

Metsäliitto Group's full-year operating result excluding non-recurring items EUR 547 million in 2010

Operating result excluding non-recurring items EUR 142 million in October–December

Result for 2010

- Sales EUR 5,377 million (2009: EUR 4,837 million).
- Operating result excluding non-recurring items was EUR 547 million (-75).
Operating result including non-recurring items was EUR 497 million (-169).
- Result before tax excluding non-recurring items was EUR 411 million (-224).
Result before tax including non-recurring items was EUR 345 million (-329).

Result for October–December 2010

- Sales EUR 1,391 million (10–12/2009: EUR 1,190 million).
- Operating result excluding non-recurring items was EUR 142 million (44).
Operating result including non-recurring items was EUR 82 million (18).
- Result before tax excluding non-recurring items was EUR 112 million (8).
Result before tax including non-recurring items was EUR 52 million (-18).

Events in the fourth quarter of 2010

- Metsä Tissue started a EUR 30 million investment programme at the mill in Düren, Germany, and announced that it will invest EUR 7 million in increasing the processing capacity of the Mänttä paper mill.
- M-real announced that it will invest EUR 26 million in expanding the folding boxboard and sheeting capacity of the Simpele mill and EUR 16 million in modernising the coating section of the Kemiart Liners mill.
- Metsäliitto Cooperative signed a new EUR 425 million credit facility. The loan replaced the EUR 560 million facility that was maturing in March 2011.
- Metsä-Botnia's Äänekoski, Joutseno and Rauma mills set new annual production records. The previous records were from 2006 and 2007.

"Our result for 2010 was strong. We were able to make use of the improved market conditions and systematically proceed with our internal development programme. The restructuring and focusing on our strengths underway since 2005 have proven to be the right choice. Metsäliitto Group is well set for the future."

Kari Jordan, President & CEO, Metsäliitto Group

Metsäliitto is an international forest industry group present in some 30 countries. Metsäliitto combines responsible forest economy and innovative technology to produce high-quality products and solutions from renewable Nordic wood in a sustainable way. The Group's five business areas are Wood Supply, Wood Products, Pulp, Board and Paper, and Tissue and Cooking Papers. Metsäliitto Group's sales total EUR 5 billion and it employs 13,000 persons.

Metsäliitto Group

Income statement (Continuing operations)	2010 1–12	2009 1–12	2010 Q4	2009 Q4	2008 1–12
Sales	5 377	4 837	1 391	1 190	6 434
Other operating income	142	353	44	237	239
Operating expenses	-4 686	-4 858	-1 225	-1 185	-6 189
Depreciation and impairment losses	-336	-501	-129	-224	-482
Operating result	497	-169	82	18	2
Share of results in associates	-15	-16	-1	-4	6
Exchange gains and losses	-7	2	-1	2	19
Other net financial items	-129	-147	-27	-34	-260
Result before income tax	345	-329	52	-18	-233
Income taxes	-131	10	-29	-9	60
Result from continuing operations	214	-318	23	-27	-172

Metsäliitto Group

Profitability (Continuing operations)	2010 1–12	2009 1–12	2010 Q4	2009 Q4	2008 1–12
Operating result, EUR mill.	497	-169	82	18	2
- " -, excluding non-recurring items	547	-75	142	44	45
- " - % of sales	10.2	-1.6	10.2	3.7	0.7
Return on capital employed, %	11.8	-3.3	8.0	1.2	0.5
- " -, excluding non-recurring items	13.4	-1.4	13.9	3.7	1.3
Return on equity, %	13.9	-20.0	5.7	-8.0	-8.4
- " -, excluding non-recurring items	18.2	-13.4	20.2	-0.3	-6.4

Financial position	2010 31.12	2009 31.12.	2010 30.9	2009 30.9.	2008 31.12.
Equity ratio, %	29.7	24.5	28.1	23.9	26.0
Net gearing ratio, %	116	157	123	180	149
Interest-bearing net liabilities, EUR mill.	1 939	2 203	1 985	2 363	2 666

Business segments

Sales and Operating result January–December 2010 (EUR mill.)	Wood Supply	Wood Products Industry	Pulp Industry	Board and Paper Industry	Tissue and Cooking Papers
Sales	1 353	902	1 365	2 605	938
Other operating income	14	17	22	108	10
Operating expenses	-1 342	-851	-943	-2 401	-854
Depreciation & impairment losses	-4	-45	-63	-166	-44
Operating result	21	23	381	146	50
Non-recurring items	0	5	-2	27	9
Operating result excl. non-recurring items	21	28	379	173	59

This Financial Statements Bulletin is unaudited

METSÄLIITTO GROUP

FINANCIAL STATEMENTS 2010

Sales and result

Metsäliitto Group's sales for 2010 totalled EUR 5,377 million (2009: EUR 4,837 million). The figures for the comparison period include, among others, Metsä-Botnia's business in Uruguay until 4 December 2009 and Metsäliitto's holding in Vapo Oy until 24 June 2009. Taking into account the divestments mentioned above and the change in the consolidation method of Metsä-Botnia effective from 8 December 2009, the growth in Metsäliitto Group's comparable sales was approximately 20 per cent.

The operating result excluding non-recurring items was EUR 547 million (-75). Non-recurring items totalled EUR -50 million (-94) net, of which income accounted for EUR 58 million (203) and expenses for EUR 108 million (297).

The most significant items in the non-recurring income, totalling EUR 42 million, were associated with reversals of impairment of fixed assets and reductions of cost provisions. Non-recurring capital gains totalled EUR 14 million and other income EUR 2 million.

The most significant non-recurring expenses, totalling EUR 70 million, were associated with impairment and write-downs of fixed assets and goodwill. Cost provisions related to restructuring of operations amounted to EUR 33 million. Other non-recurring expenses totalled EUR 5 million.

Metsäliitto Group's operating result including non-recurring items was EUR 497 million (-169).

Financial income amounted to EUR 5 million (26) and financial costs to EUR 135 million (173). Net exchange gains/losses recognised in financial items were EUR -7 million (2). The US dollar strengthened on average 5 per cent against the euro during the year, while the British pound strengthened by 4 per cent and the Swedish krona by 10 per cent year-over-year. The strengthening of the US dollar and British pound has improved the price level of forest industry products and the Group's competitive position.

The share of results in associated companies amounted to EUR -15 million (-16). The results include a EUR 16 million non-recurring impairment loss related to M-real's holding in Myllykoski Paper Oy. The figure for the comparison period includes a EUR 11 million non-recurring expense item related to the divestment of Myllykoski Paper's Sunila shares.

The result for the period before tax was EUR 345 million (-329), while taxes, including changes in deferred tax liabilities, totalled EUR -131 million (10). The result for continuing operations was EUR 214 million (-318), the result for discontinued operations was EUR 0 million (-23) and the result for the financial period was EUR 214 million (-342).

The Group's return on capital employed for continuing operations was 11.8 per cent (-3.3), and the return on equity was 13.9 per cent (-20.0). Excluding non-recurring items, the return on capital employed was 13.4 per cent (-1.4) and return on equity was 18.2 per cent (-13.4).

Sales and result for October–December

Metsäliitto Group's sales for the fourth quarter were EUR 1,391 million (Q3/2010: EUR 1,345 million). The operating result excluding non-recurring items was EUR 142 million (155). The operating result including non-recurring items was EUR 82 million (170). The decrease in the operating profit compared to the previous quarter was mainly due to seasonal factors.

Net non-recurring items in October–December totalled EUR -60 million. The most significant non-recurring items were:

- EUR -54 million impairment of fixed assets in Board and Paper Industry
- EUR 9 million reversal of impairment of fixed assets in Board and Paper Industry
- EUR -9 million impairment of goodwill and fixed assets in Wood Products Industry
- EUR -6 million of other net non-recurring items

The impairment charges will reduce Metsäliitto Group's annual depreciation by a total of approximately EUR 5 million starting from 2011.

Balance sheet and financing

Metsäliitto Group's total liquidity was EUR 1,054 million (1,357) at the end of December. Of this, EUR 440 million (558) was in liquid assets and investments, and EUR 614 million (799) was in off-balance-sheet binding credit facilities. In addition, the Group can satisfy short-term financial needs with non-binding commercial paper schemes in Finland and abroad, as well as with credit limits amounting to approximately EUR 0.5 billion.

In January 2010, M-real decided to exercise its right to early redeem part of its bond maturing on 15 December 2010. The outstanding nominal amount before the redemption was approximately EUR 340 million. The total par value of redemption was EUR 250 million.

Several financing arrangements were implemented in the summer and autumn. M-real drew pension loans worth EUR 135 million and redeemed the remaining EUR 90 million of the bond referred to above. In December, M-real drew more pension loans worth EUR 31 million. In the summer, Metsäliitto Cooperative drew pension

loans (TyEL) worth EUR 65 million and redeemed its EUR 150 million bond. In September Metsäliitto also drew investment loans from pension companies worth EUR 175 million with five years' maturity. Metsä-Botnia amortised its loans with approximately EUR 160 million during the year.

Standard & Poor's upgraded M-real's credit rating in August and Moody's Investor Service in September. The upgrades have a total positive impact of approximately EUR 2 million on M-real's annual financing costs.

In December, Metsäliitto Cooperative signed a EUR 425 million term loan and revolving credit facility agreement with a syndicate of seven banks. The new facility matures in April 2014, and it replaces the EUR 560 million facility maturing in March 2011. The loan arrangement clearly extended the average maturity of the loans.

The Group's equity ratio was 29.7 per cent at year's end and net gearing totalled 116 per cent (24.5% and 157%, respectively). Interest-bearing net liabilities stood at EUR 1,939 million (2,203). The equity ratio of the parent company, Metsäliitto Cooperative, was 58.6 per cent at the end of December and the net gearing ratio was 45 per cent (57.2% and 50%, respectively).

Members' capital in Metsäliitto Cooperative increased by a total of EUR 51.9 million during the year. The actual members' capital increased by EUR 5.8 million and the additional capital A by EUR 8.2 million. The additional members' capital B increased by EUR 23.4 million and the additional members' capital C by EUR 14.5 million. According to the notifications received by the end of 2010, EUR 21.8 (58.2) million of the additional members' capital will fall due for refund on 1 July 2011. At the end of December, Metsäliitto Cooperative had 126,382 (127,158) members.

The change in the fair value of investments available for sale was approximately EUR 30 million (-103) in 2010 based mainly on the increase in the value of the Pohjolan Voima shares. The change in the fair value of the shares mainly relates to the change of the 12-month moving average value of Nord Pool electricity futures used in the valuation.

Capital programme

Metsäliitto Cooperative announced in January that it will launch a capital programme with the purpose of strengthening its equity to correspond to the company's current and future business structure. The assets to be accrued will be mainly used for financing new business operations.

In the context of the programme, Metsäliitto issued in February a new additional members' capital C, which offers owners the opportunity to gain additional cash-settled return, in addition to getting interest on members' capital. The amount of additional return depends on the price development of M-real Corporation's B share on the Helsinki Stock Exchange.

The subscription period for additional members' capital C ended on 31 December 2010. Of the issued 30 million members' capital C shares approximately 14.5 million were subscribed.

Personnel

The Group had an average of 13,168 employees (14,534) in 2010. At the end of December, the head count was 12,820 (13,592). The parent company, Metsäliitto Cooperative, had 2,495 employees at the end of December (2,248).

From the beginning of 2010, the Group has been reporting the number of personnel as FTE (Full Time Equivalent). Previously, the NOE (Number of Employees) indicated the number of people employed by the Group, but FTE measures presence and indicates the number of personnel attending work. Reference figures have been converted to correspond to the new practice.

Investments

Metsäliitto Group's capital expenditure totalled EUR 138 million (152) in 2010. Company and share acquisitions amounted to EUR 21 million (496).

In February 2010, Metsä-Botnia's Board of Directors decided on the construction of new causticisation and water stations at the Kemi mill. The total value of the investment is approximately EUR 40 million, and the new stations will come online at the end of the year.

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

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

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

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

In October, M-real and Metsä Tissue signed an agreement on the partial divestment of M-real's Reflex mill to Metsä Tissue for approximately EUR 10 million. The agreement covered paper machine 5 and related real estate, as well as certain infrastructure assets. Metsä Tissue will convert the paper machine to produce cooking papers.

In November, Metsä Tissue announced that it will start an investment programme of almost EUR 30 million at the Düren mill in Germany. The mill specialises in producing SAGA-branded baking and cooking papers.

Enhancing operations

Metsäliitto Wood Supply's new organisation was effective from the beginning of the year. Wood Supply is organised into four business lines: Wood Supply Finland, International Wood Supply, Wood Energy and Forestry Services.

The sale of Wood Product Industry's blockboard mill in Romania to the Romanian subsidiaries of Holzindustrie Schweighofer was completed in February.

Metsä Tissue announced a development plan for Polish operations in May. The plan aims to strengthen the company's position on the Polish market, increase production capacity, and to further enhance the product, brand and service offering. Polish paper production will be consolidated at the Krapkowice mill, and papermaking at the Konstancin-Jeziorna mill will be shut down by the end of 2012.

Under a deal signed in June, Metsä-Botnia sold some of the old machinery of the Kaskinen pulp mill, which was shut down in March 2009, to an Asian buyer. The dismantling of the machinery included in the deal was started in August.

In July, M-real announced the permanent closure of the Alizay pulp mill in France because it had not found the required economic prerequisites to continue operations.

In July, Metsäliitto's Wood Products Industry signed an agreement on the divestment of the machinery and equipment of the Soinlahti sawmill, located in Iisalmi, Finland, to Anaika Wood Ltd Oy. The agreement also included a long-term wood supply agreement between Metsäliitto Wood Supply and Anaika Wood. The buildings and land area belonging to the sawmill site were sold to Iisalmen Teollisuuskylä Oy. Metsäliitto shut down the sawmill at the beginning of 2009.

In September, M-real announced that in order to improve its profitability, the company was planning to transfer the Simpele speciality paper production to the Gohrsmühle mill in Germany and to close the Simpele paper machine. The paper machine was shut down at the end of 2010.

In August, Metsä Tissue announced that production on PM7 will continue at the Mänttä mill, but otherwise the entire production of Baking & Cooking products and all converting will be transferred to Germany. It was decided to shut down the Mänttä

mill's older machine, PM5, by the summer 2011. The statutory labour negotiations resulted in a headcount reduction of 117 in Mänttä.

Business areas

Wood Supply

Wood Supply sales totalled EUR 1,353 million (1,101) in 2010 and operating profit amounted to EUR 21 million (-9). Wood Supply Finland accounted for EUR 925 million (828) of the sales and EUR 10 million (-14) of the operating result. The operating result does not include material non-recurring items (-21). The most significant reason for the increase in sales and operating profit compared to the previous year was the increase in delivery volumes.

Wood trade picked up in May after a slow start to the year. The rapid growth in wood supply caused by late-summer storms in Central and Eastern Finland resulted in trade also picking up in the rest of the country. Metsäliitto transferred a large share of its harvesting fleet to areas affected by storm damage. The majority of the sites acquired by Metsäliitto were harvested during the autumn. Towards the end of the year, especially those who were willing to take advantage of the 25 per cent tax relief that ended at the turn of the year offered wood for sale.

Metsäliitto Wood Supply supplied approximately 29 million cubic metres (24) of wood to its customers. Metsäliitto purchased more than 14 million cubic metres of wood (9) from Finnish private forests. Metsäliitto imported mainly deciduous pulpwood and wood chips from Russia, totalling 1.5 million cubic metres (1.1).

Metsäliitto Wood Supply's new organisation was effective from the beginning of the year: Wood Supply Finland, International Wood Supply, Wood Energy, and Forestry Services. Metsäliitto established a solid position as a supplier of wood energy during the year under review with approximately 60 delivery destinations across Finland. A total of 2.1 million cubic metres of by-products from Metsäliitto Group's production plants and forest energy was delivered to them.

Metsäliitto developed its member services by introducing the Metsäkori service portfolio, offering all of Metsäliitto's services from the initial phases of forest ownership to generational change. An individual forest management plan was introduced as a completely new service.

Wood Products Industry

Wood Products Industry's sales totalled EUR 902 million (806), and the operating result excluding non-recurring items was EUR 28 million (-41). Operating result including non-recurring items was EUR 23 million (-47).

Wood Products Industry's market situation improved during the year. The construction market picked up in the spring, especially in the Nordic countries and

Germany, which boosted the demand for Kertopuu and other products for the construction customer segment. Due to seasonal factors, demand slowed down towards the end of the year. With the exception of Germany, construction volumes remained low in Central Europe, and in the United Kingdom in particular the government's cost-saving measures and the generally low level of construction activity had a negative impact on demand.

The price of sawn timber began to increase in the first half of the year, even though demand remained relatively low throughout the year. The demand for sawn timber began to level off towards the end of the year, and in November, Wood Products Industry announced that it will curtail its operations at all sawmills due to oversupply and slack demand.

The transport equipment industry market picked up during the third quarter, which had a positive impact on the demand for birch plywood. The demand for special products for the joinery industry and tailored components continued to be good.

In consumer and retail trade, overall sales remained at the same low level as in 2009. With regard to the market areas, sales were low in the United Kingdom in particular. Instead of seeking growth, retail trade focused on improving profitability.

The implemented internal streamlining measures contributed to the improved performance development of Wood Products Industry. Cost saving measures will also continue during 2011.

Pulp

Metsä-Botnia's sales were EUR 1,365 million (886) and the operating result was EUR 382 million (-107). The operating result includes EUR 2 million (-77) of non-recurring income items. The considerable improvement in sales and operating result compared with the previous year came about from the market picking up and the pulp price rising steeply.

Metsä-Botnia's pulp production volume was 2,173,000 tonnes (1,959,000) and total deliveries amounted to 2,176,000 tonnes (2,058,000).

Supply and demand were in balance in 2010. During the first two quarters, supply of pulp was restricted by a shortage of wood in Indonesia and the southern states of the United States. A fierce earthquake in Chile stopped Chile's pulp industry almost completely for a few months.

The pulp price reached a peak level in June, USD 980 per tonne for softwood pulp and USD 920 for hardwood pulp, while the respective prices were USD 860 and USD 760 at the beginning of the year. Prices decreased slightly during the autumn. In December, softwood pulp was selling for USD 950 and hardwood pulp for USD 850.

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

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

Board and Paper

The sales of Board and Paper totalled EUR 2,605 million (2,432), and the operating result excluding non-recurring items was EUR 173 million (-150). Comparable sales grew by approximately 19 per cent.

The net amount of non-recurring items recognised in the operating profit was EUR -27 million (-117). Impairment losses and various cost provisions recognised amounted to EUR 70 million and reversals of impairment of fixed assets and cost provisions as well as sales gains amounted to EUR 43 million.

The operating result was improved by price increases in board and paper, increase in delivery volumes, cost savings and the higher price of pulp. The strengthening of the Swedish krona against the euro, the investment shutdown at Husum and the stevedore strike in Finland weakened the result. The operating result includes a sales gain of EUR 8 million from the sale of the Sappi shares, which is recognised as other business income.

Operating result including non-recurring items was EUR 146 million (-267). Net interest and other financial expenses totalled EUR 65 million (80), income from associated companies was EUR -24 million (-16) and net exchange gains and losses booked as financial items were EUR -9 million (5).

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

The result for the financial period before tax was EUR 48 million (-358), earnings per share from continuing operations were EUR 0.09 (-1.02) and return on capital employed was 5.7 per cent (-8.9). Excluding non-recurring items, the result before tax was EUR 92 million (-230), earnings per share were EUR 0.23 (-0.66) and the return on capital employed was 7.6 per cent (-4.5).

At the end of December, M-real's equity ratio was 32.1 per cent and net gearing amounted to 83 per cent (29.6% and 84%, respectively). Some of M-real's loan agreements set a 120 per cent limit on the company's net gearing ratio and a 30 per cent limit on the equity ratio. At year end, net gearing calculated as defined in the

loan agreements was approximately 64 per cent and the equity ratio was about 38 per cent.

Tissue and Cooking Papers

Sales of Metsä Tissue, which produces tissue and cooking papers, totalled EUR 938 million (890), and its operating result was EUR 59 million (93). The operating result including non-recurring items was EUR 50 million (93). The increase in sales was attributable to increased sales volumes (+2%) as well as exchange rate fluctuations and price increases (+3%). Sales of Metsä Tissue's own brands increased by 9 per cent from the previous year, and in particular, the demand for Lambi, Katrin and Serla developed positively.

Steeply rising raw material costs, among others, had a negative impact on the operating profit. Pulp prices were 40 per cent higher on average, and the price of recycled paper was up to double the level of the previous year in Central and Eastern Europe. In addition, the exceptional weather conditions and the stevedore strike in Finland and paper workers' strike in Sweden impeded operations.

Write-downs and cost provisions amounting to EUR 7 million relating to the development project in Poland and EUR 2 million relating to the restructuring at the Mänttä mill were recognised in non-recurring items.

During the year under review, Metsä Tissue announced two strategic development programmes. The company acquired paper machine 5 and related assets from M-real's Düren mill in Germany. With production and converting closer to the main markets, the availability of the products will improve and the synergy benefits of the existing mill and distribution network in Germany can be utilised. The deal also makes it possible to develop new products and product groups as well as grow in the baking and cooking paper business.

The second development programme relates to the streamlining and strengthening of the Polish operations. Metsä Tissue aims to improve the quality of the products and the offering of services in Poland.

Two napkin machines were introduced at the Pauliström mill in Sweden, improving the reliability of deliveries with the lines located in Germany.

The rebuilding of paper machine 10 at the Mänttä mill was completed during the spring. The investment improved the quality of Lambi, Serla and Katrin products and increased the mill's energy efficiency. In addition, Metsä Tissue announced that it will increase the Away-from-Home capacity at the Mänttä mill to support the growth objectives of the Katrin brand. The project is scheduled for completion in early 2012.

Management remuneration

The Board of Directors of Metsäliitto Cooperative resolved on a new share-based incentive plan for the management. The aim of the plan is to combine the objectives of the shareholders and the executives in order to increase the value of the Metsäliitto Group, to commit the executives to perform the Group's mutual strategy, and to offer them a competitive reward plan based on share ownership.

The plan includes three three-year earning periods: calendar years 2011–2013, 2012–2014 and 2013–2015. The Board of Directors will decide on the earnings criteria and on targets to be established for them at the beginning of each earning period. The potential reward from the plan for the earning period 2011–2013 will be based on the Metsäliitto Group's (M-real's for persons working in M-real) equity ratio and the development of return on capital employed (ROCE) and operating result (EBIT). Each earning period is followed by a subsequent two-year restriction period during which the participant is not entitled to transfer or dispose of the shares.

The potential reward from the earning period 2011–2013 will be paid partly in M-real Corporation's series B shares and partly in cash in 2014. The proportion paid in cash will cover taxes and tax-related costs arising from the reward.

Initially, the system covers 52 persons, including the members of the Group's Executive Management Team. The rewards to be paid on the basis of the plan for the first earning period will correspond to the value of a maximum total of approximately 4.7 million M-real Corporation series B shares, also including the proportion to be paid in cash.

Members of the Metsäliitto Group Executive Management Team have established a company named Metsäliitto Management Oy during the third quarter. Through the company, the management has invested EUR 3,850,000 of their own funds in M-real's B shares. In addition, a part of the investments of the company in M-real's B shares have been financed by a EUR 15,400,000 loan granted by Metsäliitto Cooperative in August. The management themselves shoulder the ownership risk for the investment they make in the system. The purpose of the system is to encourage members of the Executive Management Team to acquire and own M-real Corporation's B shares and, through this, to increase the shareholder value of Metsäliitto Group in the long term and support the achievement of the Group's strategic objectives.

Metsäliitto Management Oy has been established solely to manage Metsäliitto Group's share-based incentive scheme. Metsäliitto Cooperative has a contractual right to exercise control in the company and its decision-making. The income statement and balance sheet of Metsäliitto Management Oy have been consolidated in the financial statements of the Group as from the beginning of the arrangement.

Events after the period

In January, M-real announced the launch of a new profit improvement programme for 2011. The programme focuses on improving the paper business profitability as well as decreasing variable costs of all businesses. The earlier announced profit improvement impact of Simpele and Kemi cartonboard investments and the closure of the speciality paper production at Simpele are included in the new profit improvement programme.

The planned measures are expected to improve M-real's annual operating result by EUR 70 million with full effect from 2012 onwards. The effect on the 2011 result is expected to be approximately EUR 30 million.

In February 2011 Metsä-Botnia decided to develop the energy production and build a bark gasification plant at its Joutseno mill. The total value of the investment is approximately EUR 20 million. The plant will compensate the mill's consumption of natural gas and the mill will be carbon neutral during normal operation.

M-real is investing EUR 30 million to increase the Äänekoski and Kyröskoksi mills' annual folding boxboard capacity by a total of approximately 70,000 tonnes. After the investments, the annual production capacity will increase to 190,000 tonnes at Kyröskoski and 240,000 tonnes at Äänekoski. The Kyröskoski investment will be carried out at the end of 2011 and the Äänekoski investment during the spring of 2012.

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 Metsäliitto Group.

The risks related to the Group's business have been explained more extensively in Metsäliitto Group's Annual report for 2009.

Near-term outlook

During 2011, use of wood at the Group's production units is estimated to be at a normal level. Metsäliitto buys all timber grades from logging sites marked for summer felling and as delivery sales when delivered to the roadside. In particular, there is demand for birch and pine pulpwood and birch logs. After the end of the tax reliefs, wood trade is likely to start quietly.

No significant change is expected in the overall demand for wood products during the year. The year will be challenging due to the decrease in the profitability of sawn

timber, but financial performance is nevertheless expected to remain at the level of 2010.

At the beginning of 2011, pulp supply and demand are balanced. Producers' pulp stocks were at a normal level, and customers' pulp stocks vary between normal and low. Some previously-closed down pulp mills will reopen during the year, but no actual new market pulp capacity is expected.

The demand for tissue and cooking papers and brand sales are forecasted to remain solid. Consumers' increasing environmental awareness and responsible consumption are a permanent trend. Cost pressures are caused by high pulp and recycled paper prices, increased energy costs and increasing indirect taxes.

The demand for board is also expected to remain strong within the next few months. The prices of M-real's folding boxboard and liner in Europe are more than 10 per cent higher than at the beginning of the previous year, due to the implemented increased.

The demand for uncoated fine paper is expected to continue unchanged. M-real has announced in Europe that it will increase the prices of uncoated fine paper by 6–8 per cent as of March 2011. The demand for speciality papers is expected to remain stable with unchanged prices.

Signs of a recovery in the economy began to be seen during the third quarter of 2009, and the development continued during 2010. Metsäliitto Group's strongly positive operating result was attributable to rising prices of almost all products, higher utilisation rates of the mills due to improved demand and internal profit improvement measures.

Metsäliitto Group's operating result excluding non-recurring items in the first quarter of 2011 is expected to be approximately at the same level as in the previous quarter.

Proposal for interest on members' capital

Metsäliitto Cooperative's Board of Directors has decided to propose to the Supervisory Board that, for 2010, interest of 5.5 per cent (5.5 for 2009) be paid for the statutory capital invested by its members. Interest of 5.0% (5.0) is proposed for additional members' capital A, and interest of 4.5% (4.5) for additional members' capital B and C.

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, 10 February 2011

Metsäliitto Group
Board of Directors

Further information:

Vesa-Pekka Takala, Group CFO, Metsäliitto Group, tel. +358 10 465 4260

Anne-Mari Achrén, Group CCO, Metsäliitto Group, tel. +358 10 465 4541

Unaudited

METSÄLIITTO GROUP

Condensed consolidated statement of comprehensive income, EUR mill.	2010 1–12	2009 1–12	Change	2010 Q4	2009 Q4	2008 1–12
Continuing operations						
Sales	5 377	4 837	541	1 391	1 190	6 434
Other operating income	142	353	-211	44	237	239
Operating expenses	-4 686	-4 858	172	-1 225	-1 185	-6 189
Depreciation and impairment losses	-336	-501	165	-129	-224	-482
Operating result	497	-169	666	82	18	2
Share of results in associated companies	-15	-16	0	-1	-4	6
Exchange gains and losses	-7	2	-10	-1	2	19
Other net financial items	-129	-147	17	-27	-34	-260
Result before income tax	345	-329	674	52	-18	-233
Income taxes	-131	10	-141	-29	-9	60
Result for the period from continuing operations	214	-318	533	23	-27	-172
Discontinued operations						
Result from discontinued operations	0	-23	23	0	-9	-338
Result for the period	214	-342	556	23	-36	-511
Other comprehensive income						
Cash flow hedges	19	35	-15	13	11	-55
Available for sale financial assets	30	-103	133	-7	-2	97
Currency translation differences	25	-15	39	7	10	13
Other items	0	0	0	0	0	-1
Income tax relating to components of other comprehensive income	-7	23	-30	-1	0	-16
Other comprehensive income, net of tax	67	-60	127	12	18	39
Total comprehensive income for the period	281	-402	683	36	-18	-472

Result attributable to:

Members of parent company	170	-116	286	31	24	-213
Non-controlling interests	44	-226	270	-8	-60	-297
	214	-342	556	23	-36	-511

Total comprehensive income attributable to:

Members of parent company	204	-150	353	37	28	-199
Non-controlling interests	77	-252	329	-1	-46	-272
	281	-402	683	36	-18	-472

Unaudited

	2010	2009
Condensed consolidated balance sheet	31.12.	31.12.
ASSETS		
Non-current		
Goodwill	503	493
Other intangible assets	242	245
Tangible assets	2 281	2 428
Biological assets	8	7
Investments in associated companies	80	98
Available for sale investments	338	356
Non-current financial assets	18	12
Deferred tax receivables	63	58
	3 534	3 697
Current		
Inventories	798	669
Accounts receivables and other receivables	892	797
Cash and cash equivalents	440	558
	2 131	2 024
Assets classified as held for sale	8	9
Total assets	5 672	5 730
MEMBERS' FUNDS AND LIABILITIES		
Members' funds		
Members' funds	1 154	927
Non-controlling interests	524	471
	1 678	1 399
Non-current liabilities		
Deferred tax liabilities	409	382
Post-employment benefit obligations	115	122
Provisions	48	76
Borrowings	1 927	1 976
Other liabilities	36	134
	2 534	2 689
Current liabilities		
Provisions	19	52
Current borrowings	471	798
Accounts payable and other liabilities	969	787
	1 460	1 637
Liabilities classified as held for sale	0	6
Total liabilities	3 994	4 331
Total members' funds and liabilities	5 672	5 730

Non-current portion of derivative financial instruments have been transferred to non-current financial assets from accounts receivables and other receivables (2009: EUR 2 mill.). Non-current portion of derivative financial instruments have been transferred to other liabilities from accounts payable and other liabilities (2009: EUR 19 mill.).

Unaudited

EUR mill.	Equity attributable to members of parent company							
	Members' capital	Share premium account	Translation differences	Fair value and other reserves	Retained earnings	Total	Non-controlling interests	Total
Members' funds 1.1.2009	585	30	-5	165	329	1 104	682	1 786
Result for the period					-116	-116	-226	-342
Other comprehensive income								
Cash flow hedges				17		17	18	35
Available for sale financial assets				-53		-53	-50	-103
Currency translation differences			-10			-10	-5	-15
Other items								
Income tax relating to components of other comprehensive income			3	10		12	11	23
Other comprehensive income total			-7	-27	0	-34	-26	-60
Total comprehensive income			-7	-27	-116	-150	-252	-402
Transactions with owners								
Dividends paid					-29	-29	-1	-30
Change in members' capital	-101					-101		-101
Change in share premium account								
Transfer from unrestricted to restricted equity								
Business arrangements			20	82		102	44	146
Members' funds 31.12.2009	484	30	9	221	184	927	471	1 399
Members' funds 1.1.2010	484	30	9	221	184	927	471	1 399
Result for the period					170	170	44	214
Other comprehensive income								
Cash flow hedges				11		11	8	19
Available for sale financial assets				12		12	18	30
Currency translation differences			14			14	10	25
Other items								
Income tax relating to components of other comprehensive income			2	-6		-5	-3	-7
Other comprehensive income total			16	18	0	34	33	67
Total comprehensive income			16	18	170	204	77	281
Transactions with owners								
Dividends paid					-27	-27	-4	-31
Change in members' capital	55					55		55
Change in share premium account		1				1		1
Transfer from unrestricted to restricted equity				9	-9	0		0
Business arrangements			1			1	1	2
Acquisitions of non-controlling interests					-6	-6	-22	-28
Members' funds 31.12.2010	539	31	25	247	312	1 154	524	1 678

Unaudited

	2010	2009
Condensed consolidated cash flow statement	1–12	1–12
Result for the period	214	-342
Total adjustments	495	469
Change in working capital	-136	231
Cash flow arising from operations	573	359
Net financial items	-163	-84
Income taxes paid	-100	0
Net cash flow arising from operating activities	310	275
Acquisitions	-21	-496
Investments in tangible and intangible assets	-138	-152
Divestments of assets and other	89	940
Net cash flow arising from investing activities	-70	291
Change in members' funds	52	-57
Change in other equity	4	
Change in long-term loans and other financial items	-376	-530
Dividends paid	-40	-40
Net cash flow arising from financing activities	-360	-626
Changes in cash and cash equivalents	-120	-60
Cash and cash equivalents at beginning of period	558	619
Translation difference	3	-1
Changes in cash and cash equivalents	-120	-60
Cash and cash equivalents in assets classified as held for sale	0	-1
Cash and cash equivalents at end of period	440	558

Unaudited

BUSINESS SEGMENTS

Wood Supply	1–12/10	1–12/09	Q4/10	Q4/09
Sales	1 353	1 101	365	292
EBITDA	25	-5	5	-16
- " -, excl. non-recurring items	25	16	5	5
Depreciation and impairment	-4	-4	-1	-1
Operating result	21	-9	4	-17
- " -, excl. non-recurring items	21	12	4	4
Capital expenditure	3	2	1	1
Personnel at end of period	1 078	945	1 078	945

Wood Products Industry	1–12/10	1–12/09	Q4/10	Q4/09
Sales	902	806	224	193
EBITDA	67	-2	20	7
- " -, excl. non-recurring items	63	-2	21	7
Depreciation and impairment	-45	-45	-18	-16
Operating result	23	-47	2	-9
- " -, excl. non-recurring items	28	-41	12	-3
Capital expenditure	16	10	4	3
Personnel at end of period	2 677	3 110	2 677	3 110

Pulp Industry	1–12/10	1–12/09	Q4/10	Q4/09
Sales	1 365	1 195	365	297
EBITDA	444	366	115	378
- " -, excl. non-recurring items	453	71	116	67
Depreciation and impairment	-63	-173	-18	-23
Operating result	381	193	98	355
- " -, excl. non-recurring items	379	-43	99	44
Capital expenditure	14	53	6	7
Personnel at end of period	881	1 106	881	1 106

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

Board and Paper Industry	1–12/10	1–12/09	Q4/10	Q4/09
Sales	2 605	2 432	665	606
EBITDA	312	88	74	132
- " -, excl. non-recurring items	305	44	71	51
Depreciation and impairment	-166	-356	-77	-185
Operating result	146	-267	-4	-52
- " -, excl. non-recurring items	173	-150	37	7
Capital expenditure	66	73	18	18
Personnel at end of period	4 538	4 903	4 538	4 903

Unaudited

Tissue and Cooking Papers	1–12/10	1–12/09	Q4/10	Q4/09
Sales	938	890	246	229
EBITDA	94	135	24	31
- " -, excl. non-recurring items	99	135	24	31
Depreciation and impairment	-44	-42	-10	-11
Operating result	50	93	14	21
- " -, excl. non-recurring items	59	93	14	21
Capital expenditure	49	35	31	17
Personnel at end of period	3 198	3 150	3 198	3 150

Other operations	1–12/10	1–12/09	Q4/10	Q4/09
Sales	3	170	1	4
EBITDA	-7	69	-1	21
- " -, excl. non-recurring items	-6	21	-1	0
Depreciation and impairment	-2	-11	0	0
Operating result	-9	59	-1	20
- " -, excl. non-recurring items	-7	11	-1	-1
Capital expenditure	23	516	1	493
Personnel at end of period	448	378	448	378

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

Internal sales and eliminations	1–12/10	1–12/09	Q4/10	Q4/09
Sales	-1 790	-1 758	-475	-431
EBITDA	-101	-319	-26	-313
- " -, excl. non-recurring items	-94	-40	-20	-40
Depreciation and impairment	-13	129	-4	12
Operating result	-114	-190	-30	-300
- " -, excl. non-recurring items	-107	45	-24	-27

Metsäliitto Group	1–12/10	1–12/09	Q4/10	Q4/09
Sales	5 377	4 837	1 391	1 190
EBITDA	833	332	211	242
- " -, excl. non-recurring items	846	246	217	121
Depreciation and impairment	-336	-501	-129	-224
Operating result	497	-169	82	18
- " -, excl. non-recurring items	547	-75	142	44
Capital expenditure	159	648	34	533
Personnel at end of period	12 820	13 592	12 820	13 592

EBITDA = Operating result before depreciation and impairment losses.

Unaudited

Quarterly data	2010 QIV	2010 QIII	2010 QII	2010 QI	2009 QIV	2009 QIII	2009 QII	2009 QI
Sales								
Wood Supply	365	318	337	333	292	232	251	327
Wood Products Industry	224	231	256	192	193	188	224	202
Pulp Industry	365	344	368	288	297	313	282	303
Board and Paper Industry	665	662	676	602	606	618	585	623
Tissue and Cooking Papers	246	236	231	225	229	226	217	218
Other operations	1	1	2	0	4	3	72	92
Internal sales and eliminations	-475	-446	-454	-415	-431	-425	-418	-487
Sales total	1 391	1 345	1 416	1 224	1 190	1 155	1 213	1 278
Operating result								
Wood Supply	4	3	8	7	-17	-1	4	5
Wood Products Industry	2	11	11	-2	-9	-3	-10	-25
Pulp Industry	98	114	112	57	355	2	-42	-122
Board and Paper Industry	-4	66	35	49	-52	-24	-73	-117
Tissue and Cooking Papers	14	11	5	19	21	31	22	19
Other operations	-1	-3	-2	-2	20	2	27	10
Eliminations	-30	-32	-29	-23	-300	0	16	94
Operating result total	82	170	141	105	18	7	-56	-137
- % of sales	5.9	12.6	10.0	8.6	1.5	0.6	-4.6	-10.7
Share of results in associated companies	-1	-1	-7	-6	-4	-1	-8	-2
Exchange gains and losses	-1	-6	2	-2	2	4	-1	-2
Other net financial items	-27	-35	-34	-34	-34	-63	-30	-20
Result before income tax	52	128	102	64	-18	-53	-95	-163
Income tax	-29	-39	-40	-24	-9	-6	7	19
Result from continuing operations	23	89	62	40	-27	-59	-88	-144
Result from discontinued operations	0	0	0	0	-9	-2	-3	-10
Result for the period	23	89	62	40	-36	-61	-91	-153
Operating result excl. non-rec. items	2010 QIV	2010 QIII	2010 QII	2010 QI	2009 QIV	2009 QIII	2009 QII	2009 QI
Wood Supply	4	3	8	7	4	-1	4	5
Wood Products Industry	12	5	11	0	-3	-3	-10	-25
Pulp Industry	99	114	110	57	44	2	-42	-47
Board and Paper Industry	37	54	43	39	7	-22	-70	-65
Tissue and Cooking Papers	14	13	12	19	21	31	22	19
Other operations & elim.	-24	-34	-31	-25	-28	3	35	46
Operating result total	142	155	154	96	44	9	-61	-67

Acquisitions

Wood Products Industry increased its ownership of Kumpuniemen Voima Oy on 31 November 2010 from 33.33 per cent to 53.97 per cent, gaining control of the company. Kumpuniemen Voima Oy produces electricity and heat from wood fuel to Wood Products Industry's Suolahti plywood mill and the municipality of Suolahti. The previously owned share has been measured at fair value of the purchasing time and the difference between the book value and fair value of EUR 0.4 million has been recognised in the profit and loss statement in other operating income. The shares of the owners with no controlling interest have been measured at a value which corresponds with the interest of the non-controlling owner's proportional share of the specifiable net assets of the acquisition.

The subsidiary of Oy Metsä-Botnia Ab acquired the operations of the Italian agent on 31 August 2010.

The management estimates that the affect of the operations of Kumpuniemen Voima Oy and the Italian agent on Metsäliitto Group's sales or operating result during 1 January – 31 December 2010 would have been insignificant if the acquisitions would have been realised on 1 January 2010.

Acquisitions total	2010
EUR mill.	Booked values
Customer relationships (included in intangible assets)	0
Tangible assets	5
Accounts receivables and other receivables	1
Cash and cash equivalents	1
Total assets	7
Deferred tax liabilities	0
Financial liabilities	4
Accounts payable and other liabilities	1
Total liabilities	5
Net assets	2
Previously owned share on net assets at fair value	1
Non-controlling interests based on the proportional share attributable to net liabilities	1
Net assets acquired	1
Acquisition cost	1
Goodwill	0
Cash transaction	1
Liquid funds of subsidiary acquired	-1
Cash flow on acquisition	0

The fair value of customer relationships has been specified based on the estimated duration of the customer relationships and discounted net cash flows. The book values of other items substantially correspond to the fair value.

Unaudited

Change in tangible assets	2010	2009
Book value at beginning of period	2 428	2 958
Business acquisitions	5	472
Investments	135	143
Decrease	-23	-772
Assets classified as held for sale	-6	-3
Depreciation and impairment charges	-314	-449
Translation differences and other changes	56	78
Book value at end of period	2 281	2 428

In 2010, assets classified as held for sale include a part of the old equipment of the Metsä-Botnia's Kaskinen pulp mill shut down in 2009 and the tangible assets of the Wood Products Industry's blockboard mill in Romania in 2009.

Depreciation and impairment charges include a EUR 5 million impairment of goodwill in the Building Products business line based on impairment testing. Moreover, an impairment of EUR 4 million was booked in Wood Products Industry's Karihaara saw mill.

Depreciation and impairment charges also include the partial cancellation of an impairment loss of EUR 8 million based on the agreed transaction of the paper machine booked in connection with the closing of M-real's Kangas mill's PM 2, and the previously booked M-real's Zanders' Reflex mill's machines' EUR 3 million cancellation of the impairment loss based on the mills partial sale to Metsä Tissue. Further, the depreciation and impairment charges include a EUR 9 million impairment cancellation in M-real's Office Paper business area and an impairment of EUR 28 million in M-real's Speciality Papers business area based on impairment testing. In addition, EUR 15 million impairment was booked in M-real's Market Pulp and Energy business area's Hallein mill as an additional depreciation in connection with buildings no longer used in production, and an impairment of EUR 11 million in M-real's Consumer Packaging business area in connection with the closing of Simpele's paper machine.

Depreciation and impairment charges also include the partial cancellation of an impairment of EUR 11 million in connection with the closing of Metsä-Botnia's Kaskinen mill based on an agreed property sale and a depreciation of EUR 4 million connected with the rearrangements of Metsä Tissue's operations in Poland.

Commitments	2010	2009
On own behalf (incl. leasing liabilities)	698	456
On behalf of associated companies	4	6
On behalf of others	4	4
Total	706	466

Open derivative contracts	2010	2009
Interest rate derivatives	1 003	831
Currency derivatives	1 660	1 766
Other derivatives	127	254
Total	2 790	2 850

The market value of open derivative contracts at the end of the review period was EUR -20 million (2009: EUR -28 million). Open derivative contracts also include closed contracts to a total amount of EUR 522 million (2009: EUR 537 million).

Accounting policies

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

Calculation of key ratios

Return on capital employed (%)	= (Result from continuing operations before tax + interest expenses, net exchange gains/losses and other financial expenses) per (Balance total - non-interest-bearing liabilities (average))
Return on equity (%)	= (Result from continuing operations before tax - income taxes) per (Members' funds (average))
Equity ratio (%)	= (Members' funds) per (Balance total - advance payments received)
Net gearing ratio (%)	= (Interest bearing borrowings - liquid funds - interest-bearing receivables) per (Members' funds)