

## **Metsäliitto Group's operating result excluding non-recurring items was EUR 405 million**

### **Result for January–September**

- Sales EUR 3,986 million (1–9/2009: EUR 3,647 million).
- Operating result excluding non-recurring items was EUR 405 million (-119), representing 10.2 per cent of sales (-3.3). Operating result including non-recurring items was EUR 415 million (-186).
- Result before tax excluding non-recurring items was EUR 299 million (-232). Result before tax including non-recurring items was EUR 293 million (-310).

### **Result for July–September**

- Sales EUR 1,345 million (7–9/2009: EUR 1,155 million).
- Operating result excluding non-recurring items was EUR 155 million (9), representing 11.5 per cent of sales (0.8). Operating result including non-recurring items was EUR 170 million (7).
- Result before tax excluding non-recurring items was EUR 114 million (-51). Result before tax including non-recurring items was EUR 128 million (-53).

### **Events in the third quarter**

- Wood supply succeeded in harvesting most of the wood damaged by the storm across central Finland.
- The construction market picked up in the Nordic region in particular, which boosted the demand for construction projects and Kertopuu.
- The demand for pulp has remained good and prices high.
- Price increase measures in Europe continued for folding boxboard and coated white top liners.
- The Alizay pulp mill in France was shut down permanently.
- The sale of Metsä Tissue's own brands increased clearly compared to last year's figures.

***“Our result is proof of the favourable market situation of the third quarter and shows the Group's competitiveness in the chosen core businesses. In addition to seasonal fluctuation, the recent strong fluctuations of exchange rates create significant challenges for the last quarter. We must continue our efforts to improve profitability.”***

***Kari Jordan, President & CEO, Metsäliitto Group***

*Metsäliitto is an international forest industry group present in some 30 countries. Metsäliitto combines responsible forest economy and innovative technology to produce high-quality products and solutions from renewable Nordic wood in a sustainable way. The Group's five business areas are Wood Supply, Wood Products, Pulp, Board and Paper, and Tissue and Cooking Papers. Metsäliitto Group's sales total EUR 5 billion and it employs 14,000 persons.*

## Metsäliitto Group

<b>Income statement</b> (Continuing operations)	2010 1–9	2009 1–9	2010 Q3	2009 Q3	2009 1–12
Sales	3 986	3 647	1 345	1 155	4 837
Other operating income	98	115	51	31	353
Operating expenses	-3 461	-3 672	-1 157	-1 103	-4 858
Depreciation and impairment losses	-207	-277	-70	-76	-501
Operating result	415	-186	170	7	-169
Share of results in associates	-14	-11	-1	-1	-16
Exchange gains and losses	-6	1	-6	4	2
Other net financial items	-103	-113	-35	-63	-147
Result before income tax	293	-310	128	-53	-329
Income taxes	-102	19	-39	-6	10
Result from continuing operations	191	-291	89	-59	-318

## Metsäliitto Group

<b>Profitability</b> (Continuing operations)	2010 1–9	2009 1–9	2010 Q3	2009 Q3	2009 1–12
Operating result, EUR mill.	415	-186	170	7	-169
- “ -, excluding non-recurring items	405	-119	155	9	-75
- “ - % of sales	10.2	-3.3	11.5	0.8	-1.6
Return on capital employed, %	13.1	-4.8	16.6	1.3	-3.3
- ” -, excluding non-recurring items	13.3	-2.9	15.2	1.4	-1.4
Return on equity, %	13.9	-25.1	22.4	-17.2	-20.0
- ” -, excluding non-recurring items	17.4	-18.3	18.8	-16.6	-13.4

<b>Financial position</b>	2010	2009	2010	2009	2009
	30.9	30.9	30.6	30.6	31.12
Equity ratio, %	28.1	23.9	27.6	25.6	24.5
Net gearing ratio, %	123	180	135	162	157
Interest-bearing net liabilities, EUR mill.	1 985	2 363	2 109	2 348	2 203

## Business segments

<b>Sales and Operating result</b> <b>January–September 2010</b> (EUR mill.)	Wood Supply	Wood Products Industry	Pulp Industry	Board and Paper Industry	Tissue and Cooking Papers
Sales	988	678	1 000	1 940	692
Other operating income	7	11	16	70	5
Operating expenses	-975	-641	-688	-1 772	-627
Depreciation & impairment losses	-3	-27	-45	-88	-34
Operating result	17	21	283	150	36
Non-recurring items	-	-5	-2	-14	9
Operating result excl. non-recurring items	17	16	281	136	45

The figures are unaudited

## **METSÄLIITTO GROUP**

### **INTERIM REPORT 1 JANUARY – 30 SEPTEMBER 2010**

#### **Sales and result**

Metsäliitto Group's sales for January–September were EUR 3,986 million (1–9/2009: EUR 3,647 million). The figures for the comparison period include among others Metsä-Botnia's business in Uruguay and the holding in Vapo Oy. In the comparable period, the divestment of these operations had an impact of some EUR 300 million on sales. Comparable sales were up approximately 19 per cent.

The operating result excluding non-recurring items was EUR 405 million (-119), representing 10.2 per cent of sales (-3.3). Non-recurring items totalled EUR 10 million (-67) in the review period. In the first quarter, net non-recurring items amounted to EUR 9 million (-70); in the second quarter, EUR -13 million (5); and in the third quarter, EUR 14 million (-2).

Non-recurring income for the third quarter was EUR 24 million and non-recurring costs were EUR 10 million. Approximately EUR 11 million of the non-recurring income arose from the reduction in depreciation and in the provision for the reorganisation of M-real's Reflex and Gohrsmühle mills. Approximately EUR 6 million resulted from patents sold by M-real to Sappi, and EUR 6 million from the divestment of the Soinlahti sawmill. Of the non-recurring expense items, EUR 4 million were related to the closure of the M-real Alizay mill, EUR 2 million to the reorganisation of Metsä Tissue's Mänttä mill and EUR 3 million to the construction project carried out at joint-stock property company Metsätapiola Oy in Espoo.

The third-quarter operating result excluding non-recurring items was EUR 155 million, representing 11.5 per cent of sales. The operating result was roughly at the same level as in the previous quarter (Q2/10: EUR 154 million and 10.9%). In the corresponding period last year, the operating result was EUR 9 million or 0.8 per cent of sales.

Metsäliitto Group's operating result including non-recurring items was EUR 415 million (-186) in January–September. Financial income amounted to EUR 4 million (28) and financial costs to EUR 106 million (141).

The share of results in associated companies amounted to EUR -14 million (-11). The figure includes a EUR 16 million non-recurring impairment loss related to M-real's holding in Myllykoski Paper Oy. The figure for the comparison period includes a EUR 11 million non-recurring expense item related to the divestment of Myllykoski Paper's Sunila shares.

Net exchange gains/losses recognised in financial items were EUR -6 million (1). The US dollar has strengthened on average 4 per cent during the year, the British pound by approximately 3 per cent and the Swedish krona by approximately 10 per cent year-over-year. Compared to the situation at the end of 2009, the dollar had strengthened by approximately 5 per cent, the pound by approximately 3 per cent and the krona by approximately 11 per cent by the end of September.

The result before tax was EUR 293 million (-310), while taxes, including changes in deferred tax liabilities, totalled EUR -102 million (19). The result for continuing operations was EUR 191 million (-291), the result for discontinued operations EUR 0 million (-15) and the result for the review period EUR 191 million (-306).

The Group's return on capital employed for continuing operations was 13.1 per cent (-4.8), and the return on equity was 16.9 per cent (-25.1). Excluding non-recurring items, the return on capital employed was 13.3 per cent (-2.9) and return on equity was 17.4 per cent (-18.3).

## Balance sheet and financing

Metsäliitto Group's total liquidity at the end of September was EUR 1.1 billion (31 December 2009: 1.4). Of this, EUR 0.5 billion (0.6) was in liquid assets and investments, and EUR 0.6 billion (0.8) was in off-balance-sheet binding credit facilities. In addition, the Group can satisfy short-term financial needs with non-binding commercial paper schemes in Finland and abroad, as well as with credit limits amounting to approximately EUR 0.5 billion.

Several financing arrangements were implemented in the summer and autumn. M-real drew pension loans worth EUR 135 million and redeemed bonds with EUR 90 million. In the summer, Metsäliitto Cooperative drew pension loans (TyEL) worth EUR 65 million and redeemed its EUR 150 million bond. In September Metsäliitto also drew investment loans from pension companies worth EUR 175 million with five years' maturity. Metsä-Botnia has amortised its loans with EUR 140 million during the year. Metsäliitto has also started negotiations for the refinancing of the EUR 560 syndicated loan which will mature in March 2011 and agreed on the refinancing of the EUR 100 million loan maturing in March 2011.

The Group's equity ratio in the end of September was 28.1 per cent and net gearing totalled 123 per cent (31 December 2009: 24.5% and 157%). Interest-bearing net liabilities stood at EUR 1,985 million (31 December 2009: 2,203). The equity ratio of the parent company, Metsäliitto Cooperative, was 56.7 per cent at the end of September and net gearing was 50 per cent (31 December 2009: 57.2% and 50% respectively).

The change in the fair value of investments available for sale was approximately EUR 37 million, mainly based on the increase in the fair value of the Pohjolan Voima shares.

Metsäliitto Cooperative's members' capital grew by EUR 29.5 million in January–September. The actual members' capital grew by EUR 4.7 million, the additional members' capital A decreased by EUR 3.4 million and the additional members' capital B grew by EUR 14.9 million. At the end of September, new C additional shares had been subscribed for with EUR 13.3 million. EUR 35.6 million of the additional members' capital fell due on 1 July 2010.

At the end of September, Metsäliitto Cooperative had 126,114 members (31 December 2009: 127,158).

## Personnel

The Group had an average of 13,165 employees (14,847) in January–September. At the end of September, the head count was 13,028 (31 December 2009: 13,592). The parent company, Metsäliitto Cooperative, had 2,429 employees at the end of September (31 December 2009: 2,248).

## Investments

Metsäliitto Group's gross capital expenditure and share investments totalled EUR 110 million (116).

After the review period, M-real announced that it will invest EUR 26 million in the Simpele mill to increase its annual folding boxboard capacity by about 80,000 tonnes. The sheeting capacity will also be expanded at the same time. The investments will be carried out in summer 2011. M-real also announced it will invest in the modernisation of the coating section at the Kemiart Liners mill. The total value of the investment is approximately EUR 16 million. This investment will also be carried out in 2011.

In July, M-real exercised its option to purchase the former Kangas paper mill real estate and land area from Sappi for a price of EUR 13 million. The deal was part of an agreement with which M-real and Sappi settled the issues still open related to the sale of M-real's Graphic Papers business area in 2008. In September, the city of Jyväskylä decided to use its right of pre-emption based on law to purchase the Kangas mill real estate from M-real for an equivalent price of EUR 13 million.

In October, Metsä Tissue announced its decision to increase the Away-from-Home capacity at the Mänttä mill. The value of the investment is EUR 7 million and the project is scheduled for completion by the first quarter of 2012.

The modernisation of Metsä Tissue's paper machine 10 at the Mänttä mill was completed in April. The investment, worth some EUR 6 million, is expected to improve product quality, reduce water consumption and decrease the need for energy.

In February, Metsä-Botnia's Board of Directors decided on the construction of new causticisation and water stations at the Kemi mill. The total value of the investment is approximately EUR 40 million, and the new stations will come online at the end of 2011.

## Business areas

### *Wood Supply*

Wood Supply sales in January–September were EUR 988 million (809), and the operating result amounted to EUR 17 million (8). The operating result does not include non-recurring items. Wood Supply Finland accounted for EUR 676 million (608) of the sales and EUR 8 million (5) of the operating result.

The third-quarter sales were EUR 318 million (Q3/09: 232), and the operating result was EUR 3 million (Q3/09: -1).

Wood trade started briskly in August following the storms sweeping across central Finland from the southeast to the northwest, and wood supply also picked up in the rest of the country by the end of the third quarter. Metsäliitto transferred a large share of its harvesting fleet, a total of some 60 harvesting units, to areas affected by storm damage. The majority of the logging sites acquired by Metsäliitto in the storm-affected areas and almost half of the pulpwood stands marked for felling were harvested by the end of September. Elsewhere in Finland harvesting progressed as usual.

Metsäliitto exceeded its wood purchasing target in the third quarter. Owing to the sluggish wood sales in the first half of the year, however, the volume of wood purchases was still behind the annual target by the end of September.

In Russia, harvesting progressed well in the third quarter. The areas for which Metsäliitto had harvesting rights were not affected by the late-summer storms or by forest fires. In the Baltic region, wood supply from private forests picked up slightly compared with the sluggish sales in the first half of the year.

The wood supply of Metsäliitto Group's production plants was carried out as planned, with deliveries successfully made in the ordered quantities. In January–September, Metsäliitto Wood Supply's delivery volume to production plants was 21.5 million cubic metres (18.3).

In August Metsäliitto launched a major project concerned with developing the operations of Metsäliitto Wood Supply from traditional wood purchasing increasingly towards a service business. Attention will be paid to service expertise as well as the ways in which services are introduced and made available to forest owners.



## *Wood Products*

The sales of Metsäliitto Wood Products Industry were EUR 678 million (613) in January–September, and the operating result excluding non-recurring items totalled EUR 16 million (-38). The operating result including non-recurring items totalled EUR 21 million (-38).

The third-quarter sales were EUR 231 million (Q3/09: 188), and the operating result was EUR 11 million (Q3/09: -3). The operating result excluding non-recurring items totalled EUR 5 million (-3).

Following an increase in the first half of the year, the price of sawn timber began to level off in the third quarter. The increase in the price of raw material for sawn timber did not weigh down earnings as much as in the previous quarter.

The demand for processed products remained slack. At the Kaskinen and Kolho processing units, preparations were made to adjust production to changes in the market situation.

The construction market picked up in the Nordic region in particular, which boosted the demand for Kertopuu and other construction projects. In Central Europe, however, construction volumes remained low.

The transport equipment industry has started to pick up, which had a positive impact on the demand for birch plywood.

## *Pulp*

Metsä-Botnia's sales in January–September increased by more than 60 per cent year-over-year, amounting to EUR 1,000 million (614). The operating result excluding non-recurring items totalled EUR 281 million (-125). The considerable improvement in sales and operating result compared with the previous year came about from the market picking up and the pulp price rising steeply. Metsä-Botnia's sales volumes were up 8 per cent year-over-year.

Foreign-currency-denominated market prices for softwood pulp were, on average, 48 per cent higher compared with the corresponding period last year. The average prices of hardwood pulp increased by 60 per cent. Pulp prices decreased slightly in the third quarter, following the steady rise during the first half of the year. At the beginning of July, softwood pulp was selling at USD 980 per tonne and at the end of September, at USD 970 per tonne. The corresponding figures for hardwood pulp were USD 920 and USD 870.

The utilisation rate of Metsä-Botnia's mills in the third quarter was very good. The Äänekoski and Rauma mills, among others, set new monthly production records in August. The third-quarter sales were EUR 344 million (Q3/09: 219), and the

operating result excluding non-recurring items was EUR 115 million (Q3/09: -20). The operating result represented 33 per cent of sales.

The annual maintenance shutdown of the Kemi plant was carried out in September with a corresponding shutdown at the Rauma mill in October.

Pulp Industry (Metsä-Botnia) has been consolidated in the financial statements of Metsäliitto Group as a subsidiary from 8 December 2009 onwards. Prior to that, 53 per cent of Metsä-Botnia had been consolidated using proportionate consolidation.

Metsä-Botnia has treated its business operations in Uruguay as discontinued operations in accordance with the IFRS 5 standard. For this reason, the Uruguay operations are not included in the sales and operating result figures presented above for 2009.

### *Board and Paper*

The sales of Board and Paper totalled EUR 1,940 million (1,826), and the operating result excluding non-recurring items was EUR 136 million (-157).

Net non-recurring items in January–September amounted to EUR 14 million (-58), EUR 2 million of which was already recognised during the first half of the year.

Non-recurring items totalled EUR 12 million net in the third quarter. Approximately EUR 11 million of the non-recurring income arose from the reduction in depreciation and in the provision for the reorganisation of M-real's Reflex and Gohrsmühle mills. Approximately EUR 6 million resulted from patents sold to Sappi. A non-recurring expense item of EUR 4 million was recognised relating to the closure of the Alizay pulp mill.

The operating result excluding non-recurring items improved from the corresponding period last year due to increased delivery volumes, the higher selling price of pulp, the implemented increases in the price of board and paper, and cost savings. The investment shutdown at the Husum pulp mill, the stevedore strike in Finland, and the strengthening of the Swedish krona against the euro weakened the result. The operating result for the review period includes a sales gain of EUR 5 million from the sale of the Sappi shares, which is recognised as other business income. The majority of the Sappi shares, acquired in connection with the divestment of M-real's Graphic Papers business completed at the end of 2008, have been sold.

The third-quarter sales were EUR 662 million (Q3/09: 618), and the operating result excluding non-recurring items was EUR 54 million (Q3/09: -22).

The operating result including non-recurring items totalled EUR 150 million (-215) in January–September. Net interest and other financial expenses amounted to EUR 52 million (59).



The share of results in associates amounted to EUR -21 million (-14). The figure includes a EUR 16 million non-recurring impairment loss related to M-real's holding in Myllykoski Paper Oy. The figure for the comparable period includes a EUR 11 million non-recurring expense item related to the divestment of Myllykoski Paper's Sunila shares.

Exchange differences from accounts receivable, trade payables, financial items and the valuation of currency hedging were EUR -7 million (4).

The result before tax was EUR 70 million (-284), earnings per share were EUR 0.15 (-0.83) and return on capital employed was 7.8 per cent (-8.5). Excluding non-recurring items, the result before tax was EUR 72 million (-215), earnings per share were EUR 0.16 (-0.64) and the return on capital employed was 8.0 per cent (-5.6).

At the end of September, the equity ratio was 31.8 per cent and net gearing was 81 per cent (31 December 2009: 29.6% and 84%, respectively). Some of M-real'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 September, net gearing calculated in the manner defined in the borrowing agreements was approximately 63 per cent, and the equity ratio approximately 37 per cent.

In September, M-real announced that in order to improve its profitability, the company is planning to transfer the Simpele speciality paper production to the Gohrsmühle mill in Germany and to close the Simpele paper machine. The potential transfer of the production would improve M-real's operating result by approximately EUR 4 million. As a result of the planned closure of the Simpele paper mill, the fourth-quarter operating result is estimated to include a non-recurring expense of EUR 12 million.

### *Tissue and Cooking Papers*

Metsä Tissue's sales in January–September totalled EUR 692 million (661). The operating result excluding non-recurring items totalled EUR 45 million (72). The operating result including non-recurring items was EUR 36 million (72). A non-recurring item of EUR 2 million related to the reorganisation of the Mänttä mill was recognised in the third quarter. A total of EUR 7 million was recognised as non-recurring provisions and write-downs related to the reorganisation of the Polish operations in the second quarter.

The third-quarter sales were EUR 236 million (Q3/09: 226), and the operating result excluding non-recurring items was EUR 13 million (Q3/09: 31).

The operating result was burdened by the steep rise in the prices of pulp and recycled paper. The pulp price has increased by some 40 per cent since the end of 2009, and the price of recycled paper has almost doubled in Europe. However, successful hedging and price increases partially alleviated the negative effect.

After the reporting period, Metsä Tissue concluded the negotiations on the purchase of a speciality paper machine (PM5) and the related infrastructure assets from M-real's Reflex mill in Düren, Germany. The negotiations were concluded in accordance with the letter of intent on the purchase signed in June. The company intends to start the production of SAGA products at the Düren mill in the first half of 2011. In connection with the transaction, a total of 74 employees will transfer to Metsä Tissue.

In connection with the capacity increase in Germany, the company also launched statutory labour negotiations at the Mänttä mill. The negotiations were concluded in August and will result in a headcount reduction of 117 at the mill. Production on PM7 will continue at the Mänttä mill, but otherwise the entire production of Baking & Cooking products and all converting will be transferred to Germany. The older machine, PM5, will be shut down.

## **Management remuneration**

Members of the Metsäliitto Group Executive Management Team have established a company named Metsäliitto Management Oy. Through the company, the management has invested EUR 3,850,000 of their own funds in M-real's B shares. In addition, some of the investments of the company in M-real's B shares have been financed by a EUR 15,400,000 loan granted by Metsäliitto Cooperative in August. 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 M-real Corporation's B shares and, through this, to increase the shareholder value of Metsäliitto Group in the long term and support the achievement of the Group's strategic objectives.

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 year at a time if, in October–November 2013, 2014, 2015 or 2016, the stock exchange price of M-real's B share is lower than the average price at which Metsäliitto Management acquired M-real's B shares it owns. The loan granted by Metsäliitto will be repaid in its entirety by 31 March 2014. If the validity of the system is continued one year at a time in 2013, 2014, 2015 or 2016, the loan period will be extended correspondingly.

As of August 2010, the share ownership system replaces the previous share compensation system, under which the other management continues. Members of the Executive Management Team are not entitled to a potential share reward according to the old share compensation system for the financial period 2010. 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 M-real'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.

Metsäliitto Management Oy has been consolidated as a subsidiary in the financial statements of Metsäliitto Group as from 30 September 2010.

## Events after the period

On 26 October 2010, M-real and Metsä Tissue Corporation signed an agreement on the partial divestment of M-real's Reflex mill to Metsä Tissue for approximately EUR 10 million. The deal will take effect at the beginning of November 2010. The agreement covers paper machine 5 and related real estate, as well as certain infrastructure assets. Metsä Tissue will convert the paper machine to produce cooking papers.

M-real will book a positive non-recurring item of approximately EUR 15 million in its operating result related to transaction proceeds and the partial reversal of the personnel cost provisions announced earlier. EUR 8 million of this amount was already booked in the third quarter of 2010. The EUR 7 million sales gain booked by M-real in the fourth quarter will be eliminated in Metsäliitto Group's financial statements.

## Risks and uncertainties

Since the estimates and statements in this interim report are based on current plans and projections, they involve risks and uncertainties that may cause prospects to materially differ from those expressed in such statements. The risks related to the Group's business have been explained more extensively in Metsäliitto Group's annual report for 2009.

## Near-term outlook

Metsäliitto continues to actively buy all timber grades. Purchases of stands marked for winter felling also started in October. Artificial regeneration is a highly topical issue in areas affected by storm damage in particular.

The operating result of the Wood Products Industry, excluding non-recurring items, is expected to remain at the same level as in the previous quarter. Uncertainty has nevertheless increased in the demand for end products.

The pulp mills shut down after the Chilean earthquake are back in production, and the supply of pulp will increase by the year-end as old pulp capacity will be brought back online in Canada. The market price for pulp is expected to decrease, and the profitability is weakened also by the exchange rate of the US dollar. The market

situation is, however, expected to remain relatively stable, and Metsä-Botnia is expected to report a good result also for the last quarter of the year.

The growth in the demand for tissue and cooking papers is expected to continue. High pulp prices, rapid increases in the price of recycled paper and the rise in other production costs will cause major cost pressure also in the future.

The demand for board is expected to also remain good within the next few months. The annual agreement negotiations for board have mainly been concluded for 2011, with the targeted price increases successfully pushed through. The impact of the increases on the result will be visible from the beginning of 2011. The price levels of M-real's folding boxboard and liners have increased more than 10 per cent compared to the beginning of the year after increasing the prices in Europe.

The demand for office paper is likely to remain good, and further efforts will be made to increase prices. While the demand for speciality papers is expected to remain stable, no major changes are expected in the price level.

Metsäliitto Group estimates that the operating result of the fourth quarter excluding non-recurring items will be lower than in the third quarter due to seasonal fluctuation and the strengthening of the euro against the US dollar.

Espoo, 27 October 2010

Metsäliitto Group  
Board of Directors

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Unaudited

## METSÄLIITTO GROUP

<b>Condensed consolidated statement of comprehensive income, EUR mill.</b>	2010 1–9	2009 1–9	Change	2010 Q3	2009 Q3	2009 1–12
<b>Continuing operations</b>						
<b>Sales</b>	<b>3 986</b>	<b>3 647</b>	<b>339</b>	<b>1 345</b>	<b>1 155</b>	<b>4 837</b>
Other operating income	98	115	-17	51	31	353
Operating expenses	-3 461	-3 672	211	-1 157	-1 103	-4 858
Depreciation and impairment losses	-207	-277	70	-70	-76	-501
<b>Operating result</b>	<b>415</b>	<b>-186</b>	<b>602</b>	<b>170</b>	<b>7</b>	<b>-169</b>
Share of results in associated companies	-14	-11	-3	-1	-1	-16
Exchange gains and losses	-6	1	-7	-6	4	2
Other net financial items	-103	-113	11	-35	-63	-147
<b>Result before income tax</b>	<b>293</b>	<b>-310</b>	<b>603</b>	<b>128</b>	<b>-53</b>	<b>-329</b>
Income taxes	-102	19	-121	-39	-6	10
<b>Result for the period from continuing operations</b>	<b>191</b>	<b>-291</b>	<b>482</b>	<b>89</b>	<b>-59</b>	<b>-318</b>
<b>Discontinued operations</b>						
Result from discontinued operations	0	-15	15	0	-2	-23
<b>Result for the period</b>	<b>191</b>	<b>-306</b>	<b>497</b>	<b>89</b>	<b>-61</b>	<b>-342</b>
<b>Other comprehensive income</b>						
Cash flow hedges	6	24	-18	7	10	35
Available for sale financial assets	37	-101	138	13	27	-103
Currency translation differences	17	-25	42	-1	-22	-15
Other items	0	0	0	0	0	0
Income tax relating to components of other comprehensive income	-6	23	-29	-5	-8	23
<b>Other comprehensive income, net of tax</b>	<b>54</b>	<b>-78</b>	<b>133</b>	<b>14</b>	<b>7</b>	<b>-60</b>
<b>Total comprehensive income for the period</b>	<b>245</b>	<b>-384</b>	<b>630</b>	<b>103</b>	<b>-55</b>	<b>-402</b>

### Result attributable to:

Members of parent company	139	-140	279	61	-20	-116
Non-controlling interests	52	-166	218	28	-41	-226
	191	-306	497	89	-61	-342

### Total comprehensive income attributable to:

Members of parent company	167	-178	345	64	-22	-150
Non-controlling interests	79	-206	285	39	-33	-252
	245	-384	630	103	-55	-402

Unaudited

	2010	2009	2009
<b>Condensed consolidated balance sheet</b>	30.9	30.9	31.12.
<b>ASSETS</b>			
<b>Non-current</b>			
Goodwill	506	168	493
Other intangible assets	244	73	245
Tangible assets	2 346	2 110	2 428
Biological assets	8	5	7
Investments in associated companies	81	101	98
Available for sale investments	346	355	356
Non-current financial assets	17	10	12
Deferred tax receivables	63	70	58
	<b>3 611</b>	<b>2 892</b>	<b>3 697</b>
<b>Current</b>			
Inventories	772	619	669
Accounts receivables and other receivables	893	800	797
Cash and cash equivalents	473	470	558
	<b>2 138</b>	<b>1 889</b>	<b>2 024</b>
Assets classified as held for sale	13	722	9
<b>Total assets</b>	<b>5 762</b>	<b>5 503</b>	<b>5 730</b>
<b>MEMBERS' FUNDS AND LIABILITIES</b>			
<b>Members' funds</b>			
Members' funds	1 089	834	927
Non-controlling interests	524	478	471
	<b>1 614</b>	<b>1 312</b>	<b>1 399</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	403	258	382
Post-employment benefit obligations	113	124	122
Provisions	72	54	76
Borrowings	1 650	2 373	1 976
Other liabilities	39	45	134
	<b>2 278</b>	<b>2 854</b>	<b>2 689</b>
<b>Current liabilities</b>			
Provisions	25	28	52
Current borrowings	827	327	798
Accounts payable and other liabilities	1 018	747	787
	<b>1 870</b>	<b>1 102</b>	<b>1 637</b>
Liabilities classified as held for sale	-	235	6
<b>Total liabilities</b>	<b>4 148</b>	<b>4 191</b>	<b>4 331</b>
<b>Total members' funds and liabilities</b>	<b>5 762</b>	<b>5 503</b>	<b>5 730</b>

Non-current portion of derivative financial instruments have been transferred to non-current financial assets from accounts receivables and other receivables (QIII/09: EUR 0 mill. and QIV/09: EUR 2 mill.). Non-current portion of derivative financial instruments have been transferred to other liabilities from accounts payable and other liabilities (QIII/09: EUR 29 mill. and QIV/09: EUR 19 mill.).



Unaudited

Equity attributable to members of parent company

## Change in members' funds

EUR million	Members' capital	Share premium account	Translation differences	Fair value and other reserves	Retained earnings	Total	Non-controlling interests	Total
<b>Members' funds 1.1.2009</b>	585	30	-5	165	329	1 104	682	1 786
Result for the period					-140	-140	-166	-306
Other comprehensive income								
Cash flow hedges				10		10	15	24
Available for sale financial assets				-44		-44	-57	-101
Currency translation differences			-14			-14	-10	-25
Other items								
Income tax relating to components of other comprehensive income			1	9		10	13	23
Transactions with owners								
Dividends paid					-34	-34	-1	-35
Change in members' capital	-59					-59		-59
Change in share premium account								
Transfer from unrestricted to restricted equity								
Business arrangements			2	-2		0	4	4
<b>Members' funds 30.9.2009</b>	526	30	-15	138	155	834	478	1 312
<b>Members' funds 1.1.2010</b>	484	30	9	221	184	927	471	1 399
Result for the period					139	139	52	191
Other comprehensive income								
Cash flow hedges				5		5	1	6
Available for sale financial assets				15		15	22	37
Currency translation differences			11			11	6	17
Other items								
Income tax relating to components of other comprehensive income			1	-5		-4	-2	-6
Transactions with owners								
Dividends paid					-29	-29	-4	-33
Change in members' capital	29					29		29
Change in share premium account		1				1		1
Transfer from unrestricted to restricted equity				9	-9	0		0
Business arrangements					-6	-6	-22	-28
<b>Members' funds 30.9.2010</b>	514	31	21	245	279	1 089	524	1 614

Unaudited

	2010	2009	2009
<b>Condensed consolidated cash flow statement</b>	<b>1–9</b>	<b>1–9</b>	<b>1–12</b>
Result for the period	191	-306	-342
Total adjustments	348	339	469
Change in working capital	-150	173	231
<b>Cash flow arising from operations</b>	<b>388</b>	<b>206</b>	<b>359</b>
Net financial items	-110	-9	-84
Income taxes paid	-24	6	0
<b>Net cash flow arising from operating activities</b>	<b>255</b>	<b>204</b>	<b>275</b>
Acquisitions	-21	-4	-496
Investments in tangible and intangible assets	-89	-112	-152
Divestments of assets and other	69	346	940
<b>Net cash flow arising from investing activities</b>	<b>-42</b>	<b>229</b>	<b>291</b>
Change in members' funds	29	-59	-57
Change in other equity	4		
Change in long-term loans and other financial items	-293	-438	-530
Dividends paid	-40	-40	-40
<b>Net cash flow arising from financing activities</b>	<b>-299</b>	<b>-536</b>	<b>-626</b>
<b>Changes in cash and cash equivalents</b>	<b>-87</b>	<b>-103</b>	<b>-60</b>
Cash and cash equivalents at beginning of period	558	619	619
Translation difference	2	-1	-1
Changes in cash and cash equivalents	-87	-103	-60
Cash and cash equivalents in assets classified as held for sale	0	-45	-1
<b>Cash and cash equivalents at end of period</b>	<b>473</b>	<b>470</b>	<b>558</b>

Unaudited

## BUSINESS SEGMENTS

<b>Wood Supply</b>	1–9/10	1–9/09	Q3/10	Q3/09	QI-IV/09
Sales	988	809	318	232	1 101
EBITDA	20	11	4	0	-5
- " -, excl. non-recurring items	20	11	4	0	16
Depreciation and impairment	-3	-3	-1	-1	-4
Operating result	17	8	3	-1	-9
- " -, excl. non-recurring items	17	8	3	-1	12
Capital expenditure	2	1	2	1	2
Personnel at end of period	1 071	951	1 071	951	945

<b>Wood Products Industry</b>	1–9/10	1–9/09	Q3/10	Q3/09	QI-IV/09
Sales	678	613	231	188	806
EBITDA	48	-9	20	7	-2
- " -, excl. non-recurring items	42	-9	13	7	-2
Depreciation and impairment	-27	-29	-9	-10	-45
Operating result	21	-38	11	-3	-47
- " -, excl. non-recurring items	16	-38	5	-3	-41
Capital expenditure	12	7	6	4	10
Personnel at end of period	2 784	3 124	2 784	3 124	3 110

<b>Pulp Industry</b>	1–9/10	1–9/09	Q3/10	Q3/09	QI-IV/09
Sales	1 000	898	344	313	1 195
EBITDA	328	-13	131	25	366
- " -, excl. non-recurring items	337	5	131	25	71
Depreciation and impairment	-45	-149	-17	-23	-173
Operating result	283	-162	114	2	193
- " -, excl. non-recurring items	281	-87	114	2	-43
Capital expenditure	8	45	4	26	53
Personnel at end of period	936	1 633	936	1 633	1 106

Pulp Industry (Metsä-Botnia) has been consolidated as a subsidiary from 8 December 2009 onwards. Before that, 53% of Metsä-Botnia has been consolidated using the proportional consolidation method (M-real 30% and Metsäliitto 23%).

<b>Board and Paper Industry</b>	1–9/10	1–9/09	Q3/10	Q3/09	QI-IV/09
Sales	1 940	1 826	662	618	2 432
EBITDA	238	-44	95	27	88
- " -, excl. non-recurring items	234	-7	85	26	44
Depreciation and impairment	-88	-171	-29	-50	-356
Operating result	150	-215	66	-24	-267
- " -, excl. non-recurring items	136	-157	54	-22	-150
Capital expenditure	48	55	31	23	73
Personnel at end of period	4 682	5 649	4 682	5 649	4 903

<b>Tissue and Cooking Papers</b>	1–9/10	1–9/09	Q3/10	Q3/09	QI-IV/09
Sales	692	661	236	226	890
EBITDA	70	103	21	42	135
- " -, excl. non-recurring items	75	103	23	42	135
Depreciation and impairment	-34	-31	-10	-11	-42
Operating result	36	72	11	31	93
- " -, excl. non-recurring items	45	72	13	31	93
Capital expenditure	18	18	7	8	35
Personnel at end of period	3 105	3 213	3 105	3 213	3 150

<b>Other operations</b>	1–9/10	1–9/09	Q3/10	Q3/09	QI-IV/09
Sales	3	167	1	3	170
EBITDA	-6	49	-2	2	69
- " -, excl. non-recurring items	-5	21	-1	2	21
Depreciation and impairment	-1	-10	0	0	-11
Operating result	-7	39	-3	2	59
- " -, excl. non-recurring items	-6	11	-1	2	11
Capital expenditure	22	22	20	0	516
Personnel at end of period	450	395	450	395	378

Other operations include Vapo Group (49.9%) until June 24, 2009 and Metsäliitto's service and holding functions as well as Metsäliitto Management Oy.

<b>Internal sales and eliminations</b>	1–9/10	1–9/09	Q3/10	Q3/09	QI-IV/09
Sales	-1 314	-1 327	-446	-425	-1 758
EBITDA	-75	-7	-29	-19	-319
- " -, excl. non-recurring items	-74	0	-30	-18	-40
Depreciation and impairment	-9	117	-3	18	129
Operating result	-84	110	-32	0	-190
- " -, excl. non-recurring items	-83	72	-32	1	45

<b>Metsäliitto Group</b>	1–9/10	1–9/09	Q3/10	Q3/09	QI-IV/09
Sales	3 986	3 647	1 345	1 155	4 837
EBITDA	623	90	239	83	332
- " -, excl. non-recurring items	630	124	227	84	246
Depreciation and impairment	-207	-277	-70	-76	-501
Operating result	415	-186	170	7	-169
- " -, excl. non-recurring items	405	-119	155	9	-75
Capital expenditure	110	116	69	42	648
Personnel at end of period	13 028	13 708	13 028	13 708	13 592

EBITDA = Operating result before depreciation and impairment losses.

Unaudited

<b>Quarterly data</b>	2010 QIII	2010 QII	2010 QI	2009 QIV	2009 QIII	2009 QII	2009 QI
Sales							
Wood Supply	318	337	333	292	232	251	327
Wood Products Industry	231	256	192	193	188	224	202
Pulp Industry	344	368	288	297	313	282	303
Board and Paper Industry	662	676	602	606	618	585	623
Tissue and Cooking Papers	236	231	225	229	226	217	218
Other operations	1	2	0	4	3	72	92
Internal sales and eliminations	-446	-454	-415	-431	-425	-418	-487
Sales total	1 345	1 416	1 224	1 190	1 155	1 213	1 278
Operating result							
Wood Supply	3	8	7	-17	-1	4	5
Wood Products Industry	11	11	-2	-9	-3	-10	-25
Pulp Industry	114	112	57	355	2	-42	-122
Board and Paper Industry	66	35	49	-52	-24	-73	-117
Tissue and Cooking Papers	11	5	19	21	31	22	19
Other operations	-3	-2	-2	20	2	27	10
Eliminations	-32	-29	-23	-300	0	16	94
Operating result total	170	141	105	18	7	-56	-137
- % of sales	12.6	10.0	8.6	1.5	0.6	-4.6	-10.7
Share of results in associated companies	-1	-7	-6	-4	-1	-8	-2
Exchange gains and losses	-6	2	-2	2	4	-1	-2
Other net financial items	-35	-34	-34	-34	-63	-30	-20
Result before income tax	128	102	64	-18	-53	-95	-163
Income tax	-39	-40	-24	-9	-6	7	19
Result from continuing operations	89	62	40	-27	-59	-88	-144
Result from discontinued operations	0	0	0	-9	-2	-3	-10
Result for the period	89	62	40	-36	-61	-91	-153

<b>Operating result excl. non-rec. items</b>	QIII/10	QII/10	QI/10	QIV/09	QIII/09	QII/09	QI/09
Wood Supply	3	8	7	4	-1	4	5
Wood Products Industry	5	11	0	-3	-3	-10	-25
Pulp Industry	114	110	57	44	2	-42	-47
Board and Paper Industry	54	43	39	7	-22	-70	-65
Tissue and Cooking Papers	13	12	19	21	31	22	19
Other operations & eliminations	-34	-31	-25	-28	3	35	46
Operating result total	155	154	96	44	9	-61	-67

## Unaudited

<b>Change in tangible assets</b>	QI-III/10	QI-III/09	QI-IV/09
Book value at beginning of period	2 428	2 958	2 958
Business acquisitions	-	1	472
Investments	88	105	143
Decrease	-14	-256	-772
Assets classified as held for sale	-11	-434	-3
Depreciation and impairment charges	-195	-262	-449
Translation differences and other changes	50	-2	78
Book value at end of period	2 346	2 110	2 428

In September 2010, assets classified as held for sale include part of the former equipment of Metsä-Botnia's Kaskinen pulp mill, shut down in 2009.

In September 2010, depreciation and impairment charges include the partial reversal of the impairment loss related to the shutdown of Metsä-Botnia's Kaskinen mill (EUR -11 million), based on an agreed asset deal; the partial reversal of the impairment loss recognised in connection with the closure of M-real's paper machine 2 at the Kangas mill (EUR -8 million), based on the agreed sale of the machine; the reversal of the impairment loss (EUR -3 million) related to the machine in M-real Zander's Reflex mill based on the agreed partial sale of the mill to Metsä Tissue. Depreciation and impairment charges also include the write-down related to the reorganisation of Metsä Tissue's Polish operations (EUR 4 million).

In September 2009, assets classified as held for sale include property, plant and equipment of Metsä-Botnia's operations in Uruguay, and in December 2009, property, plant and equipment of Metsäliitto Wood Products Industry's battenboard mill.

<b>Commitments</b>	QIII/10	QIII/09	QIV/09
On own behalf (incl. leasing liabilities)	567	344	456
On behalf of associated companies	4	5	6
On behalf of others	3	6	4
Total	575	354	466

<b>Open derivative contracts</b>	QIII/10	QIII/09	QIV/09
Interest rate derivatives	988	974	831
Currency derivatives	1 640	2 010	1 766
Other derivatives	217	379	254
Total	2 844	3 363	2 850

The market value of open derivative contracts at the end of the review period was EUR -41 million (QIV/09: EUR -28 million). Open derivative contracts also include closed contracts to a total amount of EUR 422 million (QIV/09: EUR 537 million).

## Accounting policies

This Interim Report was prepared in accordance with the IAS 34 standard Interim Financial Reporting and the accounting policies presented in Metsäliitto Group's Annual Report 2009.



## 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)