

Metsä Group's operating result EUR 52 million excluding non-recurring items

Result for the first quarter of 2012

- Sales amounted to EUR 1,284 million (1–3/2011: EUR 1,403 million).
- Operating result excluding non-recurring items was EUR 52 million (130). Operating result including non-recurring items was EUR 44 million (133).
- Result before taxes and excluding non-recurring items was EUR 18 million (86). Result before taxes including non-recurring items was EUR 10 million (89).

Events in the first quarter

- Metsäliitto Group changed its name to Metsä Group and adopted a new corporate identity. Wood Products Industry is now Metsä Wood, Metsä-Botnia is Metsä Fibre and M-real is Metsä Board. The name of Metsä Tissue remained unchanged. Metsäliitto Cooperative's Wood Supply is now Metsäliitto Puunhankinta in Finland and Metsä Forest internationally.
- A new investment product, Equity Bonus, has been available to owner-members of Metsäliitto Cooperative from the beginning of the year.
- The unprofitable operations of Metsä Board's Gohrsmühle mill were discontinued and the Alizay mill in France was closed down.
- Metsä Board sold the Premium Paper business operations of the Reflex mill to Hahnemühle FineArt GmbH.

Events after the period

- Metsä Group agreed on a transaction in which the Japanese Itochu Corporation acquires a 24.9 per cent holding in Metsä Fibre. The transaction is expected to be completed within the next couple of days. In addition, on 24 April 2012, Metsäliitto Cooperative used its purchase option concerning Metsä Fibre shares owned by UPM-Kymmene. The realisation price of the purchase option concerning UPM's 11 per cent holding in Metsä Fibre was EUR 150 million.
- At the beginning of 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.

“Our performance in the first quarter of 2012 was as expected: both sales and the result improved compared with the final quarter of 2011. In particular, Metsä Board and Metsä Fibre improved their operating results, due to higher delivery volumes of board, improved utilisation rates and increased sales volumes of pulp. However, the continuing uncertainty over the world economy affected financial performance in all of our business operations.

Metsä Board's restructuring measures, initiated in 2005, and the strategic review of its paper business are close to completion. Measures taken due to the discontinuing of businesses have proceeded according to plan and within the estimated cost budget. The company is now focusing on fresh forest fibre board, its foundation is stronger and results will start to show in the next quarters. Our position as one of the leading

players in the global pulp market will be strengthened by the ownership arrangement carried out in April.

Metsä Group's new corporate identity has been received well in the market, and it enhances the Group's competitiveness. Thanks to our focused strategy, we can allocate our development investments to areas where we see the best opportunities for growth. Our investment programme to improve the productivity and efficiency of our production plants is progressing as planned."

Kari Jordan, President & CEO, Metsä Group

Metsä Group

Income statement	2012 1–3	2011 1–3	2011 1–12
Sales	1 284	1 403	5 346
Other operating income	21	29	95
Operating expenses	-1 195	-1 228	-5 058
Depreciation and impairment losses	-66	-71	-354
Operating result	44	133	29
Share of profit from associates	-1	0	4
Exchange gains and losses	1	-1	2
Other net financial items	-34	-44	-133
Result before income tax	10	89	-98
Income taxes	-8	-26	-59
Result for the period	2	63	-157

Metsä Group

Profitability	2012 1–3	2011 1–3	2011 1–12
Operating result, EUR mill.	44	133	29
- " -, excluding non-recurring items	52	130	314
- " - % of sales	4.0	9.3	5.9
Return on capital employed, %	4.7	13.2	1.1
- " -, excluding non-recurring items	5.5	12.8	8.5
Return on equity, %	0.4	14.7	-9.9
- " -, excluding non-recurring items	2.5	13.9	8.6

Financial position	2012 31.3	2011 31.3	2011 31.12
Equity ratio, %	28.5	30.4	28.3
Net gearing ratio, %	132	112	131
Interest-bearing net liabilities, EUR mill.	1 993	1 933	1 953

Segments

Sales and Operating result January–March 2012 (EUR mill.)	Wood Supply	Wood Products Industry	Pulp Industry	Paperboard and Paper Industry	Tissue and Cooking Papers
Sales	404	222	326	545	244
Other operating income	3	2	4	12	4
Operating expenses	-400	-212	-273	-532	-226
Depreciation & impairment losses	-1	-8	-12	-29	-12
Operating result	6	4	45	-4	10
Non-recurring items	-	-	-2	10	-
Operating result, excl. non-rec. items	6	4	43	5	10
- % of sales	1.5	1.9	13.0	0.9	3.9

Metsä Group is a responsible forest industry group whose products are part of people's everyday life and promote sustainable well-being. Metsä Group produces high-quality products mainly from renewable Nordic wood. The Group's business areas are tissue and cooking papers, board and paper, pulp, wood products as well as wood supply. Metsä Group's sales totalled EUR 5.3 billion in 2011, and it employs approximately 12,500 people. The Group is present in some 30 countries.

The interim report is unaudited

METSÄ GROUP

INTERIM REPORT JANUARY–MARCH 2012

Sales and result

Metsä Group's sales for the first quarter were EUR 1,284 million (1–3/2011: EUR 1,403 million). Operating result excluding non-recurring items was EUR 52 million (130), or 4.0 per cent of sales (9.3). The decrease in operating result was primarily due to the drop in pulp prices and the lower delivery volumes of board.

Both sales and, particularly, operating result improved compared with the final quarter of 2011, when sales amounted to EUR 1,223 million and the operating result excluding non-recurring items was EUR 3 million. Compared with the previous quarter, the most significant improvements in the operating result were seen in Metsä Board, EUR 27 million, and Metsä Fibre, EUR 23 million. Metsä Board's operating result was mainly boosted by higher board delivery volumes and lower production costs resulting from better utilisation rates. Metsä Fibre's sales volume in the first quarter was 15 per cent, or 77,000 tonnes, higher than in the previous quarter.

Net non-recurring items in January–March amounted to EUR -8 million, of which income accounted for EUR 3 million and expenses for EUR 11 million. Of the non-recurring income, EUR 1 million was related to the reversal of a cost provision and EUR 2 million to the selling of the Kaskinen mill's bark and oil boilers. The most significant non-recurring costs were the EUR 8 million cost provision related to the cleaning costs of land in Tampere and a EUR 2 million additional cost provision related to the closure of the Alizay paper mill.

The operating result including non-recurring items was EUR 44 million (133). Financial income was EUR 2 million (2), net exchange gains in financial items were EUR 1 million (-1) and financial expenses were EUR 36 million (45). Financial expenses in the reference period include dividends of approximately EUR 9 million paid on Metsä Fibre's shares under the obligation to redeem. Results from associates were EUR -1 million (0).

The result for the period before taxes was EUR 10 million (89) and taxes, including changes in deferred tax liability, were EUR 8 million (26). The net result for the reporting period was EUR 2 million (63).

Excluding non-recurring items, the Group's return on capital employed was 5.5 per cent (12.8) and return on equity was 2.5 per cent (13.9). Including non-recurring items, return on capital employed was 4.7 per cent (13.2) and return on equity was 0.4 per cent (14.7).

Balance sheet and financing

Metsä Group's liquidity is good. Total liquidity at the end of March was EUR 815 million (31 December 2011: 855). This consisted of EUR 293 million (330) of liquid assets and investments and EUR 522 million (525) of binding credit facility agreements not included on 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.

The Group's equity ratio at the end of March was 28.5 per cent and net gearing was 132 per cent (31 December 2011: 28.3 per cent and 131 per cent, respectively). Interest-bearing net liabilities stood at EUR 1,993 million (31 December 2011: 1,953).

Cash flow from operations amounted to EUR 42 million (1–3/2011: 110). Compared with year-end 2011, working capital increased by EUR 33 million during the first quarter, while in the corresponding period last year the increase was EUR 83 million.

The equity ratio of the parent company Metsäliitto Cooperative was 61.1 per cent at the end of March and net gearing was 34 per cent (31 December 2011: 61.3 per cent and 40 per cent, respectively).

During January–March, the Metsäliitto Cooperative's members' capital increased by a total of EUR 5.4 million. The actual members' capital decreased by EUR 0.3 million, and the additional members' capital A and additional members' capital B increased by EUR 3.8 million and EUR 1.9 million, respectively.

At the beginning of 2012, Metsäliitto Cooperative launched a new investment product, Equity Bonus, in which a member can subscribe to additional A shares worth EUR 1.00 in a combined issue in accordance with the share issue terms, at a price decided by the Board of Directors in any given year. New additional A shares are offered for subscription from wood trade or income obtained from share interest. The maximum amount for the share of subscription covered from the retained earnings is EUR 100 million.

Personnel

In the first quarter, Metsä Group employed an average of 12,396 people (1–3 2011: 13,065). At the end of March, the Group employed 12,329 people (31 December 2011: 12,525), of whom 5,676 (5,660) people worked in Finland and 6,653 (6,865) in other countries. The parent company Metsäliitto Cooperative employed 2,746 people at the end of March (31 December 2011: 2,723).

Mika Joukio, M.Sc. (Tech.), MBA, started as CEO of Metsä Tissue Corporation on 1 February 2012.

Members

At the end of March, Metsäliitto Cooperative had 124,722 members (31 December 2011: 125,144). During the first quarter, 748 new members joined the Cooperative and 1,170 members cancelled their membership.

Investments

Metsä Group's capital expenditure totalled EUR 42 million (35).

Metsä Board's structural change

Metsä Board's structural change from a paper company to a board company has progressed according to the strategy. The focus of the operations has increasingly shifted from restructuring to development, as demonstrated by the packaging industry investments in the Simpele, Äänekoski, Kyro and Kemi mills scheduled for 2011–2012.

In 2011, Metsä Board announced the divestment of the Hallein mill and reorganisation of its coated papers business. In the first quarter of 2012, the selling of the Premium Paper operations of the Reflex mill were announced. In addition, the company provided information about the completion of negotiations with employees concerning the closure of the Alizay mill and discontinuation of unprofitable business operations at the Gohrsmühle mill. Overall, the positive impact of these measures on the company's annual operating result excluding non-recurring items is estimated at EUR 110 million compared with the actual figures for 2011. The majority of the profit impact is expected to be seen in 2012 and the full impact from 2013 onwards. The essential non-recurring items associated with these measures were recognised in 2011.

Metsä Board will continue Chromolux specialty paper and board business at the Gohrsmühle mill and is planning to launch a folding boxboard sheeting plant. Measures to establish a business park concept at Gorhsmühle are continuing in co-operation with employees' representatives in order to create new jobs in the mill area.

The launch of a voluntary reindustrialisation project is being planned in Alizay. The project is being carried out in co-operation between Metsä Board, employees' representatives and the local authorities. The goal is to create new jobs and businesses in the Alizay mill area.

Business areas

Wood Supply

Wood Supply sales amounted to EUR 404 million in the period (1–3/2011: 376) and operating result was EUR 6 million (8). Compared with the previous quarter, the euro-denominated operating result remained unchanged (10–12/2011: 7).

In Finland, wood trade was more active compared with previous years. In January, wood trade was fuelled by the year-end storms. In January–March, the Finnish forest industry's purchase volume from privately owned forests was 8.4 million cubic metres (3.8). When the purchasing volumes of storm damage wood decreased, wood prices rose to the pre-storm level.

Metsä Forest bought large volumes of wood from storm damage areas. Special measures, such as allocation of deliveries and frozen and wet storage, enabled reception of large quantities of storm damage wood. As the review period progressed, purchasing focused on logging sites harvestable in summer and, with regard to forest energy, crown wood.

Because of weather conditions, the winter harvesting season started later than normal in Russia, the Baltic countries and Sweden. Towards the end of the winter, however, supply picked up and turned into oversupply of pulpwood. The supply of logs remained below demand throughout the period in Russia and the Baltic countries. In Sweden, the storm damage at year-end caused some oversupply of pulpwood at the regional level.

Wood deliveries to Metsä Group's production plants went as planned. Despite the late onset of winter, the harvesting goals were achieved and wood inventories are mainly at the planned level. In January–March, Metsä Forest's delivery volume to production plants was 8.1 million cubic metres of wood (7.7).

Various events were arranged for Metsäliitto Cooperative members, including forest taxation info events. A new investment product, Equity Bonus, was included in the service range for owner-members. It has attracted much interest among those members who are interested in long-term investment.

Wood Products Industry

Metsä Wood's sales totalled EUR 222 million (238) in January–March, and the operating result was EUR 4 million (5). The operating result does not include non-recurring items.

Compared with the previous quarter, operating result excluding non-recurring items improved by EUR 4 million (10–12/2011: 0).

As a whole, Metsä Wood's business contracted during the first quarter, even though growth was seen in industrial segments compared with the corresponding period last year. Considering the conditions, the profitability of business was satisfactory as a result of successful implementation of customer service concepts, careful cost monitoring and management of employed capital.

The sale of construction products was slowed down by the long winter in the main market. Contraction of sales to prefabricated house industry customers and to projects weakened profitability. Investments in product development and commercialisation of wood construction solutions continued.

Sales volumes of plywood products decreased, partly due to a delay in the start of the concreting season in many markets. Profitability remained unchanged, due to the products' value increase and cost control.

Market prices of sawn timber revived gradually from a very low initial level as a result of production curtailments implemented by many timber suppliers at year-end. However, the market balance continued to be weak because of meagre growth in the market areas. Sawing performance was unsatisfactory.

The demand for processed products in Europe remained low. Households' consuming capacity has not improved. In addition, the continuing economic uncertainty has slowed down demand for home improvement and renovation products. Profitability improved due to internal efficiency improvement measures.

New-generation concrete shuttering plywood for industrial customers was launched. It offers a smoother casting skin and more durable shuttering panels. The Kerto product family was expanded to include a new roof beam, which is suitable for low-energy and passive construction. Its unique structure guarantees straightness and stability.

Pulp

During the first quarter of the year, Metsä Fibre's sales fell by four per cent year-on-year to EUR 326 million (340). The sales volume of pulp increased by 13 per cent year-on-year to 598,000 tonnes (529,000).

The operating result excluding non-recurring items was EUR 43 million (96). The decrease in sales and operating result was primarily due to the drop in pulp prices. Non-recurring items totalled EUR 2 million and were related to the selling of the Kaskinen mill's bark and oil boilers.

Foreign currency-denominated market prices were 13 per cent lower for softwood pulp and 15 per cent lower for hardwood pulp on average compared with the first quarter of the previous year. On the other hand, the average exchange rate of the U.S. dollar strengthened by about four per cent in relation to the euro.

Operating result improved compared with the final quarter of 2011 mainly due to higher sales volumes and partly due to higher sales prices (10–12/2011: EUR 20 million).

Pulp prices increased during the period. The price of softwood pulp in Europe was USD 830 per tonne at the beginning of January and USD 840 at the end of March. The corresponding figures for hardwood pulp were USD 670 and USD 760.

The RFID system, developed for the automatic tracking of pulp units, has been implemented at the Rauma, Kemi and Joutseno mills. All the plants and the most important loading and unloading ports will be using the system in the second quarter. The RFID system enhances the efficiency of supply chain management and reduces delivery errors.

The important bioenergy investment launched last summer, the gasification plant at the Joutseno mill, has reached rooftop height. The plant will be introduced for trial use in the summer and for normal production in the autumn. Once the plant has been completed, the Joutseno mill will be the first carbon dioxide neutral production unit in Finland. This means that the mill will not need any external energy during normal operation but will rather produce all its own energy using wood-based fuels.

Metsä Fibre has been conducting a preliminary survey with Gasum and Helsingin Energia on the construction of a biogas-generating biorefinery at the Joutseno mill. If the project continues, the next stage would involve estimating the plant's environmental impacts. The goal is to acquire all the information needed for a possible investment decision by 2013.

Paperboard and Paper

Metsä Board's sales for January–March were EUR 545 million (1–3/2011: 685) and operating result excluding non-recurring items was EUR 5 million (43). The operating result was weakened by lower delivery volumes of board and the lower pulp price. A decrease in production costs and the strengthening of the dollar and pound sterling against the euro slightly improved the result.

Compared with the previous quarter, operating result excluding non-recurring items improved by EUR 27 million (10–12/2011: -22). The operating result was mainly boosted by higher board delivery volumes and lower production costs resulting from better utilisation rates. Losses from units to be closed down or restructured continued to burden the result in the first quarter with about EUR 15 million.

Non-recurring items recognised in the operating result in January–March amounted to EUR

-10 million net. The most significant items were the EUR 8 million cost provision related to the cleaning costs of land in Tampere and a EUR 2 million additional cost provision related to the closure of the Alizay paper mill.

The operating result including non-recurring items was EUR -4 million (46). Net interest and other financial expenses were EUR 16 million (17) and exchange gains/losses recognised in financial items were EUR 2 million (2).

Excluding non-recurring items, the result before taxes for the period was EUR -9 million (28), earnings per share were EUR -0.02 (0.07) and return on capital employed was 1.7 per cent (7.8).

Including non-recurring items, the result before taxes was EUR -18 million (31), earnings per share were EUR -0.05 (0.08) and return on capital employed -0.4 per cent (8.4).

At the end of March, Metsä Board's equity ratio was 27.8 per cent and net gearing was 104 per cent (31 December 2011: 27.4 per cent and 106 per cent, respectively). Some of Metsä Board's loan agreements set a 120 per cent limit on the company's net gearing ratio and a 30 per cent limit on the equity ratio. At the end of March, net gearing calculated in the manner defined in the borrowing agreements was approximately 74 per cent and the equity ratio about 34 per cent.

Metsä Board's interim report was published on 3 May 2012 at 12:00 noon.

Tissue and Cooking Paper

Metsä Tissue's sales in January–March totalled EUR 244 million (241). The slight increase of sales was due to increased sales volume. The sale of own brands increased by 3 per cent year-on-year.

Operating result was EUR 10 million (7). The result improved slightly, mainly because of lower prices of pulp and recycled fibre. As regards other expenses, energy costs accounted for a considerable proportion of them, and chemical and packaging material prices continued to increase. In addition, the costs of the Düren mill in Germany were still higher than normal.

The three-year investment programme in Poland is progressing according to plan at the Krapkowice mill. The production of the Konstancin-Jeziorna mill was closed down at the end of March.

Metsä Tissue took first place in the Energy Master Award evaluation for 2012. The award was granted to a project that focuses on the reduction of carbon dioxide emissions and the improvement of energy efficiency in soft tissue production.

Metsä Group's soft tissue and cooking paper business placed first in the sustainable development reporting and environmental management category in a comparison conducted by WWF, assessing soft tissue producers on the basis of the companies' ecological footprint. The assessment covered the most important environmental criteria of the companies' entire production process, such as wood fibre procurement from sustainably managed forests, the environmental efficiency of production and public reporting.

In a project covering the entire company and aiming for joint operating methods and a joint ERP system, the Finnish units implemented new processes and a new system at the end of the reporting period. The project ends in the summer after implementation at East European units.

Events after the period

In April, Metsä Group's parent company, 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 for EUR 472 million. The transaction is expected to be completed within the next couple of days.

In addition, on 24 April 2012, Metsäliitto Cooperative used its purchase option concerning Metsä Fibre shares owned by UPM-Kymmene. The realisation price of the purchase option concerning UPM's 11 per cent holding in Metsä Fibre was EUR 150 million.

After the completion of the transaction, Metsäliitto Cooperative's holding in Metsä Fibre will decrease to 50.2 per cent (31.3.2012: 56.8 per cent and 24.4.2012: 67.8 per cent) and Metsä Board's holding to 24.9 per cent (32.2). Itochu will have a holding of 24.9 per cent (0).

At the same time, the parties signed a commercial agreement which redefines Itochu's position as Metsä Fibre's long-fibre pulp sales representative in Asia, as well as Metsä Fibre's position as Itochu's short-fibre pulp sales representative in Europe. Under the agreement, Metsä Fibre will sell 500,000 tonnes of pulp to Asia each year and Itochu will sell 150,000 tonnes of pulp to Europe.

The transaction is expected to improve Metsä Group's equity ratio by at least four percentage points, depending on the way the sales price is used. The net gearing ratio is expected to improve by 30 percentage points.

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. It consists of an immediately available EUR 100 million credit facility and loans totalling EUR 500 million that may be drawn at the end of March 2013. The immediately available credit facility will expire after three years. Of the loans, EUR 150 million will mature on 30 June 2014 and EUR 350 million on 31 March 2016. The credit is unsecured until the loans are drawn.

Risks and uncertainties

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

In March 2011, the state enterprise Metsähallitus filed a claim for damages at the District Court of Helsinki, demanding that Metsä Group 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 recently instituted similar proceedings. The total

amount of all claims that Metsä Group is aware of and that were directed at Metsä Group and the other aforementioned companies jointly is approximately EUR 233 million, of which amount approximately EUR 84 million is alternatively directed at Metsä Group alone. In addition, the aforementioned proceedings are associated with interest and value added tax claims. Metsä Group's view is that the claims for damages are unfounded, and the company has not recognised any provisions regarding them.

The risks related to the Group's business have been explained more extensively in Metsä Group's Annual report for 2011.

Near-term outlook

Demand for logging sites harvested in the summer continues to be good, particularly with regard to log-dominated regeneration felling and thinning. Demand for wood from delivery contracts is also good.

The operating result of Wood Products Industry is expected to strengthen during the second quarter. In particular, building is expected to recover, due to seasonal variation in demand.

The increases in delivery volumes and prices in the first quarter provide a good basis for the coming months in the pulp business, provided that there are no negative developments in the general economic climate.

Order books for board have normalised and utilisation rates have clearly improved from the year-end level. In the second quarter, board delivery volumes are expected to improve compared with the first quarter. No essential changes are expected in board prices in the next few months. No major changes are expected in paper product delivery volumes in the second quarter. The price of uncoated fine paper is expected to rise slightly, and the price of coated paper is expected to remain steady on average.

Demand for tissue and cooking papers is expected to increase moderately. Additional sales are sought through new products. High energy and raw material prices will continue to present challenges to the company's profit development. The increase of sales based on own brands, the increase of cash flow and improvement of the operating result are the main goals for this year.

Metsä Group's operating result excluding non-recurring items in the second quarter of 2012 is expected to improve from the first quarter.

Proposal for interest on members' capital

Metsäliitto Cooperative's Board of Directors has proposed to the Supervisory Board that, for 2011, interest of 5.5 per cent (5.5 for 2010) be paid on the statutory capital invested by its members. 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.

The proposal was discussed in March by Metsäliitto Cooperative's Supervisory Board, which, in turn, made a proposal on the interest on members' capital to the Representative Council meeting convening on 3 May 2012.

Espoo, Finland, 3 May 2012

Board of Directors

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SEGMENTS

Wood Supply	1–3/12	1–3/11	1–12/11
Sales	404	376	1 476
EBITDA	7	8	27
- " -, excl. non-recurring items	7	8	27
Depreciation and impairment	-1	-1	-3
Operating result	6	8	24
- " -, excl. non-recurring items	6	8	24
- " -, % of sales	1.5	2.0	1.7
Capital expenditure	2	1	4
Personnel at end of period	1 044	1 058	1 028

Wood Products Industry	1–3/12	1–3/11	1–12/11
Sales	222	238	939
EBITDA	12	14	44
- " -, excl. non-recurring items	12	14	44
Depreciation and impairment	-8	-8	-41
Operating result	4	5	3
- " -, excl. non-recurring items	4	5	12
- " -, % of sales	1.9	2.2	1.3
Capital expenditure	2	2	14
Personnel at end of period	2 845	2 977	2 874

Pulp Industry	1–3/12	1–3/11	1–12/11
Sales	326	340	1 301
EBITDA	57	113	326
- " -, excl. non-recurring items	57	113	330
Depreciation and impairment	-12	-17	-63
Operating result	45	96	263
- " -, excl. non-recurring items	43	96	267
- " -, % of sales	13.0	28.1	20.5
Capital expenditure	15	10	45
Personnel at end of period	883	883	872

Paperboard and Paper Industry	1–3/12	1–3/11	1–12/11
Sales	545	685	2 485
EBITDA	25	77	-23
- " -, excl. non-recurring items	34	74	180
Depreciation and impairment	-29	-31	-191
Operating result	-4	46	-214
- " -, excl. non-recurring items	5	43	59
- " -, % of sales	0.9	6.3	2.4
Capital expenditure	10	12	95
Personnel at end of period	3 818	4 515	4 070

Tissue and Cooking Papers	1–3/12	1–3/11	1–12/11
Sales	244	241	971
EBITDA	22	16	60
- " -, excl. non-recurring items	22	16	60
Depreciation and impairment	-12	-10	-40
Operating result	10	7	20
- " -, excl. non-recurring items	10	7	20
- " -, % of sales	3.9	2.7	2.1
Capital expenditure	8	9	61
Personnel at end of period	3 315	3 211	3 263

Other operations	1–3/12	1–3/11	1–12/11
Sales	1	1	3
EBITDA	-1	-1	-2
- " -, excl. non-recurring items	-1	-1	-2
Depreciation and impairment	0	0	-2
Operating result	-2	-2	-4
- " -, excl. non-recurring items	-2	-2	-4
Capital expenditure	6	1	8
Personnel at end of period	425	443	418

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

Internal sales and eliminations	1–3/12	1–3/11	1–12/11
Sales	-457	-478	-1 831
EBITDA	-11	-22	-48
- " -, excl. non-recurring items	-10	-22	-49
Depreciation and impairment	-4	-4	-15
Operating result	-15	-26	-63
- " -, excl. non-recurring items	-14	-26	-64

Metsä Group	1–3/12	1–3/11	1–12/11
Sales	1 284	1 403	5 346
EBITDA	110	204	383
- " -, excl. non-recurring items	120	201	588
Depreciation and impairment	-66	-71	-354
Operating result	44	133	29
- " -, excl. non-recurring items	52	130	314
- " -, % of sales	4.0	9.3	5.9
Capital expenditure	42	35	227
Personnel at end of period	12 329	13 087	12 525

EBITDA = Operating result before depreciation and impairment losses.

Quarterly data	2012 1–3	2011 10–12	2011 7–9	2011 4–6	2011 1–3
Sales					
Wood Supply	404	355	352	394	376
Wood Products Industry	222	220	218	264	238
Pulp Industry	326	290	332	339	340
Paperboard and Paper Industry	545	524	616	660	685
Tissue and Cooking Papers	244	246	247	237	241
Other operations	1	1	1	1	1
Internal sales	-457	-414	-449	-492	-478
Sales total	1 284	1 223	1 317	1 403	1 403
Operating result					
Wood Supply	6	7	3	7	8
Wood Products Industry	4	-9	-1	8	5
Pulp Industry	45	20	62	85	96
Paperboard and Paper Industry	-4	-215	-13	-32	46
Tissue and Cooking Papers	10	4	7	3	7
Other operations	-2	-2	2	-2	-2
Eliminations	-15	-4	-16	-17	-26
Operating result total	44	-200	44	51	133
- % of sales	3.4	-16.4	3.4	3.7	9.5
Share of results from associated companies					
Share of results from associated companies	-1	-1	2	3	0
Exchange gains and losses	1	0	1	1	-1
Other net financial items	-34	-27	-31	-31	-44
Result before income tax	10	-228	17	24	89
Income tax	-8	22	-21	-33	-26
Result for the period	2	-206	-4	-9	63
Operating result excl. non-rec. items					
	1–3/12	10–12/11	7–9/11	4–6/11	1–3/11
Wood Supply	6	7	3	7	8
Wood Products Industry	4	0	-1	8	5
Pulp Industry	43	20	62	89	96
Paperboard and Paper Industry	5	-22	6	32	43
Tissue and Cooking Papers	10	4	7	3	7
Other operations & eliminations	-16	-6	-14	-20	-28
Operating result total	52	3	63	119	130
- % of sales	4.0	0.2	4.8	8.5	9.3

Calculation of key ratios

Return on capital employed (%) = (Result from continuing operations before tax + interest expenses, net exchange gains/losses and other financial expenses) per (Balance total - non-interest-bearing liabilities (average))

Return on equity (%) = (Result from continuing operations before tax - income taxes) per (Members' funds (average))

Equity ratio (%) = (Members' funds) per (Balance total - advance payments received)

Net gearing ratio (%) = (Interest bearing borrowings - liquid funds - interest-bearing receivables) per (Members' funds)

FINANCIAL STATEMENTS

Unaudited

METSÄ GROUP

Condensed consolidated statement of comprehensive income, EUR mill.	Note	2012 1–3	2011 1–3	Change	2011 1–12
Sales	2	1 284	1 403	-119	5 346
Change in stocks of finished goods and work in progress		-27	27	-54	33
Other operating income		21	29	-8	95
Material and services		-875	-969	94	-3 770
Employee costs		-180	-191	12	-863
Depreciation, amortization and impairment losses		-66	-71	5	-354
Other operating expenses		-113	-95	-18	-459
Operating result	2	44	133	-90	29
Share of results from associated companies		-1	0	-1	4
Exchange gains and losses		1	-1	2	2
Other net financial items	2	-34	-44	10	-133
Result before income tax		10	89	-79	-98
Income taxes	3	-8	-26	18	-59
Result for the period		2	63	-61	-157
Other comprehensive income					
Cash flow hedges		5	-2	6	-38
Available for sale financial assets		6	0	6	25
Currency translation differences		5	3	2	6
Other items		2	2	0	0
Income tax relating to components of other comprehensive income		-3	0	-3	8
Other comprehensive income, net of tax		15	3	12	0
Total comprehensive income for the period		17	66	-49	-156

Result attributable to:

Members of parent company	-12	13	-26	-42
Non-controlling interests	14	49	-35	-115
	2	63	-61	-157

Total comprehensive income attributable to:

Members of parent company	-4	16	-20	-45
Non-controlling interests	20	49	-29	-111
	17	66	-49	-156

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

Unaudited

Condensed consolidated balance sheet	Note	2012 31.3.	2011 31.3.	2011 31.12.
ASSETS				
Non-current				
Goodwill		530	504	529
Other intangible assets		244	260	232
Tangible assets	4	2 108	2 248	2 129
Biological assets		8	8	8
Investments in associated companies		69	77	70
Available for sale investments		374	338	368
Non-current financial assets		13	15	13
Deferred tax receivables		63	60	62
		3 410	3 510	3 410
Current				
Inventories		786	827	781
Accounts receivables and other receivables		810	934	769
Cash and cash equivalents		293	447	330
		1 889	2 208	1 881
Assets classified as held for sale		-	8	7
Total assets		5 299	5 726	5 298
MEMBERS' FUNDS AND LIABILITIES				
Members' funds				
Members' funds		1 135	1 179	1 135
Non-controlling interests		369	553	360
		1 505	1 732	1 495
Non-current liabilities				
Deferred tax liabilities		362	400	362
Post-employment benefit obligations		119	114	123
Provisions	5	49	36	45
Borrowings		1 837	2 016	1 854
Other liabilities		33	33	33
		2 401	2 600	2 417
Current liabilities				
Provisions	5	115	25	145
Current borrowings		457	381	439
Accounts payable and other liabilities		821	987	803
		1 394	1 393	1 386
Liabilities classified as held for sale		-	-	-
Total liabilities		3 795	3 994	3 803
Total members' funds and liabilities		5 299	5 726	5 298

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

Unaudited

Changes in members' funds	Equity attributable to members of parent company						
	Members' capital	Trans-lation differ-ences	value and other reserves	Retained earnings	Fair value	Non-controlling interests	Total
EUR million							
Members' funds 1.1.2011	539	25	244	346	1 154	524	1 678
Result for the period				13	13	49	63
Other comprehensive income							
Cash flow hedges			-1		-1	-1	-2
Available for sale financial assets			0		0	1	0
Currency translation differences		2			2	1	3
Other items				2	2	0	2
Income tax relating to components of other comprehensive income		-1	0		0	0	0
Other comprehensive income total		1	-1	2	3	0	3
Total comprehensive income	1	-1	15	16	49	66	
Transactions with owners							
Dividends paid					-1	-1	-21
Change in members' capital	10					10	10
Transfer from unrestricted to restricted equity							
Business arrangements			0			0	0
Change in shares of non-controlling interests						0	0
Members' funds 31.3.2011	549	27	243	360	1 179	553	1 732
Members' funds 1.1.2012	573	29	240	293	1 135	360	1 495
Result for the period				-12	-12	14	2
Other comprehensive income							
Cash flow hedges			2		2	3	5
Available for sale financial assets			3		3	3	6
Currency translation differences		3			3	2	5
Other items				2	2	0	2
Income tax relating to components of other comprehensive income		0	-1		-1	-2	-3
Other comprehensive income total		3	4	2	9	6	15
Total comprehensive income	3	4	-10	-4	20	17	
Transactions with owners							
Dividends paid					-2	-2	-14
Change in members' capital	5					5	5
Transfer from unrestricted to restricted equity							
Business arrangements							
Change in shares of non-controlling interests						1	1
Members' funds 31.3.2012	578	32	244	282	1 135	369	1 505

Unaudited

Condensed consolidated cash flow statement	Note	2012 1–3	2011 1–3	2011 1–12
Result for the period		2	63	-157
Total adjustments	7	73	131	634
Change in working capital		-33	-83	74
Cash flow arising from operations		42	110	552
Net financial items		-27	-41	-116
Income taxes paid		-18	-18	-114
Net cash flow arising from operating activities		-4	52	323
Acquisitions		0	0	-108
Investments in tangible and intangible assets		-42	-35	-227
Disposals and other items	7	11	10	72
Net cash flow arising from investing activities		-31	-25	-263
Change in members' funds		5	10	42
Change in other equity		0	0	4
Change in shares of non-controlling interests		0	0	-44
Change in long-term loans and other financial items		3	-3	-105
Dividends paid		-11	-25	-66
Net cash flow arising from financing activities		-3	-19	-170
Change in cash and cash equivalents		-38	7	-110
Cash and cash equivalents at beginning of period		330	440	440
Translation difference		0	0	0
Change in cash and cash equivalents		-38	7	-110
Cash and cash equivalents in assets classified as held for sale		0	0	0
Cash and cash equivalents at end of period		293	447	330

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

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

Note 1 – Background and basis of presentation

Metsäliitto Cooperative and its subsidiaries comprise a forest industry group (“Metsä Group” or “Group”), which operations are organized into five business segments: Wood Supply, Wood Products Industry, Pulp Industry, Paperboard and Paper Industry and Tissue and Cooking Papers. The Metsä Group’s parent company is Metsäliitto Cooperative. The parent company is domiciled in Helsinki and the registered address is Revontulentie 6, 02100 Espoo Finland.

These unaudited interim condensed financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, and the same accounting policies have been applied as in the 2011 annual consolidated financial statements. This interim report is unaudited.

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

This interim report was authorized for issue by the Board of Directors of Metsäliitto Cooperative on 3 May 2012.

Note 2 – Segment information

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

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

Sales by segments

EUR million	1-3/2012 External	1-3/2012 Internal	1-3/2012 Total	1-3/2011 External	1-3/2011 Internal	1-3/2011 Total
Wood Supply	95	309	404	83	293	376
Wood Products Industry	208	13	222	225	13	238
Pulp Industry	207	119	326	186	154	340
Paperboard and Paper Industry	530	15	545	669	16	685
Tissue and Cooking Papers	244	0	244	241	0	241
Other operations	0	1	1	0	1	1
Elimination of internal sales		-457	-457		-478	-478
Total sales	1 284	0	1 284	1 403	0	1 403

EUR million	1-12/2011 External	1-12/2011 Internal	1-12/2011 Total
Wood Supply	323	1 153	1 476
Wood Products Industry	883	56	939
Pulp Industry	743	558	1 301
Paperboard and Paper Industry	2 425	60	2 485
Tissue and Cooking Papers	971	0	971
Other operations	0	3	3
Elimination of internal sales		-1 831	-1 831
Total sales	5 346	0	5 346

Operating result by segments

EUR million	2012 1–3	2011 1–3	2011 1–12
Wood Supply	6	8	24
Wood Products Industry	4	5	3
Pulp Industry	45	96	263
Paperboard and Paper Industry	-4	46	-214
Tissue and Cooking Papers	10	7	20
Other operations	-2	-2	-4
Eliminations	-15	-26	-63
Operating result total	44	133	29
Share of results from associated companies	-1	0	4
Finance costs, net	-33	-45	-131
Income taxes	-8	-26	-59
Result for the period	2	63	-157

Metsä Group's operating result includes non-recurring items net of EUR -8 million (1–3/2011: 3). Of the non-recurring items some EUR -10 million originate from Paperboard and Paper Industry and some EUR +2 million from Pulp Industry.

Assets by segment

EUR million	2012	2011	2011
	31.3	31.3	31.12
Wood Supply	356	294	304
Wood Products Industry	434	480	402
Pulp Industry	862	856	837
Paperboard and Paper Industry	2 257	2 565	2 329
Tissue and Cooking Papers	880	860	874
Other operations	115	119	101
Elimination	-267	-250	-229
Unallocated assets	662	802	680
Total	5 299	5 726	5 298

Segment assets include intangible and tangible assets, investments in associated companies, inventories, accounts receivables and other non-interest-bearing receivables (excl. interest and tax items)

Note 3 – Income taxes

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

EUR million	2012 1–3	2011 1–3	2011 1–12
Taxes for the current period	16	32	97
Taxes for the prior periods	0	0	-5
Change in deferred taxes	-8	-6	-34
Total income taxes	8	26	59

Note 4 – Change in property, plant and equipment

EUR million	2012 1–3	2011 1–3	2011 1–12
Book value at beginning of period	2 129	2 281	2 281
Business acquisitions	0	0	0
Investments	36	34	215
Decreases	0	-3	-10
Assets classified as held for sale	0	0	-30
Depreciation, amortization and impairment losses	-62	-67	-331
Translation differences and other changes	6	4	5
Book value at end of period	2 108	2 248	2 129

Depreciation and impairment losses include in March 2012 a reversal of the previously recognised impairment loss of EUR 2 million for Metsä Fibre's Kaskinen plant, based on the selling of bark and oil boilers to Metsä Board.

In addition, depreciation and impairment losses include an impairment loss of EUR 2 million related to the closure of Metsä Tissue's power plant and paper machine 5 in Poland.

Note 5 – Provisions

EUR million	Restructuring	Environmental obligations	Other provisions	Total
At 1 January, 2012	115	26	48	190
Translation differences	0	0	0	0
Increases	11	8	3	22
Utilized during the year	-18	0	-14	-32
Unused amounts reversed	-7	-5	-4	-16
At 31 March, 2012	102	30	33	165
At 1 January, 2011	37	11	19	67
Translation differences	0	0	0	0
Increases	107	17	42	166
Utilized during the year	-27	-1	-11	-39
Unused amounts reversed	-1	0	-3	-4
At 31 December, 2011	115	26	48	190

The most significant increase in provisions in 2012 was the EUR 8 million environmental provision related to the cleaning costs of Metsä Board's Niemenranta lot in Tampere. Metsä Board recognised an additional net provision of EUR 2 million related to the closure of the Alizay Paper mill (restructuring provision EUR 11 million, environmental provision EUR -5 million and other provisions EUR -4 million). Related to Metsä Board's plans to discontinue Gohrsmühle's loss-making operations, EUR 5 million of restructuring provisions were reversed related to dismissals, and other provisions were increased by EUR 3 million, related to logistical arrangements. In addition, Metsä Board reversed EUR 1 million of logistics provisions made in 2008 related to the selling of Graphic papers.

Of the total provisions of EUR 165 million, the non-current portion was EUR 49 million and the current portion EUR 115 million. The non-current portion will mostly be paid during 2013.

Note 6 – Related party transactions

The sales of Metsäliitto Cooperative's wood deliveries to the Group subsidiaries totalled EUR 183 million in January–March (167). Sales of wood deliveries to joint ventures and associated companies were EUR 3 million (3).

Metsäliitto 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 January–March was EUR 4 million (4).

Transactions with joint ventures

Joint ventures have been consolidated using line-by-line method proportionate to the Group's holding. Significant joint ventures are Äänevoima Oy (56.25%) and Kiinteistö Oy Metsätapiola (48.98%).

The Group's consolidated income statement and balance sheet include assets, liabilities, income and costs as follows:

EUR million	2012 1–3	2011 1–3	2011 1–12
Sales	4	4	14
Purchases	4	4	15
Non-current assets	46	36	42
Current assets	7	9	5
Non-current liabilities	39	30	35
Current liabilities	5	5	4

Transactions with associated companies

EUR million	2012 1–3	2011 1–3	2011 1–12
Sales	2	2	12
Purchases	22	23	95
Non-current receivables	1	1	1
Current receivables	2	10	3
Non-current liabilities	0	0	0
Current liabilities	7	7	9

Note 7 – Notes to condensed consolidated cash flow statement

Adjustments to the result for the period

EUR million	2012 1–3	2011 1–3	2011 1–12
Taxes	8	26	59
Depreciation, amortization and impairment charges	66	71	354
Biological assets	0	0	-1
Share of results from associated companies	1	0	-4
Gains and losses on sale of non-current financial assets	-6	-5	-25
Finance costs, net	33	44	131
Pension liabilities and provisions	-29	-6	121
Total	73	131	634

Disposals and other items

Disposals and other items for 1–3/2012 include EUR 7 million from the selling of Metsä Board's associate Plastiroll Oy, EUR 3 million negative sales price for the selling of Metsä Board's Reflex business and EUR 7 million of sales of fixed assets.

Note 8 – Commitments and contingencies

Securities and guarantees	2012	2011	2011
EUR million	31.3	31.3	31.12
On own behalf	718	720	718
On behalf of associated companies	4	4	4
On behalf of others	40	6	42
Total	762	729	764

Securities and guarantees include pledges, real estate mortgages, chattel mortgages and guarantee liabilities. The future costs for non-cancellable operating lease contracts were EUR 41 million at the end of March (31.12.2011: 49).

Open derivative contracts	2012	2011	2011
EUR million	31.3	31.3	31.12
Interest rate derivatives	1 012	1 020	1 014
Currency derivatives	1 232	1 474	1 162
Other derivatives	167	118	163
Total	2 406	2 612	2 339

The market value of open derivative contracts at the end of March was EUR -47 million (31.12.2011: -20).

Note 9 – Events after the period

In April, Metsä Group's parent company, 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 for EUR 472 million. The transaction is expected to be completed within the next couple of days.

In addition, on 24 April 2012, Metsäliitto Cooperative used its purchase option concerning Metsä Fibre shares owned by UPM-Kymmene. The realisation price of the purchase option concerning UPM's 11 per cent holding in Metsä Fibre was EUR 150 million.

After the completion of the transaction, Metsäliitto Cooperative's holding in Metsä Fibre will decrease to 50.2 per cent (31.3.2012: 56.8 per cent and 24.4.2012: 67.8 percent) and Metsä Board's holding to 24.9 per cent (32.2). Itochu will have a holding of 24.9 per cent (0).

At the same time, the parties signed a commercial agreement which redefines Itochu's position as Metsä Fibre's long-fibre pulp sales representative in Asia, as well as Metsä Fibre's position as Itochu's short-fibre pulp sales representative in Europe. Under the agreement, Metsä Fibre will sell 500,000 tonnes of pulp to Asia each year and Itochu will sell 150,000 tonnes of pulp to Europe

The transaction is expected to improve Metsä Group's equity ratio by at least four percentage points, depending on the way the sales price is used. The net gearing ratio is expected to improve by 30 percentage points.

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. It consists of an immediately available EUR 100 million credit facility and loans totalling EUR 500 million that may be drawn at the end of March 2013. The immediately available credit facility will expire after three years. Of the loans, EUR 150 million will mature on 30 June 2014 and EUR 350 million on 31 March 2016. The credit is unsecured until the loans are drawn.