Metsäliitto Group

Annual Report 2009

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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.

Metsäliitto – forerunner in structural change

2005

Situation analysis and cost-cutting

- Measures to make operations more efficient and reduce costs were initiated. Centralisation of the Group's support functions began.
- M-real's BCTMP mill in Kaskinen, Finland was completed.
- Decision on Metsä-Botnia's pulp mill investment in Uruguay.

2006

Restructuring and capacity reductions

- Finnforest Corporation was merged with Metsäliitto Cooperative. The business area was named Metsäliitto Wood Products Industry.
- Metsäliitto Wood Products Industry divested several non-core or unprofitable production units. In addition, Metsäliitto Group sold its entire holding in Norwegian subsidiary Moelven Industrier ASA. Annual sawn timber production was cut by 200,000 cubic metres.
- Metsä-Botnia's Svir Timber sawmill in Russia was started.
- M-real's strategic review began and an extensive restructuring programme was launched.
- Metsä Tissue bought the Slovakian company Tento a.s., which is one of the leading tissue paper producers in central Eastern Europe.
- Metsäliitto Cooperative sold its forest holdings in Estonia and Latvia.

2007

Focus on core businesses

- M-real reduced excess capacity considerably in line with its restructuring programme during the year: the Sittingbourne paper mill in the UK, the Wifsta uncoated fine paper mill in Sweden, Tako folding boxboard machine 2 in Tampere, Finland and two paper machines at the Gohrsmühle mill in Germany were closed. M-real also sold its carton plants in Germany, Hungary and Belgium as well as the Map Merchant paper merchant business. A new extensive profit improvement programme was launched.
- Metsä-Botnia's pulp mill in Uruguay was completed.
- Metsäliitto Cooperative divested its wood supply company in Lithuania.

2008

Structural change progresses

- Metsäliitto Wood Products Industry purchased Weyerhaeuser's European iLevel business producing engineered wood products.
- As part of its profit improvement programme, M-real closed down the BCTMP mill in Lielahti and paper machine line 2 producing uncoated magazine paper at the Kangas mill in Finland. In addition, the company sold its New Thames office paper mill in the UK.
- M-real sold its Graphic Papers business to Sappi Limited. The sale comprised the Kirkniemi and Kangas mills in Finland, the Stockstadt mill in Germany and the Biberist mill in Switzerland.
- Sawn timber production was adjusted to the weakened demand, and Metsäliitto Wood Products Industry's Soinlahti sawmill in Finland was closed down. Pulp production was also curtailed.
- Metsäliitto Wood Products Industry's new plywood upgrading mill started in Suolahti, Finland.
- Metsä Tissue initiated upgrading operations in Russia.

2009

Strategic review continues

- Metsä-Botnia's pulp mill in Kaskinen, Finland was closed.
- Metsäliitto Wood Products Industry continued measures to improve the profitability of sawmilling and closed the sawmill in Teuva, Finland.
- Paper production at the Hallein mill in Austria and the production of standard coated fine paper at the Gohrsmühle mill in Germany were discontinued.
- Metsäliitto sold its entire shareholding (49.9%) in Vapo.
- Metsäliitto Cooperative, M-real and UPM agreed on the new ownership structure of Metsä-Botnia and the sale of the operations in Uruguay to UPM. As a result of the arrangement, Metsäliitto Cooperative owns about 53 per cent of Metsä-Botnia, M-real around 30 per cent and UPM around 17 per cent. The deal was concluded on 8 December.

2010

Structural change on the final stretch

- Determined restructuring is about to be on the final stretch. The work has resulted in a strong core of wood products, pulp, tissue paper and consumer packaging board that seeks growth. The strategic review of paper businesses continues. Also other industrial arrangements are possible if justified by shareholder value.
- The wood energy business will be strengthened: a separate business line started operation at the beginning of the year.

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Wood raw material is utilised efficiently

The main raw material of Metsäliitto Group's products is wood that has been sourced from sustainably managed forests. Wood is a renewable, recyclable and energy-efficient raw material which can be wholly utilised in the production processes of the Group's different products. By-products generated during manufacture are utilised by the production units themselves and for power production. Finally, at the end of their life cycle, products derived from wood can be incinerated for energy recovery.

Metsäliitto Group's production units employ Best Available Techniques (BAT) to reduce noise, air and water emissions. Virtually all of the Group's production units and the majority of its wood supply areas operate certified ISO 9001 and ISO 14001 quality and environmental systems. The majority of the Group's products carry a forest certification label.

1

Wood Supply

Most of the wood raw material purchased by Metsäliitto comes from Finland, mainly from the private forests of Metsäliitto Group's 130,000 owner-members. Metsäliitto is the market leader in wood sales from private forests in Finland. Wood is also procured from Russia, the Baltic countries and Western Europe. Forest energy procurement is a growing business for Metsäliitto. Metsäliitto is committed to promoting responsible forest management and knows the origin of its wood. Wood procurement is governed by environmental policy regarding wood supply and forestry, as well as the principles of corporate responsibility.

2

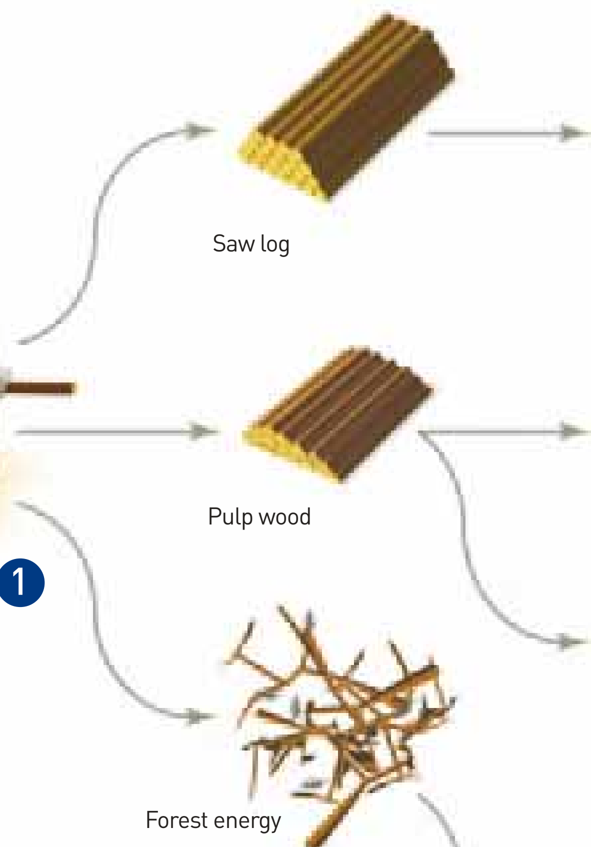
Wood Products Industry

Metsäliitto Wood Products Industry (Finnforest) is a significant supplier of eco-efficient wood-based solutions. Its building and furnishing products are energy-efficient throughout their entire life cycle and enhance the built environment and the quality of living. The products and supply chain are continuously developed in close cooperation with the construction industry, other industrial customers, and the retail sector.

3

Pulp Industry

Metsä-Botnia is one of Europe's leading pulp producers and a world-leading supplier of market pulp. Its main products – bleached softwood and birch pulp – are specially developed for the production of high-quality fine papers, magazine and tissue papers, and folding boxboard. Metsä-Botnia's mills are world-leading in terms of environmental performance.



4

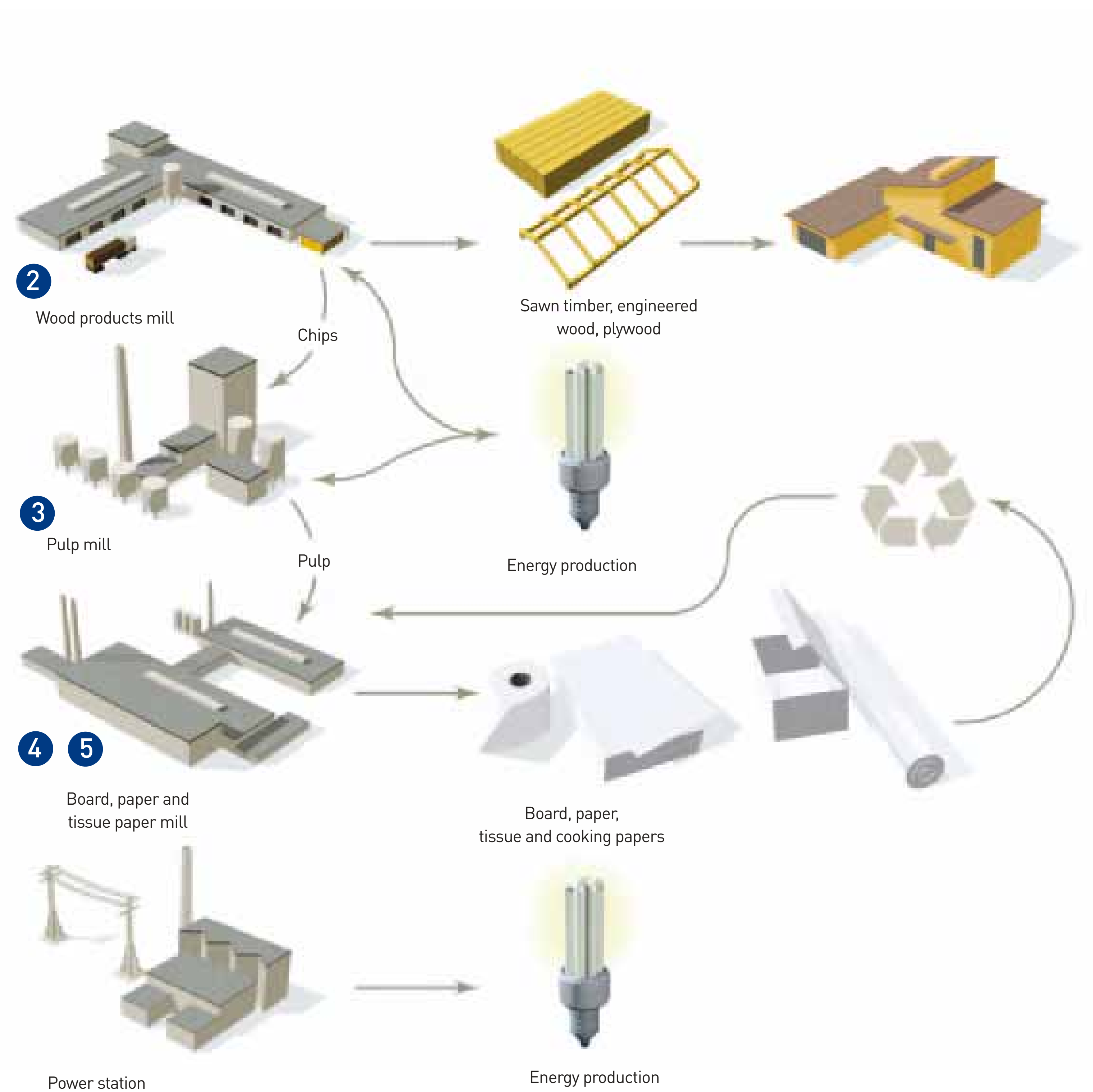
Board and Paper Industry

M-real is Europe's leading primary fibre paperboard producer and a major paper supplier. M-real provides high-performance, premium quality boards and papers for its customers in the consumer packaging, communications and advertising sectors. Lightweight, eco-friendly products are an essential part of M-real's product range. Their stiffness and printability properties are achieved using fewer raw materials than competing board and paper grades, which brings savings throughout the entire value chain. M-real's fibre-based products are 100 per cent recyclable.

5

Tissue and Cooking Papers

Metsä Tissue is one of Europe's most significant producers of tissue paper products and the world's leading supplier of baking and cooking papers, known for its Lambi, Serla, Mola, Tento, Katrin and SAGA brands. The company develops, produces and markets tissue paper products and baking and cooking papers for households, retailers, corporate customers and the public sector. Metsä Tissue's products promote hygiene and healthy cooking and are made from primary fibre. The eco-friendliness of Metsä Tissue's products is endorsed by the Nordic Swan label and other European eco-labels.


2
Wood products mill
Chips
Sawn timber, engineered wood, plywood
3
Pulp mill
Energy production
Pulp
4 5
Board, paper and tissue paper mill
Board, paper, tissue and cooking papers
Power station
Energy production

2009 in brief

JANUARY FEBRUARY MARCH APRIL MAY JUNE

January

■ M-real announced its renewed management and reporting structure including the Consumer Packaging, Office Papers, Other Papers and Market Pulp and Energy business areas. The organisation was revised in June as the Other Papers business area was renamed Speciality Papers.

■ Metsäliitto Wood Products Industry continued production adjustment measures in order to align costs with the reduced demand in sawmilling, and closed the Teuva sawmill in Finland.

■ Metsäliitto celebrated its 75th year of operation. The company Metsäliitto Oy was entered in the trade register on the 23 January 1934.

February

■ The operations at Metsäliitto Wood Products Industry's Kyröskoski sawmill in Finland were suspended until further notice due to heavily reduced demand and unprofitable sawmilling.

■ M-real launched a new EUR 80 million profit improvement programme and a separate programme of EUR 60 million to improve cash flow.

March

■ Production was discontinued at the Metsä-Botnia Kaskinen pulp mill in Finland. There were no viable economic prerequisites to continue the mill's operations.

April

■ As a part of M-real's strategic review of the paper business, paper production at the Hallein mill in Austria and the production of standard coated fine paper at the Gohrsmühle mill in Germany were discontinued.

■ Metsäliitto participated in the reform of Finland's PEFC forest certification standard as a member of the Preparatory Working Group. The new standard will be introduced in Finland by March 2011 at the latest.

May

■ Metsäliitto Group and Vapo initiated a joint pre-feasibility study to explore the possibilities for establishing a wood-based biofuels factory in the Baltic Sea region. The factory would use different forest-based energy, peat from drained swamps and reed canary grass as its raw materials. The end products would be synthetic liquid and gaseous biofuels. The pre-feasibility study is expected to take approximately one year. An environmental impact assessment was initiated in the second half of the year.

June

■ Metsäliitto Group sold all of its shareholding (49.9%) in Vapo to a Finnish consortium managed by EPV Energy Ltd. The price for the shares sold totalled EUR 165 million. Metsäliitto booked a gain of approximately EUR 27 million.

■ The operations at the Karihaara sawmill, located in Kemi, Finland, were suspended until further notice. The sawmill had shown a loss for an extended period.

■ Metsäliitto provided training for its harvesting contractors and their employees. Labour training was also provided in several localities throughout Finland. A total of some 130 persons received nature management certificate training through these and other separate training courses held during the year. Nature management certification is awarded for expertise in forest habitat management in accordance with sustainable forestry practice. In Russia, key biotope training was also provided for the harvesting contractors and machine operators of the timber harvesting company Metsäliitto Podporozhye.

JULY AUGUST SEPTEMBER OCTOBER NOVEMBER DECEMBER

July

Wood Supply's Northern Finland organisation was reformed. From the beginning of July there are two supply districts in Northern Finland: the Kemi and Oulu districts.

Metsäliitto Cooperative, M-real and UPM signed a letter of intent regarding the new ownership structure of Metsä-Botnia and the divestment of the Uruguayan operations to UPM.

August

Metsäliitto Wood Supply was restructured into four business lines: Wood Supply Finland, International Wood Supply, Wood Energy and Forestry Services provided by Metsämannut. The new organisation became effective at the beginning of 2010.

September

Metsä Tissue streamlined its business by moving from five business areas to three. After the reorganisations, the business areas are Consumer, Away-from-Home and Baking & Cooking. To strengthen its napkin business, Metsä Tissue invested in three new napkin machines and related printing and packaging lines.

November

M-real was acknowledged for its greenhouse gas emissions reporting. M-real was the second best company in the materials sector, including e.g. forest industry companies in the Carbon Disclosure Leadership Index (CDLI), Nordic Report 2009. CDLI highlights the companies that provide the most comprehensive response to the Carbon Disclosure Project (CDP) information request. CDP is an organisation compiling information on companies' carbon dioxide emissions as well as risks and opportunities related to climate change.

Metsäliitto Wood Products Industry continued to focus on its core businesses and made an agreement regarding the sale of its shareholding in Finnforest Baco Production s.r.l. to the subsidiaries of Austrian company Holzindustrie Schweighofer. Finnforest Baco produces blockboard in Romania.

Metsäliitto participated in the working of the forest industry stakeholder network The Forest Dialogue (TFD). The objective of the network is to influence the development and implementation of forest policy and to promote sustainable forestry worldwide.

December

Hannu Anttila, Executive Vice President, Strategy, was appointed Metsäliitto Group's acting CFO as of 1 January 2010, in addition to his regular duties.

The Market Court upheld the infringement fine recommendation of the Finnish Competition Authority proposed in December 2006 and imposed an infringement fine of EUR 21 million on Metsäliitto Cooperative for breach of the competition legislation. Metsäliitto decided not to appeal the Supreme Administrative Court regarding the Market Court ruling, even though it does not share the Market Court's view of the case.

The project to apply the PEFC forest certificate and PEFC Chain of Custody certificate for Metsäliitto Podporozhye was concluded. The project promotes sustainable forestry in Russia. Metsäliitto promotes independently verifiable, local conditions-sensitive forest certification.

The agreement regarding the new ownership structure of Metsä-Botnia and the divestment of the Uruguayan operations to UPM was concluded on 8 December. After the transaction, Metsäliitto Cooperative owns about 53 per cent of Metsä-Botnia, M-real about 30 per cent and UPM about 17 per cent. Metsä-Botnia became a subsidiary of Metsäliitto Cooperative.

M-real announced that it is planning new internal measures to improve the profitability of Speciality Papers business area. The main measures are the planned closures of two speciality paper machines in Reflex mill and the streamlining of the organisations in both Gohrsmühle and Reflex mills. Implementation of the measures is planned to occur during the first half of 2010.

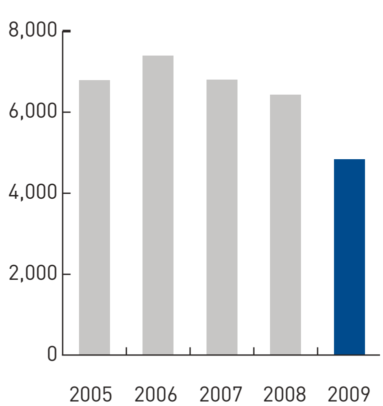
In addition, M-real announced that it is planning new internal profit improvement measures, of which the main ones are plans to permanently shut down the Alizay pulp mill in France, a EUR 22 million investment at Husum mill in Sweden to improve its energy efficiency and a new EUR 20 million internal profit improvement programme covering all M-real's business areas.

The Energy Efficiency System (EES) based on the Energy Efficiency Agreement and the related Action Programme of the Finnish Industries was completely integrated as part of the Metsäliitto Group's operating policies. The Energy Efficiency System is in use in all the Group's production units. During 2006–2009, the Group launched more than 500 energy efficiency projects.

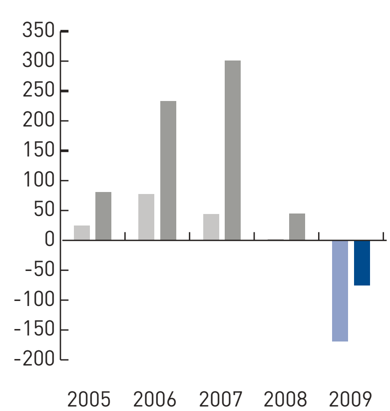
Key figures

Result (continuing operations)	**2009**	**2008**	**2007**
EUR million			
Sales	4,837	6,434	6,797
Other operating income	353	239	92
Operating expenses	-4,858	-6,189	-6,256
Depreciation and impairment losses	-501	-482	-589
Operating result	-169	2	44
Share of results in associates	-16	6	12
Net exchange gains/losses	2	19	5
Other financial income & expenses	-147	-260	-220
Result before tax	-329	-233	-160
Income tax	10	60	-24
Result from continuing operations	-318	-172	-183

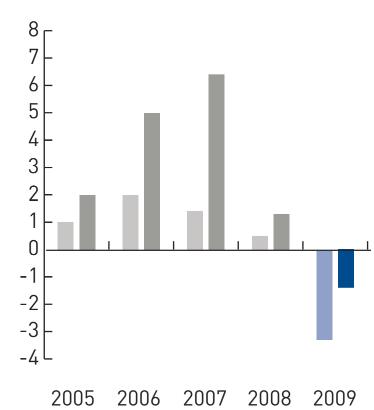
Sales
EUR million



Operating result
EUR million

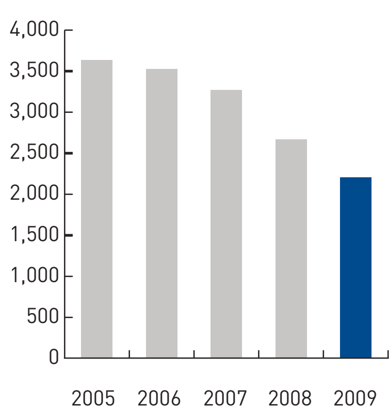


Return on capital employed
%

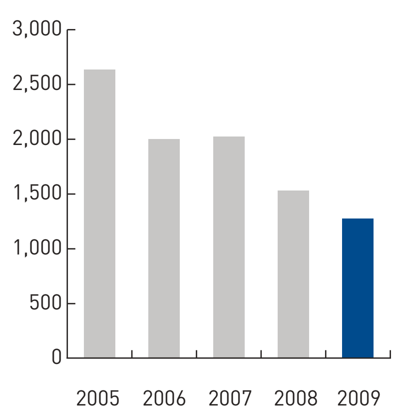


Key figures (continuing operations)	**2009**	**2008**	**2007**
Operating result, EUR million	-169	2	44
- " -, excluding non-recurring items	-75	45	301
Return on capital employed, %	-3.3	0.5	1.4
- " -, excluding non-recurring items	-1.4	1.3	6.4
Return on equity, %	-20.0	-8.4	-7.5
- " -, excluding non-recurring items	-13.4	-6.4	2.7
Equity ratio, %	24.5	26.0	28.8
Net gearing ratio, %	157	149	142
Interest-bearing net liabilities, EUR million	2,203	2,666	3,271
Gross capital expenditure, EUR million	648	272	493
Personnel, average	15,230	17,538	19,195
- of whom in Finland	6,337	7,253	7,522
Sickness absenteeism, %	4.3	4.2	4.5
Lost time accident frequency rate (per million worked hours)	15.7	27.8	22.5

Interest-bearing net liabilities
EUR million



Fossil carbon dioxide emissions at production units
1,000 tonnes



From structural change to future creation

Metsäliitto's restructuring programme, first put in motion five years ago, has now reached its final stages, and the target Group structure is almost ready and in place. During this time, we have succeeded in building a more harmonised and efficient entity shaped around our core strengths. We concentrate on products we are best able to produce profitably and sustainably, using Finnish wood produced by our owner-members.

The attainment of our target structure has been advanced through key strategic measures such as the sale of Moelven in 2006, M-real's Map Merchant in 2007, and Graphic Papers business in 2008. Most recently, the sale of our holding in Vapo and the rearrangement of Metsä-Botnia holdings – announced last year – have brought us within close reach of our goal. While the strategic review of paper businesses continues, we also remain prepared to pursue other industrial arrangements aimed at enhancing shareholder value, as business needs evolve.

"We are ready to take on new opportunities.

We continue to actively pursue new business opportunities, in particular by expanding our operations in the wood energy sector, by upgrading and developing new wood products, and by investigating the potential offered by the bioeconomy.

Premium products from Finnish wood

Metsäliitto's mission remains unchanged: to competitively procure, market and upgrade Finnish wood and to enhance the value of its owner members' assets. Metsäliitto's close to 130,000 Finnish forest owner-members own nearly half of all the private forests in Finland. Our unique ownership base and business structure gives us a competitive advantage and reinforces our long-term operational strategy. Through our members, we have access to a considerable reserve of premium quality raw material, providing us with a stable foundation for the development of our business operations and production units.

Our products and services combine responsible forestry with innovative technology. We sustainably produce increasingly added-value, premium-quality products from renewable and responsibly cultivated Nordic wood raw material. Our production units are modern, with a high investment focus on process energy and material efficiency.

Strength for change through working together

Past few years have meant constant change also internally. The strategic, structural changes implemented have rationalised our processes, developed our core competencies and streamlined operations throughout the Group. They have also brought tangible changes to the everyday work of all Metsäliitto employees. This has required, from all of us, the willingness and the ability to change.

We have made strong decisions to develop our activities and to map out a course for the future. The success of these changes could not have come about, however, without our entire personnel giving their utmost to carry them through, at all levels of the organisation. The journey has not always been easy, but by working together we have achieved outstanding success. For this, I extend my sincere gratitude to the entire personnel.

> ”We have built a more harmonised and efficient entity shaped around our core strengths.

The most turbulent changes are all but behind us. From here, we will persevere in developing and constantly improving our operations to build Metsäliitto Group's future. Once again, this calls for the contribution of each and every one of us and, above all, a spirit of working together. I am confident that we have it now and in the years to come.

Kari Jordan

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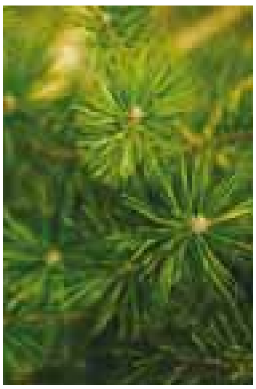
Wood Supply



Metsäliitto Wood Supply offers its owner-members services related to forest ownership, sustainable forest property management, wood sales, forest income investment, and generational change of forest property. Metsäliitto is market leader in wood sales from privately owned forests in Finland. Metsäliitto Wood Supply's sales in 2009 were EUR 1.1 billion and it has some 950 employees.

The year 2009 was exceptionally slack in wood sales, and Metsäliitto Wood Supply fell clearly short of its domestic procurement and delivery volume targets. However, Metsäliitto remained active in the wood trade and its market share grew to a considerably high level.

Wood delivery volumes fell well below normal levels. Wood Supply delivered 24 million cubic metres of wood raw material to its customers, and its operating result, excluding non-recurring items, was EUR 12 million.

Markets

The mill and sawmill production curtailments which began in 2008 were continued in the first half-year, resulting in low demand for wood raw material. Wood supply levels were also low.

Wood prices fell at the beginning of the year and levelled off from May onwards. Log prices rose slightly at the end of the year.

Metsäliitto actively purchased softwood logs throughout the year while continuously pursuing a wood raw material and end product volume and price balance. Log supply to the sawmills proved challenging, particularly after summer.

Pulpwood purchasing and harvesting were curtailed due to the sharp production curtailments in the beginning of the year. Pulpwood procurement picked up towards the end of the year and demand, particularly for birch pulpwood, rose strongly. Forest energy was procured actively throughout the year.

Wood sales recovered during the last months of the year, largely as a result of Finnish forest owners utilising the 50 per cent tax exemption on timber sales income offered by the state. Metsäliitto's purchases from privately owned forests, including forest energy, totalled over 9 million cubic metres.

In the Baltic countries, wood supply from private forests remained low throughout the year due to a strong downturn in prices, whereas the supply from state-owned forests remained relatively stable. The wood supply for Metsä-Botnia's Svir Timber sawmill was secured despite the log shortage in Russia. Imports from both areas to Finland and Sweden were significantly reduced. A total of 1.1 million cubic metres of pulpwood and wood chips were imported from Russia, mainly from fellings by Metsäliitto-owned companies.

The Swedish wood market started the year with high stock levels followed by production curtailments in the spring, causing purchasing to remain fairly low until the summer. The Swedish market was nevertheless more internationally competitive than the Finnish market. Sawlog and pulpwood prices began to rise during the second half of the year.

Central Europe saw a quiet start to the year due to production curtailments, but increased production capacity utilisation in the second half of the year brought a slight recovery in the wood sales.

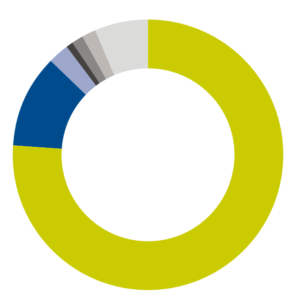
Major events

A reformed bonus system was introduced at the beginning of the year. The new system encourages regular wood sales and offers the ability to use accumulated bonuses to purchase Metsäliitto services. In order to boost log sales during the early autumn, owner-members were paid a double bonus on wood sales from renewal felling stands.

Forest energy procurement was boosted by an energy wood logging campaign launched at the beginning of the year and the supply of energy stemwood increased strongly. Forest energy is procured in compliance with forest certification regulations and the Forest Management Practice Recommendations of Forestry Development Centre Tapio regarding sustainable forest management. Metsäliitto decided to organise Wood Energy as a separate business line as of the beginning of 2010. The new business line already concluded significant agreements during the review year regarding the supply of forest energy and forest industry by-products to large-scale energy plants.

Metsäliitto has strongly developed its service offering for each stage of forest ownership. In particular, forestry services have been extended.

Wood deliveries by destination country
Million m³



Finland	18.2
Sweden	2.7
Russia	0.6
Estonia	0.2
Latvia	0.3
France	0.4
Germany/Austria	1.4
Total	23.9

New owner-member services include an intergenerational transfer service, and a VAT account. The new Metsäkori service concept was presented to owner-members at the end of the year. It enables members to create a service package tailored to their individual needs.

In the spring and summer, domestic wood supply operations were adjusted to the market situation through temporary layoffs and other measures. Wood supply in Northern Finland was reorganised to better correspond with the region's reduced supply volumes.

In the Baltic countries and Russia, streamlining of operations of the wood supply organisations were continued.

Major environmental improvements

Metsäliitto's wood procurement is governed by its environmental policy regarding wood supply and forestry, as well as the principles of corporate responsibility. These are implemented using certified quality and environmental systems and an annually updated environmental programme. Wood procurement and forest management operations are carried out in strict compliance with local laws and government regulations.

Metsäliitto requires the same responsibility commitment of its contractual partners and provides them with regular training. During the review year, labour and nature management training were provided for harvesting contractors and their machine operators. Training in the Forest Biodiversity Programme for Southern Finland (METSO) was begun for Finnish Wood Supply personnel.

Metsäliitto promotes independently verifiable forest certification. Some 78 per cent of all wood procured by Metsäliitto originates from certified forests. During the review year, 73.3 of this was PEFC certified and 4.6 per cent FSC certified. In addition, the certified quality and environmental systems are integrated with a Chain of Custody system which enables Metsäliitto to know and control the origin of the wood it uses.

In wood procurement and forest management, valuable plant and animal habitats and other sites of importance in terms of forest biodiversity or landscape values are protected. Metsäliitto regularly audits its wood suppliers as well as its own and its subcontractors' logging sites. In Finland's national forest nature management assessment, almost 90 per cent of Metsäliitto sites were rated excellent or good.

Outlook

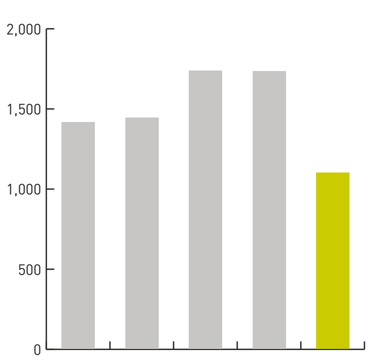
As of the beginning of 2010, Metsäliitto Wood Supply will be organised into four business lines: Wood Supply Finland, International Wood Supply, Wood Energy, and Forestry Services. The new operations model ensures the continued strong development of forestry-related services and firmly establishes Metsäliitto's Wood Energy business line within this fast-growing sector.

Wood orders from Wood Supply's customers have resumed normal levels for 2010 and timber procurement volumes are therefore forecasted to considerably exceed the review year levels. The price paid for wood and wood volumes will be carefully proportioned with changes in the end product markets.

Wood sales in Finland will be supported by a 25 per cent tax benefit on income for all wood sales carried out by the end of 2010.

Sales

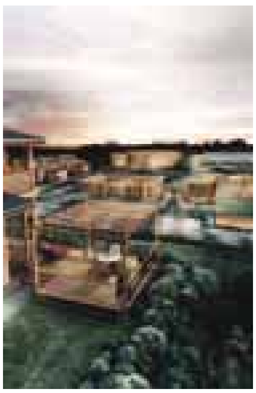
EUR million



Key figures

EUR million	2009	2008	2007
Sales	1,101	1,734	1,735
EBITDA	-5	35	43
Depreciation and impairment losses	-4	-5	-5
Operating result	-9	30	38
Non-recurring items	-21	2	2
Operating result excluding non-recurring items	12	28	36
ROOC excluding non-recurring items, %	9.2	15.7	18.9
Gross capital expenditure	2	4	4
Personnel at year-end	945	1,140	1,429

Wood Products Industry



Metsäliitto Wood Products Industry (Finnforest) delivers competitive and eco-efficient wood-based solutions for the specific needs of industrial construction, other industrial customers, and the home and living sector. Its services cover the entire value chain, from a versatile product range based on high-quality raw materials and an efficient supply chain, to outstanding local customer service. The sales of Metsäliitto Wood Products Industry in 2009 were EUR 0.8 billion and it has some 3,800 employees.

Wood Products Industry has systematically expanded its upgrading operations in recent years to become one of Europe's most significant suppliers of ecological wood-based solutions. During the review year its operations were further adjusted in line with the difficult market situation.

Metsäliitto Wood Products Industry's operating result, excluding non-recurring items, for 2009 showed a loss of EUR 41 million. The result was particularly affected by poor demand, low sawn timber prices, and the high cost of raw materials purchased during the previous year. The result was further weakened by distortion of the cost structure due to low production capacity utilisation. In addition to sawn goods, production was also curtailed on processed sawn goods, plywood and engineered wood products. Losses were, however, significantly reduced due to cost saving measures.

The year-end result remained poor but improved clearly compared to the first half of the year. The reduction in operating loss was brought by decreased wood raw material prices, increased sawn timber prices, and a revival in demand for construction products. The result was weakened by the lower than planned utilisation rate of sawmills brought about by a shortage of competitively priced wood raw material.

Markets

The downturn in the economy and in new construction was reflected in low sales volumes and weak price levels. However, the interior decoration and renovation markets remained moderate and a satisfactory price level was retained for highly processed products.

The market environment for sawn timber products was extremely challenging during the first half of the year and price levels were low due to overcapacity and high production stock levels. In the second half of the year, reduced production restored the demand and supply balance, raising prices as a result.

In the Plywood business line, the heavy transport and concrete formwork sectors were particularly affected by weak demand. Metsäliitto's market share in the light- and cold-storage transport sector was, however, expanded with speciality products from the Suolahti upgrading unit. The mill's year-end order stock for special plywoods for the precast concrete industry was also healthy.

During the second half of the year the construction market began to pick up, especially in the UK following government subsidies, low interest rates and the revival of the property market. DIY sales also picked up, mainly due to seasonal increase in demand. Due to its versatile engineered wood products range and customer needs-oriented service offering, Wood Products Industry was able to expand its share in its main market areas in construction.

Major events

The key objective for the review year was the adjustment of operations in line with the challenging market situation. Temporary layoffs and other cost-saving measures were continued in order to improve profitability.

Solid Wood adjusted its operations in response to slackening demand by closing the Teuva sawmill and temporarily shutting down production at the Kyröskoski and Karihaara sawmills. Upgrading operations in Kaskinen were reduced following the transfer to the UK of contract manufacturing of consumer goods aimed at the UK DIY market. Production curtailments were continued at all operational sawmills in the second half of the year due to poor availability of competitively priced wood raw material.

Gardening products were further developed, and a new surface-finished and heat-treated decking product with concealed fastenings was launched on the Finnish market.

In line with its strategy, the Plywood business line increased its proportion of upgrading by introducing plywood products with increasingly advanced coatings designed to meet the needs of industrial customers. Due to poor demand within the transport industry,

Sales by market areas
EUR million

Euro-countries	387	48%
Sweden, Norway, Denmark	28	3%
Great Britain	267	33%
Rest of Europe	30	4%
Rest of the World	94	12%
Total	806	

production of birch plywood was curtailed significantly throughout the review year.

Wood Products Industry invested in the development and promotion of energy-efficient construction during the review year. The Building Solutions business line was active, for example, in the development of a new Kerto-framed passive roof element and of an apartment building system based on pre-fabricated wooden components. In addition, the Kerto-Kate roof sheathing product was launched and the Green Store concept, based on eco-efficient commercial premises construction using Finnforest Kerto and glulam, was launched in the UK.

The Upgrading and Distribution business line continued to develop garden furnishings and related services in the UK and in France, where the market share was successfully expanded.

In recent years, Wood Products Industry has striven to strategically focus its business operations on selected core functions. During the review year, an agreement was made to sell the blockboard mill in Romania to the Romanian subsidiaries of Austrian Holzindustrie Schweighofer.

Major environmental improvements

During the review year, further measures to reduce environmental impacts were conducted at the Wood Products Industry's production units.

The Vilppula sawmill's ash dumping site was landscaped. Fibre sludge from the Metsä Tissue's Mänttä mill was utilised in the landscape construction.

At the Renko sawmill equalizing basins were built for the treatment of log sprinkling water and stormwater, reducing the mill's wastewater load with respect to phosphorus and biological oxygen demand.

An ISO 14001 environmental system and an Energy Efficiency System (EES) were brought on line at the Suolahti plywood mills.

Auditing of the Kaskinen upgrading unit's ISO 9001 and ISO 14001 quality and environmental systems, OHSAS 18000 Occupational Health and Safety Systems, and Energy Efficiency System (EES) was also conducted. The Suolahti plywood mills' ISO 14001 environmental system was also audited.

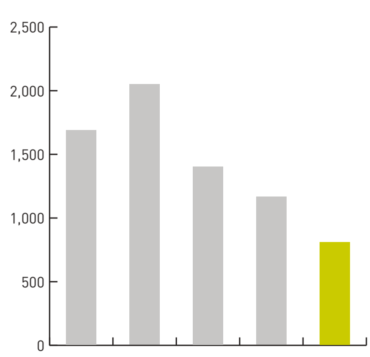
The wastewater levels and loading of the Punkaharju Kerto and plywood mill were reduced by modifying the make-up water feed automation of the heat recovery tower, thus reducing the volume of wastewater to the treatment plant by about 60 per cent, and at the same time significantly reducing the load on the downstream water system.

Outlook

Wood Products Industry continues to implement its business strategy aiming to increase added value and to produce and develop customer-oriented products and services. Ever-tightening environmental and energy-efficiency requirements in the construction industry will provide significant business opportunities.

Recovery is expected in the construction market, but demand is likely to remain below the normal levels. Demand is expected to improve in the renovation and transport sectors. The outlook for Solid Wood is tied to the development of the market situation and the availability of competitively priced wood raw material.

Sales
EUR million



Key figures

EUR million	2009	2008	2007
Sales	806	1,162	1,399
EBITDA	-2	-18	134
Depreciation and impairment losses	-45	-56	-47
Operating result	-47	-74	87
Non-recurring items	-6	-21	0
Operating result excluding non-recurring items	-41	-53	87
ROOC excluding non-recurring items, %	-9.4	-9.5	14.4
Gross capital expenditure	10	36	33
Personnel at year-end	3,758	4,199	4,471

Pulp Industry

Metsä-Botnia is one of Europe's leading pulp producers and a world-leading supplier of market pulp. Its main products – bleached softwood and birch pulp – are specially developed for the production of high-quality fine papers, magazine and tissue papers and folding boxboard. Metsä-Botnia's sales for continuing operations in 2009 were EUR 0.9 billion, and it has some 1,100 employees.

Pulp Industry's first half of the year was marked by a poor market situation and rationalisation measures. The improved market situation and the implemented efficiency measures succeeded in positioning Metsä-Botnia as a leading actor in the pulp industry.

The year started with a dramatic downturn in the pulp market. Global pulp stocks grew significantly, causing rapid price deterioration. Prices continued to fall strongly throughout the first half of the year, followed by a positive turnaround in the second half.

The operating result excluding non-recurring items of Metsä-Botnia's continuing operations (excluding business activities in Uruguay) was EUR -30 million. The financial result was weakened by low pulp prices and high wood raw material prices. The Kaskinen mill closure resulted EUR 75 million in non-recurring expenses.

In the difficult market situation, production at the Finnish mills was curtailed considerably and totalled 2.0 million tonnes.

Metsä-Botnia's production capacity decreased by 1.5 million tonnes during the review year.

Markets

Pulp prices collapsed in the first half-year to USD 630 for softwood pulp and USD 580 for hardwood pulp on the European market. Prices hit their lowest in April, with softwood pulp selling at USD 580 and hardwood pulp at USD 480. In the second half-year demand returned and prices gradually began to recover. The demand recovery began in Asia. At year-end, the price of softwood pulp in Europe was USD 830 and hardwood pulp USD 730. The average exchange rate of the euro against the USD was roughly 1.39. The exchange rate development of the US dollar and the Swedish krona further weakened the market position of Finnish pulp producers.

Producers curtailed or shut down production operations in response to the market situation. During the review year, 2.4 million tonnes of production capacity were withdrawn from the market. Mills were closed across China, North America and Europe. Supplier pulp stocks fell significantly during the year as a result, and the market finally balanced. While some new capacity was launched in South America, numerous new mill projects have been postponed.

Towards the end of the review year production plants were reopened in North America. The US and Canadian governments provided considerable financial support to their pulp producers. Also in Finland, pulp capacity was reopened as the market recovered towards the end of the year.

Major events

Metsä-Botnia's Kaskinen mill was closed in March. The purpose of the closure was to ensure the continuous operation of Metsä-Botnia's other mills and to secure the company's profitability over the long term.

Metsäliitto Group signed a letter of intent in July concerning the sale of Metsä-Botnia's Uruguayan operations to UPM-Kymmene Corporation. The companies also agreed that UPM would reduce its ownership in Metsä-Botnia to approximately 17 per cent, with Metsäliitto receiving a majority share in the company. The agreement was signed in October and the sale was completed in December. Metsä-Botnia will continue to act as a sales channel for the market pulp of both UPM and M-real. The move raises the company's annual market pulp sales volume to some two million tonnes, making Metsä-Botnia one of the world's leading suppliers of market pulp.

To address the changes brought about by the sale of the Uruguayan operations, statutory labour negotiations were conducted concerning reassessment of the personnel structure and job specifications. The organisational structure of the company was renewed to better support market pulp sales, which have been on the rise, and resources were focused on technical customer service.

The management of Metsä-Botnia's Kemi pulp mill and M-real Kemiart Liners board mill were in-

Sales by market areas

EUR million

Euro-countries	796	67%
Sweden, Norway, Denmark	3	0%
Great Britain	92	8%
Rest of Europe	50	4%
Rest of the World	254	2%
Total	1,195	

tegrated. This was part of Metsäliitto Group's effort to consolidate operations for enhanced competitiveness and cost-efficiency and for better utilisation of its competencies.

In the challenging market situation, Metsä-Botnia's long-term efforts towards improved customer orientation have proven their worth. Despite production curtailments at all mills and the extremely difficult market situation, customer confidence remained at a good level. The overall result of the customer satisfaction survey conducted during the review year matched the previous year's level. The customers commended especially the delivery reliability and communications.

Major environmental improvements

Continuous improvement of environmental performance is an essential aspect of Metsä-Botnia's operations and its products. The company's mills are world-leading in terms of environmental performance.

During the review year, the Rauma mill reduced its process wastewater level (m^3/t) by 20 per cent. The Joutseno mill significantly reduced its odour emissions – the odour hour measurement for urban air for the town of Joutseno was less than 2 per cent, compared to 5 per cent in the previous year.

The Joutseno mill raised its energy self-sufficiency to more than 200 per cent following recovery boiler and evaporation plant repairs and general maintenance carried out during the mill's annual maintenance shutdown in June. The improvements increased the amount of renewable energy sold by the mill by 20 per cent.

The landscaping of old dumping sites was continued at the landfill sites of the Kemi and Äänekoski mills, with existing waste materials utilised in the landscape construction. A new environmental permit was applied for the Kaskinen mill's landfill site in connection with the closure of the mill.

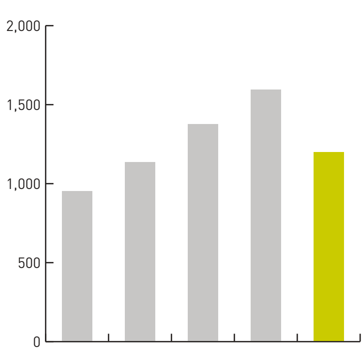
Outlook

The pulp market and prices developed positively towards the end of the review year. Global pulp stocks have diminished and the market has balanced. Paper mill capacity utilisation rates entered a gradual upturn during the last quarter. However, increasing world market prices have led to a situation in which closed pulp mills have been reopened. This has increased supply and might have a negative impact on the development of pulp prices.

To further improve cost-efficiency and customer satisfaction, Metsä-Botnia will invest in improving the reliability of mill operations, raising utilisation rates, and developing the quality consistency of its products. The company's technical customer service will also be strongly developed to better support its customers' business activities.

Sales

EUR million



Key figures

EUR million	2009	2008	2007
Sales	1,195	1,591	1,371
EBITDA	366	347	289
Depreciation and impairment losses	-173	-138	-103
Operating result	193	209	186
Non-recurring items	236	0	0
Operating result excluding non-recurring items	-43	209	186
ROCE excluding non-recurring items, %	-2.2	10.6	10.6
Gross capital expenditure	53	99	409
Personnel at year-end	1,106	1,815	1,862

Includes operations in Uruguay until 8 December 2009.

Board and Paper Industry

M-real is Europe's leading primary fibre paperboard producer and a major paper supplier. It offers premium solutions for consumer packaging and communications and advertising end-uses. M-real's sales network serves brand owners, converters, publishers, printing houses, merchants and office suppliers. M-real is listed on the NASDAQ OMX Helsinki Ltd. In 2009, the company's sales totalled EUR 2.4 billion. M-real has some 4,900 employees.

M-real became Europe's leading folding boxboard producer in 2009. M-real's structural change from a paper company to become more clearly a packaging material producer has proceeded according to plans.

Year 2009 was challenging for the board and paper industry. M-real's full-year operating result, excluding non-recurring items, showed a loss of EUR 150 million. The result was weakened by drop in delivery volumes following weaker demand and decrease in the average selling prices of office papers. Increases in board prices and cost savings improved profitability compared to the previous year.

The single most significant structural change during the year was the sale of the Uruguay operations of Metsä-Botnia, which considerably improved M-real's balance sheet structure and financial position. In spring 2009, M-real became the European market leader in folding boxboard production. M-real's structural change from a paper company to become more clearly a packaging material producer has proceeded according to plans. The strategic review of the company's paper businesses continues.

M-real's business areas are: Consumer Packaging, which produces primary fibre paperboard; Office Papers, which produces uncoated fine papers; Speciality Papers, which concentrates on speciality papers; and Market Pulp, Energy and Contract Manufacturing, which focuses mainly on pulp sales to external parties.

Markets

Demand for all main products fell markedly at the end of 2008 and remained weak for the first half of 2009. The demand situation began to improve from the third quarter and demand for board products, in particular, saw a rapid recovery. Paper demand also developed positively during the year, but did not reach the pre-recession levels through to the year end.

The implemented price increases succeeded in raising the price of folding boxboard. A recovery in the market price of pulp, which had undergone a sharp drop due to the recession, began in March and held course until the end of the year. Conversely, office paper prices fell considerably due to weakened demand and the addition of new production capacity in the European market. The decline in office paper prices stopped in the last quarter. Average prices for speciality papers saw no significant changes.

Major events

In February 2009, M-real launched a profit improvement programme with an annual target of EUR 80 million. The programme targets savings in the business segments and streamlining of the support functions to reflect the new company structure. The full impact on earnings will be reached from 2011. A separate EUR 60 million programme to improve cash flow for 2009 was also launched. Both programmes exceeded expectations, and in October the profit improvement programme target was raised to EUR 90 million and the cash flow improvement programme target to EUR 80 million.

M-real announced in 2008 its intention to discontinue standard coated fine paper production at the Hallein and Gohrsmühle mills, both of which had been making long-term losses. At Hallein, paper production was discontinued at the end of April 2009, and at Gohrsmühle, standard coated fine paper production was also discontinued in April. At Gohrsmühle, production of specialty papers, uncoated fine paper reels and folio sheets has been increased.

In July, M-real's associated company Metsä-Botnia and its owners, M-real, Metsäliitto Cooperative and UPM, signed a letter of intent regarding the divestment of the pulp mill and forests in Uruguay to UPM. The deal became effective in December 2009. The transaction reduced M-real's net debt compared to the end of the third quarter in 2009 by approximately EUR 500 million when taking into account the EUR 300 million cash consideration, the EUR

Sales by market areas

EUR million

Euro-countries	1,386	57%
Sweden, Norway, Denmark	93	4%
Great Britain	219	9%
Rest of Europe	364	15%
Rest of the World	370	15%
Total	2,432	

50 million market priced receivable from Metsäliitto, and the change of the consolidation method of Metsä-Botnia in M-real's consolidated financial accounts.

In December, M-real announced the launch of a new profit improvement programme for the year 2010. The main measures are the planned permanent closures of the Alizay pulp mill in France and of two speciality paper machines at the Reflex mill in Germany, the planned streamlining of the organisation and management model of M-real Zanders, a EUR 22 million investment to improve the energy efficiency of the Husum mill in Sweden, and a new EUR 20 million internal profit improvement programme covering all business segments. The planned measures are estimated to improve M-real's annual operating result by EUR 80 million in full from the beginning of 2011. The estimated profit impact for 2010 is EUR 40 million.

Major environmental improvements

M-real's production is based on efficient use of resources and on minimising the environmental impacts of its products throughout their life-cycle.

At the Äänekoski mills, waste sorting and collection were reorganised during the review year. The changes are targeted to improve the efficiency of recovery of energy-containing waste and its utilisation at the Äänevoima power plant.

The Gohrsmühle mill reduced its particulate emissions through regulating the electrostatic filters of boilers 2 and 3. Nitrogen oxide emissions were also reduced through the installation of a new low-NO_x oil burner in boiler 4.

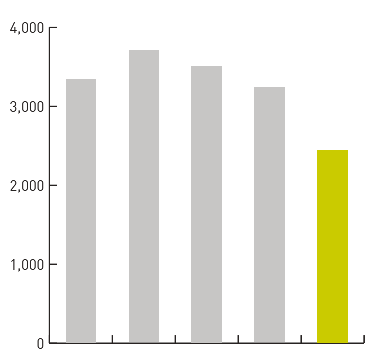
A comprehensive new database system was taken into use at the Reflex mill in Germany. All German laws and regulations governing the mill's operations were logged in the system, including all environmental permits, responsibilities and responsible persons. The new system brings significant environmental management efficiency improvements.

Outlook

The market situation for board products looks set to remain favourable. A continued gradual improvement in paper demand can also be expected.

Price increase opportunities will be actively pursued in pace with demand recovery. The measures implemented by M-real, including currently planned measures and the effects of profit improvement programmes implemented in the preceding years, are expected to improve the company's operating result by a combined total of approximately EUR 100 million in 2010. No significant changes in production input total costs are expected for the year. The strategic review of M-real's paper businesses will continue.

Sales
EUR million



Key figures

EUR million	2009	2008	2007
Sales	2,432	3,236	3,499
EBITDA	88	376	398
Depreciation and impairment losses	-356	-315	-447
Operating result	-267	-61	-49
Non-recurring items	-117	-26	-124
Operating result excluding non-recurring items	-150	-35	75
ROCE excluding non-recurring items, %	-4.5	-0.5	2.8
Gross capital expenditure	73	128	259
Personnel at year-end	4,903	6,546	7,241

Tissue and Cooking Papers

Metsä Tissue is a leading supplier of tissue paper products to households and large-scale consumers in Europe. The company is also the leading producer of baking and cooking papers in the world. Metsä Tissue's brands include Lambi, Serla, Mola, Tento, Katrin and SAGA. The company's production plants are located in Finland, Germany, Poland, Russia, Slovakia, and Sweden and its sales in 2009 were EUR 0.9 billion. Metsä Tissue employs some 3,150 people.

Metsä Tissue achieved a good operating result in spite of the challenges of the business environment. Sales of own brands in particular continued to be strong.

Metsä Tissue's operating result excluding non-recurring items was EUR 93 million. The carried out efficiency improvement measures have produced the expected results. With lower raw material prices, this contributed to the increase in operating profit. Sales were down some four per cent year-on-year due to changes in exchange rates and lower sales volumes.

The favourable sales of own brands, especially Lambi and Serla, continued. After a decrease during the first months of the year, sales volumes of large-scale consumer operations improved towards the end of the year, which was due to, for instance, the increased demand for hygiene products along with the spread of the H1N1 virus.

Markets

The market situation for tissue and cooking papers has remained steady in spite of the weakening of the general economy. The effects of the downturn were seen mainly in large-scale consumer business during 2009.

The demand for tissue paper products in Europe is expected to continue on a moderate basis. The Eastern European demand growth is expected to continue strong regardless its' relative decrease. Not much new capacity has been launched in the industry.

The ratio of the sales of brand products and private label products has remained nearly unchanged. Awareness of the importance of sustainability has increased among both consumers and customers. Sustainability, and environmental responsibility in particular, is expected to have an increasing influence on purchase decisions.

Major events

During the review year, Metsä Tissue focused on developing its business and operations. The operating model and organisation were streamlined by moving from five business areas to three in the autumn. After the reorganisations, the business areas are Consumer, Away-from-Home (large-scale consumer) and Baking & Cooking.

In future, the napkin business will be developed as part of the Consumer and Away-from-Home businesses. Metsä Tissue invested in three napkin machines and related printing and packaging lines. The investment enables increasingly flexible and reliable deliveries.

At the Mänttä mill, a decision was made to rebuild the paper machine 10. The investment will be carried out in the first half of 2010 and it will further improve the quality of the Lambi, Serla and Katrin brands.

The construction project initiated following the arson at the finished product storage of the Zilina mill in Slovakia a year ago was completed, and the new, more functional premises were inaugurated.

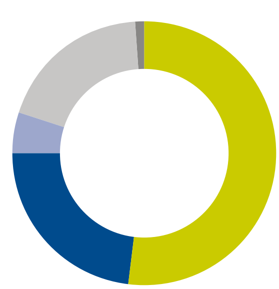
Product development and focusing on own brands are in a key position in Metsä Tissue's operations. Several new products and product solutions were launched during the year, such as the design patterned Lambi Limited Collection product concept for consumers and the Katrin hand care programme, special towels and dispensers for large-scale consumers. In addition, the new SAGA brand was launched in the autumn. Metsä Tissue's baking and cooking products will be marketed under the SAGA brand for households, cooking professionals and converters alike.

The company's strategy was crystallised during the review year, and its enhanced internal communications and implementation were started during the last half-year.

Major environmental improvements

Metsä Tissue's products promote hygiene, reduce health risks and encourage healthy cooking. The products meet strict environmental criteria, and they have been granted the best-known European environmental

Sales by market areas
EUR million



Euro-countries	465	52%
Sweden, Norway, Denmark	200	23%
Great Britain	44	5%
Rest of Europe	170	19%
Rest of the World	11	1%
Total	890	

labels as an indication of this. For instance, all Nordic Lambi, Serla and Katrin products hold the Swan eco-label. The primary fibre Metsä Tissue uses as its raw material originates increasingly from certified forests. Minimising the environmental impacts of the mills is a strategically important goal of continuous development.

During the review year, Metsä Tissue improved its energy efficiency and promoted sustainable development by developing its own operations. Energy efficiency was audited in Finland and Germany, and the companies in both countries were awarded energy efficiency certificates.

The insulation of the Yankee cylinders of tissue paper machines was improved at the Kreuzau and Raubach mills in Germany, the Zilina mill in Slovakia and the Mänttä mill in Finland. Improved insulation saves drying energy by 4–5 per cent and reduces carbon dioxide emissions.

At the Mänttä mill, the old wastewater tunnel was replaced with new piping and the wastewater treatment plant underwent an overhaul. All the wastewater of the town of Mänttä-Vilppula has been treated at the plant since July. Joint treatment of wastewater reduces the amount of nutrient emissions, which reduces eutrophication in the lakes.

Several plants further decreased the consumption of fresh water in their production during the year. At the Warsaw mill in Poland, for instance, it was decreased by 30 per cent.

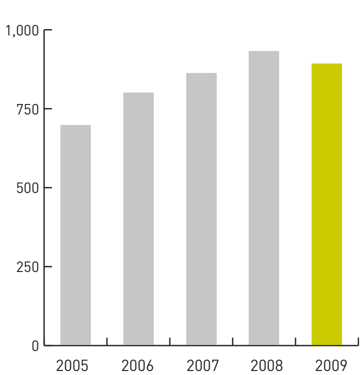
Outlook

The average demand for tissue and cooking papers is expected to remain quite stable in spite of fluctuations in demand between different businesses and geographical regions. The sales of branded products are expected to remain strong despite the recession.

Raw material prices and transport costs are expected to continue to increase. The availability of recovered paper may deteriorate as a result of the decrease in paper consumption.

Metsä Tissue will continue to invest in product development and its own brands and aims to increase their sales further. Private label products are developed particularly through campaign products. The efficiency improvement of both businesses and operations as well as the business development in Eastern Europe will continue. After the recent years' significant streamlining measures, growth is now pursued from various new development projects and diversifying of marketing.

Sales
EUR million



Key figures

EUR million	2009	2008	2007
Sales	890	930	861
EBITDA	135	98	84
Depreciation and impairment losses	-42	-56	-49
Operating result	93	42	35
Non-recurring items	0	-1	-2
Operating result excluding non-recurring items	93	43	37
ROCE excluding non-recurring items, %	14.4	6.6	5.7
Gross capital expenditure	35	33	26
Personnel at year-end	3,152	3,222	3,308

Responsible business practice

The core value of Metsäliitto Group, responsible profitability, includes profitability improvement and responsibility for the environment and for key stakeholders.

Metsäliitto is committed to operating responsibly. The economic, social and environmental impacts of its operations are measured and regularly reported to the Group's stakeholders, for example in the Metsäliitto Group's Annual Report. Metsäliitto is committed to the principles of the UN Global Compact initiative regarding responsible business practice, including respect for human rights, rights at work, environmental responsibility, and anti-corruption. These form the basis of the Group's corporate responsibility and its principles regarding operational, economic, social and environmental responsibility. Metsäliitto is also an active member of the World Business Council for Sustainable Development (WBCSD).

In accordance with the Group strategy, Metsäliitto's environmental and corporate responsibility management and supervision of interests are governed by its Corporate Affairs Management Team (CAMT), which reports to the Group's Executive Management Team. Metsäliitto Group's Code of Conduct is designed to ensure Group-wide adherence to approved practices and common ethical principles.

Products

The main raw material of Metsäliitto Group's products is wood that has been responsibly sourced from sustainably managed forests. Wood is a renewable, recyclable and energy-efficient raw material which can be wholly utilised in the production processes of the Group's different products. Products derived from wood can be incinerated for energy recovery at the end of their life cycle.

Metsäliitto's wood supply systems are integrated with a certified Chain of Custody system, and the majority of the Group's products carry a PEFC forest certification label. The label signifies that a certain minimum proportion of the product's wood content is verifiably sourced from certified forest, and that all actors throughout the production chain operate a certified wood Chain of Custody system. The Chain of Custody system enables reliable verification of the share of certified wood contained in each product. The Group companies strive to increase the share of certified fibre in their products and the share of forest certification labelled products in their product range.

All raw materials used in Metsäliitto's products are appropriate for their specific purpose of use. For example, cooking and packaging papers and boards which come into contact with food only contain materials that are approved for this specific use and which carry the official approval of, for example, the German Federal Institute for Risk Assessment (BfR) and the U.S. Food and Drug Administration (FDA). The products are tested in strict accordance with the relevant laws and recommendations.

A database is maintained on the most important chemicals used in the production process, including their key environmental, health and safety information and, for example, the registration status of substances in accordance with the REACH regulation. Efforts to implement the new European REACH regulation continued during the review year. Metsä-Botnia, M-real and Metsä Tissue have compiled the required data on the substances that they produce for 2010 REACH registration purposes. These typically include the by-products and intermediate products, such as tall oil generated during pulp production and ash generated from the incineration of wood and wastewater treatment plant sludge.

As a significant user of plant-based raw materials, Metsäliitto closely follows research on genetically modified organisms (GMOs) and nanomaterials. Metsäliitto does not approve the use of GMO-based raw materials or nanotechnology-based materials until sufficiently documented experience of their use and reliable research data regarding their safety becomes available.

Management of environmental impacts

Metsäliitto's environmental policy is based on the principles of environmental impact minimisation, continuous operational improvement, efficient use of raw materials, and open communication. Virtually all of the Group's production units and the majority of its wood supply areas operate certified ISO 9001 and ISO 14001 quality and environmental management systems, which support the systematic improvement and monitoring of operations. In addition, a certified occupational and product safety system is in place at many of the Group's production units, and most units also have a certified Chain of Custody system.

Metsäliitto Group's production units implemented a number of improvements in 2009 to reduce their environmental loads and risks. The improvements were focused on enhancing the efficient use of raw materials, water and energy and the reduction of air emissions. By the end of 2009, all the Group production units had introduced an Energy Efficiency System (EES), which serves as a systematic management tool for reducing energy consumption and carbon dioxide emissions.

Metsäliitto reports openly on the environmental impact of its activities, for example in mill-specific EMAS (Eco-Management and Audit Scheme) reports. The climatic impact of Metsäliitto's individual products is reported customer-specifically in the Group's carbon footprint calculations, which have been conducted since 2007. The Board and Paper Industry's product-specific environmental effects are reported in Paper Profile product declarations. The emissions and waste production levels of the Metsäliitto Group's production units are presented on pages 124–127 of this Annual Report.

Emissions and waste

Industrial air, water and noise emissions have fallen continuously due to consistent application of Best Available Techniques (BAT). Mill water cycles have been closed, cleaning methods intensified, and incidental emissions minimised.

Measures taken to reduce the levels of detrimental substances in pulp and paper process wastewaters include more effective effluent treatment processes, reduced water consumption, personnel training for improved management of process disturbances, and reduction of incidental emissions. Effective treatment processes have reduced the eutrophication impact of wastewater emissions to within a limited area at the immediate point of discharge. The water consumption of Metsäliitto's production processes has also been continuously reduced. The majority of production units are located in areas of plentiful water supply and therefore do not compete for water with households, agriculture or other water users.

The most significant atmospheric emissions include fuel-derived sulphur and nitrogen oxides, which cause water and soil acidification; carbon dioxide, the main driver of climate change; and particle emissions, which deteriorate air quality. Metsäliitto has reduced its atmospheric emissions by introducing low-sulphur fuels and by replacing fossil fuels with wood-based fuels.

Production unit waste levels have been significantly reduced through efficient re-use of by-products. In addition, on-site sorting of production unit waste for use as raw material or for energy production has reduced the need for landfill disposal. Packaging plastics, metals, paper and board are recycled. Process sludge and wood-based waste are used as fuels if they cannot be otherwise utilised. Fibre sludge generated during the recovered fibre deinking process is used in landfill restoration, in the building products industry, and for energy production. Ash from the mill power plants is used in earthwork and landscape construction as an alternative to gravel and other soil resources. Wood ash can also be used as a fertiliser.

Transportation

Transportation volumes and distances within the forest industry are considerable. Environmental impacts are reduced through efficient logistics: products are transported in as large transport units as possible and as fully loaded as possible, and warehouse sites with a rail connection are favoured. Operations in 2009 were characterised by a low mill utilisation rate which was reflected in the choice of transport routes whereby the most efficient, proven routes could not always be used. Metsäliitto continues to invest in the improvement of logistics indicators and reporting, and the development of environmental performance reporting is a key focus area.

The Group uses road, rail and sea transportation. Wood represents the largest portion of all raw material deliveries. Other key product groups include the chemicals, fillers and pigments used in pulp and paper production, as well as finished wood, board and paper products. Transport and warehousing functions are largely outsourced. Besides cost efficiency, other important criteria in the selection of logistics solutions and partners include quality, safety and environmental aspects. In the choice of cooperation partners, those with a valid environmental certificate and environmental policy are favoured.

The International Maritime Organization's (IMO) decision to phase in new, lower nitrogen oxide and sulphur oxide emission standards from the year 2010 presents new challenges with respect to sea transportation and fuels, particularly in the Baltic Sea region. The biggest change concerning sulphur emission standards is scheduled for 2015, when the reduction from the current level of 1.5 per cent to 0.1 per cent comes into force. Estimates forecast the cost impact of the change on the forest industry to be extremely considerable, and higher in Finland than in other competing countries.

Energy efficiency and climate change mitigation

In 2009, Metsäliitto continued to improve its energy usage and production efficiency and development efforts to increase the share of bioenergy as part of the Group's Climate Programme.

Metsäliitto actively continues to work to mitigate climate change. The Group's Climate Programme maintained its focus on energy efficiency improvement projects and the development of product-specific carbon footprint calculations.

During 2009, Metsäliitto Group carried out 160 small-scale projects aimed at improving energy efficiency, representing a combined energy-saving effect of 190 GWh of heat and 70 GWh of electricity per year. Annual carbon dioxide emissions resulting from production activities were reduced through energy saving measures by 45,000 tonnes, representing approximately 3.5 per cent of total emissions. Energy efficiency was weakened and emissions temporarily raised by the low capacity utilisation of M-real and Metsä-Botnia mills due to the difficult market situation, particularly in the first half of the year.

The optimisation of energy efficiency is central to Group operations. More than 500 energy efficiency projects and programmes have been implemented during the years 2006–2009. Due to these measures, annual energy savings will equal the total energy consumption of a medium-scale paper machine line or an average Finnish town during the same time period.

The commissioning of an energy efficiency management system (EES, Energy Efficiency System) covering all Group production units was completed during the review year. The EES is being used to achieve increasingly systematic daily improvements in energy efficiency. Managers and other personnel at the production units are being trained in the adoption of new energy-saving tools and practices. The EES forms part of the Group's Climate Programme, and its development will be continued according to continuous improvement principles.

Metsäliitto Group became a signatory to the manifesto of the World Business Council for Sustainable Development (WBCSD) concerning the development of energy efficiency in buildings and, accordingly, has committed to improving the energy efficiency of its office buildings. Metsäliitto Wood Products Industry continues to develop energy-saving construction solutions.

M-real received a commendation during the review year for greenhouse gas emissions reporting within the Nordic category of the investor-financed Carbon Disclosure Project survey.

Sustainable energy production

During the review year, Metsäliitto Group's production units used a total of 22.4 TWh (25.9) of energy generated by fuels. Purchased electricity amounted to 2.5 TWh (3.1) and purchased heat to 0.2 TWh (0.4). These collectively amounted to a total energy consumption of 28.9 TWh (34.1). Wood accounted for 77 per cent (77) of total production unit fuel consumption.

Metsäliitto Group's energy procurement is based mainly (60 per cent) on renewable wood fuel. Taking into account hydro and nuclear power procurements and recycled fuel consumption, carbon-neutral energy sources comprise 72 per cent of total energy procurement. The objective is to continuously increase the share and production of bio-sourced and carbon-neutral energy.

At M-real's Simpele mill, use of recycled fuel by the mill's wood- and peat-fired power plant was begun during the review year. The re-use of combustible waste has reduced landfill disposal and fossil fuel consumption. At M-real's Hallein mill, a new steam turbine was brought on stream which enables increase in the production of certified green electricity at the mill's wood fuelled power plant by about a third. At Metsäliitto's Suolahti plywood mill, a corresponding increase in wood-based electricity production is being sought through optimisation investments carried out by associated company Kumpuniemen Voima. During the first half-year, the bark fuelled boiler of Metsä-Botnia's discontinued Kaskinen pulp mill was modified for use by M-real's BCTMP mill for heat production for the mill and the entire production site. In Sweden, the associated energy company of Metsä Tissue's Mariestad mill, Katrinefors Kraftvärme, expanded its customer base, bringing an increase in wood-based heat and power production as a result.

The development of biopower plant investment projects and energy production projects based on carbon-neutral waste-derived fuels were continued at several Group production units. At M-real's Husum mill, the decision was taken to commission a new turbine at the end of the review year. The investment will considerably increase the mill's wood-based electricity production. Further investment decisions will be made during 2010, provided the other projects will progress favourably.

Efficient use of wood raw material

Metsäliitto utilises the wood raw material it procures to the full. In addition, the by-products of production, such as sawdust, bark, and a part of woodchips, are used to fuel the Group's power plants. By-product surplus is sold to external customers for further processing or for energy production.

New forms of upgrading are continuously sought to increase the added value of secondary products and forest energy. Metsäliitto and Vapo initiated a joint development project during the review year to investigate the possibilities for establishing a primarily wood-based biofuels factory for the production of biofuels using forest energy sources such as wood chips and peat.

Energy policy

The energy and climate change package approved by the European Union in December 2008 laid down the EU's targets for decreasing greenhouse gas emissions, increasing use of renewable energy sources and energy efficiency.

With respect to renewable energy sources, the package targets a 20 per cent share of renewables in overall EU energy consumption. According to the agreement, Finland is required to raise the share of renewable energy resources in its overall energy consumption from the current level of 28 per cent to 38 per cent. As one means of achieving the set targets, the Finnish government has proposed the provision of publicly funded support in the form of a so-called feed-in tariff payable to producers of wind power. In addition, the possible expansion of the feed-in tariff mechanism to cover also other forms of renewable energy, such as wood energy, is being taken under consideration.

Feed-in tariffs and other forms of public support may, however, damage healthy competition for bioenergy sources such as wood raw material. If demand for wood energy is strongly enhanced through public support, the resulting increase in wood prices may damage the profitability and competitive ability of the forest industry. This would also have a negative impact on the country's ability to reach its renewable energy targets, as the forest industry is Finland's biggest producer of renewable energy.

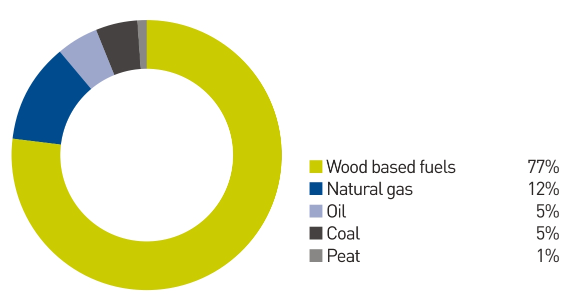
Metsäliitto considers the most responsible approach to wood use to be to utilise wood first and foremost as the raw material for the production of added-value forest products and at the end of the product life-cycle, as an energy source. Incentives should therefore be aimed at the beginning of the forest energy production chain, for example by increasing the current level of government support for first thinning operations, as provided under the Finnish KEMERA funding programme for the promotion of sustainable forestry. In addition, to reduce carbon dioxide emissions, competitively priced and market-based basic energy production should be promoted through expanding nuclear power.

Emissions trading

From the Metsäliitto Group companies M-real, Metsä-Botnia and Metsä Tissue are included in the EU emissions trading scheme. Metsäliitto participated in the preparation of the 2013–2020 emissions trading period during the review year, together with various industrial interest groups. According to the EU's emissions trading policy, the production activities of M-real, Metsä-Botnia and Metsä Tissue fall under carbon leakage sector activity and, as such, qualify for free allocation of a proportion of their required emission allowances, also in the future. The basis of the policy is the prevention of carbon leakage: if free emission allowances were not allocated, the EU's emissions trading scheme would significantly damage the competitiveness of mills operating within the EU with respect to external competition.

During the year, the EU Commission drew up a set of rules determining the maximum number of free emission allowances that each mill is entitled to receive. The allowances are allocated in proportion to carbon efficiency performance, with less efficient operators being obligated to buy a larger proportion of the emission allowances that they require. The EU is scheduled to make further decisions regarding emissions trading in 2010.

Fuels used at Metsäliitto Group's production units in 2009



Personnel

The restructuring and personnel reduction measures in 2009 were difficult, yet necessary, decisions for Metsäliitto Group. At the same time employee competency, ways of working and sharing best practices were enhanced, thus laying solid ground for the future success of the Group.

At the end of 2009, Metsäliitto Group's employees totalled 14,242 (16,729). Of the personnel, 6,423 (6,889) worked in Finland. Personnel reductions were carried out in all business areas. The biggest reductions were in Board and Paper Industry - at the end of the year, it had approximately 1,100 employees less than in the previous year. Divestments of Vapo and the operations in Uruguay also decreased the number of personnel.

Statutory labour negotiations concerning layoffs and downsizing measures were conducted in a constructive spirit. Employees made redundant or facing redundancy were provided support through Metsäliitto Group's Change Security programme in the form of job seeker training and re-allocation services, and by offering open positions within the Group. Wood Products Industry, for example, provided vocational training for its laid off employees.

Cooperation between the employer and the employees were extended beyond statutory layoff and redundancy discussions, and meetings between management and staff representatives were held regularly in all business areas. A Shop Stewards' Forum was established during the review year for Wood Products Industry's Finnish functions to serve as a channel for open discussion and information exchange between employee representatives and management.

A common Group-wide SAP Human Resource Information System was brought into use during the review year. The system provides managers and HR management with access to real-time information and reports, and supports the use of other Group systems. The system includes an electronic HR management tool, Manager Self Service (MSS), which assists managers in the administration of employee development discussions, merit pay systems and salary adjustments. User trainings for the programme began in December and will continue in 2010.

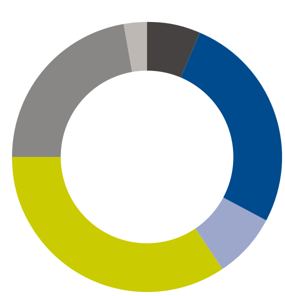
Training at all levels

During periods of restructuring and change, securing and developing employee competency and work motivation is of critical importance. The organisational restructuring carried out during the review year strove to utilise existing expertise and experience and to take future career wishes into account. Job rotation together with new, broader and more diverse job descriptions provide excellent opportunities for on-the-job learning in addition to conventional competency development.

Professional competency was addressed at all levels of the organisation. Multi-skill development of personnel at production units was promoted through vocational training and vocational degree programs. Additional vocational development and training events were held in each business area during the year in accordance with the annual plan. The Group-wide management development programme Challenger was continued, as was Metsä Tissue's middle management development programme Unifier. The middle management development programmes for the Group's other business areas, M-real's and Metsä-Botnia's Simplifier programme, and Metsäliitto Wood Supply's and Wood Products Industry's Avant programme, will be launched in 2010. Management degree programmes (JET programmes) were also conducted at Group level in Finland. In addition to developing professional business expertise, a key objective of the development programmes is to disseminate Group values and objectives.

Employee development discussions were continued in accordance with Group policy. Information gained from the discussions was utilised in the resource and development planning of all business areas. Succession planning was extended to cover all organisational levels, and production resource planning was developed to be more pre-emptive.

Personnel by business area 31 Dec. 2009



Wood Supply	945
Wood Products Industry	3,758
Pulp Industry	1,106
Board and Paper Industry	4,903
Tissue and Cooking Papers	3,152
Others	378
Total	14,242

Functioning work communities

The 2008 Leadership Barometer survey was renewed and carried out throughout the Group to reflect management opinions regarding operational conditions and the ability to meet the set targets. The survey showed a clear improvement in future confidence compared to the previous year, while internal cooperation and cooperation between business areas and Group services was identified as a key area for further development. At M-real, the Leadership Barometer survey was extended to cover further management levels.

During the review year, Metsä Tissue and Metsä-Botnia conducted personnel surveys aimed at improving the functionality of work communities and developing supervisory work. Metsä Tissue's "Me and My Company" employee survey highlighted closer internal cooperation, strengthening of the feedback culture, and clarification of roles and spheres of responsibility as key areas for development within the business area. In all of the surveys conducted an action plan was drawn up to address the identified development areas. The action plan was then either included in the annual plan or agreed for immediate implementation.

Best practices and policies were disseminated within and between business areas. In M-real's production units, for example, tasks were reorganised and a "Sharing Best Practices within M-real" programme was implemented to compare the units' best operating methods. Metsä Tissue developed its own incentive system and began awarding commendations to teams and individual employees for exemplary performance in areas such as teamwork, continuous improvement and innovativeness.

Well-being at work

Well-being at work and occupational safety are viewed within Metsäliitto Group as key contributing factors to productivity and success. Metsäliitto's objective is to ensure employee well-being and safety through systematic and proactive measures. Key focus areas for the Group over the coming years will be age management and preparation for future retirement of middle-aged employee groups.

Use of an accident, occupational disease and illness absence monitoring system enabled better identification of risks related to reduced work ability. Employee work ability maintenance is supported by individual return-to-work programmes and "future path" programmes in close cooperation with shop stewards and insurance companies.

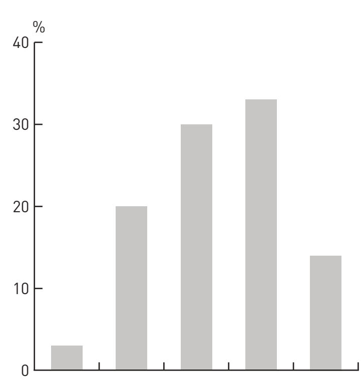
Metsä-Botnia conducted a comprehensive safety culture survey during the review year to measure employee attitudes and practices. Based on the study, targeted measures are being implemented to promote occupational safety, with an accident-free workplace as the overarching goal. During the review year, a special "Work Safe" campaign aimed at improving safety management, reinforcing the safety culture, and systematic promotion of safe practices was launched at Wood Products Industry's plywood and Kerto mills.

The occupational health care services for Metsäliitto Group's Finnish functions were centralised during the review year to two service providers.

Personnel by country 31 Dec. 2009

Finland	6,200
Germany	2,463
Sweden	1,528
Great Britain	885
Russia	616
France	607
Poland	447
Slovakia	433
Romania	408
Austria	206
Other countries	449
Total	14,242

Age distribution



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Report of the Board of Directors 2009

Sales and result

Metsäliitto Group's sales for 2009 totalled EUR 4,837 million (08: 6,434 and 07: 6,797), and the operating result excluding non-recurring items was EUR -75 million (08: 45 and 07: 301).

Net non-recurring items amounted to EUR -94 million (-43), of which EUR 67 million was recognised during January-September. Of the non-recurring costs, EUR 40 million was related to the closure of the Metsä-Botnia Kaskinen mill and EUR 29 million to the closure of the M-real Hallein paper mill. Other cost provisions totalled EUR 6 million. A sales gain of EUR 8 million was recognised for the Vapo deal in June.

During the fourth quarter, Metsäliitto Group's operating profit included EUR 195 million of non-recurring income and EUR 222 million of non-recurring expenses. The non-recurring income was fully related to the ownership arrangements of Metsä-Botnia.

The most significant cost items were the impairment charge of EUR 113 million booked by M-real and the write-downs and cost provisions of EUR 73 million associated with the action plans announced in December. Metsäliitto Cooperative recognised the EUR 21 million infringement fine imposed by the Market Court for breach of competition legislation in 1997–2004 as an expense, and Wood Products Industry made a write-down of EUR 6 million on the fixed assets of the Kyröskoski sawmill. Other cost provisions totalled EUR 9 million.

The fourth-quarter operating result excluding non-recurring items was EUR 44 million positive (Q4/08: EUR -75 million). Compared to the previous quarter the operating result improved by EUR 35 million. The result was improved by, among other things, more favourable development of pulp prices than expected, improved utilisation rates at the mills and internal profit improvement measures. The result of the tissue paper business was good throughout the year. The consolidation method of Metsä-Botnia was changed from associated company to subsidiary on 8 December 2009, and the change had an impact of approximately EUR 5 million on the operating result.

Metsäliitto Group's operating result including non-recurring items in 2009 was EUR -169 million (08: 2 and 07: 44). Financial income amounted to EUR 26 million (17), income from associates was EUR -16 million (6) and financial expenses totalled EUR 173 million (277).

Net exchange gains recognised in financial items were EUR 2 million (19). The US dollar strengthened on average 5% during the year, while the British pound weakened by 12% and the Swedish krona by 10% compared to 2008.

Income from associates includes an EUR 11 million non-recurring expense item related to the sale of Myllykoski Paper's Sunila shares. In the first quarter, M-real made a market repurchase with a nominal value of approximately EUR 60 million of its EUR 400 million bond, which matures in December 2010. A profit of approximately EUR 31 million for the purchase was recognised in financial income.

A loss of approximately EUR 30 million was recognised in financial items during the third quarter after Sappi Ltd repaid early its four-year debt of EUR 220 million to M-real. The repayment price was 86.5% of the nominal value of the vendor notes, or approximately EUR 190 million.

The result before tax was EUR -329 million (08: -233 and 07: -160), and taxes, including changes in deferred tax liabilities, totalled EUR 10 million (08: 60 and 07: -24). The result for continuing operations was EUR -318 million (08: -172 and 07: -183), the result for discontinued operations was EUR -23 million (08: -338 and 07: -27) and the result for the financial period was EUR -342 million (08: -511 and 07: -211).

Of the period's results, EUR -116 million (08: -213 and 07: -9) was attributable to parent company members and EUR -226 million (08: -297 and 07: -202) to minority interests.

The Group's return on capital employed for continuing operations was -3.3% (08: 0.5 and 07: 1.4), and the return on equity was -20.0% (08: -8.4 and 07: -7.5). Excluding non-recurring items, the return on capital employed was -1.4% (08: 1.3 and 07: 6.4) and the return on equity was -13.4% (08: -6.4 and 07: 2.7).

Balance sheet and financing

Metsäliitto Group's total liquidity was EUR 1.4 billion (08: 1.8 and 07: 1.6) at the end of December. Of this, EUR 0.6 billion (08: 0.6 and 07: 0.4) was in liquid assets and investments, and EUR 0.8 billion (08: 1.2 and 07: 1.2) 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.

The Group's equity ratio was 24.5% at year end (08: 26.0 and 07: 28.8) and net gearing totalled 157% (08: 149 and 07: 142). Interest-bearing net liabilities stood at EUR 2,203 million (08: 2,666 and 07: 3,271). The equity ratio of the parent company, Metsäliitto Cooperative, was 57.2% at the end of December (08: 54.6 and 07: 55.0) and the net gearing ratio was 50% (08: 45 and 07: 37).

During the year, members' capital decreased by EUR 56.6 million. The actual members' capital decreased by EUR 1.5 million and the additional capital A by EUR 57.3 million. The additional members' capital B increased by EUR 2.1 million. Based on notifications received by the end of 2009, EUR 58.2 (102.6) million of the additional members' capital will fall due on 1 July 2010. At the end of December, Metsäliitto Cooperative had 127,158 (08: 129,267 and 07: 131,032) members.

The change in the fair value of investments available for sale in 2009 was approximately EUR -103 million, based mainly on the decrease in the fair value of the Pohjolan Voima shares. The change in the fair value of the shares relates mainly to the decrease of the 12-month moving average value of Nord Pool electricity futures used in the valuation.

In connection with the change in the ownership structure of Metsä-Botnia, goodwill of EUR 359 million was recognised in Metsäliitto Group's balance sheet. The shareholder agreement also includes an obligation to redeem Metsä-Botnia shares, ending when UPM's holding decreases to below 11%. The liability arising from the redemption obligation and the corresponding increase in holdings have been taken into account in the consolidated financial statements.

In December 2009, M-real decided to exercise its right to partial early redemption of its senior floating rate notes maturing on 15 December 2010. The outstanding nominal amount before the redemption is approximately EUR 340 million. The total par value of redemption is EUR 250 million. The early redemption took place on 25 January 2010 and the redemption price was 100% plus accrued and unpaid interest up to, but not including, the redemption date, according to the terms of the notes.

The main reason for the early redemption is M-real's strong liquidity position. The redemption will reduce M-real's net financing costs in 2010 by approximately EUR 11 million.

Personnel

The Group employed an average of 15,230 people in 2009 (08: 17,538 and 07: 19,195). At the end of December, the number of personnel in the Group was 14,242 (08: 16,729 and 07: 17,838). Divestments of Vapo and the operations in Uruguay decreased the number of personnel by approximately 1,100 people. On the other hand, the change in the consolidation method of Metsä-Botnia increased the number of personnel in the Group by some 520 people. The parent company, Metsäliitto Cooperative, had a headcount of 2,871 people at the end of December (08: 3,217 and 07: 3,165).

Salaries and fees paid to employees totalled EUR 523 million (08: 600 and 07: 675).

Multi-skill development of production personnel was promoted through vocational training and vocational degree programs. Additional vocational development and training events were held in accordance with the annual plan. The Group-wide management development programme Challenger was continued during the review year, as was Metsä Tissue's middle management development programme Unifier. The middle management development programmes for the Group's other business areas, M-real's and Metsä-Botnia's Simplifier programme, and Metsäliitto Wood Supply's and Wood Products Industry's Avant programme, will be launched in 2010. Management degree programmes were also conducted at Group level in Finland.

Statutory labour negotiations concerning layoffs and downsizing measures were conducted in a constructive spirit. Employees made redundant or facing redundancy were provided support through Metsäliitto Group's Change Security programme in the form of job seeker training and re-allocation services, and by offering open positions within the Group.

A common Group-wide SAP Human Resource Information System was brought into use during the review year. The system provides managers and HR management with access to real-time information and reports, and supports the use of other Group systems. The system includes an electronic HR management tool, Manager Self Service (MSS), which assists managers in the administration of employee development discussions, merit pay systems and salary adjustments.

Use of an accident, occupational disease and illness absence monitoring system enabled better identification of risks related to reduced work ability. Employee work ability maintenance is supported by individual return-to-work programmes and "future path" programmes. In the entire Group, there were 15.7 accidents resulting in more than one day sick leave per one million working hours (27.8). Sick leave within the Group amounted to 4.3% (4.2) of regular work time.

Investments

Metsäliitto Group's capital expenditure in tangible assets totalled EUR 152 million (268) in 2009. Acquisitions totalled EUR 496 million (4) of which most related to the ownership arrangements of Metsä-Botnia.

Divestment of Vapo

On 5 May 2009, Metsäliitto Cooperative agreed to sell its entire holding (49.9%) in Vapo to a Finnish consortium led by EPV Energy. The deal was concluded on 24 June 2009 and amounted to EUR 165 million for which the parent company, Metsäliitto Cooperative, recorded a sales gain of EUR 27.3 million. The sales gain of Metsäliitto Group was EUR 8.0 million.

Structural changes in 2009

Metsä-Botnia

Metsä-Botnia and its shareholders signed a letter of intent regarding the new ownership structure of Metsä-Botnia and the divestment of the operations in Uruguay to UPM-Kymmene Corporation on 15 July 2009. The agreement was signed on 22 October 2009, and the arrangement was concluded on 8 December 2009.

In connection with the transaction, Metsäliitto Cooperative's shareholding in Metsä-Botnia increased from 23% to 53%, M-real's holding remained at 30% and UPM's holding decreased from 47% to 17%.

As part of the transaction, Metsä-Botnia distributed EUR 999 million to its shareholders as refunds of capital and dividends, and repurchased its own shares from UPM for EUR 168 million. The payments took place mainly using the assets received from the divestment of the operations in Uruguay. In addition, Metsä-Botnia sold 77% of its shares in Pohjolan Voima Oy and recognised sales gains of approximately EUR 60 million for the sale.

The cooperation agreements remained, in their essential parts, in effect without changes after the transaction, and Metsä-Botnia will continue to act as a sales channel for the market pulp of both UPM and M-real.

Metsä-Botnia is treated as an associated company in M-real's consolidated financial statements and as a subsidiary in Metsäliitto's consolidated statements, effective from 8 December 2009.

Metsäliitto estimated the financial impact of the arrangement in its release on 22 October 2009. The financial impact recognised in the financial statements 2009 differs slightly from that forecast in the release. The arrangement increased Metsäliitto Cooperative's members' funds by approximately EUR 185 million and Metsäliitto Group's members' funds by approximately EUR 250 million. The arrangement has a slightly positive effect on the equity ratio of the parent company, Metsäliitto Cooperative, and a slightly negative effect on its net gearing ratio. The arrangement has a positive impact on the equity ratio and gearing of Metsäliitto Group.

M-real

In February 2009, M-real launched a new profit improvement programme with an annual target of EUR 80 million. The improvement actions concerned the business areas and streamlining the support functions to reflect the changed company structure. The full annual effect of the programme will be visible from 2011.

In addition, a separate approximately EUR 60 million programme to improve the 2009 cash flow was launched in February. The actions included, for example, a reduction in net working capital and cuts in investments.

Both programmes proceeded better than expected, and therefore the target of the profit improvement programme was increased from EUR 80 million to EUR 90 million, and the target of the cash flow improvement programme from EUR 60 million to EUR 80 million in October 2009.

In 2008, M-real announced it was planning the discontinuation of standard coated fine paper production at the Hallein and Gohrsmühle mills based on earlier examined strategic options. Both mills have been making loss for a long time. At Hallein, paper production was discontinued at the end of April 2009, and at the Gohrsmühle mill in Germany, standard coated fine paper production was also discontinued in April. At Gohrsmühle, the production of speciality papers as well as uncoated fine paper reels and folio sheets has been expanded. Exploring various future options for the Hallein pulp mill continues.

In December 2009, M-real announced the reorganisation of the M-real Zanders mills at Gohrsmühle and Reflex and plans to close down two of the four paper machines at the Reflex mill. The closure would decrease the annual production capacity by approximately 80,000 tonnes. In addition, the transfer of the production of carbonless paper to the Gohrsmühle mill has been planned. The negotiations have begun in 2010, and it is expected that the measures will be implemented by the end of the first half of the year. These measures are expected to improve the result by approximately EUR 18 million annually.

M-real also announced planned profit improvement measures, the most significant of which are the permanent closure of the Alizay pulp mill in France, an investment of EUR 22 million to improve the energy efficiency of the Husum mill in Sweden, and a EUR 20 million internal profit improvement programme.

The Alizay pulp mill has for a long time been unprofitable and the pulp quality is not fully in line with market requirements. The pulp mill has been temporarily shut down since March 2009. As a result of the possible closure of the mill, the result includes non-recurring items amounting to EUR 48 million as cost provisions and write-downs.

The planned measures announced in December are expected to improve M-real's annual operating result by EUR 80 million with full effect from 2011 onwards. The result improvement in 2010 is expected to be EUR 40 million.

M-real's structural change from a paper company to become more clearly a packaging material producer has proceeded according to plans. The strategic review of the paper businesses continues.

Business areas

Wood Supply

Wood Supply's sales totalled EUR 1,101 million (1,734) in 2009 and operating profit was EUR -9 million (30). Wood Supply Finland accounted for EUR 828 million (1,188) of the sales and EUR -14 million (25) of the operating result. The operating result for 2009 includes a non-recurring expense item of EUR 21 million (+2) due to an infringement fine imposed by the Market Court.

The most significant reason for the decline in sales and operating result year on year was that the delivery volumes remained clearly below the level of 2008. Metsäliitto Wood Supply supplied 24 million cubic metres (32) of wood to its customers, approximately 70% of it acquired in Finland, mainly from members of Metsäliitto Cooperative.

During the first half of the year, both mills and sawmills curtailed production, which resulted in the demand for wood being lower than normal. Wood supply remained low as well. The price of wood decreased during the first months of the year, but began to steady from May. Log prices recovered to a slight increase towards the end of the year. The wood trade picked up during the final months of the year, especially due to forest owners taking advantage of the 50% tax relief on wood trade income offered by the Finnish state.

Purchases and harvesting of pulpwood had to be restricted as a result of the strong production curtailments during the first months of the year. During the spring and summer, the wood supply organisation in Finland was adjusted to the market conditions through temporary layoffs and other measures. The wood supply organisation in Northern Finland was changed to better match the decreased delivery volumes of wood in the area.

Metsäliitto's purchases from privately owned forests totalled, including forest energy, over 9 million cubic metres. Purchases focused on softwood and forest energy. The demand for pulpwood also picked up towards the end of the year, especially for birch pulpwood. In order to speed up the roundwood trade, owner-members were paid a double bonus on wood from renewal stands marked for cutting during the first months of the year and early autumn. A campaign aimed at enhancing the procurement of forest energy got underway rapidly bringing good results, especially in the field of small diameter energy wood. During the review year, Metsäliitto made significant agreements on the delivery of forest energy and forest industry by-products to major energy plants.

In the Baltics, the trade of wood from privately owned forests was almost at a standstill, and most of the wood was purchased from state-owned forests. In Russia, the wood supply at the Metsä-Botnia Svir Timber sawmill could be handled in spite of a shortage of logs. Imports to Finland and Sweden decreased considerably from both regions. Mainly pulpwood and wood chips from the fellings of Metsäliitto-owned companies were imported from Russia, totalling 1.1 million cubic metres. Streamlining of the operations of the wood supply organisations continued in both the Baltics and Russia.

In Sweden and Central Europe, the first half of the year was quiet due to high stock levels and production curtailments. The demand for wood increased during the latter half of the year, and prices of both roundwood and pulpwood began to increase.

Metsäliitto has been strongly developing services for all phases of forest ownership for the last few years. A revised bonus system was adopted at the beginning of the review year, and Metsäkori (Forestbasket), an offering of Metsäliitto's services, was introduced to members towards the end of the year. New member services include a generational change service and a VAT account.

As of the beginning of 2010, Metsäliitto Wood Supply will be organised into four business lines: Wood Supply Finland, International Wood Supply, Wood Energy and Forestry Services.

Wood Products Industry

The sales of Metsäliitto Wood Products Industry amounted to EUR 806 million (1,162), while the operating result was EUR -47 million (-74). The operating result includes EUR 6 million (21) of non-recurring expenses.

The operating result was particularly burdened by weak demand, low prices for sawn timber and the high price of wood raw material acquired during the previous year. In addition to sawn goods, restrictions had to be imposed on processed sawn goods, plywood and engineered wood products. However, the loss could be decreased significantly due to the cost saving measures.

Demand was weak in the first part of the year, which resulted in the continuation of the oversupply situation and a decrease in product prices. At the same time, raw material costs were too high compared to the prices of the final products. During the latter half of the year, production curtailments and customers' decreased stock levels resulted in a slight recovery in demand and increased price level.

Production was adjusted to the weakened demand by discontinuing the operations of the Teuva sawmill and suspending production at the Kyröskoski and Karihaara sawmills. Upgrading operations in Kaskinen were reduced due to the contract manufacturing of consumer goods aimed at the United Kingdom DIY market being transferred to the UK. Production was curtailed at all sawmills in operation during the latter half of the year due to poor availability of competitively priced wood raw material.

The Building Solutions business line focused on developing energy-efficient construction and participated in, for example, the development of the Kerto-framed passive roof element and a multi-storey building system comprising wooden prefabricated elements. In addition, the Kerto-Kate base plate was launched on the market, and the Green Store concept based on Kerto and glulam for eco-efficient construction of commercial and office buildings was launched for sale in the United Kingdom.

The operating environment of the industrial customer segment was characterised by rapid cuts in production. Profitability could be maintained and market share could be increased with new speciality products and tailored components. The demand and prices for the products of the Plywood business line's new Suolahti upgrading unit in particular have developed favourably.

In the consumer and retail segment, sales remained at the previous year's level and profitability improved slightly compared to the previous year. The Upgrading and Distribution business line continued the development of products for home and garden and related services in the United Kingdom and France.

Wood Product Industry continued to centralise its operations by divesting the blockboard mill in Comanesti, Romania, to the Romanian subsidiaries of the Austrian company Holzindustrie Schweighofer. The transaction is subject to approval by the Romanian competition authorities.

Pulp

The sales of Metsä-Botnia's continuing operations were EUR 886 million (1,184) and the operating result including non-recurring items amounted to EUR -107 million (36). The operating result was burdened by the low price of pulp and the price of wood raw material remaining high during the financial period. The closure of the Kaskinen mill resulted in non-recurring items of EUR -75 million. In addition, EUR -2 million of other non-recurring items was recognised in the period.

The US dollar-denominated price of pulp remained low during the first half of the review period. During the latter half of the year, prices increased by an average of 25%–40% in all types compared to the first half of the year.

During the year, approximately 2.4 million tonnes of production capacity was closed down. Production units have been closed down in China, North America and Europe. However, towards the end of the year, production units that had already been closed down were reopened in Canada and the USA. The production volume of Metsä-Botnia's continuing operations was 1,959,000 tonnes (2,363,000) of pulp.

The financial position and liquidity of Metsä-Botnia continued to be good. At the end of the year, the company had a total of EUR 175 million (304) of liquid assets and unutilised credit facilities. Its equity ratio was 46% (64) at the end of the period under review, and the net gearing ratio was 72% (35).

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

Metsä-Botnia has processed the 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 result figures presented above. The operations in Uruguay have not been a separate segment in terms of Metsäliitto and M-real, so the business operations in Uruguay have been reported as continuing operations in terms of these groups.

Board and Paper

The sales of Board and Paper totalled EUR 2,432 million (3,236), and the operating result excluding non-recurring items was EUR -150 million (-35).

The operating result excluding non-recurring items decreased from the previous year due to the drop in delivery volumes following weaker demand and a decrease in the average selling prices of office papers. The result was improved by price increases in boards and cost savings.

M-real's non-recurring items in January–December totalled EUR -117 million net (-26). Of the non-recurring items, EUR 58 million was booked in January-September, and of these EUR 22 million was related to the closure of the Metsä-Botnia Kaskinen mill, EUR 28 million to the closure of the Hallein paper mill and EUR 8 million to various profit improvement measures and cost provisions.

In the fourth quarter, M-real booked non-recurring items of EUR -59 million net. The non-recurring items included EUR 113 million of impairment losses, EUR 48 million of write-downs and cost provisions related to the plans to permanently close down the Alizay pulp mill, EUR 13 million of cost provisions related to various profit improvement programmes and EUR 19 million of other non-recurring expense items. Non-recurring income totalled EUR 134 million, related to the reorganisation of Metsä-Botnia's ownership.

The operating result including non-recurring items was EUR -267 million (-61). Net interest and other financial expenses totalled EUR 80 million (155), income from associates was EUR -16 million (-1) and net exchange gains and losses booked as financial items were EUR 5 million (13).

The financial income of the review period includes a profit of about EUR 31 million from repurchases of a EUR 400 million bond due in December 2010. A loss of approximately EUR 30 million has been booked in the financing expenses due to the premature repayment of the bond issued to Sappi. Results from associates include a EUR 11 million non-recurring expense item related to the sale of Myllykoski Paper's Sunila shares.

The result before tax was EUR -358 million (-204), earnings per share from continuing operations were EUR -1.02 (-0.55) and the return on capital employed was -8.9% (-1.3). Excluding non-recurring items, the result before taxes was EUR -230 million (-178), earnings per share were EUR -0.66 (-0.48) and the return on capital employed was -4.5% (-0.5).

At the end of December, M-real's equity ratio was 29.6% and net gearing amounted to 84% (30.8% and 90%, respectively). Some of M-real's loan agreements set a 120% limit on the company's net gearing ratio and a 30% limit on the equity ratio. At year end, net gearing calculated as defined in the loan agreements was approximately 63% and the equity ratio was about 35%.

Tissue and Cooking Papers

Sales of Metsä Tissue, which produces tissue and cooking papers, totalled EUR 890 million (930), and its operating result was EUR 93 million (42). Sales were down some four per cent year-on-year due to changes in exchange rates and lower sales volumes. The sales volumes of the company's own brands, especially Lambi and Serla, increased. Sales volumes of large-scale consumer operations improved during the latter half of the year following softer demand in the first half, which was due, for instance, to the increased demand for hygiene products along with the spread of the H1N1 virus.

Pulp costs increased during the second half of the year and were 25% higher at year end than in late spring. Prices of recycled fibre have remained more stable, but its availability has worsened.

Metsä Tissue launched several new products and product solutions during the year, such as the design patterned Lambi Limited Collection product concept for consumers and the Katrin hand care programme, special towels and dispensers for large-scale consumers. In addition, the new SAGA brand was launched in the autumn, used for marketing cooking and baking products for households, cooking professionals and converters alike. The development of the Serla, Mola and Tento brands was also continued.

It was decided to rebuild paper machine 10 at the Mänttä mill. The investment will be carried out in the first half of 2010.

In the review year, Metsä Tissue continued measures to improve energy efficiency. Energy efficiency was audited in Finland and Germany, and the companies in both countries were awarded energy efficiency certificates.

In September, Metsä Tissue streamlined its operations by moving from five business lines to three. After the reorganisations, the lines are Consumer, Away-from-Home (large-scale consumer) and Baking & Cooking. The napkin product category will be developed and strengthened further as part of the Consumer and Away-from-Home businesses. The company invested in three napkin machines and associated printing and packaging lines during the review period.

Research and development

Metsäliitto Group works long-term to improve the competitiveness and profitability of its products. The Group's research and development costs in 2009 totalled EUR 24 million (08: 25 and 07: 29) representing 0.5% of sales (08: 0.4 and 07: 0.4).

Metsäliitto Wood Supply developed an integrated wood harvesting technique aimed at increasing and improving the efficiency of biomass recovery from first-thinning stands and lowering energy wood and pulpwood costs. The integrated harvesting method is being piloted in central Finland. The development of techniques and methods for summer harvesting of thinning stands was continued in cooperation with the Finnish Forest Research Institute. Wood Supply was also actively involved in wood availability and wood supply infrastructure development projects through Metsäteho Oy.

Metsäliitto Wood Products Industry's Building Solutions business line focused on energy-efficient building construction through, for example, participation in the development of a new Kerto-framed passive roof element and the new Trä8 apartment building system based on prefabricated wooden components. Solid Wood business line's development of log measurement techniques based on X-ray and 3D modelling proceeded to the commissioning stage. In the Plywood business line, development of speciality products for the transport and formwork sectors continued in cooperation with customers. The new WalkSure non-slip decking product was launched in the UK market.

Metsä-Botnia focused its R&D operations on customer needs-oriented product development, as well as process development aimed at enhancing production efficiency. Product development was targeted at raw materials optimisation, and process development at the improvement of the mill's technical availability.

M-real's Consumer Packaging business area is conducting a comprehensive Efficient Packaging research programme to investigate the impact of lightweight, high-performance board products on efficiency throughout the packaging chain. The benefits of the LITE4U packaging board concept launched in the previous year were realised according to plan during the review year. The efficiency improvement projects are being implemented mainly as mill projects. In addition, the product range of the Gohrsmühle mill, among others, was comprehensively renewed.

Metsä Tissue launched several new products during the year, such as the designer-decorated Lambi Limited Collection tissue paper range and herbal balsam-infused Herbal Sensitive bathroom tissues. Thicker and softer Serla papers were launched in the Scandinavian market, and bleached cellulose based production of the Mola and Tento household towel brands was begun for the central Eastern European market.

Environment

Metsäliitto Group's environmental policy is based on the principles of continuous operational improvement, minimisation of harmful environmental impacts, efficient use of raw materials, and open communication. Investments in new production facilities are carried out using Best Available Techniques (BAT). Nearly all of the Group's production units have implemented a certified ISO 9001 quality management system and an ISO 14001 environmental management system. A certified occupational and product safety system is in place at many of the Group's production units.

In 2009, Metsäliitto continued to improve its energy usage and production efficiency and development efforts to increase the share of bioenergy as part of the Group's Climate Programme. During the review year, Metsäliitto Group carried out 160 small-scale projects aimed at improving energy efficiency, representing a combined energy-saving effect of 190 GWh of heat and 70 GWh of electricity per year. Annual carbon dioxide emissions resulting from production activities were reduced through energy saving measures by 45,000 tonnes, representing approximately 3.5% of total emissions. New efficiency projects are being evaluated and implemented on a continuous basis. The commissioning of an energy efficiency management system (EES, Energy Efficiency System) covering all Group production units was completed during the review year. The EES is being used to achieve increasingly systematic daily improvements in energy efficiency.

Metsäliitto Group's energy procurement is based mainly (60%) on renewable wood fuel. Taking into account hydro and nuclear power procurements and recycled fuel consumption, carbon-neutral energy sources comprise 72% of total energy procurement. The development of biopower plant investment projects and energy production projects based on carbon-neutral waste-derived fuels were continued at several Group production units.

M-real received a commendation during the review year for greenhouse gas emissions reporting within the Nordic category of the investor-financed Carbon Disclosure Project survey.

During the review year, Metsäliitto Group's production units used a total of 22.4 TWh (25.9) of fuels for energy production. Purchased electricity amounted to 2.5 TWh (3.1) and purchased heat to 0.2 TWh (0.4). These collectively amounted to a total energy consumption of 28.9 TWh (34.1). Wood accounted for 77% (77) of total production unit fuel consumption.

Carbon footprint calculations have already been drawn up for a large number of Metsäliitto Group's products. The calculation adheres to the Carbon Footprint Framework for Paper and Board Products developed by the Confederation of European Paper Industries (CEPI).

The Group's emissions into the atmosphere were: carbon dioxide (CO_2) 1.29 million tonnes (1.53), sulphur (as SO_2) 2,370 tonnes (3,878) and nitrogen oxides (as NO_2) 6,688 tonnes (8,056). Discharges into water systems were: chemical oxygen demand (COD) 37,314 tonnes (44,792) and phosphorus 74 tonnes (107).

The improvements to reduce environmental loads and risks at the production units were focused on enhancing the efficient use of raw materials, water and energy and the reduction of air emissions.

Efforts to implement the new European REACH regulation continued during the review year. Metsä-Botnia, M-real and Metsä Tissue have compiled the required data on the substances that they produce for 2010 REACH registration purposes. A database is maintained on the most important chemicals used in the production process, their key environmental, health and safety information and, for example, the registration status of substances in accordance with the REACH regulation. Substances to be registered typically include the by-products and intermediate products, such as tall oil generated during pulp production and ash generated from the incineration of wood and wastewater treatment plant sludge.

No significant deviations from environmental permit conditions occurred among the Metsäliitto Group's production units during the review year. Some minor, short-term deviations were, however, recorded.

Metsäliitto Group companies also remain subject to environmental liabilities related to former industrial activities at sites that have since been closed, sold or leased, and from decommissioned landfill sites. Liabilities relating to past activities have declined in recent years following the implementation of a series of land rehabilitation projects. The current, most significant known liabilities relate to land decontamination at locations owned by M-real and Metsäliitto Wood Products Industry. Financial provision for the cost of land rehabilitation work has been made in cases where the Group's liability for land contamination has been verified.

Metsäliitto's environmental costs in 2009 amounted to EUR 58 million (81).

Metsäliitto is committed to responsible procurement of wood and wood fibre raw material. Wood supplied by Metsäliitto originates from sustainably managed forests. Wood procurement and forest management operations are carried out in strict compliance with local laws and government regulations. The major part of the wood is sourced from Finland, mainly from the private forests of Metsäliitto's owner-members.

Metsäliitto requires the same responsibility commitment of its contractual partners and provides them with regular training. Metsäliitto regularly audits its wood suppliers as well as its own and its subcontractors' logging sites.

Metsäliitto promotes independently verifiable forest certification. Some 78% of all wood procured by Metsäliitto originates from certified forests. During the review year, 73.3% of this was PEFC certified and 4.6% FSC certified. Many of the Group's production units have implemented certified Chain of Custody systems, enabling them to report the share of certified wood in their products. The certified quality and environmental systems are integrated with a Chain of Custody system which enables Metsäliitto to know and control the origin of the wood it uses.

Risk management and risk factors

Metsäliitto Group assesses its strategic, operative, financial and liability risks twice a year. Identified risks are prepared for to the best of the company's knowledge and as most appropriate for the company. Metsäliitto cooperates actively with insurance companies related to risk management, for example, by regularly executing risk evaluations on different business areas.

Some of the risks are carried by Metsäliitto Group and some are selectively transferred by means of, for example, insurance contracts, derivative contracts and terms and conditions otherwise included in contracts, to be handled by insurance companies, banks and other counterparties.

In 2009, the following risks and risk factors were identified which, if they are realised, may affect Metsäliitto Group's financial performance and capacity to act:

Global economic uncertainty
In the main market areas, the demand for paper and board as well as wood products and pulp follows the general economic development. Due to the global recession the demand was rapidly decreased at the end of 2008. The state of the world economy began to pick up towards the end of 2009 but there are still significant uncertainties connected to the development. The global economy has a direct impact on the demand of the main products and the profitability of Metsäliitto Group.

Competitive environment
The balance between demand and supply affects the price level of the main products of Metsäliitto Group. Recently, the market balance has improved considerably thanks to capacity cuts, but as a result of the recession the demand has weakened. A possible decline in demand or an increase in supply may have unfavourable effects on this balance. The unfavourable business cycles, or, the capacity increases by competitors may decrease prices. On the other hand, potential capacity closures by competitors or strategic consolidations in the forest industry could lead to price increases. A stronger euro against the US dollar may cause an increase in imports to Europe which in turn would weaken the market balance in Europe.

Credit and other counterparty risks
The management of the credit risks involved in commercial activities is the responsibility of the business areas and the centralised credit control. The credit control function, together with the business areas, defines the internal credit lines and the terms of payment for different customers. Some of the credit risks are transferred further to credit insurance companies by means of credit insurance contracts. The global financing crisis has also affected the financial standing of large credit insurance companies and their risk tolerance. In turn, this has directly also affected the availability of Metsäliitto Group's customer credit insurance and the credit facilities. During 2009, the customer credit risk of the Metsäliitto Group was higher than normal. The risk is aimed to be reduced by improving and intensifying internal credit control and its processes.

The main principles for the company's credit control are defined in the credit policy approved by the Board of Directors. Counterparty specific, approved maximum amounts are also applied to investments, derivatives and borrowings in order to ensure creditworthiness and to reduce risk concentrations.

Changes in consumer habits
In the future, changes in new communications technology, marketing channels and consumer habits may affect the demand for paper and board products.

The risks of increased costs in production and the availability of production inputs
A radical and unforeseen rise in the price of production inputs important for operations, such as wood raw material, energy or chemicals, or problems with their availability may reduce profitability. Metsäliitto attempts to hedge against this risk by entering into long-term supply agreements and derivative contracts for different time periods. The cost inflation risk in the current economic environment seems to be at a low level.

Possible changes in the regulations of the carbon dioxide emission rights, if realised, may cause a significant rise in Metsäliitto Group's energy costs.

Liability risks
Metsäliitto's business operations involve various types of liability risks, such as general operational liability risks, environmental risks and product liability risks. Attempts are made to manage these risks by improving business processes, practices, quality requirements and the transparency of operations. Part of the above mentioned risks have been transferred to insurance companies by means of insurance contracts.

Business interruption risks
Catastrophes, major accidents, natural catastrophes, serious malfunctions in critical information systems, labour disputes and delivery problems of the most important raw material suppliers, for example, may interrupt business operations and, in extreme cases, cause loss of customers. Business areas and mills have drawn up continuity and recovery plans for reducing these risks. In addition, some of the mill operation interruption risks have selectively been transferred to insurance companies.

Personnel
Metsäliitto Group has paid special attention to ensuring the availability and permanence of personnel by means of various development programmes and special measures. Metsäliitto attempts to prepare for a generational shift and other HR risks by means of career planning and work rotation of personnel.

Financial risks
The financial risks involved in business operations are managed in accordance with the financial policy approved by the Board of Directors. The policy defines detailed operating instructions for the management of the currency, interest rate, liquidity and counterparty risks and the use of derivative instruments, among other things. The aim is to hedge against significant financial risks, balance the cash flow and give the business units time to adjust their operations to changed conditions.

Members' capital and additional members' capital
Upon expiry of membership in Metsäliitto, the former member has the right to a refund of the amount paid for shares. Additional members' capital is also refunded based on written notifications. According to the rules of Metsäliitto Cooperative, the annual amount available for redemption of members' capital and additional members' capital corresponds to 1/3 of distributable surplus confirmed in the most recent balance sheet. Higher than normal redemptions, may have a negative effect on Metsäliitto's financial position.

Events after the period
Metsäliitto announced on 18 January 2010 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.

Through the capital programme aimed at owner members, the members can subscribe for A and B additional shares. In addition, the programme includes the removal of the current upper limit for the obligatory shares. Furthermore, Metsäliitto intents to issue a new C additional share, on the basis of which the owners can, in addition to any interest, gain additional profit as cash payments, the amount of which depends on the price development of M-real Corporation's B share on the Helsinki Stock Exchange. Metsäliitto members who own A and B additional shares or subscribe for them during the programme are entitled to subscriptions of C additional share. The terms and conditions of C additional shares are otherwise identical to the current B additional shares, and the same annual interest will be paid on them as on the B additional shares.

The Supervisory Board approved the changes in rules required to execute the capital programme in its meeting on 18 January 2010 and presented them to the Representative Council for approval. The Board of Directors will decide on the launch of the programme, its exact starting date, and the subscription periods and terms during the first quarter in 2010, following the meeting of the Representative Council.

Near-term outlook

Wood orders for 2010 by Wood Supply customers are close to the normal level, which translates into procurement of considerably larger amounts of wood than in 2009. In Finland, wood procurement is supported by a 25% tax relief on wood trade income, which is valid for sales made by the end of 2010.

Wood Products Industry will continue to implement its strategy aiming to increase processing value and invest in customer-oriented development of products and services. Recovery is expected in the construction market during the year, but demand is likely to remain below the normal level. DIY trade volumes are also expected to increase.

The price of pulp has increased further in January, and the pulp market is likely to remain strong, at least for the next few months. Increasing world market prices have led to a situation in which pulp mills that have already been closed down have been reopened. This has increased supply and might have a negative impact on the development of pulp prices.

The demand for both board and uncoated fine paper is expected to remain favourable during the first quarter. The demand for speciality papers continues to be below the normal level, but demand is expected to improve during the first half of the year. Average prices of folding boxboard and liners are experiencing a slight increase as a result of price increase measures. M-real has additionally announced price increases of 8% in all main markets. The price increases will take effect in March. Prices of speciality papers have remained stable, and no significant changes in average prices are expected.

M-real's first-quarter operating result excluding non-recurring items is expected to be better than that of the fourth quarter of 2009.

The demand for tissue and cooking papers is expected to remain relatively steady also during 2010. However, raw material prices and transport costs are expected to continue to increase. Metsä Tissue is now seeking growth after significant streamlining efforts.

Metsäliitto Group's operating result excluding non-recurring items became positive during the third quarter of the year. The operating result for the fourth quarter was better than expected, and no changes that would have a negative impact on profitability have taken place in the market this year. Metsäliitto estimates that the favourable development will continue in the first quarter and that the operating result excluding non-recurring items will be better than 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 2009, interest of 5.5% (5.5 for 2008) 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.

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.

Proposal for the distribution of the surplus 2009

Metsäliitto Cooperative		
Euro		
At the disposal of the Representative Council		
surplus of the period		178,594,983.46
retained earnings from previous years		381,169,312.55
total		559,764,296.01
The Board of Directors proposes,		
under Section 13, Subsection I, a transfer to general reserve II of	8,929,749.17	
in additional	0.83	8,929,750.00
a dividend of		
5.5% be distributed on paid-in members' capital	10,395,789.09	
5.0% be distributed on paid-in additional members' capital A	24,150,149.38	
4.5% be distributed on paid-in additional members' capital B	1,007,790.77	35,553,729.24
to be retained on the surplus and deficit account		515,280,816.77
total		559,764,296.01
If the Representative Council approves the above proposal, the members' funds will be		
Members' capital		188,665,449.59
Additional members' capital A		455,008,269.20
Additional members' capital B		24,089,373.50
General reserve I		3,939,904.28
General reserve II		51,479,690.00
Surplus and deficit account		515,280,816.77
Members' funds total		1,238,463,503.34

Espoo, 4 February 2010

Martti Asunta
Chairman

Kari Jordan
Vice Chairman
President and CEO

Mikael Aminoff

Eino Halonen

Arto Hiltunen

Saini Jääskeläinen

Juha Parpala

Timo Saukkonen

Antti Tukeva

Consolidated statement of Comprehensive income

EUR million	note	1.1.-31.12.2009	1.1.-31.12.2008
Continuing operations			
Sales	4, 6	**4,837**	**6,434**
Change in stocks of finished goods and work in progress		-112	-28
Other operating income	7	353	239
Materials and services	8	-3,131	-4,345
Employee costs	8	-797	-893
Depreciation, amortization and impairment charges	9	-501	-482
Other operating expenses	8	-817	-923
Operating result		**-169**	**2**
Share of profit from associated companies		-16	6
Net exchange gains/losses	10	2	19
Other financial income	10	26	17
Interest and other financial expenses	10	-173	-277
Result from continuing operations before tax		**-329**	**-233**
Income taxes	11	10	60
Result for the period from continuing operations		**-318**	**-172**
Discontinued operations			
Result for the period from discontinued operations	5	-23	-338
Result for the period		**-342**	**-511**
Other comprehensive income	12		
Cash flow hedges		35	-55
Available for sale investments		-103	97
Translation differences		-15	13
Other items		0	-1
Income tax relating to components of other comprehensive income		23	-16
Other comprehensive income, net of tax		-60	39
Total comprehensive income for the period		**-402**	**-472**
Result attributable to:			
Members of parent company		-116	-213
Minority interest		-226	-297
		-342	**-511**
Total comprehensive income attributable to:			
Members of parent company		-150	-199
Minority interest		-252	-272
		-402	**-472**

The notes are an integral part of these financial statements.

Consolidated balance sheet

EUR million	note	31.12.2009	31.12.2008
ASSETS			
Non-current assets			
Goodwill	13	493	176
Other intangible assets	13, 37	245	88
Tangible assets	13, 37	2,428	2,958
Biological assets	14	7	103
Investments in associated companies	15	98	139
Available for sale investments	16	356	493
Other non-current financial assets	17	11	234
Deferred tax receivables	18	58	61
		3,696	**4,252**
Current assets			
Inventories	19	669	943
Accounts receivables and other receivables	20	753	956
Current income tax receivables		42	52
Derivative finacial instruments	29	4	77
Cash and cash equivalent	21	558	619
		2,026	**2,647**
Assets classified as held for sale	5	9	
Total assets		**5,730**	**6,899**
MEMBERS' FUNDS AND LIABILITIES			
Equity attributable to members of parent company			
Members' capital	22	484	585
Share premium account	22	30	30
Translation differences	22	9	-5
Fair value and other reserves	22	221	165
Retained earnings		184	329
		927	1 104
Minority interest		471	682
Total members' funds		**1,399**	**1,786**
Non-current liabilities			
Deferred tax liabilities	18	382	328
Post employment benefit obligations	23	122	131
Provisions	24, 37	76	77
Borrowings	25	1 976	2 854
Other liabilities	26	115	26
		2,670	**3,415**
Current liabilities			
Provisions	24, 37	52	34
Capital note loans	25	0	50
Current borrowings	25	798	640
Accounts payable and other liabilities	27	758	918
Current income tax liabilities		16	12
Derivative financial instruments	29	32	44
		1,656	**1,698**
Liabilities classified as held for sale	5	6	0
Total liabilities		**4,331**	**5,113**
Total members' funds and liabilities		**5,730**	**6,899**

The notes are an integral part of these financial statements.

Statement of changes in members' funds

		Equity attributable to members of parent company							
EUR million	note	Members' capital	Share premium account	Translation differences	Fair value and other reserves	Retained earnings	Total	Minority interest	Total
Members' funds, 1 Jan. 2008		574	30	-7	148	583	1,328	978	2,306
Interest on members' capital and dividends paid	22					-35	-35	-13	-48
Change in members' capital	22	11					11		11
Change in share premium account	22		0				0		0
Change in fair value reserve	22						0		0
Transfer from unrestricted to restricted equity					6	-6	0		0
Business arrangements							0	-10	-10
Total comprehensive income for the period	12			3	12	-214	-199	-272	-472
Members' funds, 31 Dec. 2008		**585**	**30**	**-5**	**165**	**329**	**1,104**	**682**	**1,786**
Members' funds, 1 Jan. 2009		**585**	**30**	**-5**	**165**	**329**	**1,104**	**682**	**1,786**
Interest on members' capital and dividends paid	22					-29	-29	-1	-30
Change in members' capital	22	-101					-101		-101
Change in share premium account	22						0		0
Change in fair value reserve	22						0		0
Transfer from unrestricted to restricted equity							0		0
Business arrangements				20	82		102	44	146
Total comprehensive income for the period	12			-7	-27	-116	-150	-252	-402
Members' funds, 31 Dec. 2009		**484**	**30**	**9**	**221**	**184**	**927**	**471**	**1,399**

The notes are an integral part of these financial statements.

Consolidated cash flow statement

EUR million	note	2009	2008
Cash flow from operating activities			
Result for the period		-342	-511
Adjustments to the result	31	469	832
Interest received		20	21
Interest paid		-172	-266
Dividends received		4	3
Other financial items, net		64	3
Income taxes paid		0	-58
Change in working capital	31	231	88
Net cash flow from operating activities		**275**	**113**
Cash flow arising from investing activities			
Acquisition of subsidiary shares	5	-493	-3
Acquisition of shares in associated companies		0	0
Acquisition of other shares		-3	-1
Investments in tangible and intangible assets		-152	-268
Proceeds from disposal of subsidiary shares	5	700	396
Proceeds from disposal of shares in associated companies		0	0
Proceeds from disposal of other shares		38	82
Proceeds from sale of tangible and intangible assets		16	15
Change in non-current receivables		186	18
Net cash flow arising from investing activities		**291**	**239**
Cash flow arising from financing activities			
Proceeds from non-current liabilities		120	600
Payments of non-current liabilities		-654	-773
Proceeds from/payments of current liabilities, net		-17	79
Change in current interest-bearing receivables, net		22	-6
Interest on members' capital and dividends paid		-40	-55
Increase in members' funds		-57	-1
Net cash flow arising from financing activities		**-626**	**-157**
Change in cash and cash equivalents		**-60**	**195**
Cash and cash equivalents at beginning of period		619	428
Translation adjustments		-1	-4
Change in cash and cash equivalents		-60	195
Cash and cash equivalents in assets classified as held for sale		-1	0
Cash and cash equivalents at end of period	21	**558**	**619**

The notes are an integral part of these financial statements.

Notes to the accounts

1. Accounting policies

The principal accounting policies to be adopted in the preparation of the consolidated financial statements are as follows.

Main operations

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 Group has manufacturing operations in 12 countries. Europe is Metsäliitto Group's main market area.

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.

The copy of the annual report can be obtained in Metsäliitto's website www.metsaliitto.com or parent company's head office Revontulentie 6, 02100 Espoo, Finland.

The consolidated financial statements were authorized for issue by the Board of Directors on 4 February 2010. According to Finnish Cooperative Act the Representative Council has the possibility to accept or reject the financial statements in the Annual General Meeting after date of publication. The Annual General Meeting also has the possibility to decide to change the financial statements.

Accounting policies and measurement bases

Metsäliitto Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), applying the IAS and IFRS standards and SIC and IFRIC interpretations that were effective and approved by the EU at the date of the financial statements 31 December 2009. International Financial Reporting Standards refer to the standards and their interpretations approved for use in the EU by the Finnish Accounting Act and the regulations set out pursuant to it in accordance with the procedure defined in the EU decree (EC) no. 1606/2002. The notes to the consolidated financial statements also comply with the requirements of Finnish accounting and Community legislation supplementing the IFRS regulations.

The consolidated financial statements are presented in millions of euros.

The financial statements have been prepared based on historical costs, except for biological assets, derivative contracts and certain other financial assets and liabilities that have been measured at fair value.

Principles of consolidation

Subsidiaries

The consolidated financial statements include the accounts of the parent company Metsäliitto Cooperative and all those subsidiaries in which the parent company controls at the end of the year, directly or indirectly, over 50% of the voting rights or it otherwise exercises control of the company.

The financial period of all companies ended on 31 December 2009. Subsidiaries acquired or established during the financial period have been consolidated from the date of their acquisition. Companies in which a controlling interest has been given up during the financial year are included in the consolidated financial statements up to the time of sale.

The financial statements of subsidiaries have been translated, if necessary, to be in line with the accounting policies applied in the Group's financial statements.

Mutual shareholding between Group companies has been eliminated using the acquisition cost method, according to which the identifiable assets and liabilities of an acquired company are recognised at fair value at the date of the acquisition and the remainder of the difference between the acquisition cost and net assets is goodwill.

All intra-Group transactions, unrealized margins on internal deliveries, internal receivables and liabilities as well as internal distribution of profits have been eliminated.

Minority interests have been separated from Group profit attributable to shareholders of the parent company and from shareholders' equity and presented as a separate item under equity. The minority interest in the accumulated losses is recognised in the consolidated financial statements up to the amount of the investment.

Associated companies

Associated companies are companies over which Metsäliitto Group exercises significant influence but does not control. Significant influence primarily arises when the Group owns over 20% of the company's votes, or the Group otherwise has a significant degree of influence over the company but has no controlling interest. The financial statements of associated companies have been translated, if necessary, to be in line with the accounting policies applied in the Group's financial statements. Associated companies are consolidated in the financial statements using the equity method. If the Group's share of the losses of the associated company exceeds the carrying amount of the investment, the investment will be recorded in the balance sheet at nil value and the losses exceeding the carrying amount will not be consolidated unless the Group has made a commitment to fulfil the liabilities of associated companies. An investment in an associated company contains the goodwill generated by the acquisition. Unrealised profits between the Group and associated companies are eliminated according to the Group's holding. The Group's share of the profits of associated companies is reported in the income statement on a separate line after the operating result.

Joint ventures

Joint ventures are entities in which a company enters into a contractual arrangement whereby it shares control over the finances and operations together with other parties. The Group's holdings in joint ventures are consolidated using the proportionate method line by line. Accordingly, Metsäliitto Group's consolidated financial statements include an amount of the joint ventures' assets, liabilities, revenue and expenses corresponding to the company's holding in them. Oy Metsä-Botnia Ab, Äänevoima Oy, Ääneverkko Oy, Vapo Oy and Katrinefors Kraftvärme Ab have been consolidated on a proportionate basis line by line. After the ownership transactions in December 2009 Metsä-Botnia is handled as a subsidiary from 8 December 2009 on.

Transactions in foreign currency

The figures concerning the profit and financial position of Group units are presented in the currency that is used in the primary operating environment of the unit in question. The consolidated financial statements are presented in euros, which is the parent company's operating and reporting currency. Business transactions denominated in foreign currencies are recognised in the operating currency using the rate of the transaction date. Monetary items denominated in foreign currencies are translated into the operating currency using the rate of the closing date. Non-monetary items in foreign currencies recognised at fair value have been translated into the operating currency using the rate of the date on which the value was determined. Otherwise, non-monetary items have been recognised using the rate of the transaction date.

Any gains or losses resulting from transactions in foreign currencies, and from the translation of monetary items, are recognised under financial income and expenses with the exception of liabilities classified as hedges for net investment in a foreign entity, for which the currency gains and losses are entered for the part of hedge proven effective in the translation differences in other comprehensive income.

The income statements of Group companies whose reporting currencies are other than euro are translated into euros using average exchange rates for the reporting period, and their balance sheets at the exchange rates prevailing at the balance sheet date. Translation differences arising on translation and on applying the purchase method of consolidation are entered in other comprehensive income. In conjunction with divestments of subsidiaries, either by selling or by dissolving, translation differences accumulated by the time of divestment are entered in the income statement as part of the gain or loss from the divestment.

Financial assets

Financial assets have been classified according to the IAS 39 standard as follows: 1) Financial assets at fair value through profit or loss, 2) Held-to-maturity investments, 3) Loans and other receivables and 4) Available-for-sale financial assets. Categorisation depends on the purpose for which the assets were acquired and is made at the time they were originally recorded. Financial assets are initially recognised at fair value. Transaction costs are included in the fair value unless the item is measured at fair value through profit and loss. Financial assets are derecognised when the Group has lost the contractual right to receive cash flows or it has transferred substantially risks and rewards of ownership outside the Group. Purchases and sales of financial assets are recorded at the settlement date.

Investments acquired for trading have been classified as financial assets at fair value through profit or loss. These are mainly stock exchange listed bonds. Financial assets held for trading have been recognized at fair value based on price quotations in the market. Unrealised and realised gains and losses due to changes in fair value are recognized immediately in the income statement during the financial period in which they are incurred.

Derivatives not included in hedge accounting are also classified as financial assets held for trading. Their accounting principles and principles of determining their fair value are described later.

Held-to-maturity investments include those investments with a specific date of maturity which the Group has full intention and ability to retain until the date of their maturity. The Group has no held-to-maturity investments. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market.

Loans and other receivables comprise external loans and other receivables including accounts receivables. Financial assets designated in these categories are carried at amortised cost using the effective interest method.

Available for sale financial assets consist of shares in listed companies and other companies. The fair values of shares in listed companies are based on public quotation for shares at the Balance sheet date. The most important shareholding of not quoted companies consists of 2.5 percentage stake in Finnish energy company Pohjolan Voima Oy. The ownership in Pohjolan Voima Oy is fair valued quarterly using weighted average of discounted cash flow method and previous transactions. The changes in fair value are recorded in fair value reserve in equity and transferred from shareholders' equity to profit and loss account when the investment is sold or its value is impaired so that an impairment shall be charged for the investment. Other shares in not quoted companies, where the fair value cannot be measured reliably are carried at cost less any impairment losses.

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments. Cash and cash equivalents include items with original maturities of three months or less from the date of acquisition.

The Group assesses at each balance sheet date whether there is objective evidence of impairment of a financial asset or group of financial assets. Objective evidence of impairment of available-for-sale financial assets includes a significant or long-term decrease of the value of the investment under the acquisition cost. If the fair value of investments has substantially gone under acquisition cost and exceeded the period of time defined by the Group, it shall indicate that the value of the investment may be impaired. If there is evidence of impairment, the accumulated losses recognised in fair value reserve shall be transferred to profit and loss. Impairment losses of equity instruments classified as available for sale financial assets shall not be reversed through profit and loss.

The criteria for determining whether there is objective evidence of impairment of loans and other receivables include:

- significant financial problems of the issuer or debtor;
- breach of contractual terms and conditions, such as defaults on interest or capital payments;
- concessions given by the Group to the debtor due to its financial or legal reasons related to its financial problems that it would not otherwise contemplate giving;
- probability of the debtor's bankruptcy;
- the financial asset in question no longer having an active market due to financial problems.

Impairment testing of trade receivables is described below in more detail with regard to the relevant accounting principles.

The amount of the impairment loss is determined as the difference between the carrying amount of the financial asset and the current value of the estimated cash flows of the financial asset discounted using the original effective interest rate (excluding any non-realised future credit losses). Impairment of financial assets has to be recorded if the carrying amount of the financial asset exceeds its recoverable amount. The carrying amount of the asset is decreased and the loss is entered in the consolidated income statement. If the amount of the impairment loss decreases during a subsequent period and the decrease can be objectively linked to an event realised after the recording of the impairment (such as the debtor's credit rating improving), the impairment loss is reversed in the income statement.

Financial liabilities

The Group has classified all financial liabilities under "Other liabilities". When a financial liability is entered in the accounts, it is measured at cost, which is equal to the fair value of the consideration received for it. Transaction costs are included in the original carrying amount of all financial liabilities. Subsequently, all financial liabilities are measured at amortized cost using the effective interest method.

According to IAS 32 the Metsäliitto Group has a contractual obligation regarding the Metsä-Botnia agreement to deliver cash to another entity against shares in Metsä-Botnia. This liability is valued at fair value through profit and loss.

Financial assets and liabilities are classified according to IAS 39 and fair values are presented in note 28.

Derivative financial instruments and hedge accounting

Derivative financial instruments are initially recognized in the balance sheet at fair value, which equals their acquisition costs and thereafter revalued during their term-to-maturity to fair value each balance sheet date. Gains and losses resulting from recognition at fair value are treated in accounting as required with regard to the intended use of the derivative in question. Derivatives are initially classified either as 1) Hedges of the exposure to changes in fair value of receivables, liabilities or firm commitments, 2) Hedges of the cash flow from a highly probable forecast transaction, 3) Hedges of a net investment in a foreign entity, 4) Derivatives to which it has been decided not to apply hedge accounting or 5) Derivatives used for trading. Derivatives that do not qualify for hedge accounting are classified as financial assets or financial liabilities at fair value through profit or loss.

When applying hedge accounting, at the inception of a hedging relationship, the Group has documented the relationship between the hedged item and the hedging instruments as well as the hedging strategy observed. To meet the requirements of hedge accounting, the Group has also continuously carried out effectiveness testing to verify that changes in the fair value of the hedging instrument for each hedging relationship cover effectively enough, with respect to the hedged risk, any changes in the fair value of the hedged item.

Changes in the fair value of derivatives that meet the criteria for fair value hedging are recognised through profit and loss. Changes in the fair value of a hedged asset or liability item are presented similarly in terms of the hedged risk. Changes in the fair value of the effective portion of derivative instruments that meet the criteria for cash flow hedging are recognised directly in a hedging reserve in equity. The gains and losses recognised in equity are transferred to the income statement in the period in which the hedged item is entered in the income statement. When the criteria for hedge accounting are no longer fulfilled, a hedging instrument matures or is sold or when the gain or loss accrued from hedging the cash flow remain in equity until the forecast transaction takes place. However, if the forecast hedged transaction is no longer expected to occur, the gain or loss accrued in equity is recognised immediately in the income statement.

The fair value of derivatives is disclosed in current non-interest-bearing receivables or liabilities. The fair values of derivatives classified in accordance with the applied accounting practice are presented in note 29. The maturity analysis of cash flow hedge accounting is presented in note 30.

Currency hedging

To hedge its foreign currency exposure, the Group has partly applied hedge accounting in accordance with IAS 39 as so-called cash flow hedge. A separately defined portion of the highly probable forecasted cash flow from M-real's, Metsä Tissue's and Metsä-Botnia's sales in USD, GBP and SEK is the object of hedge accounting. A change in the fair value of a derivative hedge (currency forward contracts) proven effective is entered directly in shareholders' equity in the fair value reserve, and only after the realisation of the forecasted sales transaction it is entered in the income statement as an adjustment of the hedged sales. Changes in the fair value of other currency derivatives to hedge foreign currency exposure are recognized under financial items in the income statement. The fair values of forward foreign exchange contracts are based on forward prices prevailing at the balance sheet date, and currency options are stated at market rates in accordance with the Black&Scholes model's fair value.

The hedging of a net investment in a foreign entity is dealt with in the books like cash flow hedge. Changes in the fair value of a derivative and loan hedge proven effective are recognized directly against the translation differences accumulated in shareholders' equity. The ineffective portion of the hedge as well as the effect of the interest rate element of forward exchange contracts are recorded in financial income and expenses in the income statement.

Interest hedging

To hedge the fair value of separately defined loans with derivatives contracts (interest rate swaps and currency swaps), the Group has applied hedge accounting in accordance with IAS 39 as so-called fair value hedge. Changes in the fair value of both defined loans and derivative contracts that meet the criteria for effective hedge accounting are recognized in financial income and expenses through profit and loss. The fair value of loans is calculated in respect of interest rate risk and currency risk elements, but any changes in the company's credit risk premium have not been taken into account.

Moreover, to hedge its interest rate exposure, the Group has partly applied hedge accounting in accordance with IAS 39 to hedging of contractual cash flows of floating interest rates of loans as so-called cash flow hedge. A change in the fair value of derivative contracts (interest rate swaps) is entered directly in shareholders' equity in fair value reserve.

All other interest rate derivatives, to which hedge accounting is not applied, are stated at their fair value, and changes in fair value are recognized under financial items in the income statement. The fair values of forward rate agreements, interest rate futures and options are based on quoted market rates at the balance sheet date, and interest rate swaps and currency swaps are measured at the present value of future cash flows, with the calculation based on market interest rate yield curve.

Commodity risk hedging

To hedge its electricity price risk exposure, the Group has partly applied hedge accounting in accordance with IAS 39 as so-called cash flow hedge. A separately defined portion of the highly probable forecast cash flow of M-real's and Metsä Tissue's electricity purchases in Finland and Sweden is the object of hedge accounting. Moreover, hedge accounting is applied in hedging Metsä Tissue's and Metsä-Botnia's pulp price risks as so-called cash flow hedge. A change in the fair value of a derivative hedge (forward electricity contracts and pulp contracts) proven effective is entered directly in shareholders' equity in fair value reserve, and only after the realisation of the forecast electricity purchases or pulp sales it is entered in the income statement as an adjustment of the hedged purchases or sales. The ineffective part of electricity derivatives classified to hedge accounting and other electricity, oil and pulp derivatives hedging commodity price risk are recognized at market rates at the balance sheet date, and changes in fair value are entered in the income statement under "Other income and expenses".

Embedded derivatives are valued at fair value, and changes in fair value are entered under financial items in the income statement. The amount of embedded derivatives in Metsäliitto Group is insignificant.

Segment reporting

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. All sales and other transactions between segments are eliminated on consolidation.

Non-current assets held for sale and discontinued operations

An asset item/operation is classified as held for sale when the amount corresponding to its carrying value will be generated primarily from sale of the asset item. Classification as held for sale calls for management's commitment to a plan setting out the sale and a programme of measures aiming at implementation of the plan launched by the Group.

Asset items classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Asset items classified as held for sale are not depreciated or amortized.

A discontinued operation is one which the Group has disposed of or that is classified as held for sale and represents a separate major line of business or geographical area of operations. The profit or loss from discontinued operations after tax is shown as a separate item in the consolidated income statement.

Recognition of income

Sales are calculated after deducting indirect sales taxes, trade discounts and other items adjusting sales. Revenue from the sale of goods is recognized as income when the significant risks and benefits associated with ownership of the products have passed to the purchaser and the seller no longer has an actual right of possession or control over the products. Revenue from the sale of services is recorded when the services have been rendered.

Income and expenses from long-term projects are recognized according to their degree of completion once the outcome of the project can be reliably estimated. The degree of a project's completion shall correspond to the share of its projected total cost represented by the work carried out up to the date of evaluation. Once it becomes probable that the total cost required to complete the project will exceed the total revenue gained from it, the expected loss is immediately recognized as an expense.

Dividend income is recognised when the right to receive a payment is established. Interest income is recognised by applying the effective interest rate method.

Delivery and handling costs

Costs arising from the delivery and handling of goods are recorded in operating expenses in the income statement.

Research and development expenditure

Research and development expenditure is recognized as an expense at the time it is incurred. Development expenditure is capitalized if it is probable that a development project will generate future economic benefit and the costs can be measured reliable. Capitalized development costs are amortised over their expected useful future lives. To date, Metsäliitto has not capitalized any R&D expenditure.

Borrowing costs

Borrowing costs are generally recognized as an expense in the period in which they have incurred. When an item of property, plant and equipment is involved in a major and long-term investment project, the borrowing costs directly due to the acquisition and construction of the asset are included in the asset's cost.

Income taxes

Tax expense in the income statement is comprised of the current tax and deferred taxes. Current tax and deferred tax that relates to components of other comprehensive income are recognised in other comprehensive income. Income taxes are recorded on an accrual basis for the taxable income of each reporting unit, applying the tax rate in force in each country at that time. Taxes are adjusted for any taxes for previous periods.

Deferred taxes are calculated on all the temporary differences between the accounting value and the tax base. Deferred tax liabilities are not recognised when the asset or liability in question is one that is originally entered at the carrying amount and does not concern the merging of business operations, and the recognition of such an asset or liability does not have an impact on the accounting result or taxable income at the date of the transaction. No deferred taxes are recognised for non-deductible goodwill, and no deferred taxes are recognised for undistributed profits of subsidiaries to the extent that the difference will not likely realise in the predictable future.

The most significant temporary differences result from depreciation on property, plant and equipment, fair value of available-for-sale financial assets and derivative instruments, defined benefit plans, unused tax losses and measurement at fair value in connection with acquisitions.

Deferred taxes have been calculated by applying the tax rates in force by the balance sheet date. Tax receivables are recognized to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized.

Intangible assets

Goodwill

Goodwill is the portion of the cost of an acquired subsidiary, associated company or joint venture which exceeds the fair value of its net identifiable assets at the time of purchase. The acquisition cost includes also other direct costs related to acquisition.

Goodwill is not amortized but is tested annually and always when there is indication to determine any impairment. Goodwill is measured at cost less accumulated impairment losses. An impairment loss is recorded as an expense in the income statement in the reporting period during which the impairment has been determined. Goodwill is allocated to cash-generating units for the purpose of impairment testing. An impairment loss is recognised when the recoverable amount of the cash-generating unit is less than the carrying amount of that unit. The impairment loss is allocated first to any goodwill allocated to that unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Other intangible assets

Computer software

Expenditure on developing and building significant new computer software programs are recognized in the balance sheet as an intangible asset and amortized over its useful life, which is not to exceed seven years. Direct expenses to be capitalized include consultancy and expert advisory fees paid to outside parties, software licences obtained for the application, staff costs to the extent that they can be allocated directly to the project as well as other direct costs. Maintenance and operating expenditure related to computer software and EDP applications is recorded as an expense in the reporting period in which it has been incurred.

Emission rights

Allowances received by the governments free of charge have initially been recognised as intangible assets and the corresponding government grant as advance payment in liabilities based on fair value at the date of initial recognition. Allowances are measured at its cost or at their fair value if less. Allowances are not amortized. The emissions produced are recognised as cost and as liability together with the corresponding government grant as income both based on the value at the date of initial recognition. Rights consumed that are within the original range have no positive or negative effect on profit for the period. The costs of purchasing additional rights to cover excess emissions or the sale of unused rights have effect on profit.

Others

The cost of patents, licences and trademarks having a finite useful life is capitalized in the balance sheet under intangible assets and amortized on a straight-line basis over their useful lives in 5-20 years. Intangible assets having an infinite useful life are not amortized but tested yearly for impairment.

Property, plant and equipment

Property, plant and equipment is measured at original cost. The property, plant and equipment of acquired subsidiaries is measured at fair value at the time of the purchase. Property, plant and equipment is presented in the balance sheet at cost less accumulated depreciation and impairment losses. For investments in property, plant and equipment requiring a long construction time, the interest incurred during construction is capitalized in the balance sheet as part of the asset for the time that is necessary for bringing the asset to working condition for its intended use.

Property, plant and equipment is depreciated on a straight-line basis over the following expected useful lives:

Buildings and constructions	20 – 40 years
Machinery and equipment	
Heavy power plant machinery	20 – 40 years
Other heavy machinery	15 – 20 years
Lightweight machinery and equipment	5 – 15 years
Other tangible assets	3 – 10 years

Land and water areas are not depreciated. If the significant parts of an item of property, plant and equipment have useful lives of differing length, each part is depreciated separately. The estimated economic lives are reviewed at each balance sheet date and if they differ significantly from previous estimates, the depreciation periods are altered accordingly.

Subsequent costs of an item of property, plant and equipment shall be recognised as an asset if and only if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. The carrying amount of a component which has been replaced with a new component shall be derecognised. All other repair and maintenance expenditures are recognised in profit and loss as incurred.

Gains and losses arising on the sale and decommissioning of items of property, plant and equipment are calculated as the difference between the net revenue obtained and the carrying amount. Capital gains and losses are included in operating result in the income statement.

When a non-current item of property, plant and equipment is classified as held for sale, the recording of depreciation on that asset is discontinued. A non-current asset held for sale is measured at the lower of the carrying amount or the fair value less the expenses necessary to make the sale.

Government grants

Government grants received for the purpose of purchasing property, plant and equipment and similar are entered as deferred income in balance sheet liabilities and recognized in other operating income during the actual useful life of the asset. Other grants are recorded as other operating income in the income statement for the financial periods during which they are matched with the corresponding expenses.

Leases

Leases on property, plant and equipment for which the Group assumes substantially all the risks and rewards incident to ownership of the asset are classified as finance lease agreements. A finance lease agreement is recognized in the balance sheet at an amount equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The corresponding lease payment liability is recorded in interest-bearing liabilities under other non-current liabilities. An asset obtained on a finance lease is depreciated over the useful life of the asset or, if shorter, the lease term. Lease payments are split between financial expenses and a reduction in the lease liabilities.

Lease agreements in which the risks and rewards incident to ownership remain with the lessor are treated as other lease agreements (operating leases). Lease payments under an operating lease are recognized as an expense in the income statement on a straight-line basis over the lease term.

Impairments

Asset carrying values are measured at the end of each reporting period to determine any impairment. To facilitate impairment testing, the Group's assets are divided into identifiable smaller units that are substantially independent of the cash flows generated by other units. The carrying values of these cash-generating identifiable assets are always tested when there are indications that the value of the asset has been impaired, and any impairments are recorded as an expense. Generated cash flow is annually measured for the following assets regardless of any impairment indications: goodwill, intangible assets with infinite economic useful lives and intangible assets in progress.

The recoverable amount of an asset is the higher of its net selling price or fair value. Value in use is determined by discounting estimated future net cash flows. The discount rate is after-tax rate that reflects current market assessments of the time value of money and the risks specific to the assets.

An impairment loss recognized on an item of property, plant and equipment in prior periods is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Following such a reversal, the value of the asset item must not exceed the carrying amount which it had, less depreciation, prior to the recording of the impairment loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Biological assets

Biological assets (living trees) are measured at fair value less the estimated expenses of making a sale. The fair value of a stand of trees, excluding young seedlings, is based on the present value of expected cash flows (revenue and expenses). The calculations take into account the future growth of the stand as well as the environmental protection-related limits on the forests. The calculation of income from fellings and silvicultural costs is based on the prevailing price level as well as the company's view of the future trend in prices and costs. Changes in the fair value of a stand of trees are included in operating result during the financial period.

Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of finished and semi-finished products comprises raw materials, direct labour expenses, other direct expenses as well as an appropriate share of fixed and variable production overheads. The normal capacity of the production facilities is used as the divisor in allocating overheads to the different production units.

The value of inventories is determined using the FIFO (first-in, first-out) method or, alternatively, the weighted average cost method depending on the nature of the inventories. Net realizable value is the estimated selling price that is obtainable less the costs of completion and the costs necessary to make the sale.

Accounts receivables

Accounts receivables are measured at the expected net realizable value, which is the original invoicing value less estimated impairment provisions on the receivables. Provisions are set up case by case when there is a justifiable reason to assume that the Group will not receive payment for the invoiced amount according to the original terms.

Equity

In the Finnish financial statements, the members' capital and the additional members' capital of the parent company Metsäliitto Cooperative are included in the equity in full. In IFRS reporting, financial instruments are classified either as financial liabilities or equity instruments. Under the IFRIC 2 interpretation "Members' Shares in Co-operative Entities and Similar Instruments", shares for which the members have an unconditional right to redemption in accordance with the cooperative's rules are classified as financial liabilities. The rules of Metsäliitto Cooperative specify the maximum amount of members' capital that may be redeemed annually. The amount available for redemption of members' capital and additional members' capital corresponds to 1/3 of distributable surplus confirmed in the most recent balance sheet. This amount is recognized as an interest-bearing financial liability in the financial statements.

Provisions

A provision is recognized in the balance sheet when the Group has a legal or constructive obligation as a result of a past event and it is probable that settlement of the obligation will require a financial payment or cause a financial loss, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. If some of the expenditure required to settle is expected to be reimbursed by another party, the reimbursement is recorded in the balance sheet as a separate asset, but only if it is virtually certain that reimbursement will be received.

Restructuring

A restructuring provision is recorded for the financial period when the Group has incurred a legal or constructive obligation to make a payment. Termination payments are recorded when a detailed plan has been made of the restructuring and the main points of the plan have been communicated to the employees who are affected by the arrangement.

Environmental obligations

Costs arising from environmental remediation which do not increase present or future revenue are recorded as annual expenses. Environmental liabilities are recorded in accordance with present environmental protection laws and regulations when it is probable that the obligation has arisen and its amount can be estimated reasonably.

Employee benefits

Pension benefits

Pension plans are classified as either defined benefit or defined contribution plans. Under a defined contribution plan, the Group pays fixed contributions to a separate unit. The Group has no legal or constructive obligation to pay further contributions if the recipient of the payments is not able to pay the pension benefits in question. All plans that do not meet these requirements are considered defined contribution plans. Contributions paid to defined contribution pension plans are expensed in the period to which they relate.

The Group's obligations associated with defined benefit pension plans have been calculated separately for each plan using the Projected Unit Credit Method. Pension expenditure is expensed for the employees' period of service based on calculations made by authorised actuaries. In calculating the current value of the pension obligation, the market return of high-quality bonds issued by the company is used as the discount rate. The maturity of the bonds and treasury bills essentially corresponds to the maturity of the calculated pension obligation. The pension plan assets measured at fair value at the balance sheet date, unrecognised actuarial gains and losses and retroactive work performance are deducted from the present value of the pension obligation to be recognised in the balance sheet.

Actuarial gains and losses are recognised in the income statement over the expected average remaining working lives of the employees to the extent that such gains and losses exceed the greater of 10% of the present value of the benefit obligation and 10% of the fair value of any plan assets. Expenditure based on retroactive work performance is charged to the income statement in fixed instalments over the period during which they are paid-up. If the benefits are paid-up immediately, they are immediately charged to the income statement. Gains and losses resulting from the restriction of a defined benefit plan or performance of the obligation are recognised at the time of the restriction or fulfilment.

Share-based payment

A share-based incentive programme in which the payments are made either with equity instruments or cash has been established for the company's top executives. The benefits issued in connection with the scheme are measured at fair value at the date of granting them and charged to the income statement evenly during the vesting period. In schemes where the payments are made in cash, the entered liability and change in its fair value is correspondingly scheduled as expenses. The effect of the schemes on profit is presented under employee costs.

Dividends payable and interest paid on members' capital

Dividends payable by the company are recorded as a decrease in equity in the period during which shareholders, in a general meeting, have approved the dividend for payment. Interest paid on members' capital is recorded as a decrease in equity in the period during which the representative council has approved the interest for payment.

Comparative figures

When necessary, comparative figures have been classified to conform to changes in presentation in the current year. The changes are mostly related to the standards IAS 1, Presentation of financial statements and IFRS 8, Operating segments.

In preparing these interim financial statements, the Group has followed the same accounting policies as in the annual financial statements for 2008 except for the effect of changes required by the adoption of the following standards, interpretations and amendments on 1 January 2009:

IAS 1 (Revised), Presentation of financial statements. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. The revised standard also requires an entity to present a statement of financial position as at the beginning of the earliest comparative period when the entity applies an accounting policy retrospectively or makes a retrospective restatement or when the entity reclassifies items in the financial statements. The change in accounting policy only impacts presentation aspects. Comparative information has been represented so that it also is in conformity with the revised standard.

IFRS 8, Operating segments. IFRS 8 replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. As from January 1, 2009 the operating segments of the Metsäliitto Group are: Wood Supply, Wood Products Industry, Pulp Industry, Board and Paper Industry, Tissue and Cooking Papers and Other operations. Comparative figures have been classified to conform to the new segments.

IAS 23 (Revised), Borrowing costs. Revised IAS 23 changes the accounting policy in respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalised as part of the cost of that asset. Previously all borrowing costs could be recognised as an expense immediately. The amendment does not change the accounting policy applied by the Group.

IFRIC 11, IFRS 2 – Group and treasury share transactions. The interpretation provides guidance on whether share-based transactions involving treasury shares or involving group entities should be accounted for as equity settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. The interpretation does not have any impact on the consolidated financial statements.

IFRIC 13, Customer Loyalty Programmes. The interpretation clarifies that where goods or services are sold together with a customer loyalty incentive (e.g. bonus points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 will not have an effect on the Group as none of the group's companies operate loyalty programmes.

IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The interpretation is applied to post-employment defined benefit plans and other long-term defined benefit plans under IAS 19, if the plan includes minimum funding requirements. The interpretation also clarifies the criteria for recognition of an asset on future refunds or reductions in future contributions. The interpretation does not have any impact on the consolidated financial statements.

IFRS 2 (Amendment), Share-based payment – vesting conditions and cancellations. The amendment clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are non-vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties should receive the same accounting treatment. The interpretation does not have any impact on the consolidated financial statements.

IAS 1 and IAS 32 (Amendments), Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation. The amendments classify the puttable financial instruments as equity, provided they have particular features and meet specific conditions. Before the amendment these instruments were classified as liability. The amendment does not have a material impact on the consolidated financial statements.

IFRS 1 and IAS 27 (Amendment), Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate. The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment does not have an impact on the Group's financial statements as the Group is not a first time adopter.

IAS 39 (Amendment), Financial instruments: Recognition and measurement – Eligible Hedged Items. The amendment prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. The amendment does not have a material impact on the consolidated financial statements.

IFRS 7 (Amendment), Enhancing Disclosures on Financial Instruments. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by levels of a fair value measurement hierarchy. The change in accounting policy only results in additional disclosures the in consolidated financial statements.

IASB published changes to 34 standards in May 2008 as part of the annual Improvements to IFRSs project. The following presentation includes the most relevant changes the Group adopted in 2009:

IAS 1 (Amendment), Current assets and current liabilities. The amendment clarifies that some rather than all financial assets classified as held for trading in accordance with IAS 39 are current assets or liabilities. Before the amendment some entities classified all derivatives in held for trading category as current. The held for trading category in paragraph 9 of IAS 39 is for measurement purposes and includes financial assets and liabilities that may not be held primarily for trading purposes. The amendment does not have any material impact on the consolidated financial statements.

IAS 19 (Amendment), Employee Benefits. The amendment clarifies among others things that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The amendment does not have any material impact on the consolidated financial statements.

IAS 23 (Amendment), Borrowing costs. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39. The amendment does not have any material impact on the consolidated financial statements.

IAS 27 (Amendment), Consolidated and separate financial statements. Where an investment in a subsidiary that is accounted for under IAS 39, 'Financial instruments: recognition and measurement', is classified as held for sale under IFRS 5, 'Non-current assets held-for-sale and discontinued operations', IAS 39 would continue to be applied. The amendment does not have any material impact on the consolidated financial statements.

IAS 28 (Amendment), Investments in associates. The amendment states that an investment in an associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The amendment does not have any material impact on the consolidated financial statements.

IAS 36 (Amendment), Impairment of assets. The amendment clarifies that where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The amendment does not have any material impact on the consolidated financial statements.

IAS 41 (Amendment), Agriculture. The amended standard requires the use of a market-based discount rate where fair value calculations are based on discounted cash flows and removes the prohibition on taking into account biological transformation when calculating fair value. The amendment does not have any material impact on the consolidated financial statements.

In addition to the new standards and interpretations presented in the annual financial statements for 2008, the following standards and interpretations and amendments to existing standards and interpretations issued during the year 2009 will be adopted by the Group in 2010:

IFRIC 18*, Transfers of Assets from Customers. The interpretation clarifies the requirements of IFRS standards for agreements in which an entity receives from a customer an item of property, plant and equipment or cash to be invested in such an item that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. The interpretation does not have an impact on the consolidated financial statements.

IFRIC 9 and IAS 39 (Amendment)*, Reassessment of embedded derivatives on reclassification. The amendments to IFRIC 9 and IAS 39 clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category all embedded derivatives have to be assessed and, if necessary, separately accounted for in financial statements. The interpretation does not have an impact on the consolidated financial statements.

IFRS 2 (Amendment)*, Share-based Payment – Group Cash-settled Share-based Payment Transactions. The amendment to IFRS 2 clarifies that an entity that receives goods or services from its suppliers must apply IFRS 2 even though the entity has no obligation to make the required share-based cash payments. Management is assessing the impact of this interpretation on the financial statements of the Group.

IFRS 1 (Amendment)*, Additional Exemptions for First-time Adopters. The amendment does not have an impact on the Group's financial statements as the Group is not a first time adopter.

IASB published changes to 12 standards or interpretations in April 2009 as part of the annual Improvements to IFRSs project. The following presentation includes the most relevant changes, that the Group will adopt in 2010 and where the management assesses that the change may have an impact on the Group's financial statements.*

IFRS 2 (Amendment), Scope of IFRS 2 – Share-based Payment. The amendment is to confirm that in addition to business combinations as defined by IFRS 3 (revised) 'Business combinations', contributions of a business on formation of a joint venture and common control transactions are excluded from the scope of IFRS 2, 'Share-based payment'. Management is assessing the impact of these changes on the financial statements of the Group.

IFRS 5 (Amendment), Non-current Assets Held for Sale and Discontinued Operations. The amendment to clarify that IFRS 5, 'Non-current assets held for sale and discontinued operations', specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirements of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. Management is assessing the impact of these changes on the financial statements of the Group.

IAS 17 (Amendment), Leases. The amendment deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating using the general principles of IAS 17. The interpretation does not have an impact on the consolidated financial statements.

IAS 36 (Amendment), Impairment of Assets. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined in IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics permitted by IFRS 8). Management is assessing the impact of these changes on the financial statements of the Group.

IAS 38 (Amendment), Intangible Assets. The amendment clarifies the requirements under IFRS 3 (2008) regarding accounting for intangible assets acquired in a business combination. Management is assessing the impact of these changes on the financial statements of the Group.

IAS 38 (Amendment), Intangible Assets. The amendment clarify the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets Management is assessing the impact of these changes on the financial statements of the Group.

IAS 39 (Amendment), Financial Instruments: Recognition and Measurement. The amendment clarifies that pre-payment options, the exercise price of which compensates the lender for loss of interest by reducing the economic loss from reinvestment risk should be considered closely related to the host debt contract. Management is assessing the impact of these changes on the financial statements of the Group.

IAS 39 (Amendment), Financial Instruments: Recognition and Measurement. The amendment to the scope exemption in paragraph 2(g) of IAS 39 to clarify that: (a) it only applies to binding (forward) contracts between an acquirer and a vendor in a business combination to buy an acquiree at a future date; (b) the term of the forward contract should not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and (c) the exemption should not be applied to option contracts (whether or not currently exercisable) that on exercise will result in control of an entity, nor by analogy to investments in associates and similar transactions. Management is assessing the impact of these changes on the financial statements of the Group.

IFRIC 9 (Amendment), Reassessment of Embedded Derivatives. The amendment to the scope paragraph of IFRIC 9 clarifies that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture. Management is assessing the impact of these changes on the financial statements of the Group.

IFRIC 16 (Amendment), Hedges of a net investment in a foreign operation. The amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. Management is assessing the impact of these changes on the financial statements of the Group.

The following standards, interpretations and amendments will be adopted in 2011 or later:

IAS 32 (Amendment), Financial Instruments: Presentation – Classification of Rights Issues. The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. The Group will adopt the amendment in its 2011 financial statements. Management is assessing the impact of this interpretation on the financial statements of the Group.

IAS 24 (Revised)*, Related Party Disclosures. The revised standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The revised standard still requires disclosures that are important to users of financial statements but eliminates requirements to disclose information that is costly to gather and of less value to users. It achieves this balance by requiring disclosure about these transactions only if they are individually or collectively significant. The Group will adopt the revised standard in its 2011 financial statements. Management is assessing the impact of this standard on the financial statements of the Group.

IFRIC 19*, Extinguishing Financial Liabilities with Equity Instruments. The interpretation clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor. IFRIC 19 requires a gain or loss to be recognised in profit or loss when a liability is settled through the issuance of the entity's own equity instruments. The amount of the gain or loss recognised in profit or loss will be the difference between the carrying value of the financial liability and the fair value of the equity instruments issued. The Group will adopt the revised standard in its 2011 financial statements. Management is assessing the impact of this standard on the financial statements of the Group.

IFRIC 14 (Amendment)*, Prepayments of a Minimum Funding Requirement. The amendment is aimed at correcting an unintended consequence of IFRIC 14. As a result of the interpretation, entities are in some circumstances not permitted to recognise some prepayments for minimum funding contributions as an asset. The amendment remedies this unintended consequence by requiring prepayments in appropriate circumstances to be recognised as assets. The Group will adopt the revised standard in its 2011 financial statements. Management is assessing the impact of this interpretation on the financial statements of the Group.

IFRS 9*, Financial Assets – Classification and Measurement. The standard represents the first milestone in the IASB's planned replacement of IAS 39. It addresses classification and measurement of financial assets. The next steps involve reconsideration and re-exposure of the classification and measurement requirements for financial liabilities, impairment testing methods for financial assets, and development of enhanced guidance on hedge accounting. The Group will adopt the standard in its 2013 financial statements. The standard will have major impacts on accounting for financial instruments, and the management is currently starting to assess them.

* The standard, interpretation or amendment to published standard or interpretation is still subject to endorsement by the European Union.

2. Key accounting estimates applied in the financial statements and discretion used in the accounting principles

Preparing IFRS-compliant financial statements requires the use of certain key accounting estimates. In addition, it requires the management to use its discretion in applying the accounting principles. The estimates made and discretion-based decisions are continuously evaluated, and they are based on prior experience and other factors, such as expectations concerning future events. The expectations are considered to be reasonable, taking the circumstances into account. The topics that are associated with key assumptions and estimates in terms of consolidated financial statements and areas that require significant discretion are described below.

Key accounting estimates

Impairment testing

The Group annually tests the goodwill and intangible assets not yet ready for impairment. Testing for impairment is carried out for other long-term assets if there are indications that the value of the assets might be impaired. The recoverable amounts of cash-generating units are based on calculations of value in use. These calculations require that estimates are made. In 2009, goodwill impairment losses were recognised to an amount of EUR 33 million in M-real Zanders and other impairment losses to an amount of EUR 80 million (M-real Zanders paper mill in Germany EUR 33 million and M-real Alizay paper mill in France EUR 47 million). A sensitivity analysis of the substantial assumptions used in the impairment testing and the impact of changes in them on the amount of impairment is presented in note 9.

Pension plans

The current value of the pension obligations depends on various factors that are determined using various actuarial assumptions. The discount rate is also included in the assumptions used in determining the net expenditure (or income) arising from pension plans. Changes in these assumptions have an effect on the carrying amount of the pension obligations.

The appropriate discount rate is determined at the end of each year. This is a rate that should be used in determining the current value of the future cash flows estimated to be required to fulfil the pension obligations. In determining the appropriate discount rate, the interest rates of long-term treasury notes or similar instruments are taken into consideration. Other key assumptions concerning pension obligations are based on the current market conditions.

Share-based reward scheme

The share-based incentive arrangements granted to the Group's key employees are measured at fair value at the time of granting. The fair value is charged to the income statement over the vesting period during which all the requirements for the right to arise must be fulfilled. The expense measured at the time of granting the shares is based on an estimate of the number of shares to which a right is believed to arise at the end of the vesting period. Changes in the estimates are recognised in the income statement. A total of EUR 0.6 million was recognised as an expense on the financial period ended 31 December 2009.

Financial instruments at fair value

A fair value is determined for financial instruments not traded on an open market using valuation methods. Discretion is used in selecting the various methods and making assumptions based primarily on the market conditions prevailing at the end date of each reporting period. The greatest item at fair value not traded on an open market is the investment in Pohjolan Voima shares, reported under available-for-sale financial assets. Their price is determined based on realised transactions and an analysis of discounted cash flows. The carrying amount of available-for-sale financial assets would be estimated to be EUR 8 million lower or EUR 9 million higher should the rate used for discounting the cash flows differ by 10% from the rate estimated by the management.

Provisions

A provision is recorded when the Group has a legal or constructive obligation as a result of a previous event and it is probable that the liability for payment will realise. The provisions are determined based on previous experience. A provision for restructuring is made when the company has composed a detailed restructuring plan and communicated about the matter. A recorded provision illustrates the management's best estimate of the current value of future expenses, but actual expenditure may differ from the estimate. Provisions amounted to EUR 128 million in Metsäliitto Group balance sheet at 31 December 2009.

Income taxes

The management's discretion is required for determining the taxes based on the result for the period, deferred tax assets and liabilities and the extent to which deferred tax assets are recorded. The Group's balance sheet at 31 December 2009 includes deferred tax assets of EUR 27 million recognised for confirmed losses. The Group is subject to income taxation in several countries. Estimating the total amount of income taxes at the level of the entire Group requires significant discretion. The final amount of tax is uncertain in terms of several business operations and calculations. The Group forecasts future tax audits and recognises liabilities based on estimates on whether further taxes will need to be paid. If the associated final tax differs from the originally recorded amounts, the difference has an effect on both the tax assets and liabilities based on the taxable income for the period and deferred tax assets and liabilities in the period during which they are observed.

Key discretion-based decisions in applying the accounting policies

Inventories

The Group regularly reviews its inventories for situations where the inventories exceed their real value, contain downgraded items or their market value falls below the acquisition cost, and records a deduction item that reduces the carrying amount of the inventories in the case of such deductions. The management must make estimates of the future demand for the products for the purpose of such review. Any changes in these estimates might lead to an adjustment in the carrying amount of the inventories in future periods. The Group balance sheet included inventories amounting to EUR 669 million on 31 December 2009.

Accounts receivables

Accounts receivables are recognised according to the original invoiced amount less impairment losses and refunds due to returns. Impairment losses are recognised on a case-by-case basis and based on previous experience when there is objective proof that the receivable cannot be collected in full. If the customers' financial position weakens so that it affects their solvency, further impairment losses might need to be recognised for future periods. The Group balance sheet at 31 December 2009 included accounts receivables amounting to EUR 606 million and impairment losses recorded for accounts receivables amounting to EUR 5 million.

Impairment of equity investments classified as available-for-sale financial assets

The question when the value of available-for-sale equity investments is impaired is solved according to the guidelines of IAS 39. This requires the use of significant discretion, e.g., in terms of for how long and to what extent the fair value of the investment has been lower than the acquisition cost. In addition, it is necessary to estimate the financial position of the investment object regarding the near-future outlook of the business operations, such as the profitability of the industry and sector, to find out whether there is objective proof of impairment.

Should it be considered that the reduction of the fair value to below the acquisition cost is entirely or partially significant and prolonged, an additional after tax loss of EUR 200 million would be recognised in the financial statements for 2009 when the changes in fair value associated with impaired available-for-sale financial assets recognised under equity are charged to the income statement.

3. Management of financial risks

The financial risks associated with business operations are managed in accordance with the financial policy endorsed by the Board of Directors and the senior management of the Group. The policy defines focal instructions on the management of foreign currency, interest rate, liquidity and counterparty risks, and for the use of derivative financial instruments. Correspondingly, commodity risks are managed according to the Group's commodity risk policy. The purpose is to protect the company against major financial and commodity risks, to balance the cash flow and to allow the business units time to adjust their operations to changing conditions.

Metsä Group Financial Services Oy (Metsä Finance) is specialized in finance and functions as the Group's internal bank. M-real's holding in Metsä Finance is 51% and Metsäliitto Cooperative's holding is 49%. Financial operations have been centralised to Metsä Finance, which is in charge of managing the Group companies' financial positions according to the strategy and financial policy, providing necessary financial services within the Metsäliitto Group and acting as an advisor in financial matters.

Foreign currency risk

The Group's foreign currency exposure consists of the risks associated with foreign currency flows, translation risk of net investments in foreign entities and economic currency exposure. Most of the Group's costs are incurred in the euro zone and to some extent in Sweden, but a significant part of the sales is in other currencies. Sales revenue may therefore vary because of changes in exchange rates, while production costs remain unchanged. Product prices are also often quoted in currencies other than the home currency. In the foreign currency transaction exposure, which consists of foreign currency denominated sales revenue and costs, are included foreign currency denominated sales receivables, accounts payable, received orders and a certain part of the forecasted net currency cash flow.

The main currencies of the Group's foreign currency transaction exposure are the US dollar, the British pound and the Swedish krona. A strengthening of the dollar and the pound has a positive impact on the financial result and a weakening a negative impact. A weakening of the Swedish krona has a positive impact on the result. Other significant currencies are AUD, CAD, CHF, DKK and NOK. The hedging policy is to keep an amount corresponding to three months' cash flows of all contractual or estimated currency flows consistently hedged. The hedging level can, however vary between 0-12 months as the financial policy has defined separate risk mandates for deviating from the norm hedging. The Board of Directors of each Group company decides on significant changes in the hedging level if they see a reason to deviate from the norm set out in the financial policy. The amount of currency-specific hedging depends on current exchange rates and market expectations, on the interest rate differences between the currencies and the significance of the exchange rate risk for the financial result. The transaction exposure is mainly hedged by forward transactions but also by the use of foreign currency loans and currency options.

Hedge accounting in accordance with IAS 39 is applied partially to the hedging of the currency transaction exposure, which allows fair value changes of hedges designated to hedge accounting to be entered directly in shareholders' equity in fair value reserve. At the end of the reporting period, the foreign exchange flow position had been hedged 3.4 months on average (3.8). During the reporting period, the hedging level has varied between 3 and 4 months (3-5). The dollar's hedging level was 3.1 months (2.7), of which the portion of hedge accounting was 0.9 months (1.1). The Swedish krona's hedging level was 4.8 months (5.1), of which the portion of hedge accounting was 3.7 months (4.7). The pound's hedging level was 2.6 months (4.6), of which the portion of hedge accounting was 1.0 months (0.9). Hedges allocated to hedge accounting have been used to hedge the portion of highly probable forecast sales of the currency transaction exposure.

The translation risk of a net investment in a foreign entity is generated from the consolidation of the equity of subsidiaries and associated companies outside the euro area into euros in the consolidated financial statements. According to the financial policy, 50-100% of equity should be hedged. The translation risk of equity has been hedged through the use of forward transactions and foreign currency loans and the position has been mostly kept hedged in all main currencies. Hedge accounting in accordance with IAS is applied to the hedging of the equity exposure. This allows the exchange gains and losses of effective hedging to be entered into the equity offsetting translation differences. During the reporting period, on average 83% (82) of the equity position was hedged and at the end of the reporting period 94% (78). The translation risk in US dollars was eliminated in connection to the sale of Metsä-Botnia's operations in Uruguay.

The Group applies the Value-at-Risk method to assess the risk of its open foreign currency positions. The VaR is calculated on the deviation from the three-month foreign currency exposure hedge norm defined in the financial policy. A 99% confidence level on one month period is applied to the VaR risk figure, i.e., the VaR indicates that with a 1% probability the market value of the open foreign currency position depreciates more than the amount of the risk figure in a month. The risk mandates regarding hedging decisions have been defined by restricting the company management's powers by linking them to maximum currency-specific hedging level changes and to a VaR limit. Possible strategic decisions which exceed the policy risk limits are made by the Board of Directors. The total amount of limits set for the Group companies' foreign currency risk is EUR 37 million (25) and the sum of VaR figures of the Group companies is at the end of the reporting period EUR 11 million (21). Average during the period has been EUR 13 million (15). The Value-at-Risk method is also used to assess the market risk of Metsä Finance's trading operations. Trading volume has been relatively low during the reporting year: Metsä Finance's average VaR (of one day at 99%) was only EUR 0.3 million (0.2) in 2009. The volumes and fair values of derivatives used in the management of foreign currency risks are presented in note 29.

Hedging of foreign exchange transactions exposure

	Exposure, net		Hedging, months	
EUR million	EUR	Hedging	31.12.	Average
USD	712	-187	3.1	2.4
GBP	324	-69	2.6	3.1
SEK	-346	137	4.8	5.7
NOK	91	-16	2.2	2.0
DKK	57	-9	1.9	1.9
AUD	25	-8	4.0	3.4
Other long	33	-5	1.9	1.8
Other short	-47	29	7.3	6.0
Total 2009	1,635	-461	3.4	3.5
Total 2008	1,631	-518	3.8	4.3

Hedging of net investments in a foreign entity

	Equity exposure		Hedging, %	
	EUR	Hedging	31.12.	Average
USD	1	0	0	66
GBP	76	-76	100	98
SEK	400	-401	100	98
Others	52	-22	42	45
Total 2009	529	-498	94	83
Total 2008	1,028	-760	74	78

Interest rate risks

The interest rate risk is related mainly in the interest bearing receivables and loans and currency hedging. Interest bearing receivables and loans are presented in note 25. The most significant currencies in risk management are the euro, the US dollar, the British pound and the Swedish krona. The objective of the interest rate risk policy is to minimise the negative impact of interest rate changes on the result and the financial position, and to optimise financing costs within the framework of risk limits. The effect of interest rate changes on financial costs depends on the average interest fixing time of interest bearing assets and liabilities, which is measured in the Group by duration. As duration diminishes the rise of interest rates affects more quickly the interest expenses of financial liabilities. The maturity of the loan portfolio can be influenced, e.g., by adjusting between floating-rate and fixed-rate loans and by using interest rate derivatives. The Group uses in its interest rate risk management interest rate swaps, interest rate futures and interest rate options.

The average interest duration norm based on the Group's financial policy is 6 months. The duration can, however, deviate from the hedging policy norm so that the decision of a deviation exceeding four months has to be made by the Board of Directors. The average duration of loans was 8.2 months (5.3) at the end of the year. During the reporting period duration has varied between 4 and 8 months (4-7). At the end of 2009, an increase of one per cent in interest rates would increase interest rate costs of the next 12 months by EUR 12 million (15).

The Group is exposed to a risk of change in the value of derivatives due to a change in market prices when using interest rate derivatives, since according to IAS 39 derivatives must be valued to their fair value in the balance sheet. However, the partial application of hedge accounting will balance the effects of changes in the market value of derivatives on the financial result. The Group is applying fair value hedge accounting in accordance with IAS 39 to fixed-rate loans which have been converted by interest rate and currency swaps to floating-rate financing. In addition, the Group is applying cash flow hedge accounting in accordance with IAS 39 to the major part of the interest rate swaps by which floating-rate financing has been converted to fixed-rate financing. The gross nominal volume of interest rate derivatives at the time of financial statements (including currency swap contracts) is EUR 883 million (1,264). Of the derivatives portfolio, EUR 664 million (859) is allocated to hedge accounting, and the portion of derivatives recognized in the balance sheet through profit or loss is EUR 219 million (405). The maturity of interest rate swap and currency swap contracts varies between 1-7 years (1-8).

Interest rate risk	2009	2008
Loan amount, EUR million	2,589	3,396
Duration, months	8.2	5.3
Average interest rate, %	4.9	6.6
Interest rate sensitivity, EUR million	12	15

Interest rate sensitivity is an estimate of an interest rate change of one per cent on net interest cost based on year-end exposure.

Re-pricing structure of loans

EUR million	Total
1-4/2010	1,774
5-8/2010	329
9-12/2010	41
2011	59
2012	32
2013	152
>2013	202
Total	2,589

Commodity risk

In the hedging of commodity risks the Group applies risk management policies defined separately for each selected commodity. According to the policy, the management of commodity risks with regard to derivatives is accomplished by Metsä Finance based on the strategy approved by Board of Directors of Metsäliitto Group companies. So far the commodity hedging policy is applied to the management of the price risks of electricity and natural gas. Also transactions related to emission rights are managed by Metsä Finance.

Group's target in managing the electricity price risk is to balance the effect of changes in the price of electricity on the Group's result and financial position. The main principle is to hedge the electricity purchase exposure, which consists of the difference of factory-specific electricity consumption estimates and power plant production shares in the possession of the Group. With regard to M-real and Metsä Tissue Finnish and Swedish electricity procurement, the hedge strategy is implemented in cooperation with Metsäliitto energy through Metsä Finance. The Central European energy unit will implement the hedging of Central Europe's electricity price risks according to instructions of Metsäliitto energy either by physical contracts or by financial contracts through Metsä Finance. M-real and Metsä Tissue hedge the electricity price risk actively by setting the hedging norm at 80, 50, 30 and 20% (85, 55, 25, 0) share of the estimated net position during the first, second, third and fourth successive 12-month periods. Hedge accounting in accordance with IAS 39 has been applied partially to electricity hedging. Consequently the fair value of hedges allocated to hedge accounting is entered in equity in fair value reserve and only after the realisation of electricity purchases in the income statement as an adjustment of the purchases. The management of electricity price risk of Metsäliitto Wood Products Industry is handled by an external service provider. The electricity exposure of the Group changed at the end of the year, as the consolidation method of Metsä-Botnia changed and Metsä-Botnia became a subsidiary of Metsäliitto. Metsä-Botnia has a surplus electricity balance and the company has so far not hedged its price risk. Other Group companies have hedged their price risk according to their policy. In consequence of this the calculatory hedge ratio of Metsäliitto Group net electricity exposure has turned high.

Approximately a third of mills' use of fuel is based on natural gas. The hedging of natural gas price risks has been done with physical, fixed-price contracts. In Finland only the oil-related portion of the contract has been fixed. The prices of natural gas have typically been fixed to Fuel-Oil and/or Gas-Oil prices. In addition, the prices of gas supply to Finland have been fixed to the development of coal import price and the energy price index. The premise of natural gas price risk hedging is, however, to hedge only the oil-related part of the contract by using oil derivatives and fixed-priced physical supply contracts. The hedging strategy is based on a risk policy according to which Metsäliitto energy makes the hedging decisions, and the Board of Directors of Group companies make significant strategic decisions. Approximately 70% (70) of electricity hedges have been carried out by using physical supply contracts and 30% (30) as so-called financial hedges by using electricity derivatives. At the end of the year about 90% (88) of financial hedges have been designated to hedge accounting. All natural gas price risk hedges have so far been implemented by using physical supply contracts.

The continuous hedging of the Group companies' pulp price risk has not been seen as justified in the framework of the current operative model. However, pulp derivatives are used selectively to hedge individual commercial positions generated in the Group companies. Hedge accounting in accordance with IAS is applied within the pulp price risk management.

The volumes and fair values of derivatives used in the management of commodity risks are presented in note 29.

Hedging of electricity price risk, 31 Dec.

GWh	2009	2008
Electricity exposure, net	1,337	2,164
Electricity hedging 2010	1,847	1,836
Hedging, %	138	85

Electricity price risk is hedged based on defined risk management policy on a time hirizon of four years either by physical contracts or by financial contracts. The tanle is applying only to the hedging of electricity price risk of the following year. The net electricity exposure has been calculated by taking into account the own and associated companies' electricity production.

Liquidity risk

Liquidity risk is defined as the risk that funds and available funding become insufficient to meet business needs, or that extra costs are incurred in arranging the necessary financing. Liquidity risk is monitored by estimating the need for liquidity needs 12-24 months ahead and ensuring that the total liquidity available will cover a main part of this need. According to the financial policy, the liquidity reserve must at all times cover 80-100% of the Group's liquidity requirement for the first 12 months and 50-100% of the following 12-24 months liquidity requirement. The objective is that at the most 20% of the Group's loans, including committed credit facilities, is allowed to mature within the next 12 months and at least 35% of the total debt must have a maturity in excess of four years. Another target is to avoid keeping extra liquidity as liquid funds and instead maintain a liquidity reserve as committed credit facilities outside the balance sheet.

The cornerstone of liquidity risk management is to manage the Group's operative decisions in such a way that targets concerning indebtedness and sufficient liquidity reserve can be secured in all economic conditions. Liquidity risk is also managed by diversifying the use of capital and money markets to decrease dependency on any single financing source. The optimisation of the maturity structure of loans is also emphasized in financial decisions. The Group has been able to significantly stabilise the maturity structure of long-term loans by M-real Eurobond issues and Metsäliitto's syndicated revolving credit facility and domestic bond issues in 2006, Metsä Tissue syndicated loan facility in 2008 and divestments during the years 2007-2009.

Liquidity is on a good level. During 2009 liquidity was strengthened through the realisation of the Metsä-Botnia Uruguay transaction in December and receiving a EUR 190 million cash payment out of Sappi Ltd Note related to the divestment of the M-real Graphic Papers business at the end of 2008. The liquidity reserve was reduced by the maturity of M-real EUR 500 million Syndicated Loan Facility. The available liquidity was EUR 1,357 million (1,808) at the end of the reporting period, of which EUR 799 million (1,189) was committed credit facilities and EUR 558 million (619) liquid funds and investments. The Group had also at its disposal short-term, uncommitted commercial paper programmes and credit lines amounting to around EUR 537 million (600). At the end of 2009, the liquidity reserve covers fully the forecasted financing need of 2010 and also the major part of financing need of 2011. On the longer term the re-financing need is crucially affected by the cash flow development and possible future divestments. 18% (22) of long-term loans and committed facilities fall due in a 12 month period and 19% (31) have a maturity of over four years. The average maturity of long-term loans is 2.2 years (2.8). The share of short-term financing of the Group's interest bearing liabilities is 7% (7).

Counterparty risk

Financial instruments carry the risk that the Group may incur losses should the counterparty be unable to meet its commitments. Such risk is managed by entering into financial transactions only with most creditworthy counterparties and within pre-determined limits. During the reporting period, credit risks of financial instruments did not result in any losses. The financial counterparty risk is limited by the fact that the liquidity reserve is partially maintained in the form of committed credit facilities. Cash at bank and in hand, and other investments have been spread to several banks and commercial papers of several institutions. Counterparty limits have been regularly adjusted by taking into account the influence of the finance crisis to the financial position of the used counterparties. Derivatives trading is regulated by the standardised ISDA contracts made with the counterparties.

The Group's sales receivables carry a counterparty risk that the Group may incur losses should the counterparty be unable to meet its commitments. Credit risk attached to sales receivables is managed on the basis of the credit risk management policies approved by operative management. Accounts receivable performance is followed monthly by Risk Management Team and/or Credit Control of each Group company. Credit quality of customers is assessed at regular intervals based on the customers' financial statements, payment behaviour, credit agencies and credit ratings agencies. Individual credit limits are reviewed at least annually. From time to time, as deemed necessary by management, Letters of Credits, bank and parent company guarantees and Credit insurance are used to mitigate credit risk. Credit limits are approved according to credit risk management policy with approval limits of varying values across the Group. Due to the ongoing challenging economic environment, credit limits have been reviewed on a more regular basis than in previous years. Customers have generally been cooperating by providing interim financial statements. Credit Control reviews and sets all major credit limits which are not supported by credit insurance and/or other security.

The portion of overdue client receivables of all sales receivables of Metsäliitto Group is at the time of financial statements 8.7% (14.4), of which 0.4% (0.6) is overdue between 90-180 days and 0.4% (0.8) over 180 days. Additionally M-real implements regular impairment tests for customer accounts receivables. Credit loss impairment is booked when a customer enters legal bankruptcy, or becomes past due for more than 6 months (180 days) without a valid payment plan or other valid reasons. The specification of doubtful receivables is in note 20.

The geographical structure of the accounts receivable is diversified and is reflecting the external sales structure presented in the Segment information. Largest sources of credit risk exist in Germany, Great Britain, France, Belgium, Italy and Spain. The share of largest individual customer (individual companies or groups of companies under common ownership) credit risk exposure of the Group at the end of 2009 remains below 10% of total accounts receivable. About a fifth of accounts receivable was owed by ten customer groups (individual companies or groups of companies under common ownership).

The first three quarters of the year saw above historical average overdue receivables. This was due to a continuing difficult economic environment in major markets and the challenging collections from customers of the discontinued M-real Graphic papers business. Quarter four saw much lower levels of late payment. Customer payment performance is expected to continue above historical levels in 2010 though lower than 2009.

As reported in the 2008, credit insurance credit limits declined rapidly from the first quarter, especially for customers involved in forest products manufacture and distribution as the insurers moved to protect themselves rather than offer a true view of the risk of a company bankruptcy. At the end of 2009, a majority of trade receivables of Metsäliitto Group were covered by insurance. Group's internal analysis of the real risk of customer insolvency continued to support sales while controlling credit risk.

Managing the capital

Terms capital and capital structure are used to describe investments made in the company by its owners and retained earnings (together equity) and debt capital (liabilities) as well as the relation between them. In managing its capital structure, the Group aims at maintaining an efficient capital structure that ensures the Group's operational conditions in financial and capital markets in all circumstances despite the fluctuations typical to the sector. Certain central target values, which correspond to standard requirements set by financing and capital markets, have been defined for the capital structure. The Group's capital structure is regularly assessed by the Group's Board of Directors and its Audit Committee.

The Group monitors the development of its capital structure through a key ratio that describes net gearing. The objective of the Group is to maintain its net gearing ratio at the maximum level of 100% on average over the trade cycle.

The key ratios describing the capital structure and the capital amounts used for the calculation of the key ratio were on 31.12.2009 and 31.12.2008 the following:

EUR million	**2009**	**2008**
Net gearing ratio, %	157	149
Interest bearing liabilities	2,778	3,545
- interst bearing financial assets	575	879
Interset-bearing net liabilities	2,203	2,666
Equity attributable to shareholders of parent company	927	1,104
+ minority interest	471	682
Total	1,399	1,786

Market risk sensitivity 31 Dec.	Impact on equity exposure and annual transaction exposure									
	Impact on financial assets and liabilities		Impact on net equity of foreign entities		Impact on net equity of foreign entities including hedging		Impact on annual transactions exposure (cash flow)		Impact on annual transactions exposure (cash flow) including hedging	
EUR million	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Interest rate risk (100 bp rise in interest rates)										
Effect on profit	5	3					-12	-15	-4	-11
Effect of other change in equity	3	1								
Commodity risk (electricity price +20%)										
Effect on profit	0	-1					0	-12	12	5
Effect of other change in equity	12	18								
FX risk (USD -10%)										
Effect on profit	5	-1					-71	-55	-53	-42
Effect of other change in equity	5	32	0	-39	0	-13				
FX risk (GBP -10%)										
Effect on profit	-2	5					-32	-31	-25	-19
Effect of other change in equity	4	11	-8	-8	0	0				
FX risk (SEK -10%)										
Effect on profit	3	4					35	42	21	24
Effect of other change in equity	36	22	-40	-45	0	-6				

Items with + sign = positive effect = increase of assets / decrease of liabilities / increase of cash flow
Items with - sign = negative effect = decrease of assets / increase of liabilities / decrease of cash flow

In certain loan contracts of Metsäliitto Cooperative and its subsidiaries, a minimum limit has been set for the Group's equity ratio and a maximum limit for the Group's net gearing ratio. With regard to defining the equity, the calculation formula of key ratios as defined in the loan contracts deviates from the calculation formulas presented in the Annual Report. This is due to the fact that in loan contracts business value and deferred tax liabilities are taken into account when calculating the key ratio. Also the formula for calculating net gearing in certain loan contracts of M-real deviates from the formula presented in the Annual report. This is caused by a EUR 300 million non-recurring write-off exclusion in the calculation of the key ratio. Other covenants in the Group's loan agreements are customary terms and conditions including for example a negative pledge, restrictions on major asset disposals, limitations on subsidiary indebtedness, restrictions on changes of business and mandatory prepayment obligations upon a change of control of the Group. All Group companies have been in compliance with its covenants during the accounting periods 2009 and 2008.

In case Metsäliitto Cooperative or any of its subsidiaries could not meet its obligations as defined by the above mentioned key ratios and in order to avoid a breach of contract that could have an adverse effect on the company's financial position, it would need to renegotiate its financial arrangements, payback its loans or get its debtors to give up their claims to meet these obligations.

IFRS 7 requires an entity to disclose a sensitivity analysis for each type of market risk to which the entity is exposed at the reporting date, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date. The Group has recognized interest rates, electricity prices and foreign exchange rates as its key market risks and has set 1% interest rate rise, 20% rise in electricity price and 10% weakening of USD, GBP and SEK as reasonably possible risk variables. These currencies represent about 89% of Group's annual transaction exposure. The nature of the market price risk is relatively linear so that the size of effects of opposite market price changes do not essentially differ from the presented figures. The scenarios have been calculated by using regular principles of calculating market values of financial instruments described in the Group Accounting policies. Figures at the reporting date reflect quite well the average market risk conditions throughout the reporting period.

Additionally the Group is presenting figures describing the effects of the risk variables to its equity exposure and annual transaction exposure (cash flow) to present a broader picture about market risks of interest rates, electricity prices and foreign exchange rates. Annual cash flows are based on estimates, but not existing commercial contracts. The impact on net equity has reduced due to sale of Metsä-Botnia's operations in Uruguay. Including equity hedging the impact is minor. The weakening of USD and GBP has a negative impact on annual cash flow and the weakening of SEK has a positive impact. Hedges reduce this impact depending on hedging strategy. The rise of electricity price has quite a limited impact on cash flow and a positive impact when all electricity hedges of Group companies have been taken into account. This is because Metsä-Botnia's electricity surplus is almost offsetting the electricity need of the Group companies after the change occurring in Metsä-Botnia consolidation.

4. 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.

When adopting the IFRS 8, Operating segments, there was a change in the reporting segments of the Group. Comparative figures have been classified to conform to the new segments.

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 decisions are based on the operating result of the segments in evaluating their performance

The accounting principles for the segment information are equal to those of the Group. All intra-segment sales are based on market prices and eliminated in consolidation.

Segment assets and liabilities are capital items directly used by the segments in their business operations or items that based on reasonable ground can be allocated to the segment. Unallocated capital items consist of tax and financial items and other common group items. Investments consist of additions of tangible and intangible assets used over a longer period than one year.

Reporting segments

Wood Supply business segment offers to owner-members services related to forest ownership, forest property management, wood sales, forest income investment and intergenerational transfer of forest property. Most of the wood is procured from Finland, mainly from the forests of Metsäliitto's owner-members.

Wood Products Industry business segment produces and distributes sawn timber and plywood as well as panel and beam products. Systems products and services are offered to construction projects. Wood Products Industry delivers products and services especially for the industrial construction and transportation vehicle industry, joinery industry as well as the home and garden area.

Pulp Industry business segment's main products – bleached softwood and birch pulp – have been developed for the production of high-quality fine papers, magazine and tissue papers and folding boxboard.

Board and Paper Industry business segment is Europe's leading primary fibre paperboard producer and a major paper supplier. It offers premium solutions for consumer packaging and communications and advertising end-uses.

Tissue and Cooking Papers business segment is one of the leading suppliers of tissue paper products for both households and large scale consumers in Europe and the leading producer of cooking papers in the world. In addition to its own brands, the business segment develops and manufactures supplier label products for retailers.

Other operations include the Metsäliitto Group head quarter functions and the holding function of Metsäliitto Cooperative as well as the share of Vapo (49.9 %) until June 24, 2009.

The Group has not aggregated segments when identifying the reporting segments.

2009 EUR million	Wood Supply	Wood Products Industry	Pulp Industry	Board and Paper Industry	Tissue and Cooking Papers	Other operations	Eliminations	Total
External sales	422	762	766	2,410	890	165	-579	4,837
Internal sales	679	44	429	22	0	5	-1,179	0
Sales total	1,101	806	1,195	2,432	890	170	-1,758	4,837
Operating result	-9	-47	193	-267	93	59	-190	-169
Share of results from associated companies								-16
Finance costs, net								-144
Income taxes								10
Discontinued operations								-23
Result for the period								-342
Assets	198	439	852	2,495	812	253	-66	4,983
Investments in associated companies								98
Assets classified as held for sale		9						9
Unallocated assets								640
Total assets								5,730
Liabilities	165	105	105	635	213	8	-66	1,165
Liabilities classified as held for sale		6						6
Unallocated liabilities								3,161
Total liabilities								4,331
Capital expenditure	2	10	53	73	35	516	-41	648
Capital expenditure of discontinued operations								0
Depreciation	4	45	173	244	42	11	-130	388
Impairment charges				112				112
Personnel, average	1,001	3,883	1,678	5,913	3,216	767	-1,228	15,230

The operating result of the segment Wood Supply includes an infringement fine of EUR 21 million imposed by the Market Court. Other operations' operating result includes capital gains of EUR 50 million from the sale of Vapo shares and the Botnia South America S.A. shares. The operating result of the Pulp Industry includes capital gains of EUR 313 million from the sale of its Uruguay business and Pohjola Voima shares.The Board and Paper Industry include 30 per cent of the capital gains of the Pulp Industry in their own operating result.

2009 EUR million	Wood Supply	Wood Products Industry	Pulp Industry	Board and Paper Industry	Tissue and Cooking Papers	Other operations	Elimi-nations	Total
External sales	676	1,090	940	3,202	930	320	-724	6,434
Internal sales	1,058	72	651	34	0	7	-1,823	0
Sales total	1,734	1,162	1,591	3,236	930	328	-2,547	6,434
Operating result	30	-74	209	-61	42	9	-152	2
Share of results from associated companies								6
Finance costs, net								-241
Income taxes								60
Discontinued operations								-338
Result for the period								-511
Assets	252	540	2,353	3,648	836	423	-2,232	5,821
Investments in associated companies								139
Unallocated assets								939
Total assets								6,899
Liabilities	197	134	163	781	201	64	-299	1,241
Unallocated liabilities								3,872
Total liabilities								5,113
Capital expenditure	4	36	99	105	33	48	-76	249
Capital expenditure of discontinued operations				23				23
Depreciation	5	50	138	229	56	20	-109	389
Impairment charges		6		86				92
Personnel, average	1,253	4,436	1,875	6,849	3,288	1,281	-1,444	17,538

In 2008, the operating result of the Board and Paper Industry included realised fair value and capital gain on the sale of Pohjolan Voima shares, EUR 74 million.
Segment's assets = intangible and tangible assets, inventories, accounts receivables and other non-interest-bearing receivables (excl. interest and tax items).
Segment's liabilities = accounts payable, advance payments and other non-interest-bearing liabilities (excl. interest and tax items).

Geographical segments
The sales of geographical segments are presented based on the location of the customer. Segment assets and investments are presented based on geographical location of the assets.

EUR million	Sales		Non-current assets		Capital expenditure	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
Finland	976	1,428	2,719	2,457	555	128
Germany	763	882	212	292	15	14
Great Britain	553	806	27	27	2	6
France	308	461	29	121	11	18
Belgium	256	100	0	0	0	0
Sweden	204	322	379	428	27	36
Italy	136	212	0	0	0	0
The Netherlands	116	117	0	1	0	0
Poland	97	162	25	30	2	2
Spain	75	111	0	1	0	0
Austria	71	94	91	95	5	5
Denmark	69	111	0	2	0	0
Other EU countries	246	404	89	109	6	13
Switzerland	113	95	0	0	0	4
Russia	111	130	66	51	2	6
Norway	95	104	0	1	0	1
Other Europe	102	146	1	0	1	0
China	125	98	0	0	0	0
USA	109	164	0	0	0	0
Other countries	312	487	0	576	22	39
Total	4,837	6,434	3,638	4,191	648	272

Personnel at year end	**2009**	**2008**
Finland	6,200	6,881
Germany	2,463	2,684
Sweden	1,528	1,705
Great Britain	885	984
Russia	616	598
France	607	674
Poland	447	513
Slovakia	433	460
Romania	408	456
Austria	206	650
Baltic countries	132	375
The Netherlands	51	67
Other Europe	180	262
Other countries	86	420
Total	14,242	16,729

Information on most important customers
Group's income from one customer exceeded to some EUR 565 million or some 12 per cent of total sales. The sales are included in the segments of Wood Supply, Pulp Industry and Board and Paper Industry.

5. Acquisitions, assets classified as held for sale, disposed and discontinued operations

Acquisitions

Oy Metsä-Botnia Ab, a joint venture included in the Group's Pulp Industry segment, had a pulp mill and forest assets in Uruguay. Metsä-Botnia's shareholders M-real Corporation, UPM-Kymmene Corporation and Metsäliitto Cooperative signed an agreement on the sale of the business operations in Uruguay to UPM on 22 October 2009. The transaction was concluded on 8 December 2009. In connection with it, Metsäliitto Cooperative sold UPM a holding of 5.5% in Botnia South America S.A. (Note 5, Disposed operations.)

At the same time, the shares of ownership in Metsä-Botnia were rearranged. Metsä-Botnia redeemed 9.2% of its own shares, as a result of which Metsäliitto Cooperative's direct ownership increased from 23.0% to 25.3% and M-real's ownership from 30.0% to 33.0%. Metsäliitto Cooperative purchased a 24.7% share in Metsä-Botnia from UPM. In addition, Metsäliitto Cooperative purchased a 3.0% share in Metsä-Botnia from M-real in an intra-group acquisition. After the arrangements Metsäliitto Cooperative owns 53.01% of Metsä-Botnia, M-real 30.03% and UPM 16.96%.

Metsä-Botnia's shareholder agreement includes an obligation to redeem Metsä-Botnia shares, ending when UPM's holding has decreased below 11%. The liability arising from the redemption obligationis measured at fair value. The corresponding increase in Metsäliitto Cooperative's holding by 5.96% has been taken into account in the consolidated financial statements.

According to a preliminary acquisition cost calculation, the acquisitions resulted in goodwill of EUR 359 million, including the following items: (i) Synergy benefits, 80% of goodwill. The synergy benefits arise from the potential for cost savings and improvement of efficiency due to harmonisation, and benefits of using Metsä-Botnia's pulpwood in optimising Metsäliitto's Wood Supply and Wood Products Industry businesses. (ii) Personnel, 20% of goodwill. The competence of the personnel concerning pulp production and end uses of fibre will benefit the other business functions of the Group in, e.g., the production of pulp, paper and board. The personnel's knowledge of the pulp market will aid the operation of other Group companies in the pulp market as buyers as well as sellers.

The acquisition cost calculation is preliminary because according to IFRS it is possible to adjust it if additional information is received within one year from the acquisition date.

The other operating expenses of the Group include EUR 5 million of costs related to this reorganisation as a whole.

The result of the Metsä-Botnia group has been consolidated into Metsäliitto Group as a joint venture line by line until 7 December 2009 (Metsäliitto Cooperative's ownership 23% and M-real's 30%). As a result of the restructuring carried out at the end of 2009, Metsä-Botnia became a subsidiary of Metsäliitto Cooperative on 8 December 2009. The minority interest is 29.43%. The result for the financial period of the Metsä-Botnia group since 8 December 2009, EUR 3 million, is included in the Group result for 2009.

Metsäliitto Group's sales for 2009 would have amounted to EUR 4,644 million and the result for the period before minority interest to EUR -609 million, had the acquisition of business operations carried out during the financial year been consolidated into the consolidated financial statements from the beginning of the financial year 2009, taking all the items related to this transaction as a whole into consideration. These figures have been calculated using the accounting policies applied by the Group and by adjusting the result of the subsidiary by taking into consideration additional depreciation that would have been made had the intangible and tangible assets been measured at fair cost as of 1 January 2009, and the tax effects of such depreciation.

Acquisition of Oy Metsä-Botnia Ab total		**2009**	**2009**
EUR million	note	Fair value measured at consolidation	Book value before consolidation
Brand (included in intangible assets)	13	135	
Customer relationships (included in intangible assets)	13	42	
Other intangible assets	13	16	16
Buildings	13	247	206
Machinery and equipment	13	516	365
Other tangible assets	13	22	22
Biological assets	14	6	6
Long-term financial assets		22	22
Inventories		125	123
Accounts and other receivables		126	126
Cash and cash equivalents		9	9
Total assets		1,266	895
Deferred tax liabilities	18	164	68
Retirement benefit obligations		3	3
Provisions	24	18	18
Financial liabilities		332	332
Accounts and other payables		87	87
Total liabilities		604	507
Net assets		662	388
Previously owned share of net assets		229	
Minority's share of net assets		195	
Net assets acquired		238	
Acquisition cost		405	
Costs directly attributable to the acquisition		4	
Redemption of Oy Metsä-Botnia Ab shares		89	
Redemption obligation		99	
Acquisition cost total		597	
Goodwill	13	359	
Cash transaction		498	
Assets of subsidiary acquired		-9	
Cash flow on acquisition		-489	

The fair value of the brand identified in the consolidation of business operations has been specified based on estimated discounted additional cash flows. The fair value of customer relationships has been specified based on the estimated duration of the customer relationships and discounted net cash flows from existing customer accounts. Tangible assets are measured at fair value based on the market prices of corresponding assets, taking into consideration the age, wear and other similar factors of the acquired assets. Inventories are measured at fair value, and the book values of other items substantially correspond to the fair value.

There were no other significant acquisitions in 2009.
There were no significant acquisitions in 2008.

Acquisitions total		2009	2009	2008	2008
EUR million	note	Fair value measured at consolidation	Book value before consolidation	Fair value measured at consolidation	Book value before consolidation
Tangible and intangible assets	13	980	610	4	4
Biological assets	14	6	6	0	0
Long-term financial assets		22	22	0	0
Inventories		125	123	0	0
Accounts and other receivables		126	126	1	1
Cash and cash equivalents		9	9	0	0
Total assets		1,268	897	6	6
Minority interest		0	0	0	0
Deferred tax liabilities	18	164	68	0	0
Retirement benefit obligations		3	3	0	0
Provisions	24	18	18	0	0
Financial liabilities		332	332	2	2
Accounts and other payables		87	87	0	0
Total liabilities		605	508	3	3
Net assets		663	388	3	3
Previously owned share of net assets		229			
Minority's share of net assets		195			
Net assets acquired		239			
Acquisition cost		406		4	
Costs directly attributable to the acquisition		4			
Redemption of Oy Metsä-Botnia Ab shares		89			
Redemption obligation		99			
Acquisition cost total		598		4	
Goodwill	13	359		1	
Negative goodwill				0	
Cash transaction		499		4	
Assets of subsidiary acquired		-6		0	
Cash flow on acquisition		-493		-3	

Assets classified as held for sale

EUR million	note	2009	2008
Other intangible assets	13	0	0
Tangible assets	13	3	0
Long-term financial assets		0	0
Inventories		3	0
Accounts and other receivables		1	0
Cash and cash equivalents		1	0
Total assets		9	0
Retirement benefit obligations		0	0
Financial liabilities		5	0
Accounts and other payables		1	0
Total liabilities		6	0

Metsäliitto's Wood Products Industry announced in November 2009, that it would divest its blockboard mill in Romania. The transaction is subject to approval by the Romanian competition authorities. The mill has been classified as assets held for sale.

Disposed operations

Business of Vapo Group		
EUR million	note	**2009**
Goodwill	13	10
Other intangible assets	13	4
Tangible assets	13	236
Long-term financial assets		13
Inventories		62
Accounts and other receivables		46
Cash and cash equivalents		17
Total assets		387
Minority interest		2
Deferred tax liabilities	18	17
Retirement benefit obligations		1
Provisions	24	4
Financial liabilities		154
Accounts and other payables		52
Total liabilities		228
Net assets		157
Selling price		165
Profit on disposal		8
Cash and cash equivalents received		165
Cash and cash equivalents in subsidiaries		-17
Net cash flow arising on disposal		148

Metsäliitto Cooperative sold its entire holding (49.9%) in Vapo Oy on June 24, 2009. The total selling price was EUR 165 million. On the sale, the Metsäliitto Group recorded a capital gain of EUR 8 million.The Vapo Group was consolidated using the proportional method line by. Vapo Group was a part of the segment Other operations.

Business of Vapo Group		
EUR million	1.1.-30.06.2009	1.1.-31.12.2008
Sales	157	315
Other operating income	4	11
Depreciation and impairment charges	-9	-19
Operating expenses	-138	-297
Operating result	13	11
Share of profit from associated companies	0	0
Financial income and expenses	-3	-11
Income taxes	-2	2
Result from continuing operations	7	1

Oy Metsä-Botnia Ab, a joint venture included in the Group's Pulp Industry segment, had a pulp mill and forest assets in Uruguay. Metsä-Botnia's shareholders M-real Corporation, UPM-Kymmene Corporation and Metsäliitto Cooperative signed an agreement on the sale of the business operations in Uruguay to UPM on 22 October 2009. The transaction was concluded on 8 December 2009. The selling price was EUR 999 million and Metsä-Botnia recorded a gain of EUR 253 million. The Metsäliitto Group owned 53 per cent of Metsä-Botnia and the share of the gain was EUR 134 million.

Metsä-Botnia's Uruguay business (According to Group holding 53 %)		
EUR million	note	**2009**
Goodwill	13	0
Other intangible assets	13	3
Tangible assets	13	423
Biological assets	14	91
Long-term financial assets		6
Inventories		52
Accounts and other receivables		34
Cash and cash equivalents		45
Total assets		654
Minority interest		89
Deferred tax liabilities	18	1
Provisions	24	0
Financial liabilities		193
Accounts and other payables		26
Total liabilities		220
Net assets		345
Translation differences		47
Other items attributable to the aquisition		3
Total		395
Selling price		530
Profit on sale before taxes		134
Income taxes		0
Profit on sale after taxes		134
Cash and cash equivalents received		530
Cash and cash equivalents in subsidiaries		-45
Net cash flow arising on disposal		485

Metsä-Botnia's Uruguay business (According to Group holding 53 %)		
EUR million	1.1.-4.12.2009	1.1.-31.12.2008
Sales	164	216
Other operating income	3	2
Depreciation and impairment charges	-14	-21
Operating expenses	-128	-104
Operating result	25	92
Financial income and expenses	-8	-11
Income taxes	-1	-1
Result from continuing operations	16	80

In connection with it, Metsäliitto Cooperative sold UPM a holding of 5.5%in Botnia South America S.A. Metsäliitto Cooperative recorded a capital gain of EUR 23 million on the sale.

Metsäliitto Group's share of the capital gain of the disposal of the Uruguay business totalled EUR 158 million.

Disposal of Botnia South America S.A. (5.5%)	
EUR million	2009
Selling price	67
Share of profit from associated companies	44
Profit on sale before taxes	23
Income taxes	2
Profit on sale after taxes	22
Net cash flow arising on disposal	67

M-real disposed in February 2008 the New Thames's office paper mill located in Great Britain. In relation to the sale, a separate agreement was made on the UK industrial operation's pension liabilities. The combined positive result effect was some EUR 24 million.

Discontinued operations
M-real disposed Map Merchant operations in October 2007. The Map Merchant Group was accounted as a discontinued operation. In 2008 the adjustment on the sale price had a negative effect of EUR 26 million on the result of discontinued operations.

M-real disposed in December 2008 the Graphic Papers businesses for EUR 750 million to Sappi Ltd. Graphic Papers business has been accounted as a discontinued operation and its profit and loss on disposal have been recognised as a separate item after continuing operations. In spring 2009 the adjustment on the selling price and other items had a negative effect of EUR 23 million on the result of discontinued operations.

Discontinued operations, results total		
EUR million	2009	2008
Map Merchant	0	-26
Graphic Papers	-23	-313
Total	-23	-338

Disposed operations total			
EUR million	note	2009	2008
Tangible and intangible assets	13	676	696
Biological assets	14	91	0
Investments in associated companies		45	0
Long-term financial assets		15	13
Deferred tax receivables	18	1	0
Inventories		114	135
Accounts and other receivables		80	266
Cash and cash equivalents		62	8
Total assets		1,085	1,118
Minority interest		91	4
Deferred tax liabilities	18	17	24
Retirement benefit obligations		1	38
Provisions	24	5	4
Financial liabilities		347	139
Accounts and other payables		79	251
Total liabilities		449	456
Net assets		546	658
Translation differences and other items		50	1
Selling price		762	740
of which			
Internal debt			-75
Loan receivables			-220
Shares			-50
Profit on disposal		166	5
Cash and cash equivalents received		762	404
Cash and cash equivalents in subsidiaries		-62	-8
Net cash flow arising on disposals		700	396

6. Long-term projects

The Group sales include EUR 8 million (19) in income from long-term projects.

The income statement included EUR 8 million income from long-term projects in progress (4).The balance sheet included EUR 8 million in advance payments for long-term projects in progress (3).

7. Other operating income

EUR million	2009	2008
Gains on disposals	214	100
Rental income	6	5
Service revenue	40	35
Government grants	31	39
Other operating income	63	60
Total	353	239

Metsäliitto Group's joint venture Oy Metsä-Botnia Ab disposed its Uruguay business. The share of the gain on sale was EUR 134 million. In addition Metsä-Botnia sold 77 per cent of its shares in Pohjolan Voima Oy. Metsäliitto Group recorded EUR 32 million of the gain.

The gains on disposals also include the EUR 23 million capital gain on the Botnia South America S.A. shares (5.5%) and the gain of EUR 8 million on the Vapo shares sold.

In 2008, the most significant item in gains on disposals was M-real's sale of Pohjola Voima shares. The gain was EUR 74 million.

Government grants concern the subsidies of training, healthcare and R&D expenses, energy subsidies as well as the carbon dioxide emission permits in accordance with the EU emission trading scheme.

8. Operating expenses

EUR million	**2009**	**2008**
Materials and services		
Materials, consumables and goods		
Purchases	2,440	3,498
Change in inventories	52	-1
External services	639	847
Materials and services, total	3,131	4,345
Employee costs		
Wages and salaries	523	600
Social security costs		
Pension costs		
Defined contribution plans	3	10
Defined benefit plans	58	76
Other employee costs	212	208
Total	274	293
Employee costs total	797	893
Other operating expenses		
Rents	57	64
Research and development costs	24	25
Losses on fixed assets disposal	3	4
Other operating expenses	733	830
Total	817	923

Other operating expenses include Metsäliitto Cooperative's infringement fine of EUR 21 million imposed by the Market Court for breach of competition legislation.

Remuneration paid to the members of the Supervisory Board, Board of Directors and the Executive Management:

Remuneration paid to the members of the Supervisory Board	**2009**	**2008**
EUR		
Lillandt Runar chairman	54,100	52,300
Jaakkola Erkki vice chairman	7,200	9,700
Members total (EUR 500 / meeting)	57,500	71,000
Total	118,800	133,000

Remuneration paid to the members of the Board of Directors	**2009**	**2008**
EUR		
Asunta Martti chairman	71,540	69,220
Jordan Kari vice chairman	0	0
Aminoff Mikael	47,300	38,500
Halonen Eino	43,700	37,500
Hiltunen Arto	47,300	38,000
Jääskeläinen Saini	47,300	38,500
Parpala Juha	46,800	0
Saukkonen Timo	47,300	39,000
Tukeva Antti	46,200	0
	397,440	260,720

Former members of the Board		
Asunmaa Heikki	500	39,000
Kotipalo Unto	500	39,000
Total	398,440	338,720

The total salary of the President and CEO Kari Jordan was EUR 1,220,115 (1,196,568) including fringe benefits and bonuses. In addition to this, he was paid bonus in cash and M-real's shares EUR 684,629 (267,525) according to the incentive programme.

Salaries and emoluments paid to the Executive Management totalled EUR 5.3 million (5.3) including fringe benefits and bonuses. In addition to this, the Executive Management was paid EUR 0.7 million (0.5) in bonuses in shares according to the incentive programme.

The incentive programme

The pay scheme of the Group Executives is based on the following elements: base salary, merit pay (max 6 months) and a long-term share based incentive programme. 36 top executives of the Group companies are included in the programme. The incentive programme is in detail in note 35.

Pension commitments to management

The retirement age of the President and CEO is 60. Certain top executives of the Group have the right to retire with a pension based on the Pension Fund at the age of 62. The expenses of the Executive Management defined pension plans were EUR 1.6 million (2.8) and the expenses of their defined contribution plans were EUR 0.9 million (1.0).

In the event that the President and CEO is dismissed, he has the right to receive compensation corresponding to 24 months' salary. The mutual period of notice is 6 months. In the event that other members of the Executive Management are dismissed, the period of notice is 6 months. They have the right to receive compensation corresponding to 6-18 months' salary.

The parent company has no commitments to the members of the Supervisory Board or the Board of Directors or people who have previously been members.

Audit fees

The fees paid to PricewaterhouseCoopers are shown in the table below. The audit fees are paid for the audit of the annual and quarterly financial statements for the group reporting purposes as well as the audit of the local statutory financial statements. Tax consultancy fees are the fees paid for tax consultancy services and the like.

Main auditors fees	**2009**	**2008**
EUR million		
Audit fees	3	3
Tax consultancy	1	1
Other fees	2	2
Total	5	6

9. Depreciation, amortization and impairment charges

Continuing operations		
EUR million	**2009**	**2008**
Depreciation		
Other intangible assets	19	21
Buildings	73	58
Machinery and equipment	288	298
Other tangible assets	9	13
Total	388	389
Impairment charges		
Goodwill	33	23
Land	0	33
Buildings	27	18
Machinery and equipment	52	18
Other tangible assets	0	0
Total	112	92
Depreciation, amortization and impairment charges, total	501	482
Impairments by segment (goodwill)		
Wood Products Industry	0	3
Board and Paper Industry	33	20
Other operations	0	0
Total	33	23
Impairments by segment (tangible assets)		
Wood Products Industry	0	3
Board and Paper Industry	79	66
Total	79	69
Impairments total	112	92

Discontinued operations		
EUR million	**2009**	**2008**
Depreciation	0	61
Impairments (goodwill)	0	101
Impairments (tangible assets)	0	93
Total	0	255

In 2009, goodwill impairment losses were recognised to an amount of EUR 33 million in M-real Zanders and other impairment losses to an amount of EUR 80 million (M-real Zanders paper mill in Germany EUR 33 million and M-real Alizay paper mill in France EUR 47 million). In Alizay pulp mill an additional depreciation of EUR 28 million was recognised related to the planned permanent closure of the pulp mill.

In 2008 impairment charges were made at M-real's Hallein mill in Austria (EUR 9 million on goodwill and EUR 57 million other impairment) and at Husum mill in Sweden (EUR 7 million on goodwill and EUR 9 million other impairment). An impairment of EUR 194 million was recognised in disposed Graphic Papers business.

Impairment of Assets

Wood Products Industry

The Wood Poducts Industry's impairment tests were executed in November-December 2009.

The accounting values of asset items or cash generating units (CGU) are evaluated for possible value depreciation. If there are indications of value depreciation of an asset item or CGU, or if the unit's accounting value includes or it has been allocated goodwill, it is evaluated how much money the asset item or CGU can accumulate. The sum is the utility value based on the cash flow against the asset item or CGU.

The recoverable cash flows of the CGUs are based on five-year projections and on consequent cash flows growing at a fixed annual growth rate. With regard to Finnforest UK, testing has been simplified because the company's business value is significantly higher than the book value.

The principal input data required for the projections include the price forecasts for sawn timber and panel products, demand and delivery volume estimates for these products, the cost development of key raw materials and other factors of production, such as roundwood, glue and energy, as well as the development of personnel costs and other fixed costs. The projections are also affected by the implementation of the cost-cutting measures already decided, as well as current and planned investments.

The forecasts of selling prices and key factors of production are estimates made by the company's management based on currently available industry sources. The figures for 2010 are based on the preliminary budget at the time of testing.

In current and previous impairment tests the cash flows consequent to the five-year projected cash flows are based on a growth rate of 1-3%. Furthermore, the management's estimate of likely changes in the factors underlying the key assumptions (price, volume, variable costs) during the projection period have been used as a starting point.

The discount rate used is the Wood Products Industry's latest determined equity and debt Weighted Average Cost of Capital. The WACC used in the test performed as of the end of the year 2009 is 6.98% (5.80% in 2008). The change in WACC derives from the fact that the rate is now calculated after tax. Taxes have also been recognised in cash flow accounting. Other factors regarding the discount rate are the same as in 2008.

The goodwill impairment test results are evaluated by comparing the recoverable amount (V) with the carrying amount of the CGU (B) as follows:

	Ratio		
V		<	B
V	0–5%	>	B
V	5–10%	>	B
V	10–15%	>	B
V	15–20%	>	B
V	20–50%	>	B
V	50%–	>	B

The CGUs of Metsäliitto Wood Products Industry, the goodwill allocated to them and testing result as of 31 December 2009:

Cash Generating Unit	Goodwill, EUR mill.	Test result (V-B)/B
Glued balk	5.1	20–50%
Finnforest Merk	0.4	20–50%
CEE sales companies	3.2	over 50%
Sawmill group	5.0	over 50%
Finnforest France	4.4	over 50%
Finnforest UK	0.9	over 50%

Sensitivity analysis of the CGUs regarding the changes in the key assumptions:

Cash Generating Unit (CGU)	V–B, EUR mill.	Key assumption	Required change in order for V to equal B
Glued balk	2	- Increasing end product average price on 5-year projection period (cumulative increase 6%)	- Cumulative increase in average price 0.7%-units lower
		- WACC based on interest rates and risk premiums at the time of testing	- WACC 1.3%-units higher
Finnforest Merk	2	- Increasing end product sales margin on 5-year projection period (cumulative increase 10%)	- Cumulative increase in sales margin 1.5%-units lower
		- WACC based on interest rates and risk premiums at the time of testing	- WACC 2.8%-units higher
CEE sales companies	6	- Increasing end product average price on 5-year projection period (cumulative increase 5%)	- Cumulative increase in average price 1.1%-units lower
		- WACC based on interest rates and risk premiums at the time of testing	- WACC 5.0%-units higher
Sawmill group	30	- Increasing end product average price on 5-year projection period (cumulative increase 11%)	- Cumulative increase in average price 1.0%-units lower
		- WACC based on interest rates and risk premiums at thetime of testing	- WACC 4.2%-units higher
Finnforest France	58	- Increasing end product average price on 5-year projection period (cumulative increase 8%)	- Cumulative increase in average price 3.9%-units lower
		- WACC based on interest rates and risk premiums at the time of testing	- WACC 19.8%-units higher

Assumptions to which the recoverable amount of the CGU is most sensitive are listed in the table. When considering the resulting effects of changes in other assumptions it was concluded that there are no correlations between assumptions that would materially change the result of the testing. The pricing of end products is mainly driven by the demand and supply balance, and that the cost based changes do not have any significant impact on product pricing.

Board and Paper Industry / M-real

M-real carries out a full impairment test at least once a year, during the last quarter based on the situation of 30 September. In addition, a sensitivity analysis is made each quarter. Should the sensitivity analysis indicate impairment, a full test will be initiated. The Audit Committee reviews the sensitivity analysis or impairment testing results quarterly.

Office Papers cash generating unit (CGU) has been split into two CGUs in 2009: Alizay and Husum. Alizay's product portfolio has developed towards recycled fibre based products and has therefore grown apart from Husum's product portfolio. Alizay paper mill is independent of Husum in pulp procurement and Alizay's integration to its own pulp mill will end if the plan to shutdown Alizay's pulp mill will realise. Based on the before mentioned reasons Alizay's cash flows have become more independent from those of Husum and it has become possible to define a utility value for Alizay independently and therefore Alizay and Husum are tested separately.

Testing principles

The accounting values of asset items or cash generating units (CGU) are evaluated for possible value depreciation. Cash generating units are reporting segments or smaller units to which a utility value can be defined to. If there are indications of value depreciation of an asset item or CGU, or if the unit's accounting value includes or it has been allocated goodwill, it is evaluated how much money the asset item or CGU can accumulate. The sum is the utility value based on the cash flow against the asset item or CGU, or its net sales price. In 2009 testing all accumulated utility values are based on the cash flow against the asset or CGU.

The cash flow that the CGUs under testing can accumulate is based on five-year forecasts and the evenly-growing cash flows that follows them.

The essential testing assumptions are M-real management's estimates and projections as well as 3rd party forecasts. The key factors affecting the projections are development of average paper and board prices, delivery volumes, foreign exchange rates, and capacity utilisation rates, the cost development of key raw materials such as wood, pulp, chemicals and energy, the development of personnel costs and other fixed costs as well as the discount rate. The key factors are similar to those used in 2008 testing. Furthermore the realisation of savings and efficiency improvement measures as well as decided renewal investments have a significant impact on projected cash flows. M-real's share of the cash flow, accounting value and the goodwill recognised in "investments in associated companies" of Metsä-Botnia (EUR 32 million) is allocated to CGUs in proportion of their pulp purchases.

For the situation on 30 September 2009 and for previous goodwill impairment tests the cash flows consequent to the 5-year projected cash flows are based on a 2% fixed annual growth rate, which corresponds to the realised long term nominal growth of the CGUs and business areas in question. Average values for the key assumptions (price, volume, variable costs) during the projection period have been used as initial point for the cash flows following the forecast period. The fixed costs are based on the projected costs for the fifth year.

The discount rate used is M-real's Weighted Average Cost of Capital (WACC). When calculating WACC the cost of debt has been adjusted for the market related debt risk premium increases, even though M-real's average interest rate is lower on September 30, 2009. Both the cash flows and the discount rate are calculated after tax, which means that the established discounted cash flows and utility values are before tax as set out in IAS 36. For testing carried out, the WACC after taxes was 7.83% (2008: 8.10%) and for Metsä-Botnia 6.67% (8.10%). Management's view is that the risk factors regarding future cash flows do not differ materially from one CGU to another.

The goodwill impairment test results are evaluated by comparing the recoverable amount (V) with the carrying amount of the CGU (B) as follows:

	Ratio		
V		<	B
V	0–5%	>	B
V	5–10%	>	B
V	10–15%	>	B
V	15–20%	>	B
V	20–50%	>	B
V	50%–	>	B

The most important CGUs of M-real, the goodwill allocated to them as of 31 December 2009 as well as their testing result as of 30 September 2009:

Cash Generating Unit	Goodwill, EUR million	Test result (V-B)/B
Folding boxboard mills 1)	14	over 50%
Kemiart Liners 1)	10	over 50%
Kyro Paper 1)	1	over 50%
Simpele Paper 1)	1	20-50%
Husum PK6 & PK7	8	over 50%
Alizay 1)	1	<0%, impairment
Husum PM8 & Äänekoski Paper 1)	3	20-50%
Zanders	0	<0%, impairment
Market Pulp and Energy 1)	7	20-50%
Myllykoski Paper Oy 35% 2)	15	over 50%
M-real total	60	

1) The amount includes the goodwill from M-real's holding in Metsä-Botnia, which is shown in "Investments in associated companies" in the balance sheet.
2) The amount includes the goodwill from M-real's holding in Myllykoski Paper, which is shown in "Investments in associated companies" in the balance sheet.

In the following CGUs a reasonably possible change in a key assumption results in a situation where the carrying amount of the CGU exceeds the recoverable amount. Assumptions to which the recoverable amount of the CGU is most sensitive are listed in the table. When considering the resulting effects of changes in other assumptions it was concluded that there are no correlations between assumptions that would materially change the result of the testing. The pricing of end products is mainly driven by the demand and supply balance, and that the cost based changes do not have any significant impact on product pricing.

Cash Generating Unit (CGU)	V - B, EUR mill.	Key assumption	Required change in order for V to equal B
Alizay	0	- Increasing end product average price on 5-year projection period (cumulative increase 6%)	- No change required
		- WACC based on interest rates and risk premiums at the time of testing	- No change required
Zanders	0	- Increasing end product average price on 5-year projection period (cumulative increase 8%)	- No change required
		- WACC based on interest rates and risk premiums at the time of testing	- No change required
		- Completion of profit improvement programmes	- No change required
Husum PK8 & Äänekoski Paper	58	- Increasing end product average price on 5-year projection period (cumulative increase 11%)	- Cumulative increase in average price 2%-units lower
		- WACC based on interest rates and risk premiums at the time of testing	- WACC 3.0%-units higher
Market pulp & Energy	98	- Increasing average pulp price on 5-year projection period (cumulative increase 23%) 1)	- Cumulative increase in average price 3%-units lower
		- WACC based on interest rates and risk premiums at the time of testing	- WACC 1.8%-units higher
		- Wood costs as projected (cumulative average price decrease 3% over the 5-year projection period)	- Cumulative average wood price increase by 3% over the projection period

1) Average pulp price in 2009 was exceptionally low and at the end of 2009 pulp price had already increased approximately 20 per cent compared to 2009 average price.

Tissue and Cooking Papers / Metsä Tissue
Metsä Tissue's goodwill has been tested as per 31 December 2009.

Testing principles
The accounting values of asset items or cash generating units (CGU) are evaluated for possible value depreciation. Cash generating units are reporting segments or smaller units to which a utility value can be defined to. If there are indications of value depreciation of an asset item or CGU, or if the unit's accounting value includes or it has been allocated goodwill, it is evaluated how much money the asset item or CGU can accumulate. The sum is the utility value based on the cash flow against the asset item or CGU, or its net sales price. In 2009 testing all accumulated utility values are based on the cash flow against the asset or CGU.

For the purpose of goodwill impairment testing at the Metsä Tissue Group, the geographical area is defined as a CGU. In calculating the utility values, extensive use has been made of management approved budgets and estimates for the next three years. The cash flows consequent to the three-year projected cash flows have been extrapolated based on the estimated average GDP growth rate in the Euro zone, which, in 2009, was 2%. Both the future cash flows and the discount rate are calculated after taxes. The discount rate used in the calculations was 7.0%. which represents industry-specific risk.

The goodwill impairment test results are evaluated by comparing the recoverable amount (V) with the carrying amount of the CGU (B) as follows:

	Ratio		
V		<	B
V	0–5%	>	B
V	5–10%	>	B
V	10–15%	>	B
V	15–20%	>	B
V	20–50%	>	B
V	50%–	>	B

Metsä Tissue's goodwill and the testing result as of December 31, 2009:

	Goodwill, EUR mill.	Test result (V-B)/B
Metsä Tissue Group	126	over 50 %

The testing includes the following geographical areas with a total goodwill of EUR 126 million: Finland, Sweden Germany, Poland and Slovakia.

Of the above mentioned areas the test result is substantially (>50%) above in Finland, Sweden, Germany and Poland. In Slovakia the test result was between 20-50%.

There are no correlations between key assumptions. Reasonably possible changes in key assumptions did not result in a sensitivity analysis where V<B.

10. Financial income and expenses

EUR million	**2009**	**2008**
Exchange differences		
Commercial items	4	-4
Hedging / hedge accounting not applied	0	31
The ineffectiveness from hedges of net investment in foreign operations	0	-1
Others	-1	-7
Exchange differences total	2	19
Other financial income		
Interest income	26	16
Dividend income	1	1
Other financial income total	26	17
Interest and other financial expenses		
Valuation of financial assets and liabilities		
Gains and losses on financial assets or liabilities at fair value through profit or loss	1	2
Impairment charges from financial assets	-30	-4
Impairment charges from financial liabilities	32	0
Gains / losses on derivatives (no hedge accounting)	2	-11
Gains / losses on hedging instrument in fair value hedges	12	72
Fair value adjustments of hedged item in fair value hedges	-2	-67
Total	16	-8
Interest expenses	-178	-254
Other financial expenses	-10	-14
Interest and other financial expenses total	-173	-277

M-real repurched from the market its own EUR 400 million senior floting rate notes which matures in December 2010 in the total par value of EUR 60 million. A gain of EUR 31 million was booked in financial income.

In connection with divestment of Graphic Papers in December 2008, M-real received EUR 220 million in interest-bearing vendor notes from Sappi Ltd. In August 2009 M-real agreed with Sappi that Sappi will repay the vendor notes at the price of 86.5%of their nominal value. This early repayment resulted in an EUR 30 million loss that was booked in financial expenses.

11. Income taxes

EUR million	2009	2008
Income taxes for the financial period	-17	-19
Income taxes for previous periods	2	-3
Change in deferred taxes	27	83
Other	-1	-1
Total	10	60

Income tax reconciliation

EUR million	2009	2008
Result before taxes	-329	-233
Computed tax at Finnish statutory rate of 26%	-85	-61
Difference between Finnish and foreign rates	0	-1
Tax exempt income	-44	-30
Non-deductible expenses	18	14
Impairment of goodwill	9	5
Previous years tax losses used during the period	-4	-33
Tax losses with no tax benefit	90	49
Share of profit from associated companies	4	0
Income taxes for previous periods	-2	3
Other	5	-7
Income tax expense	-10	-60
Effective tax rate, %	3.16	25.95

12. Other items of comprehensive income

EUR million	2009		
	Recorded in other items of comprehensive income	Reclassi-fication	Total
Cash flow hedges			
Currency flow hedges			
recorded in equity	9		
transferred to sales		15	
Interest flow hedges			
recorded in equity	-1		
transferred to financial items		0	
Commodity hedges			
recorded in equity	11		
transferred to purchases		1	
Total	19	16	35
Available for sale investments			
recorded in equity	-71		
transferred to other operating income		-32	
Total	-71	-32	-103
Translation differences	4		
Net invest hedge	-19		
Total	-15		-15
Other items	0		0
Total	-67	-16	-83

Income tax relating to components of other comprehensive income

EUR million	2009		
	Before taxes	Taxes	After taxes
Cash flow hedges	35	-9	26
Available for sale investments	-103	27	-76
Translation differences	-15	5	-10
Other items	0	0	0
Total	-83	23	-60

EUR million	2008		
	Recorded in other items of comprehensive income	Reclassi-fication	Total
Cash flow hedges			
Currency flow hedges			
recorded in equity	-23		
transferred to sales		3	
Interest flow hedges			
recorded in equity	-5		
transferred to financial items		-1	
Commodity hedges			
recorded in equity	-29		
transferred to purchases		0	
Total	-57	2	-55
Available for sale investments			
recorded in equity	125		
transferred to other operating income		-28	
Total	125	-28	97
Translation differences	-8		
Net invest hedge	21		
Total	13		13
Other items	-1		-1
Total	80	-25	55

Income tax relating to components of other comprehensive income

EUR million	2008		
	Before taxes	Taxes	After taxes
Cash flow hedges	-55	14	-41
Available for sale investments	97	-25	72
Translation differences	13	-5	8
Other items	-1	0	-1
Total	55	-16	39

13. Intangible and tangible assets

Intangible assets

EUR million	Goodwill	Other intangible assets	Const-ruction in progress	Total
Acquisition cost, 1 Jan. 2009	176	291	2	469
Translation differences	1	1	0	2
Increase	0	15	3	18
Company acquisitions	358	195	0	553
Decrease	-9	-30	-1	-41
Transfers between items	0	2	-1	1
Assets classified as held for sale	0	0	0	0
Acquisition cost, 31 Dec. 2009	526	473	3	1,002
Accumulated depreciation and impairment charges, 1 Jan. 2009	0	-217	0	-217
Translation differences	0	-7	0	-7
Accumulated depreciation on deduction and transfers	0	11	0	11
Depreciation for the period	0	-19	0	-19
Impairment charges	-33	0	0	-33
Accumulated depreciation and impairment charges, 31 Dec. 2009	-33	-231	0	-264
Book value, 1 Jan. 2009	176	86	2	264
Book value, 31 Dec. 2009	493	242	3	738

In 2009 goodwill in M-real Zanders was impaired by EUR 33 million.

Intangible assets

EUR million	Goodwill	Other intangible assets	Const-ruction in progress	Total
Acquisition cost, 1 Jan. 2008	319	306	3	629
Translation differences	-13	-1	0	-15
Increase	1	55	3	58
Company acquisitions	1	0	0	1
Decrease	-102	-82	0	-184
Transfers between items	-6	13	-4	3
Acquisition cost, 31 Dec. 2008	199	291	2	492
Accumulated depreciation and impairment charges, 1 Jan. 2008	0	-240	0	-240
Translation differences	0	1	0	1
Accumulated depreciation on deduction and transfers	0	55	0	55
Depreciation for the period	0	-21	0	-21
Impairment charges	-23	0	0	-23
Accumulated depreciation and impairment charges, 31 Dec. 2008	-23	-205	0	-228
Book value, 1 Jan. 2008	319	67	3	389
Book value, 31 Dec. 2008	176	86	2	264

In 2008 goodwill impairment charges of EUR 9 million were made at Hallein mill in Austria and EUR 7 million at Husum mill in Sweden.The decrease in goodwill include impairment charges of EUR 101 million of the discontinued Graphic Papers business.

Development expenditure has not been capitalized in Metsäliitto Group.

The carrying value of emission rights included in intangible assets was on 31 December EUR 19 million (20) and the fair value EUR 19 million (20). In addition, intangible assets include among others computer software, patents, licenses and brands.

Goodwill allocated to segments

EUR million	**2009**	**2008**
Wood Supply	2	2
Wood Products Industry	19	19
Pulp Industry	4	4
Board and Paper Industry	13	51
Tissue and Cooking Papers	126	125
Other operations	359	9
Eliminations	-30	-34
Total	493	176

Other operations include goodwill of EUR 359 million related to the Metsä-Botnia acquisition in 2009 and EUR 1 million related to the acquisition of Metsä Tissue.

Tangible assets

EUR million	Land and water areas	Buildings	Machinery and equipment	Other tangible assets	Construction in progress	Total
Acquisition cost, 1 Jan. 2009	206	1,535	5,603	251	69	7,664
Translation differences	10	24	99	2	1	135
Increase	13	6	77	9	39	143
Company acquisitions	9	210	770	21	2	1,013
Decrease	-127	-225	-569	-144	-32	-1,097
Transfers between items	3	10	25	2	-41	-1
Assets classified as held for sale	-1	-2	0	0	0	-3
Acquisition cost, 31 Dec. 2009	114	1,559	6,003	142	37	7,855
Accumulated depreciation and impairment charges, 1 Jan. 2009	-45	-841	-4,209	-151	0	-5,246
Translation differences	0	-9	-51	-1	0	-62
Accumulated depreciation on deduction and transfers	-2	71	201	60	0	329
Depreciation for the period	0	-73	-288	-9	0	-369
Impairment charges	0	-27	-52	0	0	-79
Accumulated depreciation and impairment charges, 31 Dec. 2009	-47	-878	-4,400	-102	0	-5,427
Book value, 1 Jan. 2009	165	767	1,839	118	69	2,958
Book value, 31 Dec. 2009	67	681	1,603	40	37	2,428

In 2009, impairment charges of EUR 80 million were recognised, of which EUR 33 million in M-real Zanders paper mill in Germany and EUR 47 million in M-real Alizay paper mill in France. In Alizay pulp mill an additional depreciation of EUR 28 million was recognised related to the planned permanent closure of the mill.

EUR million	Land and water areas	Buildings	Machinery and equipment	Other tangible assets	Construction in progress	Total
Acquisition cost, 1 Jan. 2008	266	1,763	6,917	337	446	9,730
Translation differences	2	-28	-172	-4	-1	-203
Increase	19	15	166	16	67	282
Company acquisitions	0	1	4	0	0	6
Decrease	-82	-318	-1,631	-101	-17	-2,148
Transfers between items	1	102	318	3	-427	-3
Acquisition cost, 31 Dec. 2008	206	1,535	5,603	251	69	7,664
Accumulated depreciation and impairment charges, 1 Jan. 2008	-9	-871	-4,637	-192	0	-5,709
Translation differences	0	24	133	3	0	159
Accumulated depreciation on deduction and transfers	1	155	1,056	69	0	1,281
Depreciation for the period	0	-58	-298	-13	0	-368
Impairment charges	-33	-18	-18	0	0	-69
Accumulated depreciation and impairment charges, 31 Dec. 2008	-41	-768	-3,763	-133	0	-4,706
Book value, 1 Jan. 2008	257	892	2,281	145	446	4,021
Book value, 31 Dec. 2008	165	767	1,839	118	69	2,958

In 2008 impairment charges of EUR 57 million were made at M-real Hallein mill in Austria and of EUR 9 million at M-real Husum mill in Sweden.

Tangible assets include assets acquired under finance lease agreements as follows:

EUR million	Land and water areas	Buildings	Machinery and equipment	Total
Acquisition cost ,1 Jan. 2009	0	20	'93	113
Accumulated depreciation	0	-5	-34	-39
Book value, 31 Dec. 2009	0	15	59	75

EUR million	Land and water areas	Buildings	Machinery and equipment	Total
Acquisition cost, 1 Jan. 2008	0	20	95	115
Accumulated depreciation	0	-4	-29	-33
Book value, 31 Dec. 2008	0	16	66	82

Additions in tangible assets in 2009 include assets of EUR 1 million acquired under finance lease agreements (2).

Borrowing costs have not been capitalized in Metsäliitto Group in 2009. The capitalization of interest expenses in M-real and Metsä-Botnia in 2008 was EUR 5 million. The average interest rate of 6.23% represents the costs of the loan used to finance the projects. Borrowing costs were not capitalized in other companies in 2008.

14. Biological assets

Biological assets, forest assets, have been recognised at fair value. The change in fair value will be recognised yearly as income/cost in the income statement. At the end of 2009 the Group had forest assets only in Finland. The forests in Uruguay were sold as a part of the Metsä-Botnia arrangement in 2009. Forest assets are included in land and water in non-current assets.

Metsäliitto Group has long-term forest lease agreements in Russia and Latvia. The agreements have not been recognised in the balance sheet, because their price or fixed price determination basis is not defined in the agreements. The price is determined by the government usually once a year or, in some cases, more frequently. In practice, the price follows the auction prices for short-term felling rights. Long-term felling rights are primarily used for ensuring the availability of wood.

EUR million	note	2009	2008
At 1 Jan.		103	83
Purchases during the period		14	21
Sales during the period		-3	0
Harvested during the period		-9	-18
Gains and losses arising from changes in fair values	5	-2	11
Acquisitions	5	3	0
Disposals		-91	0
Translations differences		-7	5
At 31 Dec.		7	103

15. Investments in associated companies

EUR million	2009	2008
At 1 Jan.	139	133
Share of results	-16	6
Dividends received	-4	-2
Increases	1	1
Decreases	-22	0
Translations differences	-1	0
At 31 Dec.	98	139

The share of results includes non-recurring item of EUR -11 million from the Sunila pulp mill divested by Myllykoski Paper.

Unamortized amount of goodwill for associated companies at 31 December 2009 include goodwill of EUR 16 million (15) from Myllykoski Paper and EUR 2 million (2) from Thosca Holz GmbH.

Biggest associated companies 2009

EUR million	Country	Assets	Liabilities	Sales	Result	Ownership, %
Finsilva Oyj	Finland	203	141	18	5	49.9
Myllykoski Paper Oy	Finland	172	127	259	-23	35.0
Mäntän Energia	Finland	5	4	11	0	45.0
Perkaus Oy	Finland	2	2	3	0	33.3
Plastiroll Oy	Finland	22	7	24	2	39.0
Suomen Metsäsijoitus Oy	Finland	16	0	0	0	25.0

None of the associated companies were listed.

Transactions and balances with associated companies

EUR million	2009	2008
Sales	2	58
Purchases	36	49
Interest income	0	1
Interest expenses	0	0
Receivables		
Non-current	1	1
Current	8	10
Liabilities		
Non-current	0	0
Current	6	6

16. Available for sale investments

EUR million	2009	2008
Financial assets at fair value through profit or loss (non-current)		
At 1 Jan.	0	4
Decreases	0	0
Changes in fair values	0	0
Transfers to current assets	0	-4
At 31 Dec.	0	0
Available for sale financial assets		
Listed companies	39	35
Other	318	459
Total	356	493
Total	356	493

Fair value hierarchy of financial assets and liabilities

EUR million	2009	note	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss, non-current		16				0
Available for sale financial assets		16	39		318	356
Financial assets at fair value through profit or loss, current		20		1		1
Derivative financial assets		29	2	2		4
Financial liabilities at fair value through profit or loss, non-current					99	99
Derivative financial liabilities		29	6	26		32

EUR million	2008	note	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss, non-current		16				0
Available for sale financial assets		16	35		459	493
Financial assets at fair value through profit or loss, current		20	4			4
Derivative financial assets		29	0	77		77
Financial liabilities at fair value through profit or loss, non-current						0
Derivative financial liabilities		29	11	33		44

Financial assets measured at fair value based on level 3		
EUR million	**2009**	**2008**
Opening balance	459	369
Total gains and losses in profit or loss	32	72
Total gains and losses in other comprehensive income	-118	99
Purchases	9	1
Settlements	-64	-82
Closing balance	318	459

Financial liabilities measured at fair value based on level 3		
EUR million	**2009**	**2008**
Opening balance	0	0
Total gains and losses in profit or loss		
Total gains and losses in other comprehensive income		
Purchases	99	
Settlements		
Closing balance	99	0

Assets have been categorised according to IFRS 7 paragraph 27 A and 27 B.

Level 1 Assets are valued based on quoted prices in active markets.
Level 2 Assets are valued based on inputs observable for the asset either directly or indirectly.
Level 3 Assets are valued based on company estimates and not on market data.

Pohjolan Voima Oy shares classified as Available for sale financial assets (level 3) are measured quarterly at fair value by using the weighted average of discounted cash flow method and the valuation based on earlier transactions. The fair value of the comparative year was measured based on discounted cash flow method.

Financial assets at fair value through profit or loss are mainly bonds, classified entirely as held for trading.

Available for sale financial assets consist of listed companies and other companies. The fair value of listed companies are based on public quotation for shares at the balance sheet date. The most significant ownership of listed companies is some 2% stake of South African company Sappi Limited. The fair value of these shares at the balance sheet date was EUR 38 million.

The most important shareholding of not quoted companies consists of 2.5% stake in Finnish energy company Pohjolan Voima Oy. The Group has right for some 6.6% proportion in Olkiluoto nuclear power plant (Pohjolan Voima´s B-shares), some 6.6% proportion in Meripori coal-fired power plant (C2-shares) and some two percentage proportion in new nuclear power plant under construction at Olkiluoto (B2-shares). Pohjolan Voima produces electricity and heat for its shareholders in Finland. Pohjolan Voima trades with its shareholders and the prices paid to Pohjolan Voima Oy for energy are based on production costs, which generally are lower than the market prices.

The ownership in Pohjolan Voima Oy is measured at fair value quarterly by using the weighted average of discounted cash flow method and the valuation based on earlier transactions. The WACC used was 4.67%.12 months rolling averages have been used for the energy price estimates, which evens out the short-term energy price fluctuations. The changes in fair value less deferred tax calculated with Finnish tax rate are recorded in fair value reserve in equity. The acquisition value of shares in Pohjolan Voima Oy is EUR 28 million (29) and the fair value EUR 291 million (430). The fair value of nuclear power shares was some EUR 289 million (407), of which EUR 264 million B-shares and EUR 25 million B2-shares, coal-fired power shares (C2-shares) some EUR -4 million (-4) and hydroelectric power shares (A-shares) some EUR 6 million (26).

The shareholder agreement prevents free selling of shares with others than shareholders.

Metsäliitto Group's joint venture Metsä-Botnia disposed in December 2009 77% of its Pohjola Voima shares to UPM-Kymmene as part of restructuring of Metsä-Botnia. A realised fair value and gain from the sale of EUR 32 million was recorded (according to a 53% ownership). M-real disposed in June 2008 some 6.7% of the Pohjolan Voima shares in new nuclear power plant under construction at Olkiluoto. A realised fair value and gain from the sale of EUR 74 million was recorded. The high energy prices have substantialy increased the fair value of Pohjolan Voima shares.

Other unlisted shares, of which the fair value cannot be reliably measured, have been valued at acquisition cost less impairment charges.

17. Non-current financial assets

EUR million	**2009**	**2008**
Interest-bearing receivables		
Loans from associated companies	1	1
Other loan receivables	6	228
Total	6	228
Non-interest-bearing receivables		
Defined benefit pension plans (note 23)	1	0
Other loan receivables	3	5
Total	4	5
Non-current financial assets, total	11	234

In connection with divestment of M-real's Graphic Papers in December 2008, M-real received EUR 220 million in interest-bearing vendor notes from Sappi Ltd. In August 2009 M-real agreed with Sappi, that Sappi will repay the vendor notes at the price of 86.5% of their nominal value. This early repayment resulted in an app. EUR 30 million loss that was booked in financial expenses.

18. Deferred taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relates to the same taxation authority.

At 31 December 2009 the net operating loss carry-forwards amounted to approximately EUR 105 million (118) for which EUR 27 million (27) tax assets have been recognised. The net operating loss carry-forwards derive mainly from Finland, France, Slovakia and Russia. The operating loss carry-forwards for which deferred tax assets have not been recognised due to uncertainty of the utilization of these loss carry-forwards amounted to EUR 1,106 million (896). The deferred tax assets for these non recognised loss carry-forwards amounted to EUR 309 million (241) at 31 December 2009.

Reconcialiation in the balance sheet 2009						
EUR million	At 1 Jan. 2009	Charged in income statement	Charged in other items of comprehensive income	Translation differences	Acquisitions / disposals	At 31 Dec. 2009
Deferred tax assets in balance sheet						
Pension obligations and other provisions	15	2		0	1	18
Intercompany margins	22	-4			0	17
Unused tax losses and tax credit	27	0		0	0	27
Other temporary differences	31	-14	0	0	6	23
Deferred tax assets total	95	-17	0	0	7	85
Netting against liabilities	-34	8	6		-8	-28
Deferred tax assets in balance sheet	61	-9	6	0	-1	58
Deferred tax liabilities in balance sheet						
Appropriations	207	-36		3	24	198
Aquired net assets and biological assets recorded at fair value	6	-1			92	96
Available for sale financial assets recorded at fair value	104		-29		-5	70
Equity hedging		4	-4			0
Other temporary differences	45	-11	7	0	4	44
Deferred tax liabilities total	362	-43	-27	3	114	409
Netting against assets	-34	8	6		-8	-28
Deferred tax liabilities in balance sheet	328	-36	-20	3	107	382
Deferred tax liabilities, net	-267	27	27	-3	-108	-324

Reconcialiation in the balance sheet 2008						
EUR million	At 1 Jan. 2008	Charged in income statement	Charged in other items of comprehensive income	Translation differences	Acquisitions / disposals	At 31 Dec. 2008
Deferred tax assets in balance sheet						
Pension obligations and other provisions	15	1		0		15
Intercompany margins	29	-7				22
Unused tax losses and tax credit	49	-12			-10	27
Other temporary differences	16	5	13	0	-3	31
Deferred tax assets total	110	-13	13	0	-13	95
Netting against liabilities	-64	22	-6		13	-34
Deferred tax assets in balance sheet	46	9	7	0	0	61
Deferred tax liabilities in balance sheet						
Appropriations	274	-59	0	-8	-1	207
Aquired net assets and biological assets recorded at fair value	6	-1		0	1	6
Available for sale financial assets recorded at fair value	79		26			104
Equity hedging	0	-11	11			0
Other temporary differences	108	-26	-1	0	-36	45
Deferred tax liabilities total	467	-97	36	-8	-36	362
Netting against assets	-64	22	-6		13	-34
Deferred tax liabilities in balance sheet	404	-74	29	-8	-23	328
Deferred tax liabilities, net	-358	83	-22	8	23	-267

19. Inventories

EUR million	2009	2008
Inventories		
Raw materials and consumables	294	371
Work in progress	39	63
Finished goods and goods for sale	320	476
Advance payments	17	33
Total	669	943

In 2009 or 2008 there were no substantial write-downs of inventories to net realisable value.

20. Accounts receivables and other receivables

EUR million	2009	2008
Financial assets at fair value through profit and loss		
At 1 Jan.	4	0
Transfers from non-current assets	0	4
Increases	1	0
Decreases	-4	0
Changes in fair value	0	0
At 31 Dec.	1	4
Interest-bearing loan receivables		
Loans from associated companies	7	21
Other loan receivables	2	6
Total	9	28
Accounts receivables and other non-interest-bearing receivables		
From associated companies		
Accounts receivables	1	15
Other receivables	0	0
Prepayment and accrued income	0	1
Total	1	16
From others		
Accounts receivables	604	764
Other receivables	101	110
Prepayment and accrued income	37	35
Total	742	909
Total	743	924
Accounts receivables and other receivables, total	753	956

Financial assets at fair value through profit or loss are mainly bonds, classified entirely as held for trading.

There are no loan receivables from the managing directors of Group companies, members of the Board of Directors or their deputies or persons belonging to similar bodies.

Doubtful accounts receivables

Accounts receivables are recorded net of the following allowances for doubtful accounts:		
EUR million	2009	2008
At 1 Jan.	7	12
Increases	12	0
Decreases	-9	-5
At 31 Dec.	10	7

Prepayment and accrued income		
EUR million	2009	2008
Non-current		
Interest	0	0
Others	1	3
Total	1	3
Current		
Interest	2	1
Insurance	1	1
Accruals of sales	1	4
Others	32	30
Total	37	36
Prepayment and accrued income, total	38	39

21. Cash and cash equivalents

EUR million	2009	2008
Current investments	256	405
Cash at bank and in hand	302	215
Total	558	619

Current investments are certificates of deposits and time deposits with original maturities less than three months.

22. Members' capital

Changes in members' capital EUR million	Members' capital	Additional members' capital A	Additional members' capital B	Total
At 1 Jan. 2009, FAS	190	512	22	724
Transfers to interest-bearing liabilities	-37	-99	-4	-139
Members' capital at 1 Jan. 2009, IFRS	154	414	18	585
Dividends paid	2	6	5	13
Transfers from interests to members' capital	2	19	0	22
Refund of members' capital	-6	-83	-3	-92
	152	356	20	528
Refund of transfer to liabilities 1 Jan. 2009	37	99	4	139
Members' capital 31 Dec. 2009, FAS	189	455	24	668
Transfers to liabilities 31 Dec. 2009	-52	-125	-7	-184
At 31 Dec. 2009, IFRS	137	330	17	484
At 1 Jan. 2008, FAS	187	517	24	728
Transfers to interest-bearing liabilities	-39	-109	-5	-154
Members' capital at 1 Jan. 2008, IFRS	147	408	19	574
Dividends paid	5	12	0	17
Transfers from interests to members' capital	3	22	0	25
Refund of members' capital	-5	-38	-3	-46
	151	403	17	571
Refund of transfer to liabilities 1 Jan. 2008	39	109	5	154
Members' capital 31 Dec. 2008, FAS	190	512	22	724
Transfers to liabilities 31 Dec. 2008	-37	-99	-4	-139
At 31 Dec. 2008, IFRS	154	414	18	585

Fair value and other reserves		
EUR million	**2009**	**2008**
Fair value reserve	75	114
Revaluation reserve	1	1
Revaluation surplus	95	0
General reserves	46	46
Reserves stipulated by the Articles of Association	3	3
Total	221	165

Shares

The par value of a share is one euro. The number of shares that a member is obliged to take shall be determined according to the area of the forest land owned by the member and according to the municipality where it is located, provided however, that a member shall be obliged and entitled to take no more than 30,000 shares.

Additional shares

There are two classes of additional shares: additional shares A and additional shares B. The par value of additional shares is one euro each. The amount paid for additional shares constitutes an additional share capital. Only a member whose shares have been paid in full may take additional shares. The interest payable on additional shares may differ from the interest payable on shares. The additional share capital may be reduced by amending the rules in such a way that payments for additional shares are refunded to members or to a third part, to whom the right of a member has been transferred.

An interest or surplus refund may be paid to the members from the surplus of Metsäliitto Cooperative. Any amount to be distributed must not exceed the sum of distributable surplus shown on the balance sheet approved for the preceding financial period. One third of the distributable surplus shown on the balance sheet confirmed for the preceeding financial period can be used for refunding of shares and additional shares.

No funds may be distributed if Metsäliitto Cooperative has liquidity problems or a distribution of funds might result in liquidity problems.

Share premium account

The amount exceeding the par value of shares received by the company in connection with share issues are recognised in share premium account.

Translation differences

Translation differences include translation differences arising on translation of subsidiaries in other currencies than euro and gains and losses arising on hedging of net investments in these subsidiaries, when requirements of hedge accounting have been fulfilled.

Fair value reserve

The reserve include the effective portion of fair value based on hedge accounting applied to interest, currency and commodity derivatives and the fair value change of available for sale financial assets.

Revaluation reserve

Revaluation of land and bonds are recognised in the revaluation reserve.

Revaluation surplus

The revaluation surplus include the fair value of the earlier holdings (23%) in Metsä-Botnia which arised from the allocation of fair value of the acquired Metsä-Botnia shares.

Legal reserve and reserves stipulated by the Articles of Association

Legal reserve and reserves stipulated by the Articles of Association have been created and accumulated as a result of resolution by the Annual General Meeting of shareholders/representatives.

Dividends/Interest on members' capital

After Balance sheet day the Board of Directors has proposed that a dividend of EUR 35.6 million (37.4) be distributed on paid-in members' capital.

23. Post employment benefits

The Group operates a number of defined benefit pension plans and defined contribution plans in different countries, which are arranged in accordance with local regulations and practices. Most of them are defined contribution plans.

The most significant pension plan in Finland is the statutory Finnish employee pension scheme (TEL) according to which benefits are linked directly to the employee's earnings. In Finland there are pension schemes which are funded by contributors to insured schemes or to Metsäliitto Employees' Pension Foundation. The Metsäliitto Employees' Pension Foundation scheme is a defined benefit plan. There are other defined benefit plans in Finland, too.

Pension plans outside Finland are both defined benefit and defined contribution plans.

Pensions and other post-employment benefit provisions

EUR million	2009	2008
Defined benefit pension plans	101	110
Defined contribution pension plans	20	21
Net liability	121	131
Over-funded plan shown as asset	1	0
Total liability	122	131

Defined benefit pension plans

Amounts recognized in balance sheet

EUR million	2009	2008
Present value of funded obligations	91	84
Present value of unfunded obligations	94	94
	185	177
Fair value of plan assets	-85	-69
Unrecognized actuarial gains and losses	1	2
Unrecognized prior service costs	0	0
Effect of curtailment	0	0
Net liability in balance sheet	101	110

Amounts recognized in income statement

EUR million	2009	2008
Current service cost	4	5
Interest cost	9	9
Expected return on plan assets	-4	-5
Actuarial gains and losses	-7	0
Actuarial losses/gains recognised in year	0	0
Settlements	0	0
Profit/loss on curtailment	1	0
Total included in employee costs	3	10

The actual return on plan assets was EUR 13 million in 2009 (-6).

Changes in the present value of defined benefit obligations

EUR million	2009	2008
Defined benefit obligation as at 1 Jan.	177	586
Current service cost	4	5
Interest cost	9	9
Contribution by plan participations	0	-1
Actuarial gains and losses	5	-9
Post-service costs	0	1
Disposals	0	-403
Curtailments and settlements	0	0
Profit/loss on curtailment	0	-1
Benefits paid	-12	-7
Other adjustments	0	0
Translation differences	1	-2
Defined benefit obligation as at 31 Dec.	185	177

Changes in the fair value of plan assets

EUR million	2009	2008
Fair value of plan assets as at 1 Jan.	69	439
Expected return on plan assets	4	5
Actuarial gains and losses	9	-11
Contribution by plan participants	1	1
Contribution by the employer	3	1
Disposals	0	-367
Settlements	1	0
Benefits paid	-3	-2
Other adjustments	-1	0
Translation differences	3	3
Fair value of plan assets as at 31 Dec.	85	69

The Group expects to contribute EUR 4 million to its defined benefit pension plans in 2010.

Major categories of plan assets as a percentage of total plan assets, %

	2009	2008
Equity securities	32	37
Debt securities	38	11
Real estate	13	10
Bonds	6	14
Others	11	28
Total	100	100

Amounts for the current and previous periods

EUR million	2009	2008
Present value of defined benefit obligations	-185	-177
Fair value of plan assets	85	69
Funded status	-100	-108
Fair value of plan assets	-1	-6
Funded status	3	-9

Actuarial assumptions used:

	2009	2008
Finland		
Discount rate, %	4.75–4.8	3.75
Expected return on plan assets, %	3.5–5.4	5.4
Future salary increases, %	0–1.0	3.0
Future pension increases, %	2.1	2.1
Expected average remaining working years of staff	5.1	4–7.4

Great Britain		
Discount rate, %	5.7–5.8	6.0
Expected return on plan assets, %	6.8–6.9	6.4–6.75
Future salary increases, %	4.3–4.6	3.6
Future pension increases, %	3.3–3.6	2.6
Expected average remaining working years of staff	13–14	14–24

Austria		
Discount rate, %	5.0	5.0
Expected return on plan assets, %	0	n/a
Future salary increases, %	0	2.22
Future pension increases, %	2.11	2.22
Expected average remaining working years of staff	19.6	24.0

Norway		
Discount rate, %	4.3	4.3
Expected return on plan assets, %	6.3	6.3
Future salary increases, %	4.5	4.5
Future pension increases, %	2.0	4.3
Expected average remaining working years of staff	11.9	11.9

Germany		
Discount rate, %	5.8	6.0
Expected return on plan assets, %	0–5.8	6.0
Future salary increases, %	2.5	2.5
Future pension increases, %	2.0	2.0
Expected average remaining working years of staff	9.2–10	10–11

Slovakia		
Discount rate, %	2.2	5.0
Expected return on plan assets, %	0.0	0.0
Future salary increases, %	2.5	5.0
Future pension increases, %	2.5	5.0
Expected average remaining working years of staff	25	22

Switzerland		
Discount rate, %	3.3	
Expected return on plan assets, %	3.5	
Future salary increases, %	1.5	
Future pension increases, %	0.5	
Expected average remaining working years of staff	13	

24. Provisions

EUR million	Restruc-turing	Environ-mental obligations	Other provisions	Total
At 1 Jan. 2009	81	11	19	111
Translation difference	0	0	1	1
Increases	64	6	6	76
Decreases	-48	-4	-2	-55
Unused amounts reversed	-1	-4	-1	-7
Effect of discounting	1	0	0	1
At 31 Dec. 2009	97	9	22	128

The most significant increase in provision was cost provision related to the planned permanent closure of Alizay pulp mill, some EUR 14 million. In addition, provisions of EUR 12 million related to M-real's terminated IT contract and total provisions of EUR 17 million related to the profit improvement programme in Husum mill (9) in Sweden and in Reflex mill (8) in Germany were recognised.

The closure of Metsä-Botnia's Kaskinen pulp mill increased provision for restructuring by some EUR 10 million according to the Group's share of 53%.

Other provisions include provisions related to leases, taxes and legal action.

The non-current portion of total provision was EUR 76 million and the current portion EUR 52 million. The non-current portion will mostly be paid during year 2011.

25. Borrowings

Interest-bearing financial liabilities

EUR million	Book value 2009	Book value 2008
Non-current interest-bearing financial liabilities		
Bonds	755	1,344
Loans from financial institutions	946	1,324
Pension loans	151	51
Finance lease liabilities	57	67
Other liabilities	67	68
Total	1,976	2,854
Current interest-bearing financial liabilities		
Current portion of capital note loans	0	50
Current portion of long-term debt	606	402
Short-term loans	1	67
Bill of exchange payable	2	7
Other liabilities	188	165
Total	798	691
Liabilities classified as held for sale, financial liabilities	5	
Interest-bearing financial liabilities, total	2,778	3,545

Interest-bearing financial assets

EUR million	Book value 2009	Book value 2008
Non-current		
Loan receivables	6	228
Current		
Financial assets at fair value through profit or loss	1	4
Loan receivables	9	28
Current investments at amortized cost	256	405
Cash at bank and in hand	302	215
Total	568	651
Assets classified as held for sale, financial assets	1	0
Interest-bearing financial assets, total	575	879
Interest-bearing net liabilities, total	2,203	2,666

Maturity of repayment and interest payment of financial liabilities 31 Dec. 2009

EUR million	Book value	2010	2011	2012	2013	2014	2015-
Bonds and debentures	1,244						
Repayment		-489	-52	-101	-492	-110	
Interest payment		-80	-64	-60	-33	-6	
Loans from financial institutions	1,016						
Repayment		-71	-537	-208	-181	-11	-8
Interest payment		-21	-16	-7	-3	0	0
Pension loans	190						
Repayment		-39	-19	-34	-34	-24	-40
Interest payment		-11	-9	-8	-5	-3	-2
Finance lease liabilities	65						
Repayment		-8	-6	-5	-8	-4	-34
Interest payment		-3	-3	-2	-2	-1	-8
Other non-current interest-bearing liabilities	67						
Repayment				-5	-49		-13
Interest payment		-2	-1	-1	-1		
Non-current interest-bearing liabilities, total	2,582						
Repayments in 2010	-606						
Non-current interest-bearing liabilities in balance sheet, total	1,976						
Repayment		-606	-615	-353	-764	-149	-95
Interest payment		-117	-92	-77	-44	-11	-11

Maturity of repayment and interest payment of financial liabilities 31 Dec. 2009							
EUR million	**Book value**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015-**
Current interest-bearing liabilities	191						
Repayment		-191					
Interest payment		-10					
Liabilities classified as held for sale	6						
Repayment		-6					
Interest payment		0					
Accounts payable and other liabilities	889						
Repayment		-774	-107	-3	-2	-1	-3
Total liabilities	3,668						
Repayment		-1,577	-721	-356	-766	-150	-98
Interest payment		-128	-92	-77	-44	-11	-11
Guarantees agreements	11	-8	0	0	0	0	-2
Derivative financial instrument liabilities							
Interest rate swaps		8	9	10	5	-1	-2
Currency derivatives		-1,607	-2	-1			
Commodity derivatives		-3	-4	0	0		
Total	32	-1,602	3	10	5	-1	-2
Derivative financial instrument assets							
Interest rate swaps		0	0	0	0	0	0
Currency derivatives		1,600	4	2			
Commodity derivatives		2	1	0	0		
Total	4	1,601	4	2	0	0	0
Derivative financial instrument net of cash		-1	7	12	5	-1	-2

Maturity of repayment and interest payment of financial liabilities 31 Dec. 2008							
EUR million	**Book value**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014-**
Capital note loans	50						
Repayment		-50					
Interest payment		-4					
Bonds and debentures	1,584						
Repayment		-240	-547	-52	-102	-494	-150
Interest payment		-115	-102	-64	-59	-33	-10
Loans from financial institutions	1,458						
Repayment		-135	-115	-669	-160	-265	-114
Interest payment		-68	-61	-41	-24	-18	-7
Pension loans	71						
Repayment		-20	-39	-1	0	0	-11
Interest payment		-4	-2	-1	-1	-1	0
Finance lease liabilities	73						
Repayment		-6	-9	-6	-5	-7	-39
Interest payment		-4	-4	-4	-3	-3	-13
Other non-current interest-bearing liabilities	68						
Repayment		0	0	0	-4	-49	-15
Interest payment		-4	-3	-3	-3	-3	0
Non-current interest-bearing liabilities, total	3,306						
Repayments in 2009	-452						
Non-current interest-bearing liabilities in balance sheet, total	2,854						
Repayment		-452	-711	-729	-271	-815	-328
Interest payment		-199	-172	-112	-89	-57	-31

Maturity of repayment and interest payment of financial liabilities 31 Dec. 2008							
EUR million	Book value	2009	2010	2011	2012	2013	2014-
Current interest-bearing liabilities	238						
Repayment		-238					
Interest payment		-10					
Accounts payable and other liabilities	955						
Repayment		-930	-9	-3	-3	-2	-8
Total liabilities	4,500						
Repayment		-1,620	-719	-732	-274	-817	-337
Interest payment		-209	-172	-112	-89	-57	-31
Guarantees agreements	6	-4	0	0	0	0	-1
Derivative financial instrument liabilities							
Interest rate swaps		-7	-8	-8	-8	-3	1
Currency derivatives		-2,224	-10	-10	-7	-5	-3
Commodity derivatives		-1	-6	-6	-1	0	
Total	44	-2,232	-23	-23	-16	-9	-2
Derivative financial instrument assets							
Interest rate swaps							
Currency derivatives		2,300	8	8	6	4	2
Commodity derivatives		0					
Total	77	2,300	8	8	6	4	2
Derivative financial instrument net of cash		68	-15	-15	-9	-5	0

Bonds	Interest, %	2009	2008
2002-2009	8.890	0	100
2002-2012	9.200	101	102
2002-2014	9.400	84	115
2004-2009	5.365	0	30
2004-2009	5.910	0	30
2004-2009	5.910	0	10
2004-2011	3.105	30	30
2004-2011	3.200	10	10
2004-2011	3.266	12	12
2004-2013	9.000	26	26
2006-2009	7.690	0	70
2006-2010	4.247	150	150
2006-2010	5.589	339	397
2006-2013	9.250	492	490
2008-2018	7.000	0	13
Total		1,244	1,584

Maturity of finance lease liabilities		
EUR million	2009	2008
Minimum lease payments		
Not later than 1 year	11	10
1–2 years	9	13
2–3 years	7	10
3–4 years	9	8
4–5 years	6	10
Later than 5 years	43	52
Total	83	104
Future finance charges	19	31
Present value of minimum lease payments	65	73
Present value of minimum lease payments		
Not later than 1 year	8	6
1–2 years	6	9
2–3 years	5	6
3–4 years	8	5
4–5 years	4	7
Later than 5 years	34	39
Total	65	73

The most significant finance lease agreements are M-real's Äänevoima Oy's power plants. Äänevoima's contract periods vary between 10 and 15 years. All finance lease liabilities will be due in 2017 at the latest. These leases contain renewal and purchase options.

26. Other non-current liabilities

EUR million	2009	2008
Liabilities to others		
Accruals and deferred income	3	3
Other liabilities	113	23
Total	115	26

According to the shareholder agreement other non-current liabilities include the liability of EUR 99 million to redeem Metsä-Botnia shares.

27. Accounts payable and other liabilities

EUR million	2009	2008
Liabilities to associated companies		
Advance payments	0	18
Accounts payable	4	23
Other liabilities	0	0
Accruals and deferred income	1	1
Total	6	43
Liabilities to others		
Advance payments	11	22
Accounts payable	326	384
Other liabilities	117	135
Accruals and deferred income	298	335
Total	752	875
Accounts payable and other liabilities, total	758	918

Accruals and deferred income

EUR million	2009	2008
Non-current		
Compensation and contribution commitments	0	2
Others	3	1
Total	3	3
Current		
Periodizations of employee costs	92	98
Interests	19	29
Accruals of purchases	62	68
Others	126	141
Total	300	336

28. Financial assets and liabilities classified according to IAS 39 and fair values

EUR million

Financial assets 31 Dec. 2009	note	Fair value through profit & loss	Available for sale financial assets	Loans and receivables	Derivatives at hedge accounting	Amortised cost	Book value total	Fair value
Non-current investments	16		356				356	356
Other non-current financial assets	17			10			10	10
Accounts receivables and other receivables	20	1		749			750	750
Cash and cash equivalent	21			558			558	558
Derivative financial instruments	29	2			2		4	4
Assets classified as held for sale, financial assets	5			9			9	9
Total		3	356	1,325	2	0	1,686	1,686
Financial liabilities 31 Dec. 2009								
Non-current int.-bearing financial liabilities	25					1,976	1,976	1,862
Other non-current financial liabilities	26	99				16	115	115
Current int.-bearing financial liabilities	25					798	798	780
Accounts payable and other financial liabilities	27					655	655	655
Derivative financial instruments	29	-1			33		32	32
Liabilities classified as held for sale, financial liabilities	5					6	6	6
Total		98	0	0	33	3,450	3,582	3,450

EUR million

Financial assets 31 Dec. 2008	note	Fair value through profit & loss	Available for sale financial assets	Loans and receivables	Derivatives at hedge accounting	Amortised cost	Book value total	Fair value
Non-current investments	16		493				493	493
Other non-current financial assets	17			234			234	190
Accounts receivables and other receivables	20	4		950			954	954
Cash and cash equivalent	21			619			619	619
Derivative financial instruments	29	13			64		77	77
Total		17	493	1,803	64	0	2,377	2,333
Financial liabilities 31 Dec. 2008								
Non-current int.-bearing financial liabilities	25					2,854	2,854	2,370
Other non-current financial liabilities	26					25	25	25
Current int.-bearing financial liabilities	25					691	691	679
Accounts payable and other financial liabilities	27					780	780	780
Derivative financial instruments	29	3			41		44	44
Total		3	0	0	41	4,350	4,393	3,898

Accounts receivables and other receivables do not include advance payments, deferred taxes or periodizations of employee costs (note 20). Accounts payable and other financial liabilities do not include advance payments, deferred tax liabilities or periodizations of employee costs (note 27).

In Metsäliitto Group all interest-bearing liabilities are valued in the balance sheet at amortised cost based on effective interest method. Interest-bearing financial assets are classified according to IAS. Fair values are based on present value of cash flow of each liability or assets calculated by market rate. The discount rates applied are between 0.4 - 21.2% (2008: 2.5 - 38.0). Of interest-bearing liabilities 83% (91) is subject to variable rates and the rest to fixed rates. The average interest rate of interest-bearing liabilities at the end of 2009 was 4.9% (6.6). The fair value of accounts and other receivables and account payables and other liabilities are not essentially deviating from the carrying amounts in the balance sheet.

29. Derivatives

EUR million	2009	2008
Book values		
Assets	4	77
Liabilities	32	44
Net	-28	33

EUR million 31 Dec. 2009	Nominal value Total	Fair value Total	Fair value hedges	Cash flow hedges	Equity hedges	Derivatives, hedge accounting not applied	Derivatives held for trading
Interest forward agreements	4	0				0	
Interest rate options	0	0					
Interest rate swaps	827	-7	-5	-3		1	0
Interest rate derivatives, total	831	-7	-5	-3	0	1	0
Currency forward agreements	1,595	-9		5	-15	1	0
Currency option agreements	118	0				0	0
Currency swap agreements	52	-9	-9				
Currency derivatives, total	1,766	-18	-9	5	-15	1	0
Electricity derivatives	203	-4		-6		2	0
Pulp derivatives	42	2		2			
Other commodity derivatives	8	0				0	
Commodity derivatives, total	254	-3	0	-5	0	2	0
Derivatives total	2,850	-28	-14	-2	-15	3	0

Nominal value also includes closed contracts to a total amount of EUR 537 million.

EUR million 31 Dec. 2008	Nominal value Total	Fair value Total	Fair value hedges	Cash flow hedges	Equity hedges	Derivatives, hedge accounting not applied	Derivatives held for trading
Interest forward agreements	4	0				0	
Interest rate options	0	0					
Interest rate swaps	1,154	-18	-9	-2		-7	0
Interest rate derivatives, total	1,158	-18	-9	-2	0	-7	0
Currency forward agreements	2,214	77		-18	82	13	0
Currency option agreements	5	0				0	
Currency swap agreements	127	-12	-13			0	
Currency derivatives, total	2,346	64	-13	-18	82	13	0
Electricity derivatives	216	-11		-17		5	0
Pulp derivatives	6	-1				-1	
Other commodity derivatives	9	0				0	
Commodity derivatives, total	232	-13	0	-17	0	4	0
Derivatives total	3,735	33	-22	-37	82	10	-1

Nominal value also includes closed contracts to a total amount of EUR 787 million.

30. Maturity analysis of cash flow hedge accounting

Result of the hedging instrument is booked to the income statement at the realization of the cash flow. Contractual maturities of hedging instruments equals to the hedged cash flow.

	31 Dec. 2009			
Periods when the forecasted cash flows are expected to occur	Highly probable foreign currency cash flows	Contractual interest cash flows	Highly probable commodity cash flows	Highly probable commodity cash flows
Q 1	79	-1		-12
Q 2	62	-1		-16
Q 3	27	0		-16
Q 4	16	-2		-12
Total in 2010	184	-3	0	-56
2011		-2		-39
2012		-2		-13
2013		-1		-2
2014				
Cash flows total	184	-7	0	-110
Total nominal values of derivatives directed to hedge accounting	184	160		110

	31 Dec. 2008			
Periods when the forecasted cash flows are expected to occur	Highly probable foreign currency cash flows	Contractual interest cash flows	Highly probable commodity cash flows	Highly probable commodity cash flows
Q 1	94	-1	2	-8
Q 2	65	-2	2	-8
Q 3	44	0	2	-8
Q 4	35	-2	2	-8
Total in 2009	239	-5	6	-31
2010		-4		-27
2011		-2		-19
2012		-1		-2
2013				0
Cash flows total	239	-12	6	-79
Total nominal values of derivatives directed to hedge accounting	239	130	6	79

31. Notes to Consolidated cash flow statement

EUR million	**2009**	**2008**
Adjustments to the result		
Taxes	-10	-76
Infringement fine imposed by the Market Court	21	0
Depreciation, amortization and impairment charges	501	736
Biological assets	10	0
Share of profit from associated companies	16	-6
Gains and losses on sale of non-current financial assets	-217	-81
Finance costs, net	144	254
Pension liabilities and provisions	6	5
Total	469	832

EUR million	**2009**	**2008**
Change in working capital		
Change in inventories	201	55
Change in accounts receivables and other receivables	156	22
Change in accounts payable and other liabilities	-126	11
Total change	231	88

32. Principal subsidiaries at 31 December 2009

Metsäliitto Cooperative

The parent company Metsäliitto Cooperative's shares are listed on pages 104–105.

Metsä-Botnia	Country	Number of shares	Group's holding, %
In Finland			
Metsä-Botnia Metsät Oy	Finland	100,000	100.00
Oy Silva Shipping Ab	Finland	400,000	100.00
In other countries			
Botnia Pulps GmbH	Germany	1,000	100.00
OOO Suda Wood	Russia	1	100.00
OOO Svir Timber	Russia	1	100.00

M-real			
In Finland			
Alrec Boiler Oy [1]	Finland	899	25.00
Oy Hangö Stevedoring Ab	Finland	150	100.00
Kemiart Liners Oy	Finland	2,000,000	100.00
Logisware Oy	Finland	4,500	100.00
M-real International Oy	Finland	10,000	100.00
Metsä Group Financial Services Oy	Finland	25,500	51.00
In other countries			
M-real Deutsche Holding GmbH	Germany		100.00
M-real Fine B.V.	The Netherlands	1,000	100.00
M-real Holding France SAS	France	520,000	100.00
M-real IBP Deals Americas Ltd	USA	50	100.00
M-real IBP Deals Europe S.A.	Belgium	1,000	100.00
M-real NL Holding B.V.	The Netherlands	15,350	100.00
M-real Reinsurance AG	Switzerland	19,997	100.00
M-real Sverige Ab	Sweden	10,000,000	100.00
M-real UK Holdings Ltd	Great Britain	146,750,000	100.00

[1] Consolidated as a subsidiary under shareholders' agreement.

Metsä Tissue			
In Finland			
Finncao Oy	Finland	473	50.05
In other countries			
Dambi AB	Sweden	4,501,000	100.00
Metsä Tissue AB	Sweden	2,000,000	100.00
Metsä Tissue A/S	Denmark	1,000	100.00
Metsä Tissue AS	Norway	6,020	100.00
Metsä Tissue GmbH	Germany	1	100.00
Halstrick Transport GmbH	Germany	1	100.00
Metsä Tissue Immobilienverwaltungs GmbH	Germany	1	100.00
Metsä Tissue a.s.	Slovakia	102	100.00
Tento Hungary Kft	Hungary		100.00
Metsä Tissue Ltd	Great Britain	100	100.00
Metsä Tissue Poland Sp z.o.o.	Poland	11,180,992	100.00
OOO Metsä Tissue	Russia	1	100.00

33. Joint ventures

Joint ventures have been consolidated using line-by-line method proportionate to the Group's holding. The Group's consolidated income statement and balance sheet included assets, liabilities, income and cost as follows:

EUR million	2009	2008
Non-current assets	32	1,336
Current assets	6	459
Total assets	38	1,796
Non-current liabilities	34	557
Current liabilities	5	260
Total liabilities	39	817
Sales	781	1,214
Expenses	683	1,120
Result	107	74

Significant joint ventures:	Group's holding, %	
	2009	**2008**
Oy Metsä-Botnia Ab	0.00	53.00
Vapo Oy	0.00	49.90
Äänevoima Oy	56.25	56.25
Katrinefors Kraftvärme Ab	50.00	50.00

The Metsä-Botnia Group has been consolidated as a joint venture line-by-line until 7 December 2009. (Metsäliitto Cooperative 23% and M-real 30%). Due to the ownership arrangements in December 2009 Oy Metsä-Botnia Ab became a subsidiary of Metsäliitto Cooperation as per 8 December 2009.

Metsäliitto Cooperative sold its shares in Vapo Oy on 24 June 2009.

34. Contingent liabilities

Upon an action initiated by the Competition Authority, the Market Court imposed an infringement fine of EUR 21 million on Metsäliitto Cooperative for alleged breach of restrictions on competition in the raw timber purchasing market in 1997–2004. Metsäliitto Cooperative has decided not to appeal the ruling. Due to this ruling, Metsäliitto might face compensation claims for damages suffered because of the alleged breach of the competition legislation. Outcomes of such trials may have a negative impact on Metsäliitto's business activities, its business result and its financial position. On the signing date of the balance sheet, Metsäliitto has no knowledge of such legal actions.

During the past few years companies belonging to the Metsäliitto Group have acted as sellers in many share transactions giving normal seller's securities. It is not impossible that demands against these companies are made regarding the given securities and that these securities could result in extra costs for the companies.

EUR million	**2009**	**2008**
For own liabilities		
Liabilities secured by pledges		
Loans from financial institutions	200	200
Other liabilities		0
Pledges granted	102	103
Liabilities secured by mortgages		
Loans from financial institutions	98	68
Other liabilities	145	
Real-estate mortgages	257	71
Liabilities secured by non-real-estate mortgages		
Loans from financial institutions	3	
Other liabilities	2	2
Non-real-estate mortgages	7	3
On behalf of Group companies		
Pledges		0
Real estate mortgages		5
Guarantee liabilities	24	23
On behalf of associated companies		
Pledges		
Real-estate mortgages		
Guarantee liabilities	6	3
On behalf of others		
Pledges		
Non-real-estate mortgages	0	0
Guarantee liabilities	4	4
Other liabilities		
As security for own commitments	16	16
As security for other's commitments		
Pension liabilities	0	0
Total		
Pledges	102	103
Real estate mortgages	264	80
Guarantees	34	29
Other liabilities	16	16
Pension liabilities	0	0
Leasing liabilities	49	97
Total	466	325

Other lease commitments

The Group leases various offices and warehouses under non-cancellable operating lease contracts. Some contracts are renewable at the end of the lease period.

The future costs for non-cancellable operating lease contracts are as follows:		
EUR million	**2009**	**2008**
Payments due in following 12 months	18	24
Payments due in following 1–5 years	28	60
Payments due later than 5 years	4	13
Total	49	97

Unconditional purchase agreement		
EUR million	**2009**	**2008**
Tangible assets, payments due in following 12 months	0	0
Tangible assets, payments due in subsequent years	1	1
Others, payments due in following 12 months	1	56
Others, payments due in subsequent years	0	8

Joint ventures

Metsä Tissue's mill in Mariestad Sweden has an agreement to buy process steam from the local energy company Katrinefors Kraftvärme Ab of which Metsä Tissue Ab owns 50 per cent. The agreement is valid until 2016.

35. Share based payment

The Group had two incentive schemes during the review period: share incentive scheme 2005-2007 and share incentive scheme 2008-2010. Metsäliitto's Board of Directors decided to adopt the schemes on 4 February 2005 and 16 January 2008 as a spurring and motivating arrangement for key personnel. The programme offers target groups the possibility to be awarded M-real Corporation B and UPM-Kymmene Corporation shares for achieving the goals set for three periods each of one calendar year. The Board of Directors decides yearly upon the Group's financial key ratios which criterias to be used and which upper and lower limits (targets) should be implemented. The achievement of performance targets set determines how much of the maximum reward will be paid to key personnel. The bonus is paid by the end of April. In addition to shares, cash is paid to cover tax effects. The bonus is not paid if the person concerned ceases to be employed before the award is paid. The person concerned must also own the shares for at least two years after the date of the award payment.

The bonus payable under the share incentive scheme 2008-2010 is at a maximum 960,000 M-real Corporation B-shares and UPM-Kymmene Corporation shares to a value corresponding 150,000 M-real shares.The maximum amount includes the cash paid to cover taxes and tax related costs at the day of transfer. The size of the bonus awarded for vesting period 2009 is linked to adjusted cash flow.

The President and CEO

The maximum amount to be paid to the President and CEO in 2009 corresponds to a 10 month's salary. The bonus is paid as a combination of shares and cash at the end of the vesting period. The maximum amount is EUR 778,540. The amount to be paid in cash may not be more than the value of shares given. The amount is linked to established targets.

Share incentive scheme				
	Share incentive scheme 2005-2007	Share incentive scheme 2008-2010		
Date of issue	Issued by the Board's decision 4.2.2005	Issued by the Board's decision 16.1.2008		
Instrument	Equity-based reward scheme	Equity-based reward scheme		
	2007 *	2008 *	2009 *	Total
Basic information				
Maximum number of shares **	406,101	1,080,349	310,838	1,797,288
Maximum number of shares in cash **	463,477	1,449,274	312,500	2,225,251
Exercise day(s)	3.1.2007	16.1.2008	3.2./5.2.2009	
Vesting period starts	1.1.2007	1.1.2008	1.1.2009	
Vesting period ends	31.12.2007	31.12.2008	31.12.2009	
Obligation to hold shares, years	2	2	2	
Conditions of vesting requirements	Obligation to work	Obligation to work	Obligation to work	
Criteria	EBIT, ROCE	EBIT, ROCE	Cash flow 2	
Date of vesting requirement	1.1.2010	1.1.2011	1.1.2012	
Maximum validity, years	3	3	3	
Payment	Shares and cash	Shares and cash	Shares and cash	
Binding time left, years	0	1	2	
Number of key personnel (31 Dec. 2009)	35	35	36	
Realisation price, EUR	0 e	0 e	0 e	0 e
Fair value measuring ***				
Share price at grant date, EUR	4.81 e	2.54 e	0.52 e/0.45 e	
Fair value of share at grant date, EUR	4.57 e	2.42 e	0.52 e/0.45 e	
Assumed dividends, EUR	0.24 e	0.12 e	0 e	
Share price at settlement / at end of financial period, EUR	2.10 e	0.69 e	1.53 e	
Fair value at end of financial period, EUR	843,955 e	626,888 e	351,264 e	1,822,107 e
Effect on result and financial position				
Expense for 2009, share based payment, EUR	174,614 e	327,320 e	109,487 e	611,421 e
Expense for 2009, share based payment, settled as equity, EUR	0 e	0 e	5,394 e	5,394 e
Liabilities, share based payment, at the end of financial period, EUR	0 e	0 e	109,487 e	109,487 e
Amounts 1 Jan. 2009				
Outstandind at the beginning of period	200,015	1,080,349	0	1,280,364
Changes during the period				
Shares granted	0	490,621	310,838	801,459
Shares forfeited	0	0	0	0
Shares exercised	0	1,570,970	0	1,570,970
Shares expired	200,015	785,485	0	985,500
Amounts 31 Dec. 2009				
Outstanding at the end of period	0	785,485	310,838	1,096,323
Exercisable at the end of period	0	0	310,838	310,838

*) The amounts in the table reflect the number of shares to be given on the base of share-based payment. Metsäliitto has also committed not to pay more than the value of shares in cash (tax-portion).

**) The figures include UPM-Kymmene Corporation shares, which are part of the Oy Metsä-Botnia Ab's equity-based reward scheme.

***) The fair value of the share-settled part at exercise date was the market price of M-real's B-shares less any dividend paid before the payment of the reward. Correspondingly, the fair value of the cash-settled part is estimated on every balance sheet date until the end of incentive period. The fair value of share-based payment is recognised to the amount based on best possible estimate of the reward, which is believed to be granted.

36. Related party transactions

Metsäliitto Cooperative owned 49.9% of Vapo Oy until 24 June 2009. Metsäliitto Group has consolidated Vapo as a joint venture line-by-line. The Metsä-Botnia Group has been consolidated as a joint venture line-by-line until 7 December 2009 (Metsäliitto Cooperative 23% and M-real 30%). Due to the ownership arrangements in December 2009, Oy Metsä-Botnia Ab became a subsidiary of Metsäliitto Cooperative as per 8 December 2009.

Metsä-Botnia and Vapo purchase a major part of their wood raw material at market price from Metsäliitto Cooperative. Metsä-Botnia sells pulp at market price to Metsäliitto's subsidiaries M-real and Metsä Tissue.

The sales of Metsäliitto Cooperative's wood deliveries to the Group subsidiaries were EUR 132 million (108). The sales of wood deliveries to associated companies and joint ventures totalled EUR 413 million (441).

Metsäliitto Group's forest holdings are centralized 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 2009 was EUR 18 million (24).

Metsä Group Financial Services owned by Metsäliitto Cooperative and M-real is the Group's internal bank. The interests are market based. Business transactions with associates are presented in note 15. A list of joint ventures is included in note 33.

38. Events after the Balance sheet date

In December 2009, M-real decided to exercise its right to partial early redemption of its senior floating rate notes maturing on 15 December 2010. The outstanding nominal amount before the redemption is approximately EUR 340 million. The total par value of redemption is EUR 250 million. The early redemption took place on 25 January 2010 and the redemption price was 100 per cent plus accrued and unpaid interest up to, but not including, the redemption date, according to the terms of the notes.

The main reason for the early redemption is M-real's strong liquidity position. The redemption will reduce M-real's net financing costs in 2010 by approximately EUR 11 million.

Metsäliitto announced on 18 January 2010 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.

Through the capital programme aimed at owner members, the members can subscribe for A and B additional shares. In addition, the programme includes the removal of the current upper limit for the obligatory shares. Furthermore, Metsäliitto intents to issue a new C additional share, on the basis of which the owners can, in addition to any interest, gain additional profit as cash payments, the amount of which depends on the rate development of M-real Corporation's B share on the Helsinki Stock Exchange. Metsäliitto members who own A and B additional shares or subscribe for them during the programme are entitled to subscriptions of C additional shares. The terms and conditions of C additional shares are otherwise identical to the current B additional shares, and the same annual interest will be paid on them as on the B additional shares.

The Supervisory Board approved the changes in rules required to execute the capital programme in its meeting on 18 January 2010 and presented them to the Representative Council for approval. The Board of Directors will decide on the launch of the programme, its exact starting date, and the subscription periods and terms during the first quarter in 2010, following the meeting of the Representative Council.

37. Environmental affairs

Income statement (incl. discontinued operations)

EUR million	2009	2008
Materials and services	24	27
Employee costs		
Wages and fees	5	6
Other employee costs	2	2
Depreciation	17	25
Other operating expenses	10	21
Total	58	81

Balance sheet

EUR million	2009	2008
Tangible assets		
Acquisition costs, 1 Jan.	508	546
Increases	34	105
Decreases	-123	-143
Accumulated depreciation at 31 Dec.	-262	-270
Book value, 31 Dec.	156	237
Provisions		
Environmental obligations	9	11

Notes

EUR million	2009	2008
Conditional environmental-related liabilities	2	0
Guarantees due to environmental programmes	5	1
CO_2 emission allowances, continuing operations		
Possessions of emission allowances (1,000 tonnes)	1,007	1,543
Emission produced (1,000 tonnes)	1,136	1,472
Sales of emission allowances	7.2	3.5

Parent company accounts (Finnish Accounting Standards, FAS)

Income statement

EUR million	note	1.1.-31.12.2009	1.1.-31.12.2008
Sales	1	**1,149.7**	**1,660.3**
Change in stocks of finished goods and work in progress		-15.3	-23.3
Production for own use		0.2	0.5
Other operating income	2	101.5	67.2
Materials and services			
Raw materials and consumables			
Purchases during the financial period		-713.8	-1,068.7
Change in inventories		-8.9	-1.4
External services		-281.8	-408.1
Employee costs	3	-130.1	-161.8
Depreciation and impairment charges	4	-40.4	-48.6
Other operating expenses	5	-84.8	-70.8
		-1,259.8	-1,759.4
Operating result		**-23.7**	**-54.7**
Financial income and expenses	6		
Income from Group companies		10.0	13.0
Income from associated companies		182.8	18.2
Income from other financial investments		12.2	12.4
Other interest and similar income		2.4	8.9
Net exchange gains/losses	7	1.5	17.7
Write-downs on non-current investments		0.0	-2.4
Interest and similar expenses		-35.7	-54.0
		173.2	13.8
Result before extraordinary items		**149.5**	**-40.9**
Extraordinary items	8		
Extraordinary income		0.0	0.9
Extraordinary expenses		0.0	0.0
		0.0	0.9
Result before appropriations and taxes		**149.5**	**-40.0**
Appropriations			
Change in depreciation reserve		30.7	39.3
Income taxes	9	-1.6	-0.3
Surplus / Deficit for the financial period		**178.6**	**-1.1**

Balance sheet

EUR million	note	31.12.2009	31.12.2008
ASSETS			
Non-current assets			
Intangible assets	10		
Intangible rights		6.8	7.0
Goodwill		0.7	1.5
Other capitalized expenditure		2.7	3.2
Advance payments and construction in progress		1.7	1.1
		11.9	12.7
Tangible assets	10		
Land and water areas		5.3	5.3
Buildings		47.9	56.7
Machinery and equipment		102.6	121.3
Other tangible assets		3.7	4.6
Advance payments and construction in progress		5.8	8.5
		165.4	196.3
Investments			
Shares in Group companies		1,666.2	846
Receivables from Group companies		128.7	129.6
Investments in associated companies		30.5	643.4
Receivables from associated companies		0.2	0.2
Other shares and holdings		2.2	2.1
Other receivables		5.1	4.1
		1,832.8	1,626.1
Non-current assets total		**2,010.1**	**1,835.1**
Current assets			
Inventories			
Raw materials and consumables		80.9	91.4
Finished goods and work in progress		27.9	41.0
Other inventories		1.5	2.0
Advance payments		15.2	35.4
		125.5	169.9
Non-current receivables	13		
Receivables from Group companies		5.4	4.5
Receivables from associated companies		0.1	0.1
Loan receivables		2.8	4.2
		8.2	8.8
Current receivables	13		
Accounts receivables		51.7	57.3
Receivables from Group companies		65.4	187.7
Receivables from associated companies		0.2	20.1
Loan receivables		0.0	5.4
Other receivables		4.9	15.3
Prepayment and accrued income		3.8	3.4
		125.9	289.2
Receivables total		134.2	297.9
Cash and cash equivalent		6.1	4.3
Current assets total		**265.7**	**472.2**
Assets total		**2,275.8**	**2,307.2**

EUR million	note	31.12.2009	31.12.2008
MEMBERS' FUNDS AND LIABILITIES			
Members' funds	14		
Members' capital		188.7	190.1
Additional members' capital A		455.0	512.3
Additional members' capital B		24.1	21.9
Other reserves			
General reserve I		3.9	3.9
General reserve II		42.6	42.6
Retained earnings		381.2	419.6
Surplus / Deficit for the financial period		178.6	-1.1
		1,274.0	**1,189.4**
Appropriations			
Accumulated depreciation difference		10.1	40.8
Provisions	15	2.2	2.2
Liabilities			
Non-current liabilities			
Bonds and debentures		0.0	150.0
Loans from financial institutions		489.7	600.1
Pension premium loans		8.0	6.3
Advance payments		0.0	0.0
Loans from Group companies		52.0	3.1
Other liabilities		5.6	4.8
		555.3	764.3
Current liabilities	18		
Capital note loan		0.0	63.0
Bonds and debentures		150.0	0.0
Loans from financial institutions		12.7	15.6
Advance payments		3.5	2.0
Accounts payable		89.8	104.1
Payables to Group companies		109.6	17.1
Payables to associated companies		1.2	44.6
Other liabilities		6.2	11.3
Accruals and deferred income	19	61.2	52.8
		434.2	310.5
Liabilities total		**989.5**	**1,074.9**
Members' funds and liabilities total		**2,275.8**	**2,307.2**

Cash flow statement

EUR million	2009	2008
Cash flow from operating activities		
Operating result	-23.7	-54.7
Adjustments to operating result 1)	14.2	47.9
Interest received	15.1	23.1
Interest paid	-35.6	-59.7
Dividends received	192.7	31.2
Other financial items, net	1.1	15.4
Taxes paid	-1.6	-21.5
Change in working capital 2)	9.7	37.1
	172.0	18.9
Cash flow arising from investing activities		
Purchase of shares	-461.0	-2.5
Purchase of other fixed assets	-9.6	-33.2
Proceeds from disposal of shares	231.9	1.0
Refund of capital	69.6	
Proceeds from sale of fixed assets	0.5	1.8
Proceeds from/increase in long-term receivables	1.5	26.6
	-167.1	-6.2
Cash flow before financing	**4.9**	**12.7**
Cash flow arising from financing activities		
Increase in non-current liabilities	81.2	231.5
Decrease in non-current liabilities	-204.1	-176.4
Change in current liabilities, net	70.7	-9.2
Change in current interest-bearing receivables, net	143.1	-12.6
Interest paid on members' capital	-37.4	-41.1
Change in members' capital	-56.6	-3.6
	-3.2	-11.4
Change in cash and cash equivalents	**1.8**	**1.3**
Cash and cash equivalents at beginning of period	4.3	3.0
Change in cash and cash equivalents	1.8	1.3
Cash and cash equivalents at end of period	**6.1**	**4.3**
1) Adjustments to operating result		
Infringement fine imposed by the Market Court	21.0	
Depreciation and impairment charges	40.4	48.6
Gains and losses on sale of fixed assets	-46.9	0.3
Change in provisions	0.0	-1.4
Profit/loss on mergers	-0.3	0.4
Total	14.2	47.9
2) Change in working capital		
Inventories (increase-/decrease+)	44.5	53.0
Current non-interest bearing receivables (increase-/decrease+)	19.9	52.5
Current non-interest-bearing liabilities (increase+/decrease-)	-54.7	-68.3
Total (increase-/decrease+)	9.7	37.1

Parent Company Accounting policies

Metsäliitto Cooperative's financial statements have been prepared in accordance with Finnish accounting standards (FAS). Foresta Oy was merged with the parent company Metsäliitto Cooperative on 31 December 2009.

Sales
Sales are calculated after deduction of indirect sales taxes, trade discounts and other items adjusting sales.

Exchange rate differences
Foreign exchange gains and losses have been booked to net exchange gains/losses under financial income and expense. Open and actual foreign exchange differences hedging sales are recorded immediately to financial income and expenses in the income statement.

Transactions in foreign currency
Transactions in foreign currency have been booked at the exchange rate on the day of the transaction. At the balance sheet date, receivables and liabilities denominated in foreign currency have been translated into euros at the exchange rate quoted by the European Central Bank at the balance sheet date.

Pensions and pension funding
Statutory pension security is handled by pension insurance companies outside Metsäliitto Cooperative. In addition to statutory pension security, some salaried employees have supplementary pension arrangements which are either insured, arranged through the Metsäliitto Employees' Pension Foundation or are an unfunded liability of the company.

Pension insurance premiums have been periodized to correspond to the accrual-based wages and salaries given in the financial statements.

Research and development expenditure
Research and development expenditure is recorded as an expense in the relevant financial period.

Inventories
Inventories are measured at the lower of cost or net realizable value. In measuring inventories, the FIFO principle is observed or, alternatively, the weighted average price method.

Property, plant and equipment and depreciation
The carrying values of property, plant and equipment are based on original acquisition costs less depreciation according to plan and impairment losses. Straightline depreciation according to plan is based on the estimated useful life of the asset as follows:

Goodwill	5–10 years
Buildings	20–40 years
Machinery and equipment	3–15 years
Other items	5–10 years

Depreciation is not recorded on the purchase cost of land and water areas.

Leasing
Lease payments are treated as rental expenses.

Environmental expenditure
Environmental expenditure comprises the specifiable expenses of environmental protection measures aiming primarily at combating, remedying or alleviating environmental damage.

Extraordinary income and expenses
Substantial income and expenses arising on transactions of an abnormal nature, such as the divestment of businesses, are presented in the income statement as extraordinary items. The tax effect of extraordinary items is presented in the notes to the financial statements.

Appropriations
Finnish tax legislation offers the possibility to deduct expenses prematurely from the profit for the financial year and to transfer them to the balance sheet as provisions. The items are taken into account in tax filings only if they have been entered in the accounts. These items are presented in the appropriations in the income statement. The most substantial of these appropriations is the depreciation difference on fixed assets.

Provisions
Future costs and losses to which the company is committed and which are likely to be realized are included in the income statement under the appropriate expense heading and in the balance sheet under provisions for future costs whenever the precise amount and the time of occurrence are not known and in other cases they are included in accrued liabilities. These can be, for example, the pension liability or costs of discontinued operations and restructuring costs.

Notes to the parent company's accounts

EUR million	2009	2008
1. Sales by market area		
Finland	809.1	1 118.1
EU-countries	239.2	410.4
Rest of the world	101.4	131.7
Total	1,149.7	1,660.3

2. Other operating income		
Rents	3.0	1.9
Gains on disposal of fixed assets	50.7	0.3
Service revenue	38.4	44.0
Others	9.3	21.1
Total	101.5	67.2

Gains on disposal of fixed assets include sales gains from Vapo-shares of EUR 27.3 million and from Botnia South America SA-shares of EUR 23.3 million.

3. Employee costs and personnel average		
Wages	77.6	95.2
Fees	2.4	1.9
Pension costs	19.2	25.9
Other employee costs	30.8	38.9
Total	130.1	161.8

Salaries and remunerations paid to management		
President and CEO and his deputy	2.3	2.1
Members of the board and their deputies	0.4	0.3
Members of the supervisory board	0.1	0.1
Total	2.8	2.5

Pension commitments

The CEO of the Group is entitled to retire on reaching the age of 60. Some Metsäliitto top executives have the right to retire with a pension based on the Pension Fund rules at the age of 62.

Personnel average		
White collars	1,177	1,264
Blue collars	1,799	2,078
Total	2,976	3,342

4. Depreciation and impairment charges		
Depreciations according to plan		
Intangible rights	2.9	3.9
Goodwill	0.7	0.7
Other capitalized expenditure	0.7	0.7
Buildings	9.1	13.7
Machinery and equipment	25.9	28.4
Other tangible assets	1.0	1.3
Depreciations according to plan, total	40.4	48.6

EUR million	2009	2008
Change in accumulated depreciation difference		
Difference between planned and book depreciation	-32.7	-37.8
Depreciation difference on fixed assets sold	2.0	-1.5
Total change	-30.7	-39.3
Total depreciation	9.6	9.3

5. Other operating expenses		
Main auditors fees		
Audit fees	0.5	0.4
Tax consultancy	0.0	0.0
Other fees	0.1	0.1
Total	0.6	0.4

Infringement fine imposed by the Market Court

Other operating expenses include an infringement fine imposed by the Market Court of EUR 21.0 million for breach of competition legislation in 1997-2004.

6. Financial income and expenses		
Income from non-current investments		
Dividend income		
From Group companies	189.5	13.0
From associated companies	3.2	18.2
From others	0.0	0.0
Total	192.7	31.2
Interest income		
From Group companies	12.2	12.2
From others	0.0	0.3
Total	12.2	12.4
Income from non-current investments	204.9	43.6
Other interest and financial income		
Interest income from Group companies	1.7	8.0
Interest income from associated companies	0.1	0.3
Other interest income	0.6	0.6
Other financial income	0.0	0.0
Total	2.4	8.9
Exchange differencies	1.5	17.7
Write-downs of non-current investments	0.0	-2.4
Interest and financial expenses		
Interest expenses paid to Group companies	-2.2	-3.2
Interest expenses paid to associated companies	-0.1	-0.1
Interest expenses paid to others	-32.9	-48.4
Financial expenses to others	-0.5	-2.3
Total	-35.7	-54.0
Total financial income and expenses	173.2	13.8

EUR million	2009	2008
7. Exchange differencies in income statement		
Exchange differencies on financing		
Exchange gains		
Realized	10.0	35.6
Unrealized	6.5	9.8
Total	16.5	45.4
Exchange losses		
Realized	-12.4	-21.8
Unrealized	-2.6	-5.9
Total	-15.0	-27.7
Exchange differencies on financing, total	1.5	17.7
8. Extraordinary items		
Extraordinary income		
Group contributions received	0.0	0.9
Total	0.0	0.9
9. Income taxes		
Taxes for the period	-1.6	-0.2
Taxes for previous periods	0.0	-0.2
Total	-1.6	-0.3
Income taxes on ordinary operations	-1.6	-0.1
Income taxes on extraordinary items	0.0	-0.2
Total	-1.6	-0.3
10. Intangible and tangible assets		
Intangible assets		
Acquisition cost, 1 Jan.	40.2	41.3
Increases	1.9	0.7
Decreases	0.0	-4.8
Transfers between items	0.8	3.0
Acquisition cost, 31 Dec.	42.9	40.2
Accumulated depreciation, 1 Jan.	-33.2	-34.0
Accumulated depreciation on decreases and transfers	0.0	4.7
Depreciation for the period	-2.9	-3.9
Accumulated depreciation, 31 Dec.	-36.1	-33.2
Book value, 31 Dec.	6.8	7.0
Accumulated depreciation difference	1.2	0.9
Goodwill		
Acquisition cost, 1 Jan.	7.3	7.3
Increases	0.0	0.0
Decreases	0.0	0.0
Transfers between items	0.0	0.0
Acquisition cost, 31 Dec.	7.3	7.3
Accumulated depreciation, 1 Jan.	-5.9	-5.1
Accumulated depreciation on decreases and transfers	0.0	0.0
Depreciation for the period	-0.7	-0.7
Accumulated depreciation, 31 Dec.	-6.6	-5.9
Book value, 31 Dec.	0.7	1.5

EUR million	2009	2008
Other capitalized expenditure		
Acquisition cost, 1 Jan.	9.3	9.6
Increases	0.2	0.4
Decreases	-0.2	-1.0
Transfers between items	0.2	0.3
Acquisition cost, 31 Dec.	9.5	9.3
Accumulated depreciation, 1 Jan.	-6.1	-6.4
Accumulated depreciation on decreases and transfers	0.0	1.0
Depreciation for the period	-0.7	-0.7
Accumulated depreciation, 31 Dec.	-6.8	-6.1
Book value, 31 Dec.	2.7	3.2
Accumulated depreciation difference	0.4	0.4
Construction in progress		
Acquisition cost, 1 Jan.	1.1	2.3
Increases	1.4	2.0
Decreases	0.0	0.0
Transfers between items	-0.8	-3.3
Acquisition cost, 31 Dec.	1.7	1.1
Intangible assets total		
Acquisition cost, 1 Jan.	57.8	60.4
Increases	3.5	3.2
Decreases	-0.2	-5.8
Transfers between items	0.2	0.0
Acquisition cost, 31 Dec.	61.4	57.8
Accumulated depreciation, 1 Jan.	-45.2	-45.6
Accumulated depreciation on decreases and transfers	0.0	5.7
Depreciation for the period	-4.4	-5.3
Accumulated depreciation, 31 Dec.	-49.5	-45.2
Book value, 31 Dec.	11.9	12.7
Accumulated depreciation difference	1.6	1.3
Land and water areas		
Acquisition cost, 1 Jan.	5.3	5.3
Increases	0.0	0.0
Decreases	0.0	0.0
Transfers between items	0.0	0.0
Acquisition cost, 31 Dec.	5.3	5.3

EUR million	2009	2008
Buildings		
Acquisition cost, 1 Jan.	121.2	131.8
Increases	0.2	1.7
Decreases	-0.9	-18.0
Transfers between items	1.0	5.8
Acquisition cost, 31 Dec.	121.5	121.2
Accumulated depreciation, 1 Jan.	-64.6	-67.7
Accumulated depreciation on decreases and transfers	0.1	16.8
Depreciation for the period	-9.1	-13.6
Accumulated depreciation, 31 Dec.	-73.6	-64.6
Book value, 31 Dec.	47.9	56.7
Accumulated depreciation difference	-5.0	-0.2
Machinery and equipment		
Acquisition cost, 1 Jan.	388.3	406.3
Increases	2.9	18.7
Decreases	-0.5	-47.9
Transfers between items	4.4	11.2
Acquisition cost, 31 Dec.	395.2	388.3
Accumulated depreciation, 1 Jan.	-267.1	-286.5
Accumulated depreciation on decreases and transfers	0.3	47.8
Depreciation for the period	-25.9	-28.4
Accumulated depreciation, 31 Dec.	-292.7	-267.0
Book value, 31 Dec.	102.6	121.3
Accumulated depreciation difference	14.0	39.8
Other tangible assets		
Acquisition cost, 1 Jan.	17.8	19.5
Increases	0.1	0.2
Decreases	0.0	-2.2
Transfers between items	0.0	0.3
Acquisition cost, 31 Dec.	17.9	17.8
Accumulated depreciation, 1 Jan.	-13.2	-14.0
Accumulated depreciation on decreases and transfers	0.0	2.1
Depreciation for the period	-1.0	-1.3
Accumulated depreciation, 31 Dec.	-14.2	-13.2
Book value, 31 Dec.	3.7	4.6
Accumulated depreciation difference	-0.5	-0.1
Construction in progress		
Acquisition cost, 1 Jan.	8.5	17.0
Increases	3.1	8.8
Decreases	0.0	0.0
Transfers between items	-5.7	-17.4
Acquisition cost, 31 Dec.	5.8	8.5

EUR million	2009	2008
Tangible assets total		
Acquisition cost, 1 Jan.	541.1	579.9
Increases	6.3	29.4
Decreases	-1.4	-68.1
Transfers between items	-0.2	0.0
Acquisition cost, 31 Dec.	545.8	541.1
Accumulated depreciation, 1 Jan.	-344.8	-368.2
Accumulated depreciation on decreases and transfers	0.4	66.7
Depreciation for the period	-36.0	-43.3
Accumulated depreciation, 31 Dec.	-380.4	-344.8
Book value, 31 Dec.	165.4	196.3
Accumulated depreciation difference	8.5	39.5
11. Shares in Group companies		
Acquisition cost, 1 Jan.	846.7	847.1
Increases	460.6	0.0
Decreases	-73.1	-2.0
Transfers between items	432.0	1.5
Acquisition cost, 31 Dec.	1,666.2	846.7
Shares in associated companies		
Acquisition cost, 1 Jan.	643.4	642.7
Increases	0.4	2.5
Decreases	-181.3	-0.2
Transfers between items	-432.0	-1.5
Acquisition cost, 31 Dec.	30.5	643.4
Other shares and holdings		
Acquisition cost, 1 Jan.	2.1	4.3
Increases	0.1	0.0
Decreases	0.0	-2.2
Transfers between items	0.0	0.0
Acquisition cost, 31 Dec.	2.2	2.1
Investments, shares total		
Acquisition cost, 1 Jan.	1,492.2	1,494.1
Increases	461.0	2.5
Decreases	-254.4	-4.3
Transfers between items	0.0	0.0
Acquisition cost, 31 Dec.	1,698.9	1,492.2
Investments, receivables		
Receivables from Group companies		
Acquisition cost, 1 Jan.	129.6	129.6
Increases	0.0	0.0
Decreases	-1.0	0.0
Acquisition cost, 31 Dec.	128.7	129.6

EUR million	2009	2008
Receivables from associated companies		
Acquisition cost, 1 Jan.	0.2	0.2
Increases	0.0	0.0
Decreases	0.0	0.0
Acquisition cost, 31 Dec.	0.2	0.2
Other receivables		
Acquisition cost, 1 Jan.	4.1	19.6
Increases	1.0	0.9
Decreases	0.0	-16.5
Acquisition cost, 31 Dec.	5.1	4.1
Investments, receivables total		
Acquisition cost, 1 Jan.	133.9	149.5
Increases	1.0	0.9
Decreases	-1.0	-16.5
Acquisition cost, 31 Dec.	134.0	133.9
Investments, receivables		
Capital note loans, granted	0.0	0.5
Other loan receivables	134.0	133.5
Total	134.0	133.9

12. Fair values of financial investment in non-current assets

Stock exchange listed shares		
Book value	516.0	516.0
Fair value	204.5	91.1
Difference	311.6	425.0

Of the difference between the book value and the fair value, EUR 311.6 million derives from the M-real shares. The view of Metsäliitto is that the cash flow generated by the shares will exceed the book value of the shares in the future.

13. Receivables

Non-current receivables		
Loan receivables	8.2	8.8
Total	8.2	8.8
Current receivables		
Receivables from Group companies		
Accounts receivables	39.7	17.1
Loan receivables	10.3	148.0
Prepayment and accrued income	15.5	22.7
Total	65.4	187.7
Receivables from associated companies		
Accounts receivables	0.0	19.9
Loan receivables	0.2	0.2
Total	0.2	20.1
Receivables from others		
Accounts receivables	51.7	57.3
Loan receivables	0.0	5.4
Other receivables	4.9	15.2
Prepayment and accrued income	3.8	3.4
Total	60.3	81.3
Receivables total	134.2	297.9

EUR million	2009	2008
Prepayment and accrued income, current		
Interest	0.0	0.6
Insurances	0.9	0.4
Others	2.9	2.5
Total	3.8	3.4

14. Members' funds

Members' capital, 1 Jan.	190.1	186.7
Participation shares	2.4	4.9
Transferred from interest	2.3	3.2
Refund of participation shares	-6.1	-4.7
*) Members' capital, 31 Dec.	188.7	190.1
Additional members' capital A, 1 Jan.	512.3	517.1
Increase in additional members' capital	5.9	11.5
Transferred from interest	19.4	21.9
Refund of additional members' capital	-82.6	-38.3
**) Additional members' capital A, 31 Dec.	455.0	512.3
Additional members' capital B, 1 Jan.	21.9	24.1
Increase in additional members' capital	5.1	0.3
Refund of additional members' capital	-2.9	-2.5
Additional members' capital B, 31 Dec.	24.1	21.9
General reserve I, 1 Jan.	3.9	3.9
General reserve I, 31 Dec.	3.9	3.9
General reserve II, 1 Jan.	42.5	36.9
Transferred from retained earnings	0.0	5.7
General reserve II, 31 Dec.	42.5	42.5
Retained earnings, 1 Jan.	418.5	466.4
Dividends paid	-37.4	-41.1
Transferred to general reserve II	0.0	-5.7
Surplus / Deficit for the financial period	178.6	-1.1
Retained earnings, 31 Dec.	559.8	418.5
Total members´ funds	1,274.0	1,189.4
*) Unpaid participation shares		
Total called-up members' capital	246.8	250.8
Participation shares paid	-188.0	-189.3
Unpaid participation shares	58.8	61.6

**) Of the additional members' capital EUR 58.2 million is due on 1 July 2010.

EUR million	2009	2008
15. Provisions		
Pension liability		
1 Jan.	0.0	0.0
Increases	0.3	0.0
Decreases	0.0	0.0
31 Dec.	0.3	0.0
Unemployment pension costs		
1 Jan.	1.3	1.7
Increases	0.8	0.3
Decreases	-0.9	-0.7
31 Dec.	1.2	1.3
Unfunded pension costs		
1 Jan.	0.7	1.7
Increases	0.0	0.0
Decreases	-0.1	-1.0
31 Dec.	0.6	0.7
Other provisions		
1 Jan.	0.1	0.1
Increases	0.0	0.0
Decreases	0.0	0.0
31 Dec.	0.1	0.1
Provisions total		
1 Jan.	2.2	3.6
Increases	1.0	0.3
Decreases	-1.0	-1.7
31 Dec.	2.2	2.2

EUR million	2009	2008
16. Liabilities		
Non-current		
Non-current	3.3	3.8
Interest-bearing	552.0	760.5
Total	555.3	764.3
Current		
Non-interest bearing	195.8	229.9
Interest-bearing	238.4	80.7
Total	434.2	310.5

17. Non-current debts with amortization plan

EUR million	Liabilities to Group companies	Bonds	Loans from financial institutions	Pension loans	Other liabilities	Total
2010	0.0	150.0	10.4	0.0	0.0	160.4
2011		0.0	470.4	8.0	0.0	478.4
2012	49.2	0.0	6.4	0.0	5.1	60.7
2013		0.0	6.4	0.0	0.0	6.4
2014		0.0	6.4	0.0	0.0	6.4
2015-		0.0	0.0	0.0	0.0	0.0
Total	49.2	150.0	500.0	8.0	5.1	712.3

EUR million	2009	2008
18. Current liabilities		
Capital note loans	0.0	63.0
Bonds	150.0	0.0
Loans from financial institutions	12.7	15.6
Advance payments	3.5	2.0
Account payables	89.8	104.1
Liabilities to Group companies		
Advance payments	26.6	12.4
Account payables	6.5	2.5
Other liabilities	75.7	2.1
Accruals and deferred income	0.8	0.2
Liabilities to associated companies		
Advance payments	0.0	39.1
Account payables	0.9	5.5
Accruals and deferred income	0.4	0.0
Liabilities to others		
Other liabilities	6.2	11.3
Accruals and deferred income	61.2	52.8
Total current liabilities	434.2	310.5

19. Accruals and deferred income

Current		
Interest	0.1	0.4
Pension insurance premium	1.5	4.0
Periodizations of employee costs	24.2	24.9
Accruals of purchases	2.8	5.9
Infringement fine imposed by the Market Court	21.0	0.0
Others	11.6	17.5
Total	61.2	52.8

20. Commitments and contingencies

For own liabilities		
Liabilities secured by pledges		
Loans from financial institutions	200.0	200.0
Pledges granted	102.3	102.3
For own commitments		
Pledges granted	0.0	0.0
On behalf of Group companies		
Guarantee liabilities	15.6	20.6
On behalf of associated companies		
Guarantee liabilities	1.8	1.8
On behalf of others		
Guarantee liabilities	1.8	1.8
Other own liabilities		
Redemption liability (Metsä-Botnia -shares)	99.3	0.0
Other liabilities	73.1	14.0
Leasing liabilities		
For the next 12 months	7.4	7.6
For subsequent years	28.4	58.7
Total		
Pledges	102.3	102.3
Guarantee liabilities	19.2	24.2
Other liabilities	172.3	14.0
Leasing liabilities	35.8	66.3
Total	329.7	206.9

Liabilities due to open derivate contracts

	Gross amount 2009	Going value	Gross amount 2008
Interest derivatives			
Interest rate swaps	70	-3.1	153.3
Currency derivatives			
Forward agreements	175.6	2.8	216.5
Derivatives total	245.6	-0.2	369.8

Upon an action initiated by the Competition Authority, the Market Court imposed an infringement fine of EUR 21 million on Metsäliitto Cooperative for alleged breach of restrictions on competition in the raw timber purchasing market in 1997–2004. Metsäliitto Cooperative has decided not to appeal the ruling. Due to this ruling, Metsäliitto might face compensation claims for damages suffered because of the alleged breach of the competition legislation. Outcomes of such trials may have a negative impact on Metsäliitto's business activities, its business result and its financial position. On the signing date of the balance sheet, Metsäliitto has no knowledge of such legal actions.

In the last 12 months, there has been no governmental, legal or arbitration proceedings that might have substantially influenced or would substantially influence Metsäliitto's financial position. Metsäliitto has no knowledge of any such pending proceedings or trials.

21. Environmental items

Income statement		
Employee costs		
Wages and fees	0.5	0.5
Other employee costs	0.3	0.3
Depreciation	0.3	0.6
Other operating expenses	1.0	1.0
Total	2.0	2.3

Balance sheet		
Environmental-protection equipment		
Acquisition costs 1 Jan.	2.8	3.4
Increases	0.4	0.1
Decreases	0.0	0.0
Depreciation for the period	-0.3	-0.6
Book value 31 Dec.	2.9	2.8

Parent company shares 31 December 2009

Subsidiaries	Country	Parent company's holding, %	Group's holding, %	Number of shares	Book value 1,000 EUR
Baillou Holzhandel Sp. z.o.o.	Poland	100.00			0
Biokraft Oy *	Finland	19.00		1,520	1,520
Burt Boulton and Haywood Ltd	Great Britain	100.00			12,280
Financière Finnforest S.A.S.	France	100.00		405,000	16,750
Finnforest Baco Production s.r.l.	Romania	100.00			0
Finnforest CZ s.r.o.	Czech Republic	100.00			11,200
Finnforest Deutschland GmbH	Germany	100.00			35,821
Finnforest Eesti A.S.	Estonia	100.00		100,000	651
Finnforest Holdings Oy	Finland	100.00		1,000	9
Finnforest Iberica S.L.	Spain	50.00	100.00	250	446
Finnforest Italia S.r.l.	Italy	100.00		1	222
Finnforest Magyarország Faipari és Kereskedelmi Kft.	Hungary	100.00			5,984
Finnforest Polska Sp. z.o.o.	Poland	100.00			589
Finnforest Slovensko s.r.o.	Slovakia	100.00			1,602
Finnforest Timber Holland B.V.	Holland	100.00			1,243
Finnforest Trading (Shanghai) Co. Ltd	China	100.00			318
Finnforest UK Holdings Ltd	Great Britain	100.00		43,200,000	53,458
Finnforest Österreich GesmbH	Austria	100.00			5,842
Kiint. Oy Metsätapiola	Finland	60.90		37,826	17,863
Kirkniemen Kartano Oy	Finland	52.00	70.54	29,666	2,969
McCausey Wood Products, Inc.	USA	100.00		500,000	316
Metsä Group Financial Services Oy	Finland	49.00	68.69	24,500	4,944
Metsä Group Schweiz AG	Switzerland	100.00		200	750
Metsä Tissue Corporation	Finland	70.55		6,433,164	139,818
Metsäliitto Eesti AS	Estonia	100.00		150,000	1,145
Metsäliitto France S.A.	France	100.00		100,000	100
Metsäliitto Latvia SIA	Latvia	100.00		670	3,259
Metsäliitto Sverige AB	Sweden	100.00		5,000	703
Metsämannut Oy	Finland	100.00		100	194
Mittaportti Oy	Finland	33.30	56.88	1,000	8
M-real Corporation **	Finland	60.47		126,729,592	516,014
OOO Finnforest Petersburg	Russia	100.00		3	744
OOO Metsäliitto Novgorod	Russia	100.00			163
OOO Metsäliitto Podporozhje	Russia	100.00			4,579
OOO Metsäliitto St. Petersburg	Russia	100.00		100	978
Oy Metsä-Botnia Ab	Finland	53.01	70.57	43,250	821,748
Äänevoima Oy	Finland	20.00	37.38	2,000,000	2,000
Shares in Group companies					1,666,229

*) Consolidated as a subsidiary.
**) Holding 60.47% by number of votes, holding 38.62% by number of shares.

Associated companies	Country	Parent company's holding, %	Group's holding, %	Number of shares	Book value 1,000 EUR
Finsilva Oyj	Finland	49.90		48,128,550	14,439
Hartolan Kuningaslämpö Oy	Finland	50.00		300	76
Kumpuniemen Voima Oy	Finland	33.30		21	177
Metsäteho Oy	Finland	24.00		40	67
Perkaus Oy	Finland	33.33		2,500	6
Punkaharjun Lämpö Oy	Finland	20.00		6	10
Punkavoima Oy	Finland	34.67		9,292	929
Suomen Metsäsijoitus Oy	Finland	25.00		7,500	4,011
Thosca Holz GmbH	Germany	50.00		3	4,583
ZAO HC Vologodskiye Lesopromyshlenniki	Russia	44.00			6,164
Investments in associated companies					30,463

Other shares and holdings	Country	Parent company's holding, %	Group's holding, %	Number of shares	Book value 1,000 EUR
Finnforest Nippon	Japan	10.00		20	120
Metsäklusteri Oy	Finland	5.30		150	150
Misawa Homes of Finland	Finland	2.10		400	67
Suomen Puututkimus Oy	Finland	12.50			51
Housing and property companies					1,402
Golf shares					194
Shares and holdings in telephone companies					56
Other shares and holdings					126
Other shares and holdings					2,165

Statement by the Supervisory Board

The Supervisory Board has examined the financial statements of Metsäliitto Cooperative and the Metsäliitto Group consolidated financial statements for 2009 prepared in accordance with International Financial Reporting Standards, and has approved them for submission to the Auditors and to the Annual General Meeting. The Supervisory Board recommends that the surplus for the period be dealt with as proposed by the Board of Directors.

The terms of the following members are due to expire: Pentti Airio, Erkki Jaakkola, Ilkka Juusela, Antti Jäärni, Timo Kässi, Jukka Lappalainen, Ilkka Lehtinen, Jussi Linnaranta and Mikko Tolonen.

According to the age rule of the rules the seats of Teuvo Manki, Martti Niiranen and Runar Lillandt are at the disposal of the Representative Council.

Espoo, 23 March 2010

On behalf of the Supervisory Board

Runar Lillandt
Chairman

Esa Kaikkonen
Secretary

Auditor's report

To the members of Metsäliitto Cooperative

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Metsäliitto Cooperative for the year ended on 31 December, 2009. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement and notes to the consolidated financial statements, as well as the parent cooperative's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the cooperative's accounts and finances, and the Managing Director shall see to it that the accounts of the cooperative are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent cooperative's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Supervisory Board as well as the Board of Directors of the parent cooperative and the Managing Director have complied with the Cooperative Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and of the report of the Board of Directors, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the report of the Board of Directors in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Cooperative's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent cooperative's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other Opinions

We support that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the use of the surplus shown in the balance sheet is in compliance with the Cooperative Act. We support that the members of the Supervisory Board and the Board of Directors as well as the Managing Director of the parent cooperative should be discharged from liability for the financial period audited by us.

Espoo, 29 March 2010

PricewaterhouseCoopers Oy
Authorised Public Accountants

Johan Kronberg
Authorised Public Accountant

Jouko Malinen
Authorised Public Accountant

Quarterly data

EUR million	Year		Quarterly							
Income statement	**2009**	**2008**	IV/2009	III/2009	II/2009	I/2009	IV/2008	III/2008	II/2008	I/2008
Sales by segments										
Wood Supply	1,101	1,734	292	232	251	327	362	412	474	487
Wood Products Industry	806	1,162	193	188	224	202	239	279	329	315
Pulp Industry	1,195	1,591	297	313	282	303	359	421	413	398
Board and Paper Industry	2,432	3,236	606	618	585	623	722	826	829	859
Tissue and Cooking Papers	890	930	229	226	217	218	234	235	231	230
Other operations	170	328	4	3	72	92	90	62	83	92
Eliminations	-1,758	-2,547	-431	-425	-418	-487	-553	-640	-683	-671
Sales total	**4,837**	**6,434**	1,190	1,155	1,213	1,278	1,453	1,595	1,676	1,710
Operating result by segments										
Wood Supply	-9	30	-17	-1	4	5	4	4	12	10
Wood Products Industry	-47	-74	-9	-3	-10	-25	-55	-16	-1	-2
Pulp Industry	193	209	355	2	-42	-122	-13	102	44	75
Board and Paper Industry	-267	-61	-52	-24	-73	-117	-161	-8	71	37
Tissue and Cooking Papers	93	42	21	31	22	19	10	13	11	9
Other operations	59	9	20	2	27	10	-1	3	1	6
Eliminations	-190	-152	-300	0	16	94	10	-78	-32	-52
Operating result total	**-169**	**2**	18	7	-56	-137	-206	19	105	84
-"-, excluding non-recurring items	-75	45	44	9	-61	-67	-75	27	33	60
Share of result in associated companies	-16	6	-4	-1	-8	-2	-5	8	2	2
Net exchange gains/losses	2	19	2	4	-1	-2	18	0	-2	2
Financial income and expenses	-147	-260	-34	-63	-30	-20	-84	-63	-51	-62
Result before tax	**-329**	**-233**	-18	-53	-95	-163	-277	-35	54	26
Income taxes	10	60	-9	-6	7	19	66	2	-1	-7
Result from continuing operations	**-318**	**-172**	-27	-59	-88	-144	-211	-33	53	19
Result from discontinued operations	-23	-338	-9	-2	-3	-10	-62	-212	-45	-19
Result for the period	**-342**	**-511**	-36	-61	-91	-154	-273	-245	8	0
Operating result excluding non-recurring items	**2009**	**2008**	IV/2009	III/2009	II/2009	I/2009	IV/2008	III/2008	II/2008	I/2008
Wood Supply	12	28	4	-1	4	5	3	5	11	9
Wood Products Industry	-41	-53	-3	-3	-10	-25	-34	-16	-1	-2
Pulp Industry	-43	209	44	2	-42	-47	-13	102	44	75
Board and Paper Industry	-150	-35	7	-22	-70	-65	-51	3	-1	14
Tissue and Cooking Papers	93	43	21	31	22	19	10	14	11	9
Other operations	11	4	-1	2	0	10	-1	-3	1	6
Eliminations	45	-151	-27	1	35	36	10	-78	-32	-51
Total	**-75**	**45**	44	9	-61	-67	-75	27	33	60
Key ratios	**2009**	**2008**	IV/2009	III/2009	II/2009	I/2009	IV/2008	III/2008	II/2008	I/2008
Equity ratio, %	24.5	26.0	24.5	23.9	25.6	24.8	26.0	27.5	30.1	29.2
Net gearing ratio, %	157	149	157	180	162	167	149	162	147	142
Interest-bearing net liabilities, EUR million	2,203	2,666	2,203	2,363	2,348	2,666	2,666	3,372	3,421	3,329
Return on capital employed, %	-3.3	0.5	1.2	1.3	-4.7	-10.1	-16.1	2.7	8.7	7.0
- " -, excl. non-recurring items	-1.4	1.3	3.7	1.4	-5.1	-4.7	-6.1	3.3	3.1	5.2
Return on equity, %	-20.0	-8.4	-8.0	-17.2	-23.2	-34.0	-43.6	-6.1	9.2	3.2
- " -, excl. non-recurring items	-13.4	-6.4	-0.3	-16.6	-21.5	-17.5	-17.0	-4.7	-3.2	-0.8

Five years in figures

EUR million	2009	2008	2007	2006	2005
Sales	4,837	6,434	6,797	7,392	6,786
Operating result	-169	2	44	77	25
- "-, excluding non-recurring items	-75	45	301	233	81
Result before tax	-329	-233	-160	-94	-162
Result for the period	-342	-511	-211	-259	-144
Non-current assets	3,696	4,252	5,090	5,519	5,752
Inventories	669	943	1,132	1,095	1,293
Other current assets	1,365	1,704	1,813	2,111	1,912
Total assets	5,730	6,899	8,035	8,725	8,957
Members' funds	927	1,104	1,328	1,377	1,407
Minority interest	471	682	978	1,194	1,432
Non-current liabilities	2,722	3,449	3,742	4,298	3,856
Current liabilities	1,610	1,664	1,987	1,856	2,262
Total members' funds and liabilities	5,730	6,899	8,035	8,725	8,957
Return on capital employed, %	-3.3	0.5	1.4	2.0	1.0
- " -, excluding non-recurring items	-1.4	1.3	6.4	5.0	2.0
Return on equity, %	-20.0	-8.4	-7.5	-4.8	-6.9
- " -, excluding non-recurring items	-13.4	-6.4	2.7	1.0	-4.8
Equity ratio, %	24.5	26.0	28.8	29.5	31.7
Net gearing ratio, %	157	149	142	137	128
Gearing ratio, %	199	198	163	155	137
Interest-bearing liabilities	2,778	3,545	3,758	3,974	3,902
Interest-bearing financial assets	575	879	487	450	269
Interest-bearing net liabilities	2,203	2,666	3,271	3,524	3,633
Gross capital expenditure	648	272	493	735	679
-"-, % of sales	13.4	4.2	7.3	9.9	10.0
Personnel, at the end of year	14,242	16,729	17,838	20,196	23,928
Personnel, average	15,230	17,538	19,195	23,809	24,721
- of whom in Finland	6,337	7,253	7,522	7,956	8,237

Calculation of key ratios

Return on capital employed (%) ROCE $= \dfrac{\text{Operating result + financial income}}{\text{Total assets - non-interest-bearing liabilities (average)}}$

Return on operating capital (%) ROOC $= \dfrac{\text{Operating result excl. non-recurring items}}{\text{Non-current assets + inventories + accounts receivables - accounts payable (average)}}$

Return on equity (%) $= \dfrac{\text{Result before tax - direct taxes}}{\text{Members' funds + minority interest (average)}}$

Equity ratio (%) $= \dfrac{\text{Members' funds + minority interest}}{\text{Total assets - advance payments received}}$

Net gearing ratio (%) $= \dfrac{\text{Interest-bearing net liabilities}}{\text{Members' funds + minority interest}}$

Gearing ratio (%) $= \dfrac{\text{Interest-bearing liabilities}}{\text{Members' funds + minority interest}}$

Interest-bearing net liabilities = Interest-bearing liabilities - interest-bearing financial assets

Corporate Governance Statement

Metsäliitto Cooperative (hereinafter "Metsäliitto Cooperative" or "Metsäliitto") is a Finnish cooperative and parent company of Metsäliitto Group. Metsäliitto Cooperative's decision-making and administration complies with the Cooperatives Act, the cooperative rules, procedures approved by the administrative bodies and the policies approved by the Metsäliitto Board of Directors and Executive Management Team. The operations of Metsäliitto Cooperative's subsidiaries are regulated by the Limited Liability Companies Act, Securities Market Act and Group policies based on various policies and guidelines that govern the Group's operation. Metsäliitto's rules are available in full on the Metsäliitto's website under "Corporate Governance in Metsäliitto Cooperative."

The Securities Market Association issued a new recommendation on the corporate governance systems of listed companies on 20 October 2008. This account of Metsäliitto's corporate governance system follows the said recommendation with regard to structure and content. However, Metsäliitto takes into account the special characteristics of the cooperative form of incorporation and states the deviations from the recommendation with rationale. In accordance with the opinion issued by the Central Chamber of Commerce in January 2006, communities with an extensive ownership base, extensive operations or which are regionally or nationally significant, should comply with the recommendation to the extent that it is possible, taking their special characteristics into consideration in accordance with the comply or explain principle.

Metsäliitto prepares its financial statements and interim reports in accordance with the International Financial Reporting Standards (IFRS). The financial statement documents are published in Finnish, Swedish and English.

Metsäliitto's head office is located in Espoo, Finland. Metsäliitto Cooperative's registered office is in Helsinki, Finland.

Main administrative bodies

Metsäliitto Cooperative's administrative bodies are the Representative Council, Supervisory Board, Board of Directors and the CEO. The bodies separately specified below in this account assist the administrative bodies in their decision making and prepare their decisions. Currently, the CEO of Metsäliitto Cooperative acts as the President & CEO of Metsäliitto Group. In this account, the CEO of Metsäliitto is referred to as the "President & CEO".

Representative Council

The Representative Council uses the supreme decision-making power belonging to the members in Metsäliitto in the matters specified by law and regulations. The Representative Council substitutes the meeting of the cooperative in Metsäliitto.

The meeting of the Representative Council processes the matters specified in the Cooperatives Act and the cooperative rules, and other matters mentioned in the summons to the meeting. The main tasks of the Representative Council are:

- to decide on adopting the financial statements,
- to decide on the distribution of profit to the members,
- to decide on discharging the Supervisory Board, Board of Directors and CEO/President & CEO from liability, and
- to elect the members of the Supervisory Board and the auditors and to decide on their fees.

A full member of Metsäliitto or his/her spouse may be elected to the Representative Council. The election of the Representative Council is carried out every fourth year by mail. Each member has one vote. The election is carried out by election districts so that as many representatives are selected from each district as the list of voters for the district in question includes Metsäliitto members entitled to vote on 1 January of the election year divided by 2,300 or part thereof. The election districts are confirmed by the Supervisory Board, and basically they are determined in accordance with Metsäliitto's district organisations.

In accordance with the rules, the Representative Council convenes once a year in the spring. The Representative Council, Supervisory Board or the Board Directors may decide to arrange an extraordinary meeting. An extraordinary meeting shall also be arranged if demanded by at least one tenth of the members. The Representative Council is summoned by the Chairman of the Supervisory Board at the latest seven days before the meeting with a written notice of a meeting sent to every member of the Representative Council, which has to mention the issues processed in the meeting.

Each representative has one vote in the meeting. Amending Metsäliitto's rules requires the amendment proposal to be supported by a minimum of 2/3 of the members participating in the meeting. In addition to the meeting representatives, the Chairman of the Board of Directors and, as a general rule, the members of the Board of Directors and Supervisory Board, shall be present at meetings of the Representative Council. In addition to these, the auditors shall also be present at the annual meeting.

The composition of the Representative Council is presented on page 118 of the Annual Report.

Supervisory Board

Metsäliitto's rules specify that the Supervisory Board is a part of Metsäliitto's administration model. This aims to ensure the realisation of sufficient corporate governance and commitment of the members to Metsäliitto's decision-making. Strategic and other far-reaching decisions, however, belong to the powers of Metsäliitto's Board of Directors, and operational management to the acting management.

Metsäliitto's rules specify the tasks of the Supervisory Board. The main task of the Supervisory Board is to monitor to ensure that Metsäliitto is managed in accordance with the rules and decisions of the Representative Council and the Supervisory Board. In addition to this, the Supervisory Board:

- elects and dismisses members of the Metsäliitto Board of Directors and decides on their fees,
- elects the CEO who also acts as the President & CEO of Metsäliitto Group unless otherwise decided by the Supervisory Board,
- gives the Board of Directors instructions in far-reaching matters and matters of importance in principle, and
- audits the financial statements and issues a proposal on the use of any surplus to the Representative Council.

The Supervisory Board elects a Chairman and Vice Chairman from among its members for one year at a time and invites a secretary. The Supervisory Board convenes as summoned by the Chairman as often as necessary, or as proposed by the Board of Directors. The Supervisory Board is competent to make decisions when more than half the members are present. The opinion favoured by the majority shall be the decision. When the votes are even, the Chairman's vote decides, and in elections the lot.

The Supervisory Board comprises a minimum of twenty (20) and a maximum of thirty (30) members elected by the Representative Council from among the members of Metsäliitto. Metsäliitto's personnel may elect a maximum of five (5) members to the Supervisory Board. In addition, the Representative Council may at the proposal of the Supervisory Board elect a maximum of three (3) expert members to the Supervisory Board. The term of office of a member of the Supervisory Board begins at the closure of the annual meeting that elected him/her and runs until the annual meeting of the Representative Council three (3) years later. The aim of the three-year term of office is to ensure the continuity of decision-making. Once a member of the Supervisory Board turns 65, his/her term of office, however, terminates at the annual meeting of the Representative Council the following year. When electing members to the Supervisory Board, the aim is to have nationwide representation that would cover all areas. A member of the Board of Directors may not be a member of the Supervisory Board.

The composition of the Supervisory Board is presented on page 119 of the Annual Report.

Election committee of the Supervisory Board

A special election committee elected from among the members of the Supervisory Board prepares the election of the members of the Board of Directors. The fees paid to the Board of Directors are prepared by the Chairman of the Supervisory Board in cooperation with the secretary of the Supervisory Board. The election committee comprises seven (7) members of the Supervisory Board and the Chairman of the Board. The Chairman of the Supervisory Board acts as the chairman of the election committee. The Supervisory Board has elected the following persons for the election committee in its meeting on 22 April 2009: Runar Lillandt, Ilkka Juusela, Hannu Lassila, Esko Kinnunen, Martti Niiranen, Timo Nikula and Erkki Vainionpää.

Information on the meetings and fees of the Supervisory Board during the previous financial period

In 2009, there were 34 members in the Supervisory Board, four of them personnel representatives elected by different personnel groups of Metsäliitto. There were no expert members in the Supervisory Board in 2009. The Supervisory Board convened four (4) times, and the members' attendance rate was 91%. The Chairman of the Supervisory Board was paid EUR 54,100 per year in salary and fees and the Deputy Chairman EUR 7,200 per year. A meeting fee of EUR 500 was paid per meeting. Members of the Supervisory Board were paid a total of EUR 118,800 in salaries and fees for the financial period 2009.

Board of Directors

According to the Metsäliitto Cooperative's rules and legislation, the task of the Board of Directors is to ensure that Metsäliitto's operation and administration are appropriately arranged. The Board of Directors has composed a procedure for its operation that specifies the operating principles followed in the decision-making of the Board of Directors in more detail. The working order is available in full on Metsäliitto's website under "Corporate Governance in Metsäliitto Cooperative."

The tasks of the Board of Directors include:

- approving the tasks of the CEO/President & CEO and monitor to ensure that they take care of the cooperative's running administration in accordance with the instructions and orders of the Board of Directors

- appointing and dismissing the Directors immediately subordinate to the CEO and, if elected, the President & CEO
- deciding on how shares are collected and additional shares made and their terms and conditions
- approving the strategy and annual budget of the cooperative and the Group, and supervising compliance with them
- signing the financial statements and consolidated financial statements, and presenting them to the Supervisory Board for audit
- preparing the matters to be decided by the Supervisory Board
- deciding on the sale, purchase and discontinuation of business operations and starting of new operations and mergers
- deciding on the wages and salaries and other benefits of the CEO/President & CEO and other senior management on the Compensation Committee's proposal
- deciding on other matters that, taking into account the extent and quality of the operations of the cooperative, are unusual and far-reaching.

The Board of Directors elects a chairman from among its members for one year at a time. According to Metsäliitto Cooperative's rules, the President & CEO acts as the deputy chairman. According to the recommendation, the CEO should not be elected the chairman of the Board of Directors. However, the deviation from the recommendation can be justified with Metsäliitto's cooperative administrative model. The Board of Directors convenes as summoned by the chairman as often as necessary. The President & CEO prepares the Board's meetings. The Board of Directors is competent to make decisions when more than half the members of the Board are present. When the votes are equal, the chairman's vote decides. Minutes shall be composed of the meetings of the Board of Directors.

The Board of Directors regularly appraises its operation and procedures by conducting an annual self-assessment.

Composition and term of office of the Board of Directors

The Supervisory Board elects Metsäliitto's Board of Directors. Thus, the election of Metsäliitto's Board of Directors deviates from the recommendation on the election of the Board of Directors. The deviating competence regulations secure the realisation of cooperative corporate governance and the members' extensive participation in Metsäliitto's decision-making. The Supervisory Board's election procedure ensures that the members may influence the composition of the Board of Directors and therefore the operations of Metsäliitto as a whole.

The Board of Directors comprises a minimum of five (5) and a maximum of eight (8) members and the President & CEO. The President & CEO may not be the chairman of the Board of Directors. All Board members apart from the President & CEO are independent of Metsäliitto. A Board member's term of office commences at the beginning of the calendar year following the meeting of the Supervisory Board that elected him/her and runs for three (3) years at a time. The term of office of a member of the Board of Directors ends at the end of the calendar year during which he/she turns 65. The term of office of the members of the Board of Directors deviates from the one-year term of office of the recommendation. However, the owners of the cooperative have not considered it necessary to shorten the term of office, as the three-year term has been considered necessary to secure the continuity of decision-making. In the past few years, particular attention has been paid to the composition of the Board of Directors and the versatility of its members' competence by the Supervisory Board's election committee.

In 2009, the Chairman of the Board of Directors was Martti Asunta, the Vice Chairman was Kari Jordan, and members were Mikael Aminoff, Eino Halonen, Arto Hiltunen, Saini Jääskeläinen, Juha Parpala, Timo Saukkonen and Antti Tukeva.

CVs of the members of the Board and their shareholdings in Metsäliitto Cooperative and M-real Corporation are presented on pages 120–121 of the Annual Report.

Board Committees

In order to ensure that the Board of Directors' tasks are effectively managed, Metsäliitto's Board of Directors has an Audit Committee and a Compensation Committee. The Committees are not competent to make decisions independently; the Board of Directors makes the decisions on matters based on the preparation of the Committees. The Board of Directors elects the members of the Committee from among its members.

Audit Committee

The Audit Committee assists the Board of Directors in performing its monitoring task. In this task, the Committee assesses and supervises matters related to financial reporting, auditing, internal audit and risk management in accordance with procedures approved for it. The Audit Committee comprises a minimum of three

(3) members who are independent of Metsäliitto elected by the Board of Directors from among its members. In addition, the President & CEO attends the meetings of the Audit Committee, except for the times when the Audit Committee wishes to convene without the presence of the acting management. The Audit Committee shall regularly report to the Board of Directors on its operations and observations. In 2009, the Chairman of the Audit Committee was Arto Hiltunen and members were Martti Asunta and Eino Halonen.

Compensation Committee

The purpose of the Compensation Committee is to assist the Board of Directors in ensuring that Metsäliitto has appropriate and competitive pay systems, and successor and development planning in accordance with the procedure approved by the Board of Directors. In its task, the Committee presents, e.g., the terms of the employment relationship of the CEO and the President & CEO, pay systems of the top management and key principles in the top management's contracts to the Board of Directors to decide on. In addition, the Compensation Committee sets the annual targets for the top management, monitors their realisation and reviews the matters related to the compensation systems of the top management and proposes them for the Board of Directors to decide on. The Board of Directors elects three (3) members to the Compensation Committee from among its members. The majority of the members of the Compensation Committee must be independent of Metsäliitto, and a member of Metsäliitto's acting management may not be a member of the Committee. The Compensation Committee shall regularly report to the Board of Directors on its operations. In the financial period 2009, the Chairman of the Compensation Committee was Martti Asunta and members were Eino Halonen and Runar Lillandt.

Information on the meetings and fees of the Board of Directors and its Committees during the previous financial period

The Board of Directors convened 19 times during the financial period 2009 and the members' attendance rate was 96%. The Audit Committee convened four (4) times, and the members' attendance rate was 100%. The Compensation Committee convened five (5) times, and the members' attendance rate was 100%. The Chairman of the Board of Directors was paid EUR 71,540 per year in salary and fees and other members EUR 325,900 per year. A meeting fee of EUR 600 was paid per meeting of the Board and its Committees. Members of the Board of Directors were paid a total of EUR 397,440 in salaries and fees for the financial period 2009.

President & CEO

Metsäliitto has a CEO who also acts as the President & CEO unless otherwise decided by the Supervisory Board. The President & CEO manages the operation of the entire Metsäliitto Group. Currently, the CEO of Metsäliitto, Kari Jordan, also acts as the President & CEO. Ole Salvén acts as a deputy to the CEO.

The President & CEO's duty is to manage the operation of Metsäliitto in accordance with the law, regulations, decisions and instructions of the administrative bodies as well as to inform the Board of Directors and the Supervisory Board on the development of Metsäliitto's business operations and financial standing. The President & CEO is also in charge of arranging the running administration of the cooperative and supervises financial administration.

The President & CEO is elected by the Supervisory Board, and the Board of Directors approves the contract of the President & CEO. The deviation from the recommendation in the election of the President & CEO can be justified with Metsäliitto's cooperative administrative model. The term of notice of the President & CEO is six months, and his severance pay corresponds to 24 months' total salary.

The CV of the President & CEO and his shareholdings in Metsäliitto Cooperative and M-real Corporation are presented on page 120 of the Annual Report.

Executive Management Team

Metsäliitto Group has an Executive Management Team with the Group's President & CEO as its chairman. The Executive Management Team assists the President & CEO in the planning and operational management of business operations and prepares proposals to the Board of Directors, such as business strategies, budgets and significant investments. The Executive Management Team has no authority based on laws or rules. The Executive Management Team comprises Metsäliitto Group's President & CEO, CEOs of the subsidiaries, Directors of the Wood Products Industry and Wood Supply business areas and the Group's CFO, Strategy Officer and Legal Counsel.

The Executive Management Team convenes as summoned by the Chairman, primarily two times a month, and additionally whenever necessary.

During the financial period 2009, the Executive Management Team comprised Kari Jordan, President & CEO, Ole Salvén (Group Executive Vice President, Wood Products Industry), Hannu Anttila (Executive Vice President, Strategy, acting CFO), Mikko Helander (CEO of M-real Corporation), Ilkka Hämälä (CEO of Oy Metsä-Botnia Ab), Hannu Kottonen (CEO of Metsä Tissue Corporation), Juha Mäntylä (Group Executive Vice President, Wood Supply) and Esa Kaikkonen (General Counsel).

CVs of the members of the Executive Management Team and their shareholdings in Metsäliitto Cooperative and M-real Corporation are presented on pages 122–123 of the Annual Report.

District Committees

In accordance with Metsäliitto's rules, there is a District Committee in each supply district. The District Committee comprises the members of the representative council, Supervisory Board and Board of Directors elected from the District's area and of the candidates not elected in the election of the representative council, twice the number of the representatives elected from the District's area, however, at least five, in the order of the personal number of votes. The District Committee may invite expert members. The guidelines approved by the Supervisory Board specify the tasks of the District Committee. According to the guidelines, the main task of the District Committee is to promote communication and interaction between the members and Metsäliitto's supply district in question with its operation.

Management's reward system

The purpose of the reward system of Metsäliitto's acting management is to reward the management in a just and competitive manner for the result, for realising the strategy and for development of the business operations of Metsäliitto Group. The Board of Directors of Metsäliitto Cooperative decides on the remuneration and other financial benefits of the Group's President & CEO and members of the Group's Executive Management Team employed by Metsäliitto Cooperative, and the principles of the profit-sharing scheme based on the preparation of the Compensation Committee. All the Metsäliitto Group companies comply with the same reward principles, but the remuneration criteria are separately decided on by each subsidiary's Board of Directors. The reward system comprises a fixed monthly salary, a bonus determined on the basis of the task's effect on earnings, the management's pension benefits and a share compensation system.

The President & CEO's monthly salary is EUR 73,578, in addition to which he benefits from the use of company housing, car and telephone among others. In addition, the President & CEO may be paid a bonus corresponding to six months' salary based on total performance as decided by the Board of Directors. The companies in Metsäliitto Group paid the President & CEO a total of EUR 1,904,744 in salaries, fees and other benefits in 2009.

The maximum bonus paid to the other members of the Group Executive Management Team employed by Metsäliitto Cooperative can vary, according to the task's effect on earnings, between the amounts corresponding to the person's 0 to 6 months' wages. The criteria of the profit pay system are on the Group-level and its own area of their responsibility's earnings requirements. The companies in Metsäliitto Group paid the Executive Management Team, excluding the President & CEO, a total of EUR 3,295,148 in salaries, fees and other benefits in 2009.

The President & CEO has a separate pension agreement with a retirement age of 60. The level of the pension corresponds to 60% of the average salary during the period as President & CEO. Other members of the Executive Management Team have a separate pension agreement with a retirement age of 62. The level of the pension does not significantly differ from the statutory pension.

A share-based incentive scheme has been established for Metsäliitto Group's executives. The Board of Directors of Metsäliitto Cooperative shall annually determine the executives who belong to the target group and their maximum rewards. The maximum reward is expressed as a number of shares. Attaining the targets established for an earning period determines the proportion of the maximum reward that shall be paid to the executives. Any reward will be paid partially in M-real Corporation's shares and partially in cash. The amount paid in cash covers the taxes and tax-like charges resulting from the reward. The shares cannot be transferred during a commitment period of two years. The reward will not be paid if the person's employment has terminated before the payment of the reward. In addition, any rewards that have been paid must be returned if the person's employment is terminated as a result of the person being dismissed or giving notice within two years of the end of an earning period. Most recently, the Board of Directors has decided on a share compensation system for 2008-2010. The share compensation system offers the target group an opportunity to receive M-real Corporation's B shares as a reward for the attainment of the objectives of three earning periods each comprising one calendar year. The amount of reward paid from the share compensation system is tied to the development of the result and/or the cash flow of Metsäliitto Group and to, if set, other individual targets.

On 31 December 2009, the members of the Board of Directors, the President & CEO or the deputy to the CEO had no monetary loans from Metsäliitto or its subsidiaries, and no collateral arrangements existed between them.

Internal control, internal audit and risk management

Profitable business requires that operations are monitored continuously and with adequate efficiency. Metsäliitto's internal control covers the control of financial reporting, internal authorisation rights, investment follow-up and credit control. The functionality of internal control, on the other hand, is evaluated by Metsäliitto's internal audit. Internal control is carried out throughout the organisation. Internal control methods include internal guidelines and reporting systems that support control.

The principles, objectives and responsibilities of Metsäliitto's internal control and the principles of internal audit are described below. Metsäliitto's acting management, Risk Management Directors and internal audit are in charge of composing the principles mentioned above and the Board of Directors for ultimately ratifying them.

Definition of internal control and its objectives

In Metsäliitto, internal control covers financial reporting and other monitoring. Internal control is implemented by the Board and the acting management, as well as the entire personnel. Internal control refers to those management activities that seek to ensure:

- achievement of the goals and objectives set for Metsäliitto
- economical, appropriate and efficient use of resources
- management of operation-related risks
- reliable and correct financial and other management information
- adherence to external regulations and internal policies
- adherence to appropriate procedures related to customer relationships
- sufficient security of operations, information and property, and
- the arrangement of adequate and suitable manual and IT systems to support operations.

Proactive control

Proactive control includes the specification of Metsäliitto's values, general operational and business principles as well as goals and strategy. Metsäliitto's corporate culture, governance and the approach to control together create the basis for the entire process of internal control.

Daily control

Daily control refers to general control and follow-up, with operational systems and work guidelines, related to operational steering. Examples include the specification of personnel responsibilities and authority, identifying high-risk assignments, job descriptions, approval authority and deputy procedures.

Subsequent control

Subsequent control refers to control and check-up measures, such as different management evaluations and inspections, comparisons and verifications, the aim of which is to ensure that the goals are met and that the agreed operational and control principles are followed.

Internal monitoring of the financial reporting process, credit control and authorisation rights

The financial organisations of the business areas and the Group are responsible for financial reporting. The units and business areas report the financial figures each month. Business area controllers check the monthly performance of units from each business area and report them further to the Group financial administration. Business area profitability development and business risks and opportunities are discussed monthly by Metsäliitto Executive Management Team meetings attended by the senior management of Metsäliitto and of each business area, and by financial management team meetings attended by the Group CFO and Director of Finance and the CFO of each business area. The results are reported to the Board of Directors of Metsäliitto Cooperative each month. The results of the business areas are additionally reported to the Boards of Directors of their parent companies each month. Metsäliitto's Controllers' Manual describes the reporting and control regulations and the reporting procedure in detail.

Credit control in Metsäliitto Group is carried out by each business area in accordance with the Group credit control policy and the business area-specific credit control policy based on it. Credit control is carried out by the Group's central credit control organisation in cooperation with the management of the business areas.

Authorisation rights concerning expenses, significant contracts and investments have been continuously specified for different organisation levels, according to the decision-making order confirmed by the Board of Directors and the authority separately granted by the President & CEO and other management personnel.

Investment follow-up is carried out by the Group's financial administration according to the investment policy confirmed by the Board of Directors. After pre-approval, investments are taken to the management teams of the business areas within the framework of the annual investment plan. Most significant investments are separately submitted for approval by the Executive Management Team and the Boards of the Group's parent company, and of the parent company of the business area.

Internal audit

Metsäliitto's internal audit assists the Board of Directors in performing its supervisory task by assessing the level of internal audit maintained in order to attain the targets of Metsäliitto's operation. In addition, the department supports the organisation by assessing and ensuring the functioning of the business processes, risk management and management and administration systems.

The core task of internal audit is to evaluate the efficiency and appropriateness of Group functions' and units' internal auditing. Internal audit assess compliance with operating principles, guidelines and reporting systems, protection of assets and the efficiency of resource usage.

The internal audit unit acts under the supervision of the Group's President & CEO and the Audit Committee. An internal audit action plan is prepared for one calendar year at a time. The audit focuses on areas that have particular significance for the risk assessed and the Group's objectives at the time. The action plan will be reviewed with the management semi-annually, with regard to how up-to-date and appropriate it is.

The extent and coordination of auditing will be ensured with regular contact and flow of information with other internal control functions and auditors. Internal audit uses, if necessary, external outsourced services for temporary additional resourcing or performing assessment tasks that require special expertise. In this case, the external service providers act under the supervision of the head of the internal audit.

A report is written for each audit and distributed to the Group's President & CEO, the senior management of the affiliated group being audited and the management of the audited function or unit. The audit reports are submitted to the auditors for information and to the parties that are considered relevant based on the content of the report. The internal audit department shall compose a semi-annual summary report to the Audit Committee on the audits carried out, the most significant observations and the agreed measures. In addition, the semi-annual report shall state the most significant changes in carrying out the audits compared to the action plan and other main duties performed by the internal audit department, as well as any changes in resources. An annual report of the activity of the internal audit shall be composed for the Board of Directors.

Risk management

Risk management is an essential part of Metsäliitto's standard business planning and leadership. Risk management belongs to daily decision-making, operations follow-up and internal control, and it promotes and ensures that the objectives set by the company are met.

Linking business management efficiently with risk management is based on the operational principles confirmed by Metsäliitto's Board of Directors; the aim of the principles is to maintain risk management as a process that is well defined, understandable and sufficiently practical. Risks and their development are reported on a regular basis to the Board's Audit Committee. Centralised risk management also takes care of the coordination and competitive bidding of Metsäliitto's insurance coverage.

The most crucial objective of risk management is to identify and evaluate those risks, threats and opportunities which may have an impact on the implementation of the strategy and on how short-term and long-term objectives are met. A separate risk review is also included in the most significant investment proposals.

The business areas regularly evaluate and monitor the risk environment and related changes as part of their annual and strategic planning. The risks identified and their means of control are reported to the company's management, Audit Committee and the Board at least twice a year. Business risks also involve opportunities, and they can be utilised within the boundaries of the agreed risk limits. Conscious risk-taking decisions must always be based on an adequate evaluation of the risk-bearing capacity and the profit/loss potential, among other things.

Risk management responsibilities

Risk management responsibilities in Metsäliitto are divided as follows:

- The Board of Directors is responsible for Metsäliitto's risk management and confirms the company's risk management policy.
- The Audit Committee evaluates the adequacy of Metsäliitto's risk management and the essential risk areas and provides the Board with related proposals.
- The President & CEO and the Executive Management Team are responsible for the specification and adoption of the risk management principles. They are also responsible for ensuring that the risks are taken into account in the company's planning processes and that risk reporting is adequate and appropriate.
- The Group's Risk Management Director is in charge of the development and coordination of the risk

management process, performance of risk assessment and the essential insurance decisions.
- Business areas and support functions identify and evaluate the essential risks related to their own areas of responsibility in their planning processes, prepare for them, take necessary preventive action and report on the risks as agreed.

Risk management process

The purpose of risk management is to:
- promote and ensure the achievement of the goals set for business operations
- ensure the safe and uninterrupted continuity of business operations in all circumstances, and
- optimise Metsäliitto's overall risk exposure.

Metsäliitto's essential risk management elements include implementing a comprehensive corporate risk management process that supports the entire business, protecting property and ensuring business continuity, corporate security and its continuous development, as well as crisis management and continuity and recovery plans. According to the risk management policy and principles, adequate risk management forms a necessary part of the preliminary review and implementation stages of projects which are financially or otherwise significant.

The tasks of risk management are to:
- ensure that all identified risks with an impact on personnel, customers, products, property, information assets, corporate image, corporate responsibility and operational capacity are controlled according to applicable laws and on the basis of best available information and financial aspects
- ensure that Metsäliitto's objectives are met
- fulfil the expectations of stakeholders
- protect property and ensure disruption-free business continuity
- optimise the profit/loss possibility ratio, and
- ensure the management of Metsäliitto's overall risk exposure and minimise the overall risks.

The most significant risks and uncertainties that Metsäliitto is aware of are described in the report of the Board of Directors in the Annual Report.

Insider guidelines

In matters related to insiders, Metsäliitto complies with securities market legislation, Metsäliitto Cooperative's insider guidelines and, with regard to the subsidiary M-real Corporation, the company's own insider guidelines composed in accordance with the standards of the Financial Supervisory Authority and the guidelines prepared by NASDAQ OMX Helsinki Ltd, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industries EK. Metsäliitto requires every employee to follow the insider regulations. The secretary of the Board of Directors of each Group company is in charge of the maintenance and administration of Metsäliitto Group's statutory insider register. Metsäliitto only recommends long-term investments and the use of purchase programmes. Metsäliitto Cooperative's company-specific insider register comprises of the members of its Board of Directors, the President & CEO and the Deputy to the CEO and the auditors. Other insiders include persons appointed to legal, financial, communications and investor relations-related tasks of Metsäliitto Group and thus regularly have access to insider information on Metsäliitto. The above-mentioned persons are also included in M-real Corporation's public or company-specific insider register. As a listed company, M-real Corporation follows its own insider guidelines which are published in full on the company website (www.m-real.com/Investors/CorporateGovernance).

Audit

According to Metsäliitto's rules, Metsäliitto has two ordinary auditors and two deputy auditors who shall be auditing firms or persons authorised by the Central Chamber of Commerce of Finland. The representative council elects the auditors to review the accounts for the year underway, and their task ends at the closure of the next annual meeting of the representative council. The task of the auditors is to audit the financial statements and accounting of the Group and the parent company, and the administration of the parent company. The auditors provide a statutory auditor's report to the members of Metsäliitto in connection with the annual financial statements and regularly report on their observations to the Board of Directors and the management of Metsäliitto.

In accordance with the resolution of the representative council meeting in the spring of 2009, Metsäliitto Cooperative's auditor is Johan Kronberg, APA, and the PricewaterhouseCoopers Oy firm of authorised public accountants, with Jouko Malinen, APA, as main responsible auditor. Companies that belong to Metsäliitto Group have paid a total of EUR 2.7 million in audit fees in 2009. A total of EUR 2.8 million was paid for services not related to the audit.

Metsäliitto Cooperative's Representative Council

Members of the Metsäliitto Cooperative elect a Representative Council from among the members every four years through mail elections. The Representative Council is Metsäliitto's highest decision-making body.

Aalto Tero	Farmer	Kitee
Aikkinen Ilmari	Farmer	Mynämäki
Alatalo Matti	Farmer	Soini
Björkenheim Johan	Farmer	Isokyrö
Eskelinen Arto	Farmer	Kuopio
Haimi Hannu	Farmer	Kouvola
Hatanpää Mikko	Farmer	Noormarkku
Havanka Pentti	Logger	Ruovesi
Heikkinen Kari	Farmer	Nurmes
Hihnala Kauko	Farmer	Kalajoki
Hopsu Juha	Forestry engineer	Tampere
Hytönen Jukka	Rural entrepreneur	Vesanto
Hyvönen Timo	Farmer	Sotkamo
Isomuotia Harri	M.Sc. (For.)	Hämeenkyrö
Kallio Maarit	Agrologist	Sastamala
Karjalainen Jouko	Farmer	Oulu
Keskinen Sakari	Farmer	Mänttä-Vilppula
Keskisarja Hannu	Farmer	Nivala
Kivenmäki Ari	Agrologist	Kuortane
Kiviranta Esko	Agronomist	Sauvo
Koistinen Pertti	Farmer	Liperi
Kontinen Kati	M.Sc. (For.)	Ristiina
Korhonen Ari	Forestry entrepreneur	Kajaani
Korpijaakko Hannu	Farmer	Lohja
Kukkonen Timo	Forestry engineer	Heinävesi
Kulmala Airi	Project coordinator	Nousiainen
Kuutti Petri	Farmer	Kouvola
Laiho Tapio	M.Sc. (For.)	Jyväskylä
Lakkapää Sakari	Farmer	Pello
Leppänen Johannes	Agrologist	Kannonkoski
Manngård Kurt	Farmer	Närpiö
Marken Martin	Farmer	Oravainen
Mieskolainen Antti	Forestry technician	Kangasniemi
Mänttäri Tuomo	Forestry entrepreneur	Hattula
Määttä Unto	Farmer	Posio
Nieminen Pekka	Farmer	Tervola
Nylund Mats	Farmer	Pedersöre
Ojanperä Juha	Farmer	Isojoki
Ollikainen Raimo	Metsätalousneuvos (Finnish honorary title)	Leppävirta
Penttilä Mauri	Farmer	Vesilahti
Peuraniemi Kari	Farmer	Pudasjärvi
Pirttijärvi Tauno	Forestry entrepreneur	Rovaniemi
Pyykkönen Rauno	Forestry technician	Suomussalmi
Pölkki Veikko	Farmer	Äänekoski
Raitala Juha	Rural representative	Loimaa
Ralli Kaisa	Agrologist	Sulkava
Rautiola Antti	Farmer	Oulainen
Räsänen Tauno	Farmer	Tuusniemi
Saarenkivi Anne	Forestry technician	Hämeenlinna
Saramäki Matti	M.Sc. (For.)	Kontiolahti
Siponen Ahti	Bank Manager	Kiuruvesi
Snellman Veli	M.Sc. (For.)	Helsinki
Storsjö Bo	Farmer	Kristiinankaupunki
Suutari Kai	Agrologist	Rautjärvi
Tienhaara Asko	Farmer	Alajärvi
Tuominen Pasi	Rural representative	Eura
Turtiainen Matti	Agronomist	Kerimäki
Unnaslahti Seppo	Farmer	Kuhmoinen
Uusitalo Hannu	Farmer	Kannus
Uusitalo Ilkka	Farmer	Salo
Uusitalo Jarmo	Audit Manager (KHT)	Helsinki
Vanhatalo Jukka	Farmer	Siikainen
Wasström Anders	Farmer	Raasepori
Virnala Jukka	Forestry entrepreneur	Jalasjärvi
Vuorikko Liisa	Forestry entrepreneur	Lahti
Ylä-Outinen Päivi	Farmer	Ylämaa

Metsäliitto Cooperative's Supervisory Board

The Supervisory Board's duty is to supervise the appropriate management of the Metsäliitto Cooperative in compliance with the relevant regulations, the Supervisory Board's decisions, and in the interests of Metsäliitto. It also supervises the implementation of the Representative Council's decisions and elects Metsäliitto's Board of Directors.

Chairman:

Lillandt Runar	Maanviljelysneuvos (Finnish honorary title)	Kristiinankaupunki

Deputy Chairman:

Jaakkola Erkki	Agronomist	Kankaanpää

Members:

Airio Pentti	Brigadier general	Helsinki
Ekman Eero	Rural secretary	Paimio
Hatva Teuvo	Forestry entrepreneur	Kajaani
Hirvonen Ville	Agrologist	Rääkkylä
Hongisto Arto	Farmer	Liminka
Isotalo Antti	Farmer	Kauhava
Jaakkola Antti	Pitäjänneuvos (Finnish honorary title)	Isojoki
Junttila Risto	Executive Manager	Kemijärvi
Juusela Ilkka	Talousneuvos (Finnish honorary title)	Sastamala
Järvinen Hannu	Agronomist	Janakkala
Jäärni Antti	Farmer	Simo
Kananen Lauri	Farmer	Viitasaari
Kinnunen Esko	Farmer	Pieksämäki
Kässi Timo	Agrologist	Uurainen
Lappalainen Jukka	Farmer	Pielavesi
Lassila Hannu	Farmer	Veteli
Lehtinen Ilkka	Forestry engineer	Kuhmalahti
Linnaranta Jussi	Agronomist	Kuopio
Mankki Teuvo	Metsätalousneuvos (Finnish honorary title)	Kouvola
Niiranen Martti	Farmer	Varpaisjärvi
Nikula Timo	Agrologist	Laitila
Paajanen Juha	Farmer	Punkaharju
Palojärvi Martti	Farmer	Vihti
Ruuth Mauri	Agrologist	Mikkeli
Store Olav	Farmer	Kokkola
Tolonen Mikko	Farmer	Suomussalmi
Vainionpää Erkki	Farmer	Töysä
Äijö Matti	Forestry engineer	Ikaalinen

Personnel representatives:

Heinola Seija	Chief shop steward	Raasepori
Keskinen Matti	Purchasing supervisor	Nastola
Koljonen Timo	System specialist	Helsinki
Nurmi Mikko	Project engineer	Oripää

Metsäliitto Group's Board of Directors

Martti Asunta
Born 1955
M.Sc. (Forestry)

Member of the Board since 2005, Chairman since 2008

Key working experience:
Federation of Forest Management Associations in Pohjois-Häme, Field Manager, Executive Manager (1982–1988)
Tampere Regional Savings Bank (SSP), Area Manager (1988–1993)
Union Bank of Finland, Bank Manager (1993–1995)
Huoneistokeskus real estate agency, Branch Manager (2003–2005)
Municipality of Kuru, Project Manager (2001–2003)
Real estate office Martti Asunta LKV, entrepreneur (1995–)

Key positions of trust:
Vice Chairman of the Board of M-real Corporation (2008–)
Member of the Board of Oy Metsä-Botnia Ab (2008–)
Member of the Board of Metsä Tissue Corporation (2008–)
Member of the Board of Pellervo Confederation of Finnish Cooperatives (2008–), Chairman of the Board (2010-)
Member of the Finnish Co-operative Delegation (2008–)

Participations in Metsäliitto Cooperative: EUR 34,480
Shares in M-real Corporation: 4,000 (B shares)

Kari Jordan
Born 1956
M.Sc. (Econ.), Vuorineuvos (Finnish honorary title)

Member and Vice Chairman of the Board since 2005

Key working experience:
President and CEO of Metsäliitto Group (2006–)
CEO of Metsäliitto Cooperative (2004–)

Key positions of trust:
Chairman of the Board of M-real Corporation (2005–)
Chairman of the Board of Metsä Tissue Corporation (2004–)
Member of the Board of Oy Metsä-Botnia Ab (2004–), Chairman of the Board (2006–)
Vice Chairman of the Board of Finnair Corporation (2003–)
Member of the Board of the Confederation of Finnish Industries EK (2005–), Vice Chairman (2009–)
Vice Chairman of the Board of Finnish Forest Industries Federation and member of the Federation's Working Group (2005–), Chairman of the Board and Chairman of the Federations Working Group (2009–)
Holds several positions of trust in foundations and non-profit associations.

Participations in Metsäliitto Cooperative: EUR 520
Shares in M-real Corporation: 801,759 (B shares)

Mikael Aminoff
Born 1951
M.Sc. (Forestry)

Member of the Board since 2008

Key working experience:
Chairman of the Board of Eteläinen metsäreviiri (2000–2007)
Executive Manager of Länsi-Uudenmaan metsäreviiri (1980–1997)
Entrepreneur in farming and forestry (1992–)

Key positions of trust:
Member of the Delegation of Pellervo Confederation of Finnish Cooperatives (2009–)

Participations in Metsäliitto Cooperative: EUR 40,450
Shares in M-real Corporation: 12,695 (B shares)

Eino Halonen
Born 1949
M.Sc. (Econ.)

Member of the Board since 2006

Key working experience:
Managing Director of Suomi Mutual Life Assurance Company (2000–2007)
Managing Director of Pohjola Life Assurance Company Ltd (1998–1999)
Executive Vice President, Regional Bank Manager, Merita Nordbanken (1998)
Director and member of the Management Board, Merita Bank Ltd (1996–1997)
Kansallis-Osake-Pankki (1971–1995)

Key positions of trust:
Vice Chairman of the Board of Cramo Oyj (2003–)
Member of the Board of Pohjola Bank Plc (2003–2009), Chairman of the Audit Committee (2009–)
Member of the Board of YIT Corporation (2000–), Vice Chairman (2003–), Chairman of the Audit Committee (2004–2009) and member of the Nomination and Compensation Committee (2008–)

Participations in Metsäliitto Cooperative: EUR 2,738
Shares in M-real Corporation: no ownership

Arto Hiltunen

Born 1958
M.Sc. (Econ.)

Member of the Board since 2007

Key working experience:
SOK Corporation, CEO and Chairman of the Board (2007–2009)
Managing Director, Helsinki Cooperative Society Elanto, HOK-Elanto Liiketoiminta Oy (2004–2007), Chairman of the Board (2005–2007)
Managing Director, Elanto Cooperative, following the merger decision (2003)
Managing Director, Helsinki Cooperative Society Elanto, HOK Liiketoiminta Oy, Chairman of the Board (1998–2003)

Key positions of trust:
Deputy Chairman of the Delegation of Association for Finnish Work (2008–)
Member of the Supervisory Board of Finnish Fair Foundation (2007–)
Member of the Council of Representatives of Confederation of Finnish Industries EK (2005–2010), member of the Board (2010–)
Member of the Board of Federation of Finnish Commerce (2005–2010), Chairman of the Board (2010–)
Member of the Delegation of Central Chamber of Commerce of Finland (1999–), member of the Board (2008–)
Member of the Board of Talent Partners Oy (2010–)

Participations in Metsäliitto Cooperative: EUR 1,040
Shares in M-real Corporation: 400 (A shares)

Saini Jääskeläinen

Born 1959
Entrepreneur in farming and forestry

Member of the Board since 2005

Key working experience:
Central Hospital of Central Finland, Anaesthetic Nurse (1986–1988), Midwife (1989–1998)

Key positions of trust:
Member of the Supervisory Board of Korpilahti Cooperative Bank (2008), member of the Board (2009–)
Member of the Board of Vapo Oy (2005–2009)

Participations in Metsäliitto Cooperative: EUR 27,317.33
Shares in M-real Corporation: 2,678 (B shares)

Juha Parpala

Born 1967
Agrologist

Member of the Board since 2009

Key working experience:
Farmer (1994–)
Oulainen 4H Association (1993–1994)

Key positions of trust:
Member of the Board of Osuuskunta Pohjolan Maito (2006–2007)
Member of the Representative Council of Osuuskunta Lapin Maito (1998–2006)
Vice Chairman of the Board of Simo Forest Management Association (1995–1996)
Member of the Board of Länsi-Pohja Forest Management Association (1998–2004)

Participations in Metsäliitto Cooperative: EUR 5,645.63
Shares in M-real Corporation: no ownership

Timo Saukkonen

Born 1963
M.Sc. (Agriculture and Forestry)

Member of the Board since 2007

Key working experience:
Farmer (1992–)

Key positions of trust:
Member of the Supervisory Board of Simpele Cooperative Bank (2000–)
Member of the Delegation of Pellervo Confederation of Finnish Cooperatives (2008–)

Participations in Metsäliitto Cooperative: EUR 24,834
Shares in M-real Corporation: 3,699 (B shares)

Antti Tukeva

Born 1953
Agronomist

Member of the Board since 2009

Key working experience:
CEO of Osuuskunta Maitosuomi (2007–)
CEO of Osuuskunta Normilk (1994–)
Farming and forestry Kukkala farm (1985–)

Key positions of trust:
Positions of trust in agricultural and dairy organisations
Vice Chairman of the Board of Lakeus Local Insurance Mutual Company (2006–)

Participations in Metsäliitto Cooperative: EUR 4,692.65
Shares in M-real Corporation: no ownership

Metsäliitto Group's Executive Management

Kari Jordan
Born 1956
M.Sc. (Econ.), Vuorineuvos
(Finnish honorary title)
President and CEO

Member of the Executive Team
since 2005

A more detailed CV and shares and participations in Metsäliitto Cooperative and M-real Corporation are presented on page 120.

Ole Salvén
Born 1953
LLM
Executive Vice President of Metsäliitto Wood Products Industry, deputy to the CEO

Member of the Executive Team
since 2005

Key working experience:
Executive Vice President of Metsäliitto Wood Products Industry since 2005, deputy to the CEO since 2008. CEO of Moelven Industrier ASA (2005). International management positions in Finnforest Corporation (1994–2004) as Chief Financial Officer, UK Managing Director and Regional Director of Continental Europe, employed by Bank of America (1981–1994) as Country Manager of Finland, Norway and Iceland, EMEA Chief Strategy Officer, in special tasks and as Regional Director of Northern Germany .

Participations in Metsäliitto Cooperative: no ownership
Shares in M-real Corporation: 65,500 (B shares)

Hannu Anttila
Born 1955
M.Sc. (Econ.)
Executive Vice President, Strategy, acting CFO

Member of the Executive Team
since 2005

Key working experience:
Metsäliitto Group's Executive Vice President, Strategy since 2006, acting CFO since 1 January 2010. CEO of M-real Corporation (2005–2006), Chief Financial Officer of Metsäliitto Group (2003–2004), CEO of Metsä Tissue Corporation (1998–2003), Executive Vice President of Oy Metsä-Botnia Ab (1997–1998), Chief Financial Officer of Metsä-Serla Oy (1992–1996).

Participations in Metsäliitto Cooperative: no ownership
Shares in M-real Corporation: 15,990 (B shares)

Mikko Helander
Born 1960
M.Sc. (Eng.)
CEO of M-real Corporation

Member of the Executive Team
since 2006

Key working experience:
CEO of M-real since 2006. Previously CEO of Metsä Tissue Corporation and various management positions in Valmet Group.

Participations in Metsäliitto Cooperative: no ownership
Shares in M-real Corporation: 55,000 (B shares)

Ilkka Hämälä
Born 1961
M.Sc. (Eng.)
CEO of Oy Metsä-Botnia Ab

Member of the Executive Team since 2008

Key working experience:
CEO of Metsä-Botnia since 2008. Has previously held various management positions in Metsä-Botnia, last as Production Manager in 2000–2008.

Participations in Metsäliitto Cooperative: no ownership
Shares in M-real Corporation: 5,360 (B shares)

Esa Kaikkonen
Born 1969
LLM
General Counsel

Member of the Executive Team since 2008

Key working experience:
General Counsel of Metsäliitto Group since 2003. Legal counsel in Metsäliitto Group (2000–2003), legal counsel in Metsä-Serla Corporation, currently M-real Corporation (1998–2000), advocate (1995–1998).

Participations in Metsäliitto Cooperative: no ownership
Shares in M-real Corporation: 4,100 (B shares)

Hannu Kottonen
Born 1957
M.Sc. (Econ.)
CEO of Metsä Tissue Corporation

Member of the Executive Team since 2009

Key working experience:
CEO of Metsä Tissue since 2006. Previously Executive Vice President of M-real Corporation's Consumer Packaging business area. Prior to joining M-real, held various management positions in the Huhtamäki Group, last as CFO.

Participations in Metsäliitto Cooperative: no ownership
Shares in M-real Corporation: 14,472 (B shares)

Juha Mäntylä
Born 1961
M.Sc. (Agriculture and Forestry)
Executive Vice President of Metsäliitto Wood Supply

Member of the Executive Team since 2008

Key working experience:
Executive Vice President of Metsäliitto Wood Supply since 2008. Various positions in Metsäliitto Cooperative since 1998, last as Forest Manager. 1985–1998 various positions in Etelä-Pohjanmaa Forestry Centre and Enso Forest Development Ltd.

Participations in Metsäliitto Cooperative: EUR 6,286.71
Shares in M-real Corporation: 3,300 (B shares)

Corporate responsibility key figures

Data per production unit

Metsäliitto Wood Products Industry	Personnel		Production 1,000 m^3/a		Emissions to air t/a			
	31.12.2009	LTA FR		Wood products	Particulates	CO_2 fossil	Sulphur (as SO_2)	NOx (as NO_2)
Aichach, Germany	105	65.4	further processing	18	1.2	90	0.047	1.3
Boston, Great Britain	306	19.2	further processing	165	1.8	0	0	1.8
Casteljaloux, FF France, France	49	64.2	further processing	13	28	0	0	16
Eskola, Finland	12	54.2	sawn timber	51	0	0	0	0
Finnforest France SAS, France	149	49.4	further processing	97	0	0	0	0
Finnforest Romania, Romania	408	0	blockboard	38	6.6	0	0	6.6
Grangemouth, Great Britain	122	12.9	further processing	45	0	0	0	0
Hartola, Finland	49	0	glulam	17	0.97	0	0	0.97
Karihaara, Finland ***	43	0	sawn timber	32	0	0	0	0
Kaskinen TC and Thermowood, Finland	69	47.7	further processing	130	12	0	0	12
Kerto, Lohja, Finland	189	45.3	Kerto®	58	2.3	0	0	0
King's Lynn, Great Britain	30	15.8	further processing	69	0.024	176	0.11	0.24
Kolho, Finland *			further processing	41	0.78	1,210	3.9	1.6
Kyrö, Finland	80	38.9	sawn timber	166	17	443	0.032	18
Kyröskoski, Finland ****	52	0	sawn timber	7.9	0	0	0	0
Lappeenranta, Finland	74	45.3	sawn timber	155	16	0	0	16
Leven BBH, Great Britain **			further processing	15	0.039	286	0	0.39
Merikarvia, Finland	75	85.5	sawn timber	171	19	606	0	19
Newport, Great Britain	33	0	further processing	20	0.076	562	0.36	0.76
Punkaharju, Finland	532	76.7	Kerto® and plywood	110	-	-	-	-
Renko, Finland	52	17.2	sawn timber	211	17	104	0.0076	17
Reopalu, Estonia	34	0	sawn timber	47	6.3	0	0	6.3
Suolahti, Finland	544	30.3	plywood	136	-	-	-	-
Vilppula, Finland	162	27.1	sawn timber	343	44	425	1.4	44
Widnes, Great Britain	100	32.1	further processing	58	0	0	0	0

- Not reported
*) Kolho's personnel figures are included in Kaskinen TC and Thermowood's figures.
**) Leven BBH's personnel figures are included in Newport's figures.
***) Operations at Karihaara saw mill have been suspended until further notice since 1 July 2009.
****) Operations at Kyröskoski saw mill have been suspended until further notice since 1 March 2009.
St. Petersburg planing plant in Russia is not included in the figures above.
Wood Products Industry's emissions to the water occur only in plywood production processes.
LTA FR (Lost time accident Frequency Rate): Accidents at work per million working hours.

Metsä-Botnia	Personnel		Production		Emissions to air t/a			
	31.12.2009	LTA FR	Pulp 1,000 t/a	Sawn timber 1,000 m^3/a	Particulates	CO_2 fossil	Sulphur (as SO_2)	NOx (as NO_2)
Joutseno, Finland	159	11.9	470		90	73,194	213	751
Kaskinen, Finland	53	5.7	81		52	8,753	104	332
Kemi, Finland	198	19.9	490		100	60,010	154	1,032
Rauma, Finland	123	10.9	476		129	43,000	138	741
Svir Timber, Russia	131	8.4		193	17	0	1.6	13
Äänekoski, Finland	159	28.1	441		163	12,937	406	769

LTA FR (Lost time accident Frequency Rate): Accidents at work per million working hours.

Discharges to water t/a					Solid waste t/a		Management system					Chain of Custody	
COD	BOD	Phos-phorus	Nitrogen	Total suspen-ded solids	Landfill waste (dry)	Hazardous waste	ISO 9001	ISO 14001	EMAS	OHSAS	ISO 22000	PEFC	FSC
0	0	0	0	0	0	179						x	
0	0	0	0	0	143	8.0	x	x		x		x	x
0	0	0	0	0	57	7.0						x	
0	0	0	0	0	4.0	1.0		x				x	
0	0	0	0	0	0	0.67						x	
0	0	0	0	0	777	10							
0	0	0	0	0	125	7.2	x	x		x		x	x
0	0	0	0	0	9.5	5.0	x					x	
0	0	0	0	0	9.0	2.0						x	
0	0	0	0	0	270	10	x	x		x		x	
2.9	1.1	0.020	0.017	0.25	17	40	x					x	
0	0	0	0	0	63	5.7	x	x		x		x	x
0	0	0	0	0	16	11.3	x	x		x		x	
0	0	0	0	0	435	6.8	x	x				x	
0	0	0	0	0	4.8	0	x	x				x	
0	0	0	0	0	17	0	x	x				x	
0	0	0	0	0	22	5.0	x	x					
0	0	0	0	0	17	0.8	x	x				x	
0	0	0	0	0	121	5.0	x						
17	6.0	0	0.070	0.52	2,448	61	x					x	
0	0	0	0	0	38	4.4	x	x				x	
0	0	0	0	0	0	6.0							x
6.9	8.5	0.15	0.21	6.9	41	45	x	x				x	
0	0	0	0	0	1,870	4.1	x	x		x		x	
0	0	0	0	0	94	0	x	x		x		x	x

Discharges to water t/a					Solid waste t/a		Management system					Chain of Custody	
COD	BOD	Phos-phorus	Nitrogen	Total suspen-ded solids	Landfill waste (dry)	Hazardous waste	ISO 9001	ISO 14001	EMAS	OHSAS	ISO 22000	PEFC	FSC
4,853	119	4.4	78	188	7,426	34	x	x		x	x	x	x
1,374	35	2.7	19	170	4,054	3	x	x		x	x	x	x
6,179	172	9.1	72	538	6,213	73	x	x		x	x	x	x
7,384	149	5.4	59	306	11,259	18	x	x		x	x	x	x
2.9	1.3	0.007	0.13	1.8	10,757	31	x	x		x		x	x
5,531	156	8.0	59	631	5,265	89	x	x		x	x	x	x

M-real	Personnel		Production 1,000 t/a		Emissions to air t/a			
	31.12.2009	LTA FR	Pulp	Board and paper	Particulates	CO_2 fossil	Sulphur (as SO_2)	NOx (as NO_2)
Alizay, France	380	28.9	34	238	27	9,595	120	347
Gohrsmühle, Germany	379	5.8		192	5.0	275,432	505	423
Hallein, Austria	202	17.7	93	48	9.5	30,727	67	216
Husum, Sweden	967	10.6	597	556	291	101,793	491	1,336
Joutseno BCTMP, Finland	48	26.1	219		1.5	25,783	0.50	10
Kaskinen BCTMP, Finland	68	46.2	176		15	8,306	49	120
Kemiart Liners, Finland	95	23.7		307	4.1	1,549	1.7	67
Kyro, Finland	245	20.6		204	0	146,607	0.069	115
Reflex, Germany	448	7.7		79	0	66,418	0	72
Simpele, Finland	360	22.5		233	6.0	78,274	217	207
Tako, Finland	205	21.3		169	0	67,815	0.030	66
Äänekoski Board, Finland	435	33.4		184	6.9	4,576	13	81
Äänekoski Paper, Finland *		22.9		136	7.2	5,019	15	81

*) Äänekoski Paper's personnel figures are included in Äänekoski Board's figures.
LTA FR (Lost time accident Frequency Rate): Accidents at work per million working hours.

Metsä Tissue	Personnel		Production t/a	Emissions to air t/a			
	31.12.2009	LTA FR	Tissue and cooking papers	Particulates	CO_2 fossil	Sulphur (as SO_2)	NOx (as NO_2)
Katrinefors, Sweden	276	25.2	67	0.64	15,200	1.3	29
Krapkowice, Poland	226	10.6	33	0	0	0	0
Kreuzau, Germany	416	0	143	0.027	89,594	3.5	85
Mänttä, Finland *	437	24.4	122	0	13,688	0	6.0
Nyboholm, Sweden	181	10.0	22	5.7	10,347	2.4	15
Pauliström, Sweden **			24	7.0	7,289	0.40	13
Raubach, Germany	228	13.2	49	0	25,000	0	73
Stotzheim, Germany	261	6.6	21	0	11,180	0.25	11
Warsaw, Poland	109	4.5	20	30	25,252	81	25
Žilina, Slovakia	347	9.7	78	0	12,910	0	6.4

*) Includes Tissue and Baking and Cooking business areas.
**) Pauliström's personnel figures are included in Nyboholm figures.
LTA FR (Lost time accident Frequency Rate): Accidents at work per million working hours.

Metsäliitto Wood Supply's certified quality and environmental management systems

Metsäliitto's certified quality and environmental management systems and C-o-C –certificates			
	Quality Management System	**Environmental Management System**	**C-o-C**
Metsäliitto Cooperative	ISO 9001	ISO 14001	PEFC/FSC
Wood supply countries			
Austria			PEFC/FSC
Estonia		ISO 14001	PEFC/FSC
Finland		Covered by Alizay mill's system	PEFC/FSC
France	ISO 9001	ISO 14001	PEFC/FSC
Germany			PEFC/FSC
Latvia	ISO 9001	ISO 14001	PEFC/FSC
Russia		Covered by Metsäliitto's system	PEFC/FSC
-Metsäliitto Podporozhye		ISO 14001	

PEFC = Programme for the Endorsement of Forest Certification schemes
FSC = Forest Stewardship Council
C-o-C = Chain of Custody

Discharges to water t/a					Solid waste t/a		Management system					Chain of Custody	
COD	BOD	Phosphorus	Nitrogen	Total suspended solids	Landfill waste (dry)	Hazardous waste	ISO 9001	ISO 14001	EMAS	OHSAS	ISO 22000	PEFC	FSC
786	53	9.6	57	163	1,244	68	x	x				x	x
153	57	2.5	7.3	64	88	82	x	x		x		x	x
4,202	276	5.4	29	394	276	46	x	x	x	x		x	
8,650	637	19	170	477	13	565	x	x				x	x
473	5.0	0.16	2.9	7.7	86	11	x	x				x	x
830	17	0.89	8.0	55	1,060	11	x	x		x		x	x
183	25	1.4	12	96	134	4.7	x	x		x	x	x	x
346	39	1.0	12	71	139	14	x	x			x	x	x
68	26	1.3	0	26	176	76	x	x		x		x	x
343	16	1.6	13	35	8,007	15	x	x			x	x	x
201	90	0.75	1.0	43	226	20	x	x		x	x	x	x
505	213	0.72	7.3	135	79	8.7	x	x			x	x	x
239	105	0.16	2.4	64	110	12	x	x	x	x		x	x

Discharges to water t/a					Solid waste t/a		Management system					Chain of Custody	
COD	BOD	Phosphorus	Nitrogen	Total suspended solids	Landfill waste (dry)	Hazardous waste	ISO 9001	ISO 14001	EMAS	OHSAS	ISO 22000	PEFC	FSC
270	39	0.36	11	12	200	7.8	x	x				x	
46	2.9	0.57	6.8	3.6	946	1.0	x	x		x		x	x
362	18	0.89	0	18	0	60	x	x		x		x	x
504	45	2.1	23	142	783	33	x	x			x	x	x
30	6.0	0.020	0.40	6.9	0	8.1	x	x				x	
71	26	0.10	0.95	7.0	0	146	x	x				x	
727	5.6	0.28	0	5.6	162	94	x	x		x		x	x
5.3	1.8	0.088	0	1.8	0	238	x	x		x		x	x
55	5.3	0.38	5.2	6.0	512	5.9	x	x		x			
193	11	0.56	0	11	2,936	7.1	x	x		x		x	x

Material balance

Emissions to air (t)

- Particles	991
- Carbon dioxide CO_2 (fossil fuels)	1,281,362
- Sulphur (as SO_2)	2,363
- Nitrogen oxides (as NO_2)	6,621

Wood-based raw materials

- Wood (1,000 m^3)	16,647
- Pulp (1,000 t)	313
- Recovered paper (1,000 t)	455

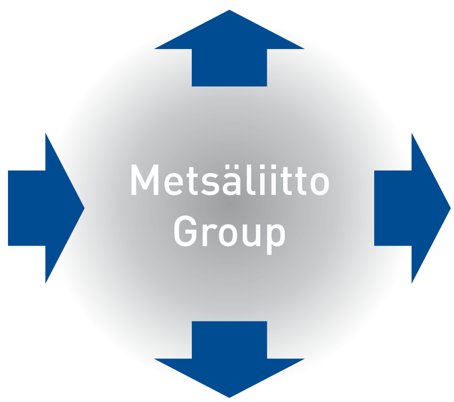
Other raw materials (1,000 t)

- Pigments	512
- Adhesives	105

Energy (GWh)

- Fuel purchased outside the Group	5,814
- Electricity (purchased)	2,546
- Heat (purchased)	163

Process water (1,000 m^3)	138,092



Production

Chemical (1,000 t)

- Paper	1,364
- Pulp and CTMP	2,801
- Board	982
- Tissue and cooking papers	579

Wood Products Industry (1,000 m^3)

- Sawn timber	1,305
- Plywood	163
- Kerto®	141
- Other upgrading products	715

Discharges to water systems (t)

- Biological oxygen demand (BOD_7)	2,256
- Chemical oxygen demand (COD)	37,071
- Phosphorus (P)	74
- Nitrogen (N)	560
- Total suspended solids	3,070

Waste (t)

- Landfill waste	58,619
- Hazardous waste	2,130

Energy usage

	Metsäliitto Group		**Wood Products Industry**		**Metsä-Botnia**		**M-real**		**Metsä Tissue**	
GWh/a	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Use of wood-based fuels	17,000	19,867	415	403	17,864	20,914	11,216	14,096	183	177
Use of fossil fuels	5,096	6,075	14	20	1,459	1,663	3,702	4,701	842	872
Purchased electricity	2,546	3,067	198	280	-885 [2]	-855 [2]	1,841	2,205	778	779
Purchased heat	163	427	300 [3]	462 [3]	-1,051 [2]	-1,298 [2]	54	228	436	442
Total energy [1]	28,653	34,112	1,275	1,666	15,874	18,912	19,584	24,578	3,483	3,517

1) Total energy is shown in terms of fuel, i.e. the quantities of heat and electricity purchased have been converted to the corresponding amount of fuel that would be required to produce them.
2) A large part of the energy that Metsä-Botnia produces in excess of its own needs is sold. Metsä-Botnia is a net seller of heat and electricity, and also sells part of its bark.
3) Nearly all of the heat purchased by Metsäliitto Wood Products Industry is produced from the wood material by-products of its production plants.

Environmental impacts and emissions

Metsäliitto Group total	**2009**	**2008**
Environmental impacts	tonnes	tonnes
Greenhouse effect (CO_2 equiv.)	1,281,362	1,529,561
Acidification (SO_2 equiv.)	6,988	9,478
Eutrophication (P equiv.)	205	260
Emissions		
Particles	991	1,141
Carbon dioxide (CO_2)	1,281,362	1,529,561
Sulphur (as SO_2)	2,363	3,878
Nitrogen oxides (as NO_2)	6,621	8,056
Chemical oxygen demand (COD)	37,071	44,792
Biological oxygen demand (BOD)	2,256	2,809
Phosphorus	74	107
Nitrogen	560	641
Total solids	3,070	3,995
Landfill waste	58,619	116,992
Hazardous waste	2,130	2,607

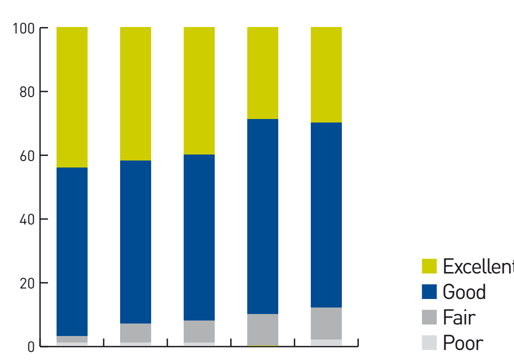
Metsäliitto Cooperative Wood Products Industry	**2009**	**2008**
Environmental impacts	tonnes	tonnes
Greenhouse effect (CO_2 equiv.)	3,902	5,138
Acidification (SO_2 equiv.)	120	126
Eutrophication (P equiv.)	7.04	7.9
Emissions		
Particles	173	192
Carbon dioxide (CO_2)	3,902	5,138
Sulphur (as SO_2)	6.2	7.0
Nitrogen oxides (as NO_2)	163	170
Chemical oxygen demand (COD)	27	110
Biological oxygen demand (BOD)	16	74
Phosphorus	0.18	0.19
Nitrogen	0.30	0.52
Total solids	7.7	25
Landfill waste	6,598	8,379
Hazardous waste	424	823

Metsä-Botnia	**2009**	**2008**
Environmental impacts	tonnes	tonnes
Greenhouse effect (CO_2 equiv.)	325,000	392,000
Acidification (SO_2 equiv.)	4,945	6,865
Eutrophication (P equiv.)	120	132
Emissions		
Particles	697	979
Carbon dioxide (CO_2)	325,000	392,000
Sulphur (as SO_2)	1,189	1,901
Nitrogen oxides (as NO_2)	5,366	7,092
Chemical oxygen demand (COD)	31,657	35,406
Biological oxygen demand (BOD)	937	944
Phosphorus	42	41
Nitrogen	340	378
Total solids	2,159	2,173
Landfill waste	62,299	60,925
Hazardous waste	307	347

M-real	**2009**	**2008**
Environmental impacts	tonnes	tonnes
Greenhouse effect (CO_2 equiv.)	952,462	1,199,262
Acidification (SO_2 equiv.)	5,002	7,245
Eutrophication (P equiv.)	150	210
Emissions		
Particles	635	664
Carbon dioxide (CO_2)	952,462	1,199,262
Sulphur (as SO_2)	1,807	3,188
Nitrogen oxides (as NO_2)	4,564	5,795
Chemical oxygen demand (COD)	26,095	35,004
Biological oxygen demand (BOD)	1,830	2,398
Phosphorus	57	93
Nitrogen	419	515
Total solids	2,236	3,392
Landfill waste	25,433	76,229
Hazardous waste	993	1,210

Metsä Tissue	**2009**	**2008**
Environmental impacts	tonnes	tonnes
Greenhouse effect (CO_2 equiv.)	210,463	218,653
Acidification (SO_2 equiv.)	273	344
Eutrophication (P equiv.)	14	14
Emissions		
Particles	44	41
Carbon dioxide (CO_2)	210,463	218,653
Sulphur (as SO_2)	89	141
Nitrogen oxides (as NO_2)	276	346
Chemical oxygen demand (COD)	2,263	2,838
Biological oxygen demand (BOD)	160	142
Phosphorus	5	4.9
Nitrogen	47	48
Total solids	213	164
Landfill waste	5,538	18,565
Hazardous waste	601	450

Evaluation of nature management in stands harvested by Metsäliitto in Finland



Evaluating the quality of nature management includes the following aspects: conservation of valuable habitats, the quality and number of retention trees, protection of waterways, and the quality of soil preparation and landscape management.

Deviations from environmental permit conditions

No significant deviations from environmental permit conditions occurred among the Metsäliitto Group's production units during the review year. Some minor, short-term deviations were, however, recorded.

Unit	Deviation	Cause
M-real Hallein	- permit limits on wastewater emissions were exceeded for suspended solids and chemical oxygen demand for a five-day period at the beginning of May	- paper machine and storage tank cleaning at the end of April after discontinuation of coated fine paper production at the mill
M-real Gohrsmühle	- power plant boiler no. 3 exceeded its average daily NO_x limit in March - the half-hour dust, CO and NO_x emission limits for power plant boilers were exceeded a few times in March	- coal moisture content - paper machine start-up and shut-down situations
Metsä-Botnia Kemi and Äänekoski	- monthly permit limits for phosphorus were exceeded at the wastewater treatment plants	-unbalanced operation

No deviations from environmental permit conditions were recorded at the production units of Metsä Tissue or Metsäliitto Wood Products Industry.

Environmental liabilities regarding discontinued operations

Metsäliitto Group companies also remain subject to environmental liabilities related to former industrial activities at sites that have since been closed, sold or leased, and from decommissioned landfill sites. Liabilities relating to past activities have declined in recent years following the implementation of a series of land rehabilitation projects.

The current, most significant known liabilities relate to land decontamination at locations owned by M-real and Metsäliitto Wood Products Industry. Financial provision for the cost of land rehabilitation work has been made in cases where the Group's liability for land contamination has been verified.

Personnel key figures

Personnel key figures by business area

	Average age of the personnel	Average years served	Permanent employments (%)	Men/women (%)	Employee turnover (%)**
Metsäliitto Group *	44.0	16.8	95	81/19	11.2
Wood Supply	45.0	13.4	95	83/17	19.3
Wood Products Industry	45.0	12.9	97	79/21	7.2
Pulp Industry	44.9	16.8	96	78/22	8.2
Board and Paper Industry	45.1	19.2	95	84/16	18.5
Tissue and Cooking Papers	43.5	21.8	92	82/18	2.1

*) The figures cover 97 per cent of the Metsäliitto Group's personnel.
**) The figure includes also redundancies caused by restructuring of business.

Occupational safety and well-being at work

	Sickness absenteeism (%)**	Lost time accident frequency rate (per million worked hours)
Metsäliitto Group *	4.3	15.7
Wood Supply	2.6	6.6
Wood Products Industry	3.0	27.6
Pulp Industry	4.4	9.1
Board and Paper Industry	4.8	14.6
Tissue and Cooking Papers	5.5	11.3

*) The figures include 97 per cent of the Metsäliitto Group's personnel.
**) Percentages of regular working hours.

Comparison of corporate responsibility indicators with the GRI guidelines

GRI indicator	Content	Page	Title / subtitle
Strategy and organizational profile	Overall context for understanding organizational performance (strategy, business areas, governance and parameters of the report)	1–21, 110–117, 132	Business, Corporate governance statement, Reporting principles
Management approach and performance indicators:			
EC1	Economic value generated and distributed	39, 43-93	Consolidated income statement, Notes to the accounts
EC2	Risks and opportunities due to climate change	24–25	Energy efficiency and climate change mitigation
EN 1	Materials used	22–23, 128	Responsible business practice, Materials balance
EN 2	Recycled materials	22–23	Responsible business practice
EN 3, EN4, EN5, EN6	Direct energy consumption, Indirect energy consumption, Energy saved due to conservation and efficiency improvements, Renewable energy based products	24–25, 128	Energy efficiency and climate change mitigation, Energy usage
EN 8	Water usage	22–23	Responsible business practice
EN12, EN14	Biodiversity	12–13, 126	Wood Supply, Metsäliitto Wood Supply's certified quality and environmental management systems
EN 16	Greenhouse gas emissions	6-7, 124–127, 128	Key figures, Data per production unit, Materials balance
EN 18	Reduction of greenhouse gas emissions	24–25	Energy efficiency and climate change mitigation
EN 20	Other significant emissions to air	22–23, 124–127, 129	Responsible business practice, Data per production unit, Environmental impacts and emissions
EN 21	Discharges into water	22–23, 124–127, 129	Responsible business practice, Data per production unit, Environmental impacts and emissions
EN 22, EN 24	Waste and hazardous waste	22–23, 124–127, 129	Responsible business practice, Data per production unit, Environmental impacts and emissions
EN 23	Total number and volume of significant spills	130	Deviations from environmental permit conditions, Environmental liabilities regarding discontinued operations
EN 26	Initiatives to mitigate environmental impacts	14–21, 22–23	Environmental improvements, Responsible business practice
EN 29	Environmental impacts of transportation	22–23	Responsible business practice
EN 30	Environmental protection expenditure and investments	93	Environmental expences in the financial statements
LA1	Total workforce by employment contract and region	26–27, 130	Personnel
LA2	Personnel turnover	26–27, 130	Personnel
LA7	Rates of injury and absenteeism	130	Personnel
LA 11	Programmes for skills management	26–27	Personnel
LA12	Percentage of employees receiving regular performance and career development reviews	26–27	Personnel
PR1	Product safety	22–23	Responsible business practice

Reporting principles of corporate responsibility information

The corporate responsibility information reported on Metsäliitto Group's Annual Report informs the Group's stakeholders of the economic, social and environmental impact of its activities. The information is reported as part of the Metsäliitto Group's Annual Report and it covers all of the Group's business areas.

The reporting of Metsäliitto Group's corporate responsibility information is based on national and international reporting guidelines, stakeholder expectations and the special characteristics of the industry. In its corporate responsibility reporting, Metsäliitto follows the reporting guidelines of the Global Reporting Initiative (GRI) framework where applicable (reporting level C+).

Scope and preparation of reports

The presentation of corporate responsibility information follows the consolidation principles applied to the Group's financial statements, unless otherwise stated. The corporate responsibility information presented covers all of the Group's business areas and business units, unless otherwise stated. Environmental and human resources indicators have been reported in accordance with the Group's internal, uniform instructions.

The environmental information covers all of the Group's production units following the consolidation principles applied to the financial statements. Sales offices and head-office functions are not included in the reported environmental figures. For calculation of the Group-level materials balance, emissions and energy consumption, the Group has been defined as specified in the consolidation principles applied to the Group balance sheet, which means the figures include 53 per cent of Metsä-Botnia. M-real's figures include 30 per cent of Metsä-Botnia. The environmental information is based on business-area-specific information collected from the production units, which is consolidated at the Group level.

The human resources indicators cover Metsäliitto Group within the specified accounting limits. The human resources information is based on business-area-specific information collected from the production units and other units (including sales offices and head-office functions), which is consolidated at the Group level.

Assurance Statement

The corporate responsibility indicators (environmental and human resources indicators) shown in the Board of Directors' Report in the Financial Statements have been confirmed by the auditing company PricewaterhouseCoopers. The information is presented in accordance with the general instructions of the Finnish Accounting Board regarding the preparation of a Board of Directors' report.

Assurance statement

To Metsäliitto Group's Management

We have been engaged by the Management of Metsäliitto Group to perform a limited assurance engagement on selected information (hereinafter "Subject Matter Information") in Metsäliitto Group's Report of the Board of Directors for the year ended December 31, 2009.

The Subject Matter Information consists of the following performance indicators in the areas of Environment and HR:

- Environmental indicators: Total consumption of energy; CO_2 emissions and reductions; SO_2 and NO_X; Significant discharges to water (COD and nutrients); Permit compliance; Environmental expenditure; forest certification percentage.
- HR indicators: Headcount; Total wages paid; Development discussions; Total illness hours; Lost time accident frequency rate.

Management's Responsibility

The Management of Metsäliitto Group is responsible for preparing the Subject Matter Information in accordance with the Reporting criteria as set out in Metsäliitto Group's reporting guidelines and in Global Reporting Initiative's G3 Guidelines.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the Subject Matter Information based on our work performed. Our assurance report has been made in accordance with the terms of our engagement. We do not accept, or assume responsibility to anyone else, except to Metsäliitto Group for our work, for this report, or for the conclusions that we have reached.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information'. This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance on whether any matters come to our attention that causes us to believe that the Subject Matter Information has not been prepared, in all material respects, in accordance with the Reporting criteria.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. The procedures selected depend on the practitioner's judgment, including an assessment of the risks of material misstatement of the Subject Matter Information. Our work consisted of, amongst others, the following procedures:

- Making inquiries of relevant management of Metsäliitto Group.
- Assessing how Metsäliitto Group employees apply reporting guidelines and procedures.
- Visiting Metsäliitto Group's Head Office as well as a sample of five manufacturing sites or units in Finland (Wood Supply's head office functions, M-real Tako, Metsä-Botnia's Rauma mill), in France (Finnforest France SAS) and in Slovakia (Metsä Tissue's Žilina mill).
- Interviewing employees responsible for collection and reporting of the Subject matter Information at Metsäliitto Group level and at the different manufacturing sites and units where our visits took place.
- Inspection of relevant documents and systems for gathering, analyzing and aggregating the Subject Matter Information as well as tests on a sample basis.
- Assessing the data consolidation process of the Subject Matter Information at Metsäliitto Group level.

Conclusion

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that the Subject Matter Information has not been prepared, in all material respects, in accordance with the Reporting criteria. Our assurance report should be read in conjunction with the inherent limitations of accuracy and completeness for corporate responsibility information. This independent assurance report should not be used on its own as a basis for interpreting Metsäliitto Group's performance in relation to its principles of corporate responsibility.

Espoo, 24 March 2010

PricewaterhouseCoopers Oy

Jouko Malinen	Sirpa Juutinen
Authorised Public Accountant,	Director,
Partner	Sustainable Business Solutions