

This 2011 Financial Statements Bulletin still uses the Metsäliitto Group company names in use in 2011.

Metsäliitto Group's operating result excluding non-recurring items was EUR 314 million in 2011

The operating result excluding non-recurring items was EUR 3 million in October–December

Full year result for 2011

- Sales amounted to EUR 5,346 million (1–12/2010: EUR 5,377 million).
- The operating result excluding non-recurring items was EUR 314 million (547). The operating result including non-recurring items was EUR 29 million (497).
- The result before taxes and excluding non-recurring items was EUR 195 million (411). Including non-recurring items, the result before taxes was EUR -98 million (345).

Result for October–December 2011

- Sales amounted to EUR 1,223 million (10–12/2010: EUR 1,391 million).
- The operating result excluding non-recurring items was EUR 3 million (142). The operating result including non-recurring items was EUR -200 million (82).
- The result before taxes and excluding non-recurring items was EUR -21 million (112). Including non-recurring items, the result before taxes was EUR -228 million (52).

Events during the fourth quarter of 2011

- M-real announced it would start negotiations on shutting down the Alizay mill and on discontinuing the unprofitable operations at the Gohrsmühle mill.
- M-real announced it will shut down the coated paper machine in Äänekoski by the end of 2011. Correspondingly, the company aims to increase production at the Husum mill from 285,000 tonnes to 340,000 tonnes in 2012.
- Metsä Tissue announced it would discontinue the tissue paper manufacturing, refining and logistics operations at the Konstancin-Jeziorna mill in April 2012.
- Metsäliitto Cooperative launched the Equity Bonus investment alternative for co-op members. The new investment alternative came into effect as of the beginning of 2012.
- Metsä-Botnia's pulp production volume was a record high. Annual production records were set at the Äänekoski, Joutseno and Rauma mills.

Events after the period

- M-real announced on 13 January 2012 that it would sell the Premium Paper operations of the Reflex mill to Hahnemühle FineArt GmbH. It is estimated that the arrangement will be finalised during the first quarter of 2012.
- Metsäliitto Group announced it will unify its corporate identity to Metsä Group.

“The uncertainty in the world economy in the second half of the year, in particular, weakened demand in all our business areas, and the Group's result in the last quarter of the year was modest. Due to the successful structural change in recent years, our Group is on a solid foundation. In the future, we focus on four core businesses: wood products, pulp, paperboard, and tissue and cooking papers.

M-real's restructuring measures and the strategic review of the paper business are being finalised and will improve our result capability considerably. Metsä Tissue's development investments form a solid basis for improving the company's profitability.

The transformation of our corporate identity into the unified Metsä Group will further strengthen our competitiveness.”

Kari Jordan, President & CEO, Metsä Group

Metsäliitto Group

Income statement (Continuing operations)	2011 1–12	2010 1–12	2011 10–12	2010 10–12
Sales	5 346	5 377	1 223	1 391
Other operating income	95	142	32	44
Operating expenses	-5 058	-4 686	-1 366	-1 225
Depreciation and impairment losses	-354	-336	-89	-129
Operating result	29	497	-200	82
Share of results in associates	4	-15	-1	-1
Exchange gains and losses	2	-7	0	-1
Other net financial items	-133	-129	-27	-27
Result before income tax	-98	345	-228	52
Income taxes	-59	-131	22	-29
Result from continuing operations	-157	214	-206	23

Metsäliitto Group

Profitability (Continuing operations)	2011 1–12	2010 1–12	2011 10–12	2010 10–12
Operating result, EUR mill.	29	497	-200	82
- " -, excluding non-recurring items	314	547	3	142
- " - % of sales	5.9	10.2	0.2	10.2
Return on capital employed, %	1.1	11.8	-20.6	8.0
- " -, excluding non-recurring items	8.4	13.4	0.4	13.9
Return on equity, %	-9.9	13.9	-51.9	5.7
- " -, excluding non-recurring items	8.6	18.2	0.1	20.2

Financial position	2011 31.12	2010 31.12	2011 30.9	2010 30.9
Equity ratio, %	28.3	29.7	31.0	28.1
Net gearing ratio, %	131	116	113	123
Interest-bearing net liabilities, EUR mill.	1 953	1 939	1 895	1 985

Segments

Sales and Operating result January–December 2011 (EUR mill.)	Wood Supply	Wood Products Industry	Pulp Industry	Board and Paper Industry	Tissue and Cooking Papers
Sales	1 476	939	1 301	2 485	971
Other operating income	10	9	19	66	11
Operating expenses	-1 459	-904	-994	-2 574	-923
Depreciation & impairment losses	-3	-41	-63	-191	-40
Operating result	24	3	263	-214	20
Non-recurring items	-	9	4	274	-
Operating result, excl. non-rec. items	24	12	267	59	20
- % of sales	1.7	1.3	20.5	2.4	2.1

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

The Financial Statements Bulletin is unaudited

METSÄLIITTO GROUP

FINANCIAL STATEMENTS 2011

Sales and result

Metsäliitto Group's sales in January–December 2011 were EUR 5,436 million (1–12/2010: EUR 5,377 million). The operating result excluding non-recurring items was EUR 314 million (547), or 5.9 per cent of sales (10.2).

In 2011, a total of EUR -285 million was recognised as non-recurring items, of which EUR 11 million was income and EUR 296 million was expenses.

The non-recurring income was primarily related to the sale of properties in Finland and it was recognised in the first half of the year. In January–September, the amount of non-recurring expenses recognised totalled EUR 93 million. EUR 49 million of them were connected to the divestment of M-real's Hallein pulp mill and EUR 22 million were connected to the write-downs and provisions of the Gohrsmühle and Reflex paper mills. Cost provisions relating to the discontinuation of the carbonless paper refining operations at the Reflex mill amounted to EUR 9 million, and impairment loss from the planned shutdown of the Alizay paper mill in France totalled EUR 8 million.

Non-recurring items in October–December were EUR -203 million net and the most significant of them were:

- EUR 105 million in cost provisions and write-downs in the Paper and Board operations connected to the planned shut-down of M-real's Alizay mill.
- EUR 58 million in cost provisions and write-downs in the Paper and Board operations connected to the plans to discontinue the unprofitable operations of M-real's Gohrsmühle and Reflex mills.
- EUR 26 million in impairment losses, write-downs and cost provisions in the Paper and Board operations connected to the restructuring, including the shutdown of paper machine 2, to be carried out at M-real's Äänekoski mill.
- EUR 9 million in impairment losses and cost provisions in Wood Products Industry.
- EUR 5 million of additional cost provisions and sales price adjustments in the Paper and Board operations connected to the divestment of M-real's Hallein pulp mill, completed in September 2011.

The operating result including non-recurring items was EUR 29 million in January–December (497). Financial income was EUR 9 million (5), net exchange gains in financial items were EUR 2 million (-7) and financial expenses were EUR 142 million (135). During the first quarter, dividends of approximately EUR 9 million paid on Metsä-Botnia's shares under the obligation to redeem were recognised in financial expenses.

The results from associates were EUR 4 million (-15). The figure includes a non-recurring impairment loss of approximately EUR 4 million (16) associated with the sale of M-real's 35 per cent holding and subordinated loan in Myllykoski Paper Oy and the impairment loss of approximately EUR 3 million connected to Zanders' associated companies in China and Hungary.

The result for the period before taxes was EUR -98 million (345), and taxes, including changes in deferred tax liability, were EUR 59 million (131). The net result for the period was EUR -157 million (214).

Excluding non-recurring items, the Group's return on capital employed was 8.4 per cent (13.4) and the return on equity was 8.6 per cent (18.2). Including non-recurring items, the return on capital employed was 1.1 per cent (11.8) and return on equity was -9.9 per cent (13.9).

Sales and operating result in October–December

Metsäliitto Group's sales for the last quarter of the year were EUR 1,223 million (10–12/2010: EUR 1,391 million). The operating result excluding non-recurring items was EUR 3 million (142), and the operating result including non-recurring items was EUR -200 million (82).

Balance sheet and financing

Metsäliitto Group's liquidity is good. Total liquidity at the end of December was EUR 855 million (31 December 2010: 1,054). This consisted of EUR 330 million (440) of liquid assets and investments and EUR 525 million (614) of binding credit facility agreements not included in the balance sheet. In addition, to meet its short-term financing needs, the Group had at its disposal uncommitted domestic and foreign commercial paper programmes and credit facilities amounting to EUR 524 million.

The Group's equity ratio at the end of December was 28.3 per cent and net gearing was 131 per cent (31 December 2010: 29.7 per cent and 116 per cent, respectively). Interest-bearing net liabilities stood at EUR 1,953 million (31 December 2010: 1,939).

Cash flow from operations amounted to EUR 552 million (1–12/2010: 573). Working capital decreased by EUR 74 million during the year, whereas it had increased by EUR 136 million in the previous year.

During the period under review, the change in the fair value of investments available for sale was approximately EUR 25 million, mainly due to the increase in the fair value of Pohjolan Voima Oy's shares.

The equity ratio of the parent company Metsäliitto Cooperative was 61.3 per cent at the end of December and net gearing was 40 per cent (31 December 2010: 58.6 per cent and 45 per cent, respectively).

During January–December, Metsäliitto's members' capital increased by a total of EUR 41.8 million. The actual members' capital grew by EUR 3.9 million, the additional members' A capital by EUR 23.7 million and the additional members' B capital by EUR 14.2 million.

As of the beginning of 2012, Metsäliitto Cooperative launched a new investment product called Equity Bonus, in which a member can subscribe to additional A shares worth EUR 1 in a combined issue at a price decided by the Board of Directors in any given year in accordance with the share issue terms. New additional A shares are offered for subscription from wood trade or income obtained from share interest. The maximum amount of the combined issue fund unit is EUR 100 million.

M-real's Annual General Meeting in March decided to reduce the share premium account in operating capital, as stated on the parent company's balance sheet on 31 December 2010, by transferring all funds in the account, or approximately EUR 664 million, to the company's non-restricted equity reserve. None of the company's creditors announced their opposition to the procedure by the deadline of 17 August 2011 set by the register authorities, and hence the processing of the matter in the Trade Register has been completed. M-real Corporation recognised the reduction of the share premium account in accordance with the decision of the Annual General Meeting.

In March, Metsäliitto Cooperative took out investment loans worth a total of EUR 100 million from Finnish insurance companies. The loans were used to pay off the EUR 100 million syndicated loan that matured in March.

Metsä-Botnia signed a EUR 270 million binding stand-by credit for five years in December. The credit will replace the EUR 300 million stand-by credit maturing in March 2012.

In 2011, Metsäliitto Cooperative took out an investment loan of EUR 60 million from pension insurance company Ilmarinen; M-real extended the leaseback agreement by two years until the end of 2015, due to expire at the end of 2013, with capital of EUR 49 million connected to the Tako board mill property and Metsä Tissue received investment project funding of EUR 37 million from Sumitomo Bank. In addition, Metsäliitto's associated company Finsilva Oyj signed a loan agreement of EUR 94 million for five years.

Personnel

The Group had an average of 13,046 employees in January–December (1–12/2010: 13,168). At the end of December, the number of personnel in the Group was 12,525 (31 December 2010: 12,820), of whom 5,660 (5,734) people worked in Finland and 6,865 (7,086) in other countries. The parent company, Metsäliitto Cooperative, had a headcount of 2,723 at the end of December (31 December 2010: 2,495).

Changes in management

Timo Karinen, M.Sc. (Eng) was appointed Group Executive Vice President, Wood Products Industry, and a member of the Executive Management Team of Metsäliitto Group on 18 October 2011. Prior to this position, Karinen worked as Senior Vice President in Wood Products Industry, Solid Wood, and prior to that, as Vice President, Business Development, in Metsä-Botnia.

Mika Joukio, M.Sc. (Tech.), MBA, was appointed CEO of Metsä Tissue Corporation and a member of the Executive Management Team on 17 November 2011. Previously, Joukio held the position of SVP, Head of Consumer Packaging, at M-real Corporation and was a member of M-real's Executive Management Team. Joukio took the position on 1 February 2012.

Both Karinen and Joukio report to the Group CEO Kari Jordan.

Members

At the end of the review period, the Metsäliitto Cooperative had 125,144 members (31 December 2010: 126,382). During the year, 1,978 new members joined the Cooperative and 3,216 members cancelled their membership.

Investments

Metsäliitto Group's capital expenditure totalled EUR 227 million (138).

In February, Metsä-Botnia decided to improve energy production at the Joutseno pulp mill by building a bark gasification plant. The total value of the investment is approximately EUR 20 million. The plant will replace natural gas as fuel at the mill, making the mill carbon dioxide neutral in normal operation. The gasification plant is planned to be operational in the middle of 2012. Parallel to the ongoing project, Metsä-Botnia is carrying out a preliminary survey on the construction of a biogas-generating refinery in Joutseno in cooperation with Gasum and Helsingin Energia. A decision on the investment will be made in 2013 at the earliest.

The new causticisation plant of Metsä-Botnia's Kemi mill was commissioned in the first quarter of 2011. Productive use in the water station will commence in January 2012. A decision on the investments was made in February 2010, and the total value was approximately EUR 40 million.

An RFID system designed for automatic monitoring of pulp bales was deployed at the Rauma and Kemi pulp mills in the second half of the year. The system will be deployed at the Äänekoski and Joutseno mills and key loading and unloading ports during the first quarter of 2012. The RFID system will improve the efficiency of supply chain management and delivery accuracy.

M-real's key investments in 2011 were associated with the improvement of board production. The approximately EUR 26 million expansion investment at the Simpele folding boxboard mill was completed during the second quarter. The investment increased the plant's annual capacity by 80,000 tonnes. In addition, M-real announced investments of approximately EUR 30 million in expanding the annual folding boxboard capacity at the Äänekoski and Kyrö mills by a total of approximately 70,000 tonnes. The Kyröskoski investment was carried out at the end of 2011, and the Äänekoski investment will be carried out in the spring of 2012. M-real also improved the quality of its coated kraftliners at the Kemi mill with the recently completed investment of EUR 16 million.

Hämeenkyrön Voima Oy, a subsidiary of Pohjolan Voima Oy, decided in March 2011 to build a bio-power plant at the M-real Kyrö mill area in Hämeenkyrö. The plant will generate electricity and process heat for M-real's paper and board mill, as well as electricity and district heat for Leppäkosken Sähkö Oy. The estimated cost of the project is approximately EUR 50 million, and M-real will participate in the project with an investment of approximately EUR 11 million. The power plant will be completed in the autumn of 2012.

Metsä Tissue launched an extensive investment programme in Poland in the summer of 2011. The three-year programme includes, among other things, the construction of two new soft tissue machines and an upgrading line at the Krapkowice mill, the replacement of one paper machine, and infrastructure development. The total value of the investment programme is nearly EUR 60 million, and it will enable Metsä Tissue to increase its annual production capacity of soft tissue in Poland by 35,000 tonnes. As part of the investment programme, production at the Konstancin-Jeziorna mill will shut down at the beginning of April 2012.

Metsä Tissue's investment project in Düren, Germany, was finalised. The mill, inaugurated in September, specialises in manufacturing SAGA baking and cooking papers. The cost of the investment is approximately EUR 30 million.

In the spring of 2011, Metsäliitto decided to participate with a 46 per cent holding in a project in which Lohjan Biolämpö Oy, a company to be established, will build a bio-energy heating plant in Lohja. The other shareholders of the company are Lohjan Energiahuolto Oy Loher (49 per cent) and Ääneseudun Energia (5 per cent). The plant will primarily use by-products of the Kerto plant and supplementing forest chips and other wood-derived fuels as fuel. The total cost of the project is approximately EUR 17 million. The construction of the plant began in the summer of 2011, and the new plant will be ready for production at the end of 2012.

Holdings in Metsä-Botnia and Metsä Tissue

In June, Metsä-Botnia redeemed its own shares from UPM-Kymmene Corporation on the basis of a shareholder agreement signed by Metsä-Botnia's shareholders in 2009. The number of shares to be redeemed equalled 6.7 per cent of the company's entire share capital, and the redemption price was EUR 140 million.

After the redemption, Metsäliitto Cooperative owns 56.8 per cent of Metsä-Botnia, M-real owns 32.2 per cent and UPM 11.0 per cent. In the same context, UPM and Metsäliitto agreed on Metsäliitto's call option on the remaining Metsä-Botnia shares owned by UPM. The option will be valid for two years, and the agreed share price for executing the option is approximately EUR 150 million.

Metsäliitto Cooperative increased its shareholding in Metsä Tissue in a share transaction completed on 30 September 2011 by purchasing the Metsä Tissue Corporation shares owned by Mandatum Life Insurance Company, a total of 6.1 per cent. After the transaction, Metsäliitto Cooperative owns a total of 76.6 per cent of Metsä Tissue's shares. The other shareholders of the company are Jozef Antošík (15.0 per cent) and Varma Mutual Employment Pension Company (8.4 per cent).

Structural changes

In September, M-real sold the entire share capital in M-real Hallein GmbH to Schweighofer Group. The agreement covered the Hallein pulp mill, the bio power plant, the paper mill closed in 2009 and the surrounding land area. The debt-free value of the transaction was approximately EUR 34 million and its positive cash impact was approximately EUR 28 million.

In September, M-real completed the sale to UPM-Kymmene of its 35 per cent holding in Myllykoski Paper and the capital loan that it had granted to Myllykoski Paper. The transaction had a positive cash impact of approximately EUR 10 million.

Alizay, Reflex and Gohrsmühle

M-real announced in October that it would start negotiations on shutting down the Alizay mill in France and on discontinuing the unprofitable operations at the Gohrsmühle mill in Germany. Concurrently, M-real announced it would continue the Chromolux business operations in Gohrsmühle and survey opportunities to launch a folding boxboard customer service and logistics centre and a sheeting plant in Gohrsmühle. Furthermore, M-real announced it is conducting negotiations in order to sell the Premium Papers business operations of the Reflex mill. Negotiations on the discontinuation of the carbonless paper refining operations at the Reflex mill are under way. Implementation of the measures is contingent on the completion of the statutory labour negotiations required by local legislation.

Related to the aforementioned measures, non-recurring cost provisions and write-downs of a total of EUR 202 million were recognised in the 2011 financial statements.

Äänekoski and Husum

In November, M-real began statutory labour negotiations concerning the possible shutdown of the Äänekoski paper machine and the conversion of the mill's sheeting capacity in full to sheeting folding boxboard, in order to improve the profitability of its coated papers operations. The annual coated fine paper production capacity at the Äänekoski mill is approximately 200,000 tonnes.

After the statutory labour negotiations, M-real decided to shut down the Äänekoski paper machine by the end of 2011.

M-real is continuing the manufacture of coated papers at the Husum mill in Sweden. The reel production of the Äänekoski paper machine will be moved to Husum, and the mill's annual production will be increased from 285,000 tonnes to 340,000 tonnes in 2012.

In connection with the restructuring to be carried out at the Äänekoski mill, EUR 26 million in impairments, write-downs and cost provisions were recognised in the 2011 financial statements.

Business areas

Wood Supply

Wood Supply sales for January–December were EUR 1,476 million (1–12/2010: 1,353) and operating profit was EUR 24 million (21). The increased delivery volumes were the most significant reason for the growth in sales and operating profit compared to the previous year. The operating result does not include non-recurring items. Wood Supply in Finland accounted for EUR 992 million (925) of sales and EUR 13 million (10) of the operating result.

Sales in October–December amounted to EUR 355 million (10–12/2010: 365) and operating profit excluding non-recurring items was EUR 7 million (4).

The tax relief on wood sales ended at the end of 2010, which is why the supply of wood was very low at the beginning of the year. Wood sales recovered in May but took a downward turn again in September. Metsäliitto Wood Supply delivered slightly over 29 million cubic metres (29) of timber to its customers. Approximately 70 per cent of it was acquired in Finland, mainly from members of Metsäliitto Cooperative.

Metsäliitto purchased a total of approximately 11 million cubic metres of timber (14) from Finnish private forests. The amount of wood energy and by-products from the Group's production units delivered totalled 2.6 million cubic metres (2.1).

International wood sales in the Baltic area followed a fairly similar pattern to wood sales in Finland. At the beginning of the year, the market situation was tight but the end of the year was characterised by a slight oversupply. For the supply of wood at Metsä-Botnia's Svir Timber sawmill in Russia to be successful, Metsäliitto had to invest in forest roads in the felling areas. The use of imported wood at Metsäliitto remained at the same level as in the previous year. A total of 1.4 million cubic metres of wood (1.5), mainly deciduous pulpwood and wood chips, was imported from Russia.

Metsäliitto Cooperative elects the Representative Council and the District Committees of supply districts every four years. There were more than a hundred member events organised before the spring 2011 election, in which 62 Representative Council members and 125 members to the District Committees were elected.

In February, Metsäliitto was awarded a PEFC group certificate that covers the forests of the Group's associated companies. As a new service, co-op members who have signed a forest management agreement with Metsäliitto were offered an opportunity to join the certification free of charge.

An increasing number of co-op members buy forest management services from the Cooperative. At the beginning of 2011, all Metsämannut Oy forestry supervisors and lumberjacks were transferred to the supply district organisation, and on 1 January 2012, the rest of the operations related to forest management merged with Metsäliitto Wood Supply in Finland.

Wood Products Industry

Metsäliitto Wood Products Industry's sales in January–December were EUR 939 million (1–12/2010: 902) and operating profit excluding non-recurring items was EUR 12 million (28). The operating result including non-recurring items was EUR 3 million (23).

Business operations developed favourably in the first half of the year. However, growth stabilised at the beginning of the second half of the year, and in the last quarter, the volume was lower than in the corresponding period in the previous year.

Sales in the last quarter of the year were EUR 220 million (10–12/2010: 224) and operating profit excluding non-recurring items was EUR 0 million (12). The continued uncertainty in the general economic situation in Europe created uncertainty in the demand for several end products, which is why sawmill operations, among other things, had to be adjusted. Despite the positive development in some parts of the operations, the operating result of Wood Products Industry for the entire year weakened compared to the previous year.

Growth in the construction market was small overall but, despite the tightening competition, we were able to increase the sales of Kerto and other construction products. The sales and profitability of engineered wood products developed favourably. Demand for birch plywood in the transport vehicle industry and the deliveries of upgraded products continued to be strong throughout the year.

Total sales to consumers and in retail were weak, remaining at the same level as in the previous year. The weak outlook of the general economy in Europe had the biggest impact on the development of the delivery segment.

Wood Products Industry carried out several projects during the year. In March, product development of wood construction received a significant recognition when Metropol Parasol, one of the world's largest wood buildings and one made with Kerto elements, was inaugurated in Sevilla, Spain.

The four-storey Pilke House of Metsähallitus, which incorporates Finnforest frame solutions, received the 2011 Wood Award. Pilke is an example of top expertise in ecological wood construction and the competitiveness of wood in office construction.

The construction of the wood apartment building quarter based on the Finnforest Apartment Building System was launched at the end of 2011 in Helsinki. The system offers ecological benefits and is flexible and quick to build.

Pulp

Metsä-Botnia's sales for January–December were EUR 1,301 million (1–12/2010: 1,365). For Metsä-Botnia, the year overall was favourable, although weakened demand for pulp and decreased prices due to market uncertainty weakened the company's sales and profitability compared to the previous year. On the other hand, the exchange rate development of the euro and the dollar at the end of the year was favourable for the company.

The operating result excluding non-recurring items was EUR 267 million (379). Including non-recurring items, the operating result was EUR 263 million (381). Metsä-Botnia's sales in the last quarter of the year were EUR 290 million (10–12/2010: 365) and operating profit excluding non-recurring items was EUR 20 million (99).

The positive price development of pulp continued throughout the first half of the year. In May–June, the prices peaked at USD 1,020 per tonne for softwood pulp and USD 875 per tonne for hardwood pulp, whereas the prices at the beginning of the year had been USD 950 and USD 850, respectively. In July, prices took a downward turn and pulp inventories increased as demand weakened, first in Asia and then in Europe. In December, the price of softwood pulp had declined to USD 830 and the price of hardwood pulp was USD 640. At the end of the year, there were signs of the price decline ending as many pulp producers announced they were curtailing production.

The pulp production volume was a record-breaking 2,205,000 tonnes (2,173,000) and the Joutseno, Rauma and Äänekoski mills broke their records in mill-specific annual production volumes. The production volume of the Svir Timber sawmill was 193,000 cubic metres (208,000).

Total pulp deliveries amounted to 2,124,000 tonnes (2,176,000), of which 1,196,000 tonnes were to shareholders and (1,314,000) and 928,000 tonnes to market customers (862,000).

Board and Paper

Board and Paper's sales in January–December were EUR 2,485 million (1–12/2010: 2,605) and the operating result excluding non-recurring items was EUR 59 million (173).

The operating result excluding non-recurring items compared with the corresponding period in the previous year was weakened by cost inflation in the cost of wood, chemicals and energy, in particular. Furthermore, the lower delivery volumes of papers and board, as well as the strengthening of the Swedish krona and the weakening of the US dollar against the euro, weakened the result. The operating result was improved by the average selling prices being clearly higher than in the previous year.

The non-recurring items recognised in the operating result amounted to EUR -274 million net in January–December. Of these, a net amount of EUR -80 million was recognised in January–September; income accounted for EUR 10 million and expenses accounted for EUR 90 million. The non-recurring income was related to the sale of properties in Finland. In the second quarter of the year, EUR 49 million of non-recurring expenses were recognised from the divestment of M-real's Hallein pulp mill, and EUR 22 million from the write-downs and provisions of the Gohrsmühle and Reflex paper mills. In the third quarter, EUR 9 million was recognised as cost provisions relating to the upcoming measures at the Reflex mill and an EUR 8 million impairment loss was recognised connected to the planned shutdown of the Alizay paper mill.

A net total of EUR -194 million was recognised as non-recurring items in the operating result for October–December, the most significant of them being:

- EUR 105 million in cost provisions and write-downs connected to the plan to shut down the Alizay pulp mill.
- EUR 58 million in cost provisions and write-downs connected to the plans to discontinue the unprofitable operations of the Gohrsmühle and Reflex mills
- EUR 26 million in impairment losses, write-downs and cost provisions connected to the restructuring measures at the Äänekoski mill, including the shutdown of paper machine 2.
- EUR 5 million in additional cost provisions and sales price adjustments connected to the divestment of the Hallein pulp mill, finalised in September 2011.

Sales in October–December amounted to EUR 524 million (10–12/2010: 665) and operating profit excluding non-recurring items was EUR -22 million (37).

The operating result including non-recurring items was EUR -214 million in January–December (146). Net interest and other financial expenses were EUR 63 million (65) and the exchange gains/losses recognised in financial items were EUR 3 million (-9).

The result from associates was EUR -7 million (-24). The figure includes a non-recurring impairment loss of approximately EUR 4 million (16) associated with the sale of M-real's 35 per cent holding and subordinated loan in Myllykoski Paper Oy and the impairment loss of approximately EUR 3 million connected to Zanders' associated companies in China and Hungary.

Excluding non-recurring items, the result before taxes for the period was EUR 0 million (92), earnings per share were EUR 0.02 (0.23) and the return on capital employed was 3.4 per cent (7.6). Including non-recurring items, the result before taxes was EUR -281 million (48), earnings per share were EUR -0.83 (0.09) and the return on capital employed was -9.9 per cent (5.7).

At the end of December, M-real's equity ratio was 27.4 per cent and net gearing was 106 per cent (31 December 2010: 32.1 per cent and 83 per cent, respectively). Some of M-real's loan agreements set a 120 per cent limit on the company's net gearing ratio and a 30 per cent limit on the equity ratio. At the end of December, net gearing calculated in the manner defined in the borrowing agreements was approximately 76 per cent, and the equity ratio approximately 33 per cent.

M-real Corporation's interim report was published on 9 February 2012 at 12:00 noon.

Tissue and Cooking Papers

The January–December sales of Metsä Tissue, producer of tissue and cooking papers, totalled EUR 971 million (938). The increase in sales was due to price increases and favourable exchange rate changes, while volumes remained at the same level as in the previous year. The sales of own brands increased by 6 per cent compared to the previous year.

The operating result excluding non-recurring items was EUR 20 million (59). Including non-recurring items, the operating result was EUR 20 million (50). The result was affected by, among other things, the high variable costs of which the share of raw materials and energy was extremely high, as well as the costs of the company's several simultaneous projects. The price increases that had characterised the pulp and recycled paper segment for the past two years stabilised in the autumn. The weakening of the euro kept the company's pulp costs high. The costs of other raw materials, supplies and transportation also remained at a very high level. In addition, launching production at the Düren mill in Germany generated considerable additional costs.

Sales in the last quarter of the year were EUR 246 million (10–12/2010: 246) and operating profit excluding non-recurring items was EUR 4 million (14).

The investment project in Düren, Germany, was completed. The mill was inaugurated in September, which also marked the introduction of the SAGA One-Up product concept. SAGA Cooking Rounds paper, the first round cooking paper, was also introduced to the market. The Düren mill focuses on the production of baking and cooking papers marketed under the SAGA brand.

The three-year investment programme progressed as planned at the Krapkowice mill in Poland, strengthening Metsä Tissue's position in Central Europe.

In the third quarter of the year, Metsä Tissue launched the manufacture and sales of Lotus soft tissue papers for consumers in Russia in accordance with the licensing agreement signed with Georgia-Pacific.

During the year, the Serla, Lambi, Mola and Tento grades and packaging concepts were renewed. The products received top positions in various consumer surveys and competitions. Metsä Tissue also introduced a Europe-wide campaign to promote hygiene in workplaces and washroom facilities. The campaign is supported by the new Katrin Ease family of hands-free products. In addition, Metsä Tissue provided training for its entire personnel on sustainable development themes in cooperation with WWF Finland and the Metsäliitto Group.

Events after the reporting period

M-real announced on 13 January 2012 that it would sell the Premium Paper operations of the Reflex mill to Hahnemühle FineArt GmbH. The agreement will cover the entire Premium Paper operations and related properties, as well as approximately 100 M-real employees.

It is estimated that the arrangement will be finalised during the first quarter of 2012. The completion of the arrangement would reduce M-real's annual sales by approximately EUR 20

million and would not have a significant impact on M-real's operating result. When executed, the arrangement is not estimated to have a substantial non-recurring profit or cash impact, considering the bookings in the last quarter of 2011.

In January 2012, M-real Corporation sold its 39 per cent holding in Plastiroll Oy to Sponsor Capital Oy and the management of Plastiroll. Plastiroll is a versatile manufacturer of packaging materials, including biodegradable materials, with production facilities in Ylöjärvi in Finland. The divestment does not have an impact on M-real's sales or a substantial impact on its result.

On 9 February 2012, Metsäliitto Group announced that it would change its name to Metsä Group and renew its corporate image. At the same time, the names of the Group's business areas will also change. The change of the names and identity will complete the extensive structural change based on the Group strategy to build a unified and competitive forest industry group.

The name Metsä will integrate the business areas distinctly as part of Metsä Group. Wood Products Industry will be renamed Metsä Wood, and Metsä-Botnia will become Metsä Fibre. M-real Corporation's name change to Metsä Board Corporation will be decided by the Annual General Meeting on 28 March 2012. Metsä Tissue's name will not be changed. Wood Supply will become Metsäliitto Puunhankinta in Finland and Metsä Forest internationally. The change in identity will not impact the Group structure or the legal status of the companies, and the name and form of business of Metsä Group's parent company continues to be Metsäliitto Cooperative.

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.

In March 2011, the state enterprise Metsähallitus filed a claim for damages at the District Court of Helsinki, demanding that Metsäliitto and two other forest industry companies jointly pay compensation for alleged damage caused by prohibited cooperation with regard to prices in the raw wood market. The claim is related to the 3 December 2009 decision by the Market Court which states that the aforementioned companies have violated the act on competition restrictions in the raw wood market. In addition, some municipalities, parishes and a group of individuals in Finland have recently instituted similar proceedings. The total amount of all claims that Metsäliitto is aware of and that were directed at Metsäliitto and the other aforementioned companies jointly is approximately EUR 225 million, of which amount approximately EUR 80 million is alternatively directed at Metsäliitto alone. In addition, the aforementioned proceedings are associated with interest and value added tax claims. Metsäliitto's view is that the claims for damages are unfounded, and the company has not recognised any provisions regarding them.

The risks related to the Group's business have been explained more extensively in Metsäliitto Group's Annual report for 2010.

Near-term outlook

Metsäliitto Wood Supply's reserves are good. The wood market primarily in western Finland is, to a certain extent, affected by the damage caused by the storms at the end of 2011.

Wood Product Industry's near-term outlook continues to be challenging. Growth in total demand is expected to be small at best in the main markets. Cost management will continue and adjustments in production may be necessary.

The price level of pulp in various market areas has stabilised and partly started to rise after the downward development at the end of the year. In addition, the weakening of the euro against the pulp pricing currency dollar will improve profitability and relative competitiveness.

Board orders have been growing in recent weeks but continue to be below the normal level. Orders declined considerably in the latter half of 2011, which is estimated to be due in part to the decreased inventory levels in different parts of the supply chain as the general economic uncertainty increased.

However, the long-term demand and profitability outlook for board will continue to be strong and M-real is increasing its folding boxboard capacity as planned. The last of the investments in the programme announced earlier, the increase in the folding boxboard capacity at the Äänekoski mill, will be completed in the second quarter of 2012.

Demand for soft tissue products will continue to be fairly steady despite the economic situation. Demand for baking and cooking papers will continue to rise and the new products will also increase sales. High energy costs and raw material prices, as well as the local availability and price of recycled paper, will make the company's result improvement objective challenging.

The Group's operating result excluding non-recurring items in the first quarter of 2012 is expected to improve from the level of the last quarter in 2011 due to bigger delivery volumes in board and pulp.

Proposal for interest on members' capital

Metsäliitto Cooperative's Board of Directors has decided to propose to the Supervisory Board that, for 2011, interest of 5.5 per cent (5.5 for 2010) be paid on the statutory capital invested by its members. Interest of 5.0 per cent (5.0) is proposed for additional members' A capital, and interest of 4.5 per cent (4.5) for additional members' B and C capital.

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, 9 February 2012

Metsäliitto Cooperation
Board of Directors

Further information:

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SEGMENTS

Wood Supply	1–12/11	1–12/10	10–12/11	10–12/10
Sales	1 476	1 353	355	365
EBITDA	27	25	7	5
- " -, excl. non-recurring items	27	25	7	5
Depreciation and impairment	-3	-4	-1	-1
Operating result	24	21	7	4
- " -, excl. non-recurring items	24	21	7	4
- " -, % of sales	1.7	1.6	1.9	1.1
Capital expenditure	4	3	2	1
Personnel at end of period	1 028	1 078	1 028	1 078

Wood Products Industry	1–12/11	1–12/10	10–12/11	10–12/10
Sales	939	902	220	224
EBITDA	44	67	7	20
- " -, excl. non-recurring items	44	63	8	21
Depreciation and impairment	-41	-45	-17	-18
Operating result	3	23	-9	2
- " -, excl. non-recurring items	12	28	0	12
- " -, % of sales	1.3	3.1	0.0	5.5
Capital expenditure	14	16	5	4
Personnel at end of period	2 874	2 703	2 874	2 703

Pulp Industry	1–12/11	1–12/10	10–12/11	10–12/10
Sales	1 301	1 365	290	365
EBITDA	326	444	35	115
- " -, excl. non-recurring items	330	453	35	116
Depreciation and impairment	-63	-63	-15	-18
Operating result	263	381	20	98
- " -, excl. non-recurring items	267	379	20	99
- " -, % of sales	20.5	27.8	6.9	27.0
Capital expenditure	45	14	19	6
Personnel at end of period	872	881	872	881

Board and Paper Industry	1–12/11	1–12/10	10–12/11	10–12/10
Sales	2 485	2 605	524	665
EBITDA	-23	312	-172	74
- " -, excl. non-recurring items	180	305	8	71
Depreciation and impairment	-191	-166	-43	-78
Operating result	-214	146	-215	-4
- " -, excl. non-recurring items	59	173	-22	37
- " -, % of sales	2.4	6.6	-4.2	5.6
Capital expenditure	95	66	35	18
Personnel at end of period	4 070	4 538	4 070	4 538

Tissue and Cooking Papers	1–12/11	1–12/10	10–12/11	10–12/10
Sales	971	938	246	246
EBITDA	60	94	13	24
- " -, excl. non-recurring items	60	99	13	24
Depreciation and impairment	-40	-44	-10	-10
Operating result	20	50	4	14
- " -, excl. non-recurring items	20	59	4	14
- " -, % of sales	2.1	6.3	1.5	5.7
Capital expenditure	61	49	21	31
Personnel at end of period	3 263	3 198	3 263	3 198

Other operations	1–12/11	1–12/10	10–12/11	10–12/10
Sales	3	3	1	1
EBITDA	-2	-7	-2	-1
- " -, excl. non-recurring items	-2	-6	-2	-1
Depreciation and impairment	-2	-2	-1	0
Operating result	-4	-9	-2	-1
- " -, excl. non-recurring items	-4	-7	-2	-1
Capital expenditure	8	2	0	0
Personnel at end of period	418	422	418	422

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

Internal sales and eliminations	1–12/11	1–12/10	10–12/11	10–12/10
Sales	-1 831	-1 790	-414	-475
EBITDA	-48	-101	0	-26
- " -, excl. non-recurring items	-49	-94	-1	-20
Depreciation and impairment	-15	-13	-4	-4
Operating result	-63	-114	-4	-30
- " -, excl. non-recurring items	-64	-107	-4	-24

Metsäliitto Group	1–12/11	1–12/10	10–12/11	10–12/10
Sales	5 346	5 377	1 223	1 391
EBITDA	383	833	-111	211
- " -, excl. non-recurring items	588	846	69	217
Depreciation and impairment	-354	-336	-89	-129
Operating result	29	497	-200	82
- " -, excl. non-recurring items	314	547	3	142
- " -, % of sales	5.9	10.2	0.2	10.2
Capital expenditure	227	138	82	49
Personnel at end of period	12 525	12 820	12 525	12 820

EBITDA = Operating result before depreciation and impairment losses

Quarterly data	2011 Q4	2011 Q3	2011 Q2	2011 Q1	2010 Q4	2010 Q3	2010 Q2	2010 Q1
Sales								
Wood Supply	355	352	394	376	365	318	337	333
Wood Products Industry	220	218	264	238	224	231	256	192
Pulp Industry	290	332	339	340	365	344	368	288
Board and Paper Industry	524	616	660	685	665	662	676	602
Tissue and Cooking Papers	246	247	237	241	246	236	231	225
Other operations	1	1	1	1	1	1	2	0
Internal sales	-414	-449	-492	-478	-475	-446	-454	-415
Sales total	1 223	1 317	1 403	1 403	1 391	1 345	1 416	1 224
Operating result								
Wood Supply	7	3	7	8	4	3	8	7
Wood Products Industry	-9	-1	8	5	2	11	11	-2
Pulp Industry	20	62	85	96	98	114	112	57
Board and Paper Industry	-215	-13	-32	46	-4	66	35	49
Tissue and Cooking Papers	4	7	3	7	14	11	5	19
Other operations	-2	2	-2	-2	-1	-3	-2	-2
Eliminations	-4	-16	-17	-26	-30	-32	-29	-23
Operating result total	-200	44	51	133	82	170	141	105
- % of sales	-16.4	3.4	3.7	9.5	5.9	12.6	10.0	8.6
Share of results from associated companies	-1	2	3	0	-1	-1	-7	-6
Exchange gains and losses	0	1	1	-1	-1	-6	2	-2
Other net financial items	-27	-31	-31	-44	-27	-35	-34	-34
Result before income tax	-228	17	24	89	52	128	102	64
Income tax	22	-21	-33	-26	-29	-39	-40	-24
Result from continuing operations	-206	-4	-9	63	23	89	62	40
Result from discontinued operations	0	0	0	0	0	0	0	0
Result for the period	-206	-4	-9	63	23	89	62	40

Operating result excl. non-rec. items	Q4/11	Q3/11	Q2/11	Q1/11	Q4/10	Q3/10	Q2/10	Q1/10
Wood Supply	7	3	7	8	4	3	8	7
Wood Products Industry	0	-1	8	5	12	5	11	0
Pulp Industry	20	62	89	96	99	114	110	57
Board and Paper Industry	-22	6	32	43	37	54	43	39
Tissue and Cooking Papers	4	7	3	7	14	14	12	19
Other operations & eliminations	-6	-14	-20	-28	-24	-34	-31	-25
Operating result total	3	63	119	130	142	155	154	96
- % of sales	0.2	4.8	8.5	9.3	10.2	11.5	10.9	7.9

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)

Unaudited

FINANCIAL STATEMENTS
METSÄLIITTO GROUP

Condensed consolidated statement of comprehensive income, EUR mill.	Note	2011 1–12	2010 1–12	Change	2011 10–12	2010 10–12
Continuing operations						
Sales	2	5 346	5 377	-31	1 223	1 391
Change in stocks of finished goods and work in progress		33	38	-4	-30	12
Other operating income		95	142	-47	32	44
Material and services		-3 770	-3 599	-170	-906	-1 024
Employee costs		-863	-745	-118	-283	-174
Depreciation, amortization and impairment losses		-354	-336	-18	-89	-129
Other operating expenses		-459	-379	-80	-147	-39
Operating result	2	29	497	-468	-200	82
Share of results from associated companies		4	-15	20	-1	-1
Exchange gains and losses		2	-7	10	0	-1
Other net financial items	2	-133	-129	-4	-27	-27
Result before income tax		-98	345	-443	-228	52
Income taxes	3	-59	-131	72	22	-29
Result for the period from continuing operations		-157	214	-371	-206	23
Discontinued operations						
Result from discontinued operations		0	0	0	0	0
Result for the period		-157	214	-371	-206	23
Other comprehensive income						
Cash flow hedges		-38	19	-58	-7	13
Available for sale financial assets		25	30	-5	0	-7
Currency translation differences		6	25	-19	19	7
Other items		0	0	0	0	0
Income tax relating to components of other comprehensive income		8	-7	15	5	-1
Other comprehensive income, net of tax		0	67	-67	18	12
Total comprehensive income for the period		-156	281	-437	-189	36

Result attributable to:

Members of parent company	-42	170	-212	-86	31
Non-controlling interests	-115	44	-159	-120	-8
	-157	214	-371	-206	23

Total comprehensive income attributable to:

Members of parent company	-45	204	-249	-77	37
Non-controlling interests	-111	77	-189	-112	-1
	-156	281	-437	-189	36

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

Unaudited

Condensed consolidated balance sheet	Note	2011 31.12	2010 31.12	2010 1.1.
ASSETS				
Non-current				
Goodwill		529	503	493
Other intangible assets		232	242	245
Tangible assets	4	2 129	2 281	2 428
Biological assets		8	8	7
Investments in associated companies		70	80	98
Available for sale investments		368	338	356
Non-current financial assets		13	18	12
Deferred tax receivables		62	63	58
		3 410	3 534	3 697
Current				
Inventories		781	798	669
Accounts receivables and other receivables		769	892	797
Cash and cash equivalents		330	440	558
		1 881	2 131	2 024
Assets classified as held for sale		7	8	9
Total assets		5 298	5 672	5 730
MEMBERS' FUNDS AND LIABILITIES				
Members' funds				
Members' funds		1 135	1 154	927
Non-controlling interests		360	524	471
		1 495	1 678	1 399
Non-current liabilities				
Deferred tax liabilities		362	409	382
Post-employment benefit obligations		123	115	122
Provisions	5	45	48	76
Borrowings		1 854	1 927	1 976
Other liabilities		33	36	134
		2 417	2 534	2 689
Current liabilities				
Provisions	5	145	19	52
Current borrowings		439	471	798
Accounts payable and other liabilities		803	969	787
		1 386	1 460	1 637
Liabilities classified as held for sale		-	-	6
Total liabilities		3 803	3 994	4 331
Total members' funds and liabilities		5 298	5 672	5 730

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

Unaudited	Equity attributable to members of parent company								
	EUR million	Members' capital	Share premium account	Translation differences	Fair value and other reserves	Retained earnings	Total	Non-controlling interests	Total
Changes in members' funds									
Members' funds 1.1.2010	484	30	9	221	184	927	471	1 399	
Reclassification		-30		-3	33	0		0	
Adjusted members' funds 1.1.2010	484	0	9	217	217	927	471	1 399	
Result for the period					170	170	44	214	
Other comprehensive income									
Cash flow hedges					11		8	19	
Available for sale financial assets					12		18	30	
Currency translation differences			14				10	25	
Other items					0		0	0	
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					-28	-28	-4	-31	
Change in members' capital	55					55		55	
Transfer from unrestricted to restricted equity				9	-9	0		0	
Business arrangements			1			1	1	2	
Change in shares of non-controlling interests					-5	-5	-22	-27	
Members' funds 31.12.2010	539	0	25	244	346	1 154	524	1 678	
Members' funds 1.1.2011	539	31	25	247	312	1 154	524	1 678	
Reclassification		-31		-3	34				
Adjusted members' funds 1.1.2011	539	0	25	244	346	1 154	524	1 678	
Result for the period					-42	-42	-115	-157	
Other comprehensive income									
Cash flow hedges				-23		-23	-16	-38	
Available for sale financial assets				11		11	14	25	
Currency translation differences			3			3	2	6	
Other items					0	0	0	0	
Income tax relating to components of other comprehensive income			0	5		5	3	8	
Other comprehensive income total			3	-7	0	-3	3	0	
Total comprehensive income			3	-7	-42	-45	-112	-156	
Transactions with owners									
Dividends paid					-28	-28	-20	-48	
Change in members' capital	33					33		33	
Change in other equity				2		2	2	4	
Transfer from unrestricted to restricted equity				1	-1	0		0	
Business arrangements			0			0		0	
Change in shares of non-controlling interests					18	18	-34	-16	
Members' funds 31.12.2011	573	0	29	240	293	1 135	360	1 495	

The reclassification consists of change in booking practice of old mergers to correspond to current practice.

Unaudited

Condensed consolidated cash flow statement	Note	2011 1–12	2010 1–12
Result for the period		-157	214
Total adjustments	7	634	495
Change in working capital		74	-136
Cash flow arising from operations		552	573
Net financial items		-116	-163
Income taxes paid		-114	-100
Net cash flow arising from operating activities		323	310
Acquisitions		-108	0
Investments in tangible and intangible assets		-227	-138
Disposals and other items	7	72	89
Net cash flow arising from investing activities		-263	-49
Change in members' funds		42	52
Change in other equity	7	4	0
Change in shares of non-controlling interests		-44	-17
Change in long-term loans and other financial items		-105	-376
Dividends paid		-66	-40
Net cash flow arising from financing activities		-170	-381
Rahavarojen muutos		-110	-120
Cash and cash equivalents at beginning of period		440	558
Translation difference		0	3
Changes in cash and cash equivalents		-110	-120
Cash and cash equivalents in assets classified as held for sale		0	0
Cash and cash equivalents at end of period		330	440

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

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

Note 1 – Background and basis of presentation

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

These unaudited condensed financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, and the same accounting policies have been applied as in the 2010 annual consolidated financial statements. This financial statements bulletin is unaudited.

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

This financial statements bulletin was authorized for issue by the Board of Directors of Metsäliitto Cooperative on 9 February, 2012.

Note 2 – Segment information

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

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

Sales by segments

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

EUR million	2010 External	2010 Internal	2010 Total
Wood Supply	279	1 075	1 353
Wood Products Industry	851	51	902
Pulp Industry	743	622	1 365
Board and Paper Industry	2 566	39	2 605
Tissue and Cooking Papers	938	0	938
Other operations	0	3	3
Elimination of internal sales		-1 789	-1 789
Total sales	5 377	0	5 377

Operating result by segments

EUR million	2011 1–12	2010 1–12
Wood Supply	24	21
Wood Products Industry	3	23
Pulp Industry	263	381
Board and Paper Industry	-214	146
Tissue and Cooking Papers	20	50
Other operations	-4	-9
Eliminations	-63	-114
Operating result total	29	497
Share of results from associated companies	4	-15
Finance costs, net	-131	-137
Income taxes	-59	-131
Result for the period	-157	214

Metsäliitto Group's operating result includes non-recurring items net of EUR -285 million (2010: -50). Of the non-recurring items some EUR -274 million originate from Board and Paper Industry, some EUR -9 million from Wood Products Industry and EUR -4 million from Pulp Industry.

The share of results from associated companies includes a non-recurring impairment loss of approximately EUR 4 million (16) associated with the sale of M-real's 35 per cent ownership share and subordinated loan in Myllykoski Paper Oy as well as a non-recurring impairment loss of approximately EUR 3 million from Zanders' associated companies in China and Hungary.

Finance costs include dividends of approximately EUR 9 million paid on Metsä-Botnia's shares under the obligation to redeem.

Assets by segments

EUR million	2011 31.12	2010 31.12
Wood Supply	304	267
Wood Products Industry	402	452
Pulp Industry	837	861
Board and Paper Industry	2 329	2 589
Tissue and Cooking Papers	874	842
Other operations	101	138
Elimination	-229	-263
Unallocated assets	680	786
Total	5 298	5 672

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

Note 3 – Income taxes

Tax expense in the income statement is comprised of the current tax and deferred taxes. Income taxes for the years ended 2011 and 2010 are as follows:

EUR million	2011 1–12	2010 1–12
Taxes for the current period	97	123
Taxes for the prior periods	-5	0
Change in deferred taxes	-34	8
Total income taxes	59	131

Note 4 – Change in property, plant and equipment

The following table shows the components of changes in property, plant and equipment for the years ended 2011 and 2010:

EUR million	2011 1–12	2010 1–12
Book value at beginning of period	2 281	2 428
Business acquisitions	0	5
Investments	215	135
Decreases	-10	-23
Assets classified as held for sale	-30	-6
Depreciation, amortization and impairment losses	-331	-314
Translation differences and other changes	5	56
Book value at end of period	2 129	2 281

Assets classified as held for sale include in 2011 M-real Hallein GmbH's assets. M-real Hallein was classified in June, 2011 as held for sale and sold in September.

Depreciation, amortization and impairment losses include in 2011 goodwill impairment losses of EUR 4 million in Wood Products Industry's segment Home & Living and EUR 2 million in the segment Engineered Wood. In December 2011 Wood Products Industry also booked impairment losses of tangible assets of EUR 2 million

In 2011 depreciation, amortization and impairment losses also include Board and Paper Industry's impairment losses of EUR 72 million: EUR 12 million in M-real's segment Consumer Packaging concerning restructuring and shutdown of PM2 at Äänekoski, EUR 36 million in M-real's segment Market Pulp and Energy concerning the sale of Hallein, EUR 15 million in M-real's segment Speciality Papers concerning the plans to close down the unprofitable functions in Gohrsmühle and Reflex and EUR 8 million in M-real's segment Office Papers concerning the plans to shut down Alizay Paper.

Note 5 – Provisions

The following table is a summary of Metsäliitto Group's provisions during the years 2011 and 2010:

EUR million	Restructuring	Environmental obligations	Other provisions	Total
At 1 January, 2011	37	11	19	67
Translation differences	0	0	0	0
Increases	107	17	42	166
Utilized during the year	-27	-1	-11	-39
Unused amounts reversed	-1	0	-3	-4
At 31 December, 2011	115	26	48	190
At 1 January 2010	97	9	22	128
Translation differences	2	0	1	3
Increases	37	2	1	40
Utilized during the year	-79	0	-5	-85
Unused amounts reversed	-20	0	0	-20
Effect of discounting	1	0	0	1
At 31 December, 2010	37	11	19	67

The most significant increase in provisions during 2011 was the provision of EUR 88 million in M-real's segment Office Papers (restructuring EUR 57 million, environmental obligations EUR 16 million and other provisions EUR 15 million). A provision of EUR 49 million was made by M-real's segment Speciality Papers (restructuring EUR 49 million and other provisions EUR 17 million) regarding the plans to close down the unprofitable functions in Gohrsmühle and Reflex. Furthermore other provisions of EUR 9 million was booked in M-real's segment Market Pulp and Energy concerning the sale of Hallein.

Of the total provisions of EUR 190 million, the non-current portion was EUR 45 million and the current portion EUR 145 million. Most of the non-current portion is estimated to be paid by the end of year 2013.

Note 6 – Related party transactions

The sales of Metsäliitto Cooperative's wood deliveries to the Group subsidiaries totalled EUR 708 million in 2011 (667). Sales of wood deliveries to joint ventures and associated companies were EUR 12 million (15).

Metsäliitto Group's forest holdings are centralised in Finsilva Corporation, which is an associated company of Metsäliitto Cooperative (49.9%). Finsilva sells wood to Metsäliitto Cooperative. The value of wood deliveries in 2011 was EUR 18 million (18).

Transactions with joint ventures

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

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

EUR million	2011	2010
	1–12	1–12
Sales	14	15
Purchases	15	16
Non-current assets	42	35
Current assets	5	7
Non-current liabilities	35	28
Current liabilities	4	4

Transactions with associated companies

EUR million	2011	2010
	1–12	1–12
Sales	12	15
Purchases	95	98
Non-current receivables	1	1
Current receivables	3	8
Non-current liabilities	0	0
Current liabilities	9	7

Note 7 – Notes to condensed consolidated cash flow statement

Adjustments to the result for the period

EUR million	2011	2010
	1–12	1–12
Taxes	59	131
Infringement fine imposed by the Market Court	0	-21
Depreciation, amortization and impairment charges	354	336
Biological assets	-1	0
Share of results from associated companies	-4	15
Gains and losses on sale of non-current financial assets	-25	-39
Finance costs, net	131	137
Pension liabilities and provisions	121	-63
Total	634	495

Disposals and other items

Disposals and other items 2011 include EUR 28 million related to disposal of M-real Hallein, EUR 7 million disposal of Myllykoski Paper shares, sales of emission allowances EUR 9 million, some EUR 11 million property sales in Finland, some EUR 6 million sales of equipment from Metsä-Botnia's Kaskinen pulp mill and EUR 11 million other disposals.

Change in other equity

M-real adopted the book-entry security system in 1993. In November 2001, M-real sold the shares that were not transferred to the book-entry securities system by the deadline of 11 October, 2001. The assets received less costs were saved in the regional state administrative agency. The assets on the account were paid to M-real in November 2011 since the period of 10 years had elapsed since the assets were saved.

Note 8 – Commitments and contingencies

Securities and guarantees	2011	2010
EUR million	31.12	31.12
On own behalf	718	719
On behalf of associated companies	4	4
On behalf of others	42	4
Total	764	727

Securities and guarantees include pledges, real estate mortgages, chattel mortgages and guarantee liabilities. The future costs for non-cancellable operating lease contracts are EUR 49 million (49).

Open derivative contracts	2011	2010
EUR million	31.12	31.12
Interest rate derivatives	1 014	1 003
Currency derivatives	1 162	1 660
Other derivatives	163	127
Total	2 339	2 790

The market value of open derivative contracts at the end of December was EUR -55 million (-20). Open derivative contracts also include closed contracts to a total amount of EUR 251 million (522).

Note 9 – Events after the reporting period

M-real announced on 13 January 2012 that it would sell the Premium Paper operations of the Reflex mill to Hahnemühle FineArt GmbH. The agreement will cover the entire Premium Paper operations and related properties, as well as approximately 100 M-real employees.

It is estimated that the arrangement will be finalised during the first quarter of 2012. The completion of the arrangement would reduce M-real's annual sales by approximately EUR 20 million and would not have a significant impact on M-real's operating result. When executed, the arrangement is not estimated to have a substantial non-recurring profit or cash impact, considering the bookings in the last quarter of 2011.

In January 2012, M-real Corporation sold its 39 per cent holding in Plastiroll Oy to Sponsor Capital Oy and the management of Plastiroll. Plastiroll is a versatile manufacturer of packaging materials, including biodegradable materials, with production facilities in Ylöjärvi in Finland. The divestment does not have an impact on M-real's sales or a substantial impact on its result.

On 9 February 2012, Metsäliitto Group announced that it would change its name to Metsä Group and renew its corporate image. At the same time, the names of the Group's business areas will also change. The change of the names and identity will complete the extensive structural change based on the Group strategy to build a unified and competitive forest industry group.

The name Metsä will integrate the business areas distinctly as part of Metsä Group. Wood Products Industry will be renamed Metsä Wood, and Metsä-Botnia will become Metsä Fibre. M-real Corporation's name change to Metsä Board Corporation will be decided by the Annual General Meeting on 28 March 2012. Metsä Tissue's name will not be changed. Wood Supply will become Metsäliitto Puunhankinta in Finland and Metsä Forest internationally. The change in identity will not impact the Group structure or the legal status of the companies, and the name and form of business of Metsä Group's parent company continues to be Metsäliitto Cooperative.