LEFT, YEARS	3	4	
NUMBER OF KEY PERSONNEL	49	50	
EXERCISE PRICE, EUR	0	0	0
FAIR VALUE MEASURING *			
SHARE PRICE AT GRANT DATE, EUR	3.09	1.90	
FAIR VALUE OF SHARE AT GRANT DATE, EUR	2.73	1.83	
ASSUMED DIVIDENDS, EUR	0.12	0.02	
SHARE PRICE AT END OF FINANCIAL PERIOD, EUR	2.22	2.22	
FAIR VALUE AT END OF FINANCIAL PERIOD, EUR	3,334,368	3,865,854	7,200,222
EFFECT ON RESULT AND FINANCIAL POSITION			
EXPENSE, SHARE-BASED PAYMENT, EUR	1,725,758	919,615	2,645,373
EXPENSE, SHARE-BASED PAYMENT, SETTLED AS EQUITY, EUR	0	39,846	39,846
LIABILITIES, SHARE-BASED PAYMENT, AT THE END OF FINANCIAL PERIOD, EUR	1,874,438	879,769	2,754,207
AMOUNTS 1 JAN. **			
OUTSTANDING AT THE BEGINNING OF PERIOD	1,540,000	0	1,540,000
CHANGES DURING THE PERIOD			
SHARES GRANTED	33,333	1,515,000	1,548,333
SHARES FORFEITED	153,333	43,333	196,666
SHARES EXERCISED	0	0	0
SHARES EXPIRED	0	0	0
AMOUNTS 31 DEC.			
OUTSTANDING AT THE END OF PERIOD	1,420,000	1,471,667	2,891,667
EXERCISABLE AT THE END OF PERIOD	1,420,000	1,471,667	2,891,667

* 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

During 2010 a company named Metsäliitto Management Oy was established for the shareholding programme of the members of Metsäliitto Group's Executive Management Team. The date of issue of the programme is 10 August 2010 and the Metsä Board B shares acquired for the programme amounts to 6.8 million. The acquisitions have been financed using capital inputs of a total of EUR 3,850,000, of which the capital input of Kari Jordan, President and CEO, is EUR 1.0 million, and a loan of EUR 15,400,000 granted by Metsäliitto Cooperative. Shares have been purchased for Kari Jordan for EUR 5.0 million.

The loan granted by Metsäliitto Cooperative will be repaid in its entirety by 31 March 2014. If the validity of the arrangement is continued one year at a time in 2013, 2014, 2015 or 2016, the loan period will be extended correspondingly. Metsäliitto Management Oy has the right to repay the loan prematurely at any time. Metsäliitto Management Oy is obligated to repay the loan prematurely by selling the Metsä Board B shares it holds if the stock exchange price of the shares exceeds a certain level defined in the arrangement for an extended period of time.

The arrangement will remain in force until the end of 2013 and beginning of 2014, at which time the intention is to dismantle the arrangement in a manner to be decided later. The arrangement can be dismantled by merging the company with Metsä Board or selling the Metsä Board B shares held by the company to Metsäliitto, a party designated by Metsäliitto or a third party and liquidating the company or by selling the shares of the company to Metsäliitto. The arrangement will be extended one year at a time if, in October-November 2013, 2014, 2015 or 2016, the stock exchange price of the Metsä Board B share is lower than the average price at which Metsäliitto Management acquired the Metsä Board B shares it owns.

The assignment of the Metsä Board B shares owned by Metsäliitto Management is restricted during the validity of the arrangement. As a rule, the ownership of members of the Executive Management Team in Metsäliitto Management Oy will remain in force until the dismantling of the arrangement.

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

In 2012 and 2011, no expenses were recognised in the Group's income statement in connection with Metsäliitto Management Oy's share ownership programme.

38. Related party transactions

The Group's related parties include the parent company, subsidiaries, joint ventures and associated companies. Also the members of the Supervisory Board, the members of the Board of Directors and the President and CEO as well as their close family members are considered as related parties.

The Group's key personnel are the members of the Supervisory Board, the Board of Directors and the Group Executive Management Team including the President and CEO. Remunerations paid to these persons are presented in Notes no. 8 and 37. The parent company has no commitments on behalf of the key personnel nor receivables from them.

Metsäliitto Cooperative's wood delivery sales to Group subsidiaries were EUR 728.4 million (708.1). Wood delivery sales to associated companies and joint ventures were EUR 16.9 million (11.9).

Metsä Group's forest holdings are centralised in Finsilva Corporation, which is an associated company of Metsäliitto Cooperative (49.9%). Finsilva sells wood to Metsäliitto Cooperative. The value of wood deliveries in 2012 was EUR 18.0 million (17.7).

Metsä Group Financial Services Oy owned by Metsäliitto Cooperative and Metsä Board is the Group's internal bank. The interests are market based.

Metsäliitto Management Oy, domiciled in Espoo, has only been established to administrate the shareholding programme of Metsäliitto Cooperative. Metsäliitto Cooperative or companies controlled by Metsäliitto have no holdings in Metsäliitto Management Oy. According to the shareholders' and loan agreement Metsäliitto Cooperative has the controlling right in the company.

Metsäliitto's principal subsidiaries are presented in Notes no. 34. A list of joint ventures is included in Notes no. 35. Business transactions with associates are presented in Notes no. 16.



39. 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	2012	2011
MATERIALS AND SERVICES	21.6	23.2
EMPLOYEE COSTS		
WAGES AND FEES	3.2	3.9
OTHER EMPLOYEE COSTS	1.6	2.0
DEPRECIATION	13.1	17.0
OTHER OPERATING EXPENSES	10.1	8.0
TOTAL	49.5	54.0

BALANCE SHEET

EUR MILLION	2012	2011
INTANGIBLE AND TANGIBLE ASSETS		
ACQUISITION COSTS, 1 JAN.	317.2	459.5
INCREASES	9.1	5.3
DECREASES	-19.6	-147.6
ACCUMULATED DEPRECIATION AT 31 DEC.	-184.1	-204.3
BOOK VALUE, 31 DEC.	122.7	112.9
PROVISIONS		
ENVIRONMENTAL OBLIGATIONS	26.6	26.3

NOTES

	2012	2011
CONDITIONAL ENVIRONMENTAL-RELATED LIABILITIES	1.4	1.7
GUARANTEES DUE TO ENVIRONMENTAL PROGRAMMES	4.7	4.7
CO ₂ EMISSION ALLOWANCES		
POSSESSIONS OF EMISSION ALLOWANCES (1,000 TONNES)	1,140	1,184
EMISSION PRODUCED (1,000 TONNES)	911	1,219
SALES OF EMISSION ALLOWANCES, EUR MILL.	5.9	8.8

40. Events after the Balance sheet date

A reindustrialisation project was launched in Alizay in the spring of 2012 in cooperation between Metsä Board, the employees' representatives and the local authorities. As a result of the project, in January 2013 the company sold the Alizay mill site in France, including all equipment and buildings, to Conseil Général de l'Eure, representing the French state, for EUR 22 million.

After the reporting period Esa Kaikkonen, LLM, was appointed Executive Vice President of Metsä Wood as of 5 February 2013. Kaikkonen has worked as Metsä Group's Legal Counsel since 2003 and he has been a member of Metsä Group's Executive Management Team since 2008. He reports to Kari Jordan, Metsä Group's President and CEO.

PARENT COMPANY INCOME STATEMENT

(FINNISH ACCOUNTING STANDARDS, FAS)

EUR MILLION	NOTE	1.1.–31.12.2012	1.1.–31.12.2011
SALES	1	1,604.6	1,538.7
CHANGE IN STOCKS OF FINISHED GOODS AND WORK IN PROGRESS		-1.8	2.9
PRODUCTION FOR OWN USE		0.4	0.4
OTHER OPERATING INCOME	2	147.1	62.1
MATERIALS AND SERVICES			
RAW MATERIALS AND CONSUMABLES			
PURCHASES DURING THE FINANCIAL PERIOD		-968.3	-972.7
CHANGE IN INVENTORIES		-14.9	8.1
EXTERNAL SERVICES		-411.6	-378.8
EMPLOYEE COSTS	3	-154.8	-153.3
DEPRECIATION AND IMPAIRMENT CHARGES	4	-26.1	-27.3
OTHER OPERATING EXPENSES	5	-79.4	-65.3
		-1,655.2	-1,589.2
OPERATING RESULT		95.1	15.0
FINANCIAL INCOME AND EXPENSES	6		
INCOME FROM GROUP COMPANIES		69.7	96.5
INCOME FROM ASSOCIATED COMPANIES		4.2	4.1
INCOME FROM OTHER FINANCIAL INVESTMENTS		12.6	12.2
OTHER INTEREST AND SIMILAR INCOME		1.9	1.4
NET EXCHANGE GAINS/LOSSES	7	-3.7	-2.6
WRITE-DOWNS ON NON-CURRENT INVESTMENTS		-35.4	-31.2
INTEREST AND SIMILAR EXPENSES		-33.6	-32.5
		15.6	47.9
RESULT BEFORE EXTRAORDINARY ITEMS		110.7	62.9
EXTRAORDINARY ITEMS	8		
EXTRAORDINARY INCOME		0.0	1.2
EXTRAORDINARY EXPENSES		0.0	0.0
		0.0	1.2
RESULT BEFORE APPROPRIATIONS AND TAXES		110.7	64.1
APPROPRIATIONS			
CHANGE IN DEPRECIATION RESERVE		3.3	-0.2
INCOME TAXES	9	0.0	0.0
SURPLUS FOR THE FINANCIAL PERIOD		113.9	63.8



BALANCE SHEET

EUR MILLION	NOTE	31.12.2012	31.12.2011
ASSETS			
NON-CURRENT ASSETS			
INTANGIBLE ASSETS	10		
INTANGIBLE RIGHTS		7.8	5.8
GOODWILL		1.0	1.1
OTHER CAPITALISED EXPENDITURE		1.8	1.7
ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS		7.7	3.6
		18.3	12.2
TANGIBLE ASSETS	10		
LAND AND WATER AREAS		5.3	5.2
BUILDINGS		41.1	39.4
MACHINERY AND EQUIPMENT		84.1	79.0
OTHER TANGIBLE ASSETS		2.1	2.3
ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS		16.0	3.9
		148.5	129.9
INVESTMENTS	11,12		
SHARES IN GROUP COMPANIES		1,553.4	1,658.6
RECEIVABLES FROM GROUP COMPANIES		1.9	128.7
INVESTMENTS IN ASSOCIATED COMPANIES		26.5	31.1
OTHER SHARES AND HOLDINGS		2.0	2.2
		1,583.8	1,820.5
NON-CURRENT ASSETS TOTAL		1,750.5	1,962.6
CURRENT ASSETS			
INVENTORIES			
RAW MATERIALS AND CONSUMABLES		89.5	106.0
FINISHED GOODS AND WORK IN PROGRESS		33.2	34.7
OTHER INVENTORIES		3.1	1.8
ADVANCE PAYMENTS		28.6	33.1
		154.4	175.5
NON-CURRENT RECEIVABLES	13		
RECEIVABLES FROM GROUP COMPANIES		17.4	18.9
LOAN RECEIVABLES		1.5	1.8
OTHER RECEIVABLES		0.1	0.0
		19.1	20.8
CURRENT RECEIVABLES	13		
ACCOUNTS RECEIVABLES		64.9	57.6
RECEIVABLES FROM GROUP COMPANIES		434.5	112.1
RECEIVABLES FROM ASSOCIATED COMPANIES		1.0	0.2
LOAN RECEIVABLES		0.4	0.5
OTHER RECEIVABLES		5.5	12.4
PREPAYMENT AND ACCRUED INCOME		6.9	5.9
		513.3	188.6
RECEIVABLES TOTAL		532.4	209.3
CASH AND CASH EQUIVALENT		80.3	1.7
CURRENT ASSETS TOTAL		767.0	386.6
ASSETS TOTAL		2,517.5	2,349.2

EUR MILLION	NOTE	31.12.2012	31.12.2011
MEMBERS' FUNDS AND LIABILITIES			
MEMBERS' FUNDS			
	14		
MEMBERS' CAPITAL		200.7	198.3
ADDITIONAL MEMBERS' CAPITAL A		515.8	486.9
ADDITIONAL MEMBERS' CAPITAL B		75.9	61.8
ADDITIONAL MEMBERS' CAPITAL C		14.4	14.5
OTHER RESERVES			
GENERAL RESERVE I		3.9	3.9
GENERAL RESERVE II		56.0	52.9
RETAINED EARNINGS		528.8	506.0
SURPLUS FOR THE FINANCIAL PERIOD		113.9	63.8
		1,509.6	1,388.1
APPROPRIATIONS			
ACCUMULATED DEPRECIATION DIFFERENCE		12.3	15.6
PROVISIONS	15	3.8	2.4
LIABILITIES			
	16,17		
NON-CURRENT LIABILITIES			
BONDS		174.7	0.0
LOANS FROM FINANCIAL INSTITUTIONS		473.9	638.2
PENSION PREMIUM LOANS		65.0	65.0
ADVANCE PAYMENTS		1.7	0.9
LOANS FROM GROUP COMPANIES		2.8	2.8
OTHER LIABILITIES		0.0	0.2
ACCRUALS AND DEFERRED INCOME	19	1.1	0.0
		719.2	707.1
CURRENT LIABILITIES			
	18		
LOANS FROM FINANCIAL INSTITUTIONS		35.0	17.9
PENSION PREMIUM LOANS		9.5	8.0
ADVANCE PAYMENTS		3.4	6.4
ACCOUNTS PAYABLE		57.7	33.8
PAYABLES TO GROUP COMPANIES		45.1	62.1
PAYABLES TO ASSOCIATED COMPANIES		1.2	1.4
OTHER LIABILITIES		16.6	17.9
ACCRUALS AND DEFERRED INCOME	19	104.2	88.4
		272.6	235.9
LIABILITIES TOTAL		991.8	943.0
MEMBERS' FUNDS AND LIABILITIES TOTAL			
		2,517.5	2,349.2

CASH FLOW STATEMENT

EUR MILLION	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES		
OPERATING RESULT	95.1	15.0
ADJUSTMENTS TO OPERATING RESULT 1)	-54.1	26.4
INTEREST RECEIVED	14.4	13.5
INTEREST PAID	-30.6	-26.2
DIVIDENDS RECEIVED	73.9	100.7
OTHER FINANCIAL ITEMS, NET	-7.4	-6.1
TAXES PAID	0.0	0.0
CHANGE IN WORKING CAPITAL 2)	38.0	-64.9
	129.1	58.5
CASH FLOW ARISING FROM INVESTING ACTIVITIES		
PURCHASE OF SHARES	-192.0	-23.2
INVESTMENTS IN TANGIBLE ASSETS	-30.9	-17.2
PROCEEDS FROM DISPOSAL OF SHARES	339.0	0.0
PROCEEDS FROM SALE OF TANGIBLE ASSETS	1.6	2.9
PROCEEDS FROM/INCREASE IN LONG-TERM RECEIVABLES	128.2	1.0
	245.9	-36.5
CASH FLOW BEFORE FINANCING	375.1	22.0
CASH FLOW ARISING FROM FINANCING ACTIVITIES		
INCREASE IN NON-CURRENT LIABILITIES	207.8	168.0
DECREASE IN NON-CURRENT LIABILITIES	-176.7	-166.8
CHANGE IN CURRENT LIABILITIES, NET	-16.2	-26.0
CHANGE IN CURRENT INTEREST-BEARING RECEIVABLES, NET	-318.9	-5.8
INTEREST PAID ON MEMBERS' CAPITAL	-37.8	-35.4
CHANGE IN MEMBERS' CAPITAL	45.4	41.8
	-296.5	-24.1
CHANGE IN CASH AND CASH EQUIVALENTS	78.6	-2.1
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1.7	3.8
CHANGE IN CASH AND CASH EQUIVALENTS	78.5	-2.1
CASH AND CASH EQUIVALENTS AT END OF PERIOD	80.3	1.7
1) ADJUSTMENTS TO OPERATING RESULT		
DEPRECIATION AND IMPAIRMENT CHARGES	26.1	27.3
GAINS AND LOSSES ON SALE OF INTANGIBLE ASSETS	-81.6	-0.2
CHANGE IN PROVISIONS	1.3	-0.7
TOTAL	-54.1	26.4
2) CHANGE IN WORKING CAPITAL		
INVENTORIES (INCREASE-/DECREASE+)	21.2	-10.5
CURRENT NON-INTEREST BEARING RECEIVABLES (INCREASE-/DECREASE+)	-0.9	-20.3
CURRENT NON-INTEREST-BEARING LIABILITIES (INCREASE+/DECREASE-)	17.7	-34.1
TOTAL (INCREASE-/DECREASE+)	38.0	-64.9



PARENT COMPANY ACCOUNTING POLICIES

Metsäliitto Cooperative's financial statements have been prepared in accordance with Finnish accounting standards (FAS). Metsämannut Oy was incorporated on March 31, 2012 and Biokraft Oy on December 31, 2012.

SALES

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

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

Substantial income and expenses arising on transactions of an abnormal nature, such as the divestment of businesses, are presented in the income statement as extraordinary items. 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.

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 and 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.

NOTES TO THE PARENT COMPANY'S ACCOUNTS

EUR MILLION	2012	2011
1. SALES BY MARKET AREA		
FINLAND	1,119.0	1,055.7
EU-COUNTRIES	342.7	350.1
OTHER COUNTRIES	142.8	132.9
TOTAL	1,604.6	1,538.7

2. OTHER OPERATING INCOME		
RENTS	1.7	1.7
GAINS ON DISPOSAL OF ASSETS	81.3	0.6
SERVICE REVENUE	58.4	56.1
OTHERS	5.7	3.7
TOTAL	147.1	62.1

Gains on disposal of assets include in 2012 sales gains of EUR 80.9 million from the shares of Metsä Fibre Oy.

3. EMPLOYEE COSTS AND AVERAGE PERSONNEL		
WAGES	97.1	95.2
PENSION COSTS	22.6	25.4
OTHER EMPLOYEE COSTS	35.1	32.6
TOTAL	154.8	153.3

SALARIES AND REMUNERATIONS PAID TO MANAGEMENT

PRESIDENT AND CEO AND HIS DEPUTY	1.3	3.1
MEMBERS OF THE BOARD OF DIRECTORS AND THEIR DEPUTIES	0.4	0.4
MEMBERS OF THE SUPERVISORY BOARD	0.2	0.2
TOTAL	1.9	3.7

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 an extra pension according to the pension rules when they retire at the age of 62.

AVERAGE PERSONNEL		
WHITE COLLARS	1,201	1,217
BLUE COLLARS	1,556	1,589
TOTAL	2,756	2,806

4. DEPRECIATION AND IMPAIRMENT CHARGES		
DEPRECIATIONS ACCORDING TO PLAN		
INTANGIBLE RIGHTS	2.5	2.3
GOODWILL	0.1	0.0
OTHER CAPITALISED EXPENDITURE	0.4	0.5
BUILDINGS	4.6	4.5
MACHINERY AND EQUIPMENT	18.2	19.3
OTHER TANGIBLE ASSETS	0.4	0.7
DEPRECIATIONS ACCORDING TO PLAN, TOTAL	26.1	27.3
CHANGE IN ACCUMULATED DEPRECIATION DIFFERENCE	-3.3	0.2
TOTAL DEPRECIATION	22.8	27.5

EUR MILLION	2012	2011
5. OTHER OPERATING EXPENSES		
PRINCIPAL AUDITORS FEES	KPMG	PWC
AUDIT FEES	0.1	0.3
TAX CONSULTING FEES	0.0	0.0
OTHER FEES	0.0	0.0
TOTAL	0.1	0.4

The principal auditor in 2012 was KPMG Oy Ab and in 2011 PricewaterhouseCoopers Oy.

6. FINANCIAL INCOME AND EXPENSES		
INCOME FROM NON-CURRENT INVESTMENTS		
DIVIDEND INCOME		
FROM GROUP COMPANIES	69.7	96.5
FROM ASSOCIATED COMPANIES	4.2	4.1
FROM OTHERS	0.0	0.0
TOTAL	73.9	100.7
INTEREST INCOME		
FROM GROUP COMPANIES	12.6	12.2
TOTAL	12.6	12.2
INCOME FROM NON-CURRENT INVESTMENTS	86.5	112.8
OTHER INTEREST AND FINANCIAL INCOME		
INTEREST INCOME FROM GROUP COMPANIES	1.4	1.0
INTEREST INCOME FROM ASSOCIATED COMPANIES	0.0	0.0
OTHER INTEREST INCOME	0.5	0.4
TOTAL	1.9	1.4
EXCHANGE DIFFERENCIES	-3.7	-2.6
WRITE-DOWNS OF NON-CURRENT INVESTMENTS	-35.4	-31.2
INTEREST AND FINANCIAL EXPENSES		
INTEREST EXPENSES PAID TO GROUP COMPANIES	-2.6	-3.7
OTHER INTEREST EXPENSES	-26.8	-25.3
OTHER FINANCIAL EXPENSES	-4.2	-3.5
TOTAL	-33.6	-32.5
TOTAL FINANCIAL INCOME AND EXPENSES	15.6	47.9

Write-downs of non-current investments include in 2012 write-downs of book values of EUR 35.4 million (31.2) of Wood Products Industry's foreign subsidiaries.



EUR MILLION	2012	2011
NET EXCHANGE GAINS/LOSSES		
7. IN INCOME STATEMENT		
GAINS/LOSSES ON SALES	0.1	0.2
GAINS/LOSSES ON PURCHASES	0.0	-0.1
GAINS/LOSSES ON FINANCING	-3.7	-2.7
TOTAL	-3.7	-2.6
8. EXTRAORDINARY ITEMS		
EXTRAORDINARY INCOME		
GROUP CONTRIBUTIONS RECEIVED	0.0	1.2
TOTAL	0.0	1.2
9. INCOME TAXES		
TAXES FOR THE PERIOD	0.0	0.0
TAXES FOR PREVIOUS PERIODS	0.0	0.0
TOTAL	0.0	0.0
10. INTANGIBLE AND TANGIBLE ASSETS		
INTANGIBLE ASSETS		
ACQUISITION COST, 1 JAN.	45.2	44.1
INCREASES	2.4	0.7
DECREASES	-1.3	-1.1
TRANSFERS BETWEEN ITEMS	2.1	1.5
ACQUISITION COST, 31 DEC.	48.4	45.2
ACCUMULATED DEPRECIATION, 1 JAN.	-39.4	-38.2
ACCUMULATED DEPRECIATION ON DECREASES AND TRANSFERS	1.3	1.1
DEPRECIATION FOR THE PERIOD	-2.5	-2.3
ACCUMULATED DEPRECIATION, 31 DEC.	-40.6	-39.4
BOOK VALUE, 31 DEC.	7.8	5.8
ACCUMULATED DEPRECIATION DIFFERENCE	0.4	0.5
GOODWILL		
ACQUISITION COST, 1 JAN.	1.1	0.0
INCREASES	0.0	1.1
DECREASES	0.0	0.0
TRANSFERS BETWEEN ITEMS	0.0	0.0
ACQUISITION COST, 31 DEC.	1.1	1.1
ACCUMULATED DEPRECIATION, 1 JAN.	0.0	0.0
ACCUMULATED DEPRECIATION ON DECREASES AND TRANSFERS	0.0	0.0
DEPRECIATION FOR THE PERIOD	-0.1	0.0
ACCUMULATED DEPRECIATION, 31 DEC.	-0.1	0.0
BOOK VALUE, 31 DEC.	1.0	1.1

EUR MILLION	2012	2011
OTHER CAPITALISED EXPENDITURE		
ACQUISITION COST, 1 JAN.	8.5	9.3
INCREASES	0.4	0.1
DECREASES	-0.1	-1.0
TRANSFERS BETWEEN ITEMS	0.1	0.2
ACQUISITION COST, 31 DEC.	8.9	8.5
ACCUMULATED DEPRECIATION, 1 JAN.	-6.9	-7.4
ACCUMULATED DEPRECIATION ON DECREASES AND TRANSFERS	0.1	1.0
DEPRECIATION FOR THE PERIOD	-0.4	-0.5
ACCUMULATED DEPRECIATION, 31 DEC.	-7.1	-6.9
BOOK VALUE, 31 DEC.	1.8	1.7
ACCUMULATED DEPRECIATION DIFFERENCE	0.2	0.2
CONSTRUCTION IN PROGRESS		
ACQUISITION COST, 1 JAN.	3.6	2.3
INCREASES	6.3	2.7
DECREASES	0.0	0.0
TRANSFERS BETWEEN ITEMS	-2.2	-1.5
ACQUISITION COST, 31 DEC.	7.7	3.6
INTANGIBLE ASSETS TOTAL		
ACQUISITION COST, 1 JAN.	58.4	55.8
INCREASES	9.1	4.5
DECREASES	-1.5	-2.1
TRANSFERS BETWEEN ITEMS	0.0	0.3
ACQUISITION COST, 31 DEC.	66.0	58.4
ACCUMULATED DEPRECIATION, 1 JAN.	-46.3	-45.5
ACCUMULATED DEPRECIATION ON DECREASES AND TRANSFERS	1.4	2.1
DEPRECIATION FOR THE PERIOD	-3.0	-2.8
ACCUMULATED DEPRECIATION, 31 DEC.	-47.8	-46.3
BOOK VALUE, 31 DEC.	18.2	12.2
ACCUMULATED DEPRECIATION DIFFERENCE	0.6	0.7
LAND AND WATER AREAS		
ACQUISITION COST, 1 JAN.	5.9	5.3
INCREASES	0.0	0.3
DECREASES	0.0	0.0
TRANSFERS BETWEEN ITEMS	0.0	0.3
ACQUISITION COST, 31 DEC.	5.9	5.9
ACCUMULATED DEPRECIATION, 1 JAN.	-0.6	-0.6
ACCUMULATED DEPRECIATION ON DECREASES AND TRANSFERS	0.0	0.0
DEPRECIATION FOR THE PERIOD	0.0	0.0
ACCUMULATED DEPRECIATION, 31 DEC.	-0.6	-0.6
BOOK VALUE, 31 DEC.	5.3	5.2

EUR MILLION	2012	2011
BUILDINGS		
ACQUISITION COST, 1 JAN.	120.8	122.1
INCREASES	9.8	0.7
DECREASES	-1.5	-3.0
TRANSFERS BETWEEN ITEMS	0.1	0.9
ACQUISITION COST, 31 DEC.	129.1	120.8
ACCUMULATED DEPRECIATION, 1 JAN.	-81.3	-79.8
ACCUMULATED DEPRECIATION ON DECREASES AND TRANSFERS	-2.2	2.9
DEPRECIATION FOR THE PERIOD	-4.6	-4.5
ACCUMULATED DEPRECIATION, 31 DEC.	-88.1	-81.3
BOOK VALUE, 31 DEC.	41.1	39.4
ACCUMULATED DEPRECIATION DIFFERENCE	-3.9	-2.8
MACHINERY AND EQUIPMENT		
ACQUISITION COST, 1 JAN.	395.4	400.0
INCREASES	41.3	10.9
DECREASES	-10.9	-19.0
TRANSFERS BETWEEN ITEMS	1.5	3.5
ACQUISITION COST, 31 DEC.	427.2	395.4
ACCUMULATED DEPRECIATION, 1 JAN.	-316.4	-313.5
ACCUMULATED DEPRECIATION ON DECREASES AND TRANSFERS	-8.6	16.5
DEPRECIATION FOR THE PERIOD	-18.2	-19.3
ACCUMULATED DEPRECIATION, 31 DEC.	-343.2	-316.4
BOOK VALUE, 31 DEC.	84.1	79.0
ACCUMULATED DEPRECIATION DIFFERENCE	15.5	17.5
OTHER TANGIBLE ASSETS		
ACQUISITION COST, 1 JAN.	18.2	18.0
INCREASES	0.1	0.1
DECREASES	0.0	0.0
TRANSFERS BETWEEN ITEMS	0.0	0.0
ACQUISITION COST, 31 DEC.	18.3	18.2
ACCUMULATED DEPRECIATION, 1 JAN.	-15.8	-15.2
ACCUMULATED DEPRECIATION ON DECREASES AND TRANSFERS	0.0	0.0
DEPRECIATION FOR THE PERIOD	-0.4	-0.7
ACCUMULATED DEPRECIATION, 31 DEC.	-16.2	-15.8
BOOK VALUE, 31 DEC.	2.1	2.3
ACCUMULATED DEPRECIATION DIFFERENCE	0.1	0.1
CONSTRUCTION IN PROGRESS		
ACQUISITION COST, 1 JAN.	3.9	8.2
INCREASES	13.7	0.7
DECREASES	0.0	0.0
TRANSFERS BETWEEN ITEMS	-1.6	-5.0
ACQUISITION COST, 31 DEC.	16.0	3.9

EUR MILLION	2012	2011
TANGIBLE ASSETS TOTAL		
ACQUISITION COST, 1 JAN.	544.1	553.6
INCREASES	64.9	12.8
DECREASES	-12.5	-22.0
TRANSFERS BETWEEN ITEMS	0.0	-0.3
ACQUISITION COST, 31 DEC.	596.6	544.1
ACCUMULATED DEPRECIATION, 1 JAN.	-414.2	-409.1
ACCUMULATED DEPRECIATION ON DECREASES AND TRANSFERS	-10.8	19.4
DEPRECIATION FOR THE PERIOD	-23.2	-24.5
ACCUMULATED DEPRECIATION, 31 DEC.	-448.1	-414.2
BOOK VALUE, 31 DEC.	148.5	129.9
ACCUMULATED DEPRECIATION DIFFERENCE	11.8	14.9
11. INVESTMENTS, SHARES		
SHARES IN GROUP COMPANIES		
ACQUISITION COST, 1 JAN.	1,658.6	1,667.7
INCREASES	192.0	22.4
DECREASES	-297.2	-31.6
TRANSFERS BETWEEN ITEMS	0.0	0.0
ACQUISITION COST, 31 DEC.	1,553.4	1,658.6
SHARES IN ASSOCIATED COMPANIES		
ACQUISITION COST, 1 JAN.	31.1	30.3
INCREASES	0.0	0.8
DECREASES	-4.6	0.0
TRANSFERS BETWEEN ITEMS	0.0	0.0
ACQUISITION COST, 31 DEC.	26.5	31.1
OTHER SHARES AND HOLDINGS		
ACQUISITION COST, 1 JAN.	2.2	2.2
INCREASES	0.0	0.0
DECREASES	-0.2	0.0
TRANSFERS BETWEEN ITEMS	0.0	0.0
ACQUISITION COST, 31 DEC.	2.1	2.2
INVESTMENTS, SHARES TOTAL		
ACQUISITION COST, 1 JAN.	1,691.8	1,700.2
INCREASES	192.0	23.2
DECREASES	-301.9	-31.6
TRANSFERS BETWEEN ITEMS	0.0	0.0
ACQUISITION COST, 31 DEC.	1,581.9	1,691.8



EUR MILLION	2012	2011
INVESTMENTS, RECEIVABLES		
RECEIVABLES FROM GROUP COMPANIES		
ACQUISITION COST, 1 JAN.	128.7	128.7
INCREASES	1.9	0.0
DECREASES	-128.7	0.0
ACQUISITION COST, 31 DEC.	1.9	128.7
OTHER RECEIVABLES		
ACQUISITION COST, 1 JAN.	0.0	3.1
INCREASES	0.0	0.0
DECREASES	0.0	-3.1
ACQUISITION COST, 31 DEC.	0.0	0.0
INVESTMENTS, RECEIVABLES TOTAL		
ACQUISITION COST, 1 JAN.	128.7	131.7
INCREASES	1.9	0.0
DECREASES	-128.7	-3.1
ACQUISITION COST, 31 DEC.	1.9	128.7
INVESTMENTS, RECEIVABLES		
CAPITAL LOANS	1.9	0.0
OTHER LOAN RECEIVABLES	0.0	128.7
TOTAL	1.9	128.7
12. FAIR VALUES OF FINANCIAL INVESTMENT IN NON-CURRENT ASSETS		
STOCK EXCHANGE LISTED SHARES		
BOOK VALUE	526.1	521.3
FAIR VALUE	293.2	177.1
DIFFERENCE	233.0	344.2

Of the difference between the book value and the fair value, EUR 233.0 million derives from the Metsä Board shares. The view of Metsäliitto is that the cash flow generated will exceed the book value of the shares in the future.

EUR MILLION	2012	2011
13. RECEIVABLES		
NON-CURRENT RECEIVABLES		
LOAN RECEIVABLES	19.0	20.8
OTHER RECEIVABLES	0.1	0.0
TOTAL	19.1	20.8
CURRENT RECEIVABLES		
RECEIVABLES FROM GROUP COMPANIES		
ACCOUNTS RECEIVABLES	80.4	83.4
LOAN RECEIVABLES	339.3	14.5
PREPAYMENT AND ACCRUED INCOME	14.8	14.1
TOTAL	434.5	112.1
RECEIVABLES FROM ASSOCIATED COMPANIES		
ACCOUNTS RECEIVABLES	0.9	0.2
LOAN RECEIVABLES	0.1	0.0
TOTAL	1.0	0.2
RECEIVABLES FROM OTHERS		
ACCOUNTS RECEIVABLES	64.9	57.6
LOAN RECEIVABLES	0.4	0.5
OTHER RECEIVABLES	5.5	12.4
PREPAYMENT AND ACCRUED INCOME	6.9	5.9
TOTAL	77.7	76.3
RECEIVABLES TOTAL	532.4	209.3
PREPAYMENT AND ACCRUED INCOME, CURRENT		
INTEREST	0.1	0.0
INSURANCES	0.5	0.4
OTHERS	6.3	5.5
TOTAL	6.9	5.9

Loan receivables include a non-current receivable of EUR 16.4 million (15.9) 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. Metsäliitto estimates that the shares owned by Metsäliitto Management Oy will in future generate a cash flow to manage the obligation.

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.

EUR MILLION	2012	2011
14. MEMBERS' FUNDS		
MEMBERS' CAPITAL, 1 JAN.	198.3	194.5
PARTICIPATION SHARES	4.1	5.1
TRANSFERRED FROM INTEREST	1.8	2.0
REFUND OF PARTICIPATION SHARES	-3.6	-3.2
*) MEMBERS' CAPITAL, 31 DEC.	200.7	198.3
ADDITIONAL MEMBERS' CAPITAL A, 1 JAN.	486.9	463.2
INCREASE IN ADDITIONAL MEMBERS' CAPITAL	22.4	15.7
TRANSFERRED FROM INTEREST	22.7	20.2
REFUND OF ADDITIONAL MEMBERS' CAPITAL	-16.2	-12.2
**) ADDITIONAL MEMBERS' CAPITAL A, 31 DEC.	515.8	486.9
ADDITIONAL MEMBERS' CAPITAL B, 1 JAN.	61.8	47.5
INCREASE IN ADDITIONAL MEMBERS' CAPITAL	15.6	16.2
REFUND OF ADDITIONAL MEMBERS' CAPITAL	-1.4	-2.0
ADDITIONAL MEMBERS' CAPITAL B, 31 DEC.	75.9	61.8
ADDITIONAL MEMBERS' CAPITAL C, 1 JAN.	14.5	14.5
INCREASE IN ADDITIONAL MEMBERS' CAPITAL	0.0	0.0
REFUND OF ADDITIONAL MEMBERS' CAPITAL	-0.1	0.0
ADDITIONAL MEMBERS' CAPITAL C, 31 DEC.	14.4	14.5
GENERAL RESERVE I, 1 JAN.	3.9	3.9
GENERAL RESERVE I, 31 DEC.	3.9	3.9
GENERAL RESERVE II, 1 JAN.	52.9	51.5
TRANSFERRED FROM RETAINED EARNINGS	3.2	1.4
GENERAL RESERVE II, 31 DEC.	56.0	52.9
RETAINED EARNINGS, 1 JAN.	569.8	542.7
INTEREST PAID	-37.8	-35.4
TRANSFERRED TO GENERAL RESERVE II	-3.2	-1.4
SURPLUS FOR THE FINANCIAL PERIOD	113.9	63.8
RETAINED EARNINGS, 31 DEC.	642.7	569.8
TOTAL MEMBERS' FUNDS	1,509.6	1,388.1
*) UNPAID PARTICIPATION SHARES		
TOTAL CALLED-UP MEMBERS' CAPITAL	259.2	258.0
PARTICIPATION SHARES PAID	-200.7	-197.7
UNPAID PARTICIPATION SHARES	58.5	60.3
**) OF THE ADDITIONAL MEMBERS' CAPITAL EUR 28.7 MILLION IS DUE ON 1 JULY 2013.		

EUR MILLION	2012	2011
15. PROVISIONS		
UNEMPLOYMENT PENSION COSTS		
1 JAN.	1.8	1.4
INCREASES	1.0	0.6
DECREASES	-0.6	-0.2
31 DEC.	2.2	1.8
UNFUNDED PENSION COSTS		
1 JAN.	0.5	1.1
INCREASES	0.4	0.0
DECREASES	0.0	-0.7
31 DEC.	0.9	0.5
OTHER PROVISIONS		
1 JAN.	0.2	0.6
INCREASES	0.7	0.0
DECREASES	-0.1	-0.4
31 DEC.	0.7	0.2
PROVISIONS TOTAL		
1 JAN.	2.4	3.1
INCREASES	2.1	0.6
DECREASES	-0.8	-1.3
31 DEC.	3.8	2.4
16. LIABILITIES		
NON-CURRENT		
NON-INTEREST BEARING	5.6	4.0
INTEREST-BEARING	713.6	703.2
TOTAL	719.2	707.1
CURRENT		
NON-INTEREST BEARING	228.2	209.7
INTEREST-BEARING	44.5	26.2
TOTAL	272.6	235.9

17. NON-CURRENT DEBTS WITH AMORTISATION PLAN

EUR MILLION	LIABILITIES TO GROUP COMPANIES	BONDS	LOANS FROM FINANCIAL INSTITUTIONS	PENSION LOANS	OTHER LIABILITIES	TOTAL
2013	0.0	0.0	34.7	9.5	0.0	44.2
2014	0.0	0.0	240.5	0.0	0.0	240.5
2015	0.0	0.0	159.1	0.0	0.0	159.1
2016	0.0	0.0	34.1	65.0	0.0	99.1
2017	0.0	174.7	29.3	0.0	0.0	204.0
2018–	0.0	0.0	10.9	0.0	0.0	10.9
TOTAL	0.0	174.7	508.6	74.5	0.0	757.8



18. CURRENT LIABILITIES

LOANS FROM FINANCIAL INSTITUTIONS	35.0	17.9
PENSION LOANS	9.5	8.0
ADVANCE PAYMENTS	3.4	6.4
ACCOUNT PAYABLES	57.7	33.8
LIABILITIES TO GROUP COMPANIES		
ADVANCE PAYMENTS	36.4	53.5
ACCOUNTS PAYABLE	8.7	4.1
OTHER LIABILITIES	0.0	0.3
ACCRUALS AND DEFERRED INCOME	0.0	4.1
LIABILITIES TO ASSOCIATED COMPANIES		
ACCOUNTS PAYABLE	1.2	1.4
LIABILITIES TO OTHERS		
OTHER LIABILITIES	16.6	17.9
ACCRUALS AND DEFERRED INCOME	104.2	88.4
TOTAL CURRENT LIABILITIES	272.6	235.9

19. ACCRUALS AND DEFERRED INCOME

CURRENT		
INTEREST	4.4	5.2
PENSION INSURANCE PREMIUM	2.0	2.1
PERIODISATIONS OF EMPLOYEE COSTS	24.9	23.2
PERIODISATIONS OF PURCHASES	59.3	47.1
OTHERS	13.5	10.9
TOTAL	104.2	88.4

20. COMMITMENTS AND CONTINGENCIES

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 is aware of and that were directed at Metsäliitto and the other aforementioned companies jointly is approximately EUR 236 million, of which amount approximately EUR 87 million is alternatively directed at Metsäliitto alone. In addition, the aforementioned proceedings are associated with interest and value added tax claims. Metsäliitto's view is that the claims for damages are unfounded, and the company has not recognised any provisions regarding them.

UPM-Kymmene Corporation launched arbitration proceedings in November 2012, whereby it claims jointly from Metsäliitto Cooperative and Metsä Board primarily EUR 58.5 million in damages, and secondarily the return of a EUR 58.5 million claimed unjust enrichment. The claims are based on an alleged breach of the tag-along clause specified in Metsä Fibre's shareholders' agreement signed in 2009. Metsäliitto considers the claim unfounded and has not booked provisions related to the claim.

In the last 12 months, there has been no other governmental, legal or arbitration proceedings that might have substantially influenced or would substantially influence Metsäliitto's financial position. Metsäliitto has no knowledge of any such pending proceedings or trials.

EUR MILLION	2012	2011
FOR OWN LIABILITIES		
LIABILITIES SECURED BY PLEDGES		
LOANS FROM FINANCIAL INSTITUTIONS	260.0	260.0
PENSION LOANS	65.0	65.0
PLEDGES GRANTED	292.8	278.6
ON BEHALF OF GROUP COMPANIES		
PLEDGES	13.4	13.4
GUARANTEE LIABILITIES	12.0	20.2
ON BEHALF OF OTHERS		
GUARANTEE LIABILITIES	2.2	2.2
OTHER OWN LIABILITIES		
OTHER LIABILITIES	30.0	50.0
LEASING LIABILITIES		
FOR THE NEXT 12 MONTHS	8.2	7.2
FOR SUBSEQUENT YEARS	21.7	29.0
TOTAL		
PLEDGES	306.1	292.0
GUARANTEE LIABILITIES	14.2	22.5
OTHER LIABILITIES	30.0	50.0
LEASING LIABILITIES	29.9	36.2
TOTAL	380.2	400.6

EUR MILLION

	GROSS AMOUNT 2012	GOING VALUE	GROSS AMOUNT 2011	GOING VALUE
LIABILITIES DUE TO OPEN DERIVATIVE CONTRACTS				
INTEREST DERIVATIVES				
INTEREST RATE SWAPS	435.0	-11.4	185.0	-7.8
CURRENCY DERIVATIVES				
FORWARD AGREEMENTS	119.5	0.8	128.7	-3.8
OPTION AGREEMENTS	2.5	0.0	0.0	0.0
DERIVATIVES TOTAL	556.9	-10.6	313.7	-11.7

EUR MILLION	2012	2011
21. ENVIRONMENTAL ITEMS		
EMPLOYEE COSTS		
WAGES AND FEES	0.7	0.5
OTHER EMPLOYEE COSTS	0.3	0.3
DEPRECIATION	0.4	0.5
OTHER OPERATING EXPENSES	1.4	1.2
TOTAL	2.9	2.5
TANGIBLE ASSETS		
ACQUISITION COSTS 1 JAN.	6.1	4.9
INCREASES	0.3	1.1
DECREASES	-1.7	0.0
ACCUMULATED DEPRECIATION	-3.1	-4.3
BOOK VALUE 31 DEC.	1.6	1.8
PROVISIONS		
ENVIRONMENTAL OBLIGATIONS	0.1	0.1

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.



PARENT COMPANY SHARES AT 31 DECEMBER 2012

SUBSIDIARIES	COUNTRY	PARENT COMPANY'S HOLDING, %	GROUP'S HOLDING, %	NUMBER OF SHARES	BOOK VALUE, 1,000 EUR
ASUNTO OY TAPIOLAN JALAVA	FINLAND	48.98			872
ASUNTO OY TAPIOLAN PYÖKKI	FINLAND	48.98			872
ASUNTO OY TAPIOLAN SAARNI	FINLAND	48.98			872
ASUNTO OY TAPIOLAN TAMMI	FINLAND	48.98			872
BURT BOULTON AND HAYWOOD LTD	GREAT BRITAIN	100.00			2,350
FINANCIÈRE FINNFOREST S.A.S.	FRANCE	100.00		405,000	4,600
FINNFOREST POLSKA SP.Z.O.O.	POLAND	100.00			0
FINNFOREST SLOVENSKO S.R.O.	SLOVAKIA	100.00			0
FINNFOREST UK HOLDINGS LTD	GREAT BRITAIN	100.00		43,200,000	53,458
FINNFOREST ÖSTERREICH GESMBH	AUSTRIA	100.00			0
KIINTEISTÖ OY METSÄTAPIOLA	FINLAND	48.98		30,432	15,018
KIINTEISTÖ OY METSÄTAPIOLAN PYSÄKÖINTI	FINLAND	48.92		159	118
KIINTEISTÖ OY TAPIOLAN JALOPUUPYSÄKÖINTI	FINLAND	48.98			243
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	40.28	42.49	132,173,295	526,139
METSÄ FIBRE OY	FINLAND	50.20	60.78	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 FINANCIAL SERVICES OY	FINLAND	49.00	70.67	24,500	4,944
METSÄ GROUP SERVICES SP.Z.O.O.	POLAND	100.00		100	1,442
METSÄ TISSUE OYJ	FINLAND	76.62		6,986,571	156,548
METSÄ WOOD CZ S.R.O.	CSECH REPUBLIC	100.00			5,000
METSÄ WOOD DEUTSCHLAND GMBH	GERMANY	100.00			35,821
METSÄ WOOD EESTI AS	ESTONIA	100.00		100,000	651
METSÄ WOOD HOLDINGS OY	FINLAND	100.00		1,000	9
METSÄ WOOD HOLLAND B.V.	THE NETHERLANDS	100.00			643
METSÄ WOOD HUNGARY KFT.	HUNGARY	100.00			1,056
METSÄ WOOD IBÉRICA S.L.U.	SPAIN	50.00	100.00	250	446
METSÄ WOOD SCHWEIZ AG	SWITZERLAND	100.00		200	750
METSÄ WOOD USA INC.	USA	100.00		500,000	316
METSÄLIITTO FRANCE S.A.	FRANCE	100.00		100,000	100
MITTAPORTTI OY	FINLAND	33.33	53.61	1,000	8
OOO FINNFOREST PETERSBURG	RUSSIA	100.00		3	0
OOO METSA FOREST PODPOROZHYE	RUSSIA	100.00			4,579
OOO METSA FOREST ST. PETERSBURG	RUSSIA	100.00		100	981
ÄÄNEVOIMA OY	FINLAND	20.00	39.12	2,000,000	2,000
SHARES IN GROUP COMPANIES					1,553,373

*) Holding 61.01% by number of votes, yhe Group's total holding 61.72%

ASSOCIATED COMPANIES	COUNTRY	PARENT COMPANY'S HOLDING, %	GROUP'S HOLDING, %	NUMBER OF SHARES	BOOK VALUE, 1,000 EUR
FINSILVA OYJ	FINLAND	49.90		48,128,550	14,439
HARTOLAN KUNINGASLÄMPÖ OY	FINLAND	50.00		300	76
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
PUNKAVOIMA OY	FINLAND	34.67		9,292	929
SUOMEN METSÄSIJOITUS OY	FINLAND	25.00		7,500	4,011
ZAO HC VOLOGODSKIYE LESOPROMYSHLENNIKI	RUSSIA	44.19			6,164
INVESTMENTS IN ASSOCIATED COMPANIES					26,485

OTHER SHARES AND HOLDINGS	COUNTRY	PARENT COMPANY'S HOLDING, %	GROUP'S HOLDING, %	NUMBER OF SHARES	BOOK VALUE, 1,000 EUR
FINNFOREST NIPPON	JAPAN	10.00		20	120
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					1,373
GOLF SHARES					194
SHARES AND HOLDINGS IN TELEPHONE COMPANIES					31
OTHER SHARES AND HOLDINGS					36
OTHER SHARES AND HOLDINGS					2,031



STATEMENT BY THE SUPERVISORY BOARD

The Supervisory Board has examined the financial statements of Metsäliitto Cooperative and the Metsä Group consolidated financial statements for 2012 prepared in accordance with International Financial Reporting Standards, and has approved them for submission to the Auditors and to the Annual General Meeting. As the additional members' capital C was converted to additional members' capital B according to the subscription terms after the date of the Board of Directors' proposal, the Supervisory Board's proposal for the distribution of the surplus 2012 differs from the proposal of the Board of Directors:

PROPOSAL FOR THE DISTRIBUTION OF THE SURPLUS 2012

EUR

AT THE DISPOSAL OF THE REPRESENTATIVE COUNCIL		
SURPLUS OF THE PERIOD		113,942,303.24
RETAINED EARNINGS FROM PREVIOUS YEARS		528,801,622.16
TOTAL		642,743,925.40
THE SUPERVISORY BOARD PROPOSES,		
UNDER SECTION 13, A TRANSFER TO GENERAL RESERVE II OF	5,697,115.16	
IN ADDITIONAL	4.84	5,697,120.00
AN INTEREST OF		
5.5% BE DISTRIBUTED ON PAID-IN MEMBERS' CAPITAL	10,963,644.53	
5.0% BE DISTRIBUTED ON PAID-IN ADDITIONAL MEMBERS' CAPITAL A	25,065,166.70	
4.5% BE DISTRIBUTED ON PAID-IN ADDITIONAL MEMBERS' CAPITAL B *)	3,655,609.50	39,684,420.73
TO BE RETAINED ON THE SURPLUS AND DEFICIT ACCOUNT		597,362,384.67
TOTAL		642,743,925.40

*) including the interest on additional members' capital C

IF THE REPRESENTATIVE COUNCIL APPROVES THE ABOVE PROPOSAL, THE MEMBERS' FUNDS WILL BE		
MEMBERS' CAPITAL		200,709,452.91
ADDITIONAL MEMBERS' CAPITAL A		515,780,505.98
ADDITIONAL MEMBERS' CAPITAL B		90,357,415.43
GENERAL RESERVE I		3,939,904.28
GENERAL RESERVE II		61,739,550.00
SURPLUS AND DEFICIT ACCOUNT		597,362,384.67
MEMBERS' FUNDS TOTAL		1,469,889,213.27

The terms of the following members are due to expire: Ilkka Juusela, Antti Jäärni, Petri Kuutti, Timo Kässi, Jukka Lappalainen, Jussi Linnaranta, Mårten Malmström, Antti-Jussi Mikkola, Mikko Tolonen and Jukka Vanhatalo.

Espoo, 25 March 2013

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, 2012. 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, 25 March 2013

KPMG Oy Ab

Raija-Leena Hankonen
Authorised Public Accountant



QUARTERLY DATA

EUR MILLION		YEARLY				QUARTERLY				
INCOME STATEMENT	2012	2011	IV/2012	III/2012	II/2012	I/2012	IV/2011	III/2011	II/2011	I/2011
SALES BY SEGMENTS										
WOOD SUPPLY	1,515.4	1,476.2	375.6	350.8	384.9	404.1	355.0	351.7	393.4	376.1
WOOD PRODUCTS INDUSTRY	904.2	939.3	216.0	217.0	249.4	221.8	219.7	217.8	264.1	237.7
PULP INDUSTRY	1,273.9	1,301.3	321.4	326.6	300.4	325.5	290.4	332.4	338.6	339.8
PAPERBOARD AND PAPER INDUSTRY	2,107.6	2,485.3	508.5	532.2	522.3	544.6	524.4	615.7	660.4	684.9
TISSUE AND COOKING PAPERS	981.5	971.5	254.1	248.5	235.4	243.5	246.3	246.7	237.2	241.3
OTHER OPERATIONS	3.3	3.1	0.6	1.0	0.8	0.9	0.6	0.8	0.9	0.9
ELIMINATIONS	-1,784.9	-1,830.9	-448.1	-434.0	-446.2	-456.5	-413.6	-448.5	-491.5	-477.3
SALES TOTAL	5,001.0	5,345.8	1,228.0	1,242.2	1,246.9	1,284.0	1,222.7	1,316.7	1,403.1	1,403.4
OPERATING RESULT BY SEGMENTS										
WOOD SUPPLY	20.2	24.5	7.0	1.9	5.3	6.0	6.7	3.3	7.0	7.5
WOOD PRODUCTS INDUSTRY	16.6	2.9	1.1	-0.8	12.1	4.2	-9.3	-1.3	8.4	5.2
PULP INDUSTRY	150.4	262.6	30.7	40.3	34.6	44.8	20.2	61.9	85.0	95.7
PAPERBOARD AND PAPER INDUSTRY	219.8	-214.1	40.4	22.6	161.1	-4.4	-215.3	-12.4	-32.8	46.4
TISSUE AND COOKING PAPERS	32.8	20.3	5.8	10.9	6.6	9.5	3.7	6.7	3.3	6.5
OTHER OPERATIONS	67.7	-4.2	-4.1	-5.2	78.7	-1.7	-2.3	2.0	-2.1	-1.8
ELIMINATIONS	-270.0	-62.8	-4.0	-14.0	-237.5	-14.6	-4.0	-15.6	-17.2	-26.1
OPERATING RESULT TOTAL	237.5	29.2	77.0	55.7	61.0	43.8	-200.1	44.5	51.5	133.4
- " -, EXCLUDING NON-RECURRING ITEMS	251.7	314.5	70.8	66.6	62.6	51.7	3.1	62.7	118.7	130.0
- " -, % OF SALES	5.0	5.9	5.8	5.4	5.0	4.0	0.2	4.8	8.5	9.3
SHARE OF RESULT IN ASSOCIATED COMPANIES	4.8	4.2	-0.3	1.1	4.9	-1.0	-1.1	2.4	2.7	0.1
NET EXCHANGE GAINS/LOSSES	2.4	2.3	1.1	1.7	-1.7	1.3	0.5	1.4	1.2	-0.7
FINANCIAL INCOME AND EXPENSES	-110.2	-133.4	-28.8	-34.0	-13.3	-34.1	-27.3	-31.0	-31.5	-43.6
RESULT BEFORE TAX	134.5	-97.7	48.9	24.6	50.9	10.1	-228.0	17.3	23.9	89.1
INCOME TAXES	-31.8	-58.9	2.1	-8.6	-16.8	-8.5	21.7	-20.9	-33.3	-26.5
RESULT FOR THE PERIOD	102.6	-156.6	51.0	16.0	34.1	1.6	-206.2	-3.6	-9.4	62.7
OPERATING RESULT EXCLUDING NON-RECURRING ITEMS										
WOOD SUPPLY	20.2	24.5	7.0	1.9	5.3	6.0	6.7	3.3	7.0	7.5
WOOD PRODUCTS INDUSTRY	18.9	11.9	2.1	0.5	12.1	4.2	0.1	-1.5	8.1	5.2
PULP INDUSTRY	148.1	266.6	30.7	40.3	34.6	42.5	20.2	61.9	89.0	95.7
PAPERBOARD AND PAPER INDUSTRY	73.6	59.4	24.6	24.7	19.0	5.3	-21.1	5.9	31.6	43.1
TISSUE AND COOKING PAPERS	39.6	20.3	12.6	11.0	6.6	9.5	3.7	6.7	3.3	6.5
OTHER OPERATIONS	-5.9	-4.2	-3.7	1.7	-2.2	-1.7	-2.3	2.0	-2.1	-1.8
ELIMINATIONS	-42.7	-64.0	-2.5	-13.4	-12.8	-14.0	-4.3	-15.6	-18.1	-26.1
TOTAL	251.7	314.5	70.8	66.6	62.6	51.7	3.1	62.7	118.7	130.0
KEY RATIOS										
EQUITY RATIO, %	35.4	28.3	35.4	34.4	33.8	28.5	28.3	31.0	30.9	30.4
NET GEARING RATIO, %	84	131	84	89	94	132	131	113	121	112
INTEREST-BEARING NET LIABILITIES, EUR MILL.	1,590	1,953	1,590	1,648	1,705	1,993	1,953	1,895	2,051	1,933
RETURN ON CAPITAL EMPLOYED, %	6.6	1.1	7.9	5.9	7.1	4.7	-20.6	4.9	5.5	13.2
- " -, EXCL. NON-RECURRING ITEMS	7.0	8.5	7.3	7.0	7.3	5.5	0.7	6.7	12.5	12.8
RETURN ON EQUITY, %	6.1	-9.9	10.9	3.5	8.2	0.4	-51.9	-0.9	-2.2	14.7
- " -, EXCL. NON-RECURRING ITEMS	6.9	8.6	9.6	5.9	8.6	2.5	0.1	3.4	14.5	13.9

FIVE YEARS IN FIGURES

EUR MILLION	2012	2011	2010	2009	2008
SALES	5,001	5,346	5,377	4,837	6,434
OPERATING RESULT	237	29	497	-169	2
- " -, EXCLUDING NON-RECURRING ITEMS	252	314	547	-75	45
RESULT BEFORE TAX	134	-98	345	-329	-233
RESULT FOR THE PERIOD	103	-157	214	-342	-511
NON-CURRENT ASSETS	3,354	3,410	3,534	3,697	4,252
INVENTORIES	725	781	798	669	943
OTHER CURRENT ASSETS	1,258	1,107	1,340	1,364	1,704
TOTAL ASSETS	5,337	5,298	5,672	5,730	6,899
MEMBERS' FUNDS	1,388	1,135	1,154	927	1,104
NON-CONTROLLING INTEREST	500	360	524	471	682
NON-CURRENT LIABILITIES	1,667	2,417	2,534	2,689	3,449
CURRENT LIABILITIES	1,782	1,386	1,460	1,643	1,664
TOTAL MEMBERS' FUNDS AND LIABILITIES	5,337	5,298	5,672	5,730	6,899
RETURN ON CAPITAL EMPLOYED, %	6.6	1.1	11.8	-3.3	0.5
- " -, EXCLUDING NON-RECURRING ITEMS	7.0	8.5	13.4	-1.4	1.3
RETURN ON EQUITY, %	6.1	-9.9	13.9	-20.0	-8.4
- " -, EXCLUDING NON-RECURRING ITEMS	6.9	8.6	18.2	-13.4	-6.4
EQUITY RATIO, %	35.4	28.3	29.7	24.5	26.0
NET GEARING RATIO, %	84	131	116	157	149
GEARING RATIO, %	112	153	143	199	198
INTEREST-BEARING LIABILITIES	2,119	2,293	2,398	2,778	3,545
INTEREST-BEARING FINANCIAL ASSETS	529	339	459	575	879
INTEREST-BEARING NET LIABILITIES	1,590	1,953	1,939	2,203	2,666
INVESTMENTS IN TANGIBLE ASSETS	204	227	138	152	268
-" -, % OF SALES	4.1	4.2	2.6	3.1	4.2
PERSONNEL, AVERAGE *)	11,986	13,046	13,168	14,534	17,538
PERSONNEL, AT THE END OF YEAR	11,447	12,525	12,820	13,592	16,729
- OF WHOM IN FINLAND	5,414	5,660	5,734	5,575	6,889

*) The number of personnel is presented as FTE (Full Time Equivalent) but as NOE (Number of Employees) in 2008.

CALCULATION OF KEY RATIOS

RETURN ON CAPITAL EMPLOYED (%) ROCE	=	$\frac{\text{RESULT FROM CONTINUING OPERATIONS BEFORE TAX + INTEREST EXPENSES, NET EXCHANGE GAINS/LOSSES AND OTHER FINANCIAL EXPENSES}}{\text{BALANCE TOTAL - NON-INTEREST-BEARING LIABILITIES (AVERAGE)}}$
RETURN ON EQUITY (%)	=	$\frac{\text{RESULT BEFORE TAX - INCOME TAXES}}{\text{MEMBERS' FUNDS + NON-CONTROLLING INTEREST (AVERAGE)}}$
EQUITY RATIO (%)	=	$\frac{\text{MEMBERS' FUNDS + NON-CONTROLLING INTEREST}}{\text{TOTAL ASSETS - ADVANCE PAYMENTS RECEIVED}}$
NET GEARING RATIO (%)	=	$\frac{\text{INTEREST-BEARING NET LIABILITIES}}{\text{MEMBERS' FUNDS + NON-CONTROLLING INTEREST}}$
GEARING RATIO (%)	=	$\frac{\text{INTEREST-BEARING LIABILITIES}}{\text{MEMBERS' FUNDS + NON-CONTROLLING INTEREST}}$
INTEREST-BEARING NET LIABILITIES	=	INTEREST-BEARING LIABILITIES - LIQUID FUNDS - INTEREST-BEARING RECEIVABLES



CORPORATE GOVERNANCE STATEMENT

This statement about Metsä Group's Corporate Governance has been given as a separate report in accordance with the Finnish Securities Market Act, Chapter 7, Section 7 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. Metsäliitto Cooperative is in this account referred to when a matter is being discussed from the parent company's point of view. 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.cgfinland.fi) with regard to structure and content. However, 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

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 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 summons 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 CEO/President and CEO from liability, and
- 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 so that as many representatives are selected from each district as the list of voters for the district in question includes

Metsäliitto Cooperative members entitled to vote on 1 January of the election year divided by 2,300 or part thereof. The election districts are confirmed by the Supervisory Board, and basically 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 meeting shall also be arranged if demanded by at least 1/10 of the members. The Representative Council is summoned 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 has to 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 2/3 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 128 of the Annual Report.

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, twice the number of the representatives elected from the District's area, however, at least five (5), in the order of the personal number of votes. 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 monitor 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 of Metsä Group unless otherwise decided by the Supervisory Board,
- gives the Board of Directors instructions in far-reaching matters and matters of importance in principle, and
- 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 competent to make decisions 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 in elections the 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 the continuity of 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 129 of the Annual Report.

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 of 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 Supervisory Board 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 has elected the following persons to the nomination committee in its meeting on 3 May 2012: Ilkka Juusela,

Esko Kinnunen, Timo Kässi, Hannu Lassila, Timo Nikula and Erkki Vainionpää. Chairman Hannu Järvinen 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 2012, 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 2012. The Supervisory Board convened four (4) times, and the members' attendance rate was 96 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's and Metsä Group's operation and administration are appropriately arranged. The Board of Directors has composed a procedure for its operation 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 CEO/President and CEO and monitor 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 Directors immediately subordinate to the CEO and, if elected, the President and CEO
- deciding on how 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 competent to make decisions when more than half the members of the Board are present. When the votes are equal, the chairman's vote decides. Minutes shall be composed 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 and 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 commences at the beginning of the calendar year following the meeting of the Supervisory Board that elected him/her 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 he/she turns 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 the continuity of decision-making. In the past few years, particular attention has been paid to the composition of the Board of Directors and the versatility of its members' competence by the Supervisory Board's nomination committee.

In 2012, 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.

CVs of the members of the Board and their holdings in Metsä Group are presented on page 130 of the Annual Report.

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 inde-

pendent 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 acting management. The Audit Committee shall regularly report to the Board of Directors on its operations and observations. In 2012, 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, monitors their realisation. Furthermore, the committee reviews the 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 the financial period 2012, the Chairman of the Compensation Committee was Martti Asunta and 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 15 times during the financial period 2012 and the

members' attendance rate was 97 per cent. The Audit Committee convened four (4) times, and the members' attendance rate was 92 per cent. The Compensation Committee convened five (5) times, and the members' attendance rate was 100 per cent.

PRESIDENT AND CEO

Metsäliitto Cooperative has a CEO who also acts as the President and CEO 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 term of notice of the President and CEO is six (6) months, and his severance pay corresponds to 24 months' total salary.

The CV of the President and CEO and his holdings in Metsä Group are presented on pages 130 and 131 of the Annual Report.

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 to 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, 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 once a month, and additionally whenever necessary.

During the financial period 2012, the Executive Management Team comprised Kari Jordan, President and CEO, Hannu Anttila (Executive Vice President, Strategy), Mikko Helander (CEO of Metsä Board Corporation), Ilkka Hämälä (CEO of Metsä Fibre Oy), Mika Joukio (CEO of Metsä Tissue Corporation), Esa Kaikkonen (Executive Vice President, Metsä Wood), Juha Mäntylä (Executive Vice President, Metsä Forest) and Vesa-Pekka Takala (CFO).

CVs of the members of the Executive Management Team and their holdings in Metsä Group are presented on page 131 of the Annual Report.

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 Directors 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, 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, and
- the arrangement of adequate and suitable manual and IT systems to support operations.

PROACTIVE CONTROL

Proactive control includes the specification of 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 the specification of personnel responsibilities and authority, identifying high-risk assignment combinations, job descriptions, approval authority and deputy procedures.

SUBSEQUENT CONTROL

Subsequent control refers to control and check-up 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.



INTERNAL MONITORING OF THE 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 by the Metsä Group Executive Management Team meetings attended by the senior management of Metsä Group and of each business area, and by financial management team meetings attended by the Group CFO and Director of Finance and the CFO of each business area. 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 continuously specified 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 follow-up is carried out by the Group's financial administration according to the investment policy confirmed by the Board. After pre-approval, investments are taken to the management teams of the business areas within the framework of the annual investment plan. 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.

The core task of the internal audit is to evaluate the efficiency and appropriateness of Group functions' and units' internal auditing. Metsä Group's internal audit is described above in chapter "Definition of internal control and its objectives".

The internal audit unit acts 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 semi-annual 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 and ensures that the objectives set by the company 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 principles 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 of 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 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 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 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, and
- 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, corporate 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, and
- 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 Board's annual report.

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 (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 of 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 auditors 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 report on their 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 2012, Metsäliitto Cooperative's auditor for 2012 is KPMG Oy Ab, firm of authorised public accountants, with Raija-Leena Hankonen, APA, as main responsible auditor. Companies that belong to Metsä Group paid a total of EUR 1,246,000 in audit fees to the KPMG chain and a total of EUR 205,000 to other accounting firms in 2012. In addition, the KPMG chain was paid EUR 38,000 for services not related to the actual audit and other auditing firms were paid EUR 962,000.



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 has been published on Metsä Group's website on 27 March 2013. In accordance with the Group's practice the salary and remuneration report is updated two (2) times every calendar and always in March 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 a fixed monthly remuneration and a meeting fee. The other members only receive a meeting fee. 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 2012 decided to keep the remuneration of the Supervisory Board members unchanged in 2012. In 2012, 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 57,000 (EUR 56,600 in 2011) 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 2012. The Deputy Chairman was paid a total of EUR 22,800 (EUR 20,000 in 2011) in salaries and meeting fees. The other members were paid EUR 600 per meeting, totalling EUR 91,200 (EUR 80,300 in 2011). Members of the Supervisory Board were paid a total of EUR 171,000 (EUR 156,900 in 2011) in salaries and fees in 2012.

METSÄLIITTO COOPERATIVE'S BOARD OF DIRECTORS

Pursuant to the Supervisory Board's decision, each member of the Board of Directors is paid a fixed monthly remuneration and a meeting

fee. The meeting fee is also paid for committee meetings. The members are entitled to travel compensation according to Metsä Group's travel rules.

The meeting of the Supervisory Board decided in November 2011 to keep the remuneration of the members of the Board of Directors unchanged in 2012. In 2012, 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 85,440 in 2011) 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 2012. The other members were paid a total of EUR 343,800 (EUR 337,050 in 2011) in salaries and meeting fees. The President and CEO is not paid a salary or remuneration for acting in the Board of Directors. Members of the Board of Directors were paid a total of EUR 430,440 (EUR 422,490 in 2011) in salaries and fees in 2012.

REWARDING OF THE ACTING MANAGEMENT

The purpose of the reward system of 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 of the Group President and CEO and members of the Group's Executive Management Team employed by Metsäliitto Cooperative, and the principles of the profit pay system based on the preparation of the Compensation Committee. 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

The CEO's monthly salary with fringe benefits is EUR 84,241. The monthly salary includes housing, 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 six (6) months' salary.

The companies in Metsä Group paid the President and CEO a total of EUR 1,362,171 (EUR 2,813,700 in 2011) in salaries, fees and other benefits in 2012. The salary with fringe benefits paid by Metsäliitto Cooperative amounted to EUR 1,054,878 (EUR 1,027,766 in 2011), and the bonus and share reward to EUR 196,766 (EUR 1,674,522 in 2011) in 2012. The other Group companies paid the President and CEO a total of EUR 110,527 (EUR 111,412 in 2011) 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 a 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, between the amounts corresponding to the person's 0–6 months' wages. The criteria 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 members of the Executive Management Team (excluding the President and CEO) a total of EUR 2,904,262 (EUR 3,626,964 in 2011) in salaries and fees in 2012.

LONG-TERM INCENTIVES

SHARE OWNERSHIP SYSTEM FOR THE EXECUTIVE MANAGEMENT TEAM

A part of the members of the Metsä Group Executive Management Team have established a company named Metsäliitto Management Oy. Mika Joukio from the Group Executive Management Team is not a participant in Metsäliitto Management. Through the company, the management has invested EUR 3,850,000 of their own funds in Metsä Board Corporation's B shares. In addition, some of the investments of the company in Metsä Board's B shares have been financed by a loan granted by Metsäliitto Cooperative. The management themselves shoulder the ownership risk for the investment they make in the system. The purpose of the system is 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.

The loan granted by Metsäliitto Cooperative will be repaid in its entirety by 31 March 2014. If the validity of the system is continued one (1) year at a time in 2013, 2014, 2015 or 2016, the loan period will be extended correspondingly. Metsäliitto Management has the right to repay the loan prematurely at any time. Metsäliitto Management is obligated to repay the loan prematurely by selling the Metsä Board shares it holds if the stock exchange price of Metsä Board's B share exceeds a certain level defined in the system for an extended period of time.

The system will remain in force until the end of 2013 and beginning of 2014, at which time the intention is to dismantle the system in a manner to be decided later. The system will be extended one (1) year at a time if, in October–November 2013, 2014, 2015 or 2016, the stock exchange price of Metsä Board's B share is lower than the average price at which Metsäliitto Management acquired Metsä Board's B shares it owns. The assignment of Metsä Board's B shares owned by Metsäliitto Management is restricted during the validity of the system. As a rule, the ownership of members of the Executive Management in Metsäliitto Management will remain in force until the dismantling of the system. If a member of the Executive Management Team resigns before the dismantling of the system, he/she is repaid the funds invested, but not

any potential increase in value. If the system shows a loss, a resigning member of the Executive Management Team only receives a calculated share of the capital.

A total of 6,790,887 Metsä Board's B shares have been acquired through Metsäliitto Management, of which the President and CEO indirectly owns 1,763,867 shares and the other members of the Executive Management Team indirectly own 5,027,020 shares.

SHARE-BASED INCENTIVE SCHEME FOR EXECUTIVES

Share-based incentive scheme for 2011–2015:

The Board of Directors has accepted 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 on three (3) earning periods of three calendar years each for the achievement of the targets set for the periods' earning criteria. The earning periods are calendar years 2011–2013, 2012–2014 and 2013–2015. The first earning period which lasts three (3) years is from 2011 to 2013.

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. The shares cannot be transferred during a commitment period of two (2) years. The reward will not be paid if the person's employment has terminated before the payment of the reward. In addition, any rewards that have been paid must be returned if the person's employment is terminated as a result of the person being dismissed or giving notice within two (2) years of the end of an earning period. The possible reward from the earning period of 2011–2013 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 earning period equates in value the maximum of altogether approximately 4.7 million in Metsä Board's B shares including the share

payable in cash (including the rewards of Metsä Board's share-based incentive scheme).

Additional information on the share-based incentive scheme is given on pages 98–100 of the Annual Report.

MANAGEMENT PENSION ARRANGEMENTS

Members of the 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 management's share-based incentive systems.

PENSION ARRANGEMENTS OF THE PRESIDENT AND CEO

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. In 2012, the annual contribution of the President and CEO's benefit-based pension scheme was 76 per cent (77.5 per cent in 2011) 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/she is entitled to a paid-up policy.

MANAGEMENT PENSION ARRANGEMENTS

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.



METSÄLIITTO COOPERATIVE'S REPRESENTATIVE COUNCIL

Members of the Metsäliitto Cooperative elect a Representative Council from among the members every four years through mail elections. The Representative Council is the highest decision-making body.

AIKKINEN ILMARI	Farmer	Mynämäki	NIEMELÄ HENRY	Farmer	Lapua
ALATALO MATTI	Farmer	Soini	NYLUND MATS	Farmer	Pedersöre
EEVA TOIVO	Farmer	Kauhajoki	NYSSÖNEN 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. (For.)	Hämeenkyrö	RAININKO TUOMO	Farming and forestry entrepreneur	Jämijärvi
JUUTILAINEN JUKKA	Farming and forestry entrepreneur	Juva	RAITALA JUHA	Farmer	Loimaa
JUVONEN MATTI	Pensioner	Joensuu	RAUTIOLA ANTTI	Farmer	Oulainen
KALLUNKI HEIKKI	Physiotherapist	Kuusamo	RYYMIN 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	SIPOLA ATSO	Farmer	Oulu
KESKISARJA HANNU	Farmer	Nivala	SIRVIÖ ANTTI	Farming entrepreneur	Kemijärvi
KIVENMÄKI ARI	Agrologist, farmer	Kuortane	SNELLMAN VELI	M.Sc (For.)	Helsinki
KIVIRANTA ESKO	Farmer, senior lawyer	Sauvo	STORSJÖ BO	Farmer	Kristiinankaupunki
KOSKINEN JAAKKO	Farmer	Hamina	TIENHAARA ASKO	Farmer	Alajärvi
KUISMA JAAKKO	Agrologist	Urkala	TOLVANEN MATTI	Farmer, forestry technician	Varkaus
KUIVALAINEN KYÖSTI	Rural entrepreneur	Lieksa	TUOMINEN PASI	Rural manager, farmer	Eura
LAINENOJA JARI	Agronomist, farmer	Huittinen	TUPPI VELI-MATTI	Farmer, entrepreneur	Laihia
LAITINEN PIRKKO	Agrologist	Utajärvi	TURTIAINEN MATTI	Journalist, farmer	Kerimäki
LAMMINSALO ASKO	Rural entrepreneur	Rääkkylä	UOTILA KIRSI	Forestry entrepreneur	Helsinki
LAUTTIA PETRI	Farmer	Hämeenlinna	UUSITALO ILKKA	Farmer	Salo
LEVÄNEN PERTTI	Senior policeman	Pieksämäki	VAPANIEMI JUKKA-PEKKA	Forestry services entrepreneur	Nurmijärvi
LUNTTILA TOMMI	Farming and forestry entrepreneur	Äänekoski	WASBERG JOHAN	Forestry engineer	Mustasaari
LYÖMIÖ MATTI	Agrologist	Mäntyharju	WASSTRÖM ANDERS	Farming entrepreneur	Raasepori
LÄNGGÅRD THOMAS	Farmer	Maalahti	VUORELA ERKKI	Rural manager	Salla
MÖRRI TIINA	Forestry entrepreneur	Virrat	VUORENMAA HEINO	Forestry entrepreneur	Haapavesi
MURTO PENTTI	Agrologist	Tampere	VÄÄNÄNEN MARTTI	Farmer	Siilinjärvi
MÄKINEN PIRJO	Forestry entrepreneur	Petäjävesi	YLITALO MARTTI	Farmer	Ii
NEVAVUORI JARI	Development manager, farmer	Uusikaupunki	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.

CHAIRMAN					
HANNU JÄRVINEN	Agronomist	Janakkala			
DEBUTY CHAIRMAN					
JUHA PAAJANEN	Farmer	Punkaharju			
MEMBERS					
BJÖRKENHEIM JOHAN	Farmer	Isokyrö	LAPPALAINEN JUKKA	Farmer	Pielavesi
BRANDT MATS	Agrologist	Kokkola	LASSILA HANNU	Farmer	Veteli
EKMAN EERO	Rural secretary	Paimio	LINDQVIST HANS-ERI	M.Sc. (For.), town manager	Närpiö
HATVA TEUVO	Forestry entrepreneur	Kajaani	LINNARANTA JUSSI	Agronomist	Kuopio
HIRVONEN VILLE	Agrologist	Raakkylä	MALMSTRÖM MARTEN	Farmer	Espoo
HONGISTO ARTO	Farmer	Liminka	MIKKOLA ANTTI-JUSSI	Farmer	Pälkäne
ISOTALO ANTTI	Farmer	Kauhava	NIKULA TIMO	Agrologist	Laitila
JUNTTILA RISTO	Executive manager	Kemijärvi	PALJOJARVI MARTTI	Farmer	Vihti
JUUSELA ILKKA	Talousneuvos (Finnish honorary title)	Sastamala	RUUTH MAURI	Agrologist	Mikkeli
JÄÄRNI ANTTI	Farmer	Simo	SIPONEN AHTI TAPANI	Bank manager	Kiuruvesi
KINNUNEN ESKO	Farmer	Pieksämäki	TOLONEN MIKKO	Farmer	Suomussalmi
KULMALA AIRI	Project coordinator, farmer	Nousiainen	VAINIONPÄÄ ERKKI	Farmer	Töysä
KUUTTI PETRI	Farmer	Kouvola	VANHATALO JUKKA	Farmer	Siikainen
KÄSSI TIMO	Agrologist	Uurainen	ÄIJÖ MATTI	Forestry engineer	Ikaalinen
PERSONNEL REPRESENTATIVES					
HYVÖNEN JARI	Mill measurer	Keuruu			
KESKINEN MATTI	Purchasing supervisor	Nastola			
KOLJONEN TIMO	System specialist	Espoo			
NURMI MIKKO	Project engineer	Kyrö			



METSÄLIITTO COOPERATIVE'S BOARD OF DIRECTORS 27 MARCH 2013



MARTTI ASUNTA

KARI JORDAN

MIKAEL AMINOFF

EINO HALONEN

ARTO HILTUNEN

SAINI JÄÄSKELÄINEN

JUHA PARPALA

TIMO SAUKKONEN

ANTTI TUKEVA

MARTTI ASUNTA

Born 1955

MSc (Forestry), Metsäneuvos
(Finnish honorary title)

Board member since 2005

Chairman of the Board since 2008

- Huoneistokeskus Oy, Branch Manager (2003–2005)
- Municipality of Kuru, Project Manager (2001–2003)
- Kiinteistötoimisto Martti Asunta LKV, entrepreneur (1995–)
- 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)
- Vice Chairman of the Board of Metsä Board Corporation (2008–)
- Member of the Board of Metsä Fibre Oy (2008–)
- Member of the Board of Metsä Tissue Corporation (2008–)
- Member of the Board of Pellervo-Seura ry (2008–), Chairman of the Board 2010–)

Participation in Metsäliitto Cooperative:
EUR 62,990.20

Shares in Metsä Board Corporation:
50,624 (B shares)

KARI JORDAN

Born 1956

MSc (Econ.), Vuorineuvos
(Finnish honorary title)

President and CEO, Metsä Group (2006–)
CEO, Metsäliitto Cooperative (2004–)
Member and Vice-Chairman of the Board since 2005

- Chairman of the Board of Directors of the Central Chamber of Commerce of Finland (2012–)
- Member of the Board of the Confederation of Finnish Industries EK (2005–), Vice Chairman (2013)
- Chairman of the Board of Finnish Forest Industries Federation and the Board's Working Committee (2009–2011), Vice Chairman of the Board and member of the Board's Working Committee (2005–2009), Board member (2012–)
- Chairman of the Board of Metsä Board Corporation (2005–)
- Chairman of the Board of Metsä Tissue Corporation (2004–)
- Member of the Board of Metsä Fibre Oy (2004–), Chairman (2006–)
- Varma Mutual Pension Insurance

Company, Deputy Chairman (2013–)

- Holds several positions of trust in foundations and non-profit associations.

Participation in Metsäliitto Cooperative:
EUR 520

Shares in Metsä Board Corporation: Direct holding 31 696 (B shares), indirect holding via Metsäliitto Management Oy 1,763,867 (B share), cf. Remuneration Statement page 126

MIKAEL AMINOFF

Born 1951

MSc (Forestry)

Member of the Board since 2008

- Entrepreneur in farming and forestry (1992–)
- Executive Manager of Länsi-Uudenmaan metsäreviiri (1980–1997)
- Member of the Board of Metsä Board Corporation (2010–)
- Chairman of the coastal forest owners' union (2004–2007)
- Chairman of the Board of Eteläinen metsäreviiri (2000–2007)
- Member of the coastal regional council of the Finnish Forestry Centre (2010–)

Participation in Metsäliitto Cooperative:
EUR 43,007.50

Shares in Metsä Board Corporation:
42 977 (B shares)

EINO HALONEN

Born 1949

MSc (Econ.), rahoitusneuvos
(Finnish honorary title)

Member of the Board since 2006

- Managing Director of Suomi Mutual Life Assurance Company (2000–2007)
- Managing Director of Pohjola Life Assurance Company Ltd (1998–1999)
- Executive Vice President, Regional Bank Manager, Merita Nordbanken (1998)
- Director and member of the Management Board, Merita Bank Ltd (1996–1997)
- Kansallis-Osake-Pankki (1971–1995)
- Vice Chairman of the Board of Cramo Oyj (2003–)
- Member of YIT's Board (2000–2012), Chairma of the Audit Committee (2004–2012) and member of the Nomination and Rewards Committee (2008–2012)

Participation in Metsäliitto Cooperative:
EUR 2,738

Shares in Metsä Board Corporation:

18,900 (B shares)

ARTO HILTUNEN

Born 1958

MSc (Econ.)

Member of the Board since 2007

- SOK Corporation, CEO and Chairman of the Board (2007–2009)
- Managing Director, Helsinki Cooperative Society Elanto (2004–2007), Chairman of the Board (2005–2010),
- Cooperative Elanto, following the merger decision (2003)
- Managing Director, Helsinki Cooperative Society HOK, Chairman of the Board (1998–2003)
- Metsä Tissue Corporation, member of the Board (2010–)
- Veho Group Oy AB, member of the Board (2011–), chairman of the Board (2012–)
- Talent Partners Oy, member of the Board (2010–)
- SRV Group Plc, member of the Board (2010–)
- Itella Corporation, member of the Board (2010–), Chairman (2011–)
- Member of the Board of Jenny and Antti Wihuri Foundation (2010–)

Participation in Metsäliitto Cooperative:
EUR 1,040

Shares in Metsä Board Corporation: 400
(A shares)

SAINI JÄÄSKELÄINEN

Born 1959

Entrepreneur in farming and forestry

Member of the Board since 2005

- Central Finland Central Hospital, anaesthetic nurse (1986–1988), midwife (1989–1998)
- Member of the Supervisory Board of Korpilahti Cooperative Bank (2008), member of the Board (2009–)
- Member of the Board of Vapo Oy (2005–2009)

Participation in Metsäliitto Cooperative:
EUR 93,798.34

Shares in Metsä Board Corporation: 2,678
(B shares)

JUHA PARPALA

Born 1967

Agrologist

Member of the Board since 2009

Farmer (1994–)

- Metsäliitto Cooperative, District Committee (1997–), member of the Supervisory Board (2001–2008)
- Simon Turvejaloste Oy, member of the Board (2011–)
- Osuuskunta Pohjolan Maito, member of the Board (2006–2007)
- Osuuskunta Lapin Maito, member of the Representative Council (1998–2006)
- Simo Forest Management Association, Vice Chairman of the Board (1995–1996)
- Länsi-Pohja Forest Management Association, Member of the Board (1998–2004)

Participation in Metsäliitto Cooperative:
EUR 1,422.20

Shares in Metsä Board Corporation: 1,000
(B shares)

TIMO SAUKKONEN

Born 1967

MSc (Agriculture and Forestry)

Member of the Board since 2007

Farmer (1992–)

- Different positions of trust in Metsäliitto (1995–)
- Member of the Delegation of Pellervo Confederation of Finnish Cooperatives (2008–)
- Member of the Supervisory Board of Simpele Cooperative Bank (2000–)

Participation in Metsäliitto Cooperative:
EUR 57,423.50

Shares in Metsä Board Corporation: 3,699
(B shares)

ANTTI TUKEVA

Born 1953

Agronomist

Member of the Board since 2009

- CEO of Osuuskunta Maitosuomi (2007–)
- CEO of Osuuskunta Normilk (1994–)
- CEO of Osuuskunta Maitojaloste (1991–2006)
- Farming and forestry Kukkala farm (1985–)
- LähiTapiola Southern Ostrobothnia, member of the Board (2012–)
- Positions of trust in agrifood organisations
- Vice Chairman of the Board of Lakeus Local Insurance Mutual Company (2006–)

Participation in Metsäliitto Cooperative:
EUR 20,628.98

Shares in Metsä Board Corporation: 3,200
(B shares)



KARI JORDAN

HANNU ANTILA

MIKKO HELANDER

ILKKA HÄMÄLÄ

MIKA JOUKIO

ESA KAIKKONEN

JUHA MÄNTYLÄ

VESA-PEKKA TAKALA

KARI JORDAN

Born 1956

MSc (Econ.), Vuorineuvos
(Finnish honorary title)

President and CEO, Metsä Group (2006–)
CEO, Metsäliitto Cooperative (2004–)
Member and Vice-Chairman of the Board since 2005

- Chairman of the Board of Directors of the Central Chamber of Commerce of Finland (2012–)
- Member of the Board of the Confederation of Finnish Industries EK (2005–), Vice Chairman (2013)
- Chairman of the Board of Finnish Forest Industries Federation and the Board's Working Committee (2009–2011), Vice Chairman of the Board and member of the Board's Working Committee (2005–2009), Board member (2012–)
- Chairman of the Board of Metsä Board Corporation (2005–)
- Chairman of the Board of Metsä Tissue Corporation (2004–)
- Member of the Board of Metsä Fibre Oy (2004–), Chairman (2006–)
- Varma Mutual Pension Insurance Company, Deputy Chairman (2013–)
- Holds several positions of trust in foundations and non-profit associations.

Participation in Metsäliitto Cooperative:
EUR 520

Shares in Metsä Board Corporation: Direct holding 31,696 (B shares), indirect holding via Metsäliitto Management Oy 1,763,867 (B share), cf. Remuneration Statement page 126

HANNU ANTILA

Born 1955

MSc (Econ.)

Executive Vice President, Strategy,
Metsä Group
Member of the Executive Management Team since 2005

Key working experience:

- Metsä Group's Executive Vice President, Strategy (2006–)
- CEO of M-real Corporation (2005–2006)
- Chief Financial Officer of Metsäliitto Group (2003–2004)
- CEO of Metsä Tissue Corporation (1998–2003)
- Previously various management positions with Metsä-Botnia and Metsä Serla Corporation (now Metsä Fibre and

Metsä Board)

- Chairman of the Board of Metsä Group Financial Services Ltd (2010–)
- Member of the Board of Pohjolan Voima Oy (2009–)
- Member of the Advisory Board of Tapiola Mutual Life Assurance Company (2011–)
- Member of the Board of Teollisuuden Voima Oyj (2007–)
- Member of the Board of Metsä Tissue Corporation (2004–)
- Member of the Board of Metsä Fibre Oy (2004–)

Participation in Metsäliitto Cooperative:
No ownership

Shares in Metsä Board Corporation: No direct holding, indirect holding via Metsäliitto Management Oy 617,353 (B share), cf. Remuneration Statement page 126

MIKKO HELANDER

Born 1960

MSc (Eng.)

CEO, Metsä Board Corporation
Member of the Executive Management Team since 2006

- CEO of Metsä Board Corporation (2006–)
- Previously CEO of Metsä Tissue Corporation and various management positions in Valmet and Metso Groups.
- Member of the Board of Metsä Fibre Oy (2009–)

Participation in Metsäliitto Cooperative:
No ownership

Shares in M-real Corporation: No direct holding, indirect holding via Metsäliitto Management Oy 881,933 (B share), cf. Remuneration Statement page 126

ILKKA HÄMÄLÄ

Born 1961

MSc (Eng.)

CEO, Metsä Fibre Oy
Member of the Executive Management Team since 2008

- CEO of Metsä Fibre Oy (2008–)
- Has previously held various management positions in Metsä-Botnia (now Metsä Fibre)
- Vice Chairman of the Board and the Board's Working Committee of the Finnish Forest Industries Federation (2012–)
- Member of the Competitiveness Committee of the Finnish Forest Industries Federation (2009–)

- Deputy member of the Board of Pohjolan Voima Oy (2009–)
- Member of the Supervisory Board of Ilmarinen Mutual Pension Insurance Company (2009–)
- Member of the Delegation of Excellence Finland (2008–)

Participation in Metsäliitto Cooperative:
No ownership

Shares in Metsä Board Corporation: No direct holding, indirect holding via Metsäliitto Management Oy 617,353 (B share), cf. Remuneration Statement page 126

MIKA JOUKIO

Born 1964

MSc (Eng), MBA

CEO, Metsä Tissue Corporation
Member of the Executive Management Team since 2012

- CEO of Metsä Tissue Corporation (1 February 2012–)
- M-real Corporation (now Metsä Board), SVP, Head of Consumer Packaging (2006–2012)
- Various positions in management tasks at Metsä-Serla and M-real (now Metsä Board) since 1990

Participation in Metsäliitto Cooperative:
No ownership

Shares in Metsä Board Corporation:
34,345 (B share)

ESA KAIKKONEN

Born 1969

LLM

Executive Vice President, Metsä Wood
Member of the Executive Management Team since 2008

- Executive Vice President, Metsä Wood (5 February 2013–)
- General Counsel of Metsä Group (2003–2013)
- Legal counsel in Metsäliitto Group (2000–2003)
- Legal counsel in Metsä-Serla Corporation (now Metsä Board Corporation) (1998–2000)
- Member of the legal committee of the Confederation of Finnish Industries EK (2007–)

Participation in Metsäliitto Cooperative:
No ownership

Shares in Metsä Board Corporation: No direct holding, indirect holding via Metsäliitto Management Oy 440,967 (B share), cf. Remuneration Statement page 126

JUHA MÄNTYLÄ

Born 1961

MSc (Agriculture and Forestry)

Executive Vice President, Metsä Forest
Member of the Executive Management Team since 2008
Executive Vice President of Metsä Forest (2008–)

- Previously various positions in Metsäliitto Cooperative
- Various positions in Etelä-Pohjanmaa Forestry Centre and Enso Forest Development Ltd.
- CEPI (Confederation of European Paper Industries), Forest Committee, jäsen (2012–)
- The Swedish Forest Industries Federation, member of the forest committee, (2011–)
- Finnish Forest Industries Federation, Chairman of the forest committee (2010–)
- Finnish Forest Foundation, member of the Board (2010–)
- Metsä Fibre, member of the Board (2008–)
- Finsilva Oyj, member of the Board (2007–)

Participation in Metsäliitto Cooperative:
EUR 44,349.37

Shares in Metsä Board Corporation: No direct holding, indirect holding via Metsäliitto Management Oy 440,967 (B share), cf. Remuneration Statement page 126

VESA-PEKKA TAKALA

Born 1966

MSc (Econ.)

Chief Financial Officer, Metsä Group
Member of the Executive Management Team since 2010

- Chief Financial Officer of Metsä Group (2010–)
- Chief Financial Officer and Director of Finance of the Outotec Group (2006–2010), member of the management team, deputy to the CEO
- Chief Financial Officer of the Outokumpu Group (2001–2006), member of the management team (2005)
- Previously, management positions in the financial administration of Outokumpu Group

Participation in Metsäliitto Cooperative:
No ownership

Shares in Metsä Board Corporation: No direct holding, indirect holding via Metsäliitto Management Oy 440,967 (B share), cf. Remuneration Statement page 126



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 reports and other publications can be ordered by sending e-mail to communications@metso.com and found on the Group's website at www.metso.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. The company's general e-mail address is communications@metso.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 2013 as follows:

CLOSED WINDOW	FINANCIAL REPORT	DATE OF PUBLICATION
1 JAN–7 FEB 2013	FINANCIAL STATEMENTS FOR 2012	THU 7 FEB 2013
1 APR–7 MAY 2013	INTERIM REPORT JANUARY–MARCH	TUE 7 MAY 2013
1 JUL–1 AUG 2013	INTERIM REPORT JANUARY–JUNE	THU 1 AUG 2013
1 OCT–6 NOV 2013	INTERIM REPORT JANUARY–SEPTEMBER	WED 6 NOV 2013



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