Metsä Group's operating result excluding non-recurring items was EUR 252 million in 2012

The operating result excluding non-recurring items was EUR 71 million in October–December

Full year result for 2012

- Sales amounted to EUR 5,001 million (1–12/2011: EUR 5,346 million).
- Operating result excluding non-recurring items was EUR 252 million (314). Operating result including non-recurring items was EUR 237 million (29).
- Result before taxes excluding non-recurring items was EUR 149 million (195). Including non-recurring items, the result before taxes was EUR 134 million (-98).
- Cash flow from operations amounted to EUR 440 million (552)

Result for October–December 2012

- Sales amounted to EUR 1,228 million (10–12/2011: 1,223).
- Operating result excluding non-recurring items was EUR 71 million (3). Operating result including non-recurring items was EUR 77 million (-200).
- Result before taxes and excluding non-recurring items was EUR 43 million (-21). Result before taxes including non-recurring items was EUR 49 million (-228).

Events during the fourth quarter of 2012

- The biopower plant owned by Pohjolan Voima and Leppäkosken Sähkö at Metsä Board's Kyro mill was inaugurated.
- The bioenergy heating plant next to Metsä Wood's Kerto mill in Lohja was completed at the end of the year.
- Metsäliitto Cooperative issued a EUR 175 million euro bond.
- Pulp prices turned into a slight upward trend.
- Delivery volumes of folding boxboard fell short of the previous quarter due to seasonal factors. Average price of linerboard increased.
- The profitability of Tissue and Cooking Papers improved from both the previous year and the previous quarter.

Events after the period

- The Alizay mill site in France, including all equipment and buildings, was sold to Conseil Général de l'Eure, representing the French state, for EUR 22 million.
- Esa Kaikkonen, LLM, was appointed Executive Vice President of Metsä Wood as of 5 February 2013.

”Our result for 2012 was satisfactory, considering the market conditions. Our operating result excluding non-recurring items improved steadily quarter after quarter.

The most significant events during the year included launching the new corporate identity, deepening the pulp partnership with the Japanese company Itochu and the completion of the strategic review of the paper business in the spring. These are important milestones for the Group’s future.

We continued our development investments to renew the capacity of our production plants and improve our efficiency and profitability. Investments in bioenergy in Finland will increase the use of renewable fuels at our production plants and improve our energy efficiency and environmental performance considerably.

The general market situation continues to be unstable, and continuously increasing national and EU-level regulation makes the operations of Finnish export companies even more challenging. However, as the result of the choices that we have made, Metsä Group can head to the future from a solid foundation.”

Kari Jordan, President & CEO, Metsä Group

Metsä Group

Income statement	2012 1–12	2011 1–12	2012 10–12	2011 10–12
Sales	5 001	5 346	1 228	1 223
Other operating income	77	95	25	32
Operating expenses	-4 591	-5 058	-1 124	-1 366
Depreciation and impairment losses	-249	-354	-52	-89
Operating result	237	29	77	-200
Share of profit from associates	5	4	0	-1
Exchange gains and losses	2	2	1	0
Other net financial items	-110	-133	-29	-27
Result before income tax	134	-98	49	-228
Income taxes	-32	-59	2	22
Result for the period	103	-157	51	-206

Profitability	2012 1–12	2011 1–12	2012 10–12	2011 10–12
Operating result, EUR mill.	237	29	77	-200
- " -, excluding non-recurring items	252	314	71	3
- " - % of sales	5.0	5.9	5.8	0.2
Return on capital employed, %	6.6	1.1	7.9	-20,6
- " -, excluding non-recurring items	7.0	8.5	7.3	0.7
Return on equity, %	6.1	-9.9	10.9	-51.9
- " -, excluding non-recurring items	6.9	8.6	9.6	0.1

Financial position	2012 31.12.	2011 31.12.	2012 30.9.	2011 30.9.
Equity ratio, %	35.4	28.3	34.4	31.0
Net gearing ratio, %	84	131	89	113
Interest-bearing net liabilities, EUR mill.	1 590	1 953	1 648	1 895

Segments

Sales and Operating result 2012 (EUR mill.)	Wood Supply	Wood Products Industry	Pulp Industry	Paperboard and Paper Industry	Tissue & Cooking Papers
Sales	1 515	904	1 274	2 108	982
Other operating income	10	10	10	194	16
Operating expenses	-1 502	-866	-1 077	-1 982	-922
Depreciation & impairment losses	-3	-31	-57	-100	-43
Operating result	20	17	150	220	33
Non-recurring items	-	2	-2	-146	7
Operating result, excl. non-rec. items	20	19	148	74	40
- % of sales	1.3	2.1	11.6	3.5	4.0

Metsä Group is a responsible forest industry group whose products' main raw material is renewable and sustainably grown Nordic wood. Metsä Group focuses on tissue and cooking papers, consumer packaging paperboards, pulp, wood products, and wood supply. Its high-quality products combine renewable raw materials, customer-orientation, sustainable development and innovation. Metsä Group's sales totalled EUR 5.0 billion in 2012, and it employs approximately 11,500 people. The Group operates in some 30 countries. Metsäliitto Cooperative is the parent company of Metsä Group and is owned by approximately 125,000 Finnish forest owners.

The Financial Statements Bulletin is unaudited

METSÄ GROUP

FINANCIAL STATEMENTS 2012

Sales and result
Metsä Group’s sales in 2012 totalled EUR 5,001 million (1–12/2011: EUR 5,346 million). Closed and restructured units decreased the Group’s sales by approximately EUR 470 million compared to 2011.

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

The non-recurring items recognised in 2012 totalled EUR -14 million (-285), of which income accounted for EUR 24 million (11) and expenses accounted for EUR 38 million (296). Of the non-recurring income, EUR 18 million was related to the reversals of previous provisions and impairments and EUR 6 million was related to sales of fixed assets and property. EUR 21 million of the non-recurring expenses were related to efficiency improvements in operations, EUR 12 million to cleaning costs and EUR 5 million to the termination of the lease agreements of redundant office space.

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

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

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

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

Sales and operating result in October–December

Metsä Group's sales for the last quarter of the year were EUR 1,228 million (10–12/2011: EUR 1,223 million). The operating result excluding non-recurring items was EUR 71 million (3), and the operating result including non-recurring items was EUR 77 million (-200). Compared with the previous quarter, the operating result excluding non-recurring items improved by EUR 4 million (7–9/2012: EUR 67 million) and sales decreased by EUR 14 million (1,242).

Net non-recurring items totalled EUR +6 million in October–December. The most significant items were the reversals of Metsä Board's previous provisions and impairments, totalling EUR 19 million, and cost provisions of approximately EUR 7 million related to efficiency improvements in Metsä Tissue's operations. EUR 6 million of other provisions were recognised, mainly associated with personnel arrangements.

Balance sheet and financing

Metsä Group's liquidity is good. Total liquidity at the end of December was EUR 1,168 million (31 December 2011: 855). This consisted of EUR 519 million (330) of liquid assets and investments and EUR 649 million (525) of committed credit facility agreements not included in the balance sheet. In addition, in order to meet its short-term financing needs, the Group had at its disposal uncommitted domestic and foreign commercial paper programmes and credit facilities amounting to EUR 526 million (524).

The Group's equity ratio at the end of December was 35.4 per cent and net gearing was 84 per cent (31 December 2011: 28.3 per cent and 131 per cent, respectively). Interest-bearing net liabilities stood at EUR 1,590 million (31 December 2011: 1,953).

Cash flow from operations amounted to EUR 440 million (1–12/2011: 552). During 2012, EUR 82 million of working capital was released (74).

The equity ratio of the parent company Metsäliitto Cooperative was 61.5 per cent at the end of December and net gearing was 21 per cent (31 December 2011: 61.3 per cent and 40 per cent, respectively).

During January–December, Metsäliitto Cooperative's members' capital increased by a total of EUR 45.4 million (41.8). The actual members' capital grew by EUR 2.4 million (3.9), the additional members' capital A by EUR 28.9 million (23.7) and the additional members' capital B by EUR 14.1 million (14.2). Based on notifications received by the end of 2012, EUR 28.7 million (26.9) of the additional members' capital will fall due on 1 July 2013.

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

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

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

At the beginning of 2012, Metsäliitto Cooperative launched a new investment product called Equity Bonus, in which a member can subscribe to additional A shares worth EUR 1 in a combined issue at a price decided by the Board of Directors in any given year in accordance with the share issue terms. New additional A shares are offered for subscription from wood trade or income obtained from share interest. The maximum amount of the combined issue to be covered from retained earnings is EUR100 million.

Personnel
Metsä Group employed an average of 11,986 people in January–December (1–12/2011: 13,046). At the end of December, the number of personnel in the Group was 11,447 (31 December 2011: 12,525), of whom 5,414 (5,660) worked in Finland and 6,033 (6,865) in other countries. The parent company Metsäliitto Cooperative employed 2,645 people at the end of December (31 December 2011: 2,723).

Members
At the end of the review period, Metsäliitto Cooperative had 124,255 members (31 December 2011: 125,144). During the year, 2,289 new members joined the Cooperative and 3,178 members cancelled their membership (2011: 1,978 and 3,216, respectively).

Investments
Metsä Group's capital expenditure totalled EUR 204 million (227). In addition, EUR 5 million worth of shares in Pohjolan Voima Oy were purchased and approximately EUR 2 million worth of other shares (108).

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

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

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

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

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

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

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

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

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

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

Structural changes

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

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

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

As part of the transition process, Metsäliitto Group announced on 9 February 2012 that it will change its name to Metsä Group and adopt a new corporate image. The names of the Group’s business areas were also changed. Wood Products Industry was renamed Metsä Wood, and Metsä-Botnia became Metsä Fibre. The Annual General Meeting of 28 March 2012 decided to change the name of M-real Corporation to Metsä Board Corporation. Metsä Tissue’s name was not changed. Wood Supply is now Metsäliitto Puunhankinta in Finland and Metsä Forest internationally. The name of Metsä Group's parent company continued to be Metsäliitto Cooperative.

Business areas

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

Sales for the last quarter of the year were EUR 376 million (10–12/2011: 355) and operating result was EUR 7 million (7).

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

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

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

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

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

Metsä Group was awarded an FSC® group certificate in September. The certificate covers part of Metsä Group's forests, and in the future, the Cooperative's owner members will also be able to join it. Metsä Group's FSC license code is FSC-C014476.

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

During the fourth quarter of the year, sales fell short of the corresponding period the previous year. Sales for the last quarter of the year were EUR 216 million (10–12/2011: 220) and operating result excluding non-recurring items was EUR 2 million (0).

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

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

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

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

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

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

Pulp

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

Metsä Fibre's sales for the last quarter of the year were EUR 321 million (10–12/2011: 290) and the operating result excluding non-recurring items was EUR 31 million (20).

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

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

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

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

Board and paper

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

A total of EUR +146 million of non-recurring items were recognised during the year. The largest items were the EUR 85 million gain on the divestment of the 7.3 percentage point holding in Metsä Fibre to Itochu Corporation, the EUR 59 million gain on the divestment of the 0.5 percentage point holding in Pohjolan Voima to Metsä Fibre and a EUR 6 million sales gain from property transactions. Furthermore, Metsä Board reversed previous provisions and impairments totalling EUR 18 million.

The non-recurring items additionally include an environmental provision of approximately EUR 12 million, a cost provision of EUR 4 million related to the Husum mill operational efficiency programmes and other cost provisions totalling EUR 6 million.

Sales amounted to EUR 509 million in October–December (10–12/2011: 524) and operating result excluding non-recurring items was EUR 25 million (-22). Non-recurring items amounted to EUR +16 million in the last quarter (-194).

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

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

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

At the end of December, Metsä Board’s equity ratio was 33.6 per cent and net gearing was 72 per cent (31 December 2011: 27.4 and 106, respectively).

Metsä Board’s financial statements bulletin was published on 7 February 2013 at 12 noon.

Tissue and Cooking Paper

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

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

Sales for the last quarter of the year were EUR 254 million (10–12/2011: 246) and the operating profit excluding non-recurring items was EUR 13 million (4).

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

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

In 2012, Metsä Tissue launched several new products. The company launched a new Lambi packaging model range and renewed the Serla, Mola and Tento tissue paper qualities in all markets. In addition, the Lambi product range was expanded with versatile moist towels. Cooking products were centralised under the SAGA brand, and the company launched the SAGA One-Up Express products as well as Cook & Chill products, which decrease food wastage. An easy-to-use Katrin Handy Pack for folding hand towels was also launched.

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

Events after the period

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

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

Risks and uncertainties

The estimates and statements in this Financial Statements Bulletin 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 Metsäliitto Cooperative and two other forest industry companies jointly pay compensation for alleged damage caused by prohibited cooperation with regard to prices in the raw wood market. The claim is related to the 3 December 2009 decision by the Market Court which states that the aforementioned companies have violated the act on competition restrictions in the raw wood market. In addition, some municipalities, parishes and a group of individuals in Finland have instituted similar proceedings. The total amount of all claims that Metsäliitto Cooperative is aware of and that were directed at Metsäliitto Cooperative and the other aforementioned companies jointly is approximately EUR 236 million, of which approximately EUR 87 million is directed at Metsäliitto Cooperative alone. In addition, the aforementioned proceedings are associated with interest and value added tax claims. Metsä Cooperative's view is that the claims for damages are unfounded, and the company has not recognised any provisions regarding them.

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

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

Near-term outlook

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

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

Pulp prices in different market areas have levelled off and partly begun to increase during early 2013. The favourable development is supported by the low levels of softwood suppliers' stock, delays in additional capacity projects and China's investments in tissue paper production capacity.

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

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

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

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

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

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

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

Espoo, Finland, 7 February 2013

Board of Directors

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SEGMENTS

Wood Supply	1–12/12	1–12/11	10–12/12	10–12/11
Sales	1 515	1 476	376	355
EBITDA	23	27	8	7
- ” -, excl. non-recurring items	23	27	8	7
Depreciation and impairment	-3	-3	-1	-1
Operating result	20	24	7	7
- ” -, excl. non-recurring items	20	24	7	7
- ” -, % of sales	1,.3	1.7	1.9	1.9
Capital expenditure	6	4	2	2
Personnel at end of period	1 007	1 028	1 007	1 028

Wood Products Industry	1–12/12	1–12/11	10–12/12	10–12/11
Sales	904	939	216	220
EBITDA	48	44	9	7
- ” -, excl. non-recurring items	50	44	10	8
Depreciation and impairment	-31	-41	-8	-17
Operating result	17	3	1	-9
- ” -, excl. non-recurring items	19	12	2	0
- ” -, % of sales	2.1	1.3	1.0	0.0
Capital expenditure	27	14	9	5
Personnel at end of period	2 749	2 874	2 749	2 874

Pulp Industry	1–12/12	1–12/11	10–12/12	10–12/11
Sales	1 274	1 301	321	290
EBITDA	207	326	46	35
- ” -, excl. non-recurring items	207	330	46	35
Depreciation and impairment	-57	-63	-15	-15
Operating result	150	263	31	20
- ” -, excl. non-recurring items	148	267	31	20
- ” -, % of sales	11.6	20.5	9.6	6.9
Capital expenditure	35	45	7	19
Personnel at end of period	876	872	876	872

Paperboard and Paper Industry	1–12/12	1–12/11	10–12/12	10–12/11
Sales	2 108	2 485	509	524
EBITDA	320	-23	55	-172
- ” -, excl. non-recurring items	185	180	50	8
Depreciation and impairment	-100	-191	-14	-43
Operating result	220	-214	41	-215
- ” -, excl. non-recurring items	74	59	25	-22
- ” -, % of sales	3.5	2.4	4.9	-4.2
Capital expenditure	66	95	28	35
Personnel at end of period	3 279	4 070	3 279	4 070

Tissue and Cooking Papers	1–12/12	1–12/11	10–12/12	10–12/11
Sales	982	971	254	246
EBITDA	75	60	17	13
- ” -, excl. non-recurring items	82	60	23	13
Depreciation and impairment	-43	-40	-11	-10
Operating result	33	20	6	4
- ” -, excl. non-recurring items	40	20	13	4
- ” -, % of sales	4.0	2.1	4.9	1.5
Capital expenditure	64	61	16	21
Personnel at end of period	3 035	3 263	3 035	3 263

Other operations	1–12/12	1–12/11	10–12/12	10–12/11
Sales	3	3	1	1
EBITDA	73	-2	0	-2
- ” -, excl. non-recurring items	-1	-2	0	-2
Depreciation and impairment	-5	-2	-4	-1
Operating result	68	-4	-4	-2
- ” -, excl. non-recurring items	-6	-4	-4	-2
Capital expenditure	17	8	4	0
Personnel at end of period	501	418	501	418

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

Internal sales and eliminations	1–12/12	1–12/11	10–12/12	10–12/11
Sales	-1 785	-1 831	-448	-414
EBITDA	-260	-48	-4	0
- ” -, excl. non-recurring items	-33	-49	-3	-1
Depreciation and impairment	-10	-15	1	-4
Operating result	-270	-63	-4	-4
- ” -, excl. non-recurring items	-43	-64	-3	-4

Metsä Group	1–12/12	1–12/11	10–12/12	10–12/11
Sales	5 001	5 346	1 228	1 223
EBITDA	487	383	129	-111
- ” -, excl. non-recurring items	514	588	134	69
Depreciation and impairment	-249	-354	-52	-89
Operating result	237	29	77	-200
- ” -, excl. non-recurring items	252	314	71	3
- ” -, % of sales	5.0	5.9	5.8	0.2
Capital expenditure	204	227	58	82
Personnel at end of period	11 447	12 525	11 447	12 525

EBITDA = Operating result before depreciation and impairment losses.

Quarterly data	2012 Q4	2012 Q3	2012 Q2	2012 Q1	2011 Q4	2011 Q3	2011 Q2	2011 Q1
Sales								
Wood Supply	376	351	385	404	355	352	394	376
Wood Products Industry	216	217	249	222	220	218	264	238
Pulp Industry	321	327	300	326	290	332	339	340
Paperboard and Paper Industry	509	532	522	545	524	616	660	685
Tissue and Cooking Papers	254	249	235	244	246	247	237	241
Other operations	1	1	1	1	1	1	1	1
Internal sales	-448	-434	-446	-457	-414	-449	-492	-478
Sales total	1 228	1 242	1 247	1 284	1 223	1 317	1 403	1 403
Operating result								
Wood Supply	7	2	5	6	7	3	7	8
Wood Products Industry	1	-1	12	4	-9	-1	8	5
Pulp Industry	31	40	35	45	20	62	85	96
Paperboard and Paper Industry	41	22	161	-4	-215	-13	-32	46
Tissue and Cooking Papers	6	11	7	10	4	7	3	7
Other operations	-4	-5	79	-2	-2	2	-2	-2
Eliminations	-4	-14	-237	-15	-4	-16	-17	-26
Operating result total	77	56	61	44	-200	44	51	133
- % of sales	5.8	4.5	4.9	3.4	-16.4	3.4	3.7	9.5
Share of results from associated companies	0	1	5	-1	-1	2	3	0
Exchange gains and losses	1	2	-2	1	0	1	1	-1
Other net financial items	-29	-34	-13	-34	-27	-31	-31	-44
Result before income tax	49	25	51	10	-228	17	24	89
Income tax	2	-9	-17	-8	22	-21	-33	-26
Result for the period	51	16	34	2	-206	-4	-9	63

Operating result excl. non-rec. items	2012 Q4	2012 Q3	2012 Q2	2012 Q1	2011 Q4	2011 Q3	2011 Q2	2011 Q1
Wood Supply	7	2	5	6	7	3	7	8
Wood Products Industry	2	1	12	4	0	-1	8	5
Pulp Industry	31	40	35	43	20	62	89	96
Paperboard and Paper Industry	25	25	19	5	-22	6	32	43
Tissue and Cooking Papers	13	11	7	10	4	7	3	7
Other operations & eliminations	-6	-12	-15	-16	-6	-14	-20	-28
Operating result total	71	67	62	52	3	63	119	130
- % of sales	5.8	5.4	5.0	4.0	0.2	4.8	8.5	9.3

Calculation of key ratios

Return on capital employed (%)	=	(Result before tax + interest expenses, net exchange gains/losses and other financial expenses) per (Balance total - non-interest-bearing liabilities (average))
Return on equity (%)	=	(Result 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 1–12	2011 1–12	Change	2012 10–12	2011 10–12
Sales	2	**5 001**	**5 346**	**-345**	**1 228**	**1 223**
Change in stocks of finished goods and work in progress		-13	33	-47	13	-30
Other operating income		77	95	-19	25	32
Material and services		-3 462	-3 770	307	-872	-906
Employee costs		-710	-863	153	-169	-283
Depreciation, amortization and impairment losses		-249	-354	105	-52	-89
Other operating expenses		-406	-459	53	-96	-147
Operating result	2	**237**	**29**	**208**	**77**	**-200**
Share of results from associated companies		5	4	1	0	-1
Exchange gains and losses		2	2	0	1	0
Other net financial items	2	-110	-133	23	-29	-27
Result before income tax		**134**	**-98**	**232**	**49**	**-228**
Income taxes	3	-32	-59	27	2	22
Result for the period		**103**	**-157**	**259**	**51**	**-206**
Other comprehensive income						
Cash flow hedges		0	-38	38	0	-7
Available for sale financial assets		-17	25	-42	11	0
Currency translation differences		16	6	10	-8	19
Other items		0	0	0	0	0
Income tax relating to components of other comprehensive income		5	8	-2	-7	5
Other comprehensive income, net of tax		**3**	**0**	**3**	**-4**	**18**
Total comprehensive income for the period		**106**	**-156**	**262**	**47**	**-189**

Result attributable to:

Members of parent company	60	-42	101	25	-86
Non-controlling interests	43	-115	158	26	-120
	103	-157	259	51	-206

Total comprehensive income attributable to:

Members of parent company	62	-45	107	22	-77
Non-controlling interests	44	-111	156	25	-112
	106	-156	262	47	-189

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

Unaudited

Condensed consolidated balance sheet	Note	2012 31.12.	2011 31.12.
ASSETS			
Non-current			
Goodwill		534	529
Other intangible assets		239	232
Tangible assets	4	2 073	2 129
Biological assets		8	8
Investments in associated companies		67	70
Available for sale investments		356	368
Non-current financial assets		17	13
Deferred tax receivables		60	62
		3 354	**3 410**
Current			
Inventories		725	781
Accounts receivables and other receivables		719	769
Cash and cash equivalents		519	330
		1 962	**1 881**
Assets classified as held for sale		21	7
Total assets		**5 337**	**5 298**
MEMBERS´ FUNDS AND LIABILITIES			
Members' funds			
Members' funds		1 388	1 135
Non-controlling interests		500	360
		1 888	**1 495**
Non-current liabilities			
Deferred tax liabilities		320	362
Post-employment benefit obligations		116	123
Provisions	5	35	45
Borrowings		1 161	1 854
Other liabilities		35	33
		1 667	**2 417**
Current liabilities			
Provisions	5	54	145
Current borrowings		958	439
Accounts payable and other liabilities		770	803
		1 782	**1 386**
Total liabilities		**3 450**	**3 803**
Total members' funds and liabilities		**5 337**	**5 298**

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

Unaudited

Change in members' funds

EUR million	Members' capital	Trans-lation differ-ences	Fair value and other reserves	Retained earnings	Total	Non-controlling interests	Total
	Equity attributable to members of parent company						
Members' funds 1.1.2011	**539**	**25**	**244**	**346**	**1 154**	**524**	**1 678**
Result for the period				-42	-42	-115	-157
Other comprehensive income							
Cash flow hedges			-23		-23	-16	-38
Available for sale financial assets			11		11	14	25
Currency translation differences		3			3	2	6
Other items				0	0	0	0
Income tax relating to components of other comprehensive income		0	5		5	3	8
Other comprehensive income total		3	-7	0	-3	3	0
Total comprehensive income		**3**	**-7**	**-42**	**-45**	**-112**	**-156**
Transactions with owners							
Dividends paid				-28	-28	-20	-48
Change in members' capital	33				33		33
Change in other equity			2		2	2	4
Transfer from unrestricted to restricted equity			1	-1	0		0
Business arrangements		0			0		0
Change in shares of non-controlling interests				18	18	-34	-16
Members' funds 31.12.2011	**573**	**29**	**240**	**293**	**1 135**	**360**	**1 495**

Members' funds 1.1.2012	**573**	**29**	**240**	**293**	**1 135**	**360**	**1 495**
Result for the period				60	60	43	103
Other comprehensive income							
Cash flow hedges			-2		-2	2	0
Available for sale financial assets			-8		-8	-9	-17
Currency translation differences		9			9	7	16
Other items				0	0	0	0
Income tax relating to components of other comprehensive income		1	3		3	2	5
Other comprehensive income total		9	-7	0	2	1	3
Total comprehensive income		**9**	**-7**	**60**	**62**	**44**	**106**
Transactions with owners							
Dividends paid				-30	-30	-13	-42
Change in members' capital	22				22		22
Transfer from unrestricted to restricted equity			3	3	0		0
Change in shares of non-controlling interests				199	199	109	307
Members' funds 31.12.2012	**594**	**38**	**236**	**519**	**1 388**	**500**	**1 888**

Unaudited

Condensed consolidated cash flow statement	Note	2012 1–12	2011 1–12
Result for the period		103	-157
Total adjustments	7	255	634
Change in working capital		82	74
Cash flow arising from operations		**440**	**552**
Net financial items		-127	-116
Income taxes paid		-56	-114
Net cash flow arising from operating activities		**257**	**323**
Acquisitions		-7	-108
Investments in tangible and intangible assets		-202	-227
Disposals and other items	7	33	72
Net cash flow arising from investing activities		**-175**	**-263**
Change in members’ funds		45	42
Change in other equity	7	0	4
Change in shares of non-controlling interests		307	-44
Change in long-term loans and other financial items		-195	-105
Dividends paid		-52	-66
Net cash flow arising from financing activities		**105**	**-170**
Change in cash and cash equivalents		**187**	**-110**
Cash and cash equivalents at beginning of period		330	440
Translation difference		1	0
Change in cash and cash equivalents		187	-110
Cash and cash equivalents in assets classified as held for sale		0	0
Cash and cash equivalents at end of period		**519**	**330**

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

NOTES TO THE UNAUDITED 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. Metsä Group’s parent company is Metsäliitto Cooperative. The parent company is domiciled in Helsinki and the registered address is Revontulenpuisto 2, 02100 Espoo, Finland.

These unaudited 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 financial statements bulletin is unaudited.

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

This financial statements bulletin was authorised for issue by the Board of Directors of Metsäliitto Cooperative on 7 February 2013.

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	2012 External	2012 Internal	2012 Total
Wood Supply	349	1 166	1 515
Wood Products Industry	850	54	904
Pulp Industry	773	501	1 274
Paperboard and Paper Industry	2 047	61	2 108
Tissue and Cooking Papers	982	0	982
Other operations	0	3	3
Elimination of internal sales		-1 785	-1 785
Total sales	5 001	0	5 001

EUR million	2011 External	2011 Internal	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 1–12	2011 1–12
Wood Supply	20	24
Wood Products Industry	17	3
Pulp Industry	150	263
Paperboard and Paper Industry	220	-214
Tissue and Cooking Papers	33	20
Other operations	68	-4
Eliminations	-270	-63
Operating result total	237	29
Share of results from associates	5	4
Financial costs, net	-108	-131
Income taxes	-32	-59
Result for the period	103	-157

Metsä Group's operating result includes non-recurring items net of EUR -14 million (-285).

The segment "Other operations" include among other things the parent company Metsäliitto Cooperative's sales profit of EUR 81 million related to the sale of Metsä Fibre's shares to Itochu Corporation.

Eliminations include Metsä Board's EUR 59 million gain on the divestment of its holding in Pohjolan Voima to Metsä Fibre and the EUR 166 million gain on the divestment of the holding in Metsä Fibre to Itochu (Metsä Board EUR 85 million and Metsäliitto Cooperative EUR 81 million). From Metsä Group's perspective, the selling of the shares in Metsä Fibre has been processed in accordance with IAS 27 as a transaction between controlling and non-controlling shareholders in the parent company; the gains have been eliminated from the income statement and entered directly in shareholders' equity. Eliminations also include the share of result of EUR 29 million (60) from Pulp Industry included in Paperboard and Paper Industry's operating result as well as depreciations of EUR 10 million (15) recognised at Metsä Group level.

Net financial expenses include the EUR 8 million dividend from Pohjolan Voima Oy and EUR 11 million of valuation gains on interest hedges. EUR 8 million of the gain has resulted from the valuation of fair value hedge accounting after a US dollar-based loan and associated currency and interest rate swaps, which matured in June 2012.

Assets by segments

EUR million	2012 31.12	2011 31.12
Wood Supply	268	304
Wood Products Industry	391	402
Pulp Industry	878	837
Paperboard and Paper Industry	2 078	2 329
Tissue and Cooking Papers	905	874
Other operations	144	101
Elimination	-251	-229
Unallocated assets	924	680
Total	5 337	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 1–12	2011 1–12
Taxes for the current period	76	97
Taxes for the prior periods	0	-5
Change in deferred taxes	-44	-34
Total income taxes	32	59

Note 4 – Change in property, plant and equipment

EUR million	2012 1–12	2011 1–12
Book value at beginning of period	2 129	2 281
Investments	188	215
Decreases	-2	-10
Assets classified as held for sale	-21	-30
Depreciation, amortization and impairment losses	-235	-331
Translation differences and other changes	14	5
Book value at end of period	2 073	2 129

The buildings and machinery in Metsä Board Alizay, France, have been classified as assets held for sale on December 31, 2012. At the same time Metsä Board has booked a reversal of the previously recognised impairment losses of EUR 11 million.

Depreciation and impairment losses also include a reversal of the previously recognised impairment loss of EUR 2 million for Metsä Fibre's Kaskinen mill, based on the selling of bark and oil boilers to Metsä Board. Furthermore, 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	25	13	3	41
Utilized during the year	-83	-8	-28	-119
Unused amounts reversed	-13	-5	-6	-24
At 31 December, 2012	45	27	17	88

The most significant increase in provisions in 2012 was the EUR 11 million environmental provision related to the cleaning costs of Metsä Board's Niemenranta lot in Tampere (EUR 8 million) and the cleaning costs of the industry lot in Nurmes (EUR 4 million).

Related to the closure of Alizay Paper mill, Metsä Board increased the restructuring provision by EUR 11 million and decreased the environmental provision by EUR 5 million and other provisions by EUR 6 million. Metsä Board also recognised a EUR 4 million restructuring provision due to the efficiency programme at Husum, Sweden and a EUR 2 million restructuring provision due to the personnel dismissals at the sales office in France. Related to Metsä Board's plans to discontinue Gohrsmühle's loss-making operations, EUR 11 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.

Metsä Tissue recognised restructuring provisions of EUR 7 million due to the restructuring and re-organisation of all operations. The plans were published in September 2012.

Of the total provisions of EUR 88 million, the non-current portion was EUR 35 million and the current portion EUR 54 million. The non-current portion will mostly be paid during 2014.

Note 6 – Related party transactions

The sales of Metsäliitto Cooperative's wood deliveries to the Group subsidiaries totalled EUR 728 million in 2012 (708). Sales of wood deliveries to joint ventures and associated companies were EUR 17 million (12).

Metsä Group's forest holdings are centralised in Finsilva Corporation, which is an associated company of Metsäliitto Cooperative (49.9%). Finsilva sells wood to Metsäliitto Cooperative. The value of wood deliveries in 2012 was EUR 18 million (18).

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 Metsätapiola real estates (48.98%).

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

EUR million	2012 1–12	2011 1–12
Sales	12	14
Purchases	14	15
Non-current assets	48	42
Current assets	5	5
Non-current liabilities	41	35
Current liabilities	5	4

Transactions with associated companies

EUR million	2012 1–12	2011 1–12
Sales	16	12
Purchases	94	95
Non-current receivables	2	1
Current receivables	2	3
Non-current liabilities	0	0
Current liabilities	6	9

Note 7 – Notes to condensed consolidated cash flow statement

Adjustments to the result for the period

EUR million	2012 1–12	2011 1–12
Taxes	32	59
Depreciation, amortization and impairment charges	249	354
Biological assets	0	-1
Share of results from associated companies	-5	-4
Gains and losses on sale of non-current financial assets	-20	-25
Finance costs, net	108	131
Pension liabilities and provisions	-109	121
Total	255	634

Net financial items
Net financial expenses for 2012 include EUR 8 million in dividend from Pohjolan Voima Oy.

Disposals and other items
Disposals and other items for 2012 include EUR 7 million from the selling of Metsä Board's associate Plastiroll Oy, EUR 5 million from the selling of Metsäliitto Cooperative's associate Thosca Holz GmbH and EUR 3 million negative sales price for the selling of Metsä Board's Reflex business. Disposals and other items also include sales of emission allowances of EUR 6 million, sales of electricity certificates of EUR 8 million, real estate sales in Finland of EUR 6 million and EUR 1 million of sales of other items.

Note 8 – Commitments and contingencies

Securities and guarantees EUR million	2012 31.12	2011 31.12
On own behalf	727	732
On behalf of associated companies	3	4
On behalf of others	5	6
Total	736	742

Securities and guarantees include pledges, real estate mortgages, chattel mortgages and guarantee liabilities. The future costs for non-cancellable operating lease contracts were EUR 40 million at the end of December (31.12.2011: 44).

Open derivative contracts EUR million	2012 31.12	2011 31.12
Interest rate derivatives	1 256	1 014
Currency derivatives	965	1 162
Other derivatives	168	163
Total	2 388	2 339

The market value of open derivative contracts at the end of December was EUR -38 million (31.12.2011: -55).

Note 9 – Events after the reporting period

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

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