Metsä Group's operating result for January–March excluding non-recurring items was EUR 105 million

Result for the first quarter of 2014

- Sales amounted to EUR 1,254 million (1–3/2013: EUR 1,264 million).
- Operating result excluding non-recurring items was EUR 105 million (89). Operating result including non-recurring items was EUR 70 million (94).
- Result before taxes excluding non-recurring items was EUR 80 million (57). Result before taxes including non-recurring items was EUR 37 million (62).
- Return on capital employed excluding non-recurring items was 12.3 per cent (9.7).
- Cash flow from operations amounted to EUR -32 million (-19).

Events during the first quarter of 2014

- The USD-denominated price of softwood pulp continued to increase in all markets and was higher than in the corresponding period in the previous year.
- There were no material changes in the prices of paperboards and papers compared to the previous quarter but prices were slightly lower than in the corresponding period last year.
- The profitability of the wood products industry improved as a result of increased sales prices and the implemented efficiency programmes.
- Metsä Board issued a EUR 225 million unsecured bond and signed a new unsecured credit agreement for EUR 250 million.
- Metsäliitto Cooperative increased its shareholding in Metsä Tissue with a share transaction completed on 15 January 2014, after which Metsäliitto Cooperative owns 91 per cent of Metsä Tissue.
- Metsä Board sold the real estate property in the Lielahti area of Tampere, Finland, to the City of Tampere for approximately EUR 26 million.
- The arbitration proceedings related to Metsä Fibre's shareholder agreement were completed, and Metsä Group was ordered to pay a total of EUR 67 million in fines.

Events after the period

- In April, Metsä Fibre sold a total of 170,000 Pohjolan Voima Oy's B shares to Kymppivoima Oy for EUR 75 million.
- Metsä Group announced in April that it is planning the construction of a bioproduct mill in the existing pulp mill area in Äänekoski, Finland. Should the project materialise, the mill with a cost of approximately EUR 1.1 billion, would be the largest ever investment in the history of the forest industry in Finland. The bioproduct mill is planned to be operational in 2017. The mill's annual pulp production capacity would be 1.3 million tonnes.

“As expected, the Group's operating result in January–March improved compared to the previous quarter. The improvement was boosted by the increase in the sales prices of Metsä Wood's products and the efficiency programmes implemented, the positive development in pulp prices, as well as the increased delivery volumes of folding boxboard and white-top fresh forest fibre linerboard.

Northern, renewable wood is an excellent raw material for ecological, recyclable products. Our plan to build a next generation bioproduct mill in Äänekoski is proof of our strong trust in our strategy, which is based on focusing on operations with good growth outlook and in which we have a clear competitive edge.

The economy in Europe and in Finland is still functioning in low gear, and markets are active primarily in the USA and Far East. Now we need policy-making which puts the competitiveness of European industry first. The government must effectively promote the interests of Finnish basic industry.”

Kari Jordan, President & CEO, Metsä Group

Metsä Group

Income statement, EUR million The figures for 2013 are restated	2014 1–3	2013 1–3	2013 1–12
Sales	1 254.3	1 263.6	4 938.7
Other operating income	36.1	16.0	81.0
Operating expenses	-1 152.5	-1 115.3	-4 427.7
Depreciation and impairment losses	-68.2	-69.8	-257.1
Operating result	69.7	94.5	335.0
Share of results from associated companies and joint ventures	7.4	6.6	9.6
Exchange gains and losses	-2.1	0.2	-4.6
Other net financial items	-37.8	-38.9	-116.2
Result before income tax	37.2	62.4	223.8
Income taxes	-5.4	-16.0	-35.1
Result for the period	31.8	46.4	188.7

Profitability The figures for 2013 are restated	2014 1–3	2013 1–3	2013 1–12
Operating result, EUR mill.	69.7	94.5	335.0
- " -, excluding non-recurring items	105.1	89.3	342.9
- " - % of sales	8.4	7.1	6.9
Return on capital employed, %	8.0	10.2	8.9
- " -, excluding non-recurring items	12.3	9.7	9.1
Return on equity, %	6.5	9.9	9.9
- " -, excluding non-recurring items	15.4	8.8	10.3

Financial position The figures for 2013 are restated	2014 31.3.	2013 31.3.	2013 31.12.
Equity ratio, %	37.2	34.9	37.9
Net gearing ratio, %	83	90	77
Interest-bearing net liabilities, EUR mill.	1 614	1 695	1 510

Segments

Sales and Operating result **January–March 2014** (EUR mill.)	Wood Supply and Forest Services	Wood Products Industry	Pulp Industry	Paperboard and Paper Industry	Tissue and Cooking Papers
Sales	434.9	221.9	329.0	501.2	252.6
Other operating income	1.3	1.1	2.9	32.8	1.5
Operating expenses	-426.8	-207.6	-256.1	-464.8	-232.7
Depreciation & impairment losses	-0.7	-7.7	-20.8	-25.7	-9.5
Operating result	8.6	7.7	54.9	43.5	11.8
Non-recurring items	-	1.0	-	-7.4	-
Operating result, excl. non-rec. items	8.6	8.6	54.9	36.1	11.8
- % of sales	2.0	3.9	16.7	7.2	4.7

Metsä Group is a responsible forest industry group whose products' main raw material is renewable and sustainably grown northern wood. Metsä Group focuses on tissue and cooking papers, consumer packaging paperboards, pulp, wood products, and wood supply and forest services. Its high-quality products combine renewable raw materials, customer-orientation, sustainable development and innovation. Metsä Group's sales totalled EUR 4.9 billion in 2013, and it employs approximately 11,000 people. The Group operates in some 30 countries. Metsäliitto Cooperative is the parent company of Metsä Group and is owned by approximately 123,000 Finnish forest owners.

Comparative data

Metsä Group adopted the amended IFRS 10 *Consolidated Financial Statements* and IFRS 11 *Joint Arrangements* -standards on 1 January 2014. The figures for 2013 have been restated to correspond with the amendments.

KEY FIGURES 2013, restated	**1–12**	**10–12**	**7–9**	**4–6**	**1–3**
Sales	4 931.6	1 216.9	1 213.0	1 240.5	1 261.1
IFRS 10 and 11 restatement	7.1	2.4	0.9	1.4	2.5
Sales	**4 938.7**	**1 219.3**	**1 213.9**	**1 241.9**	**1 263.6**
EBITDA	589.6	148.5	130.8	146.8	163.5
IFRS 10 ja 11 vaikutus	2.5	1.2	0.1	0.4	0.8
EBITDA	**592.1**	**149.6**	**130.9**	**147.3**	**164.3**
EBITDA excl. non-rec. items	591.7	147.7	132.2	153.6	158.3
IFRS 10 and 11 restatement	2.5	1.2	0.1	0.4	0.8
EBITDA excl. non-rec. items	**594.3**	**148.9**	**132.3**	**154.0**	**159.1**
Operating result	334.4	87.6	63.3	89.3	94.2
IFRS 10 and 11 restatement	0.6	0.7	-0.3	-0.1	0.3
Operating result	**335.0**	**88.3**	**63.0**	**89.2**	**94.5**
Operating result excl. non-rec. items	342.3	86.6	73.0	93.7	89.0
IFRS 10 and 11 restatement	0.6	0.7	-0.3	-0.1	0.3
Operating result excl. non-rec. items	**342.9**	**87.3**	**72.6**	**93.7**	**89.3**
Result before income tax	223.7	61.3	31.2	69.0	62.3
IFRS 10 and 11 restatement	0.1	0.2	-0.2	0.0	0.1
Result before income tax	**223.8**	**61.5**	**31.0**	**68.9**	**62.4**
Equity ratio, %	38.1	38.1	36.1	35.0	35.1
IFRS 10 and 11 restatement	-0.2	-0.2	-0.2	-0.2	-0.2
Equity ratio, %	**37.9**	**37.9**	**35.9**	**34.8**	**34.9**
Net gearing ratio, %	76	76	84	89	89
IFRS 10 and 11 restatement	1	1	1	1	1
Net gearing ratio, %	**77**	**77**	**85**	**90**	**90**
ROCE	8.9	9.4	6.5	9.3	10.2
IFRS 10 and 11 restatement	0.0	0.0	0.0	0.0	0.0
ROCE	**8.9**	**9.4**	**6.4**	**9.3**	**10.2**
ROCE excl. non-rec. items, %	9.1	9.3	7.5	9.8	9.7
IFRS 10 and 11 restatement	0.0	0.0	0.0	0.0	0.0
ROCE excl. non-rec. items, %	**9.1**	**9.3**	**7.4**	**9.7**	**9.7**

EBITDA = Operating result before depreciation and impairment losses
ROCE = Return on capital employed

The new and amended standards adopted at the beginning of 2014 are described in more detail in the notes to this interim report.

The Interim Report is unaudited

METSÄ GROUP

INTERIM REPORT 1 JANUARY–31 MARCH 2014

Sales and result

Metsä Group's sales in January–March 2014, EUR 1,254.3 million, were at the same level as in the corresponding period in the previous year (1–3/2013: EUR 1,263.6 million).

The operating result excluding non-recurring items was EUR 105.1 million (89.3), or 8.4 per cent of sales (7.1). The improved operating result was primarily due to the positive price development of pulp, increase in the delivery volumes of folding boxboard and white-top fresh forest fibre linerboard, as well as the slight increase in the sales prices of wood products and the streamlining measures completed.

The non-recurring items included in Metsä Group's operating result were EUR -35.4 million net (+5.2). In March, Metsä Board sold the real estate property in the Lielahti area of Tampere, Finland, to the City of Tampere for approximately EUR 26 million. The production of CTMP at the Lielahti mill ended in 2008, after which Metsä Board has not had any production in the area. The sales gain recognised as a non-recurring item was EUR 24.8 million.

A decision was reached in the arbitration proceedings related to Metsä Fibre's shareholder agreement. According to the decision, Metsä Board had to pay approximately EUR 19.7 million and Metsäliitto Cooperative approximately EUR 47.5 million to UPM Kymmene Corporation. EUR 59.2 million of the damages are recognised as a non-recurring item in other operating expenses and EUR 7.6 million in financial expenses.

In January–March, other non-recurring items totalling EUR -1.0 million were booked related to the change in Metsä Wood's operating model in the Czech Republic and Slovakia.

The operating result including non-recurring items was EUR 69.7 million (94.5). The share in the results from associated companies and joint ventures was EUR 7.4 million (6.6), financial income was EUR 1.8 million (1.2), exchange gains/losses in financial items were EUR -2.1 million (0.2) and financial expenses were EUR 39.6 million (40.1). The financial expenses include a non-recurring item of EUR 7.6 million related to the aforementioned indemnity and an expense of approximately EUR 6 million related to the early repayment of Metsä Board's loans. The financial expenses in the comparison period include an additional interest of approximately EUR 8 million, which was related to the early repayment of Metsä Board's USD-denominated loan.

The result before taxes for the period was EUR 37.2 million (62.4) and taxes, including changes in deferred tax liabilities, were EUR 5.4 million (16.0). The result for the period was EUR 31.8 million (46.4).

Excluding non-recurring items, the Group’s return on capital employed was 12.3 per cent (9.7) and the return on equity was 15.4 per cent (8.8). Including non-recurring items, the return on capital employed was 8.0 per cent (10.2) and the return on equity was 6.5 per cent (9.9).

Balance sheet and financing

Metsä Group's liquidity is good. Total liquidity at the end of March was EUR 1,110.6 million (31 December 2013: 1,189.9). This consisted of EUR 407.6 million (454.4) of liquid assets and investments and EUR 703.0 million (735.5) of committed credit facility agreements not included on the balance sheet.

The Group's liquidity reserve is complemented by uncommitted commercial paper programmes and credit facilities amounting to EUR 160.5 million (31 December 2013: 174.7).

The Group's equity ratio at the end of March was 37.2 per cent and net gearing was 83 per cent (31 December 2013: 37.9 and 77, respectively). Interest-bearing net liabilities stood at EUR 1,614.1 million (31 December 2013: 1,510.2).

Cash flow from operations in January–March amounted to EUR -32.2 million (1–3/2013: -19.4). Compared to the situation at the end of 2013, EUR 141.1 million was tied to working capital during the first quarter of the year (1–3/2013: tied EUR 161.4).

The change in the fair value of investments available for sale was EUR -7.0 million (-24.6), related primarily to the decline in the fair value of Pohjolan Voima Oy's shares due to the change in the forward prices of electricity.

The equity ratio of the parent company Metsäliitto Cooperative was 62.8 per cent and net gearing was 18 per cent at the end of March (31 December 2013: 62.3 and 16, respectively).

During January–March, Metsäliitto Cooperative's members' capital increased by a total of EUR 16.4 million (13.9). The actual members' capital grew by EUR 0.1 million (0.2), the additional members' capital A by EUR 10.7 million (7.2) and the additional members' capital B by EUR 5.6 million (20.9). The increase in additional members' capital B in 2013 includes EUR 14.4 million transferred from the additional members' capital C.

In March, Metsä Board issued a EUR 225 million unsecured bond. The bond matures on 13 March 2019, and it carries a fixed coupon interest rate of 4.0 per cent. Metsä Board also signed an agreement on a new unsecured syndicated credit facility. The new facility consists of a EUR 150 million term loan facility and a EUR 100 million revolving credit facility which will both mature in March 2018. The funds from the financing arrangements was primarily used for early repayment of a secured EUR 350 million loan which would have matured in March 2016. The new credit facility replaced the undrawn EUR 100 million credit facility, which would have matured in May 2015.

Personnel

In January–March, Metsä Group had an average of 10,711 employees (11,305). At the end of March, the Group employed 10,705 people (31 December 2013: 10,736), of whom 5,264 (5,227) in Finland and 5,441 (5,509) abroad. The parent company Metsäliitto Cooperative employed 2,578 people at the end of March (31 December 2013: 2,579).

Members
At the end of March, Metsäliitto Cooperative had 122,808 members (31 December 2013: 123,275). During the first quarter, 716 new members joined the Cooperative and 1,183 members cancelled their membership.

Investments
Metsä Group's capital expenditure totalled EUR 23.9 million in January–March (35.5). The most considerable ongoing investments are the replacement of the automation system at Metsä Fibre's Kemi mill in Finland, the renewal investments in the recovery boiler and woodchip silo at Metsä Fibre's Joutseno mill in Finland, as well as the new upgrading line at Metsä Tissue's Mariestad mill in Sweden. The biopower plant to be completed in Mariestad is also progressing on schedule.

Metsäliitto Cooperative increased its shareholding in Metsä Tissue in a share transaction on 15 January 2014. Metsäliitto Cooperative purchased shares representing a total of 6 per cent of the share capital of Metsä Tissue Corporation from Jozef Antošík. Following the transaction, Metsäliitto Cooperative holds a total of 91 per cent of the share capital of Metsä Tissue and Jozef Antošík 9 per cent.

Business areas

Wood Supply and Forest Services
Metsä Forest's sales in the first quarter of the year were EUR 434.9 million (1–3/2013: 422.8) and operating result was 8.6 million (7.4). In Finland, wood sales were brisk at the beginning of the year and the purchasing volume from private forests in the entire forest industry was 11.3 million cubic metres in January–March (9.1).

Metsä Forest purchased all timber grades, including forest energy, through standing and delivery sales. However, due to the poor harvesting conditions in the winter, purchasing winter thinning stands from sources other than contract customers had to be restricted. At the end of the period under review, demand concentrated on summer-harvestable thinning stands as well as pine and birch logs. Sales of forest management services grew exceptionally strongly.

The winter harvesting conditions were particularly challenging in the Baltic countries and in Russia. However, the supply of pulpwood was reasonable, but log supply was low. Therefore, the price of logs increased during the period under review, while the price of pulpwood remained unchanged. In Sweden, the storm damage at the beginning of the year increased the supply of wood.

Despite the short winter, deliveries to customers' production plants progressed as planned. In January–March, Metsä Forest delivered a total of 8.4 million cubic metres of wood (8.2).

A seminar tour was organised for the members of Metsäliitto Cooperative in honour of the Cooperative's 80th anniversary. Developing the Metsäverkko internet service continued with the implementation of new features, such as the electronic submission of the forest tax returns directly to the tax authorities.

Metsä Forest's organisation structure renewal in Finland was completed at the end of March.

Wood Products Industry
Metsä Wood's sales in January–March totalled EUR 221.9 million (1–3/2013: 216.4) and the operating result excluding non-recurring items was EUR 8.6 million (4.4). The operating result improved from the corresponding period, due to both the slight increase in sales prices and the efficiency measures implemented last year, as well as the closures of unprofitable units. The profitability of sawing improved slightly but continued to be unsatisfactory.

The market balance of sawn timber remained reasonable during the first quarter of the year. Delivery volumes of spruce and pine sawn timber increased from the corresponding period, and sales prices of both were slightly higher than in the first quarter of last year. As a result, the profitability of sawing improved moderately, despite the increased price of raw materials. Demand for upgraded sawn timber also picked up slightly in Great Britain but price competition in the markets remained fierce.

The delivery volumes of construction products grew clearly from the corresponding period in the previous year. The delivery volumes of both Kerto and plywood products grew slightly. Demand for plywood products continued to be stable in industrial applications. The market balance of construction panels continued to be stable in Europe. The average price of deliveries was slightly higher than in the corresponding period.

Metsä Wood will discontinue its distribution and warehousing operations in the Czech Republic and Slovakia by the end of May. In the future, Metsä Wood's production units will take care of the local sales and serve industrial customers in these markets by means of direct deliveries. Other customers will be served by the strong distribution partners in the market area.

Metsä Wood is also planning on simplifying and streamlining its supply chain as part of implementing the strategy focusing on the quality of operations and industrial effectiveness. The project covers the management of logistics and the overall control of the supply chain to improve the reliability of our service capacity and to harmonise the operating methods in the sales of sawn timber, plywood and construction products.

Pulp Industry
Metsä Fibre's sales in January–March totalled EUR 329.0 million (1–3/2013: 323.2). The sales volume of pulp remained at the same level as in the corresponding period and was 572,000 tonnes (572,500). The currency-denominated market prices of softwood pulp in Europe were, on average, 11 per cent higher, and those of birch pulp were 3 per cent lower than in the corresponding period in 2013. The average rate of the US dollar weakened by nearly 4 per cent against the euro, compared to the corresponding period last year.

Metsä Fibre's operating result was EUR 54.9 million (47.3). The operating result improved compared to the corresponding period, due primarily to the positive development in the price of pulp.

In 2014, the price of softwood pulp has increased in all markets due to the balanced inventory levels and demand in the markets in China. The price of softwood pulp in Europe was USD 908 per tonne at the beginning of January and USD 922 at the end of March. The corresponding prices of birch pulp were USD 770 and USD 765.

Replacement of the automation system at Metsä Fibre's Kemi mill, Finland, is progressing as planned, and the project will be fully completed in the autumn of 2015.

The renewal investments in the recovery boiler and woodchip silo at the Joutseno mill, Finland, are also on schedule. The new woodchip silo and the processing system for the silo's malodorous gases will be operational in June 2014. The recovery boiler investment will be completed in June 2014. The renewal of the recovery boiler bottom will improve the operational reliability and safety of the mill, while the modernisation of the woodchip silo's air system will reduce nitrogen oxide and malodorous gas emissions.

Paperboard and Paper Industry
Metsä Board’s sales amounted to EUR 501.2 million (1–3/2013: 535.0) and the operating result excluding non-recurring items was EUR 36.1 million (30.2). The operating result excluding non-recurring items compared to the corresponding period was improved by lower production costs, increased delivery volumes of folding boxboard and white-top fresh forest fibre liner, as well as increased prices for market pulp and CTMP. The operating profit was weakened by, in particular, the lower average prices of coated and uncoated papers, as well as folding boxboard. The delivery volumes of papers also declined considerably.

Non-recurring items recognised in the operating result in January–March amounted to EUR +7.4 million (+4.6) net. A real estate divestment in Tampere realised a sales gain of EUR 24.8 million, and the damages paid to UPM-Kymmene incurred an expense of EUR 17.4 million.

Metsä Board's operating result including non-recurring items was EUR 43.5 million (34.8). Net interest and other financial expenses were EUR 17.4 million (24.4) and exchange gains/losses recognised in financial items were EUR -0.1 million (-1.9). The net interest was increased by approximately EUR 6 million due to the early repayment of a EUR 350 million loan and a EUR 100 million standby credit as well as refinancing. In addition, a non-recurring item of EUR -2.2 million related to the overdue interest of the damages paid to UPM-Kymmene was also recognised in financial expenses. Financial expenses in the comparison period include additional interest of approximately EUR 8 million, associated with the early repayment of a USD-denominated loan in March.

Excluding non-recurring items, Metsä Board's earnings per share were EUR 0.06 (0.01) and return on capital employed was 9.9 per cent (6.8). Including non-recurring items, the earnings per share were EUR 0.08 (0.02) and return on capital employed was 11.2 per cent (7.7).

At the end of March, Metsä Board’s equity ratio was 41.0 per cent and net gearing was 69 per cent (31 December 2013: 40.7 and 70, respectively).

Metsä Board’s interim report was published on 13 May 2014.

Tissue and Cooking Papers
Metsä Tissue's sales in January–March totalled EUR 252.6 million (1–3/2013: 251.5). The slight increase in sales is mainly attributable to growth in sales volumes. The operating result excluding non-recurring items, EUR 11.8 million, was also close to the previous year's level (13.2).

Metsä Tissue's profitability has improved in recent years, due to both the positive development in sales and the company-wide changes which made the cost structure lighter.

The construction of the new upgrading line at the Mariestad mill in Sweden and the biopower plant being built in connection with the mill progressed according to the planned schedule. The new upgrading line for consumer products will be commissioned in the summer of 2014. The biopower plant being built in cooperation with the local KKAB energy company will provide the mill and the adjacent area with renewable energy, and the plan is to commission it by the end of 2014.

During the first quarter, Metsä Tissue introduced the pre-folded Serla household towels, as well as several Lambi and Katrin products to the Scandinavian market. The company introduced Mola brand toilet papers and the Katrin Classic Easy Pick handtowel to the Western European market. In Russia, the company introduced the Mola Maxi household towels and toilet papers as well as the pre-folded Serla household towels.

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

In April, Metsä Group announced its plans to build a new bioproduct mill in the existing pulp mill area in Äänekoski, Finland. The mill's pulp capacity would be 1.3 million tonnes per year. This will be the world's first next-generation bioproduct mill which makes it possible to upgrade wood raw material into a diverse range of products. In addition to high-quality pulp, the mill will produce bioenergy and various biomaterials.

The bioproduct mill will increase the share of renewable energy in Finland by approximately 2 percentage points. The mill will not use any fossil-based fuels; all of the energy it requires will be generated from wood. The wood raw material and residue flows will be utilised 100 per cent as products and bioenergy.

The mill will increase the consumption of pulpwood by approximately 4 million cubic metres per year, or approximately 10 per cent, in Finland. The felling of softwood pulp can be sustainably increased by 7 million cubic metres and the felling of birch pulp by 4 million cubic metres per year. The pulpwood will be procured mainly in Finland.

The annual impact of the investment on the Finnish economy will be over EUR 0.5 billion, and the investment will create 2,500 new jobs in the value chain. The annual increase in the value of exports will be EUR 0.5 billion.

In addition to the Environmental Impact Assessment (EIA) and environmental permit processes, the final decision will also be affected by the development of the world economy and especially the economic development in Asia, the market outlook and decisions related to for example wood supply, permits and logistics. The aim is to make the final investment decision in early 2015, making it possible for the mill to become operational during 2017. Should the project materialise, the mill, with a cost of approximately EUR 1.1 billion, would be the largest ever investment in the history of the forest industry in Finland.

Risks and uncertainties

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

If the political situation that started from Crimea were to escalate, it could result in new sanctions affecting international trade and financial markets. Depending on the type and extent of the sanctions, they could have a negative impact on the volume and result of Metsä Group's operations. In addition, the political situation may have a negative impact on consumption demand even without new sanctions, through the unfavourable development of exchange rates, among others.

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

Pending disputes

In March 2011, the state enterprise Metsähallitus filed a claim for damages at the District Court of Helsinki, demanding that Metsäliitto Cooperative and two other forest industry companies jointly pay compensation for alleged damage caused by prohibited cooperation with regard to prices in the raw wood market. The claim is related to the 3 December 2009 decision by the Market Court which states that the aforementioned companies have violated the act on competition restrictions in the raw wood market. In addition, some municipalities, parishes and a group of individuals in Finland have instituted similar proceedings. The total amount of all claims that Metsäliitto Cooperative is aware of and that were directed at Metsäliitto Cooperative and the other aforementioned companies jointly is approximately EUR 202 million, of which approximately EUR 65 million is directed at Metsäliitto Cooperative alone. In addition, the aforementioned proceedings are associated with interest, value added tax claims and legal process expenses. Metsäliitto Cooperative’s view is that the claims for damages are unfounded, and the company has not recognised any provisions regarding them.

Near-term outlook

In Finland, wood procurement will focus on renewal stands and thinning stands harvestable in the summer. Metsä Forest will also buy delivery wood directly from forest owners mainly for autumn deliveries.

Sales in the wood products industry is expected to grow in the second quarter compared to the previous quarter. Demand and supply of wood products are reasonably balanced, and the balance of the demand and supply of birch plywood is good. Estimating the demand for spruce sawn timber in the remainder of the year is difficult.

Demand for pulp is expected to continue to grow, and demand and supply of softwood pulp are expected to be balanced in the coming months as well. The annual maintenance shutdown of Metsä Fibre's Äänekoski mill and the shutdown of the Joutseno mill, which is longer than normal due to renewal investments, will take place in the second quarter. The shutdowns are estimated to cause production cuts of approximately 50,000 tonnes. The utilisation rates of the other pulp mills are expected to remain at a good level in the second quarter.

Delivery volumes of folding boxboard are expected to increase slightly during the second quarter of 2014 compared to the previous quarter. Delivery volumes of white-top fresh forest fibre linerboard is estimated to be approximately at the previous quarter's level. The average price of folding boxboard is estimated to increase slightly in the second quarter as a result of the price increases implemented at the end of last year. Metsä Board has announced that it will increase the prices of white-top fresh forest fibre liners in Europe.

Delivery volumes of uncoated fine paper are expected to decrease slightly in the second quarter of 2014 compared to the previous quarter, and delivery volumes of coated papers are expected to be at the previous quarter's level. Metsä Board has announced that it will increase the prices of uncoated fine paper in Europe. No material changes are in sight in the prices of coated papers.

The planned annual maintenance shutdown will be carried out at the Husum mill in Sweden in the second quarter.

In the tissue paper market, demand is expected to continue to be stable in all market areas and to grow in Eastern Central Europe.

Metsä Group’s operating result excluding non-recurring items in the second quarter of 2014 is expected to be slightly weaker compared to the first quarter of the year.

Proposal for interest on members’ capital

Metsäliitto Cooperative’s Supervisory Board has decided to propose to the Representative Council, convening today, that interest of 5.5 per cent be paid on the statutory capital invested by the members for 2013 and that an additional 1.0 per cent be paid in honour of the anniversary, in other words a total of 6.5 per cent (5.5 per cent 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.

Espoo, Finland, 13 May 2014

Board of Directors

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SEGMENTS
The figures for 2013 are restated

(EUR million)

Wood Supply and Forest Services	1–3/14	1–3/13	1–12/13
Sales	434.9	422.8	1 561.0
EBITDA	9.4	8.2	30.7
- " -, excl. non-recurring items	9.4	8.2	30.7
Depreciation and impairment	-0.7	-0.8	-2.8
Operating result	8.6	7.4	27.8
- " -, excl. non-recurring items	8.6	7.4	27.8
- " -, % of sales	2.0	1.8	1.8
ROCE excl. non-rec. items, %	27.9	29.2	25.6
Capital expenditure	0.8	1.2	5.4
Personnel at end of period	905	976	919

Wood Products Industry	1–3/14	1–3/13	1–12/13
Sales	221.9	216.4	899.7
EBITDA	15.4	12.4	36.4
- " -, excl. non-recurring items	15.5	12.4	45.6
Depreciation and impairment	-7.7	-7.9	-38.2
Operating result	7.7	4.4	-1.8
- " -, excl. non-recurring items	8.6	4.4	15.4
- " -, % of sales	3.9	2.1	1.7
ROCE excl. non-rec. items, %	10.1	5.0	5.0
Capital expenditure	4.2	7.1	43.5
Personnel at end of period	2 446	2 758	2 490

Pulp Industry	1–3/14	1–3/13	1–12/13
Sales	329.0	323.2	1 314.0
EBITDA	75.7	68.1	256.5
- " -, excl. non-recurring items	75.7	68.1	256.5
Depreciation and impairment	-20.8	-20.8	-59.9
Operating result	54.9	47.3	196.6
- " -, excl. non-recurring items	54.9	47.3	196.6
- " -, % of sales	16.7	14.6	15.0
ROCE excl. non-rec. items, %	31.6	26.2	28.9
Capital expenditure	5.4	6.3	26.6
Personnel at end of period	881	881	884

Paperboard and Paper Industry	1–3/14	1–3/13	1–12/13
Sales	501.2	535.0	2 019.3
EBITDA	69.2	61.4	214.8
- " -, excl. non-recurring items	61.8	56.8	208.0
Depreciation and impairment	-25.7	-26.7	-101.3
Operating result	43.5	34.8	113.6
- " -, excl. non-recurring items	36.1	30.2	104.4
- " -, % of sales	7.2	5.6	5.2
ROCE excl. non-rec. items, %	9.9	6.8	6.4
Capital expenditure	4.7	9.2	66.9
Personnel at end of period	3 145	3 239	3 116

Tissue and Cooking Papers	1–3/14	1–3/13	1–12/13
Sales	252.6	251.5	1 004.0
EBITDA	21.3	23.9	95.7
- ” -, excl. non-recurring items	21.3	23.3	95.1
Depreciation and impairment	-9.5	-10.0	-40.4
Operating result	11.8	13.8	55.3
- ” -, excl. non-recurring items	11.8	13.2	54.7
- ” -, % of sales	4.7	5.3	5.5
ROCE excl. non-rec. items, %	7.6	8.4	8.4
Capital expenditure	3.9	7.5	59.7
Personnel at end of period	2 826	2 973	2 843

Other operations	1–3/14	1–3/13	1–12/13
Sales	2.3	0.5	3.9
EBITDA	-42.6	-0.4	-5.0
- ” -, excl. non-recurring items	-0.8	-0.4	-4.6
Depreciation and impairment	-0.5	-0.5	-2.0
Operating result	-43.2	-0.9	-7.0
- ” -, excl. non-recurring items	-1.3	-0.9	-6.5
Capital expenditure	5.1	4.4	17.2
Personnel at end of period	502	495	484

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

Internal sales and eliminations	1–3/14	1–3/13	1–12/13
Sales	-487.5	-485.8	-1 863.1
EBITDA	-10.6	-9.4	-37.1
- ” -, excl. non-recurring items	-10.6	-9.4	-37.1
Depreciation and impairment	-3.1	-3.1	-12.5
Operating result	-13.7	-12.5	-49.6
- ” -, excl. non-recurring items	-13.7	-12.5	-49.6

Metsä Group	1–3/14	1–3/13	1–12/13
Sales	1 254.3	1 263.6	4 938.7
EBITDA	137.8	164.3	592.1
- ” -, excl. non-recurring items	172.4	159.1	594.3
Depreciation and impairment	-68.2	-69.8	-257.1
Operating result	69.7	94.5	335.0
- ” -, excl. non-recurring items	105.1	89.3	342.9
- ” -, % of sales	8.4	7.1	6.9
ROCE excl. non-rec. items, %	12.3	9.7	9.1
Capital expenditure	23.9	35.5	213.5
Personnel at end of period	10 705	11 322	10 736

EBITDA = Operating result before depreciation and impairment losses.
ROCE = Return on capital employed

Quarterly data (EUR million)	2014 1–3	2013 10–12	2013 7–9	2013 4–6	2013 1–3
Sales					
Wood Supply and Forest Services	434.9	393.4	352.5	392.2	422.8
Wood Products Industry	221.9	214.6	207.9	260.8	216.4
Pulp Industry	329.0	339.8	341.7	309.3	323.2
Paperboard and Paper Industry	501.2	479.2	502.3	502.8	535.0
Tissue and Cooking Papers	252.6	259.9	248.3	244.4	251.5
Other operations	2.3	1.2	1.6	0.6	0.5
Internal sales	-487.5	-468.7	-440.4	-468.1	-485.8
Sales total	1 254.3	1 219.3	1 213.9	1 241.9	1 263.6
Operating result					
Wood Supply and Forest Services	8.6	7.1	5.5	7.7	7.4
Wood Products Industry	7.7	2.2	-13.0	4.5	4.4
Pulp Industry	54.9	51.0	50.8	47.5	47.3
Paperboard and Paper Industry	43.5	30.5	19.3	28.9	34.8
Tissue and Cooking Papers	11.8	15.1	12.6	13.8	13.8
Other operations	-43.2	-4.6	1.1	-2.5	-0.9
Eliminations	-13.7	-13.1	-13.3	-10.7	-12.5
Operating result total	69.7	88.3	63.0	89.3	94.5
- % of sales	5.6	7.2	5.2	7.2	7.5
Share of results from associated companies and joint ventures	7.4	0.1	0.1	2.9	6.6
Exchange gains and losses	-2.1	-2.6	-2.0	-0.2	0.2
Other net financial items	-37.8	-24.3	-30.1	-23.0	-38.9
Result before income tax	37.2	61.5	31.0	68.9	62.4
Income tax	-5.4	10.2	-10.6	-18.8	-16.0
Result for the period	31.8	71.7	20.4	50.2	46.4

Operating result excl. non-rec. items	2014 1–3	2013 10–12	2013 7–9	2013 4–6	2013 1–3
Wood Supply and Forest Services	8.6	7.1	5.5	7.7	7.4
Wood Products Industry	8.6	2.0	-2.9	11.9	4.4
Pulp Industry	54.9	51.0	50.8	47.5	47.3
Paperboard and Paper Industry	36.1	29.3	18.8	26.0	30.2
Tissue and Cooking Papers	11.8	15.1	12.6	13.8	13.2
Other operations & eliminations	-15.0	-17.3	-12.3	-13.2	-13.4
Operating result total	105.1	87.3	72.6	93.7	89.3
- % of sales	8.4	7.2	6.0	7.5	7.1

Calculation of key ratios

Return on capital employed (%) ROCE	=	(Result before tax + exchange gains/losses and other net financial expenses) per (Balance total - non-interest-bearing liabilities (average))
Return on equity (%) ROE	=	(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 – cash and cash equivalents - interest-bearing receivables) per (Members' funds)

FINANCIAL STATEMENTS

Unaudited
The figures for 2013 are restated

METSÄ GROUP

Condensed consolidated statement of comprehensive income, EUR million	Note	2014 1–3	2013 1–3	Change	2013 1–12
Sales	2	**1 254.3**	**1 263.6**	**-9.4**	**4 938.7**
Change in stocks of finished goods and work in progress		29.7	11.5	18.2	31.2
Other operating income		36.1	16.0	20.2	81.0
Material and services		-860.6	-867.5	6.9	-3 401.8
Employee costs		-169.7	-170.0	0.3	-692.0
Depreciation, amortization and impairment losses		-68.2	-69.8	1.7	-257.1
Other operating expenses		-152.0	-89.3	-62.7	-365.0
Operating result	2	**69.7**	**94.5**	**-24.8**	**335.0**
Share of results from associated companies and joint ventures		7.4	6.6	0.8	9.6
Exchange gains and losses		-2.1	0.2	-2.3	-4.6
Other net financial items	2	-37.8	-38.9	1.1	-116.2
Result before income tax		**37.2**	**62.4**	**-25.1**	**223.8**
Income taxes	3	-5.4	-16.0	10.5	-35.1
Result for the period		**31.8**	**46.4**	**-14.6**	**188.7**
Other comprehensive income					
Items that will not be reclassified to profit and loss					
Items relating to adjustments of defined benefit plans		-5.1	-0.0	-5.0	2.4
Income tax relating to items that will not be reclassified		1.4	0.0	1.4	-0.1
Total		-3.6	-0.0	-3.6	2.3
Items that may be reclassified subsequently to profit and loss					
Cash flow hedges		-9.3	9.0	-18.4	-2.5
Available for sale financial assets	8	-7.0	-24.6	17.6	-57.9
Currency translation differences		-7.7	14.2	-21.9	-20.3
Other items		0.0	0.1	-0.1	-0.1
Income tax relating to items that may be reclassified		3.3	3.2	0.2	22.3
Total		-20.6	1.9	-22.5	-58.5
Other comprehensive income, net of tax		**-24.3**	**1.9**	**-26.2**	**-56.2**
Total comprehensive income for the period		**7.5**	**48.3**	**-40.8**	**132.5**

Result attributable to:				
Members of parent company	7.3	32.3	-24.9	109.2
Non-controlling interests	24.5	14.1	10.3	79.5
	31.8	46.4	-14.6	188.7

Total comprehensive income attributable to:				
Members of parent company	-7.5	35.7	-43.2	83.1
Non-controlling interests	15.0	12.6	2.5	49.3
	7.5	48.3	-40.8	132.5

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

Unaudited
The figures for 2013 are restated

Condensed consolidated balance sheet EUR million	Note	2014 31.3.	2013 31.3.	2013 31.12.	2013 1.1.
ASSETS					
Non-current assets					
Goodwill		526.8	537.7	529.0	533.8
Other intangible assets		257.2	242.4	255.0	239.4
Tangible assets	4	1 961.9	2 063.1	2 012.7	2 093.0
Biological assets		11.5	11.2	11.1	8.4
Investments in associated companies and joint ventures		75.9	69.0	71.5	65.2
Available for sale investments	8	298.7	331.5	305.7	356.2
Non-current financial assets	8	19.3	13.2	19.1	13.7
Deferred tax receivables		57.4	67.9	47.1	70.6
		3 208.7	**3 335.9**	**3 251.3**	**3 380.4**
Current assets					
Inventories		866.0	791.6	775.7	725.7
Accounts receivables and other receivables		754.4	814.6	705.4	711.3
Tax receivables based on the taxable income for the period		4.0	6.0	4.6	8.4
Cash and cash equivalents	8	407.6	449.6	454.4	519.4
		2 032.0	**2 061.7**	**1 940.1**	**1 965.5**
Assets classified as held for sale		-	12.5	-	20.6
Total assets		**5 240.7**	**5 410.2**	**5 191.3**	**5 366.5**
MEMBERS' FUNDS AND LIABILITIES					
Members' funds					
Members' funds		1 491.2	1 416.9	1 482.9	1 366.9
Non-controlling interests		449.9	467.0	476.3	491.2
		1 941.1	**1 883.9**	**1 959.2**	**1 858.1**
Non-current liabilities					
Deferred tax liabilities		235.8	310.7	244.4	319.5
Post-employment benefit obligations		158.7	153.7	154.4	154.0
Provisions	5	28.3	34.0	19.3	34.6
Borrowings	8	1 665.1	1 196.2	1 624.3	1 173.1
Other liabilities		33.8	26.8	27.6	35.7
		2 121.7	**1 721.5**	**2 069.9**	**1 716.9**
Current liabilities					
Provisions	5	21.7	38.7	33.9	53.8
Current borrowings	8	368.2	958.6	356.9	966.2
Accounts payable and other liabilities		779.5	796.0	762.6	766.9
Tax liabilities based on the taxable income for the period		8.5	9.2	8.8	4.5
		1 177.8	**1 802.4**	**1 162.2**	**1 791.5**
Liabilities classified as held for sale		-	2.4	-	-
Total liabilities		**3 299.6**	**3 526.3**	**3 232.2**	**3 508.4**
Total members' funds and liabilities		**5 240.7**	**5 410.2**	**5 191.3**	**5 366.5**

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

Unaudited
The figures for 2013 are restated

Change in members' funds

EUR million		Members' capital	Translation differences	Fair value and other reserves	Retained earnings	Total	Non-controlling interest	Total
		Equity attributable to members of parent company						
Members' funds 1.1.2013		594.5	37.9	236.1	498.2	1 366.7	491.2	1 857.9
IFRS 10 and 11 restatement	Note 1		-0.0		0.3	0.3	-0.0	0.3
Adjusted members' funds 1.1.2013		**594.5**	**37.9**	**236.1**	**498.5**	**1 366.9**	**491.2**	**1 858.1**
Result for the period					32.3	32.3	14.1	46.4
Other comprehensive income, net after tax			7.6	-4.2	0.0	3.5	-1.6	1.9
Total comprehensive income			**7.6**	**-4.2**	**32.3**	**35.7**	**12.6**	**48.3**
Transactions with owners								
Dividends paid					0.9	0.9	-36.8	-35.9
Change in members' capital		13.9			-0.5	13.4		13.4
Transfer from unrestricted to restricted				0.0	0.0	0.0		0.0
Acquired shares from non-controlling interests, which did not change the controlling right					0.0	0.0	0.0	0.0
Members' funds 31.3.2013		**608.4**	**45.5**	**231.9**	**531.2**	**1 416.9**	**467.0**	**1 883.9**
Members' funds 1.1.2014		654.7	24.9	224.9	578.0	1 482.6	476.3	1 958.9
IFRS 10 and 11 restatement	Note 1		-0.0		0.3	0.3	-0.0	0.3
Adjusted members' funds 1.1.2014		**654.7**	**24.9**	**224.9**	**578.3**	**1 482.9**	**476.3**	**1 959.2**
Result for the period					7.3	7.3	24.5	31.8
Other comprehensive income, net after tax			-4.9	-7.0	-2.9	-14.8	-9.4	-24.3
Total comprehensive income			**-4.9**	**-7.0**	**4.5**	**-7.5**	**15.0**	**7.5**
Transactions with owners								
Dividends paid					2.7	2.7	-24.9	-22.2
Change in members' capital		16.4			-0.8	15.7		15.7
Transfer from unrestricted to restricted				5.7	-5.7	0.0		0.0
Acquired shares from non-controlling interests, which did not change the controlling right				-0.1	-3.0	-3.1	-17.9	-21.0
Sold shares from non-controlling interests, which did not change the controlling right				0.0	0.6	0.6	1.3	1.9
Members' funds 31.3.2014		**671.1**	**20.0**	**217.8**	**582.3**	**1 491.2**	**449.9**	**1 941.1**

Unaudited
The figures for 2013 are restated

Condensed consolidated cash flow statement EUR million	Note	2014 1–3	2013 1–3	2013 1–12
Result for the period	7	31.8	46.4	188.7
Total adjustments	7	77.1	95.5	349.8
Change in working capital		-141.1	-161.4	-47.7
Cash flow arising from operations		**-32.2**	**-19.4**	**490.7**
Net financial items		-32.2	-21.5	-124.4
Income taxes paid		-17.8	-11.8	-51.1
Net cash flow arising from operating activities		**-82.2**	**-52.6**	**315.3**
Acquisitions		0.0	0.0	-2.1
Investments in tangible and intangible assets		-23.9	-35.5	-213.5
Disposals and other items	7	30.2	24.3	41.9
Net cash flow arising from investing activities		**6.3**	**-11.2**	**-173.7**
Change in members' funds		15.7	13.4	60.4
Change in shares of non-controlling interests		-20.9	0.0	-21.1
Change in long-term loans and other financial items		59.4	5.6	-167.0
Dividends paid		-24.9	-24.9	-78.1
Net cash flow arising from financing activities		**29.3**	**-6.0**	**-205.8**
Change in cash and cash equivalents		**-46.6**	**-69.8**	**-64.3**
Cash and cash equivalents at beginning of period		454.4	519.4	519.4
Translation difference		-0.2	-0.1	-0.8
Change in cash and cash equivalents		-46.6	-69.8	-64.3
Cash and cash equivalents at end of period		**407.6**	**449.6**	**454.4**

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

Note 1 – Background and accounting policies

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

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

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

From the beginning of 2014 Metsä Group has adopted the following new and amended standards and interpretations:

– IFRS 10 *Consolidated Financial Statements* and subsequent amendments: IFRS 10 builds on existing principles by identifying the concept of control as the determining factor when deciding whether an entity should be incorporated within the consolidated financial statements. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The comparative figures have been adjustedto IFRS 10.

– IFRS 11 *Joint Arrangements* and subsequent amendments: In the accounting of joint arrangements IFRS 11 focuses on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. In future joint ventures are to be accounted for using only one method, equity method, and the other alternative, proportional consolidation is no longer allowed. The comparative figures have been adjustedto IFRS 10.

– IFRS 12 *Disclosures of Interests in Other Entities* and subsequent amendments: IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including associates, joint arrangements, structured entities and other off-balance sheet vehicles. The new standard will expand the notes the Group provides for its interests in other entities.

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

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

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

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

All amounts are presented in millions of euros, unless otherwise stated. This interim report was authorised for issue by the Board of Directors of Metsäliitto Cooperative on 13 May 2014.

IFRS 10 *Consolidated Financial Statements* and subsequent amendments and IFRS 11 *Joint Arrangements* and subsequent amendments had an impact on Metsä Group's comparative figures as follows:

Punkavoima Oy is consolidated according to IFRS 10 as a subsidiary. Hartolan Kuningaslämpö Oy, Katrinefors Kraftvärme Ab, Lohjan Biolämpö Oy and Mittaportti Oy are consolidated according to IFRS 11 as joint operations. Punkavoima Oy, Hartolan Kuningaslämpö Oy, Katrinefors Kraftvärme Ab and Lohjan Biolämpö Oy were earlier consolidated according to the equity method and Mittaportti Oy as a subsidiary.

EUR million	Old accounting policy	New accounting policy	Impact
1.1.2013			
Total assets	5 344.4	5 366.5	22.1
Total equity	1 857.9	1 858.1	0.3
Interest-bearing net liabilities	1 590.0	1 609.3	19.3
31.3.2013			
Sales	1 261.1	1 263.6	2.5
Operating result	94.2	94.5	0.3
Total assets	5 387.2	5 410.2	23.0
Total equity	1 883.4	1 883.9	0.6
Interest-bearing net liabilities	1 675.6	1 695.3	19.7
30.6.2013			
Sales	2 501.7	2 505.5	3.8
Operating result	183.5	183.7	0.2
Total assets	5 323.3	5 345.5	22.1
Total equity	1 857.3	1 857.6	0.3
Interest-bearing net liabilities	1 649.1	1 668.6	19.5
30.9.2013			
Sales	3 714.7	3 719.4	4.7
Operating result	246.8	246.7	-0.1
Total assets	5 224.9	5 248.9	24.0
Total equity	1 879.9	1 880.0	0.1
Interest-bearing net liabilities	1 583.4	1 604.4	21.0
31.12.2013			
Sales	4 931.6	4 938.7	7.1
Operating result	334.4	335.0	0.6
Total assets	5 164.0	5 191.3	27.4
Total equity	1 958.9	1 959.2	0.3
Interest-bearing net liabilities	1 486.1	1 510.2	24.1

Note 2 – Segment information

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

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

The figures for 2013 are restated.

Sales Eur million	1–3/2014 External	1–3/2014 Internal	1–3/2014 Total	1–3/2013 External	1–3/2013 Internal	1–3/2013 Total
Wood Supply and Forest Services	107.2	327.7	434.9	100.9	321.9	422.8
Wood Products Industry	206.9	15.0	221.9	201.1	15.3	216.4
Pulp Industry	204.0	125.0	329.0	193.4	129.8	323.2
Paperboard and Paper Industry	483.7	17.5	501.2	516.6	18.4	535.0
Tissue and Cooking Papers	252.5	0.1	252.6	251.5	0.0	251.5
Other operations	0.0	2.2	2.3	0.1	0.4	0.5
Elimination of internal sales		-487.5	-487.5		-485.8	-485.8
Total sales	1 254.3	0.0	1 254.3	1 263.6	0.0	1 263.6

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

Operating result EUR million	2014 1–3	2013 1–3	2013 1–12
Wood Supply and Forest Services	8.6	7.4	27.8
Wood Products Industry	7.7	4.4	-1.8
Pulp Industry	54.9	47.3	196.6
Paperboard and Paper Industry	43.5	34.8	113.6
Tissue and Cooking Papers	11.8	13.8	55.3
Other operations	-43.2	-0.9	-7.0
Eliminations	-13.7	-12.5	-49.6
Operating result total	69.7	94.5	335.0
Share of results from associated companies and joint ventures	7.4	6.6	9.6
Financial costs, net	-39.9	-38.7	-120.8
Income taxes	-5.4	-16.0	-35.1
Result for the period	31.8	46.4	188.7

Metsä Group’s operating result 1–3/2014 includes non-recurring items net of EUR -35.4 million (+5.2). Of these EUR 24.8 million relates to sales of Metsä Board’s Lielahti properties and EUR -59.2 million to the paid compensation to UPM-Kymmene for the breach of the tag-alone clause specified in the Metsä Fibre’s shareholder agreement signed in 2009. Additionaly Metsä Wood booked non-recurring costs of EUR 1.0 million due to the change in the operating model in the market of the Czech Republic.

Assets	2014	2013	2013
EUR million	31.3.	31.3.	31.12.
Wood Supply and Forest Services	353.1	303.8	291.4
Wood Products Industry	459.7	460.5	403.0
Pulp Industry	865.7	945.2	848.6
Paperboard and Paper Industry	1 966.6	2 066.1	1 981.0
Tissue and Cooking Papers	918.0	923.9	933.5
Other operations	184.8	169.3	185.4
Elimination	-294.1	-326.2	-268.8
Unallocated assets	786.9	867.6	817.2
Total	5 240.7	5 410.2	5 191.3

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

Liabilities	2014	2013	2013
EUR million	31.3.	31.3.	31.12.
Wood Supply and Forest Services	258.5	260.7	228.9
Wood Products Industry	132.1	129.1	109.7
Pulp Industry	129.9	116.5	117.1
Paperboard and Paper Industry	437.7	527.5	455.5
Tissue and Cooking Papers	280.4	274.4	274.3
Other operations	67.7	22.9	69.5
Elimination	-294.1	-326.2	-268.8
Unallocated liabilities	2 287.4	2 521.4	2 246.0
Total	3 299.6	3 526.3	3 232.2

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

Note 3 – Income taxes

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

	2014	2013	2013
EUR million	1–3	1–3	1–12
Taxes for the period	17.9	18.9	61.2
Taxes for the prior periods	-0.1	0.0	-2.3
Change in deferred taxes	-12.3	-2.9	-23.8
Total income taxes	5.4	16.0	35.1

Note 4 – Change in property, plant and equipment

EUR million	2014 1–12	2013 1–3	2013 1–12
Book value at beginning of period	2 012.7	2 093.0	2 093.0
Investments	21.4	30.8	189.7
Decreases	-2.0	-0.2	-6.5
Assets classified as held for sale	0.0	-2.4	-2.1
Depreciation, amortization and impairment losses	-63.7	-66.1	-242.6
Translation differences and other changes	-6.6	8.0	-18.7
Book value at end of period	1 961.9	2 063.1	2 012.7

Note 5 – Provisions

EUR million	Restructuring	Environmental obligations	Other provisions	Total
At 1 January, 2014	11.8	28.2	13.2	53.2
Translation differences	0.0	-0.1	-0.1	-0.2
Increases	0.1	0.2	0.3	0.6
Utilized during the year	-1.9	-1.2	-0.6	-3.7
At 31 March, 2014	9.9	27.2	12.8	49.9

Of the total provisions of EUR 49.9 million, the non-current portion was EUR 28.3 million and the current portion EUR 21.7 million. The non-current portion will mostly be paid during 2017.

Note 6 – Related party transactions

The sales of Metsäliitto Cooperative’s wood deliveries and forest services to the Group subsidiaries and joint operations totalled EUR 200.2 million in January–March (193.8). Sales of wood deliveries and forest services to associated companies and joint ventures consolidated according the equity method were EUR 1.6 million (2.6).

Metsä Group’s forest holdings are centralised in Finsilva Corporation, which is an associated company of Metsäliitto Cooperative (49.9%). The value of wood deliveries in January–March was EUR 4.1 million (3.9).

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

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

Transactions with associated companies and joint ventures

EUR million	2014 1–3	2013 1–3	2013 1–12
Sales	1.8	3.1	12.8
Purchases	16.9	21.5	97.2
Non-current receivables	1.9	1.4	2.0
Current receivables	0.9	1.9	1.7
Non-current liabilities	0.0	0.0	0.0
Current liabilities	7.6	8.1	7.2

Note 7 – Notes to condensed consolidated cash flow statement

Adjustments to the result for the period

EUR million	2014 1–3	2013 1–3	2013 1–12
Taxes	5.4	16.0	35.1
Depreciation, amortisation and impairment charges	68.2	69.8	257.1
Biological assets	-0.4	-2.8	-2.7
Share of results from associated companies	-7.4	-6.6	-9.6
Gains and losses on sale of non-current financial assets	-24.9	-2.8	-12.9
Finance costs, net	39.9	38.7	120.8
Pension liabilities and provisions	-3.6	-16.8	-38.0
Total	77.2	95.5	349.8

Result for the period
Metsä Board and Metsäliitto Cooperative announced on 2 November 2012 the initiation by UPM-Kymmene Corporation of arbitration proceedings in which UPM-Kymmene claimed jointly from Metsäliitto Cooperative and Metsä Board primarily EUR 58.5 million in damages and secondarily to return an EUR 58.5 million claimed unjust enrichment based on an alleged breach of the tag-along clause specified in Metsä Fibre's shareholder agreement signed in 2009. The Arbitral Tribunal has in its judgment 11.2.2014, taken by vote, ordered Metsäliitto Cooperative and Metsä Board to jointly compensate UPM-Kymmene EUR 67.1 million for damages including arbitration costs and penalty interests. The compensation is included in the result for January–March.

Disposals and other items
Disposals and other items include EUR 30.7 million from sales of fixed assets and EUR -0.5 million from other items. The most significant items were the EUR 26.8 million sale of Metsä Board's properties in Finland and the sale of emission rights and electricity certificates of EUR 2.7 million.

Note 8 – Financial instruments

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

31.3.2014 EUR million	Fair value through p&l	Available for sale financial assets	Loans and other recei-vables	Deriva-tives at hedge accoun-ting	Amor-tised cost	Book value	Fair value
Financial assets 31.3.2014							
Available for sale investments		298.7				298.7	298.7
Other non-current financial assets			19.3			19.3	19.3
Accounts receivables and others			752.8			752.8	752.8
Cash and cash equivalet	20.2		387.5			407.6	407.6
Total	20.2	298.7	1 159.5	0.0	0.0	1 478.4	1 478.4
Financial liabilities 31.3.2014							
Non-current int.-bearing liabilities					1 665.1	1 665.1	1 699.2
Other non-current liabilities					5.6	5.6	5.6
Current interest-bearing liabilities					368.2	368.2	371.4
Accounts payable and others					663.2	663.2	663.2
Derivative financial instruments	5.5			32.1		37.6	37.6
Total	5.5	0.0	0.0	32.1	2 702.0	2 739.6	2 776.9

31.3.2013 EUR million	Fair value through p&l	Available for sale financial assets	Loans and other recei-vables	Deriva-tives at hedge accoun-ting	Amor-tised cost	Book value	Fair value
Financial assets 31.3.2013							
Available for sale investments		331.5				331.5	331.5
Other non-current financial assets			13.2			13.2	13.2
Accounts receivables and others			809.1			809.1	809.1
Cash and cash equivalet	10.0		439.5			449.6	449.6
Derivate financial instruments	-1.0			5.0		4.0	4.0
Total	9.1	331.5	1 261.8	5.0	0.0	1 607.4	1 607.4
Financial liabilities 31.3.2013							
Non-current int.-bearing liabilities					1 196.2	1 196.2	1 221.0
Other non-current liabilities					2.4	2.4	2.4
Current interest-bearing liabilities					958.6	958.6	962.4
Accounts payable and others					685.6	685.6	685.6
Derivative financial instruments	9.4			22.3		31.7	31.7
Total	9.4	0.0	0.0	22.3	2 842.8	2 874.5	2 903.1

Fair value hierarchy of financial assets and liabilities

EUR million **31.3.2014**	Level 1	Level 2	Level 3	Total
Financial assets booked at fair value				
Available for sale financial assets	0.4		298.3	298.7
Current financial assets through profit and loss at fair value	20.2			20.2
Financial liabilities booked at fair value				
Derivative financial liabilities	19.7	17.9		37.6
Financial assets not booked at fair value				
Financial assets		387.5		387.5
Financial liabilities not booked at fair value				
Non-current interest-bearing liabilities		1 699.2		1 699.2
Current interest-bearing liabilities		371.4		371.4

31.3.2013	Level 1	Level 2	Level 3	Total
Financial assets booked at fair value				
Available for sale financial assets	0.3		331.1	331.5
Current financial assets through profit and loss at fair value	10.0			10.0
Derivative financial assets		4.0		4.0
Financial liabilities booked at fair value				
Derivative financial liabilities	1.3	30.4		31.7
Financial assets not booked at fair value				
Financial assets		439.5		439.5
Financial liabilities not booked at fair value				
Non-current interest-bearing liabilities		1 221.0		1 221.0
Current interest-bearing liabilities		962.4		962.4

Financial assets measured at fair value based on level 3

EUR million	3/2014	3/2013
Opening balance 1.1.	305.4	355.8
Gains and losses in income statement	0.0	0.2
Gains and losses in other comprehensive income	-7.0	-24.6
Purchases	0.0	0.0
Settlements	-0.1	-0.3
Closing balance 31.3.	298.3	331.1

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

Level 1	Fair value is based on quoted prices in active markets
Level 2	Fair value is based on inputs observable for the asset either directly or indirectly
Level 3	Fair value is based on company estimates and not on market data

The fair values of electric power and natural gas derivatives are measured on the basis of publicly quoted market prices (Level 1). The fair values of currency forwards and options are determined on the basis of market prices at the closing date of the reporting period. The fair values of interest rate swaps are measured applying a method based on the present value of future cash flows, supported by market interest rates at the closing date of the reporting period and other market inputs (Level 2). The fair value of financial instruments not traded in an active market is determined using various measurement methods. Discretion is used in choosing the methods and making assumptions based primarily on the market conditions prevailing at the closing date of the reporting period (Level 3).

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

The most significant item at fair value not traded on an open market is the investment in Pohjolan Voima Oy shares, reported under available-for-sale financial assets. The valuation method is described in the 2013 Financial Statements. The average weighed capital cost applied in the calculation was 3.54 per cent on 31 March 2014 and for the Olkiluoto 3 power plant under construction 6.54 per cent. The acquisition cost of the Pohjolan Voima Oy shares is EUR 47.8 million and their fair value is EUR 290.9 million.

The carrying amount of available-for-sale financial assets would be estimated to be EUR 1.8 million lower or EUR 2.0 million higher should the rate used for discounting the cash flows differ by 10 per cent from the rate estimated by the management. The carrying amount of available-for-sale financial assets would be estimated to be EUR 35.4 million higher or EUR 35.4 million lower should the energy prices applied in the fair value calculation differ by 10 per cent from the rate estimated by the management.

Derivatives
31.3.2014

EUR million	Nominal value	Assets	Liabi-lities	Fair value total	Fair value hedges	Cash flow hedges	Equity hedges	Hedge accoun-ting not applied
Interest rate swaps	776.5		14.2	-14.2	2.8	-14.2		-2.8
Total	776.5	0.0	14.2	-14.2	2.8	-14.2	0.0	-2.8
Currency forwards	940.4		1.1	-1.1		-0.4	-0.3	-0.4
Currency options	118.2		-0.1	0.1				0.1
Currency swaps	43.6		2.4	-2.4				-2.4
Total	1 102.2	0.0	3.4	-3.4	0.0	-0.4	-0.3	-2.7
Electricity derivatives	158.5		18.6	-18.6		-18.6		0.0
Pulp derivatives	17.4		0.3	-0.3		-0.3		
Commodity derivatives	10.5		1.1	-1.1		-1.1		
Total	186.4	0.0	20.0	-20.0	0.0	-20.0	0.0	0.0
Derivatives total	2 065.1	0.0	37.6	-37.6	2.8	-34.5	-0.3	-5.5

Derivatives 31.3.2013

EUR million	Nominal value	Assets	Liabi-lities	Fair value total	Fair value hedges	Cash flow hedges	Equity hedges	Hedge accoun-ting not applied
Interest rate swaps	1 302.6		24.1	-24.1	-1.2	-18.9		-3.9
Total	1 302.6	0.0	24.1	-24.1	-1.2	-18.9	0.0	-3.9
Currency forwards	884.7	4.3	0.8	3.5		5.0	-0.8	-0.7
Currency options	69.3	-0.3		-0.3				-0.3
Currency swaps	46.9		0.7	-0.7				-0.7
Total	1 000.9	4.0	1.5	2.6	0.0	5.0	-0.8	-1.6
Electricity derivatives	237.1		5.9	-5.9		-1.1		-4.8
Commodity derivatives	3.4		0.2	-0.2		-0.2		
Total	240.5	0.0	6.1	-6.1	0.0	-1.3	0.0	-4.8
Derivatives total	2 543.9	4.0	31.7	-27.7	-1.2	-15.2	-0.8	-10.4

Note 9 – Commitments and contingencies

EUR million	2014 31.3.	2013 31.3.	2013 31.12.
Own liabilities, for which commitments granted	634.4	598.3	999.3
Pledges granted	412.9	448.2	841.1
Floating charges	5.3	5.3	605.3
Real estate mortgages	378.7	297.6	978.7
Chattels mortgage	4.6	4.6	4.6
Commitments for own liabilities, total	801.6	755.8	2 429.7
Other commitments on own behalf	91.1	80.4	93.5
On behalf of associated companies	2.0	2.0	2.3
On behalf of others	6.8	10.3	6.7
Total	901.4	848.6	2 532.3

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

The reduction in liability commitments is related to Metsä Board's drawn EUR 225 million unsecured bond in March 2014. The loan will mature on 13 March 2019. In addition, Metsä Board signed a new unsecured term loan syndicated credit agreement in March 2014. The new arrangement consists of a loan of EUR 150 million and a credit facility of EUR 100 million which will mature in March 2018. The funds from the new financing arrangements was primarily used for early repayment of a secured EUR 350 million loan which would have matured in March 2016. The new credit facility replaced the EUR 100 million undrawn syndicated credit facility which would have matured in May 2015.

The future costs for non-cancellable operating lease contracts were EUR 35.0 million at the end of December (31.12.2013: 37.6).

Note 10 – Events after the period
In April, Metsä Fibre sold a total of 170,000 Pohjolan Voima Oy's B shares to Kymppivoima Oy for EUR 75 million. The shares entitle the holder to purchase approximately 200,000 MWh of electrical energy from Teollisuuden Voima Oyj's nuclear plants (Olkiluoto 1 and 2) annually.

On 23 April, Metsä Group announced its plans to build a bioproduct mill costing EUR 1.1 billion in Äänekoski, Finland. The aim is to make the final investment decision in early 2015, making it possible for the mill to become operational during 2017.