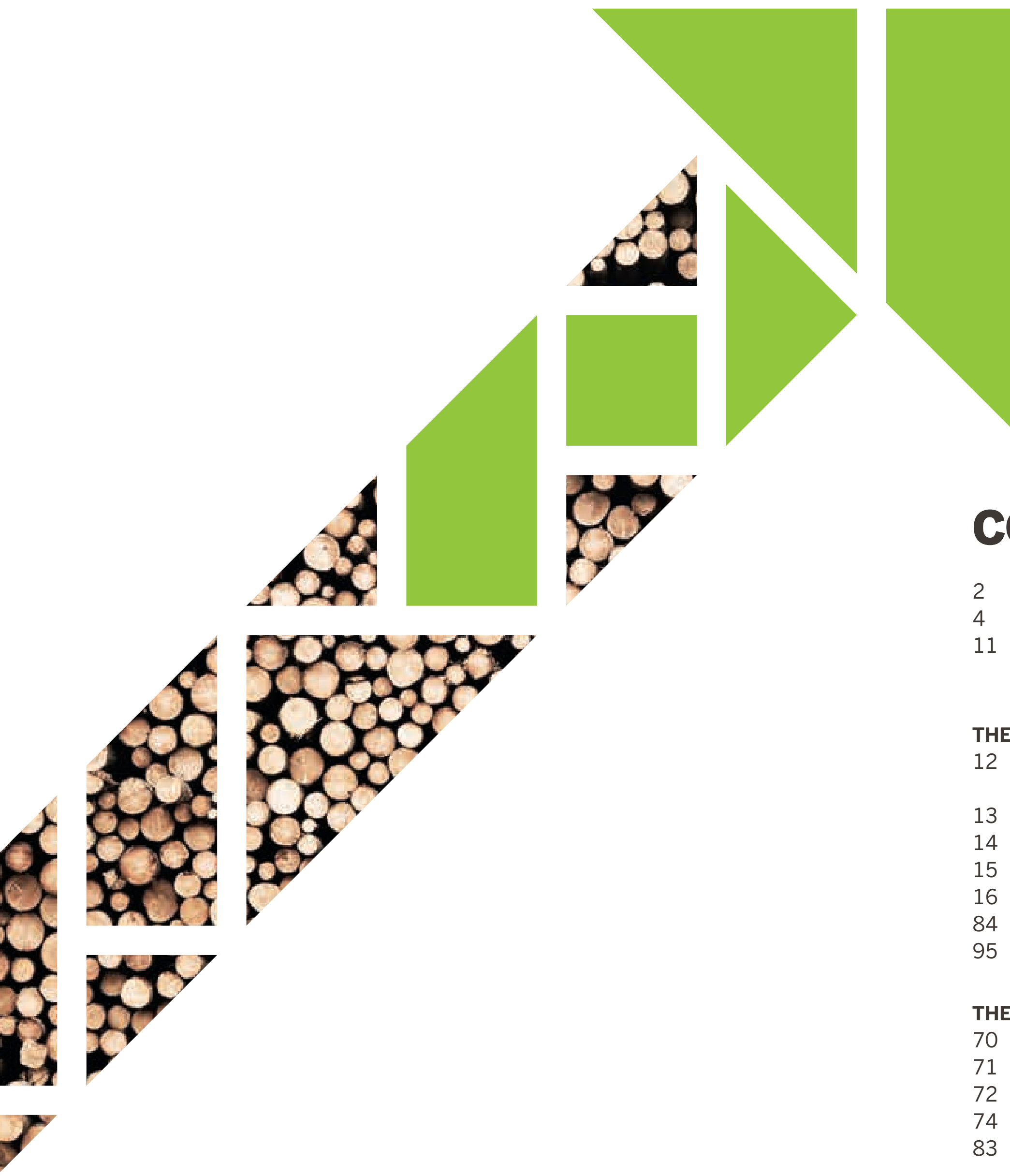
METSÄ GROUP

FINANCIAL STATEMENTS 2015

Metsä

STRONG PERFORMANCE



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The Carta Integra folding boxboard used for the cover of this Financial Statements is manufactured at Metsä Board's Äänekoski mill. The surface layers of the three-layer folding boxboard are made from chemical pulp from Metsä Fibre's Äänekoski pulp mill, and the bleached mechanical pulp of the middle layer is manufactured at Metsä Board's Joutseno and Kaskinen mills. Carta Integra is made from pure fresh forest fibre. It is a fully coated paperboard, suitable for packaging and graphics end uses.

METSÄ GROUP is a forerunner in bioeconomy utilising renewable wood from sustainably managed northern forests. Metsä Group focuses on tissue and cooking papers, fresh forest fibre paperboards, pulp, wood products, and wood supply and forest services.

Metsä Group's sales totalled EUR 5.0 billion in 2015, and it employs approximately 9,600 people. The Group operates in some 30 countries. Metsäliitto Cooperative is the parent company of Metsä Group and is owned by approximately 116,000 Finnish forest owners.

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The Financial Statements and the Annual Brochure are published in English and Finnish. In addition, Metsä Group publishes a separate Sustainability Report. All the publications are available in PDF format at www.metsagroup.com. Metsä Board and Metsä Fibre publish their own annual reports.

Annual Brochure 2015

Sustainability Report 2015

A SUCCESSFUL YEAR 2015

Metsä Group's business developed positively in 2015. The operating result excluding non-recurring items was clearly better than in the previous year. Our cash flow was good and our balance sheet strengthened. Our profit-making ability during the year was on an upward trend, excluding the effect of investment and maintenance shutdowns during the last quarter. The most significant profitability improvements compared to the previous year were in our pulp and paperboard business operations, which are also our main growth areas. All in all, our profitability was at the top in our sector in Finland and the Nordic countries. The general economic situation was weak throughout the year both in Finland and Europe. The demand for our high-quality products was good and annual sales grew last year. We benefited from currency exchange rate changes somewhat, but the biggest factor behind our improved financial performance is our long-term work to improve efficiency and productivity. These efforts will continue.

FOCUSING ON OUR STRENGTHS

Over the past ten years we have divested a number of our non-core business operations. This work continued last year with the divestment of the Gohrsmühle speciality paper mill in Germany and the timber upgrading operations in France. The divestment of these loss-making units supports our positive result development.

The restructuring of Metsä Board from a paper company into a leading paperboard company, launched in 2005, has been completed. A EUR 170 million investment programme resulted in the start up of a new paperboard machine at the Husum mill in February 2016. The last of the printing paper production existing at Husum – and throughout the entire Metsä Group – was ended for the most part at the end of the year.

Metsä Group is focusing on where the advantages of Finnish wood can be utilised best, where the growth prospects are good, and where our know-how is world-class. The premium quality that is shared by all our core products can be achieved only with the world's best wood – Finnish wood. After a long phase of restructuring, we have moved to profitable growth of our core businesses.

BIGGEST INVESTMENT IN FINNISH FOREST INDUSTRY HISTORY

The Äänekoski bioproduct mill is a significant investment for the entire Finnish national economy, and it will strengthen Metsä Group's long-term profitability and competitiveness. The value of the investment is EUR 1.2 billion. The mill will use 6.5 million cubic meters of wood annually and will produce 1.3 million tonnes of pulp, i.e. nearly three times more than our existing mill in Äänekoski.

The core of the bioproduct mill is the world's most efficient pulp mill, with side streams that will be fully utilised as high-added-value bioproducts either by the mill itself or by the network of companies to be established around the mill. Traditional byproducts from pulp production, e.g. tall oil, turpentine and bioenergy, will be produced in volumes much greater than today. The production of new bioproducts, like product gas, biogas, fertilisers, sulphuric acid, textile fibres and biocomposites, will be started gradually, and some will be produced upon start up of mill operations. We have estimated that the share of other bioproducts than pulp will be 20 per cent of the mill's sales already during the mill's first phase. The majority of the bioproduct mill's production will be sold to Europe and China. We estimate that the demand for softwood pulp will grow in our key customer base now and in the future.

Building a bioproduct mill is a major project with significant impacts on Finland's national economy. The mill will increase Finland's annual export revenue by half a billion euros. The project will also provide a significant number of jobs during the construction phase, with more than 2,000 at the construction site. The mill will create 1,500 new, permanent jobs, primarily in harvesting and transportation. The advanced energy technology we have selected for the mill will boost its energy efficiency to an unprecedented level and, consequently, increase the share of renewable energy in Finland by more than two percentage points.

Construction of the bioproduct mill has made good progress, and we are moving determinedly towards the third quarter of 2017 when the mill will be commissioned.

SIGNIFICANT INCREASE IN WOOD SUPPLY

Production expansion naturally means a significant increase also in wood consumption. The bioproduct mill in Äänekoski will increase the use of softwood pulpwood in Finland by four million cubic meters annually.

The impacts will be seen in wood trade throughout Finland because the wood flows will change all over the country. Forest owners all around Finland will benefit from the increased use of wood. After commissioning of the bioproduct mill, it is estimated that the softwood resources in Finland will be fully utilised.

The functionality of wood markets is very important to Metsä Group. We are robustly developing services for forest owners. Last year the development work focused on electronic services in particular. Wood trade can now be conducted electronically, and forestry management services can be purchased directly online. Forest plans are now accessible electronically and can be updated by taking pictures with a smart phone. Electronic services mean more diverse and easily accessible services. They bring cost-benefits both to the wood seller and buyer.

IN GOOD FINANCIAL SHAPE IN AN UNCERTAIN OPERATING ENVIRONMENT

The low price of oil and the drop in the price of electricity, the ECB's monetary policy, and the weakened euro especially against dollar have somewhat improved the outlook in Europe. This year, again, growth is likely to remain very moderate in the main markets in Europe. The focus of global economic growth continues to be in Asia, particularly in India and China. Currently, the US economy is growing well.

Finland's competitiveness is a serious problem. The country's industrial capital has been shrinking for more than seven years. Finland needs extensive inputs to increase business activity, investments, sizable savings in the public sector, reduced and predictable regulation, and more flexible labour markets. The forest industry's profitability last year was burdened by a protest against measures taken by the Finnish Government. Expensive protests significantly weaken the competitiveness and reputation of the industry. Operational reliability is crucial in the forest industry and an increasingly important factor when considering new investments.

Metsä Group has good momentum and is in good financial shape. However, we can do even better. I want to thank our personnel and our other stakeholders for the past year. We are making Metsä Group increasingly stronger in a consistent manner.

Kari Jordan
President and CEO
Metsä Group

WE ARE MAKING METSÄ GROUP INCREASINGLY STRONGER IN A CONSISTENT MANNER.

REPORT OF THE BOARD OF DIRECTORS 2015

SALES AND RESULT

Metsä Group's sales in 2015 totalled EUR 5,016.0 million (2014: EUR 4,970.3 million and 2013: 4,938.7 million).

Operating result excluding non-recurring items was EUR 537.4 million (2014: 418.1 and 2013: 342.9), or 10.7 per cent of sales (2014: 8.4 and 2013: 6.9). The operating result improved compared to the previous year due to the increase in the delivery volumes of pulp and paperboard, as well as the weakening of the euro against the main export currencies, in particular the US dollar. Currency hedges decreased the positive impact of exchange rates.

The non-recurring items included in Metsä Group's operating result were EUR 4.7 million net in January–December (2014: -1.3 and 2013: -7.9). The largest positive items were the sales gain of EUR 20.8 million from Finsilva Oyj's shares and the sales gain of EUR 17.5 million from the Gohrsmühle mill. Non-recurring expenses totalling EUR 21.4 million were recognised on the divestment of Metsä Wood France S.A.S. completed in October. Metsä Tissue recognised a total of EUR 13.5 million of cost provisions and write-offs related to the operations in Russia and the efficiency programme in the German napkin business.

Operating result including non-recurring items was EUR 542.1 million (2014: 416.9 and 2013: 335.0). The share of the results of associated companies and joint ventures was EUR 11.2 million (2014: 16.4 and 2013: 9.6), financial income was EUR 5.2 million (2014: 6.5 and 2013: 8.3), exchange gains on financial items totalled EUR -1.2 million (2014: 2.7 and 2013: -4,6) and financial expenses amounted to EUR 89.0 million (2014: 112.6 and 2013: 124.5).

An impairment of EUR -2.3 million has been recognised in the financial expenses as a non-recurring item associated with Metsä Group's share in the shareholder loan granted to Pohjolan Voima in the OL4 project. The investments made in the project have been written off in full. The financial expenses in the comparison period include a non-recurring item of EUR 7.6 million related to the damages paid to UPM-Kymmene Corporation and an expense of approximately EUR 6 million related to the early repayment of Metsä Board's loans.

The 2015 result before taxes was EUR 468.4 million (2014: 329.9 and 2013: 223.8), and taxes, including changes in deferred tax liabilities, totalled EUR 112.6 million (2014: 69.7 and 2013: 35.1). The Group's effective tax rate was 24.0 per cent (2014: 21.1 and 2013: 15.7). Metsä Board recognised EUR 9.5 million in previously unrecognised income taxes in its result for 2015.

Metsä Group's net result for the financial period was EUR 355.7 million (20014: 260.3 and 2013: 188.7).

Excluding non-recurring items, Metsä Group's return on capital employed was 13.6 per cent (2014: 11.4 and 2013: 9.1) and the return on equity was 15.8 per cent (2014: 13.4 and 2013: 10.3). The return on capital employed decreased by 0.7 percentage points due to the ongoing investments, the Äänekoski bioproduct mill and the investment programme at Husum.

Including non-recurring items, the Group's return on capital employed was 13.7 per cent (2014: 11.1 and 2013: 8.9) and the return on equity was 15.9 per cent (2014: 13.0 and 2013: 9.9).

BALANCE SHEET AND FINANCING

Metsä Group's liquidity is excellent. Total liquidity at the end of December was EUR 1,952.6 million (2014: 1,725.0 and 2013: 1,189.9). This consisted of EUR 1,120.8 million (2014: 947.9 and 2013: 454.4) of liquid assets and investments and EUR 831.8 million (2014: 777.1 and 2013: 735.5) of off-balance sheet committed credit facility agreements. In addition, the Group has EUR 925.0 million in off-balance sheet committed credit facility agreements related to the bioproduct mill investment in Äänekoski.

The Group's liquidity reserve is complemented by un-committed commercial paper programmes and credit facilities amounting to EUR 161.0 million (2014: 173.3 and 2013: 174.7).

The Group's equity ratio at the end of December was 43.2 per cent (2014: 37.9 and 2013: 37.9 and net gearing was 25 per cent (2014: 46 and 2013: 77). Interest-bearing net liabilities were EUR 609.6 million (2014: 938.2 and 2013: 1,510.2).

Net cash flow from operations amounted to EUR 796.0 million (2014: 617.3 and 2013: 315.3). EUR 221.3 million was released from working capital during the year (2014: 198.6 released and 2013: 47.7 tied up). The introduction of new instruments for working capital financing, among others, has reduced the amount of working capital.

The equity ratio of the parent company Metsäliitto Cooperative was 67.8 per cent at the end of December (2014: 63.0 and 2013: 60.8) and net gearing was 3 per cent (2014: 12 and 2013: 17).

During January–December 2015, Metsäliitto Cooperative's members' capital increased by a total of EUR 53.8 million (2014: 69.6). The value of participation shares grew by EUR 1.6 million (2.8), that of the additional A shares by EUR 33.1 million (42.9), and that of the additional B shares by EUR 19.1 million (23.9). Based on notifications received by the end of 2015, EUR 53.3 million (34.3) of the additional shares will fall due for refund on 1 July 2016 (34.3).

Standard & Poor's Ratings Services raised Metsä Board Corporation's credit rating by two notches from B+ to BB in February. Moody's Investors Service raised Metsä Board Corporation's credit rating by two notches from B1 to Ba2 in June. The outlook of both ratings is stable. The upgrade of the ratings had no impact on the company's financing costs.

PERSONNEL

Metsä Group employed an average of 10,117 people in 2015 (2014: 10,775 and 2013: 11,216). At the end of December, the number of personnel in the Group was 9,599 (2014: 10,410 and 2013: 10,736), of whom 5,122 were based in Finland (2014: 5,131 and 2013: 5,227) and 4,477 were based abroad (2014: 5,279 and 2013: 5,509). Personnel turnover was 7.9 per cent (2014: 7.4 and 2013: 9.5) and the average duration of employment was 16.7 years (2014: 16.8 and 2013:16.7). Wages and salaries including share-based payments paid to Metsä Group's employees, including share-based payments, totalled EUR 463.8 million (2014: 469.6 and 2013: 466.6).

The parent company Metsäliitto Cooperative employed 2,449 people at the end of December (2014: 2,471 and 2013: 2,579). The parent company paid EUR 108.8 million in wages and salaries (2014: 107.3 and 2013: 105.3).

Metsä Group promotes management practices based on its values by training managers, supervisors and employees to understand and comply with the Group's Code of Conduct and shared policies. Metsä Group's objective is to have all employees participate in the Code of Conduct training. By the end of 2015, the training had been taken by 96 per cent of white-collar employees (2014: 94 per cent and 2013: 93 per cent) and 82 per cent of blue-collar employees. Of the entire personnel, 87 per cent had been trained by the end of 2015 (2014: 72 per cent).

Safety at work is Metsä Group's top priority. Systematic occupational safety work carried out in all business lines supports the continuous development of operations and achieving the Group's objectives. Our aim is to reduce our lost-time accident frequency rate by 10 per cent each year. The long-term objective is zero accidents. In 2015, the lost-time accident rate decreased by 15 per cent from the previous year to 9.5 (2014: 11.2 and 2013: 13.2). During the reporting period, there was one accident leading to the death of an external employee in the area of Metsä Tissue's Stotzheim production unit in Germany. (2014: 0 and

2013: 1). Absence due to illness within the Group amounted to 3.9 per cent (2014: 3.7 and 2013: 3.8) of the theoretical regular working time.

A personnel job satisfaction survey was also conducted during the year, focusing specifically on matters concerning well-being at work and occupational safety. On a scale of 4–10, the Group-level result of the Organisation Functionality Survey was 8.2 (2014: 8.1 and 2013: 8.3). The study also provides a supervisor index, which was 8.1 (8.0). The study results will be used in work aiming to improve personnel's job satisfaction and well-being at work as well as their efficiency.

Metsä Forest actively developed a new tool aimed at forest specialists in the wood trade and forest management services. Metsä Wood implemented a target organisation model, and a related renewal of the salary system at all mills took effect at the beginning of 2016.

Metsä Fibre systematically implemented personnel development measures in all personnel groups. The objective of the specialist coaching for employees was to reinforce the importance of the employees' work in the implementation of the company's strategy and to support work management skills. Long-term development of Metsä Fibre's key employees continued. In addition, a personal development plan was drawn up for each process operator. Personnel developed a new Mills of the Future operating model for production, which will be piloted at the Rauma mill. Twenty students were selected for the apprenticeship training launched in the spring.

At Metsä Board, the development of personnel competence was supported by equipment- and process-specific technical training and long-term specialist training. In addition, the company started supervisor coaching with the aim of improving the quality of management and harmonising the company's management practices.

Metsä Tissue also expanded the development discussion practice to cover the mill workers in Germany. As a result, the company's entire personnel is included in the development discussions. A structure based on customer segments in accordance with the organisational change launched in October was implemented on 1 January 2016.

MEMBERS

At the end of December, Metsäliitto Cooperative had 116,290 members (2014: 121,941 and 2013: 123,275). During 2015, a total of 3,638 new members joined the Cooperative and 9,289 members cancelled their membership. The reduction in the number of members was largely attributable to the updating of the member register.

INVESTMENTS

Metsä Group's capital expenditure totalled EUR 491.6 million in January–December (2014: 143.0 and 2013: 213.5), of which approximately EUR 355 million was related to the Äänekoski bioproduct mill and the investment programme at the Husum mill.

BUSINESS DEVELOPMENT

ÄÄNEKOSKI BIOPRODUCT MILL

In April 2015, Metsä Fibre announced plans to build a bioproduct mill costing approximately EUR 1.2 billion in Äänekoski to replace the existing pulp mill.

The mill is scheduled to start up in the third quarter of 2017, and its construction is proceeding according to plan. Approximately 10 per cent of the mill was completed at the end of 2015, at which point the project employed approximately 500 people in pile driving, excavation and foundation work. In the equipment installation phase to start in 2016, the number of people working in the project will be up to 2,500.

The intention is to utilise all side streams from the bio-product mill, producing approximately 1.3 million tonnes of pulp, as new, upgraded bioproducts in the ecosystem of various companies to be established around the mill. In 2015, Metsä Fibre made a decision to produce product gas from bark and promoted the development of biocomposites, biogas, textile fibres, sulphuric acid and upgraded lignin products.

HUSUM MILL

In 2015, Metsä Board implemented a EUR 170 million investment programme at the Husum mill in Sweden. The new folding boxboard production line is in a start-up phase, and its total annual capacity is approximately 400,000 tonnes. In addition to folding boxboard, Husum produces fresh forest fibre linerboard, with an annual capacity of 300,000 tonnes.

The production of coated paper and uncoated fine paper sheets was discontinued at Husum. The remaining production of uncoated fine paper reels, approximately 100,000 tonnes per year, will end in 2017.

In addition to the Husum mill's chemical pulp capacity, the folding boxboard production will use the high-yield pulp production of the Kaskinen mill almost in full.

In November 2015, Metsä Board announced that it would continue the development of paperboard products and invest approximately EUR 38 million in its own extrusion coating line and related changes in infrastructure at the Husum mill. The investment will be realised at the beginning of 2017, and it will make possible the expansion of the product portfolio to end uses in the food and food service packaging segment, which require barrier properties from paperboard due to the requirements for with-standing fat and moisture. The annual coating capacity of the new production line is approximately 100,000 tonnes. Metsä Board will also continue to develop other barrier solutions.

DIVESTMENTS 2015

BURT BOULTON & HAYWOOD LTD

The sale of the entire share capital of Metsä Wood's UK-based pole business Burt Boulton and Haywood Ltd. to ScanPole Ltd., an Iivari Mononen Group company, was finalised in February 2015.

FINSILVA OYJ

In May, Metsä Group sold 30.13 per cent of Finsilva Oyj's shares to a fund managed by Dasos Capital Oy. After the transaction, Metsä Group's holding in Finsilva is 19.8 per cent.

GOHRSMÜHLE MILL

In May, Metsä Board sold the Gohrsmühle mill in Bergisch Gladbach in Germany to a holding company wholly owned by mutares AG and its partner company, including all liabilities related to the company.

METSÄ WOOD FRANCE S.A.S.

The sale of the share capital of Metsä Wood's French timber upgrading company Metsä Wood France S.A.S. to mutares AG was completed in October 2015.

BUSINESS AREAS

WOOD SUPPLY AND FOREST SERVICES

Metsä Forest's sales in 2015 totalled EUR 1,518.1 million (2014: 1,575.0) and the operating result excluding non-recurring items was EUR 29.0 million (28.2). The operating result for 2015 does not include non-recurring items (2014: -1.5).

In Finland, the supply of wood remained good throughout the year and the stumpage prices were stable. The wood purchasing volume was slightly lower than in the previous year. The mild weather in the last quarter made harvesting and delivering wood more difficult.

The challenging harvesting conditions made delivering wood more difficult in Russia in the last quarter as well, but the weak rouble upheld the good competitiveness of Russian wood. The good supply of pulpwood continued in the Baltic countries throughout the year. In Sweden, the supply of pulpwood and sawmill chips exceeded demand in the northern parts of the country, in particular.

During the year, Metsä Forest bought all timber grades and energy wood through both standing and delivery sales throughout Finland. Purchasing of forest energy focused on crown wood. In Finland, the majority of wood was procured from Metsäliitto Cooperative's members.

Due to the mild winter, the purchasing of stands for harvesting in the winter from sources other than contract customers had to be limited in the first quarter of the year. Wood demand picked up in the second quarter of the year. Demand focused on stands for summer harvesting as well as logs. Sales of forest management services continued to grow favourably.

In 2015, Metsä Forest delivered a total of approximately 30.0 million cubic metres (30.2) of wood raw material to its customers. Approximately 84 per cent of this amount went to industry in Finland. Due to the difficult market situation in the sawmill industry, the log harvesting and delivery volumes fell slightly short of the planned volumes.

In June, Metsä Forest introduced electronic wood trade and sales of forest management services. The first electronic wood trade was completed on 2 June 2015, and the service was welcomed among forest owners.

Metsä Group increased bonuses payable to owner-members from wood trade as of 1 December 2015. As of the beginning of December 2015, members have also been accumulating bonuses from buying forest management services.

WOOD PRODUCTS INDUSTRY

Metsä Wood's sales in 2015 totalled EUR 852.2 million (2014: 896.9) and operating result excluding non-recurring items was EUR 31.4 million (37.2). Comparable sales without divestments remained at the previous year's level. Metsä Wood's negative net non-recurring items totalling EUR 21.4 million, were related to the divestment of Metsä Wood France SAS.

In 2015, Metsä Wood's comparable delivery volumes grew slightly from the previous year due to the increased deliveries of sawn timber. The comparable sales of sawn timber decreased slightly despite the increased delivery volumes.

The oversupply of Nordic sawn timber continued throughout the year, which manifested in prices that were clearly lower than in the previous year. Therefore, the profitability of sawing was unsatisfactory. Due to the imbalance of the sawn timber markets, Metsä Wood adjusted the sawing volume during the autumn.

Demand for sawn timber remained at the previous year's level in Europe. Demand in Asia, particularly in China for spruce grades, was clearly livelier than in the previous year. By contrast, North African demand decreased considerably due to currency market regulation and customers' high inventory levels.

The delivery volumes of upgraded sawn timber products in the UK were at the previous year's level, and sales increased as the British pound strengthened.

The delivery volumes of birch and spruce plywood were at the previous year's level. Production was adjusted in the main markets in Europe at the end of the year due to increased imports of inexpensive softwood plywood. Sales prices were higher compared to the previous year due to the strengthening of the US dollar and of the British pound, in particular.

Kerto® deliveries to Europe decreased from the previous year due to increased competition. North American deliveries also fell slightly short of the growth objectives. The markets for Kerto® products expanded outside Europe, as deliveries to Australia began towards the end of the year. In addition, Metsä Wood signed a delivery agreement in November with Snavely Forest Products concerning the delivery of Kerto® LVL wood products in northeastern USA.

The entire share capital of Metsä Wood's UK-based pole business Burt Boulton and Haywood Ltd. (BBH) was sold to ScanPole Ltd. in February 2015. The transaction marked the end of Metsä Wood's pole impregnation business.

The sale of the entire share capital of Metsä Wood France S.A.S. to mutares AG was finalised on 5 October 2015, ending Metsä Wood's upgrading and distribution operations in France. Metsä Wood's sales operations for sawn timber, plywood and Kerto® products will continue in France.

PULP INDUSTRY

Metsä Fibre's sales in 2015 totalled EUR 1,444.6 million (2014: 1,295.7). The euro-denominated prices of pulp grades increased compared to the previous year due to the stronger US dollar.

The operating result excluding non-recurring items was EUR 337.2 million (207.5). The operating result improved compared to the previous year primarily due to the higher delivery volume, the favourable exchange rate of the dollar as well as the decrease in the costs of wood and other raw materials. Compared to the prices in 2014, dollar-denominated market prices of softwood pulp were, on average, 7 per cent lower and the prices of hardwood pulp were 5 per cent higher.

Metsä Fibre's deliveries of pulp amounted to 2,356,000 tonnes (2,246,000), of which 898,000 tonnes went to owner-members (868,000) and 1,458,000 to other customers (1,378,000). The annual production of pulp was 2,352,600 tonnes (2,257,400). The annual production of the Metsä Svir sawmill was 251,000 cubic metres (233,000).

More than EUR 220 million was invested in Metsä Fibre's largest investment project, the Äänekoski bioproduct mill, in 2015. The most significant investment at the operative mills was the renewal of the odorous gas boiler of the Rauma mill. The investment will improve the processing of the mill's odorous gases in disturbance situations and thus reduce odour emissions to the vicinity.

The modernisation of the automation system at the Kemi mill was completed in the recovery line. The renewed system will ensure uninterrupted operation of the mill's process control.

PAPERBOARD INDUSTRY

Metsä Board's sales remained at the previous year's level and amounted to EUR 2,007.5 million (2014: 2,008.4).

The operating result excluding non-recurring items was EUR 179.9 million (136.5). In 2015, the non-recurring items in the operating result totalled EUR 19.2 million (-19.9), of which the most significant was the sales gain of EUR 17.5 million from the divestment of the Gohrsmühle mill.

The operating result was improved by paperboard deliveries, favourable exchange rate changes, and the divestment of the loss-making Gohrsmühle mill in the second quarter of the year. The operating result was weakened by the mill shutdown related to the investment programme at Husum mill integrate.

The delivery volume of Metsä Board's folding boxboard and white fresh forest fibre linerboard in January–December was 1,404,000 tonnes (1,256,000). The delivery volume of paper amounted to 460,000 tonnes (591,000).

Excluding non-recurring items, Metsä Board's return on capital employed was 11.3 per cent (9.1), and earnings per share were EUR 0.34 (0.26).

Metsä Board's equity ratio at the end of December was 46.5 per cent and the net gearing ratio was 32 per cent (2014: 39.2 per cent and 51 per cent, respectively). The key figures were improved by the decrease in interest-bearing net liabilities and the share issue. In the first quarter of the year, Metsä Board organised a share issue, which accumulated net funds of approximately EUR 98 million.

TISSUE AND COOKING PAPERS

Metsä Tissue's sales in 2015 totalled EUR 1,015.8 million (2014: 1,012.8) and the operating result excluding non-recurring items was EUR 55.1 million (62.2). Sales grew due to price increases based on higher raw material prices. Price competition in retail continues to be fierce in all markets.

Despite the streamlining of operations, improvement of energy efficiency and development of logistics, Metsä Tissue's profitability weakened compared to the previous year. This was due to prices of pulp, which increased as the dollar strengthened, and price increases in recycled fibre, as well as the weakening of the Norwegian krone against the euro.

Non-recurring items recognised in the operating result totalled EUR -13.5 million net (-0.4) in 2015. The items were related to the operations in Russia as well as the efficiency programme in the napkin business in Germany.

New product launches and product development have helped strengthen the position of the company's own brands in the Nordic countries and eastern Central Europe. Lambi celebrated its 50th anniversary in 2015, and a variety of marketing events were arranged in celebration of the anniversary in the Nordic countries. The quality of Lambi's toilet paper and kitchen towels was improved and sales volumes developed favourably in 2015.

Katrin introduced a new dispenser series. Its product launches began at the end of 2015 and will continue in the first half of 2016 according to country-specific schedules.

In the autumn of 2015, Serla introduced a new toilet paper grade to the market in Sweden. Recycled paperboard fibre is used in the production of the paper. The quality of the traditional yellow Serla toilet paper was renewed in the Finnish market.

Renewal of the production line began at the Metsä Tissue Raubach mill in Germany. The investment, which aims to improve the quality of tissue paper, will be completed in the second quarter of 2016.

RESEARCH AND DEVELOPMENT

Metsäliitto Group's research and development expenses totalled EUR 18.1 million (2014: 17.7 and 2013: 17.7), or 0.4 per cent of operating expenses (2014: 0.4 and 2013: 0.4).

Wood supply and forest services implemented numerous information systems to streamline the member services, wood trade and sales of forest management services, transport, harvesting and provision of forest management services. In addition, the Metsäverkko online service for the members of Metsäliitto Cooperative was renewed. A new application was introduced in Metsäverkko that enables owner-members to sell wood and purchase forest management services completely electronically. The Metsäverkko mobile app was updated with a feature for updating information on forest assets.

Metsä Wood focused on the development of Kerto product varieties suitable for new market areas and new applications, such as doors rated for fire safety and acoustics as well as Kerto-S beams enabling lead-throughs for large ventilation pipes. An updated program version of the Finnwood dimensioning software was released for the markets in France and Germany. In plywood operations, the focus was on basic research into plywood handling and further development of coatings.

Developing value yield-based sorting of logs, sawing pattern-specific log measurement, and market-specific sorting control were essential in improving the yield of sawmills and sawn timber products. Moreover, the opportunities provided by the Vilppula sawmill investment were utilised to launch new products, such as new sawing patterns and extra-dry grades.

Development work at Metsä Fibre is guided by a three-year development plan for products and production processes. Shared development targets were identified together with customers with the help of the new IdeaBooster concept. Process development aimed to improve production efficiency and environmental performance. Key development projects related to new bioproducts included digestion of wastewater sludge, using lignin as a biomaterial, and fibre-based composites. These projects have been carried out in cooperation with the partner network. A new method of upgrading pulp into textile fibres was also researched.

The company participates actively in the planning and supervision of the research programmes of CLIC Innovation Oy (formerly FIBIC and CLEEN). Basic research has been directed towards both serving the objectives of current business operations and mapping new business opportunities.

Metsä Board's R&D operations were further strengthened to support the company's strategy. The central objectives of the R&D operations are producing increasingly lightweight folding boxboards and linerboards as well as developing new products for the food service packaging segment. The company works in close cooperation with its customers in order to ensure that all essential factors have been taken into consideration in product development.

Metsä Board is the first paperboard manufacturer to test foam forming in production, at its Kyro mill in Kyröskoski.

Metsä Board expanded its product family for the food service packaging segment to a total of four different products, two of which are coated grades and two uncoated. Metsä Board also announced it would invest in an extrusion coating line, which will be used to create barrier properties in paperboards. The development of other barrier solutions, such as dispersion- and bio-based coatings, will continue.

Customer and consumer-specific product development is one of the cornerstones of Metsä Tissue's strategy. During the year, the company brought several new tissue paper products, in particular, to the market and introduced the new Katrin dispensers.

Increased environmental awareness and an interest in well-being and health are examples of factors influencing Metsä Tissue's product development. The company's R&D is centralised at a technology centre in Germany.

SUSTAINABILITY

Metsä Group is committed to promoting sustainability throughout the value chain. Sustainability management and objectives are viewed through the themes of products, wood and other raw materials, efficient production, environmental performance as well as influence on society. The operations are guided by the Group's Code of Conduct and sustainability principles, as well as 16 policies directing different areas.

Metsä Group supports sustainable and responsible forest management. The wood we use is 100% traceable and always originates from sustainably managed forests. The goal is to keep the share of certified wood in our business at more than 80 per cent. Wood sourced from PEFC- and/or FSC-certified forests accounted for 84 per cent (2014: 84 per cent and 2013: 82 per cent) of the wood procured by Metsä Group.

Metsä Group takes the climate and environment into account in everything it does. To mitigate climate change, the key aim is to reduce fossil CO_2 emissions in production by 30 per cent per product tonne from the 2009 level by 2020. As a result of considerable investments and the development of operating methods, this goal was reached as early as 2013, and by the end of 2015, fossil CO_2 emissions had decreased by 34 per cent per product tonne (2014: 36 per cent and 2013: 32 per cent).

Eighty-six per cent of the fuel used by Metsä Group is wood-derived biofuel (2014: 86 per cent and 2013: 85 per cent). Bark and black liquor, which are by-products of pulp production, are used in bioenergy production. Metsä Group's self-sufficiency in terms of electricity production is as high as 150 per cent in the pulp business. The energy self-sufficiency of the bioproduct mill being built in Äänekoski will increase to 240 per cent in terms of electricity production. The majority, 83 per cent, of the total energy purchased by Metsä Group was carbon-neutral (2014: 83 per cent and 2013: 83 per cent).

Metsä Group's energy efficiency has improved by 7 per cent since 2009. The goal is to improve the energy efficiency of operations by 10 per cent by 2020. In addition to direct investments, improvements in energy efficiency are sought by developing working and operating methods.

Metsä Group's aim is to reduce process water consumption by 17 per cent per product tonne by 2020 from the 2010 level. In particular, the pulp business, which uses a lot of water in its processes, has made investments to enhance the recycling of water, among other things. As a result of systematic development work, the reduction of process water consumption was 15 per cent by the end of 2015 (2014: 13 per cent). The total consumption of water was 294 million cubic metres (2014: 287 and 2013: 302). Process water consumption amounted to 140 million cubic metres (2014: 148 and 2013: 145). The majority of Metsä Group's production units are located close to ample water resources, and therefore 99 per cent of water used is surface water (2014: 99).

Metsä Group's atmospheric emissions were as follows: 803,000 tonnes of fossil carbon dioxide (CO_2) (2014: 803,000 and 2013: 855,000), 7,040,000 tonnes of biogenic carbon dioxide (2014: 7,035,000 and 2013: 7,070,000), 6,100 tonnes of nitrogen oxides (as NO_2) (2014: 6,400 and 2013: 6,500) and 2,060 tonnes of sulphur (as SO_2) (2014: 2,050 and 2013: 2,160). Emissions into water systems were 41 tonnes of phosphorous (2014: 51 and 2013: 54), and the chemical oxygen demand (COD) was 38,900 tonnes (2014: 39,700 and 2013: 42,900).

The amount of waste generated by production decreased by 12 per cent in 2015 (2014: -13) while production decreased by 2.6 per cent (2014: +0.2) compared to the previous year. The amount of waste totalled 644,000 tonnes (2014: 736,000 and 2013: 843,000). More than 92 per cent (2014: 90) of the residues and waste generated by our production are reused as material or in energy production. The amount of waste sent to landfill is minimised, and only waste that cannot be recovered and utilised is directed there. In 2015, the quantity of landfill waste was 45,000 tonnes (2014: 71,000 and 2013: 76,000).

Almost all of the Group's production units have an ISO 9001 quality system and ISO 14001 environmental system in place, as well as a Chain of Custody system enabling reliable verification of the amount of certified wood in the products. In addition, a certified OHSAS 18001 occupational and product safety system and an ISO 50001 energy efficiency system are in place in several of the Group's production units.

No significant deviations resulting in considerable environmental impacts occurred in the Group's production units during the year under review. There were 5 deviations from permit limits involving emissions into water systems (2014: 1) and 7 involving atmospheric emissions (2014: 9).

The Group's subsidiaries also remain subject to environmental responsibilities related to former industrial activities at sites that have since been closed, sold or leased, and from decommissioned landfill sites. Financial provision for the cost of land rehabilitation work has been made in cases where it has been possible to measure the Group's liability for land contamination. The Group's environmental obligations in 2015 totalled EUR 15.0 million (2014: 18.7 and 2013: 28.2). Metsä Group's environmental expenses in 2015 totalled EUR 48.7 million (2014: 48.6 and 2013: 47.6), and they comprised mainly the expenses of use and maintenance of production units, expenses related to waste management and environmental impact, and depreciation of capitalised environmental expenses.

In addition to our own functions, Metsä Group is committed to sustainability throughout the supply chain. Excluding wood deliveries, 86 per cent of all our procurement (2014: 87 and 2013: 87) is from countries in which the Group has local production. Since 2011, the objective has been to include the Supplier Code of Conduct in all new and renewed supplier contracts. By the end of 2015, the Code of Conduct had been included in 519 contracts (2014: 335 and 2013: 216), covering 83 per cent of all procurement contracts (2014: 70 and 2013: 50).

RISK MANAGEMENT AND RISK FACTORS

The Group's governance system and risk management policy ratified by the Board of Directors regulate the risk management work carried out in Metsä Group. The Group's risk management is systematic and preventive and assesses and manages business-related risks, threats and opportunities.

Metsä Group assesses its strategic, operative, financial and liability risks as part of its continuing operations. In addition, the Group carries out risk assessments as part of the annual planning and strategy process. The risk assessment carried out in the annual planning process focuses on identifying sales and cost risks, and in the risk assessment in the strategy process, the business areas review risks related to the implementation of the company's business strategy. The Group's management team reviews the most significant risks regularly as part of its management work. The results of the risk management process are reported to the Board of Directors and the Board's Audit Committee on a regular basis.

Risk assessments carried out in 2015 identified the following risks and uncertainties with a possible impact on Metsä Group's financial performance and ability to operate:

SITUATION OF THE GLOBAL ECONOMY AND THE EURO AREA

In the main Metsä Group market areas, demand for wood products, pulp and paperboard follows the general economic development. The European economy is estimated to grow slightly in 2016, but no significant market recovery is in sight. Metsä Group is also pursuing growth outside the main market, especially in North America and Asia. The slowdown of the Chinese economy can also have an impact on the demand for Metsä Group's products.

If the development of the world economy continues to be uncertain and weak, this may have negative effects on the demand for products, profitability and potentially the availability and cost of financing in Metsä Group.

GEOPOLITICAL RISKS

There are several geopolitical risk concentrations around the world, and forecasting developments in them is difficult. Changes in these areas may be very sudden and unpredictable. There have been, and will continue to be, international sanctions related to these crises, and they may also have a direct or indirect impact on the demand for forest industry products and, therefore, on Metsä Group's result.

FINANCIAL RISKS

Most of the financial risks associated with business operations concern currencies, interests, liquidity, counterparty risks and the use of derivative instruments. The financial risks are managed in accordance with the financial policy endorsed by the Board of Directors. The purpose is to reduce the uncertainty, to improve the predictability, to balance the cash flow and to allow the business units time to adjust their operations to changing conditions.

The Group's access to capital and the price of capital are largely dependent on the conditions prevailing in the financial market and the Group's own financial position. The improvement of the Group's financial position and the stabilising financial market have had a positive effect on the Group's access to capital and price of financing. Should either factor deteriorate significantly, this could also have negative effects on the price and availability of external capital needed by Metsä Group.

Metsä Group has prepared for the refinancing risk by utilising a variety of financing sources, scheduling loans to have a balance maturity profile and starting refinancing processes well before the loans mature. In addition to its strong liquidity position, the Group had credit facilities of more than EUR 800 million at its disposal at the end of 2015. In addition, the Group has EUR 925.0 million in off-balance sheet committed credit facility agreements related to the bioproduct mill investment in Äänekoski.

CYCLICAL NATURE OF OPERATIONS AND THE COMPETITIVE ENVIRONMENT

Metsä Group operates in a cyclical sector, where the balance of supply and demand considerably affects the price level of products. Any decrease in demand or increase in supply may have unfavourable effects on the market balance. Unfavourable economic trends or competitors' increased capacity may lower the prices of end products. On the other hand, capacity cuts by competitors or further consolidation in the industry may correspondingly lead to price increases. Larger exchange rate fluctuations with long-term effects will impact the market balance of forest industry products in the main market areas and the competitiveness of producers in Europe.

DEMAND AND MARKET PRICE OF PULP

Metsä Fibre produces approximately 2.5 million tonnes of bleached softwood and hardwood pulp per year. The result of the pulp segment has a key impact on the profitability and business operations of Metsä Group as a whole. The global pulp capacity (both in softwood and hardwood) is estimated to increase remarkably during the next years which can result in lower operating rates and price reductions. This may have a negative effect on Metsä Group's operating result.

CREDIT AND OTHER COUNTERPARTY RISKS

The management of the credit risks involved in commercial activities is the responsibility of the business areas and centralised credit control of the group. Credit control defines the internal credit limits set for customers and payment terms together with the company's business areas. Most of the credit risks are covered with insurance agreements made with credit insurance companies. Metsä Group's customer credit risk was at a regular level in 2015. The Group has reduced its credit risk by intensifying its own internal credit control procedures and processes.

The main principles of credit control are defined in the credit guidelines of the risk management policy confirmed by Metsä Group's Board of Directors. The operational management of the Group and the business areas participate in the assessment of credit risk and in making final decisions on credit, if needed.

In money market investments, derivatives and loans, the Group only approves counterparties which have been defined in the Group's financial policy, meet the creditworthiness criteria or have been separately designated by the Board's decision.

DEVELOPMENT OF CUSTOMER ACCOUNTS, GROWTH OBJECTIVES AND NEW PRODUCTS

The Group's businesses focus on key customer accounts by e.g. developing sales strategies to secure new customer relationships. Some of the Group's businesses have also set growth objectives concerning specific markets or product segments. In addition, there are ongoing business development investments aiming to expand the product portfolio. If these business development projects do not reach the goals, this may have a negative effect on the performance of the business in question and the Group.

PRICE RISKS AND AVAILABILITY OF PRODUCTION INPUTS

Significant or unpredictable changes in the price of the production inputs most important for the operations, such as wood, energy and chemicals, as well as problems with their availability, may reduce profitability and threaten the continuity of operations as well as the implementation of business growth plans and development. Metsä Group works to hedge against these risks by long-term delivery agreements and related derivative contracts. In addition, a steep increase in transportation and other logistics costs may affect Metsä Group's profitability.

Moreover, any amendments in legislation, regulations or taxation related to the most important production inputs may result in significantly increased costs for Metsä Group.

LIABILITY RISKS

Metsä Group's business operations involve various types of liability risks arising from damage to third parties, such as general operational liability risks, contract risks, environmental risks and product liability risks. These risks are mitigated by way of efficient business processes, agreement training, management practices, quality control and transparent operations. Some of the operational liability risks have been hedged with insurance policies.

BUSINESS INTERRUPTION RISKS

Large losses (such as fires and machine breakdowns), major accidents, natural disasters, environmental damage, serious malfunctions in information systems, labour disputes, delivery problems of the most important raw materials and disturbances in the logistics chain may interrupt business operations or parts of it. Interruptions in the production or in the delivery chain can influence the continuity of the customer service and delivery safety. If the interruptions are prolonged, the financial losses could be extremely significant. In addition, they can result in the permanent loss of customers. Continuity and recovery plans have been drawn up in the business areas, mills and service operations (such as the Group's IT administration) in preparation for the realisation of these risks. The production units' property and business interruption risks are mainly covered through insurance policies.

SAFETY RISKS

Risks threatening corporate safety and security include shortcomings and failures in terms of occupational safety, information security, personal safety, corruption, external threats (e.g. towards delivery chains) and lack of internal control. Management of corporate safety contributes to ensuring the Group's uninterrupted operations. This is carried out by developing and streamlining the most central operating processes which take safety into account and by increasing instructions, training and internal control related to the management of the key threats, as well as by emergency controls carried out at frequent intervals.

PERSONNEL RISKS

Metsä Group pays special attention to ensuring the availability and retention of competent personnel by means of various management training programmes, personnel development programmes, successor plans and developing the Group's image as an employer. Metsä Group also prepares for risks relating to generational shifts and other HR risks by means of measures ensuring working capacity, career planning and job rotation among personnel. Working capacity is also developed from the perspective of the on-going new pension reforms. In addition, Metsä Group strongly invests in cooperation with educational institutions at all levels. Trainee programmes are initiated as necessary.

CHANGES IN MEMBERS' CAPITAL AND ADDITIONAL MEMBERS' CAPITAL

A member of Metsäliitto Cooperative who wishes to cancel their membership is entitled to receive a refund of the contribution payment and the additional contribution payment. The member may also receive a refund of the additional contributions based on a written claim. Based on the cooperative's rules, the amount of members' capital and additional contributions that can be refunded is the equivalent of one third of the distributable funds in accordance with the latest balance sheet adopted by the Annual General Meeting. Refunds of members' capital which are larger than usual may have an adverse effect on Metsä Group's financial position.

PENDING DISPUTES

In March 2011, the state enterprise Metsähallitus filed a claim for damages at the District Court of Helsinki, demanding that Metsäliitto Cooperative and two other forest industry companies jointly pay compensation for alleged damage caused by prohibited cooperation with regard to prices in the raw wood market. The claim is related to the 3 December 2009 decision by the Market Court which states that the aforementioned companies have violated the act on competition restrictions in the raw wood market. In addition, some municipalities, parishes and a group of individuals in Finland have instituted similar proceedings. The total amount of all claims that Metsäliitto Cooperative is aware of and that were directed at Metsäliitto Cooperative and the other aforementioned companies jointly is approximately EUR 202 million, of which approximately EUR 65 million is directed at Metsäliitto Cooperative alone. The aforementioned proceedings are associated with interest, value added tax claims and legal process expenses. In addition to the aforementioned claims, new claims for damages have been filed by private individuals and entities in January 2015, the amounts of which are not yet known by Metsäliitto. Metsäliitto Cooperative's view is that the claims for damages are unfounded, and the company has not recognised any provisions regarding them.

In May 2014, Metsäliitto Cooperative and Metsä Board demanded the District Court of Helsinki to revoke the judgment issued by the Arbitral Tribunal on 11 February 2014 that ordered Metsäliitto Cooperative and Metsä Board to pay a total of EUR 67 million in damages to UPM-Kymmene Corporation. In the judgment issued in June 2015, the District Court rejected the demands by Metsäliitto Cooperative and Metsä Board. Metsäliitto Cooperative and Metsä Board have appealed the District Court's judgment at the Court of Appeal.

In the autumn of 2015, the Finnish Tax Administration took a stand against the deductibility of certain losses in Metsä Board's 2014 taxation. The company recognised EUR 9.5 million in previously unrecognised income taxes in its result for 2015. Metsä Board will appeal against the decision issued by the Tax Administration, as the company believes the losses are deductible.

PREPARING FOR AND TRANSFERRING RISKS

The Group prepares for risks by identifying the key risk mitigation actions and assigning responsibilities for them. In addition, changes in key risks are monitored as part of business management. With regard to loss risks, the Group works actively with insurance companies in risk management, for example by regularly executing risk assessments in different areas, such as at mills and in the delivery chain. The Group's production units and shared service units have also prepared for potential interruptions and disturbances in operations by drawing up continuity and recovery plans. The Group's crisis management plan directs crisis management within the Group, business areas and units.

The Group's business areas carry part of the risks themselves, and risks exceeding the business area's risk tolerance have been selectively transferred to insurance companies, banks and other counterparties by means of insurance, derivative and other contracts. The most common loss risks are covered by the following comprehensive global insurance contracts:

- Property and business interruption insurance programme
- General third-party and product liability insurance
- General liability insurance for the management and administrative bodies
- Cargo insurance programme
- Credit insurance programme

NEAR-TERM OUTLOOK

Wood demand will focus on felling sites to be harvested when the ground is unfrozen and, in terms of energy wood, on crown wood. The sales of forest management services are expected to grow.

Metsä Wood's sales are expected to be on a similar level as previous year's first quarter. In the first quarter, the sawn timber market balance is expected to improve for spruce sawn timber. For pine sawn timber, oversupply is expected to continue due to weak demand in the EMEA sales region. Shutdowns are possible in birch plywood production, depending on the market situation. Demand for other wood products is expected to continue stable.

The global economic uncertainty and changes in the currency market will impact Metsä Fibre's operating environment. Nevertheless, global demand for pulp has remained stable, and there are no signs of material changes in the market situation.

Metsä Board's paperboard deliveries are in January–March expected to grow from the last quarter of 2015. The new paperboard production line at Husum, still in the start-up phase, will have the effect of decreasing the average price of folding boxboard. The company estimates that the required quality targets will be reached by the third quarter of 2016 according to the original plan.

In the tissue and cooking paper markets, demand is expected to continue stable in all market areas. Demand for tissue paper will increase in eastern Central Europe, in particular, and demand for cooking papers will grow in Asia.

Metsä Group's operating result excluding non-recurring items is in the first quarter of 2016 expected to be approximately on the same level as in the fourth quarter of 2015.

PROPOSAL FOR INTEREST ON MEMBERS' CAPITAL

Metsäliitto Cooperative's Board of Directors has decided to propose that interest of 6.0 per cent (5.5 per cent for 2014) be distributed on the participation shares of the members for 2015. Interest of 5.5 per cent (5.0) is proposed for additional shares A, and interest of 3.0 per cent (4.5) for additional shares B.

The higher than usual level of profit distribution for participation shares and additional shares A reflects the Group's result development and emphasizes the rewarding of members who are active in wood trade.

The Board's proposal will be discussed in March by Metsäliitto Cooperative's Supervisory Board, which will issue a statement on the matter to the Representative Council convening in May.

THE BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF THE PROFIT

METSÄLIITTO COOPERATIVE

EUR		
At the disposal of the Representative Council		
result for the period		130,307,534.39
retained earnings from previous years		608,631,013.13
reserve for invested unrestricted equity		60,809.94
distributable funds total		738,999,357.46
The Board of Directors proposes,		
an interest of		
6.0% to be distributed on participation shares	12,347,823.62	
5.5% to be distributed on additional shares A	33,819,300.03	
3.0% to be distributed on additional shares B	4,275,142.26	50,442,265.91
to be retained in members' funds		688,557,091.55
total		738,999,357.46

If the Representative Council approves the above proposal, the members' funds will be	
MEMBERS' FUNDS	
Members' capital	
Participation shares	207,770,874.41
Additional shares A	630,761,002.47
Additional shares B	153,476,143.41
Due members' capital transferred to liabilities for the waiting period	-72,931,199.99
Reserve for invested unrestricted equity	60,809.94
General reserve I	3,939,904.28
General reserve II	67,401,740.00
Retained earnings	688,496,281.61
Members' funds total	1,678,975,556.13

There have been no material changes in Metsäliitto Cooperative's financial position after the end of the financial period. The liquidity of Metsäliitto Cooperative is good and according to the Board of Directors, the proposed distribution of the profit does not risk the solvency of the cooperative.

Espoo, 3 February 2016

Martti Asunta
Chairman

Kari Jordan
Vice Chairman
President & CEO

Mikael Aminoff

Arto Hiltunen

Leena Mörttinen

Juha Parpala

Timo Saukkonen

Mikael Silvennoinen

Antti Tukeva

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Note	1.1.–31.12.2015	1.1.–31.12.2014
SALES	3, 5	**5,016.0**	4,970.3
Change in stocks of finished goods and work in progress		**-48.0**	17.7
Other operating income	3, 6	**95.7**	170.3
Materials and services	3, 7	**-3,212.5**	-3,329.6
Employee costs	3, 7	**-678.2**	-699.0
Depreciation, amortisation and impairment charges	3, 8	**-258.2**	-276.2
Other operating expenses	3, 7	**-372.7**	-436.7
OPERATING RESULT		**542.1**	416.9
Share of results from associated companies and joint ventures		**11.2**	16.4
Net exchange gains/losses	9	**-1.2**	2.7
Other financial income	9	**5.2**	6.5
Interest and other financial expenses	9	**-89.0**	-112.6
RESULT BEFORE TAX		**468.4**	329.9
Income taxes	10	**-112.6**	-69.7
RESULT FOR THE PERIOD		**355.7**	260.3
OTHER COMPREHENSIVE INCOME	10, 21		
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT AND LOSS			
Items relating to adjustments of defined benefit plans		**19.5**	-44.7
Income tax relating to items that will not be reclassified		**-5.6**	11.9
Total		**13.9**	-32.7
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT AND LOSS			
Cash flow hedges		**-0.1**	-19.7
Available for sale financial assets		**-30.6**	-43.6
Currency translation differences		**8.9**	-43.3
Share of comprehensive income of joint venture		**-0.6**	-4.4
Other items		**0.0**	0.0
Income tax relating to items that may be reclassified		**7.4**	15.3
Total		**-15.0**	-95.8
OTHER COMPREHENSIVE INCOME, NET OF TAX		**-1.0**	-128.5
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**354.7**	131.8
RESULT ATTRIBUTABLE TO:			
Members of parent company		**216.9**	156.5
Non-controlling interest		**138.8**	103.8
		355.7	260.3
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Members of parent company		**221.1**	82.3
Non-controlling interest		**133.6**	49.5
		354.7	131.8

The notes are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

EUR million	Note	31.12.2015	31.12.2014
ASSETS			
NON-CURRENT ASSETS			
Goodwill	11	**522.8**	520.3
Other intangible assets	11, 33	**234.5**	240.8
Tangible assets	12, 33	**2,059.0**	1,831.2
Biological assets	13	**13.4**	11.8
Investments in associated companies and joint ventures	14	**43.4**	77.7
Available for sale investments	15	**227.1**	257.1
Other non-current financial assets	16	**28.0**	19.7
Deferred tax receivables	17	**37.9**	64.8
		3,166.1	3,023.5
CURRENT ASSETS			
Inventories	18	**686.8**	774.1
Accounts receivables and other receivables	19	**635.6**	686.3
Tax receivables based on the taxable income for the period		**0.6**	0.3
Derivative finacial instruments	28	**4.9**	4.1
Cash and cash equivalent	20	**1,120.8**	947.9
		2,448.7	2,412.7
ASSETS CLASSIFIED AS HELD FOR SALE	4	**1.6**	10.9
TOTAL ASSETS		**5,616.4**	5,447.0
MEMBERS' FUNDS AND LIABILITIES			
EQUITY ATTRIBUTABLE TO MEMBERS OF PARENT COMPANY			
Members' capital	21	**745.7**	719.1
Translation differences	21	**-2.7**	-7.1
Fair value and other reserves	21	**197.4**	206.7
Retained earnings		**865.1**	671.6
		1,805.6	1,590.3
NON-CONTROLLING INTEREST	14	**611.3**	467.0
TOTAL MEMBERS' FUNDS		**2,416.9**	2,057.3
NON-CURRENT LIABILITIES			
Deferred tax liabilities	17	**225.6**	230.6
Post employment benefit obligations	22	**77.9**	184.8
Provisions	23, 33	**23.0**	33.4
Borrowings	24	**1,303.5**	1,373.3
Other liabilities	25	**4.4**	5.5
Derivative financial instruments	28	**17.9**	15.7
		1,652.3	1,843.3
CURRENT LIABILITIES			
Provisions	23, 33	**20.3**	14.0
Current borrowings	24	**442.3**	528.9
Accounts payable and other liabilities	26	**1,039.0**	940.0
Tax liabilities based on the taxable income for the period		**20.3**	25.4
Derivative financial instruments	28	**24.3**	32.2
		1,546.2	1,540.5
LIABILITIES CLASSIFIED AS HELD FOR SALE	5	**1.1**	6.0
TOTAL LIABILITIES		**3,199.5**	3,389.8
TOTAL MEMBERS' FUNDS AND LIABILITIES		**5,616.4**	5,447.0

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' FUNDS

		Equity attributable to members of parent company						
EUR million	Note	Members' capital	Translation differences	Fair value and other reserves	Retained earnings	Total	Non-controlling interest	Total
MEMBERS' FUNDS 1.1.2014		**654.7**	**24.9**	**224.9**	**578.3**	**1,482.9**	**476.3**	**1,959.2**
Result for the period					156.5	156.5	103.8	260.3
Other comprehensive income, net after tax	10, 21		-32.0	-20.5	-21.6	-74.1	-54.3	-128.5
TOTAL COMPREHENSIVE INCOME			**-32.0**	**-20.5**	**134.9**	**82.3**	**49.5**	**131.8**
Transactions with owners								
Interest on members' capital and dividends paid	21				-35.1	-35.1	-42.5	-77.5
Change in members' capital	21	64.4			-1.8	62.6		62.6
Transfer from unrestricted to restricted equity	21			2.4	-2.4	0.0		0.0
Share based payments	31				0.1	0.1	0.2	0.3
Acquired shares from non-controlling interest, which did not change the controlling right	4				-3.0	-3.0	-17.9	-20.9
Sold shares from non-controlling interest, which did not change the controlling right	4			-0.1	0.6	0.4	1.3	1.8
MEMBERS' FUNDS 31.12.2014		**719.1**	**-7.1**	**206.7**	**671.6**	**1,590.3**	**467.0**	**2,057.3**
MEMBERS' FUNDS 1.1.2015		**719.1**	**-7.1**	**206.7**	**671.6**	**1,590.3**	**467.0**	**2,057.3**
Result for the period					216.9	216.9	138.8	355.7
Other comprehensive income, net after tax	10, 21		4.4	-11.8	11.6	4.2	-5.3	-1.0
TOTAL COMPREHENSIVE INCOME			**4.4**	**-11.8**	**228.5**	**221.1**	**133.6**	**354.7**
Transactions with owners								
Interest on members' capital and dividends paid	21				-35.3	-35.3	-48.3	-83.6
Change in members' capital	21	26.6		0.1	-3.0	23.6		23.6
Change in other equity	21			-0.8		-0.8	56.8	56.0
Transfer from unrestricted to restricted equity	21			3.3	-3.3	0.0		0.0
Share based payments	31				6.2	6.2	0.8	7.0
Sold shares from non-controlling interest, which did not change the controlling right	4			0.0	0.3	0.3	1.5	1.9
MEMBERS' FUNDS 31.12.2015		**745.7**	**-2.7**	**197.4**	**865.1**	**1,805.6**	**611.3**	**2,416.9**

The notes are an integral part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	2015	2014
CASH FLOW FROM OPERATING ACTIVITIES			
Result for the period		**355.7**	260.3
Adjustments to the result	29	**387.2**	305.0
Interest received		**4.0**	5.6
Interest paid		**-68.9**	-91.9
Dividends received		**5.7**	3.3
Other financial items, net		**-11.9**	-11.0
Income taxes paid		**-97.3**	-52.7
Change in working capital	29	**221.3**	198.6
NET CASH FLOW FROM OPERATING ACTIVITIES		**796.0**	617.3
CASH FLOW ARISING FROM INVESTING ACTIVITIES			
Acquisition of shares in subsidiaries	4	**0.0**	0.0
Acquisition of other shares		**-2.4**	-3.4
Investments in tangible and intangible assets		**-491.6**	-143.0
Proceeds from disposal of shares in subsidiaries, net of cash	4	**-30.8**	14.9
Proceeds from disposal of shares in associated companies and joint ventures		**60.1**	0.3
Proceeds from disposal of other shares		**1.4**	76.0
Return of capital		**0.0**	2.0
Proceeds from sale of tangible and intangible assets		**9.4**	52.2
Change in non-current receivables		**-1.6**	-6.2
NET CASH FLOW ARISING FROM INVESTING ACTIVITIES		**-455.4**	-7.2
CASH FLOW ARISING FROM FINANCING ACTIVITIES			
Change in members' capital		**50.9**	67.8
Change in other equity	33	**55.6**	0.0
Non-controlling interest acquired	4, 29	**0.0**	-20.9
Increase in non-current liabilities		**80.6**	437.1
Decrease in non-current liabilities		**-259.8**	-508.7
Change in current liabilities, net		**1.3**	-1.7
Change in current interest-bearing receivables, net		**-1.2**	0.0
Interest on members' capital and dividends paid		**-94.9**	-87.9
NET CASH FLOW ARISING FROM FINANCING ACTIVITIES		**-167.7**	-114.3
CHANGE IN CASH AND CASH EQUIVALENTS		**172.8**	495.8
Cash and cash equivalents at beginning of period		**947.9**	454.4
Translation differences		**-0.1**	-2.2
Change in cash and cash equivalents		**172.8**	495.8
Cash and cash equivalents of assets classified as held for sale		**0.2**	-0.2
CASH AND CASH EQUIVALENTS AT END OF PERIOD	20	**1,120.8**	947.9

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 ("Metsä Group" or "Group"), which operations are organised into five business segments: Wood Supply and Forest Services, Wood Products Industry, Pulp Industry, Paperboard Industry and Tissue and Cooking Papers. The Group has manufacturing operations in 7 countries. Europe is the Metsä Group's main market area.

Metsä Group's parent company is Metsäliitto Cooperative. The parent company is domiciled in Helsinki and the registered address is Revontulenpuisto 2, 02100 Espoo, Finland.

A copy of the Annual Report can be obtained from website www.metsagroup.com or parent company's head office at Revontulenpuisto 2, 02100 Espoo, Finland.

The consolidated financial statements were authorised for issue by the Board of Directors on 3 February 2016. 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

Metsä 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 2015. 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 include the information needed for a bond issue.

The consolidated financial statements are presented in millions of euros unless otherwise mentioned.

These financial statements have been prepared based on original acquisition costs, excluding available-for-sale financial assets, financial assets to be recognised at fair value through profit and loss, hedged items in fair value hedging, biological assets and share-based business operations settled by means of cash which have been recognised at fair value.

GOING CONCERN

Management assesses that in foreseeable future the group has enough resources to continue as a going concern. The group has prepared the financial statements on a going concern basis.

NEW AND AMENDED STANDARDS APPLIED IN THE FINANCIAL YEAR ENDED

Metsä Group has from the beginning of year 2015 applied the following new and amended standards:

Amendments to IAS 19 **Employee Benefits – Defined Benefit Plans: Employee Contributions:** The amendments clarify the accounting treatment under IAS 19 in respect of defined benefit plans that involve contributions from employees or third parties towards the cost of benefits. The amendments will probably not have any impact on consolidated financial statements.

Annual Improvements to IFRSs (2011–2013 cycle and 2010–2012 cycle, December 2013): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in total four (2011–2013 cycle) and seven (2010–2012 cycle) standards. Their impacts vary standard by standard but are not significant.

IFRIC 21 **Levies:** The interpretation clarifies the accounting treatment of levies. A liability for a levy is recognised when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation is applicable to all levies other than income taxes, fines, penalties and outflows that are in scope of other standards. The interpretation had no significant impact on consolidated financial statements.

PRINCIPLES OF CONSOLIDATION

SUBSIDIARIES

Subsidiaries include all companies (including structured entities) in which the Group has the right to control the principles of finances and operations. The Group controls the entity when it is exposed, or has right, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Business combinations are processed using the acquisition method. Consideration paid for the purchase of a subsidiary is determined as the fair value of paid assets, assumed liabilities and equity shares issued by the Group. The assigned consideration includes the fair value of an asset or liability arising as the result of a contingent consideration arrangement. Acquisition-related costs, excluding expenses incurred by the issuance of debt securities or equity securities, are recognised as expenses as they materialise. A paid consideration does not include transactions to be handled separately from the acquisition. The impact of these has been recognised though profit and loss in the acquisition. A possible contingent additional sales price has been measured at fair value at the time of acquisition and classified either as liability or equity. An additional sales price classified as liability is measured at fair value on the closing date of each reporting period and the resulting profit or loss is recognised through profit and loss. The additional sales price classified as equity is not measured again. Identifiable assets obtained in a business merger and assumed liabilities and conditional liabilities are valued at fair value at the date of acquisition. The holding of non-controlling shareholders in the target of the acquisition is recognised on an acquisition-specific basis either at fair value or an amount corresponding to the proportion of the net assets of the target of the acquisition held by non-controlling shareholders.

The combined amount by which the sum of a consideration paid, the fair value of the proportion of non-controlling shareholders, and the fair value of the previously owned proportion of the target exceed the fair value of the itemisable net assets is reported on the balance sheet as goodwill. If the combined amount of the consideration paid, the fair value of the proportion of non-controlling shareholders, and the fair value of the previously owned proportion is smaller than the fair value of the acquired net assets of a subsidiary, the difference is recognised through profit and loss.

Subsidiaries are consolidated in the consolidated financial statements in their entirety starting on the day on which the Group obtains control in them. The consolidation stops when the control ceases. Business transactions, receivables and liabilities between the Group companies and unrealised profits are eliminated. Unrealised losses are not eliminated if the loss arises from impairment. The accounting principles followed by subsidiaries have been amended to correspond to the principles followed by the Group if necessary.

In an acquisition that is completed gradually, the previous holding is valued at fair value and the generated gain or loss is recognised through profit and loss. When the Group loses its control in a subsidiary, the remaining investment is measured at the fair value of the date the control is lost and the subsequent difference is recognised through profit and loss. Furthermore, when the Group loses its control, it handles all amounts recognised in other items in the comprehensive income statement related to the subsidiary on the same basis as they should be handled if the Group had transferred the assets and liabilities in question directly.

The acquisitions prior to 1 January 2010 have been handled according to the standards in effect during that time.

STRUCTURED ENTITY

Metsäliitto Management Oy, established for the shareholding programme of the members of Metsäliitto Group's Executive Management, has been consolidated as a subsidiary in the Group's financial statements.

As the conditions of the dissolution of the scheme were met, the scheme was dissolved in the first quarter of 2014 by selling shares of the company to Metsäliitto Cooperative.

Additional information on share-based incentive schemes is presented in section Share-based payment in these accounting policies.

TRANSACTIONS WITH NON-CONTROLLING SHAREHOLDERS

Business transactions with non-controlling shareholders are processed in the same way as those with Group shareholders. When shares are purchased from non-controlling shareholders, the difference between the consideration paid and the proportion of the net assets in the subsidiary purchased is recognised in equity. Also, profit or loss from sale of shares to non-controlling shareholders is recognised in equity.

JOINT OPERATIONS

A joint operation is a joint arrangement in which parties who have joint control in the arrangement have rights concerning the assets related to the arrangement and obligations concerning liabilities. "Joint control" means considering the control concerning the arrangement shared based on an agreement, and it prevails only when decisions concerning important operations require the unanimous approval of the parties sharing the control.

The Group consolidates in its financial statements its proportion of the assets, liabilities, income and expenses of the joint operation. The relevant assets, liabilities, income and expenses accounting items related to the Group's proportion of the joint operation are treated in accordance with IFRS.

The Group recognises the gains or losses caused by assets sold to a joint operation only in the extent of the proportion of the other parties to the joint operation. When such business transactions provide evidence of a decreased net realisation value of assets to be sold to the joint operation or an impairment loss concerning these assets, the Group recognises these losses in full.

The Group does not recognise its proportion of the gains and losses of the joint operation generated by assets the Group purchased from the joint operation until it sells the assets to a third party. When such business transactions provide evidence of a decreased net realisation value of assets to be purchased or an impairment loss concerning these assets, the Group recognises its proportion of these losses.

ASSOCIATED COMPANIES AND JOINT VENTURES

Associated companies include all companies in which the Group has considerable influence but no control. Usually, significant influence is based on a shareholding conferring 20–50% of the voting rights. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associated companies and joint ventures are processed using the equity method, and they are initially recognised at cost. The Group's shares in associated companies and joint ventures also include the goodwill measured at the time of acquisition less any impairment.

The Group's share of profits or losses of associated companies and joint ventures is recognised in the income statement after the operating profit, and its proportion of changes in equity after the acquisition is recognised in other items of other comprehensive income. The book value of the investment is adjusted for changes accumulated after the acquisition. If the Group's share of associated companies' and joint ventures' losses is as large or larger than its share of the associated company and joint venture including any other unsecured receivables, the Group will not recognise additional losses unless it has commitments concerning the associated companies and joint ventures and it has not made payments on behalf of it.

A proportion corresponding to the Group's shareholding is eliminated from unrealised profits between the Group and its associated companies and joint ventures. Unrealised losses are also eliminated unless the transaction indicates an impairment of the value of the asset. The accounting principles followed by associated companies and joint ventures have been amended to correspond to the principles followed by the Group as necessary. Gains or losses due to the dilution effect when shareholdings in associated company and joint venture investments decreases are recognised in the income statement.

On the closing day of each reporting period, the Group assesses whether there are any indications of impairment of an investment made in an associated company or joint venture. If any such indications are detected, the Group tests the entire book value as one asset item by comparing the amount recoverable from it to its book value.

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 functional and presentation 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 functional currency using the rate of the closing date. Non-monetary items in foreign currencies recognised at fair value have been translated into the functional 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. A change in the fair value of a derivative hedge (currency forward contracts) proven effective is recognised directly in shareholders' equity in the fair value reserve, and only after the realisation of the forecasted sales transaction it is recognised in the income statement as an adjustment of the hedged sales.

More information on currency hedging is presented in "Derivative financial instruments and hedge accounting".

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 recognised 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 recognised in the income statement as part of the gain or loss from the divestment.

When making the transition to IFRS, translation differences that arose prior to 1 January 2004, which was the transition date to IFRS standards, were recorded in the Group's retained earnings according to the exemption under IFRS 1, and they are no longer entered in the income statement if the subsidiary is disposed of subsequently. From the transition date translation differences have been presented in members' funds as a separate item.

FINANCIAL ASSETS

Financial assets have been classified according to 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. The transaction costs related to the items measured at fair value through profit and loss are recognised immediately to 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 to outside the Group. Financial asset purchases and sales are recorded at the settlement date.

Financial assets at fair value through profit and loss include mainly quoted bonds and money market fund investments that are classified as held for trading. Financial assets held for trading have been recognised at fair value based on price quotations in the market. Unrealised and realised gains and losses due to changes in fair value are recognised 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 in part "Derivative financial instruments and hedge accounting".

Held-to-maturity investments include those investments with a maturity more than six months 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 in 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 are publicly quoted and unquoted shares. They are valued at fair value, or if fair value cannot be reliably determined, at cost less impairment. The fair values of publicly quoted shares are based on the share price at the date of the financial statements. If there are no quoted prices for available-for-sale financial assets, the Group applies different types of valuation in their valuation, such as recent transactions and discounted cash flow. In this valuation, information received from the market is usually used, and factors specified by the Group itself are used as little as possible. Changes in fair value are recognised under other comprehensive income and presented in the fair value reserve, taking the tax effect into account. Accumulated changes in fair value are transferred from equity to profit and loss as a correction of classification when the investment is divested or its value has impaired so that an impairment loss is to be recognised for the investment.

Cash and cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. According to treasury policy Metsä Group has classified short-term money market investments as cash and cash equivalents.

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 reason 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 accounts receivables is described in more detail in part "Accounts receivables".

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 recognised 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 always reversed in the other comprehensive income. For assets classified as held for sale investments the impairment loss is always reversed in the other comprehensive income.

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 amortised cost using the effective interest method. Derivative contracts for which hedge accounting is not applied are classified as "Financial liabilities at fair value through profit or loss".

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivative financial instruments are initially recognised in the balance sheet as fair value at cost and thereafter during their term-to-maturity revalued at their fair value at each reporting 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 or 4) Derivatives to which it has been decided not to apply hedge accounting. 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 recognised 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 non-interest-bearing receivables or liabilities.

CURRENCY HEDGING

The group has applied cash flow hedge accounting in accordance with IAS 39 to some of its hedges of foreign exchange risk. A separately defined portion of the highly probable forecasted cash flow from Metsä Fibre's, Metsä Board's and Metsä Tissue's sales in USD, GBP, JPY, SEK, NOK and DKK is the object of hedge accounting. A change in the fair value of a derivative hedge (currency forward contracts) proven effective is recognised directly in shareholders' equity in the fair value reserve, and only after the realisation of the forecasted sales transaction it is recognised 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 recognised 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 accounted as cash flow hedge. Changes in the fair value of a derivative and loan hedge proven effective are recognised directly against the translation differences accumulated in members' funds. 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 interest rate 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 recognised in financial income and expenses in the income statement. The fair value of loans is calculated in respect of interest rate risk, but any changes in the company's credit risk premium have not been taken into account.

Moreover, to partly hedge its interest rate exposure, the Group has 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 recognised directly in members' funds in fair value reserve.

Interest rate derivatives, to which hedge accounting is not applied, are stated at their fair value, and changes in fair value are recognised under financial items in the income statement. The fair values of 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 partly hedge its electricity-, natural gas- , propane- and gas oil price risk exposure, the Group has 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 Metsä Forest's, Metsä Wood's, Metsä Fibre's, Metsä Board's and Metsä Tissue's electricity, natural gas, propane and logistics purchases in Finland, Sweden and

Germany is the object of hedge accounting. Additionally hedge accounting is applied in hedging Metsä Fibre's, Metsä Board's and Metsä Tissue's pulp price risks as so-called cash flow hedge. A change in the fair value of a derivative hedge (forward electricity-, natural gas-, gas oil-, propane- and pulp contracts) proven effective is recognised directly in equity in fair value reserve, and only after the realisation of the forecasted electricity purchases, natural gas purchases, propane purchases and logistics purchases or pulp sales or pulp purchases it is recognised in the income statement as an adjustment of the hedged purchases or sales. The ineffective part of derivatives classified to hedge accounting or other derivatives hedging commodity price risk are recognised at market rates at the balance sheet date, and changes in fair value are recognised in the income statement under "Other income and expenses".

Embedded derivatives are valued at fair value, and changes in fair value are recognised under financial items in the income statement. The amount of embedded derivatives in Metsä 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-RECURRING ITEMS

Exceptional and material items outside ordinary course of business are treated as non-recurring items. Non-recurring items are allocated to segments. These kinds of income or expenses are e.g. material profits or losses on sale, impairment charges and reverse of impairment charges related to IAS 36, Impairment of Assets, and expenses and releases of expenses related to structural changes.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

An asset item or 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 requires management to be committed to the plan to sell the asset and requires that the Group has initiated an active program to complete the plan. The asset must be available for immediate sale in its present condition and the sale should be expected within one year from the date of classification.

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 amortised after the classification.

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.

REVENUE RECOGNITION

Sales include income from the sale of products and services as well as raw materials and supplies corrected for indirect taxes, discounts and other sales adjustment items. Sale of goods is recognised as income when the risks and benefits associated with the ownership of the product are transferred to the buyer and the Group no longer has rights of possession or control on the product. Usually, this refers to the moment on which the product has been delivered to the customer in accordance with the agreed terms of delivery.

The Group's terms of delivery are based on the Incoterms 2010 delivery terms, a compilation of definitions of delivery terms published by the International Chamber of Commerce. The Group's most common delivery terms concerning sales are:

- D terms, according to which the Group has to deliver the products to the agreed destination. The sale is concluded at the moment of delivery to the buyer at the agreed destination at the agreed time.
- C terms, according to which the seller arranges and pays for transport to the agreed destination and certain other expenses. However, the Group's responsibility for the products ends after the products have been handed over to the carrier in accordance with the term used. The sale is concluded at the moment when the seller hands the goods over to the carrier for transport to the agreed destination.
- F terms, according to which the buyer arranges for the transport and is responsible for it. The sale is concluded when the products have been delivered to the buyer's carrier.

If local rules result in invoicing that deviates from the rules specified above, the impact of such income has been calculated and adjusted.

Revenue from the sale of services is recorded when the services have been rendered.

Income and expenses from long-term projects are recognised 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 recognised 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 materials and services in the income statement.

RESEARCH AND DEVELOPMENT EXPENDITURE

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

BORROWING COSTS

Borrowing costs are generally recognised as an expense in the period in which they are 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 acquisition 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 items that are recognised in comprehensive income shall be recognised in 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 tax assets and liabilities are calculated on all the temporary differences between the carrying amount 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. Deferred tax assets are recognised 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 arising from the merging of business operations is recognised to the amount by which the sum of the consideration paid, the share of non-controlling interest in the company and the previous holding exceed the fair value of the net assets to be aquired.

Goodwill is not depreciated but tested annually for impairment and always when there is an indication of a decrease in value. Goodwill is therefore allocated to cash-generating units for impairment testing. Goodwill is recognised at original acquisition cost less accumulated impairment losses.

OTHER INTANGIBLE ASSETS

Intangible assets are valued to their original acquisition cost in the balance sheet, in the case that acquisition cost can be determined reliably and it is probable, that the expected financial benefit from the asset will be to the benefit of the group.

Those intangible assets, which have a limited financial useful life, are booked by straight line depreciation as expenses impacting profit, according to their known or estimated financial useful life. Intangible assets, which have unlimited financial useful lives, are not depreciated, but tested yearly for decrease in value.

The residual value of an asset, the financial useful life and depreciation method are checked at least once at the end of the financial year and when necessary, adjustments are made to reflect changes in the expected financial benefit of the asset.

Depreciation for intangible assets begins, when the asset is ready for use, i.e. when it is in such a state, that it is able to function as intended by management. Depreciation bookings end, when an intangible asset is classified as for sale (or is included in a group classified as for sale) according to IFRS 5 standard Non-current Assets Held for Sale and Discontinued Operation.

EMISSION ALLOWANCES

The Group has received emission allowances in accordance with the European Union Emissions Trading System. Allowances are treated as intangible assets and are measured at fair value. Since allowances from governments are received without consideration, their acquisition cost is zero. Emission allowances are used simultaneously with the carbon dioxide emissions generated during their validity period. Surplus emission allowances are sold, and the earnings generated are recognised in other operating income.

If the emission allowances received free of charge are not sufficient to cover the amount of the emissions produced, the Group purchases additional allowances from the market. The allowances purchased are recognised in intangible rights at the fair value of the acquisition date.

The provision to fulfil the obligation to return the emission allowances is recognised at the fair value on the closing date of the reporting period if the emission allowances received free of charge and purchased are not sufficient to cover the amount of the actual emissions.

COMPUTER SOFTWARE

Expenditure on developing and building significant new computer software programs are recognised in the balance sheet as an intangible asset and amortised by using the straight-line-method over its estimated useful life, which is not to exceed seven years. Direct expenses to be capitalised 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 is recorded as an expense in the reporting period in which it has been incurred.

OTHERS

The cost of patents, licences and trademarks having a finite useful life is capitalised in the balance sheet under intangible assets and amortised on a straight-line basis over their estimated useful lives in 5–20 years.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is measured at acquisition cost less accumulated depreciation and impairment losses.

The acquisition cost includes costs that are directly incurred in the acquisition of an item of property, plant or equipment. The acquisition cost of an asset item of own manufacture includes material costs, direct expenses incurred through employment benefits as well as other direct expenses from preparing an item of property, plant or equipment for its intended purpose. External capital expenses resulting directly from the acquisition, construction or manufacture of an item of property, plant or equipment that meet the conditions are activated as part of the acquisition cost of property, plant and equipment.

If a piece of property, plant or equipment consists of several parts with differing useful lives, each part is handled as a separate item. In that case, the expenses related to replacing the part are activated, and any book value remaining at the time of the replacement is derecognised.

Spare parts, spare equipment and maintenance supplies are recognised in property, plant and equipment when they are in accordance with the definition of property, plant and equipment. Otherwise, such commodities are classified as inventories.

Environmental expenditures are capitalised if they have been incurred to prevent or reduce future damage or conserve resources and bring future economic benefits.

Subsequent expenses caused by additions to an item, replacing a part thereof with a new one, or the maintenance of an item is included in the book value of a tangible piece of property, plant or equipment only if it is likely that the future financial benefit related to the item will benefit the Group and the acquisition cost of the item can be reliably determined. Service expenses, i.e. repair and maintenance costs, are recognised through profit and loss when they are realised.

Property, plant and equipment is depreciated on a straight-line basis over the following estimated 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. The residual value of an asset, the financial useful life and depreciation method are checked at least once at the end of the financial year and when necessary, adjustments are made to reflect changes in the expected financial benefit of the asset.

Depreciation for tangible assets begins, when the asset is ready for use, e.g. when it is in such a location and state, that it is able to function as intended by management. Depreciation bookings end, when a tangible asset is classified as for sale (or is included in a group classified as for sale) according to IFRS 5 standard Non-current Assets Held for Sale and Discontinued Operation.

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 other operating income and expenses in the income statement.

GOVERNMENT GRANTS

Government grants, such as government grants received related to acquisition of fixed assets, are booked as reductions to the book value of said fixed assets, when it is fairly certain, that the grants will be received and the Group fulfills the requirements for receiving such grants. The grants are recognised as income in the form of lower depreciation during the useful life of the asset. Grants, which are received as compensation for already incurred expenses, are booked in "other operating income" during the period, when the right to the grant emerges.

LEASES

Leases on property, plant and equipment for which the Group assumes substantially all the risks and rewards characteristic to ownership of the asset are classified as finance lease agreements. A finance lease agreement is recognised 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 during the lease term. The interest rate of the liability for each period left is formed to be equal.

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 recognised as an expense in the income statement on a straight-line basis over the lease term.

IMPAIRMENT OF ASSETS NOT INCLUDED IN FINANCIAL ASSETS

No depreciation or amortisation is recognised for assets with an indefinite useful life, such as goodwill; they are annually tested for impairment. Assets that are subject to depreciation or amortisation are always tested for impairment when events or changes in conditions indicate that it is possible that the monetary amount corresponding to the book value of the assets might not be recoverable.

The recoverable amount is the fair value of an asset less costs to sell or its value in use, whichever is higher. Value in use is the estimated future net cash flows, discounted to their present value, expected to be derived from the said asset or cash-generating unit. The discount rate used is the interest rate before taxes that represents the market's view of the time value of money and special risks associated with the asset.

Asset items are grouped for impairment assessment to the lowest levels on which cash flows can be separately itemised (cash-generating units). An impairment loss is recognised if the carrying amount of the asset is higher than its recoverable amount. If the impairment loss concerns a cash-generating unit, it is first allocated to decrease the goodwill of the cash-generating unit and thereafter to decrease the other assets of the unit symmetrically. In connection with the recognition of the impairment loss, the useful life of the depreciated asset is re-evaluated. An impairment loss recognised for an asset other than goodwill is reversed if a change has taken place in the estimates used to determine the recoverable amount of the asset. However, the maximum reversal of an impairment loss amounts to no more than the carrying amount of the asset if no impairment loss had been recognised. An impairment loss recognised on goodwill is not reversed under any circumstances.

BIOLOGICAL ASSETS

Biological assets (growing 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. The measurement of Metsä Group's associated companies' biological assets is in line with the Group's accounting principles.

INVENTORIES

Inventories are measured at the lower of acquisition cost or net realisable value. The acquisition cost is determined using the FIFO (first-in, first-out) method or alternatively, the weighted average price method depending on the character of the inventories. The acquisition cost of completed products acquired comprises all purchase costs, including direct transport, handling and other expenses. The acquisition cost of finished and semi-finished products of own manufacture includes raw materials, expenses incurred in direct work performance and other direct expenses, as well as the systematically allocated portion of variable overheads of manufacturing and fixed overheads at the normal level of operation. The acquisition cost does not include expenses of external capital. The net realisation value is an estimated sales price received in regular business operations less the estimated expenses of finishing the product and the estimated expenses necessary for closing the sale.

ACCOUNTS RECEIVABLES

Accounts receivables are measured at the expected net realisable 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 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 co-operative does not have an unconditional right to refuse 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 participation shares and additional shares corresponds to 1/3 of distributable funds confirmed in the most recent balance sheet. This amount is recognised as an interest-bearing financial liability in the financial statements.

PROVISIONS

A provision is recognised 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 or all of the expenditure required to settle a provision 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 Group has raised valid expectations in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

ONEROUS CONTRACTS

A provision is recognised for an onerous contract, when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

ENVIRONMENTAL OBLIGATIONS

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

EMPLOYEE BENEFITS

PENSION BENEFITS

The Group has several arrangements concerning benefits following the termination of employment, including both defined benefit pension plans and defined contribution pension plans.

A defined contribution plan is a pension arrangement in which fixed contributions are made to a separate unit, and the Group does not have legal or constructive obligations to make additional contributions if the fund has insufficient funds to pay all benefits based on the performance of the current and previous financial years to all employees. All arrangements that do not meet these requirements are considered defined benefit plans.

A defined benefit plan usually defines the pension benefit that the employee will receive upon retiring and the benefit amount, which usually depends on one or more factors, including the employee's age, service years and salary level.

With the defined benefit plans, the current value on the end date of the obligations reporting period, less the fair value of the assets included in the arrangement, is recognised in the balance sheet as a liability. The amount of the obligation arising from the defined benefit plan is based on annual calculations by independent actuaries using the Projected Unit Credit Method. The current value of the obligation is determined using the interest rate equalling the interest of high-quality bonds issued by the companies as the discount rate for the estimated future cash flows. The bonds used in determining the interest rate have been issued in the same currency as the benefits to be paid, and their maturity is approximately the same as that of the corresponding pension obligation.

Actuarial gains and losses from experience verifications and changes in actuarial assumptions are recognised through items in other comprehensive income as a reimbursement or charge in equity for the period during which they have incurred.

Past service costs are recognised immediately through profit and loss.

In defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans that are mandatory, contractual or voluntary. Apart from these contributions, the Group does not have any other payment obligations. The contributions paid are recognised as personnel expenses when they fall due. Prepaid contributions are recognised in assets in the balance sheet to the extent that they can be recovered as reimbursements or deductions of future payments.

BENEFITS RELATED TO THE TERMINATION OF EMPLOYMENT

Benefits related to the termination of employment are paid when the Group terminates a person's employment contract before the regular retirement age or when a person agrees to resign voluntarily against such benefits. Benefits related to the termination of employment will be recognised at the earlier of the following points in time: (a) when the Group can no longer revoke its offer concerning said benefits, and (b) when it recognises the expense on a restructuring within the scope of IAS 37, which contains the payment of benefits related to the termination of employment. In the case of an offer made to promote voluntary resignation, the benefits related to the termination of employment are defined based on the number of persons expected to accept the offer. Benefits which fall due in more than 12 months after the end of the reporting period will be discounted at the current value.

PROFIT SHARING AND BONUS ARRANGEMENTS

A liability and expense to be recognised on profit sharing and bonus arrangements is based on the conditions of the profit sharing and bonus arrangements. A liability is recognised when the Group has an obligation based on an agreement or a constructive obligation has arisen on the basis of past practices.

SHARE BASED PAYMENT

Share-based incentive programmes in which the payments are made with equity instruments and cash have been established for the company's top executives. The equity instruments are measured at fair value at the date of granting them and charged to the income statement and equity evenly during the vesting period. The payments made in cash are measured at fair value at the balance date and charged to income statement and liabilities during the vesting period. The profit impact of the arrangements is presented in employee costs in the income statement.

DIVIDENDS PAYABLE AND INTEREST PAID ON MEMBERS' CAPITAL

Dividends payable by the company are recognised 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 recognised as a decrease in equity in the period during which the representative council has approved the interest for payment. The share regarded as a financial liability of the interest on interest paid on members' capital has been recognised in interest expenses.

COMPARATIVE FIGURES

When necessary, comparative figures have been restated to conform to changes in presentation.

ADOPTION OF NEW AMENDED STANDARDS AND INTERPRETATIONS APPLICABLE IN FUTURE FINANCIAL YEARS

Metsä Group has not yet adopted the following new or amended standards and interpretations already issued by the IASB. The Group will adopt them as of the effective date of each standard or interpretation or, if the date is other than the first day of the financial year, from the beginning of the financial year following the effective date.

* Not yet endorsed for use by the European Union as of 31 December 2015.

Amendment to IAS 1 Presentation of Financial Statements: Disclosure Initiative (effective for financial years beginning on or after 1 January 2016). The purpose of the amendments is to encourage entities to exercise judgement in presenting their financial reports. For example, the amendments clarify the application of the concept of materiality and exercising judgement in determining the order and location of the notes to the financial statements. The amendments are not assessed to have a material impact on the consolidated financial statements.

Amendments to IFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations (effective for financial years beginning on or after 1 January 2016): The amendments provide new guidance in IFRS 11 concerning how the acquisition of a share in a joint operation is handled when the business operations are formed by the joint operations. In that case, the accounting procedure for merging of business operations should be used. The amendments are not assessed to have a material impact on the consolidated financial statements.

Annual Improvements to IFRS standards, the 2012–2014 cycle (effective for financial years beginning on or after 1 January 2016): The annual improvements process provides a mechanism for minor and non-urgent amendments to the standards to be grouped together and issued in one package annually. The amendments cover four standards. Their impacts vary by standard but are not significant.

The new IFRS 15 Revenue from Contracts with Customers* (effective for financial years beginning on or after 1 January 2018): IFRS 15 provides an extensive framework for determining whether, by how much and when sales revenue can be recognised. IFRS 15 replaces the current guidance on revenue recognition, such as IAS 18 Revenue, IAS 11 Construction Contracts, and IFRIC 13 Customer Loyalty Programmes. According to IFRS 15, an entity will recognise revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services in question. The Group will assess the impact of IFRS 15.

The new IFRS 9 Financial Instruments* (effective for financial years beginning on or after 1 January 2018) standard: The standard replaces the current IAS 39 Financial Instruments: Recognition and Measurement standard. IFRS 9 includes revised guidance on the recognition and measurement of financial instruments. This also covers the new accounting model for expected credit losses, which is applied for determining the impairment losses to be recognised on financial assets. The standard's general requirements concerning hedge accounting have also been revised. The IAS 39 requirements for derecognition of financial assets and financial liabilities have been carried over. The Group will assess the impact of the standard.

Other new or amended standards have no impact on the consolidated financial statements.

2. Key accounting estimates applied in the financial statements and judgements 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 judgement in applying the accounting principles. The estimates made and judgement-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.

IMPAIRMENT TESTING

The Group annually tests goodwill, intangible assets in progress and intangible assets with infinite useful lives 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 2015 no impairment losses were recognised in the testings. 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 8.

BIOLOGICAL ASSETS

Most of the biological assets in the Group belong to associated companies. The Group also has some direct possessions. Biological assets (growing 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. The calculation of fair value is based on the future growth of the stand, the fellings, the price development and the interest used for discounting. Changes in the fair value of a stand of trees of the direct possessions are included in operating result. Changes in the fair value of a stand of trees of the associated companies are included in "Share of results from associated companies and joint ventures." The consolidated balance sheet includes biological assets of EUR 13.4 million at 31 December 2015. The Group's share of the fair value of the associated companies' biological assets was EUR 58.2 million at 31 December 2015.

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 Pohjolan Voima shares was on 31 December 2015 EUR 219.2 million. The carrying amount of Pohjolan Voima shares would be estimated to be EUR 0.9 million lower or EUR 1.4 million higher should the rate used for discounting the cash flows differ by 10% from the rate estimated by the management. The carrying amount of Pohjolan Voima Oy would be estimated to be EUR 27.9 million higher or EUR 27.9 million lower should the energy prices used for calculating the fair value differ by 10% from prices estimated by the management.

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 judgement, 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 143.9 million would be recognised in the financial statements for 2015 when the changes in fair value associated with impaired available-for-sale financial assets of Pohjolan Voima Oy recognised under equity would be charged to the income statement.

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's balance sheet included inventories amounting to EUR 686.8 million on 31 December 2015.

ACCOUNTS RECEIVABLES

Accounts receivables are recognised according to the original invoiced amount less any impairment 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's balance sheet at 31 December 2015 included accounts receivables amounting to EUR 522.9 million and impairment losses recorded for accounts receivables amounting to EUR 0.7 million.

PENSION PLANS

The present 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 is 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.

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. Termination payments are recorded when a detailed plan has been made of the restructuring and the Group has raised valid expectations in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. Provisions amounted to EUR 43.3 million on Metsä Group's balance sheet at 31 December 2015.

INCOME TAXES

The management's judgement 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 2015 includes deferred tax receivables of EUR 7.0 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 judgement. 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 receivables and liabilities based on the taxable income for the period and deferred tax receivables and liabilities in the period during which they are observed.

LEGAL RESPONSIBILITIES

The management's assessment is required in measuring and recognising the provisions related to ongoing legal proceedings. A provision is recognised when, as a result of an earlier event, the Group has a legal or actual obligation, the realisation of a payment obligation is likely, and the amount of the obligation can be reliably estimated. Due to the course of legal proceedings being difficult to foresee, the actual cost of the proceedings may differ considerably from the original estimate.

3. Segment information

The Group's operating segments are comprised of the Group's business areas. The business areas produce different products and services, and they are managed as separate units.

The operating segments are reported uniformly with internal reporting submitted to the chief operational decision-maker. The President and CEO has been appointed as the chief operational decision-maker in charge of allocating resources to the operating segments and evaluating their performance.

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

The segment's performance is evaluated based on the operating result.

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 AND FOREST SERVICES

The wood supply and forest services segment provides premium wood and wood energy for Metsä Group's production units and other customers. It offers owner-members of the parent company, Metsäliitto Cooperative, comprehensive services in wood trade and forest and nature management.

WOOD PRODUCTS INDUSTRY

The wood products industry segment provides competitive and environmentally friendly wood products for construction, industry and distribution partners. The products are manufactured from premium and renewable northern wood raw material.

PULP INDUSTRY

The pulp industry segment is one of the world's leading manufacturers of bioproducts and producers of bioenergy. The company's main products, bleached softwood and birch pulps, have been developed for manufacturing paperboards, tissue and printing paper, as well as speciality paper. Pulp industry sells its products under the Botnia brand and has four pulp mills in Finland. It is also building a next-generation bioproduct mill in Äänekoski.

PAPERBOARD INDUSTRY

Metsä Board is Europe's leading producer of folding boxboard and white fresh forest fibre linerboard, and a market pulp supplier. Its lightweight paperboards are designed for consumer, retail and food service packaging, above all. The pure fresh forest fibre used by the company is a renewable raw material from sustainably managed northern forests, and it can be recycled after use. Metsä Board's global sales network serves brand owners, converters and merchant customers.

TISSUE AND COOKING PAPERS

The tissue and cooking papers segment provides comfort to the everyday lives of consumers, end users and customers. It is one of Europe's leading suppliers of tissue paper products to households and industrial consumers and the leading supplier of cooking papers in the world. The company's main brands are Lambi, Serla, Mola, Tento, Katrin and SAGA.

OTHER OPERATIONS

Other operations include the Metsä Group head office functions, the company Metsä Group Treasury Oy and the holding function of Metsäliitto Cooperative as well as a share of Metsätapiola's real estates.

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

SEGMENTS 2015

EUR million	Wood Supply and Forest Services	Wood Products Industry	Pulp Industry	Paperboard Industry	Tissue and Cooking Papers	Other operations	Eliminations	Group total
External sales	386.9	799.4	883.2	1,932.7	1,014.9	-1.0	0.0	5,016.0
Internal sales	1,131.3	52.9	561.4	74.8	0.9	5.2	-1,826.4	0.0
Sales total	1,518.1	852.2	1,444.6	2,007.5	1,015.8	4.1	-1,826.4	5,016.0
Operating result	29.0	10.0	337.2	199.0	41.6	21.8	-96.5	542.1
Non-recurring items in operating result	0.0	-21.4	0.0	19.2	-13.5	20.5	0.0	4.7
Operating result excl. non-recurring items	29.0	31.4	337.2	179.9	55.1	1.3	-96.5	537.4
Share of results from associated companies and joint ventures								11.2
Finance costs, net								-84.9
Income taxes								-112.6
Result for the period								355.7
Assets	223.8	359.7	879.0	1,889.5	896.3	261.7	-223.2	4,286.8
Investments in associated companies and joint ventures								43.4
Assets classified as held for sale						1.6		1.6
Unallocated assets								1,284.6
Total assets								5,616.4
Liabilities	177.9	105.9	292.8	441.2	300.2	102.5	-223.2	1,197.3
Liabilities classified as held for sale						1.1		1.1
Unallocated liabilities								2,001.1
Total liabilities								3,199.5
Investments in tangible and intangible assets	6.0	17.3	250.6	175.0	29.4	13.3		491.6
Depreciation	3.5	27.1	63.1	103.4	38.4	2.0	15.1	252.6
Impairment charges		3.3		0.1	2.1		0.2	5.6
Personnel, average	909	2,187	875	2,851	2,805	490		10,117

Segment's assets = intangible and tangible assets, investments in associated companies and joint ventures, 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)

NON-RECURRING ITEMS IN OPERATING RESULT 2015

EUR million	Wood Supply and Forest Services	Wood Products Industry	Pulp Industry	Paperboard Industry	Tissue and Cooking Papers	Other operations	Eliminations	Group total
Sales profits in other operating income		1.7	0.0	17.5	0.2	20.8	0.0	40.2
Change in inventories		-12.4						-12.4
Employee costs	0.0			-0.4	-7.5			-7.9
Impairment charges		-3.3		-0.4	-1.6			-5.2
Reversal of impairment charges				0.3				0.3
Other operating expenses		-7.4		2.1	-4.6	-0.3		-10.2
Total	0.0	-21.4	0.0	19.2	-13.5	20.5	0.0	4.7

WOOD PRODUCTS INDUSTRY: The non-recurring items in operating result are due to the sale of Metsä Wood France S.A.S.

PAPERBOARD INDUSTRY: Operating result includes sales profits of EUR 17.5 million due to the sale of Metsä Board Gohrsmühle mill. Other operating expenses include a reversed provision of EUR 2.6 million made for the closure of Metsä Board's Alizay mill in France.

TISSUE AND COOKING PAPERS: The employee costs include a provision of EUR 7.0 million due to the reorganisations in Germany. Impairment charges include an impairment loss of EUR 1.6 million due to Metsä Tissue's Russian operations and to the closure of one production line in Düren, Germany.

OTHER OPERATIONS: The operating profit includes the gain of EUR 20.8 million from the sale of the shares (30.13% of the share capital) in Finsilva Oyj.

In addition, an impairment of EUR -2.3 million has been recognised in financial expenses as a non-recurring item associated with Metsä Fibre's and Metsä Board's shares in the shareholder loan granted to Pohjolan Voima in the OL4 project.

SEGMENTS 2014

EUR million	Wood Supply and Forest Services	Wood Products Industry	Pulp Industry	Paperboard Industry	Tissue and Cooking Papers	Other operations	Eliminations	Group total
External sales	391.0	836.4	791.1	1,939.4	1,012.3	0.1	0.0	4,970.3
Internal sales	1,184.0	60.5	504.6	69.1	0.5	9.4	-1,828.1	0.0
Sales total	1,575.0	896.9	1,295.7	2,008.4	1,012.8	9.6	-1,828.1	4,970.3
Operating result	26.7	34.1	227.9	116.5	61.8	-40.7	-9.5	416.9
Non-recurring items in operating result	-1.5	-3.1	20.3	-19.9	-0.4	-42.6	45.9	-1.3
Operating result excl. non-recurring items	28.2	37.2	207.5	136.5	62.2	1.9	-55.4	418.1
Share of results from associated companies and joint ventures								16.4
Finance costs, net								-103.4
Income taxes								-69.7
Result for the period								260.3
Assets	262.4	392.8	709.7	1,873.4	899.5	260.3	-238.1	4,160.1
Investments in associated companies and joint ventures								77.7
Assets classified as held for sale		8.8				2.1		10.9
Unallocated assets								1,198.3
Total assets								5,447.0
Liabilities	176.3	106.7	253.6	537.3	269.4	108.7	-238.1	1,213.8
Liabilities classified as held for sale		4.5				1.4		6.0
Unallocated liabilities								2,170.0
Total liabilities								3,389.8
Investments in tangible and intangible assets	4.8	13.7	26.0	42.5	38.0	18.0		143.0
Depreciation	3.0	29.1	62.0	99.8	38.7	2.2	14.2	248.9
Impairment charges		1.3		25.8			0.2	27.3
Personnel, average	909	2,401	897	3,200	2,863	505		10,775

Segment's assets = intangible and tangible assets, investments in associated companies and joint ventures, 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)

NON-RECURRING ITEMS IN OPERATING RESULT 2014

EUR million	Wood Supply and Forest Services	Wood Products Industry	Pulp Industry	Paperboard Industry	Tissue and Cooking Papers	Other operations	Eliminations	Group total
Sales profits in other operating income		0.2	20.3	32.1			50.0	102.6
Employee costs	-1.5	-1.7		-9.7	-0.4			-13.2
Share of results from associated companies and joint ventures				4.1			-4.1	0.0
Depreciation		-0.6						-0.6
Impairment charges		-0.9		-26.1				-27.0
Reversal of impairment charges				0.3				0.3
Other operating expenses		-0.2		-20.6		-42.6		-63.4
Total	-1.5	-3.1	20.3	-19.9	-0.4	-42.6	45.9	-1.3

WOOD SUPPLY AND FOREST SERVICES: the operating result includes employee cost provisions of EUR 1.5 million due to the organisational reform.

WOOD PRODUCTS INDUSTRY: The operating result includes employee cost provisions of EUR 1.7 million due to the performance improvement programme started in October 2014. In addition, operating result includes an impairment of EUR 0.9 million based on testing due to changes in distribution and warehousing operations in the Czech Republic and Slovakia.

PULP INDUSTRY: Operating result includes sales profits of EUR 20.3 million due to the sale of B-shares in Pohjolan Voima Oy.

PAPERBOARD INDUSTRY: Operating result includes sales profits of EUR 32.1 million due to property sales in Finland. Employee costs includes EUR 9.2 million and other operating expenses EUR 4.1 million due to reorganisations at Metsä Board Husum, Sweden. Share of results from associated companies and joint ventures includes Metsä Fibre's EUR 4.1 million sales profit from the sale of B-shares in Pohjolan Voima Oy.

Impairment charges include Metsä Board Zanders' impairment of EUR 26.1 million for the Gohrsmühle factory in Germany. The impairment is based on testing. Furthermore, Metsä Board reversed an impairment of EUR 0.3 million from the sold, fully depreciated old paper machine in Simpele.

Other operating expenses include the Arbitral Tribunal's judgement of 11.2.2014, which ordered Metsä Board to pay an EUR 17.4 million compensation to UPM-Kymmene Corporation. In addition, other operating expenses include reversed rent provisions of EUR 1.1 million.

OTHER OPERATIONS: Operating result includes other operating expenses of EUR 41.9 million due to the Arbitral Tribunal's judgement of 11.2.2014, which ordered Metsäliitto Cooperative to pay compensation to UPM-Kymmene Corporation.

In 2012 Metsä Board sold B-shares of Pohjolan Voima Oy to Metsä Fibre. The sales gain was eliminated in Metsä Group. As Metsä Fibre in 2014 sold the shares in Pohjolan Voima Oy to an external buyer, the earlier eliminated sales gain of EUR 50.0 million was recognised as an revenue. The EUR 4.1 million sales gain of the B-shares in Pohjolan Voima Oy included in Paperboard Industry's operating result is eliminated on Metsä Group level.

In addition, interest and other financial expenses, which are presented after the operating result, include interest expenses totalling EUR 7.6 million due to the Arbitral Tribunal's judgement of 11.2.2014, which ordered Metsäliitto Cooperative and Metsä Board to pay compensation to UPM-Kymmene Corporation.

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.

GEOGRAPHICAL SEGMENTS

	SALES		NON-CURRENT ASSETS		INVESTMENTS	
EUR million	2015	2014	2015	2014	2015	2014
Finland	**848.4**	920.6	**2,387.6**	2,291.5	**306.7**	105.2
Germany	**661.5**	622.6	**123.8**	147.6	**17.9**	9.3
Great Britain	**502.3**	475.1	**35.8**	27.3	**1.4**	3.1
Italy	**249.8**	267.0	**0.1**	0.1	**0.0**	0.0
France	**243.4**	251.7	**0.1**	5.5	**0.1**	1.3
Sweden	**231.5**	241.7	**430.2**	321.3	**155.8**	12.5
Poland	**147.7**	168.0	**77.5**	78.1	**5.9**	6.3
Other EU countries	**637.4**	641.6	**55.0**	58.8	**2.3**	2.3
Norway	**131.7**	115.6	**0.0**	0.0	**0.0**	0.0
Russia	**104.6**	112.2	**17.5**	27.8	**1.4**	2.8
Other Europe	**126.0**	148.4	**0.1**	0.1	**0.0**	0.0
China	**356.2**	313.9	**0.1**	0.3	**0.0**	0.1
USA	**243.9**	196.7	**0.4**	0.3	**0.1**	0.2
Other countries	**531.6**	495.2	**0.0**	0.0	**0.0**	0.0
TOTAL	**5,016.0**	4,970.3	**3,128.2**	2,958.7	**491.6**	143.0

PERSONNEL AT YEAR END

	2015	2014
Finland	**5,122**	5,131
Sweden	**1,341**	1,402
Germany	**1,180**	1,651
Great Britain	**485**	557
Poland	**457**	429
Russia	**371**	478
Slovakia	**312**	316
Baltic countries	**75**	74
Other Europe	**176**	292
Other countries	**80**	80
Total	**9,599**	10,410

INFORMATION ON MOST IMPORTANT CUSTOMERS

Group's income from one customer did not exceeded 10 per cent of the Group's total income in 2015 or 2014.

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

ACQUISITIONS OF SUBSIDIARIES AND JOINT VENTURES

No significant acquisitions of subsidiaries or joint ventures were made in 2015 or 2014.

ACQUISITIONS OF NON-CONTROLLING INTEREST

No acquisitions of non-controlling interest took place in 2015.

On January 15, 2014 Metsäliitto Cooperative acquired 6% of the shares in Metsä Tissue Corporation owned by Josef Antosik. Including tax, the acquisition price was EUR 20.9 million. After the transaction, Metsäliitto Cooperative's holding in Metsä Tissue is 91%. As a consequence of the acquisition the non-controlling interest decreased by EUR 17.9 million and the retained earnings by EUR 3.0 million.

No other acquisitions of non-controlling interest were made in 2014.

EFFECT ON EQUITY ATTRIBUTABLE TO MEMBERS OF PARENT COMPANY DUE TO ARRANGEMENTS WITH NON-CONTROLLING INTEREST 31.12.2014.

EUR million	2014
From increase in shareholdings in Metsä Tissue Corporation	-3.0
From other arrangements	-0.1
Net effect on equity	-3.0

ASSETS CLASSIFIED AS HELD FOR SALE

Assets classified as held for sale include in 2015 and 2014 apartments and parking places of Asunto Oy Tapiolan Jalava and Asunto Oy Tapiolan Pyökki not sold. The apartments not sold have been recognised at book value and the parking places not sold at fair value less costs of sale. In 2015 an impairment loss of EUR 0.2 million was recognised for parking places not sold (0.2).

Metsäliitto Cooperative agreed on 31 December 2014 on the sale of the entire share capital of Metsä Wood's UK-based pole business subsidiary Burt Boulton & Haywood Ltd (BBH) to ScanPole Ltd, a subsidiary of Iivari Mononen Oy. Assets and liabilities classified as held for sale have been recognised at fair value less costs of sale. An impairment loss of EUR 0.4 million was recognised in the income statement of 2014. The transaction was completed on 2 February 2015.

ASSETS CLASSIFIED AS HELD FOR SALE

EUR million	Note	2015	2014
Tangible assets	12	1.6	2.8
Inventories		0.0	5.6
Accounts receivables and other receivables		0.0	2.3
Cash and cash equivalents		0.0	0.2
Total assets		1.6	10.9
Provisions	23	0.0	0.5
Borrowings	24	1.1	2.1
Accounts payables and other payables		0.0	3.3
Total liabilities		1.1	6.0

DISPOSED OPERATIONS

DISPOSED SUBSIDIARIES AND JOINT VENTURES

On 21 May 2015 Metsä Board sold 100 per cent of its shareholdings in Metsä Board Zanders GmbH including all liabilities related to the company, to a holding company wholly owned by mutares AG and its partner company. Metsä Board Zanders include the operations of the Gohrsmühle mill in Bergisch Gladbach, Germany. A sales gain of EUR 17.5 million was recognised from sale as well as a negative cash flow impact of EUR 38.2 million.

METSÄ BOARD ZANDERS GMBH

EUR million	Note	2015
Tangible and intangible assets	11, 12	5.5
Deferred tax receivables	17	10.9
Inventories		30.7
Accounts receivables and other receivables		49.6
Cash and cash equivalents		3.0
Total assets		99.7
Non-controlling interest		0.0
Pensions	22	93.6
Provisions	23	2.1
Borrowings		0.0
Accounts payables and other payables		23.8
Total liabilities		119.5
Net assets		-19.8
Translation differences and consultant fees paid		1.2
Selling price		-1.2
Profit on disposal		17.5
Cash and cash equivalents received		-34.0
Consultant fees paid		-1.2
Cash and cash equivalents of disposed subsidiary		-3.0
Net cash flow arising on disposal		-38.2

Metsäliitto Cooperative agreed on 31 December 2014 on the sale of the entire share capital of Metsä Wood's UK-based pole business subsidiary Burt Boulton & Haywood Ltd (BBH) to ScanPole Ltd, a subsidiary of Iivari Mononen Oy. The transaction was completed on 2 February 2015. A sales loss of EUR 0.2 million was recognised from the disposal of the operation and a positive cash flow of EUR 4.2 million was generated.

Metsä Cooperative sold the entire share capital of Metsä Wood's French timber upgrading company Metsä Wood France SAS to mutares AG on 5 October 2015. When the preliminary understanding was reached on 25 June 2016, the assets and liabilities of the company were classified as held for sale and valued at fair value less cost of sale. As a result, an impairment of EUR 21.8 million was recognised. A sales profit of EUR 0.4 million was recognised on the sale and a negative cash flow of EUR 5.9 million was generated from the sale.

During 2015 and 2014 Metsäliitto Cooperative sold holdings in Asunto Oy Tapiolan Jalava, Asunto Oy Tapiolan Pyökki and Kiinteistö Oy Tapiolan Jalopuupysäköinti. After these sales Metsäliitto Cooperative's share in Asunto Oy Tapiolan Jalava is 1.70%, in Asunto Oy Tapiolan Pyökki 4.49% and in Kiinteistö Oy Tapiolan Jalopuupysäköinti 28.10%. Sales profits of EUR 5.5 million (4.7) were recognised for the sales and a positive cash flow of EUR 9.1 million was generated (7.6).

Metsäliitto Cooperative sold the shares of Metsä Wood Eesti AS to the Estonian company Combimill Invest OÜ. The transaction was closed on 30 June 2014. A sales profit of EUR 0.7 million was recognised and the cash flow was EUR 5.5 million positive.

Metsäliitto Cooperative agreed on 13 November 2014 on the sale of Metsä Wood's impregnated wood business to Aureskosken Jalostetehdas Oy. A sales profit of EUR 0.1 million was recognised and the cash flow was EUR 1.8 million positive.

DISPOSED OPERATIONS TOTAL

EUR million	Note	2015	2014
Tangible and intangible assets	11, 12	**18.4**	12.5
Deferred tax receivables	17	**11.3**	0.0
Inventories		**35.9**	2.5
Accounts receivables and other receivables		**53.5**	1.8
Cash and cash equivalents		**5.7**	12.2
Total assets		**124.7**	29.0
Pensions	22	**93.8**	0.0
Provisions	23	**2.9**	0.0
Borrowings		**9.5**	6.7
Accounts payables and other payables		**34.2**	0.7
Total liabilities		**140.4**	7.4
Net assets		**-15.7**	21.6
Translation differences and consultant fees paid		**2.3**	0.3
Selling price		**9.8**	27.4
Profit on disposal		**23.2**	5.5
Cash and cash equivalents received		**-23.0**	27.4
Consultant fees paid		**-2.2**	-0.3
Cash and cash equivalents of disposed subsidiaries		**-5.7**	-12.2
Net cash flow arising on disposals		**-30.8**	14.9

DISPOSALS OF NON-CONTROLLING INTEREST

In March 2015 Metsä Group used 0.29% of its B-shares in Metsä Board according to the share incentive scheme. After the share-based payments the Group's holding in Metsä Board is 42.24%. As a consequence the non-controlling interest increased by EUR 1.6 million and the retained earnings increased by EUR 0.3 million.

In March 2014 Metsä Group used 0.28% of its B-shares in Metsä Board according to the share incentive scheme. After the share-based payments the Group's holding in Metsä Board is 42.53%. As a consequence the non-controlling interest increased by EUR 1.3 million and the retained earnings increased by EUR 0.6 million.

5. Long-term projects

Only the Building Products business line in the Group's segment Wood Products Industry deals with long-term projects. Group sales include EUR 7.3 million (7.4) in income from long-term projects.

The income statement included EUR 1.4 million income from long-term projects in progress (1.3). The balance sheet included EUR 0.3 million in advance payments from long-term projects in progress (0.7).

6. Other operating income

EUR million	2015	2014
Gains on disposals	**54.3**	114.8
Rental income	**4.4**	4.9
Service revenue	**10.5**	12.1
Government grants	**9.5**	17.9
Sales of scrap and waste	**2.9**	5.2
Other operating income	**14.2**	15.3
Total	**95.7**	170.3

In 2015 the most significant gains on disposals were the gain of EUR 20.8 million related to the sale of shares in Metsäliitto Cooperative's associated company Finsilva Oyj (30.13 per cent of the share capital), the sale of Metsä Board Gohrsmühle mill for EUR 17.5 million as well as the sales gains of EUR 5.9 million from the sale of shares in Asunto Oy Tapiolan Jalava and Asunto Oy Tapiolan Pyökki, Metsä Board's property sales for EUR 3.4 million and electricity certificates for EUR 1.9 million sold by Metsä Board Sverige.

In 2014 the most significant gains on disposals were the gain of EUR 70.3 million related to the sale of B-shares in Pohjolan Voima Oy, Metsä Board's property sales in Finland for EUR 33.8 million, electricity certificates for EUR 2.7 million sold by Metsä Board Sverige and sales gains of EUR 5.2 million from sale of shares in Asunto Oy Tapiolan Jalava.

Government grants concern the subsidies of training, healthcare and R&D expenses, energy subsidies and in 2014 also the carbon dioxide emission permits in accordance with the EU emission trading scheme.

7. Operating expenses

EUR million	2014	2013
Materials and services		
Materials, consumables and goods		
Purchases	**2,313.0**	2,410.1
Change in inventories	**1.0**	-29.4
External services		
Logistics expenses	**652.3**	632.2
Other external services	**363.3**	377.6
Materials and services, total	**3,329.6**	3,390.6
Employee costs		
Wages and salaries	**456.7**	460.9
Share-based payments	**12.8**	5.7
Social security costs		
Pension costs		
Defined contribution plans	**3.6**	5.5
Defined benefit plans	**65.1**	56.4
Other employee costs	**160.7**	163.6
Total	**229.4**	225.4
Employee costs total	**699.0**	692.0
Other operating expenses		
Rents	**52.5**	71.7
Purchased services	**185.1**	180.6
Losses on fixed asset disposals	**1.7**	0.3
Other operating expenses	**197.3**	123.7
Other operating expenses total	**436.7**	376.3

External services include production related services and logistics expenses of sold products. Other operating expenses include among others energy costs, marketing costs and administration costs.

Information on share-based payments is presented in Note 31 and renumeration paid to top management in Note 32.

The employee costs include in 2015 a provision of EUR 7.0 million due to the reorganisations in Germany.

The sale of Metsä Wood France S.A.S. in 2015 increased other operating expenses by EUR 7.4 million. In 2015 other operating expenses also include a reversed provision of EUR 2.6 million made for the closure of Metsä Board's Alizay mill in France and a non-recurring expense of EUR 4.4 million mainly due to Metsä Tissue's Russian operations.

The reorganisation at Metsä Board's Husum mill in Sweden increased the employee costs in 2014 by EUR 9.2 million and other operating expenses by EUR 4.1 million.

On 11 February 2014 the Arbitral Tribunal ordered Metsäliitto Cooperative to pay EUR 47.3 million and Metsä Board EUR 19.6 million in damages to UPM-Kymmene Corporation. Of the damages EUR 59.2 million has been recognised as other operating expenses and EUR 7.6 million as interest expenses.

Research and development costs in 2015 were EUR 18.1 million (17.7)

PRINCIPAL AUDITOR'S FEES

The principal auditor is KPMG Oy Ab.

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.

PRINCIPAL AUDITOR'S FEES

EUR million	2015	2014
Audit fees	**1.1**	1.2
Tax consulting fees	**0.0**	0.0
Other fees	**0.0**	0.0
Total	**1.2**	1.2

In 2015 fees paid to other auditors than KPMG were EUR 0.3 million (0.4).

8. Depreciation, amortisation and impairment charges

EUR million	2015	2014
Depreciation and amortisation		
Other intangible assets	**17.5**	16.3
Buildings	**38.7**	39.1
Machinery and equipment	**193.6**	190.5
Other tangible assets	**2.8**	3.0
Total	**252.6**	248.9
Impairment charges		
Goodwill	**0.4**	0.9
Other intangible assets	**0.7**	1.3
Land and water	**0.2**	3.1
Buildings	**0.7**	1.5
Machinery and equipment	**3.5**	18.6
Other tangible assets	**0.2**	1.8
Total	**5.6**	27.3
Total	**258.2**	276.2
Impairments of goodwill by segments		
Wood Products Industry	**0.0**	0.9
Paperboard Industry	**0.4**	0.9
Total	**0.4**	0.9
Impairments of tangible and other intangible assets by segments		
Wood Products Industry	**3.3**	0.4
Paperboard Industry	**-0.3**	25.8
Tissue and Cooking Papers	**2.1**	0.0
Other operations	**0.2**	0.2
Total	**5.3**	26.4
Impairments total	**5.6**	27.3

Impairments in Wood Products Industry include in 2015 an impairment of EUR 3.3 million due to the sale of Metsä Wood France S.A.S.

In addition, impairment losses include an impairment loss of EUR 2.1 million due to Metsä Tissue's Russian and Polish operations and to the closure of one production line in Düren, Germany.

Impairments in 2014 include a goodwill impairment of EUR 0.9 million due to the reorganisation of Metsä Wood Industry's function model in the Czech Rebublic. The impairment was based on testing. The utility values are based on cash flow against the asset.

In 2014 an impairment loss of EUR 26.1 million was recognised in Metsä Board Zanders' Gohrsmühle mill. The impairment was based on testing. A reversed impairment of EUR 0.3 million was also recognised from the old, totally depreciated paper machine of Metsä Board Simpele

IMPAIRMENT OF ASSETS

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.

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

WOOD PRODUCTS INDUSTRY

The Wood Poducts Industry's impairment tests were executed at the end of September 2015.

In 2015 testing all accumulated utility values are based on the cash flow against the asset 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.

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 2016 are based on the budget.

In current impairment tests the cash flows consequent to the five-year projected cash flows are based on a growth rate of 1 per cent for Metsä Wood UK and 0 per cent for pine sawmills. These are the managements estimate of long term growth in these cash generating units. 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 is 5.29 per cent (5.31) Both the cash flows and the discount rate are calculated after tax.

The CGUs of Wood Products Industry, the goodwill allocated to them and testing result as of 30 September, 2015:

CASH GENERATING UNIT	GOODWILL, EUR MILLION	TEST RESULT (V-B)/B
Metsä Wood UK	0.8	over 50%
Pine sawmills	5.0	10–15%
Total	5.8	

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

CASH GENERATING UNIT (CGU)	V – B EUR MILLION	KEY ASSUMPTION	REQUIRED CHANGE IN ORDER FOR V TO EQUAL B
Metsä Wood UK	84.3	• WACC based on interest rates and risk premiums at the time of testing	• WACC 8.2%-units higher
Pine sawmills	3.4	• WACC based on interest rates and risk premiums at the time of testing	• WACC 0.4%-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.

PULP INDUSTRY

Metsä Group carries out a full impairment test of Pulp Industry 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 result of the sensitivity analysis or impairment test.

Metsä Fibre is the cash generating unit in the segment Pulp Industry, including goodwill and fair value allocations made by Metsä Group. In 2014 testing all accumulated utility values are based on the cash flow against the asset 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.

The essential testing assumptions are Metsäliitto management's estimates and projections as well as market forecasts. The key factors affecting the projections are development of market pulp prices, exchange rates, delivery volumes and cost of wood and energy. The cash flow against the asset or CGU is also substantially affected by the discount rate used.

For the situation on 30 September 2015 and for previous goodwill impairment tests the cash flows consequent to the 5-year projected cash flows are based on a 2 per cent fixed annual growth rate. 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 Metsä Fibre's Weighted Average Cost of Capital (WACC). 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 on 30 September 2015, the WACC after taxes was 5.3 per cent (5.0).

The goodwill allocated to the CGU Pulp Industry as of 30 September 2015 and the testing result as of 30 September 2015:

CASH GENERATING UNIT	GOODWILL, EUR MILLION	TEST RESULT (V-B)/B
Pulp Industry	389.8	over 50%

Changes in key assumptions should be very remarkable before the carrying amount would exceed the recoverable amount. The discount rate used should be 13.5 per cent after tax or the average pulp price about 14 per cent lower than the price estimated by an independent expert.

PAPERBOARD INDUSTRY/METSÄ BOARD

Metsä Board 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.

In 2015 the cash generating units are Folding boxboard, Liner, Kyro Paper and Market Pulp. In 2014 the units were Folding boxboard, Kemi, Kyro Paper, Husum paper and linerboard, Zanders and Market Pulp. There has been a change in the cash generating units because Metsä Board plans to end the paper production in Husum and focus on paperboard business. Folding boxboard includes the production units in Finland and the new folding boxboard production line in Husum. Liner includes Kemi liner and Husum liner. The cash generating unit Zanders was sold in May 2015.

In 2015 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 Metsä Board management's estimates and projections as well as third party forecasts. The key factors affecting the projections are development of average 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 most significant key factors regarding the estimates are similar to those used in 2014 testing.

Metsä Board's share of the cash flow, accounting value and the goodwill recognised in "Investments in associated companies and joint ventures" of Metsä Fibre (EUR 45.2 million) is allocated to CGUs in proportion of their pulp purchases.

For the situation on 30 September 2015 and for previous goodwill impairment tests the cash flows consequent to the 5-year projected cash flows are based on a 2 per cent fixed annual growth rate. 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 Metsä Board's Weighted Average Cost of Capital (WACC). When calculating WACC the cost of debt takes into account market based view on Metsä Board's risk premium. 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 5.09 per cent (5.41) and for Metsä Fibre 5.31 per cent (4.88). Management's view is that the risk factors regarding future cash flows do not differ materially from one CGU to another.

The most important CGUs of Metsä Board, the goodwill allocated to them as of 30 September, 2015 as well as their testing result as of 30 September, 2015:

CASH GENERATING UNIT	GOODWILL, EUR MILLION	TEST RESULT (V-B)/B
Folding boxboard [1]	24.8	over 50%
Liner [1]	22.9	over 50%
Kyro Paper [1]	1.1	over 50%
Market Pulp [1]	8.8	over 50%
Total	57.6	

1) The amount includes the goodwill from Metsä Board's holding in Metsä Fibre (EUR 45.2 million), which is shown in "Investments in associated companies and joint ventures" in the balance sheet

TISSUE AND COOKING PAPERS/METSÄ TISSUE

Metsä Tissue's goodwill has been tested as per September 30, 2015. In testing, all accumulated utility values are based on the cash flow against the asset or CGU.

In testing Metsä Tissue's goodwill the reporting segments have been used as cash generating units. The tissue operations consist of three regional segments and Baking and Cooking, which forms its own segment.

In calculating the utility values, the management's approved budgets and estimates for the next three years have been used. The cash flows consequent to the three-year projected cash flows have been extrapolated based on the estimated average growth rate for the business area, which is estimated to continue at the level of 1 per cent, except for Central East Europe, where the growth is expected to be 1.5 per cent.

The discount rate used is Metsä Tissue's Weighted Average Cost of Capital (WACC). When calculating WACC the cost of debt takes into account market based view on Metsä Tissue's risk premium. 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 on September 30, 2015 the WACC after taxes was 5.3 per cent (5.3). Management's view is that the risk factors regarding future cash flows do not differ materially from one CGU to another.

The most important CGUs of Metsä Tissue, the goodwill allocated to them as well as their testing result as of September 30, 2015:

CASH GENERATING UNIT	GOODWILL, EUR MILLION	TEST RESULT (V-B)/B
Nordic countries and Balticum (NOBA)	94.6	over 50%
West (WE)	11.5	over 50%
Central East Europe (CEE)	26.8	20–50%
Baking & Cooking	3.5	over 50%
Total	136.4	

The test result is substantially (>50%) above in all cash generating units except CEE (24%).

Changes in key assumptions should be very remarkable before the carrying amount would exceed the recoverable amount. In the CGUs where a reasonably possible change in a key assumption may result in a situation where the carrying amount of the CGU exceeds the recoverable amount, the discount rate should be 6.5 per cent after tax in CEE, or the average product price during the projection period 1.9 per cent lower.

9. Financial income and expenses

EUR million	2015	2014
Exchange differences		
Commercial items	**13.9**	22.3
Hedging/hedge accounting not applied	**-13.8**	-18.0
Others	**-1.2**	-1.5
Exchange differences total	**-1.2**	2.7
Other financial income		
Interest income on loans, other receivables and cash and cash equivalents	**5.2**	6.4
Dividend income	**0.1**	0.2
Other financial income total	**5.2**	6.5
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 (held for trading)	**0.0**	0.0
Gains/losses from changes in value of financial assets	**-2.4**	0.0
Gains/losses from changes in value of liabilities	**1.0**	0.0
Gains/losses on derivatives (hedge accounting not applied)	**1.2**	-0.2
Gains/losses on hedging instrument in fair value hedges	**-1.1**	0.8
Fair value adjustments of hedged item in fair value hedges	**0.9**	-0.1
Total	**-0.3**	0.4
Interest expenses from financial liabilities carried at amortised cost using the effective interest method	**-82.0**	-107.0
Other financial expenses	**-6.7**	-6.0
Interest and other financial expenses total	**-89.0**	-112.6
Financial income and expenses total	**-84.9**	-103.4

An impairment of EUR -2.3 million has been recognised in financial expenses associated with Metsä Fibre's and Metsä Board's shares in the shareholder loan granted to Pohjolan Voima in the OL4 project. In addition value adjustments include in 2015 an income of a TEKES loan of EUR 1.0 million not demanded to be paid back.

On 11 February 2014 the Arbitral Tribunal ordered Metsäliitto Cooperative to pay EUR 47.3 million and Metsä Board to pay EUR 19.6 million in damages to UPM-Kymmene Corporation. Of the damages EUR 59.2 million were recognised in other operating expenses and EUR 7.6 million in interest expenses.

10. Income taxes

EUR million	2015	2014
Income taxes for the financial period	**-91.3**	-62.9
Income taxes for previous periods	**-10.4**	-0.3
Change in deferred taxes	**-10.6**	-6.0
Other	**-0.2**	-0.5
Total	**-112.6**	-69.7

In the autumn of 2015, the Finnish Tax Administration took a stand against the deductibility of certain losses in Metsä Board's 2014 taxation. The company recognised EUR 9.5 million in previously unrecognised income taxes in its result for 2015. Metsä Board will appeal against the decision issued by the Tax Administration, as the company believes the losses are deductible.

INCOME TAX RECONCILIATION

EUR million	2015	2014
Result before taxes	**468.4**	329.9
Computed tax at Finnish statutory rate	**93.7**	66.0
Difference between Finnish and foreign rates	**-4.3**	-2.9
Tax exempt income	**-7.1**	-4.2
Non-deductible expenses	**23.1**	6.0
Impairment of goodwill	**0.1**	0.2
Restatement of deferred taxes from previous years	**-3.8**	2.7
Previous years tax losses used during the period	**-3.0**	-4.3
Unrecognised deferred tax receivables from tax losses	**4.5**	8.3
Share of profit from associated companies and joint ventures	**-2.1**	-3.1
Income taxes for previous periods	**10.4**	0.3
Other	**1.1**	0.7
Income tax expense	**112.6**	69.7
Effective tax rate, %	**24.0**	21.1

TAXES INCLUDED IN OTHER COMPREHENSIVE INCOME 2015

EUR million	Before tax	Tax effect	After tax
Items that will not be reclassified to profit and loss			
Items relating to adjustments of defined benefit plans	19.5	-5.6	13.9
Items that may be reclassified subsequently to profit and loss			
Cash flow hedges	-0.1	0.5	0.4
Available for sale financial assets	-30.6	6.1	-24.5
Currency translation differences	8.9	0.8	9.7
Share of other comprehensive income of joint venture	-0.6	0.0	-0.6
Other items	0.0	0.0	0.0
Total	-22.4	7.4	-15.0

TAXES INCLUDED IN OTHER COMPREHENSIVE INCOME 2014

EUR million	Before tax	Tax effect	After tax
Items that will not be reclassified to profit and loss			
Items relating to adjustments of defined benefit plans	-44.7	11.9	-32.7
Items that may be reclassified subsequently to profit and loss			
Cash flow hedges	-19.7	11.2	-8.6
Available for sale financial assets	-43.6	4.1	-39.5
Currency translation differences	-43.3	0.0	-43.3
Share of other comprehensive income of joint venture	-4.4		-4.4
Other items	0.0		0.0
Total	-111.1	15.3	-95.8

11. Intangible assets

INTANGIBLE ASSETS 2015

EUR million	Goodwill	Other intangible assets	Construction in progress	Total
Acquisition cost, 1 Jan.	520.3	510.6	12.6	1,043.6
Translation differences	2.8	-0.2	0.0	2.7
Increase	0.0	5.8	5.9	11.7
Decrease	0.0	-22.5	0.0	-22.5
Transfers between items	0.0	8.9	-8.5	0.4
Acquisition cost, 31 Dec.	523.2	502.7	10.0	1,035.8
Accumulated depreciation and impairment charges, 1 Jan.	0.0	-282.5	0.0	-282.5
Translation differences	0.0	0.1	0.0	0.1
Accumulated depreciation on deduction and transfers	0.0	22.4	0.0	22.4
Depreciation for the period	0.0	-17.5	0.0	-17.5
Impairment charges	-0.4	-0.7	0.0	-1.1
Accumulated depreciation and impairment charges, 31 Dec.	-0.4	-278.2	0.0	-278.5
Book value, 1 Jan. 2015	520.3	228.2	12.6	761.1
Book value, 31 Dec. 2015	522.8	224.5	10.0	757.3

Impairment charges in 2015 include a goodwill impairment of EUR 0.7 million due to the sale of Metsä Wood France S.A.S.

INTANGIBLE ASSETS 2014

EUR million	Goodwill	Other intangible assets	Construction in progress	Total
Acquisition cost, 1 Jan.	529.0	499.3	26.9	1,055.2
Translation differences	-7.8	-4.2	0.0	-12.0
Increase	0.0	15.1	5.3	20.3
Decrease	0.0	-19.0	0.0	-19.0
Transfers between items	0.0	19.4	-19.5	-0.1
Acquisition cost, 31 Dec.	521.2	510.6	12.6	1,044.5
Accumulated depreciation and impairment charges, 1 Jan.	0.0	-271.2	0.0	-271.2
Translation differences	0.0	2.4	0.0	2.4
Accumulated depreciation on deduction and transfers	0.0	3.9	0.0	3.9
Depreciation for the period	0.0	-16.3	0.0	-16.3
Impairment charges	-0.9	-1.3	0.0	-2.2
Accumulated depreciation and impairment charges, 31 Dec.	-0.9	-282.5	0.0	-283.3
Book value, 1 Jan. 2014	529.0	228.2	26.9	784.1
Book value, 31 Dec. 2014	520.3	228.2	12.6	761.1

Impairment charges in 2014 include a goodwill impairment of EUR 0.9 million due to the reorganisation of Metsä Wood Industry's function model in the Czech Republic. The impairment was based on testing. The utility values are based on cash flow against the asset.

In addition an impairment loss of EUR 1.3 million was recognised in Metsä Board Zanders in Germany due to the Gohrsmühle mill's weak profitability.

GOODWILL ALLOCATED TO SEGMENTS

EUR million	2015	2014
Wood Supply and Forest Services	**2.4**	2.4
Wood Products Industry	**5.9**	5.8
Pulp Industry	**3.9**	3.9
Paperboard Industry	**12.4**	12.7
Tissue and Cooking Papers	**139.5**	136.8
Other operations	**390.4**	390.4
Eliminations	**-31.7**	-31.7
Total	**522.8**	520.3

Other operations include goodwill of EUR 389.8 million related to the Metsä Fibre acquisition and EUR 0.6 million related to the acquisition of Metsä Tissue. In testing goodwill these amounts have been allocated to Pulp Industry and Tissue and Cooking Papers.

Development expenditure has not been capitalised in Metsä Group.

In addition, intangible assets include development costs of important computer software as well as patents, licenses and brands.

12. Tangible assets

TANGIBLE ASSETS 2015

EUR million	Land and water areas	Buildings	Machinery and equipment	Other tangible assets	Construction in progress	Total
Acquisition cost, 1 Jan.	83.9	1,425.9	5,756.7	149.6	59.9	7,476.0
Translation differences	0.5	2.5	31.0	0.3	2.6	36.8
Increase	0.2	5.6	58.1	3.4	413.8	481.0
Decrease	-17.1	-265.1	-803.9	-45.4	-1.6	-1,133.1
Transfers between items	0.2	12.5	32.8	0.4	-46.3	-0.4
Assets classified as held for sale	-0.1	-1.4	-0.1	0.0	0.0	-1.6
Acquisition cost, 31 Dec.	67.5	1,180.0	5,074.5	108.3	428.3	6,858.7
Accumulated depreciation and impairment charges 1 Jan.	-18.1	-941.0	-4,553.9	-131.8	0.0	-5,644.9
Translation differences	0.0	-2.6	-25.0	-0.2	0.0	-27.8
Accumulated depreciation on deduction and transfers	11.1	254.7	801.6	45.3	0.0	1,112.6
Depreciation for the period		-38.7	-193.6	-2.8	0.0	-235.1
Impairment charges	-0.2	-0.7	-3.5	-0.2	0.0	-4.5
Accumulated depreciation and impairment charges 31 Dec.	-7.2	-728.2	-3,974.5	-89.7	0.0	-4,799.6
Book value, 1 Jan. 2015	65.8	484.9	1,202.7	17.8	59.9	1,831.2
Book value, 31 Dec. 2015	60.3	451.8	1,100.1	18.5	428.3	2,059.0

Assets classified as held for sale also include apartments and parking places of Asunto Oy Tapiolan Pyökki not sold by the end of December 2015.

Impairment charges include impairment of EUR 2.6 million due to the sale of Metsä Wood France S.A.S.

Impairment charges include an impairment loss of EUR 2.5 million due to Metsä Tissue's operations in Russia and Poland and to the closure of one production line in Düren, Germany.

TANGIBLE ASSETS 2014

EUR million	Land and water areas	Buildings	Machinery and equipment	Other tangible assets	Construction in progress	Total
Acquisition cost, 1 Jan.	85.9	1,452.0	5,883.2	149.1	76.6	7,646.8
Translation differences	0.0	-23.5	-90.6	-3.6	-1.5	-119.2
Increase	0.4	4.7	53.2	1.3	62.0	121.6
Decrease	-2.3	-26.0	-128.2	-1.3	-6.7	-164.4
Transfers between items	0.2	22.4	44.0	4.1	-70.6	0.1
Assets classified as held for sale	-0.3	-3.7	-4.9	0.0	0.0	-8.9
Acquisition cost, 31 Dec.	83.9	1,425.9	5,756.7	149.6	59.9	7,476.0
Accumulated depreciation and impairment charges 1 Jan.	-15.1	-930.0	-4,558.4	-130.6	0.0	-5,634.1
Translation differences	0.1	13.2	68.3	2.7	0.0	84.2
Accumulated depreciation on deduction and transfers	0.0	15.4	141.2	0.9	0.0	157.6
Assets classified as held for sale	0.0	0.9	4.1	0.0	0.0	5.0
Depreciation for the period	0.0	-39.1	-190.5	-3.0	0.0	-232.6
Impairment charges	-3.1	-1.5	-18.6	-1.8	0.0	-25.1
Accumulated depreciation and impairment charges 31 Dec.	-18.1	-941.0	-4,553.9	-131.8	0.0	-5,644.9
Book value, 1 Jan. 2014	70.8	522.1	1,324.8	18.5	76.6	2,012.7
Book value, 31 Dec. 2014	65.8	484.9	1,202.7	17.8	59.9	1,831.2

Metsäliitto Cooperative agreed on 31 December 2014 on the sale of the entire share capital of Metsä Wood's UK-based pole business subsidiary Burt Boulton & Haywood Ltd (BBH) to ScanPole Ltd, a subsidiary of Iivari Mononen Oy. Assets classified as held for sale include the tangible assets of BBH.

Assets classified as held for sale also include apartments and parking places of Asunto Oy Tapiolan Jalava not sold by the end of December 2014.

Impairment charges include Metsä Board Zanders´ impairment of EUR 24.8 million for the Gohrsmühle factory in Germany. The impairment is based on testing. Furthermore, Metsä Board reversed an impairment of EUR 0.3 million from the sold, fully depreciated old paper machine in Simpele.

Pledges and mortgages for loans from financial institutions, pension loans and other liabilities amounted to EUR 385.3 million (386.4). Commitments and contingencies are described in more detail in Note 30.

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. 2015	0.0	19.4	49.2	68.7
Accumulated depreciation	0.0	-10.8	-38.8	-49.6
Book value, 31 Dec. 2015	0.0	8.7	10.4	19.1

EUR million	Land and water areas	Buildings	Machinery and equipment	Total
Acquisition cost 1 Jan. 2014	0.0	19.4	47.0	66.5
Accumulated depreciation	0.0	-9.7	-35.8	-45.4
Book value, 31 Dec. 2014	0.0	9.8	11.3	21.1

Additions in tangible assets in 2015 include assets of EUR 0.1 million acquired under finance lease agreements (0.6).

In 2015 borrowing costs of EUR 2.4 million (0.4) were capitalised. The average interest rate used was 0.5–6.0 per cent (1.8–4.3), which represents the costs for the loan used to finance the projects.

In 2014 Metsä Fibre's Joutseno Mill got a government grant of EUR 2.2 million from the Finnish Ministry of Employment and the Economy to be used for the building of a gasification plant. The government grant has been booked as a deducation to the acquisition cost.

13. Biological assets

Biological assets (growing trees) are measured at fair value less the estimated expenses of 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 change in fair value will be recognised yearly as income/cost in the income statement.

Biological assets are fair value categorised at Level 3 because fair value is based on company estimates and not market data. At the end of 2015 the Group had forest assets mainly in Finland.

Metsä 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.

Most of the Group's biological assets belong to associated companies in Finland. Therefore the amount of the biological assets in the balance sheet is small.

EUR million	**2015**	**2014**
At 1 Jan.	**11.8**	11.1
Purchases during the period	**0.2**	0.1
Sales during the period	**0.0**	0.0
Harvested during the period	**-1.1**	-1.2
Gains/losses arising from changes in fair values	**2.6**	1.8
At 31.12.	**13.4**	11.8

The Group has two associated companies that own biological assets. The Group owns 19.8 per cent of Finsilva Oyj, which in 2015 had forest assets to a fair value of EUR 270.4 million (231.6). The Group's share of this is EUR 53.5 million (115.6). The Group also owns 25 per cent of Metsäsijoitus Oy, which had forest assets to a fair value of EUR 19.1 million (17.7). The Group's share of this is EUR 4.8 million (4.4).

On 27 May 2015 Metsäliitto Cooperative sold 30.13 per cent of Finsilva Oyj's shares.

14. Group structure

SUBSIDIARIES AND JOINT OPERATIONS

Principal subsidiaries and joint operations 31 December 2015.

METSÄLIITTO COOPERATIVE	Country	Group's holding %
SUBSIDIARIES		
Finnforest UK Holdings Ltd	Great Britain	100.00
Kirkniemen Kartano Oy	Finland	100.00
Kumpuniemen Voima Oy	Finland	53.97
Metsa Forest Latvia SIA	Latvia	100.00
Metsä Board Corporation [1]	Finland	42.24
Metsä Fibre Oy	Finland	60.71
Metsä Forest Eesti AS	Estonia	100.00
Metsä Forest Sverige AB	Sweden	100.00
Metsä Group Services Sp. z.o.o.	Poland	100.00
Metsä Group Treasury Oy	Finland	100.00
Metsä Tissue Corporation	Finland	91.00
Metsä Wood Deutschland GmbH	Germany	100.00
Metsä Wood Holland B.V.	The Netherlands	100.00
Metsä Wood Ibérica S.L.U.	Spain	100.00
Metsä Wood Schweiz AG	Switzerland	100.00
Metsä Wood UK Ltd	Great Britain	100.00
Metsä Wood USA Inc.	USA	100.00
Metsäliitto Management Oy	Finland	100.00
Mittaportti Oy	Finland	100.00
OOO Metsa Forest Podporozhye	Russia	100.00
OOO Metsa Forest St. Petersburg	Russia	100.00
Punkavoima Oy [2]	Finland	35.00
JOINT OPERATIONS		
Asunto Oy Tapiolan Jalava	Finland	1.70
Asunto Oy Tapiolan Pyökki	Finland	4.49
Asunto Oy Tapiolan Saarni	Finland	48.98
Asunto Oy Tapiolan Tammi	Finland	48.98
Hartolan Kuningaslämpö Oy [3]	Finland	50.00
Kiinteistö Oy Metsätapiola	Finland	48.98
Kiinteistö Oy Metsätapiolan Pysäköinti	Finland	48.96
Kiinteistö Oy Tapiolan Jalopuupysäköinti	Finland	28.10
Lohjan Biolämpö Oy [3]	Finland	46.00

1) Holding 61.63% by number of votes.
2) According to shareholder agreement all of the heat produced by Punkavoima Oy is distributed to mills owned by Metsäliitto Cooperation. Important operations are controlled by Metsäliitto Cooperative.
3) The primary goal for the arrangement is to produce energy to the parties and the liabilities of the arrangement are actually paid from the cash flow arising from the produced energy bought.

METSÄ FIBRE GROUP	Country	Group's holding %
SUBSIDIARIES		
Metsä Fibre GmbH	Germany	100.00
Metsä Fibre S.r.l.	Italy	100.00
Metsä-Botnia Metsät Oy	Finland	100.00
OOO Metsä Svir	Russia	100.00
Oy Silva Shipping Ab	Finland	100.00
ZAO Petrovles Podporozhye	Russia	100.00

METSÄ TISSUE GROUP	Country	Group's holding %
SUBSIDIARIES		
Dambi AB	Sweden	100.00
Metsa Tissue Czech s.r.o.	Czech Republic	100.00
Metsa Tissue Krapkowice Sp. z.o.o.	Poland	100.00
Metsa Tissue Poland Sp. z.o.o.	Poland	100.00
Metsa Tissue Slovakia s.r.o.	Slovakia	100.00
Metsa Tissue Ukraine LCC	Hungary	100.00
Metsä Tissue A/S	Denmark	100.00
Metsä Tissue AB	Sweden	100.00
Metsä Tissue AS	Norway	100.00
Metsä Tissue GmbH	Germany	100.00
Metsä Tissue Hungary Kft.	Hungary	100.00
Metsä Tissue Immobilienverwaltungs GmbH	Germany	100.00
Metsä Tissue Ltd	Great Britain	100.00
OOO Metsä Tissue	Russia	100.00
JOINT OPERATIONS		
Katrinefors Kraftvärme AB [1]	Sweden	50.00

1) The primary goal for the arrangement is to produce energy to the parties and the liabilities of the arrangement are actually paid from the cash flow arising from the produced energy bought.

METSÄ BOARD GROUP	Country	Group's holding %
SUBSIDIARIES		
Alrec Boiler Oy [1)]	Finland	24.92
Metsa Board (Middle East & North Africa) Ltd	Cyprus	100.00
Metsa Board Americas Corporation	USA	100.00
Metsa Board Australia and New Zealand Pty Ltd	Australia	100.00
Metsa Board Hong Kong Ltd	Hong Kong	100.00
Metsa Board Ibéria S.A.	Spain	100.00
Metsa Board IBP (HK) Ltd	Hong Kong	100.00
Metsa Board IBP China Ltd	China	100.00
Metsa Board Italia S.r.l.	Italy	100.00
Metsa Board Middle East & Africa DMCC	United Arab Emirates	100.00
Metsa Board Shanghai Ltd	China	100.00
Metsa Board Singapore Pte Ltd	Singapore	100.00
Metsa Board UK Ltd	Great Britain	100.00
Metsä Board Benelux n.v./s.a	Belgium	100.00
Metsä Board CZ s.r.o.	Czech Republic	100.00
Metsä Board Deutsche Holding GmbH	Germany	100.00
Metsä Board Deutschland GmbH	Germany	100.00
Metsä Board France S.A.S.	France	100.00
Metsä Board Hungary Kft.	Hungary	100.00
Metsä Board IBP Deals Americas Ltd	USA	100.00
Metsä Board International Oy	Finland	100.00
Metsä Board Kemi Oy	Finland	100.00
Metsä Board Netherlands B.V.	The Netherlands	100.00
Metsä Board NL Holding B.V.	The Netherlands	100.00
Metsä Board Nordic A/S	Denmark	100.00
Metsä Board Nordic AB	Sweden	100.00
Metsä Board Polska Sp. Z o.o.	Poland	100.00
Metsä Board Reinsurance AG	Switzerland	100.00
Metsä Board Schweiz AG	Switzerland	100.00
Metsä Board Sverige AB	Sweden	100.00
Metsäliitto Energie GmbH	Germany	80.00
M-real Hellas Ltd	Greece	51.00
M-real UK Holdings Ltd	Great Britain	100.00
M-real UK Services Ltd	Great Britain	100.00
OOO Metsä Board	Russia	100.00
OOO Peterbox	Russia	100.00
Oy Hangö Stevedoring Ab	Finland	100.00
JOINT OPERATIONS		
Äänevoima Oy [2)]	Finland	56.25
Ääneverkko Oy [2)]	Finland	56.25

1) A structured entity, in which Metsä Board has the right to redeem the shares, and it is likely that Metsä Board will use the right.
2) The primary goal for the arrangement is to produce energy to the parties and the liabilities of the arrangement are actually paid from the cash flow arising from the produced energy bought.

Changes in holdings of subsidiaries and joint operations in Note 4.

NON-CONTROLLING INTEREST'S SHARES

Principal non-controlling interest's shares	Country	Non-controlling interest Holding, % 2015	2014	Non-controlling interest Share of result, EUR million 2015	2014	Non-controlling interest Share of equity, EUR million 2015	2014
Metsä Fibre Group	Finland	**39.29**	39.21	**92.9**	65.0	**378.3**	323.0
Metsä Board Group [1)]	Finland	**57.76**	57.47	**43.9**	35.6	**202.6**	114.9
Metsä Tissue Group	Finland	**9.00**	9.00	**2.0**	3.2	**29.6**	28.3
Other subsidiaries				**0.0**	0.0	**0.8**	0.8
				138.8	103.8	**611.3**	467.0

1) Non-controlling interest's holding by votes 38.37% (37.85).

Business transactions with non-controlling interest is presented in Note 4.

SUMMARY OF FINANCIAL INFORMATION OF SUBSIDIARIES WITH A SUBSTANTIAL NON-CONTROLLING INTEREST

	Metsä Fibre Group 2015	2014	Metsä Board Group 2015	2014	Metsä Tissue Group 2015	2014
Sales	**1,444.6**	1,295.7	**2,007.5**	2,008.4	**1,015.8**	1,012.8
Result for the period	**249.6**	165.8	**137.3**	68.5	**20.1**	31.8
Non-controlling interest's share of the result	**92.9**	65.0	**43.9**	35.6	**2.0**	3.2
Total comprehensive income for the period	**265.0**	161.3	**127.8**	21.0	**18.6**	19.0
Non-controlling interest's share of the total comprehensive result	**93.5**	58.1	**38.1**	11.1	**1.9**	2.0
Dividends paid to non-controlling interest	**24.9**	24.9	**22.7**	17.0	**0.7**	1.6
Non-current assets	**914.1**	752.6	**1,327.8**	1,250.4	**647.4**	654.8
Current assets	**613.9**	555.6	**892.3**	898.3	**375.4**	336.8
Non-current liabilities	**152.6**	125.4	**725.9**	803.6	**445.4**	461.4
Current liabilities	**316.9**	276.3	**465.3**	503.8	**280.6**	245.6
Net assets	**1,058.5**	906.5	**1,028.9**	841.4	**296.8**	284.6
Net cash flow from operating activities	**385.3**	398.2	**246.7**	198.2	**78.8**	83.8
Net cash flow arising from investing activities	**-250.3**	48.5	**-207.2**	3.5	**-28.9**	-35.1
Net cash flow arising from financing activities	**-294.8**	-285.9	**-43.7**	-199.7	**-51.0**	-47.6
Change in cash and cash equivalents	**-159.7**	160.8	**-4.2**	2.0	**-1.1**	1.1

The numbers are presented before Metsä Group eliminations. The subgroup's internal items are eliminated. The numbers have been consolidated according to the group's segment reporting.

ASSOCIATED COMPANIES AND JOINT VENTURES

EUR million	2015	2014
INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES		
At 1 Jan	**77.7**	71.5
Share of results	**11.2**	16.4
Dividends received	**-5.6**	-3.1
Decreases	**-39.3**	-2.5
Translations differences	**-0.6**	-4.5
At 31 Dec	**43.4**	77.7
AMOUNTS IN INCOME STATEMENT		
Associated companies	**11.1**	15.4
Joint ventures	**0.1**	1.0
Total	**11.2**	16.4
AMOUNTS IN BALANCE SHEET		
Associated companies	**33.7**	67.6
Joint ventures	**9.7**	10.1
Total	**43.4**	77.7

On 27 May 2015 Metsäliitto Cooperative sold 30.13 per cent of Finsilva Oyj's shares.

Unamortised amount of goodwill for associated companies at 31 December 2015 include goodwill of EUR 1.3 million (1.3) from ZAO HK Vologodskie Lesopromyshlenniki.

INFORMATION ON PRINCIPAL ASSOCIATED COMPANIES

EUR million	Business	Country	Holding, % 2015	2014
Finsilva Oyj	Forest	Finland	19.8	49.9

SUMMARY OF FINANCIAL INFORMATION OF PRINCIPAL ASSOCIATED COMPANIES

EUR million	2015	2014
FINSILVA OYJ		
Sales	**19.9**	19.6
Result for the period	**37.2**	29.7
Dividends received from associated company	**5.4**	2.9
Non-current assets	**299.8**	262.2
Current assets	**11.1**	15.5
Non-current liabilities	**158.0**	145.4
Current liabilities	**6.1**	5.9
Net assets	**146.8**	126.5
Reconciliation of financial information against book value in group balance sheet:		
Group's share of net assets	**29.0**	63.1
Book value of associated company in balance sheet	**29.0**	63.1

Finsilva Oyj is consolidated according to the equity method. The summary is prepared in accordance with IFRS.

The group has no other principal associated companies.

SUMMARY OF FINANCIAL INFORMATION OF OTHER THAN PRINCIPAL ASSOCIATED COMPANIES

EUR million	2015	2014
Group's share of results	**0.5**	0.6
Book value in group balance sheet	**4.7**	4.5

JOINT VENTURES

The group has no principal joint ventures.

15. Available for sale investments

EUR million	2015	2014
Listed companies	**0.1**	0.4
Other companies	**227.0**	256.8
Total	**227.1**	257.1

Available for sale financial assets consist of listed and unlisted shares. The fair value of listed shares is based on public quotation for shares at the balance sheet date.

The most important shareholding of non-quoted companies consists of a 3.0 per cent stake in Finnish energy company Pohjolan Voima Oy, that produces electricity and heat for its shareholders in Finland. Pohjolan Voima trades with its shareholders at prices based on production costs, which generally are lower than the market prices.

The Group controls some 5.2 per cent of the electricity produced by Olkiluoto nuclear power plant (through Pohjolan Voima's B-shares, OL1 and OL2), some 6.6 percentage proportion in Meripori coal-fired power plant (through C2 shares). The Group also controls some 84.0 per cent of the energy produced by Hämeenkyron Voima Oy (through Pohjolan Voima's G10 shares). In addition Metsä Group also has some 2.0 percentage proportion (through Pohjolan Voima B2 shares) in Olkiluoto 3, a nuclear power plant under construction.

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 2.72 per cent (2.48) and for the Olkiluoto 3 under construction 5.72 per cent (6.48). 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 43.1 million (43.1) and the fair value EUR 219.2 million (249.6). The fair value of nuclear power shares was EUR 203.0 million (225.2), of which EUR 196.0 million (227.7) B-shares and EUR 7.0 million (-2.5) B2-shares, coal-fired power shares (C2-shares) EUR -5.1 million (-6.6), hydroelectric power shares (A-shares) EUR 9.1 million (19.0) and G10-shares EUR 12.0 million (12.0).

In 2014, Metsä Fibre sold a total of 170,000 of Pohjolan Voima Oy's B shares to Kymppivoima Oy for EUR 75.0 million The shares entitle the holder to purchase approximately 200,000 MWh of electricity from Teollisuuden Voima Oyj's nuclear plants (Olkiluoto 1 and 2) annually.

The shareholder agreement of Pohjolan Voima prevents free selling of shares with others than shareholders. A sensitivity analysis of the most significant assumptions to the book value of Pohjolan Voima Oy is presented in Note 2.

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

16. Other non-current financial assets

EUR million	2015	2014
Non-current financial assets at fair value through profit and loss		
1.1.	**5.3**	0.0
Increases	**0.9**	5.3
Change in fair value	**-0.3**	-0.1
31.12.	**5.8**	5.3
Interest-bearing loan receivables		
From associated companies and joint ventures	**2.1**	2.1
Other loan receivables	**3.5**	6.6
Total	**5.6**	8.7
Non-interest-bearing receivables		
Defined benefit pension plans (Note 22)	**16.0**	4.8
Other loan receivables	**0.5**	1.0
Total	**16.5**	5.8
Other non-current financial assets, total	**28.0**	19.7

17. Deferred taxes

RECONCILIATION OF DEFERRED TAX ASSETS AND LIABILITIES IN 2015

EUR million	1.1.2015	Charged in income statement	Charged in other items of comprehensive income	Translation differences	Acquisitions/ disposals	31.12.2015
Deferred tax assets in balance sheet						
Pension obligations and other provisions	**30.9**	-1.1	-3.1	-0.3	-10.9	**15.6**
Intercompany margins	**9.0**	1.7	0.0	0.0	0.0	**10.7**
Unused tax losses and tax credit	**28.5**	-19.7	0.0	-1.3	-0.4	**7.0**
Financial instruments	**18.0**	-0.5	0.2	1.6	0.0	**19.3**
Other temporary differences	**8.0**	0.6	-1.7	1.3	0.0	**8.3**
Deferred tax assets total	**94.5**	-19.0	-4.6	1.3	-11.3	**61.0**
Netting against liabilities	**-29.7**	7.6	-1.0	0.0	0.0	**-23.1**
Deferred tax assets in balance sheet	**64.8**	-11.4	-5.6	1.3	-11.3	**37.9**
Deferred tax liabilities in balance sheet						
Pension obligations	**0.6**	0.6	2.2	0.1	0.0	**3.5**
Appropriations and untaxed provisions	**139.6**	-3.5		1.0	0.0	**137.0**
Acquired net assets and biological assets recognised at fair value	**75.3**	-7.1	0.0	0.0	0.0	**68.2**
Available for sale financial assets recognised at fair value	**39.5**	0.0	-6.1	0.0	0.0	**33.4**
Financial instruments	**0.9**	0.9	0.5	0.0	0.0	**2.3**
Hedge of net investments in foreign operations	**0.0**	-0.1		0.1	0.0	**0.0**
Other temporary differences	**4.4**	0.8	-1.0	0.0	0.0	**4.3**
Deferred tax liabilities total	**260.3**	-8.4	-4.3	1.1	0.0	**248.7**
Netting against assets	**-29.7**	7.6	-1.0	0.0	0.0	**-23.1**
Deferred tax liabilities in balance sheet	**230.6**	-0.8	-5.3	1.1	0.0	**225.6**

RECONCILIATION OF DEFERRED TAX ASSETS AND LIABILITIES IN 2014

EUR million	1.1.2014	Charged in income statement	Charged in other items of comprehensive income	Translation differences	Acquisitions/ disposals	31.12.2014
Deferred tax assets in balance sheet						
Pension obligations and other provisions	**21.9**	-1.4	10.7	-0.2	0.0	**30.9**
Intercompany margins	**9.4**	-12.9	12.7	-0.1	0.0	**9.0**
Unused tax losses and tax credit	**24.0**	4.7		-0.2	0.0	**28.5**
Financial instruments	**15.0**	-1.3	4.1	0.3	0.0	**18.0**
Other temporary differences	**5.1**	3.2		-0.3	0.0	**8.0**
Deferred tax assets total	**75.3**	-7.6	27.4	-0.6	0.0	**94.5**
Netting against liabilities	**-28.2**	2.3	-3.9	0.1	0.0	**-29.7**
Deferred tax assets in balance sheet	**47.1**	-5.3	23.5	-0.4	0.0	**64.8**
Deferred tax liabilities in balance sheet						
Pension obligations	**1.5**	0.3	-1.3	0.1	0.0	**0.6**
Appropriations and untaxed provisions	**146.3**	-3.7	0.0	-3.0	0.0	**139.6**
Acquired net assets and biological assets recognised at fair value	**79.2**	-3.9		-0.1	0.0	**75.3**
Available for sale financial assets recognised at fair value	**38.2**		1.3		0.0	**39.5**
Financial instruments	**0.5**	-0.1	0.2	0.3	0.0	**0.9**
Hedge of net investments in foreign operations		5.5		-5.5	0.0	**0.0**
Other temporary differences	**6.9**	0.2		-2.7	0.0	**4.4**
Deferred tax liabilities total	**272.6**	-1.6	0.1	-10.8	0.0	**260.3**
Netting against assets	**-28.2**	2.3	-3.9	0.1	0.0	**-29.7**
Deferred tax liabilities in balance sheet	**244.4**	0.7	-3.8	-10.7	0.0	**230.6**

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 2015 the net operating loss carry-forwards amounted to EUR 39.0 million (142.6) for which EUR 7.0 million (28.5) tax assets have been recognised. The net operating loss carry-forwards derive mainly from Finland and Germany. In addition net operating loss carry-forwards derive from Slovakia and Russia. The management estimates that the companies in the future will generate taxable income from which the losses can be deducted.

The operating loss carry-forwards for which deferred tax assets have not been recognised due to uncertainty of the utilisation of these loss carry-forwards amounted to EUR 537.8 million (1,207.1). The net operating loss carry-forwards derive mainly from Finland, Germany, France, Poland and Russia. The deferred tax assets for these non-recognised loss carry-forwards amounted to EUR 130.4 million (286.6) at 31 December 2015.

The Group had loss carry-forwards of EUR 612.8 million at 31 December 2015. Of these EUR 163.2 million do not expire. Some EUR 228.5 million of the losses will expire in 2016–2020 and EUR 221.1 million later.

18. Inventories

EUR million	2015	2014
Inventories		
Raw materials and consumables	295.0	310.1
Work in progress	26.8	39.2
Finished goods and goods for sale	336.6	389.4
Advance payments	28.3	35.4
Total	686.8	774.1

The cost of inventories recognised as expense to lower the carrying amount to equal the net realisable value was EUR 4.8 million (3.6). The expense is included in materials and services.

19. Accounts receivables and other receivables

EUR million	2015	2014
Interest-bearing loan receivables		
Loans from associated companies and joint ventures	0.8	0.0
Other loan receivables	4.2	4.1
Total	5.0	4.1
Accounts receivables and other non-interest-bearing receivables		
From associated companies and joint ventures		
Accounts receivables	3.7	3.0
Other receivables	0.0	0.0
Prepayment and accrued income	0.1	0.2
	3.8	3.2
From others		
Accounts receivables	522.9	579.8
Loan receivables	0.6	0.4
Other receivables	63.3	57.5
Prepayment and accrued income	40.0	41.3
	626.8	679.0
Total	630.6	682.2
Accounts receivables and other receivables, total	635.6	686.3

DOUBTFUL ACCOUNTS RECEIVABLES

ACCOUNTS RECEIVABLES ARE RECORDED NET OF THE FOLLOWING ALLOWANCES FOR DOUBTFUL ACCOUNTS:

EUR million	2015	2014
At 1 Jan.	5.4	5.6
Increases	0.7	2.4
Decreases	-3.1	-2.5
At 31 Dec.	3.0	5.4

EUR 0.7 million (0.7) of credit loss was recognised during 2015.

AGEING ANALYSIS OF ACCOUNTS RECEIVABLES

EUR million	2015	2014
No overdue	490.5	481.6
Overdue		
less than 30 days	30.0	83.9
between 31–60 days	1.3	5.6
between 61–90 days	0.2	3.2
between 91–180 days	1.4	2.1
more than 180 days	-0.5	3.4
At 31 Dec.	522.9	579.8

20. Cash and cash equivalents

EUR million	2015	2014
Financial assets at fair value through profit and loss	62.3	20.4
Current investments	414.8	565.5
Cash at bank and in hand	643.7	362.0
Total	1,120.8	947.9

21. Members' capital

CHANGES IN MEMBERS' CAPITAL

EUR million	Participation shares	Additional shares A	Additional shares B	Total
Members' capital at 1 Jan. 2015	158.1	458.1	103.0	719.1
Paid-in members' capital	6.4	23.1	25.3	54.8
Transfers from interests to members' capital	1.7	26.4		28.0
Equity bonus		1.4		1.4
Refund of members' capital	-6.5	-17.8	-6.2	-30.5
Transfers to current interest-bearing liabilities	-3.4	-17.1	-6.7	-27.2
Members' capital at 31 Dec. 2015	156.2	474.1	115.4	745.7
Members' capital at 1 Jan. 2014	153.3	418.1	83.3	654.7
Paid-in members' capital	4.9	28.2	27.6	60.6
Transfers from interests to members' capital	2.0	27.6	0.0	29.6
Equity bonus	0.0	1.8	0.0	1.8
Refund of members' capital	-4.1	-14.6	-3.8	-22.4
Transfers to current interest-bearing liabilities	1.9	-3.0	-4.2	-5.2
Members' capital at 31 Dec. 2014	158.1	458.1	103.0	719.1

TRANSFERS TO CURRENT INTEREST-BEARING LIABILITIES

EUR million	Participation shares	Additional shares A	Additional shares B	Total
31.12.2015	51.6	156.6	38.1	246.3
Change	-3.4	-17.1	-6.7	-27.2
31.12.2014	48.2	139.6	31.4	219.1
Change	-1.9	3.0	4.2	5.2
31.12.2013	50.1	136.6	27.2	213.9

FAIR VALUE AND OTHER RESERVES

EUR million	**2015**	**2014**
Fair value reserve	**29.1**	40.9
Revaluation reserve	**1.2**	1.2
Restatement reserve	**94.9**	94.9
General reserves	**71.3**	68.1
Reserves stipulated by the rules	**0.1**	0.1
Reserve for invested unrestricted equity	**0.9**	1.6
Total	**197.4**	206.7

MEMBERS' CAPITAL

The par value of a participation share is 1 euro. The subscription price of a participation share is equivalent to its par value, unless otherwise decided by the Representative Council or the Board of Directors, authorised by the Representative Council. A member's obligation to acquire participation shares is determined according to the area and location of their forestland, with no single member being obligated to acquire more than 30,000 participation shares.

The Board of Directors may decide to issue shares other than participation shares to members. Such shares are called additional shares. A member may acquire additional shares only if their participation shares have been paid in full. The Cooperative may have additional shares A, additional shares B and additional shares C. The minimum number of additional shares A is 1 and the maximum quantity is 900 million. The minimum number of additional shares B is 1 and the maximum quantity is 300 million. The minimum number of additional shares C is 1 and the maximum quantity is 100 million. The par value of an additional share is 1 euro. The interest payable on additional shares may differ from the interest payable on participation shares and from that paid on other types of additional shares. The Board of Directors decides on the issuance, the grounds for issuance, the subscription price and the payment of additional shares, as well as other conditions related to their issuance. The Board of Directors may also decide on issuing additional shares held by Metsäliitto.

A member may subscribe for additional shares A at the net amount of the sales price received from Metsäliitto for wood trade. The member may also subscribe for additional shares A at the amount of the interest on members' capital paid to the member by Metsäliitto. However, the subscription is only possible within the limits of the maximum quantity of additional shares A.

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

A member may subscribe for any quantity of additional shares B. However, the subscription is only possible within the limits of the maximum quantity of additional shares B.

Surplus may be distributed to the members. Interest or other returns from Metsäliitto's surplus may be distributed to the members. Funds may also be distributed to the members in other ways in accordance with Chapter 16, section 1 of the Cooperatives Act. The Representative Council decides on the distribution of funds and the grounds for distribution. One third of the distributable funds shown on the most recently adopted balance sheet may be used for returning participation and additional shares.

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 less deferred tax.

REVALUATION RESERVE

Revaluation of land and bonds in non-current assets are recognised in the revaluation reserve.

REVALUATION SURPLUS

The revaluation surplus include the fair value of the previous holdings in Metsä Fibre which arised from the allocation of fair value of the acquired Metsä Fibre -shares in 2009.

LEGAL RESERVE AND RESERVES STIPULATED BY THE ARTICLES OF ASSOCIATION/RULES

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.

RESERVE FOR INVESTED UNRESTRICTED EQUITY

The reserve for invested unrestricted equity includes other investments in equity and the share issue price to a sum especially decided not to be recognised in the share capital.

INTEREST ON MEMBERS' CAPITAL

After balance sheet day the Board of Directors has proposed that an interest of EUR 50.4 million (45.7) be distributed on paid-in members' capital. Financial costs regarding the interest on members' capital was recognised to a sum of EUR 11.3 million (10.4).

OTHER COMPREHENSIVE INCOME, NET OF TAX 2015

	Equity attributable to members of parent company					
EUR million	Translation differences	Fair value and other reserves	Retained earnings	Total	Non-controlling interest	Total
Items relating to adjustments of defined benefit plans			15.4	15.4	4.0	19.5
Income tax relating to items that will not be reclassified			-3.9	-3.9	-1.7	-5.6
Cash flow hedges						
Currency flow hedges						
gains and losses recorded in equity		-11.2		-11.2	-12.2	-23.4
transferred to adjust sales		18.8		18.8	19.5	38.3
Interest flow hedges						
gains and losses recorded in equity		2.6		2.6	1.8	4.5
transferred to adjust financial items		0.0		0.0	0.0	0.0
Commodity hedges						
gains and losses recorded in equity		-21.4		-21.4	-16.8	-38.1
transferred to adjust purchases		10.3		10.3	8.3	18.6
Total		-0.9		-0.9	0.8	-0.1
Available for sale investments						
gains and losses of fair valuation		-14.2		-14.2	-16.1	-30.3
transferred to other operating income		-0.1		-0.1	-0.2	-0.3
Total		-14.3		-14.3	-16.3	-30.6
Translation differences	8.0		0.0	8.0	4.7	12.7
Net invest hedge	-3.8			-3.8		-3.8
Share of comprehensive income of joint venture	-0.6			-0.6		-0.6
Total	3.7		0.0	3.7	4.7	8.4
Income tax relating to items that may be reclassified	0.8	3.4		4.2	3.3	7.4
Other comprehensive income, net of tax	4.4	-11.8	11.6	4.2	-5.3	-1.0

OTHER COMPREHENSIVE INCOME, NET OF TAX 2014

	Equity attributable to members of parent company					
EUR million	Translation differences	Fair value and other reserves	Retained earnings	Total	Non-controlling interest	Total
Items relating to adjustments of defined benefit plans			-28.9	-28.9	-15.8	-44.7
Income tax relating to items that will not be reclassified			7.3	7.3	4.6	11.9
Cash flow hedges						
Currency flow hedges						
gains and losses recorded in equity		-15.0		-15.0	-15.8	-30.8
transferred to adjust sales		4.2		4.2	5.7	9.9
Interest flow hedges						
gains and losses recorded in equity		0.5		0.5	-0.9	-0.4
transferred to adjust financial items		0.0		0.0	0.0	0.0
Commodity hedges						
gains and losses recorded in equity		-0.6		-0.6	-1.0	-1.6
transferred to adjust purchases		1.1		1.1	2.1	3.1
Total		-9.8		-9.8	-10.0	-19.7
Available for sale investments						
gains and losses of fair valuation		7.3		7.3	4.5	11.8
transferred to other operating income		-24.6		-24.6	-30.9	-55.4
Total		-17.3		-17.3	-26.3	-43.6
Translation differences	-23.3			-23.3	-15.7	-39.0
Net invest hedge	-4.3			-4.3		-4.3
Share of comprehensive income of joint venture	-4.4			-4.4		-4.4
Total	-32.0			-32.0	-15.7	-47.7
Other items			0.0	0.0	0.0	0.0
Income tax relating to items that may be reclassified	0.0	6.5		6.5	8.8	15.3
Other comprehensive income, net of tax	-32.0	-20.5	-21.6	-74.1	-54.3	-128.5

22. Retirement benefit obligations

The Group has several arrangements concerning benefits following the termination of employment, including both defined benefit pension plans and defined contribution pension plans.

PENSION AND OTHER POST-EMPLOYMENT BENEFITS

EUR million	2015	2014
Liabilities in balance sheet		
Defined benefit pension plans	74.1	176.8
Defined contribution pension plans	3.8	8.0
Total	77.9	184.8
Defined benefit pension plans		
In balance sheet	74.1	176.8
Surplus of funded plans in assets	-16.0	-4.8
Total	58.1	172.0

DEFINED BENEFIT PENSION PLANS

The Group's most significant defined benefit pension plans are in Germany, Great Britain, Finland and Sweden.

The Group has several additional defined benefit pension plans in Germany. The arrangements grant old-age pensions, disability pensions and family pensions exceeding the statutory pension security to eligible employees, officials, senior management and former owners of the local company. The retirement age is usually 65 years, and the amount of pension depends on the length of service. Officials and senior management are required to have a service history of 25 to 30 years to receive a full pension. With employees, all service years after the age of 18 are taken into consideration. Some of the pension arrangements are closed. The defined benefit plans in Germany are unfunded.

The defined benefits plans in Great Britain guarantee participants of the plan a pension the amount of which is based on the length of service and the salary in the most recent working years. The arrangement is closed to new members. The assets in the arrangement have been invested in funds that are managed in accordance with local guidelines and practice. Funds administered by third parties pay the benefits to the eligible recipients. The Group actively participates in the operations of the foundation's investment committee.

In Finland, the Group has additional pension arrangements that are regarded as defined benefit plans. Metsäliitto Employees' Pension Foundation grants old-age pensions, disability pensions and family pensions exceeding the statutory pension security to some of its officials. New members are no longer accepted to the Pension Foundation. The Pension Foundation's assets have been invested in property, Group company shares and participations as well as other quoted shares. In addition, the Pension Foundation has promissory note receivables from the Group and bank deposits.

The members of the Group's Executive Management Team have a separate benefit-based pension agreement with a retirement age of 62. The level of pension is 60 per cent of the total salary under the Employees' Pensions Act, calculated on the basis of the five-year period preceeding retirement. If the employment relationship with Metsä Group ends before retirement age, a member of the Executive Management Team is entitled to a paid-up policy.

The defined benefit pension plan in Sweden concerns officials born 1978 or earlier. The arrangement grant old-age pensions, family pensions and disability pensions. The amount of pension depends on the salary in which the future salary increases, length of service, promotions and other important factors like changes on the labour market are considered. The defined benefit plans in Sweden are unfunded. The obligation has a guarantee liability.

The Group has also defined benefit plans in Belgium, the Netherlands, Italy, Norway, Slovakia and Switzerland.

AMOUNTS RECOGNISED IN BALANCE SHEET

EUR million	2015	2014
Present value of funded obligations	168.7	167.5
Fair value of plan assets	-171.6	-151.9
Total	-3.0	15.5
Present value of unfunded obligations	61.1	156.5
Total	58.1	172.0
Net liability in balance sheet	58.1	172.0

CHANGES IN DEFINED BENEFIT OBLIGATIONS 2015

EUR million	Present value	Fair value of plan assets	Total
1.1.2015	323.9	-151.9	172.0
Current service cost	4.3	0.0	4.3
Administrative costs	0.0	0.0	0.0
Interest expense (+) or interest income (-)	6.4	-4.9	1.5
Past service cost	-0.6	0.0	-0.6
Income (-) and losses from settlement	-0.1	0.0	0.0
Total amount recognised in profit and loss	10.0	-4.8	5.2
Remeasurements in other comprehensive income			
The return on plan assets, excl. amounts included in interest	0.0	-10.6	-10.6
Gains (-) and losses (+) from change in demographic assumptions	3.8	0.0	3.8
Gains (-) and losses (+) from change in financial assumptions	-14.8	0.0	-14.8
Experience gains and losses	2.3	0.0	2.3
Total remeasuments in other comprehensive income	-8.7	-10.6	-19.3
Translation differences	6.1	-6.1	0.0
Contribution			
Employers	0.0	-4.2	-4.2
Plan participants	0.0	-0.1	-0.1
Payments from plans			
Benefit payments	-10.4	6.1	-4.3
Settlements	0.5	0.0	0.5
Acquired/sold businesses	-91.6	0.0	-91.6
31.12.2015	229.7	-171.6	58.1

On 21 May 2015, Metsä Board sold 100% of its shareholdings in Metsä Board Zanders GmbH including all liabilities related to the company, to a holding company wholly owned by mutares AG and its partner company.

CHANGES IN DEFINED BENEFIT OBLIGATIONS 2014

EUR million	Present value	Fair value of plan assets	Total
1.1.2014	268.8	-134.0	134.8
Current service cost	3.7	0.0	3.7
Administrative costs	0.0	0.0	0.0
Interest expense (+) or interest income (-)	9.4	-5.4	4.0
Past service cost	-0.2	0.0	-0.2
Income (-) and losses from settlement	0.0	0.0	0.0
Total amount recognised in profit and loss	12.9	-5.3	7.6
Remeasurements in other comprehensive income			
The return on plan assets, excl. amounts included in interest	0.0	-6.6	-6.6
Gains (-) and losses (+) from change in demographic assumptions	1.2	0.0	1.2
Gains (-) and losses (+) from change in financial assumptions	53.3	0.0	53.3
Experience gains and losses	-4.0	0.0	-4.0
Total remeasuments in other comprehensive income	50.4	-6.6	43.8
Translation differences	4.0	-6.0	-2.1
Contribution			
Employers	0.0	-5.2	-5.2
Plan participants	0.0	-0.1	-0.1
Payments from plans			
Benefit payments	-12.0	5.3	-6.6
Settlements	-0.2	0.0	-0.3
31.12.2014	323.9	-151.9	172.0

DEFINED BENEFIT PENSION PLANS AND PLAN ASSETS BY COUNTRY IN 2015

EUR million	Germany	Great Britain	Finland	Sweden	Other countries	Total
Present value of obligations	37.9	96.5	53.7	21.1	20.5	229.7
Fair value of plan assets	0.0	-110.6	-45.0	0.0	-16.1	-171.6
Total	37.9	-14.1	8.7	21.1	4.5	58.1

DEFINED BENEFIT PENSION PLANS AND PLAN ASSETS BY COUNTRY IN 2014

EUR million	Germany	Great Britain	Finland	Sweden	Other countries	Total
Present value of obligations	135.5	95.7	51.1	19.9	21.7	323.9
Fair value of plan assets	0.0	-100.5	-35.6	0.0	-15.8	-151.9
Total	135.5	-4.8	15.5	19.9	5.9	172.0

SIGNIFICANT ACTUARIAL ASSUMPTIONS 2015

	Germany	Great Britain	Finland	Sweden	Other countries
Discount rate, %	1.88–2.32	3.90	0.91–2.32	2.9	1.86–3.0
Salary growth rate, %	3.0	2.0	0.0–2.0	3.0	2.19–3.0
Pension growth rate, %	2.0	2.6–3.4	1.50–1.85	1.5	1.55–2.0
Life expectancy, years					
Retiring at the end of the reporting period					
Male	21.3	22.2–23.0	21.4	20.0	20.5–21.3
Female	25.6	24.4–24.9	25.4	24.0	24.1–24.5
Retiring 20 years after the end of reporting period					
Male	24.0	23.6–24.4	23.7	23.0	22.7–23.5
Female	28.1	25.9–26.4	28.0	25.0	26.0–26.8

SIGNIFICANT ACTUARIAL ASSUMPTIONS 2014

	Germany	Great Britain	Finland	Sweden	Other countries
Discount rate, %	1.0–2.0	3.55	0.4–2.07	2.8	1.27–4.1
Salary growth rate, %	3.0	2.0	2.0–3.81	3.0	1.0–3.8
Pension growth rate, %	2.0	2.6–3.4	2.1	1.5	1.0–3.5
Life expectancy, years					
Retiring at the end of the reporting period					
Male	21.1	22.9	19.0	20.0	17.2–21.4
Female	25.4	24.8	24.7	24.0	23.0–24.3
Retiring 20 years after the end of reporting period					
Male	23.9	24.3	20.6	20.1	17.2–25.7
Female	28.0	26.3	26.4	22.8	23.0–27.2

Assumptions on mortality rate are based on guidance by actuaries on the basis of published statistics in each region and on experience. The assumptions are used to calculate the average life expectancy for people retiring at the age of 65.

SENSITIVITY OF BENEFIT OBLIGATION TO CHANGES IN ESSENTIAL WEIGHTED ASSUMPTIONS 2015

		Impact on benefit obligation	
	Change of assumption	Increase	Decrease
Discount rate, %	0.5%	6.9% decrease	7.9% increase
Increase in salary growth rate	0.5%	1.5% increase	1.2% decrease
Increase in pension growth rate	0.5%	5.9% increase	5.5% decrease
		Increase in assumption one year	Decrease in assumption one year
Life expectancy		3.5% increase	3.5% decrease

SENSITIVITY OF BENEFIT OBLIGATION TO CHANGES IN ESSENTIAL WEIGHTED ASSUMPTIONS 2014

		Impact on benefit obligation	
	Change of assumption	Increase	Decrease
Discount rate, %	0.5%	7.5% decrease	8.4% increase
Increase in salary growth rate	0.5%	1.0% increase	0.9% decrease
Increase in pension growth rate	0.5%	5.8% increase	5.5% decrease
		Increase in assumption one year	Decrease in assumption one year
Life expectancy		4.6% increase	4.5% decrease

The aforementioned sensitivity analyses are based on a situation where all other assumptions remain unchanged when one assumption changes. In practice, this is not probable, and changes in some assumptions may correlate with each other. The sensitivity of a defined benefit obligation to changes in significant actuarial assumptions has been calculated using the same method as is used in calculating the pension obligation entered in the balance sheet. The sensitivity analysis has been carried out using the same methods and assumptions as in the previous period.

PLAN ASSETS IN 2015

EUR million	Quoted	Unquoted	Total	%
Equity instruments	5.0	0.2	5.2	3.0
Debt instruments	1.2	16.1	17.3	10.1
Property	0.0	6.2	6.2	3.6
Qualifying insurance policies	0.0	8.9	8.9	5.2
Cash and cash equivalents	2.8	0.0	2.8	1.6
Investments funds	114.4	0.0	114.4	66.6
Funds in insurance companies	0.0	16.8	16.8	9.8
Total	123.4	48.2	171.6	100.0

PLAN ASSETS IN 2014

EUR million	Quoted	Unquoted	Total	%
Equity instruments	2.3	0.5	2.9	1.9
Debt instruments	2.7	16.2	19.0	12.5
Property	0.0	6.8	6.8	4.5
Qualifying insurance policies	0.0	9.0	9.0	5.9
Cash and cash equivalents	1.5	0.0	1.5	1.0
Investments funds	105.5	0.0	105.5	69.4
Funds in insurance companies	0.0	7.3	7.3	4.8
Total	112.1	39.9	151.9	100.0

Assets included in the pension arrangements include Metsäliitto Cooperative's participations at a fair value of EUR 0.2 million (0.2) and Metsä Board Corporation's A- and B -shares with a fair value of EUR 2.7 million (2.6).

Defined benefit plans expose the Group to several different risks, the most considerable being as follows:

VOLATILITY OF ASSETS

Liabilities arising from the arrangements have been calculated using a discount rate based on the return on bonds issued by the companies. If the return on assets included in the arrangement is less than this return, deficit is generated. The Group works to reduce investment risk by diversifying the assets in the arrangement to different asset types, such as shares, properties and government and corporate bonds. A considerable portion of the assets included in the arrangement in Great Britain consists of shares that are expected to provide a better long-term return than corporate bonds, although in the short-term they generate volatility and risks.

CHANGES IN BOND YIELDS

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

INFLATION RISK

The majority of the plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plans' assets are either unaffected by (fixed interest bonds) or loosely correlated with (shares) inflation, meaning that an increase in inflation will also increase the deficit.

LIFE EXPECTANCY

The majority of the arrangement obligations is related to producing lifetime benefits for members, so the expected increase in life expectancy will increase the arrangement obligations.

The contribution made to defined benefit plans following the termination of employment is expected to be EUR 7.2 million in the 2016 financial period.

The weighted average duration of the defined benefit obligation is 15.8 years (15.4).

23. Provisions

EUR million	Restructuring	Environmental obligations	Other provisions	Total
1.1.2015	16.9	18.7	11.7	47.3
Translation difference	0.3	0.1	0.1	0.5
Increases	16.1	1.5	1.7	19.3
Decreases	-7.4	-4.5	-3.8	-15.7
Unused amounts reversed	-5.1	-0.9	-1.8	-7.8
Effect of discounting	0.0	0.2	0.0	0.2
Liabilities classified as held for sale	-0.4	0.0	0.0	-0.4
31.12.2015	20.4	15.0	7.8	43.3

EUR million	2015	2014
Non-current	**23.0**	33.4
Current	**20.3**	14.0
Total	**43.3**	47.3

Of the increase in the restructuring provision EUR 15.7 million and of the unused amounts reversed EUR 4.2 million, are due to the closure of Metsä Tissue's Russian operations and to Metsä Tissue's efficiency programme regarding the napkin business in Germany.

Of the unused amounts reversed EUR 3.1 million is due to the provisions made for the closure of Metsä Board's Alizay mill in France and to the sale of Metsä Board's Gohrsmühle mill in Germany.

The non-current portion will mostly be paid before the end of 2017.

24. Borrowings

INTEREST-BEARING FINANCIAL LIABILITIES

EUR million	BOOK VALUE 2015	BOOK VALUE 2014
NON-CURRENT INTEREST-BEARING FINANCIAL LIABILITIES		
Bonds	**396.6**	410.3
Loans from financial institutions	**652.7**	708.3
Pension loans	**123.2**	234.9
Finance lease liabilities	**30.1**	16.3
Other liabilities	**100.8**	3.6
Total	**1,303.5**	1,373.3
CURRENT INTEREST-BEARING FINANCIAL LIABILITIES		
Current portion of long-term debt	**193.9**	308.3
Current loans	**2.1**	0.0
Other liabilities	**246.3**	220.6
Total	**442.3**	528.9
Assets classified as held for sale	**1.1**	2.1
Interest-bearing financial liabilities, total	**1,746.8**	1,904.3

INTEREST-BEARING FINANCIAL ASSETS

EUR million	BOOK VALUE 2015	BOOK VALUE 2014
NON-CURRENT INTEREST-BEARING FINANCIAL ASSETS		
Financial assets at fair value through profit and loss	**5.8**	5.3
Loan receivables	**5.6**	8.7
Total	**11.5**	13.9
CURRENT INTEREST-BEARING FINANCIAL ASSETS		
Financial assets at fair value through profit and loss	**62.3**	20.4
Loan receivables	**5.0**	4.1
Current investments at amortised cost	**414.8**	565.5
Cash at bank and in hand	**643.7**	362.0
Total	**1,125.8**	952.0
Assets classified as held for sale	**0.0**	0.2
Interest-bearing financial assets, total	**1,137.3**	966.1
Interest-bearing net liabilities, total	**609.6**	938.2

BONDS

EUR million	Interest-%	2015	2014
2004–2020	9.000	**15.3**	15.3
2012–2017	5.125	**159.7**	174.2
2014–2019	4.000	**221.7**	220.7
		396.6	410.3

MATURITY OF FINANCE LEASE LIABILITIES

EUR million	2015	2014
MINIMUM LEASE PAYMENTS		
Not later than 1 year	**4.8**	21.9
1–2 years	**17.1**	2.4
2–3 years	**2.2**	2.1
3–4 years	**3.1**	1.9
4–5 years	**1.3**	2.7
Later than 5 years	**8.1**	9.1
Total	**36.5**	40.1
Future finance charges	**2.2**	2.6
Present value of minimum lease payments	**34.4**	37.4
Present value of minimum lease payments		
Not later than 1 year	**4.2**	21.1
1–2 years	**16.5**	2.0
2–3 years	**1.9**	1.7
3–4 years	**2.9**	1.6
4–5 years	**1.2**	2.5
Later than 5 years	**7.6**	8.5
Total	**34.4**	37.4

The most significant finance lease agreements concern Metsä Board'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.

25. Other non-current liabilities

EUR million	2015	2014
NON-INTEREST BEARING NON-CURRENT LIABILITIES TO OTHERS		
Advance payments	**1.1**	1.0
Accounts payable	**0.1**	0.0
Other liabilities	**0.5**	1.8
Accruals and deferred income	**2.6**	2.8
Total	**4.4**	5.5

26. Accounts payable and other liabilities

EUR million	2015	2014
NON-INTEREST BEARING CURRENT LIABILITIES TO ASSOCIATED COMPANIES		
Accounts payable	**5.3**	4.7
Accruals and deferred income	**1.3**	0.6
Total	**6.6**	5.3
NON-INTEREST BEARING CURRENT LIABILITIES TO OTHERS		
Advance payments	**18.4**	14.7
Accounts payable	**620.7**	522.4
Other liabilities	**54.3**	59.7
Accruals and deferred income	**339.0**	337.9
Total	**1,032.4**	934.6
Accounts payable and other liabilities, total	**1,039.0**	940.0

27. 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 Treasury Oy is specialized in finance and functions as the Group's internal bank. Metsäliitto Cooperative´s holding is 100 per cent of the company. Financial operations have been centralised to Metsä Group Treasury, which is in charge of managing the Group companies' financial positions according to the strategy and financial policy, providing necessary financial services and acting as an advisor in financial matters.

FOREIGN CURRENCY RISK

The foreign currency exposure of Metsä Group 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 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. The foreign currency transaction exposure is consisting of foreign currency denominated sales revenue and costs. The exposure is including foreign currency denominated balance sheet exposure consisting of accounts receivable and accounts payable and a quarter share of the annual contracted or estimated 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 of the Group. Other significant currencies are AUD, DKK, NOK, PLN and RUB. The effect of weakening of Russian rouble is diverse in various Group companies; the share of the direct Group currency transaction exposure is only 2.6 per cent. The hedging policy is to keep the balance sheet exposure and a quarter of annual cash flow of contracted 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 of the Group. 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 to hedging of part of the currency transaction exposure, which allows fair value changes of hedges designated to hedge accounting to be recognized directly in shareholders' equity in fair value reserve. At the end of the reporting period, the foreign exchange flow position had been hedged 3.2 months on average (2014: 4.8). During the reporting period, the hedging level has varied between 3 and 5 months (4–5). The dollar's hedging level was 2.6 months (4.0), of which the portion of hedge accounting was 2.6 months (2.8). The Swedish krona's hedging level was 4.4 months (7.6), of which the portion of hedge accounting was 3.4 months (4.3). The pound's hedging level was 4.5 months (4.7), of which the portion of hedge accounting was 1.8 months (1.9). Hedges allocated to hedge accounting have been used to hedge the portion of highly probable forecast sales of the currency transaction exposure. At the end of the reporting period on average 77 per cent of the norm determined in the hedging policy has been hedged (105).

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, 0–100 per cent (0–100) of equity should be hedged. The translation risk of equity has been hedged through the use of forward transactions and hedge accounting in accordance with IAS is applied, which allows the exchange gains and losses of effective hedging to be recognized into the equity offsetting translation differences. During the reporting period, on average 9 per cent (9) of the equity position was hedged and at the end of the reporting period 9 per cent (8). The hedge ratio remains low, as Swedish krona and Polish zloty equity hedging has for the time been abandoned.

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 balance sheet exposure plus the quarter of annual 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 25.5 million (15.5) and the sum of VaR figures of the Group companies is at the end of the reporting period EUR 3.9 million (4.3). Average during the period has been EUR 5.5 million (3.9).

HEDGING OF FOREIGN EXCHANGE TRANSACTION EXPOSURE

	EXPOSURE, NET		HEDGING, MONTHS	
	EUR	Hedging	31.12.	Average
USD	1,059.2	-227.8	2.6	2.9
GBP	210.9	-78.5	4.5	4.1
SEK	-334.8	123.9	4.4	5.4
NOK	84.1	-24.2	3.4	4.0
DKK	68.4	-23.1	4.1	3.8
Other long	71.0	-26.5	4.1	4.5
Other short	-49.8	4.5	1.1	1.7
Total 2015	1,878.2	-508.5	3.2	3.7
Total 2014	1,796.1	-712.2	4.8	4.9

HEDGING OF NET INVESTMENTS IN A FOREIGN ENTITY

	EQUITY EXPOSURE		HEDGING, %	
	EUR	Hedging	31.12.	Average
GBP	85.3	-59.3	70.0	68.0
SEK	480.6	0.0	0.0	0.0
Others	103.8	0.0	0.0	0.0
Total 2015	669.7	-59.3	9.0	9.0
Total 2014	656.4	-55.6	8.0	9.0

INTEREST RATE RISK

The interest rate risk is related mainly in the interest bearing receivables and loans, working capital financing and currency hedging. The most significant currencies in risk management are the euro, the US dollar, the British pound and the Swedish krona. Also the loans not yet raised for Äänekoski bioproduct mill investment and related interest rate swaps are included in the Group interest rate exposure. The objective of the interest rate risk policy is to minimise the negative impact of interest rate changes on the Group's and group companies' 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 is lengthening the rise of interest rates affects more slowly 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 twelve 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 32.4 months (2014: 18.8) at the end of the year. During the reporting period duration has varied between 16 and 34 months (18¬–25). At the end of 2015, an increase of one per cent in interest rates would decrease interest rate costs of the next 12 months by EUR 3.3 million (decrease of 1.0), as the amount of floating rate cash and current investments is high in relation to floating rate loans.

Metsä 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 of the Group. 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 is EUR 1,044.2 million (464.6). Of the derivatives portfolio, EUR 966.0 million (439.3) is allocated to hedge accounting, and the portion of derivatives recognized in the balance sheet through profit or loss is EUR 78.2 million (25.3). The maturity of interest rate swap and currency swap contracts varies between 1–15 years (1–6).

INTEREST RATE RISK

	2015	2014
Loan amount, EUR mill.	**1,499**	1,683
Duration, months	**32.4**	18.8
Average interest rate, %	**3.8**	4.0
Interest rate sensitivity, EUR mill.	**-3.3**	-1.0

Interest rate sensitivity is an estimate of the effect of an interest rate change of one per cent on net interest cost based on year-end exposure. Duration includes committed credit facilities of EUR 925 million related to Metsä Fibre's bioproduct mill. These are also included in the re-pricing structure of loans. Interest rate risk exposure does not include the part of Metsäliitto Cooperative subscribed capital that is booked as short-term interest-bearing liability.

RE-PRICING STRUCTURE OF LOANS

EUR million	TOTAL
1–4/2016	**80**
5–8/2016	**604**
9–12/2016	**42**
2017	**297**
2018	**254**
2019	**325**
>2019	**822**
Total	**2,424**

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 financial hedges is accomplished centralized by Metsä Group Treasury based on the strategy and risk management policy approved by Board of Directors of Metsä Group companies. So far the commodity hedging policy has been applied to the management of the price risks of electricity, natural gas, gas oil and pulp and also transactions related to Emission allowances have been managed by Metsä Group Treasury.

Metsä 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 Metsä Board and Metsä Tissue Finnish and Swedish electricity procurement, the hedge strategy is implemented in cooperation with Metsä Group Energy service unit centralized through Metsä Group Treasury. The hedges of electricity price risk in Central Europe are implemented according to instructions and by Metsä Group Energy in cooperation with local production units by physical contracts. Metsä Board, Metsä Tissue and Metsä Wood hedge the electricity price risk actively by setting the hedging norm at 80, 40, 20, 10 and 10 per cent share of the estimated net position during the first, second, third, fourth and fifth successive 12-month periods respectively. Hedge accounting in accordance with IAS 39 has been applied to electricity hedging. Consequently the fair value of hedges allocated to hedge accounting is recognized in equity in fair value reserve and only after the realisation of electricity purchases in the income statement as an adjustment of the purchases. Metsä Fibre is not hedging its electricity or natural gas exposure.

Approximately a quarter of mills' purchase of fuel is based on natural gas. The prices of natural gas in Central Europe are fixed to market prices of natural gas. In Finland the prices of gas deliveries are fixed to development of Fuel-Oil, coal import price and the energy price index. The hedging of natural gas price risks has mainly been done with physical, fixed-price contracts. In Finland the premise of natural gas price risk hedging is to hedge the oil-related part of the contract by using fixed-priced physical supply contracts or oil derivatives depending on applied pricing practices. Metsä Tissue has carried out financial hedges of natural gas in Germany and is applying hedge accounting according to IAS 39. In 2015 Metsä Group has started price risk hedging of propane purchases with so called financial hedges and IFRS hedge accounting is applied. The hedging strategy of natural gas, propane and butane is based on a risk policy according to which Metsä Group Energy makes the hedging decisions with the support of Metsä Group Treasury, and the Board of Directors of Group companies make significant strategic decisions.

Approximately 27 per cent (40) of electricity hedges have been carried out by using physical supply contracts and 73 per cent (60) as so-called financial hedges by using electricity derivatives. At the end of the year 100 per cent (99) of financial hedges have been designated to hedge accounting. About 82 per cent (80) of natural gas price risk hedges have been carried out by using physical supply contracts and 18 per cent (20) as so-called financial hedges.

Metsä Group has continued gas oil price risk hedging related to logistics costs (sea freights) based on prepared risk management policy with financial hedges and IFRS hedge accounting is applied.

According to the pulp price risk hedging policy a Group company may selectively hedge its price risk either by financial hedges through Metsä Group Treasury or fixed-price physical contracts. Hedge accounting in accordance with IAS is applied within the pulp price risk management. Metsä Board and Metsä Tissue have used pulp price risk hedges during 2015 and there are some valid price risk hedges at the end of 2015 within Metsä Tissue.

HEDGING OF ELECTRICITY PRICE RISK, 31.12.

GWh	2015	2014
Electricity exposure, net 2016	**1,383.0**	1,328.0
Electricity hedging 2016	**1,465.0**	1,419.6
Hedging, at end of eyar (%)	**106**	107

Electricity price risk is hedged based on defined risk management policy on a time horizon of four years either by physical contracts or by financial contracts. The table 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 costs that are incurred in arranging the necessary financing are unreasonable high. 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 100 per cent of the Group's liquidity requirement for the first 12 months and 50–100 per cent of the following 12–24 months liquidity requirement. The objective is that at the most 20 per cent of the Group's loans, including committed credit facilities, is allowed to mature within the next 12 months and at least 25 per cent of the total debt must have a maturity in excess of four years. When the financial markets are functioning normally from the Group's point of view, the 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. During the last years liquidity and especially the capital structure of Metsä Group has been strengthened through the change in the ownership structure of Metsä Fibre and other divestments. The Group is using short-term working capital financing related to account receivables and account payables.

In March 2015 Metsä Board carried out a share issue of EUR 100 million. The funds received from the share issue will be used to finance the final steps of transformation to a paperboard company. Metsä Fibre signed in June the financing agreements for the Äänekoski bioproduct mill project and refinanced its EUR 270 million revolving credit facility by a new EUR 300 million revolving credit facility maturing in 2020. The financing for the bioproduct mill project including Itochu shareholder loan is in total EUR 900 million, of which EUR 50 million has been raised until the end of 2015. Metsäliitto Cooperative signed in June a EUR 75 million loan agreement related to the bioproduct mill investment with the European Investment Bank.

Metsä Group's liquidity has remained strong. The available liquidity was EUR 1,952.6 million (1,725.0) at the end of the reporting period, of which EUR 1,120.8 million (947.9) was liquid funds and investments and EUR 831.8 million (777.1) committed credit facilities. In addition, the Group has EUR 925.0 million (0.0) in off-balance sheet committed credit facility agreements related to the bioproduct mill investment in Äänekoski. The Group had also at its disposal short-term, uncommitted commercial paper programmes and credit lines amounting to EUR 161.0 million (173.3). At the end of 2015, the liquidity reserve covers fully the forecasted financing need of 2016 and 2017. 8 per cent (13) of long-term loans and committed facilities fall due in a 12 month period and 27 per cent (38) have a maturity of over four years. The average maturity of long-term loans is 2.9 years (3.2). The share of short-term financing of the Group's interest bearing liabilities is 14 per cent (12).

COUNTERPARTY RISK

Financial instruments carry the risk that the Group may incur losses should the counterparty be unable to meet its commitments. The Group is managing this risk 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, although the strengthened liquidity position has increased the counterparty risk during the reporting period. Cash and cash equivalents and other investments have been spread to several banks and commercial papers of several institutions. Counterparty limits have been revised during the year by taking into account the needs of the company and the view on the financial position of the used counterparties. Derivatives trading is regulated by the standardised ISDA contracts made with the counterparties.

The Group's accounts receivable carry a counterparty risk that the Group may incur losses should the counterparty be unable to meet its commitments. Credit risk attached to accounts receivable is managed on the basis of the credit risk management policies approved by operative management. 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. Operative management reviews and sets all major credit limits which are not supported by credit insurance and/ or other security according to Credit Risk Management Policies.

The portion of overdue client receivables of all sales receivables of Metsä Group is at the time of financial statements 6.2 per cent (17.0), of which 0.3 per cent (0.4) is overdue between 90–180 days and 0.0 per cent (0.6) over 180 days. Additionally Metsä Group 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 the Notes.

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 Great Britain, Germany, Italy, Finland, Sweden, Poland, Hong Kong, USA, France and Belgium. Top ten countries represent around 68 per cent of (71) external customer receivables. 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 2015 was about 6 per cent (5) of total accounts receivable. About 26 per cent (28) of accounts receivable was owed by ten largest customer groups (individual companies or groups of companies under common ownership). At the end of 2015, the main part of trade receivables of Metsä Group were covered by credit insurance or other security, such as letters of credit.

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 key ratios that describe net gearing and equity ratio. The objective of the Group on long term basis is to maintain its net gearing ratio at the maximum level of 100 per cent and equity ratio at the minimum level of 40 per cent (temporary deviations allowed).

THE KEY RATIOS DESCRIBING THE CAPITAL STRUCTURE AND THE CAPITAL AMOUNTS USED FOR THE CALCULATION OF THE KEY RATIO WERE ON 31.12.2015 AND 31.12.2014 THE FOLLOWING:

EUR million	2015	2014
Net gearing ratio, %	25	46
Equity ratio, %	43.2	37.9
Interest-bearing liabilities	1,746.8	1,904.3
- interest-bearing financial assets	1,137.3	966.1
Interest-bearing net liabilities	609.6	938.2
Members' funds	1,805.6	1,590.3
+ non-controlling interest	611.3	467.0
Total	2,416.9	2,057.3
Total assets	5,616.4	5,447.0
- advanced payments received	19.5	15.7
Total	5,596.9	5,431.3

The debt financing of Metsä Group was at the end of 2015 arranged so that Metsä Board, Metsä Fibre and Metsä Tissue each had required loans to cover the financial needs of the sub-Groups formed by them and that the loans of the companies in question were independent of each other. Likewise Metsäliitto Cooperative had separately arranged financing to cover the financial needs of the parent company and Metsä Forest and Metsä Wood.

The financing for the Metsä Fibre bioproduct mill project is in total EUR 750 million and consists of several financing arrangements. In addition, the company has signed a EUR 150 million shareholder loan agreement with Itochu Corporation. The debt financing for the bioproduct mill project consists of a EUR 400 million Finnvera guaranteed loan, EUR 200 million loan from European Investment Bank (EIB), EUR 80 million loan from commercial banks and EUR 70 million loan guaranteed by Swedish export credit agency EKN. The financial covenants related to the financing are in line with Metsä Fibre´s and whole Metsä Group´s loan agreement covenants.

In Metsä Group's certain financial contracts financial covenants have been set regarding financial performance and capital structure. 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 2015 and 2014.

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.

MARKET RISK SENSITIVITY 31.12.

			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 incl. hedging		Impact on annual transaction exposure (cash flow)		Impact on annual transaction exposure (cash flow) incl. hedging	
EUR million	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
INTEREST RATE RISK (100 BP RISE IN INTEREST RATES)										
Effect on profit	-1.3	0.8					3.3	1.0	41.0	9.3
Effect on other change in equity	39.0	7.5								
COMMODITY RISK (ELECTRICITY PRICE +20%)										
Effect on profit		0.1					-4.8	-5.6	5.9	7.4
Effect on other change in equity	10.7	12.9								
FX RISK (USD -10%)										
Effect on profit	-7.0	-1.4					-105.9	-83.5	-83.1	-55.7
Effect on other change in equity	23.2	19.7	-0.2	-0.2	-0.2	-0.2				
FX RISK (GBP -10%)										
Effect on profit	1.5	3.5					-21.1	-30.0	-13.3	-18.2
Effect on other change in equity	9.2	10.3	-8.5	-7.8	-2.6	-1.8				
FX RISK (SEK -10%)										
Effect on profit	0.9	-3.6					33.5	36.6	21.1	13.4
Effect on other change in equity	-9.4	-13.0	-48.1	-44.9	-48.1	-44.9				

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

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 recognised interest rates, electricity prices and foreign exchange rates as its key market risks and has set 1 per cent interest rate rise, 20 per cent rise in electricity price and 10 per cent weakening of USD, GBP and SEK as reasonably possible risk variables. These currencies represent nearly 80 per cent of the 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 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 impact on net equity of foreign entities is arising from the consolidation of subsidiaries to the Group consolidated accounts. The rise of electricity price has a negative impact on cash flow. As according to hedging policy the electricity price risk of the nearest year has mostly been hedged, the impact including hedges remains minor. When the cash flow of the nearest year and all electricity hedges have been taken into account, the calculatory impact is slightly positive.

MATURITY OF REPAYMENT AND INTEREST PAYMENT OF FINANCIAL LIABILITIES 31 DEC. 2015

EUR million	BOOK VALUE	2016	2017	2018	2019	2020	2021–
Bonds and debentures	396.6						
Instalments			-159.7		-221.7	-15.3	
Interest payment		-18.7	-18.7	-10.4	-10.4	-1.4	
Loans from financial institutions	712.6						
Instalments		-59.9	-101.3	-282.4	-211.3	-13.3	-44.4
Interest payment		-14.7	-12.9	-8.0	-2.0	-1.2	-5.2
Pension loans	250.3						
Instalments		-127.0	-32.6	-32.6	-32.6	-25.3	
Interest payment		-9.1	-5.1	-3.6	-2.2	-0.7	
Finance lease liabilities	34.4						
Instalments		-4.2	-16.5	-1.9	-2.9	-1.2	-7.6
Interest payment		-0.6	-0.5	-0.3	-0.2	-0.1	-0.5
Other non-current interest-bearing liabilities	103.5						
Instalments		-2.7	-49.9				-50.9
Interest payment		-3.7	-3.7	-3.0	-3.0	-3.1	-15.2
Non-current interest-bearing liabilities, total	1,497.3						
Instalments in 2016	-193.9						
In balance sheet, total	1,303.5						
Instalments		-193.9	-360.1	-316.9	-468.5	-55.0	-103.0
Interest payment		-46.8	-41.0	-25.4	-17.8	-6.5	-20.9
Current interest-bearing liabilities	248.5						
Instalments		-248.5					
Interest payment		-11.3					
Liabilities classified as held for sale	1.1						
Instalments		-1.1					
Accounts payable and other liabilities	1,063.7						
Instalments		-1,059.3	-4.3				-0.1
Total liabilities	2,810.5						
Instalments		-1,502.7	-364.3	-316.9	-468.5	-55.0	-103.1
Interest payment		-58.2	-41.0	-25.4	-17.8	-6.5	-20.9
Guarantees agreements	28.8	-18.7	-4.7	-0.7	-0.1	0.0	-4.6
Derivative financial instrument liabilities							
Interest rate swaps		-5.3	-2.5	-1.1	0.1	-0.1	-0.1
Currency derivatives		-1,151.4					
Commodity derivatives		-21.8	-7.7	-2.7	-2.4	0.1	
Total	42.2	-1,178.5	-10.2	-3.8	-2.2	0.0	-0.1
Derivative financial instrument assets							
Currency derivatives		1,155.6					
Commodity derivatives		0.4					
Total	4.9	1,156.0	0.0	0.0	0.0	0.0	0.0
Derivative financial instrument net of cash		-22.5	-10.2	-3.8	-2.2	0.0	-0.1

MATURITY OF REPAYMENT AND INTEREST PAYMENT OF FINANCIAL LIABILITIES 31 DEC. 2014

EUR million	BOOK VALUE	2015	2016	2017	2018	2019	2020–
Bonds and debentures	410.3						
Instalments		0.0	0.0	-174.2	0.0	-220.7	-15.3
Interest payment		-19.4	-19.4	-19.4	-10.4	-10.4	-1.4
Loans from financial institutions	891.5						
Instalments		-183.2	-60.3	-102.3	-281.2	-212.3	-52.3
Interest payment		-23.7	-17.9	-15.1	-8.9	-2.2	-6.2
Pension loans	287.9						
Instalments		-53.1	-111.7	-32.6	-32.6	-32.6	-25.3
Interest payment		-12.4	-8.6	-5.1	-3.7	-2.2	-0.7
Finance lease liabilities	37.4						
Instalments		-21.1	-2.0	-1.7	-1.6	-2.5	-8.5
Interest payment		-0.8	-0.4	-0.3	-0.3	-0.2	-0.7
Other non-current interest-bearing liabilities	54.5						
Instalments		-50.9	-2.7	0.0	0.0	0.0	-0.9
Interest payment		-0.7	0.0	0.0	0.0	0.0	0.0
Non-current interest-bearing liabilities, total	1,681.6						
Instalments in 2015	-308.3						
In balance sheet, total	1,373.3						
Instalments		-308.3	-176.6	-310.9	-315.4	-468.2	-102.2
Interest payment		-57.0	-46.2	-40.0	-23.3	-15.0	-9.0
Current interest-bearing liabilities	220.6						
Instalments		-220.6					
Interest payment		-10.4					
Liabilities classified as held for sale	2.1						
Instalments		-2.1					
Accounts payable and other liabilities	971.0						
Instalments		-965.4	-5.4	-0.1	0.0	0.0	-0.1
Total liabilities	2,875.3						
Instalments		-1,496.4	-182.0	-311.0	-315.4	-468.2	-102.3
Interest payment		-67.4	-46.2	-40.0	-23.3	-15.0	-9.0
Guarantees agreements	29.8	-13.5	-12.0	-1.7	-0.3	-0.1	-2.2
Derivative financial instrument liabilities							
Interest rate swaps		-7.1	-4.7	-1.9	-0.7	0.3	0.0
Currency derivatives		-1,418.0					
Commodity derivatives		-13.5	-3.7	-0.9	-0.3	0.0	0.0
Total	47.9	-1,438.6	-8.4	-2.9	-1.0	0.3	0.0
Derivative financial instrument assets							
Currency derivatives		1,402.3					
Commodity derivatives		3.0					
Total	4.1	1,405.4	0.0	0.0	0.0	0.0	0.0
Derivative financial instrument net of cash		-33.3	-8.4	-2.9	-1.0	0.3	0.0

MATURITY ANALYSIS OF CASH FLOW HEDGE ACCOUNTING

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

31.12.2015

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
Q 1	189.8	-2.2	-32.1
Q 2	105.4	-2.9	-31.9
Q 3	47.5	-2.5	-31.3
Q 4	16.9	-2.9	-31.2
Total in 2016	359.5	-10.5	-126.5
2017		-9.5	-30.0
2018		-7.4	-12.3
2019		-6.0	-9.3
2020		-6.0	-2.1
2021–		-30.3	
Cash flows total	359.5	-69.7	-180.1
Total nominal values of derivatives directed to hedge accounting	359.5	966.0	180.1

31.12.2014

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
Q 1	170.9	-2.5	-24.0
Q 2	125.9	-1.7	-22.4
Q 3	62.1	-3.8	-17.4
Q 4	10.4	-1.7	-17.4
Total in 2015	369.2	-9.7	-81.2
2016	6.9	-6.4	-23.8
2017		-5.2	-14.9
2018		-1.8	-9.0
2019			-0.5
2020–			
Cash flows total	376.1	-23.1	-129.5
Total nominal values of derivatives directed to hedge accounting	376.1	374.0	129.5

28. Fair values of financial assets and liabilities

FINANCIAL ASSETS AND LIABILITIES CLASSIFIED ACCORDING TO IAS 39 AND FAIR VALUES

EUR million	Note	Fair value through profit and loss	Available for sale financial assets	Loans and other receivables	Derivatives at hedge accounting	Amortised cost	Book value	Fair value
FINANCIAL ASSETS 31.12.2015								
Available for sale investments	15		227.1				227.1	227.1
Other non-current financial assets	16	5.8		22.2			28.0	28.0
Accounts receivables and others	19			633.9			633.9	633.9
Cash and cash equivalent	20	62.3		1,058.5			1,120.8	1,120.8
Derivative financial instruments	28	4.0			1.0		4.9	4.9
Total		72.1	227.1	1,714.5	1.0	0.0	2,014.7	2,014.7
FINANCIAL LIABILITIES 31.12.2015								
Non-current interest-bearing liabilities	24					1,303.5	1,303.5	1,344.3
Other non-current liabilities	25					4.4	4.4	4.4
Current interest-bearing liabilities	24					442.3	442.3	446.8
Accounts payable and others	26					921.0	921.0	921.0
Derivative financial instruments	28	-1.5			43.6		42.2	42.2
Liabilities classified as held for sale	4					1.1	1.1	1.1
Total		-1.5	0.0	0.0	43.6	2,672.2	2,714.4	2,759.7

EUR million	Note	Fair value through profit and loss	Available for sale financial assets	Loans and other receivables	Derivatives at hedge accounting	Amortised cost	Book value	Fair value
FINANCIAL ASSETS 31.12.2014								
Available for sale investments	15		257.1				257.1	257.1
Other non-current financial assets	16	5.3		14.5			19.7	19.7
Accounts receivables and others	19			683.0			683.0	683.0
Cash and cash equivalent	20	20.4		927.5			947.9	947.9
Derivative financial instruments	28	1.1			3.0		4.1	4.1
Assets classified as held for sale	4			2.4			2.4	2.4
Total		26.7	257.1	1,627.4	3.0	0.0	1,914.3	1,914.3
FINANCIAL LIABILITIES 31.12.2014								
Non-current interest-bearing liabilities	24					1,373.3	1,373.3	1,420.1
Other non-current liabilities	25					5.5	5.5	5.5
Current interest-bearing liabilities	24					528.9	528.9	532.5
Accounts payable and others	26					824.5	824.5	824.5
Derivative financial instruments	28	3.1			44.9		47.9	47.9
Liabilities classified as held for sale	4					5.4	5.4	5.4
Total		3.1	0.0	0.0	44.9	2,737.7	2,785.6	2,836.1

Accounts receivables and other receivables do not include advance payments, deferred taxes or periodisations of employee costs (Note 19). Accounts payable and other financial liabilities do not include advance payments, deferred tax liabilities or periodisations of employee costs (Note 26).

In Metsä 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 39. 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 1.0–3.4 per cent (1.0–4.0). Of interest-bearing liabilities 33 per cent (41) is subject to variable rates and the rest to fixed rates. The average interest rate of interest-bearing liabilities at the end of 2015 was 3.8 per cent (4.0). 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.

FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES

2015

EUR million	Note	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS BOOKED AT FAIR VALUE					
Non-current financial assets through profit and loss at fair value	16		5.8		5.8
Available for sale financial assets	15	0.1		227.0	227.1
Current financial assets through profit and loss at fair value	20	62.3			62.3
Derivative financial assets	28		4.9		4.9
FINANCIAL LIABILITIES BOOKED AT FAIR VALUE					
Derivative financial liabilities	28	34.5	7.6		42.2
FINANCIAL ASSETS NOT BOOKED AT FAIR VALUE					
Cash and cash equivalent	20		1,058.5		1,058.5
FINANCIAL LIABILITIES NOT BOOKED AT FAIR VALUE					
Non-current interest-bearing financial liabilities	24		1,344.3		1,344.3
Current interest-bearing financial liabilities	24		446.8		446.8

2014

EUR million	Note	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS BOOKED AT FAIR VALUE					
Non-current financial assets through profit and loss at fair value	16		5.3		5.3
Available for sale financial assets	15	0.4		256.8	257.1
Current financial assets through profit and loss at fair value	20	20.4			20.4
DERIVATIVE FINANCIAL ASSETS	28		4.1		4.1
Financial liabilities booked at fair value					
DERIVATIVE FINANCIAL LIABILITIES	28	18.4	29.6		47.9
Financial assets not booked at fair value					
CASH AND CASH EQUIVALENT	20		927.5		927.5
Financial liabilities not booked at fair value					
Non-current interest-bearing financial liabilities	24		1,420.1		1,420.1
Current interest-bearing financial liabilities	24		532.5		532.5

FINANCIAL ASSETS MEASURED AT FAIR VALUE BASED ON LEVEL 3

EUR million	2015	2014
Opening balance	**256.8**	305.4
Total gains and losses in profit and loss	**0.7**	20.3
Total gains and losses in other comprehensive income	**-30.3**	6.3
Purchases	**0.9**	1.7
Settlements	**-1.0**	-77.0
Closing balance	**227.0**	256.8

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

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

Fair value measurement of available for sale investments is described in Note 15.

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

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

DERIVATIVES

31.12.2015

EUR million	Nominal value	Assets	Liabilities	Fair value Total	Fair value hedges	Cash flow hedges	Equity hedges	Derivatives, hedge accounting not applied
Interest rate swaps	1,044.2		7.3	-7.3		-9.1		1.8
Interest rate derivatives, total	1,044.2	0.0	7.3	-7.3	0.0	-9.1	0.0	1.8
Currency forward agreements	1,151.1	4.4	0.3	4.1		-0.4	1.0	3.5
Currency option agreements	176.3	0.1		0.1				0.1
Currency derivatives, total	1,327.4	4.6	0.3	4.3	0.0	-0.4	1.0	3.7
Electricity derivatives	80.4		21.6	-21.6		-21.6		
Pulp derivatives	66.6	0.4		0.4		0.4		
Oil derivatives	18.7		7.2	-7.2		-7.2		
Other commodity derivatives	24.7		5.7	-5.7		-5.7		
Commodity derivatives, total	190.4	0.4	34.5	-34.2	0.0	-34.2	0.0	0.0
Derivatives total	2,562.1	4.9	42.2	-37.2	0.0	-43.7	1.0	5.4

31.12.2014

EUR million	Nominal value	Assets	Liabilities	Fair value Total	Fair value hedges	Cash flow hedges	Equity hedges	Derivatives, hedge accounting not applied
Interest rate swaps	464.6		12.7	-12.7	3.2	-13.6		-2.3
Interest rate derivatives, total	464.6	0.0	12.7	-12.7	3.2	-13.6	0.0	-2.3
Currency forward agreements	1,401.2	1.1	14.8	-13.6		-15.4	-0.7	2.5
Currency option agreements	266.6		2.0	-2.0				-2.0
Currency derivatives, total	1,667.8	1.1	16.8	-15.7	0.0	-15.4	-0.7	0.5
Electricity derivatives	80.4		9.1	-9.1		-9.0		-0.1
Pulp derivatives	23.9	3.0		3.0		3.0		
Oil derivatives	25.2		8.3	-8.3		-8.3		
Other commodity derivatives	9.1		1.1	-1.1		-1.1		
Commodity derivatives, total	138.5	3.0	18.4	-15.4	0.0	-15.4	0.0	-0.1
Derivatives total	2,270.9	4.1	47.9	-43.8	3.2	-44.3	-0.7	-2.0

29. Notes to consolidated cash flow statement

EUR million	2015	2014
Adjustments to the result		
Taxes	**112.6**	69.7
Depreciation, amortisation and impairment charges	**258.2**	276.2
Biological assets	**-1.4**	-0.6
Share of profit from associated companies and joint ventures	**-11.2**	-16.4
Gains and losses on sale of non-current financial assets	**-51.0**	-117.0
Finance costs, net	**84.9**	103.4
Pension liabilities and provisions	**-4.9**	-10.2
Total	**387.2**	305.0
Change in working capital		
Change in inventories	**60.7**	-16.3
Change in accounts receivables and other receivables	**66.7**	-24.3
Change in accounts payable and other liabilities	**94.0**	239.2
Total change	**221.3**	198.6

RESULT FOR THE PERIOD

On 11 February 2014 the Arbitral Tribunal ordered Metsäliitto Cooperative to pay EUR 47.3 million and Metsä Board to pay EUR 19.6 million in damages to UPM-Kymmene Corporation. Of the damages EUR 59.2 million were recognised in other operating expenses and EUR 7.6 million in interest expenses.

CHANGE IN OTHER EQUITY

In 2015, change in other equity includes cash less transaction charges that the Group received from Metsä Board's share issue.

ACQUISITIONS AND DISPOSALS OF NON-CONTROLLING INTEREST

In 2014, the acquisitions of non-controlling interest include a EUR 20.9 million increase in ownership in Metsä Tissue (Note 4)

30. Commitments and contingencies

PENDING DISPUTES

In March 2011, the state enterprise Metsähallitus filed a claim for damages at the District Court of Helsinki, demanding that Metsäliitto Cooperative and two other forest industry companies jointly pay compensation for alleged damage caused by prohibited cooperation with regard to prices in the raw wood market. The claim is related to the 3 December 2009 decision by the Market Court which states that the aforementioned companies have violated the act on competition restrictions in the raw wood market. In addition, some municipalities, parishes and a group of individuals in Finland have instituted similar proceedings. The total amount of all claims that Metsäliitto Cooperative is aware of and that were directed at Metsäliitto Cooperative and the other aforementioned companies jointly is approximately EUR 202 million, of which approximately EUR 65 million is directed at Metsäliitto Cooperative alone. The aforementioned proceedings are associated with interest, value added tax claims and legal process expenses. In addition to the aforementioned claims, new claims for damages have been filed by private individuals and entities in January 2015, the amounts of which are not yet known by Metsäliitto. Metsäliitto Cooperative's view is that the claims for damages are unfounded, and the company has not recognised any provisions regarding them.

In May, Metsäliitto Cooperative and Metsä Board demanded the District Court of Helsinki to revoke the judgment issued by the Arbitral Tribunal on 11 February 2014 that ordered Metsäliitto Cooperative to pay EUR 47.3 million and Metsä Board to pay EUR 19.6 million in damages to UPM-Kymmene Corporation. In the judgment issued in June 2015, the District Court rejected the demands by Metsäliitto Cooperative and Metsä Board. Metsäliitto Cooperative and Metsä Board have appealed the District Court's judgment at the Court of Appeal.

In the autumn of 2015, the Finnish Tax Administration took a stand against the deductibility of certain losses in Metsä Board's 2014 taxation. Metsä Board recognised EUR 9.5 million in previously unrecognised income taxes in its result for 2015. Metsä Board will appeal against the decision issued by the Tax Administration, as the company believes the losses are deductible.

During the past few years companies belonging to Metsä 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.

CONTINGENT LIABILITIES

EUR million	2015	2014
For own liabilities		
Liabilities secured by pledges		
Loans from financial institutions	**232.7**	243.6
Pension loans	**108.9**	118.2
Other liabilities	**2.1**	9.0
Pledges granted	**464.5**	421.9
Liabilities secured by floating charges		
Loans from financial institutions	**20.1**	18.7
Floating charges	**5.9**	5.9
Liabilities secured by real estate mortgages		
Loans from financial institutions	**40.8**	41.7
Pension loans	**124.3**	152.6
Real estate mortgages	**381.4**	381.8
Liabilities secured by chattels mortgages		
Loans from financial institutions	**0.5**	1.0
Chattels mortgages	**4.0**	4.6
Other commitments on own behalf		
Pledges granted	**0.0**	13.4
Guarantees and commitments	**22.9**	31.7
Leasing liabilities	**33.8**	31.7
Pension liabilities	**0.3**	0.3
Other liabilities	**0.0**	9.4
On behalf of associated companies and joint ventures		
Guarantee liabilities	**1.0**	1.4
On behalf of others		
Guarantee liabilities	**4.8**	6.0
Total		
Pledges	**464.5**	435.3
Mortgages	**391.2**	392.3
Guarantees and commitments	**28.8**	39.1
Leasing liabilities	**33.8**	31.7
Pension liabilities	**0.3**	0.3
Other liabilities	**0.0**	9.4
Total	**915.1**	908.1

Pledges granted are shares in subsidiaries and other shares as well as bank assets securing the Nord-Pool liabilities.

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	2015	2014
Payments due in following 12 months	**13.8**	14.0
Payments due in following 1–5 years	**19.7**	16.9
Payments due later than 5 years	**0.3**	0.8
Total	**33.8**	31.7

INVESTMENT COMMITMENTS

EUR million	2015	2014
Payments due in following 12 months	**409.9**	50.4
Payments due later	**165.7**	15.2
Total	**575.6**	65.6

31. Share-based payments

The Group had two incentive scheme during the review period: Share incentive scheme 2011 which Metsäliitto's Board of Directors adopted on 15 December 2010 and share incentive scheme 2014 which Metsäliitto's Board of Directors adopted on 2 February 2014. The schemes have been adopted as spurring and motivating arrangements for key personnel. The effect of the share incentive schemes on net result 2015 was EUR 23.3 million (12.8).

SHARE INCENTIVE SCHEME 2011

The arrangement offers the target group an opportunity to receive Metsä Board Corporation's B shares in three earning periods of three calendar years each as a reward for achieving the targets set for the periods' earning criteria. The earning periods cover the calendar years 2011–2013, 2012–2014 and 2013–2015. The reward granted under the share incentive scheme is determined by the achievement of the targets set for the earning criteria by the end of the April following the earnings period. In addition to the shares, the reward includes a cash portion, which covers the taxes and tax-like charges resulting from the reward to the key employees. The reward will not be paid if the person's employment terminated before the end of the earnings period. In addition, the person must continue to own the shares for at least two years following the end of the earnings period.

Based on the realisation of the criteria of the earnings period 2012–2014, 936,567 Metsä Board Corporation B shares and a cash portion to cover the taxes and tax-like charges incurred from the bonus were paid at the time of the transfer. As a result of Metsä Board Corporation's share issue realised in 2015, the allocation amounts of the 2013–2015 earnings period were increased to match the position of the shareholder on the issue date. The share issue was taken into consideration in the share rewards granted during the period.

SHARE INCENTIVE SCHEME 2014

The arrangement offers the target group an opportunity to receive Metsä Board Corporation's B shares in three earning periods of three calendar years each as a reward for achieving the targets set for the periods' earning criteria. The earning periods cover the calendar years 2014–2016, 2015–2017 and 2016–2018. The reward granted under the share incentive scheme is determined by the achievement of the targets set for the earning criteria by the end of the April following the earnings period. In addition to the shares, the reward includes a cash portion, which covers the taxes and tax-like charges resulting from the reward to the key employees. The reward will not be paid if the person's employment terminated before the end of the earnings period. In addition, the scheme includes a two-year commitment period. If the employment relationship of a key employee ends during the commitment period, the key employee should, as a rule, return the transferred shares to the company without consideration.

As a result of Metsä Board Corporation's share issue realised in 2015, the allocation amounts of the earnings periods of the share incentive scheme 2014 were increased to match the position of the shareholder on the issue date. The share issue was taken into consideration in the share rewards granted during the period.

Basic information regarding the share incentive schemes 2011 and 2014:

2015

	SHARE INCENTIVE SCHEME 2011	SHARE INCENTIVE SCHEME 2014
Maximum number of shares	4,897,500	4,800,000
Criterias	Equity ratio, ROCE, EBIT-factor	Equity ratio, ROCE, EBIT-factor
Number of key persons (31.12.2015)	49	49
Share price at grant date, EUR *	2.47	5.05
Fair value at end of financial period, EUR million	16.2	49.6
Expense 2015, share-based payment, EUR million	12.6	10.6
Expense 2015, share-based payment, settled as equity, EUR million	3.3	3.8
Liabilities, share-based payment, at the end of financial period, EUR million	10.8	8.5
Amounts 1 Jan, 2015 **		
Outstandind at the beginning of period	4,035,834	2,169,167
Changes during the period		
Shares granted	62,570	2,568,342
Shares forfeited	146,870	288,626
Shares exercised	936,567	0
Shares expired	959,475	0
Amounts 31 Dec, 2015		
Outstanding at the end of period	2,055,492	4,448,883

*) The fair value of the share-settled part at exercise date was the market price of Metsä Board's B share less any estimated consensus dividend paid before the payment of the reward. Share issues are also recognised according to the share issue coefficients. 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.

**) The amounts in the table reflect net amounts, i.e. the number of shares to be given based on share-based payment. In addition the incentive scheme includes an amount paid in cash to cover taxes and tax-related costs arising from the bonus.

METSÄLIITTO MANAGEMENT OY

A share-based incentive scheme covering the members of the Group's Executive Management Team was launched in 2010, and executed through Metsäliitto Management Oy. As the conditions of the dissolution of the scheme were met, the scheme was dissolved in the first quarter of 2014 by selling the shares of the company to Metsäliitto Cooperative. The dissolution of the scheme had no impact on Metsä Group's result.

32. Related party transactions

The Group's related parties include associated companies and joint ventures as well as the Metsäliitto Employees' Pension Foundation. Also the members of the Board of Directors, the members of the Group Executive Management Team and the President and CEO as well as their close family members are considered as related parties.

Principal subsidiaries and joint operations as well as associated companies and joint ventures are presented in Notes 14.

TRANSACTIONS WITH ASSOCIATED COMPANIES AND JOINT VENTURES

EUR million	2015	2014
Sales	**9.4**	9.9
Purchases	**90.4**	86.6
Non-current receivables	**1.0**	1.0
Accounts receivables and other receivables	**3.7**	2.2
Accounts payable and other liabilities	**6.6**	5.3

The Metsäliitto Employees' Pension Foundation is a separate legal unit, which grants to some of the officials supplementary defined benefit pension security and manages the assets of the foundation. The Pension Foundation owns 0.1% of Metsä Board Corporation. The Pension Foundation has also invested EUR 0.2 million in Metsäliitto Cooperative's shares. In 2015 and 2014 the Group did not pay any contributions to the Pension Foundation. The Pension Foundation has granted loans of EUR 15.4 million (15.4) to the Group.

REMUNERATION PAID TO TOP MANAGEMENT

Top management consists of the members of the Supervisory Board, Board of Directors and Group Executive Management Team including the President and CEO.

REMUNERATION PAID TO TOP MANAGEMENT

EUR million	2015	2014
Salaries and fees	**6.4**	5.8
Share-based payments	**4.7**	2.7
Pension costs (benefit- and contribution based)	**2.1**	4.0
Total	**13.1**	12.4

REMUNERATION PAID TO THE MEMBERS OF THE SUPERVISORY BOARD

	Salaries and fees		Pension benefits	
Euroa	2015	2014	2015	2014
Järvinen Hannu, chairman	**59,000**	57,300	**10,325**	9,827
Paajanen Juha, vice chairman	**28,400**	24,900	**5,396**	4,644
Members total	**158,400**	116,100		
Total	**245,800**	198,300	**15,721**	14,471

REMUNERATION PAID TO THE MEMBERS OF THE BOARD OF DIRECTORS

	Salaries and fees		Pension benefits	
EUR	2015	2014	2015	2014
Asunta Martti, chairman	**94,540**	86,640	**16,545**	14,859
Jordan Kari, vice chairman	**0**	0	**0**	0
Aminoff Mikael	**52,600**	47,400	**9,205**	8,129
Hiltunen Arto	**61,800**	64,800	**10,815**	11,113
Jääskeläinen Saini	**52,000**	46,800	**9,100**	8,026
Parpala Juha	**52,600**	47,400	**9,994**	8,840
Saukkonen Timo	**52,900**	46,800	**10,051**	8,728
Silvennoinen Mikael	**61,800**	0	**10,815**	0
Tukeva Antti	**54,000**	51,000	**9,450**	8,747
Total	**482,240**	390,840	**85,975**	68,442
Former members of the Board of Directors				
Halonen Eino	**0**	51,600	**0**	8,849
Total	**482,240**	442,440	**85,975**	77,291

The reward system of the management comprises a fixed monthly salary, a bonus determined on the basis of the task's effect on earnings, the management's pension benefits, share ownership system for the executive management team and a share-based incentive scheme for executives. A share-based incentive scheme executed through Metsäliitto Management Oy and covering the members of the Group's Executive Management Team was dissolved in the first quarter of 2014.

The share-based incentive scheme for the executives and the share ownership system for the Group Executive Management Team are presented in Note 31.

Pursuant to the President and CEO's contract, the Board of Directors may decide that the President and CEO receives a bonus based on the profit, cash flow and personal performance, corresponding to nine months' salary.

The companies in Metsä Group paid the President and CEO Kari Jordan a total of EUR 3,955,430 (2,638,103) in salaries, fees and other benefits in 2015. The salary with fringe benefits paid by Metsäliitto Cooperative amounted to EUR 1,111,432 (1,098,223), the bonus to EUR 784,078 (447,908) and the share reward to EUR 1,937,617 (979,460). The other Group companies paid to the President and CEO a total of EUR 122,304 (112,512) in salaries, fees and other benefits.

The maximum bonus paid to 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 0–7 months' wages. The criterias of the profit pay system are the earnings requirements of the Group level and of its own area of responsibility.

The companies in Metsä Group paid their members of the Executive Management Team (excluding the President and CEO) a total of EUR 2,660,678 (2,664,027) in salaries with fringe benefits, EUR 956,874 (802,636) in bonuses and EUR 2,726,787 (1,687,296) in share rewards.

The term of notice of the President and CEO is six months. When the contract of the President and CEO is terminated by the Board, The President and CEO is entitled to a severance pay corresponding to 24 months' total salary. No severance compensation is paid if the contract is terminated by the President and CEO. The terms of notice of other members of the Group Executive Management Team is six months. For other members of the Group Executive Management Team, the period of additional severance compensation varies from six to eighteen months in case of severance due to other reasons than member related.

President and CEO Kari Jordan has a separate pension agreement with a retirement age of 60. The Board of Directors of Metsäliitto Cooperative and Kari Jordan have agreed in May 2015 that Jordan will continue in his position beyond 9 March 2016, when he reaches the age of retirement (60) determined in his contract. The President and CEO's maximum level of pension is 60 per cent of the total salary under the Employees' Pension Act, calculated on the basis of the five-year period preceding retirement.

The expenses of the President and CEO's defined benefit pension plans were EUR 0.3 million (1.6) and the expenses of the defined contribution plans were EUR 0.3 million (0.3)

Other members of the Executive Management Team have a separate benefit-based pension agreement with a retirement age of 62. The level of pension is 60% of the total salary under the Employees' Pensions Act, calculated on the basis of the five-year period preceding retirement. If the employment relationship with Metsä Group ends before retirement age, he/she is entitled to a paid-up policy. At the end of 2015 a benefit-based pension agreement was paid to the President and CEO and 6 members of the Executive Management Team.

The expenses of the defined benefit pension plans of other members of the Group Executive Management Team were EUR 0.6 million (1.4) and the expenses of the defined contribution plans were EUR 0.7 million (0.6)

There are no loan receivables, guarantees or other liabilities from the members of the Group Executive Management Team.

33. Environmental affairs

Only additional identifiable costs that are primarily intended to prevent, reduce or repair damage to the environment are included in environmental costs. Environmental expenditures are capitalised if they have been incurred to prevent or reduce future damage or conserve resources and bring future economic benefits.

INCOME STATEMENT

EUR million	2015	2014
Materials and services	**20.6**	21.7
Employee costs		
Wages and fees	**2.7**	3.1
Other employee costs	**1.3**	1.5
Depreciation	**12.2**	12.0
Other operating expenses	**12.0**	10.3
Total	**48.7**	48.6

BALANCE SHEET

EUR million	2015	2014
Intangible and tangible assets		
Acquisition costs, 1 Jan.	**289.9**	290.6
Increases	**13.2**	5.8
Decreases	**-31.7**	-6.5
Accumulated depreciation at 31 Dec.	**-163.4**	-194.0
Book value, 31 Dec.	**108.0**	95.9
Provisions		
Environmental obligations	**15.0**	18.7

NOTES

EUR million	2015	2014
Guarantees due to environmental programmes	**10.7**	10.8

EMISSION ALLOWANCES

Metsä Group belongs to the European Union Emissions Trading System. In 2015 the Group received 1,100,000 tonnes of emission allowances free of charge (1,243,000). In addition the group has purchased 158,000 tonnes of emission allowances from the market (163,000) and sold 467,000 tonnes to the market (1,464,000). At balance closing date the group had emission allowances of 1,091,000 tonnes (924,000). Emissions during the reporting period were 755,000 tonnes (776,000).

Metsä Group has recognised the emission allowances according to the net method. The difference between actual emissions and emission allowances granted has been recognised though profit and loss if the actual emissions have exceeded the allowances granted.

In 2015 costs arising from emission allowances were EUR 0.9 million (1.1). At the end of the reporting period there were no provisions due to emission allowances in the balance sheet. In 2015 Metsä Group sold emission allowances amounting to EUR 3.6 million (7.8).

PARENT COMPANY INCOME STATEMENT

(FINNISH ACCOUNTING STANDARDS, FAS)

EUR million	Note	1.1.–31.12.2015	1.1.–31.12.2014
SALES	1	**1,675.7**	1,702.7
Change in stocks of finished goods and work in progress		**1.5**	5.4
Production for own use		**0.2**	0.2
Other operating income	2	**130.0**	89.5
Materials and services			
Raw materials and consumables	3		
Purchases during the financial period		**-983.2**	-1,002.6
Change in inventories		**-14.1**	-7.7
External services		**-432.7**	-441.5
Employee costs		**-164.4**	-170.3
Depreciation and impairment charges	3	**-26.4**	-26.6
Other operating expenses	4	**-86.7**	-122.6
	3	**-1,707.6**	-1,771.3
OPERATING RESULT		**99.7**	26.5
Financial income and expenses	5		
Income from Group companies		**73.3**	79.4
Income from associated companies		**5.6**	3.0
Income from other financial investments		**13.2**	13.2
Other interest and similar income		**1.3**	1.8
Net exchange gains/losses	6	**-7.8**	-8.0
Value adjustments on non-current investments		**-23.1**	-8.1
Interest and similar expenses		**-32.3**	-40.9
		30.2	40.5
RESULT BEFORE EXTRAORDINARY ITEMS		**130.0**	67.0
Extraordinary income and expenses	7		
Extraordinary income		**0.8**	1.7
		0.8	1.7
RESULT BEFORE APPROPRIATIONS AND TAXES		**130.8**	68.7
Appropriations			
Change in depreciation differences		**-0.5**	-3.5
Income taxes	8	**0.0**	0.0
RESULT FOR THE FINANCIAL PERIOD		**130.3**	65.1

PARENT COMPANY BALANCE SHEET

EUR million	Note	31.12.2015	31.12.2014
ASSETS			
NON-CURRENT ASSETS			
INTANGIBLE ASSETS	9		
Intangible rights		**16.0**	11.5
Goodwill		**0.6**	0.7
Other capitalised expenditure		**1.3**	1.0
Advance payments and construction in progress		**6.2**	8.5
		24.1	21.8
TANGIBLE ASSETS	9		
Land and water areas		**5.9**	5.9
Buildings		**37.5**	41.2
Machinery and equipment		**74.8**	84.0
Other tangible assets		**3.6**	2.7
Advance payments and construction in progress		**7.4**	3.0
		129.3	136.8
INVESTMENTS	10, 11, 22		
Shares in Group companies		**1,585.3**	1,547.9
Receivables from Group companies		**139.7**	143.5
Investments in associated companies		**43.7**	54.0
Other shares and holdings		**2.3**	1.5
		1,771.0	1,746.9
NON-CURRENT ASSETS TOTAL		**1,924.4**	1,905.5
CURRENT ASSETS			
INVENTORIES			
Raw materials and consumables		**101.5**	115.6
Finished goods and work in progress		**44.0**	42.5
Advance payments		**17.2**	22.9
		162.6	181.0
NON-CURRENT RECEIVABLES	12		
Receivables from Group companies		**1.8**	4.2
		1.8	4.2
CURRENT RECEIVABLES	12		
Accounts receivables		**80.2**	76.4
Receivables from Group companies		**386.5**	409.8
Receivables from associated companies		**2.5**	1.8
Loan receivables		**0.3**	0.4
Other receivables		**2.8**	2.6
Prepayment and accrued income		**6.7**	6.2
		479.0	497.3
RECEIVABLES TOTAL		**480.8**	501.5
CASH AND CASH EQUIVALENT		**0.0**	0.1
CURRENT ASSETS TOTAL		**643.5**	682.6
ASSETS TOTAL		**2,567.9**	2,588.0

EUR million	Note	31.12.2015	31.12.2014
MEMBERS' FUNDS AND LIABILITIES			
MEMBERS' FUNDS	13		
Participation shares		**207.8**	206.2
Additional shares A		**630.8**	597.6
Additional shares B		**153.5**	134.4
Transfer of refundable members' capital to liabilities for the waiting period		**-72.9**	-47.3
Other reserves			
Reserve for invested unrestricted equity		**0.1**	0.0
General reserve I		**3.9**	3.9
General reserve II		**67.4**	64.1
Retained earnings		**608.6**	595.4
Result for the financial period		**130.3**	65.1
		1,729.4	1,619.5
APPROPRIATIONS			
Accumulated depreciation difference		**18.0**	17.5
PROVISIONS	14	**2.9**	4.1
LIABILITIES	16, 17		
NON-CURRENT LIABILITIES			
Bonds		**160.1**	174.8
Loans from financial institutions		**239.9**	274.3
Pension premium loans		**0.0**	65.0
Advance payments		**1.1**	1.0
Loans from Group companies		**17.3**	5.8
Accruals and deferred income		**17.7**	12.4
		436.0	533.3
CURRENT LIABILITIES	18		
Loans from financial institutions		**33.8**	159.1
Pension premium loans		**74.5**	9.5
Advance payments		**6.7**	7.5
Accounts payable		**70.4**	64.7
Payables to Group companies		**25.2**	16.6
Payables to associated companies		**1.3**	1.8
Other liabilities		**65.3**	46.6
Accruals and deferred income	19	**104.4**	108.0
		381.6	413.6
LIABILITIES TOTAL		**817.6**	946.9
MEMBERS' FUNDS AND LIABILITIES TOTAL		**2,567.9**	2,588.0

CASH FLOW STATEMENT

EUR million	2015	2014
CASH FLOW FROM OPERATING ACTIVITIES		
Operating result	**99.7**	26.5
Adjustments to operating result [1]	**-33.1**	3.7
Interest received	**14.5**	15.0
Interest paid	**-32.5**	-39.8
Dividends received	**78.9**	82.4
Other financial items, net	**-9.3**	-9.6
Taxes paid	**0.0**	0.0
Change in working capital [2]	**34.3**	-45.5
	152.5	32.6
CASH FLOW ARISING FROM INVESTING ACTIVITIES		
Purchase of shares	**-67.2**	-34.5
Investments in tangible assets	**-21.3**	-16.5
Proceeds from disposal of shares	**73.3**	30.9
Return of capital	**0.0**	18.0
Proceeds from sale of tangible assets	**0.5**	8.0
Change in non-current receivables	**6.2**	3.5
	-8.4	9.4
CASH FLOW BEFORE FINANCING	**144.1**	42.0
CASH FLOW ARISING FROM FINANCING ACTIVITIES		
Increase in non-current liabilities	**7.0**	4.1
Decrease in non-current liabilities	**-169.0**	-42.5
Change in current liabilities, net	**2.9**	0.5
Change in current interest-bearing receivables, net	**9.7**	-27.5
Interest paid on members' capital	**-45.7**	-44.5
Increase in members' capital	**50.9**	67.8
	-144.1	-42.0
CHANGE IN CASH AND CASH EQUIVALENTS	**0.0**	0.0
Cash and cash equivalents at beginning of period	**0.1**	0.0
Change in cash and cash equivalents	**0.0**	0.0
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**0.0**	0.1
1) Adjustments to operating result		
Depreciation and impairment charges	**26.4**	26.6
Gains and losses on sale of tangible and intangible assets	**-58.2**	-23.1
Change in provisions	**-1.2**	0.2
Total	**-33.1**	3.7
2) Change in working capital		
Inventories (increase-/decrease+)	**18.4**	6.0
Current non-interest bearing receivables (increase-/decrease+)	**9.0**	4.7
Current non-interest-bearing liabilities (increase+/decrease-)	**6.9**	-56.2
Total (increase-/decrease+)	**34.3**	-45.5

PARENT COMPANY ACCOUNTING POLICIES

Metsäliitto Cooperative's financial statements have been prepared in accordance with Finnish Accounting Standards (FAS).

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. Loans, deposits and changes in value of other balance sheet items denominated in foreign currency have been recorded to financial income and expenses in the income statement.

DERIVATIVE FINANCIAL INSTRUMENTS

Financial derivatives have not been recognised at their fair value. Liabilities due to open derivative contracts is presented in Note 20.

SALES

Sales are calculated after deduction of indirect sales taxes, trade discounts and other items adjusting sales.

LONG-TERM PROJECTS

Income and expenses from long-term projects are recognised 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 recognised as an expense.

PENSIONS AND PENSION FUNDING

Lakisääteinen eläketurva on hoidettu konsernin ulkopuolisissa eläkevakuutusyhtiöissä. Osalla toimihenkilöistä on lakisääteisen eläketurvan lisäksi Statutory pension security is handled by pension insurance companies outside Metsä Group. 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 periodised 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.

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

Extraordinary income and expenses include group contributions received and paid. The tax effect of extraordinary items is presented in the notes to the financial statements.

INCOME TAX

Income tax in the income statement include the income tax of the taxable result for the period and adjustments to taxes of previous periods. The parent company has not recognised any deferred tax receivables or deferred tax liabilities in the financial statements. Deferred tax receivables and tax liabilities not recognised in the balance sheet is presented in Note 15.

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. Depreciation according to plan is based on the estimated useful life of the asset as follows:

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.

INVENTORIES

Inventories are measured at the lower of cost or net realisable value. In measuring inventories, the FIFO principle is observed or, alternatively, the weighted average price method. The acquisition cost of finished goods and work in progress include raw materials, direct salaries and wages, depreciation and other direct costs as well as a product focused share of variable and fixed common production costs. Net realisable value is the estimated sales price less costs of production and sales.

PROVISIONS

Future costs and losses to which the company is committed and which are likely to be realised 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.

TERMINOLOGY

In its financial reporting, Metsäliitto Cooperative has started to primary use the word "result" to describe the financial result. Secondary the words "profit" or "loss" can be used, if the word "result" for some reason does not fit in the context. The terms "surplus" and "deficit" can also be used if there is a need to show a connection to the Cooperatives Act or to the rules of the cooperative.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

EUR million	2015	2014
1. SALES BY MARKET AREA		
Finland	**1,136.8**	1,137.2
EU-countries	**356.8**	384.3
Other countries	**182.1**	181.2
Total	**1,675.7**	1,702.7
Long-term projects		
Income in sales	**7.3**	7.4
Realised costs and booked gains (losses deducted) from long-term projects in progress	**1.4**	1.3
Advance payments received from long-term projects at the end of the year	**0.3**	0.7
2. OTHER OPERATING INCOME		
Rents	**1.7**	1.5
Gains on disposal of assets	**61.2**	23.6
Service revenue	**64.0**	58.9
Others	**3.1**	5.5
Total	**129.9**	89.5

Gains on disposal of assets include in 2015 sales gains of EUR 0.6 million from the shares of Asunto Oy Tapiolan Jalava, EUR 5.1 million sales gains from the shares of Asunto Oy Tapiolan Pyökki, EUR 51.4 million sales gains from the shares of Finsilva Oyj and EUR 3.5 million sales gains from the shares of Burt Boulton and Haywood Ltd.

Gains on disposal of assets include in 2014 sales gains of EUR 4.8 million from the shares of Asunto Oy Tapiolan Jalava and EUR 17.3 million from the shares of Metsä Wood Eesti AS.

EUR million	2015	2014
3. OPERATING EXPENSES		
Materials and services		
Raw materials and consumables		
Purchases during the financial period	**983.2**	1,002.6
Change in inventories	**14.1**	7.7
External services		
Distribution costs	**245.7**	252.6
Other external services	**187.1**	188.8
Total	**1,430.1**	1,451.8
Employee costs		
Wages	**108.8**	107.3
Pension costs	**22.1**	28.2
Other employee costs	**33.6**	34.8
Total	**164.4**	170.3
Other operating expenses		
Rents and other property costs	**9.0**	8.8
Services bought	**47.1**	43.8
Loss on sale of non-current assets	**3.0**	1.2
Other operating expenses	**27.7**	68.8
Total	**86.7**	122.6

EUR million	2015	2014
SALARIES AND REMUNERATIONS PAID TO MANAGEMENT		
President and CEO	**3.8**	2.5
Members of the Board of Directors and their deputies	**0.5**	0.4
Members of the Supervisory Board	**0.2**	0.2
Total	**4.6**	3.2

PENSION COMMITMENTS

President and CEO Kari Jordan has a separate pension agreement with a retirement age of 60. The Board of Directors of Metsäliitto Cooperative and Kari Jordan have agreed on 7 May 2015 that Jordan will continue in his position beyond 9 March 2016, when he reaches the age of retirement (60) determined in his contract. The President and CEO's maximum level of pension is 60 per cent of the total salary under the Employees' Pension Act, calculated on the basis of the five-year period preceeding retirement. Some of the members of the Group Executive Management Team have a separate pension agreement with a retirement age of 62.

Pension comittments of the top management are described in note 32.

EUR million	2015	2014
AVERAGE PERSONNEL		
White collars	**1,126**	1,113
Blue collars	**1,408**	1,480
Total	**2,534**	2,593
PRINCIPAL AUDITOR'S FEES		
Audit fees	**0.2**	0.2
Tax consulting fees	**0.0**	0.0
Other fees	**0.0**	0.0
Total	**0.2**	0.2

The principal auditor is KPMG Oy Ab.

EUR million	2015	2014
4. DEPRECIATION AND IMPAIRMENT CHARGES		
Depreciations according to plan		
Intangible rights	**3.9**	3.2
Goodwill	**0.1**	0.1
Other capitalised expenditure	**0.3**	0.4
Buildings	**4.7**	4.9
Machinery and equipment	**17.0**	17.7
Other tangible assets	**0.4**	0.3
Depreciations according to plan, total	**26.4**	26.6
Change in depreciation difference	**0.5**	3.5
Total depreciation	**26.8**	30.1

EUR million	2015	2014
5. FINANCIAL INCOME AND EXPENSES		
Income from non-current investments		
Dividend income		
From Group companies	**73.3**	79.4
From associated companies	**5.6**	3.0
From others	**0.0**	0.0
Total	**78.9**	82.4
Interest income		
From Group companies	**13.2**	13.2
Total	**13.2**	13.2
Income from non-current investments	**92.1**	95.6
Other interest and financial income		
Interest income from Group companies	**1.0**	1.6
Other interest income	**0.3**	0.3
Total	**1.3**	1.8
Exchange differencies	**-7.8**	-8.0
Value adjustments of non-current investments	**-23.1**	-8.1
Interest and financial expenses		
Interest expenses paid to Group companies	**-3.2**	-3.9
Interest expenses paid to associated companies	**0.0**	0.0
Other interest expenses	**-26.4**	-34.1
Other financial expenses paid to Group companies	**-1.2**	-1.2
Other financial expenses	**-1.6**	-1.7
Total	**-32.3**	-40.9
Total financial income and expenses	**30.2**	40.5

Value adjustments of non-current investments include in 2015 write-downs of book values of EUR 23.8 million of Wood Products Industry's foreign subsidiaries as well as a TEKES loan of EUR -1.0 million not demanded to be paid back.

Value adjustments of non-current investments include in 2014 write-downs of book values of EUR 8.1 million of Wood Products Industry's foreign subsidiaries.

EUR million	2015	2014
6. NET EXCHANGE GAINS/LOSSES IN INCOME STATEMENT		
Gains/losses on sales	**1.9**	1.3
Gains/losses on purchases	**-0.2**	-0.1
Gains/losses on financing	**-9.4**	-9.1
Total	**-7.8**	-8.0
7. EXTRAORDINARY INCOME AND EXPENSES		
Extraordinary income		
Group contributions received	**0.8**	1.7
Total	**0.8**	1.7
8. INCOME TAXES		
Taxes for the period	**0.0**	0.0
Taxes for previous periods	**0.0**	0.0
Total	**0.0**	0.0
Income taxes from ordinary operations	**0.1**	0.3
Income taxes from extraordinary items	**-0.2**	-0.3
Total	**0.0**	0.0

EUR million	2015	2014
9. INTANGIBLE AND TANGIBLE ASSETS		
INTANGIBLE ASSETS		
Acquisition cost, 1 Jan.	**57.9**	49.9
Increases	**1.6**	2.5
Decreases	**0.0**	-5.0
Transfers between items	**6.8**	10.5
Acquisition cost, 31 Dec.	**66.3**	57.9
Accumulated depreciation, 1 Jan.	**-46.5**	-43.3
Accumulated depreciation on decreases and transfers	**0.0**	0.1
Depreciation for the period	**-3.9**	-3.2
Accumulated depreciation, 31 Dec.	**-50.3**	-46.5
Book value, 31 Dec.	**16.0**	11.5
GOODWILL		
Acquisition cost, 1 Jan.	**1.1**	1.1
Acquisition cost, 31 Dec.	**1.1**	1.1
Accumulated depreciation, 1 Jan.	**-0.3**	-0.2
Depreciation for the period	**-0.1**	-0.1
Accumulated depreciation, 31 Dec.	**-0.4**	-0.3
Book value, 31 Dec.	**0.6**	0.7
OTHER CAPITALISED EXPENDITURE		
Acquisition cost, 1 Jan.	**7.7**	8.8
Increases	**0.6**	0.1
Decreases	**0.0**	-1.3
Transfers between items	**0.0**	0.1
Acquisition cost, 31 Dec.	**8.3**	7.7
Accumulated depreciation, 1 Jan.	**-6.7**	-7.5
Accumulated depreciation on decreases and transfers	**0.0**	1.1
Depreciation for the period	**-0.3**	-0.4
Accumulated depreciation, 31 Dec.	**-7.0**	-6.7
Book value, 31 Dec.	**1.3**	1.0
CONSTRUCTION IN PROGRESS		
Acquisition cost, 1 Jan.	**8.5**	15.3
Increases	**4.5**	3.8
Transfers between items	**-6.8**	-10.6
Acquisition cost, 31 Dec.	**6.2**	8.5
INTANGIBLE ASSETS TOTAL		
Acquisition cost, 1 Jan.	**75.3**	75.1
Increases	**6.6**	6.5
Decreases	**0.0**	-6.3
Transfers between items	**0.0**	0.0
Acquisition cost, 31 Dec.	**81.9**	75.3
Accumulated depreciation, 1 Jan.	**-53.5**	-51.0
Accumulated depreciation on decreases and transfers	**0.0**	1.2
Depreciation for the period	**-4.3**	-3.7
Accumulated depreciation, 31 Dec.	**-57.8**	-53.5
Book value, 31 Dec.	**24.1**	21.8

EUR million	2015	2014
LAND AND WATER AREAS		
Acquisition cost, 1 Jan.	**6.6**	6.6
Increases	**0.0**	0.0
Decreases	**0.0**	-0.1
Transfers between items	**0.0**	0.0
Acquisition cost, 31 Dec.	**6.5**	6.6
Accumulated depreciation, 1 Jan.	**-0.6**	-0.6
Accumulated depreciation, 31 Dec.	**-0.6**	-0.6
Book value, 31 Dec.	**5.9**	5.9
BUILDINGS		
Acquisition cost, 1 Jan.	**139.5**	141.0
Increases	**0.6**	1.0
Decreases	**0.0**	-3.1
Transfers between items	**0.4**	0.7
Acquisition cost, 31 Dec.	**140.5**	139.5
Accumulated depreciation, 1 Jan.	**-98.4**	-96.1
Accumulated depreciation on decreases and transfers	**0.0**	2.6
Depreciation for the period	**-4.7**	-4.9
Accumulated depreciation, 31 Dec.	**-103.0**	-98.4
Book value, 31 Dec.	**37.5**	41.2
MACHINERY AND EQUIPMENT		
Acquisition cost, 1 Jan.	**463.2**	460.2
Increases	**6.0**	5.3
Decreases	**-0.4**	-7.2
Transfers between items	**1.9**	4.9
Acquisition cost, 31 Dec.	**470.7**	463.2
Accumulated depreciation, 1 Jan.	**-379.2**	-367.2
Accumulated depreciation on decreases and transfers	**0.4**	5.6
Depreciation for the period	**-17.0**	-17.7
Accumulated depreciation, 31 Dec.	**-395.8**	-379.2
Book value, 31 Dec.	**74.8**	84.0
OTHER TANGIBLE ASSETS		
Acquisition cost, 1 Jan.	**19.6**	18.5
Increases	**1.3**	0.8
Decreases	**0.0**	-0.1
Transfers between items	**0.0**	0.3
Acquisition cost, 31 Dec.	**20.9**	19.6
Accumulated depreciation, 1 Jan.	**-16.9**	-16.6
Accumulated depreciation on decreases and transfers	**0.0**	0.1
Depreciation for the period	**-0.4**	-0.3
Accumulated depreciation, 31 Dec.	**-17.3**	-16.9
Book value, 31 Dec.	**3.6**	2.7
CONSTRUCTION IN PROGRESS		
Acquisition cost, 1 Jan.	**3.0**	5.7
Increases	**6.7**	3.1
Transfers between items	**-2.3**	-5.9
Acquisition cost, 31 Dec.	**7.4**	3.0

EUR million	2015	2014
TANGIBLE ASSETS TOTAL		
Acquisition cost, 1 Jan.	**631.8**	632.1
Increases	**14.6**	10.2
Decreases	**-0.5**	-10.4
Transfers between items	**0.0**	0.0
Acquisition cost, 31 Dec.	**646.0**	631.9
Accumulated depreciation, 1 Jan.	**-495.0**	-480.5
Accumulated depreciation on decreases and transfers	**0.4**	8.3
Depreciation for the period	**-22.1**	-22.9
Accumulated depreciation, 31 Dec.	**-516.7**	-495.0
Book value, 31 Dec.	**129.3**	136.9

The undepreciated portion of capitalised interest expenses in "Buildings" was EUR 0.3 million (0.3) and in "Machinery and equipment" EUR 0.5 million (0.6). During 2015 there were no capitalised interest expenses.

10. INVESTMENTS, SHARES

	2015	2014
SHARES IN GROUP COMPANIES		
Acquisition cost, 1 Jan.	**1,547.9**	1,574.2
Increases	**64.0**	24.8
Decreases	**-26.5**	-26.7
Transfers between items	**0.0**	-24.5
Acquisition cost, 31 Dec.	**1,585.3**	1,547.9
SHARES IN ASSOCIATED COMPANIES		
Acquisition cost, 1 Jan.	**54.0**	26.5
Increases	**2.3**	8.3
Decreases	**-12.7**	-5.2
Transfers between items	**0.0**	24.4
Acquisition cost, 31 Dec.	**43.7**	54.0
OTHER SHARES AND HOLDINGS		
Acquisition cost, 1 Jan.	**1.5**	1.7
Increases	**0.9**	1.4
Decreases	**-0.2**	-1.7
Transfers between items	**0.0**	0.1
Acquisition cost, 31 Dec.	**2.3**	1.5
INVESTMENTS, SHARES TOTAL		
Acquisition cost, 1 Jan.	**1,603.5**	1,602.5
Increases	**67.2**	34.5
Decreases	**-39.3**	-33.5
Acquisition cost, 31 Dec.	**1,631.3**	1,603.5
INVESTMENTS, RECEIVABLES		
RECEIVABLES FROM GROUP COMPANIES		
Acquisition cost, 1 Jan.	**143.5**	139.7
Increases	**0.0**	3.7
Decreases	**-3.7**	0.0
Acquisition cost, 31 Dec.	**139.7**	143.5
OTHER RECEIVABLES		
Acquisition cost, 1 Jan.	**0.0**	0.0
Increases	**0.0**	0.0
Decreases	**0.0**	0.0
Acquisition cost, 31 Dec.	**0.0**	0.0

EUR million	2015	2014
INVESTMENTS, RECEIVABLES TOTAL		
Acquisition cost, 1 Jan.	**143.5**	139.7
Increases	**0.0**	3.7
Decreases	**-3.7**	0.0
Acquisition cost, 31 Dec.	**139.7**	143.5
INVESTMENTS, RECEIVABLES		
Other loan receivables	**139.7**	143.5
Total	**139.7**	143.5

11. FAIR VALUES OF FINANCIAL INVESTMENT IN NON-CURRENT ASSETS

STOCK EXCHANGE LISTED SHARES		
Book value	**566.5**	528.2
Fair value	**977.0**	596.9
Difference	**-410.5**	-68.7

The fair value of the listed Metsä Board shares exceeds the book value by EUR 410.5 million at 31 December 2015.

12. RECEIVABLES

NON-CURRENT RECEIVABLES		
Loan receivables	**1.8**	4.2
Total	**1.8**	4.2

There are no loan receivables, guarantees or other liabilities from the President and CEO, members of the Supervisory Board, members of the Board of Directors or their deputies or persons belonging to similar bodies.

CURRENT RECEIVABLES		
Receivables from Group companies		
Accounts receivables	**33.1**	49.4
Loan receivables	**335.2**	344.5
Other receivables	**0.0**	0.0
Prepayment and accrued income	**18.3**	16.0
Total	**386.5**	409.8
Receivables from associated companies		
Accounts receivables	**2.5**	1.8
Total	**2.5**	1.8
Receivables from others		
Accounts receivables	**80.2**	76.4
Loan receivables	**0.3**	0.4
Other receivables	**2.8**	2.6
Prepayment and accrued income	**6.7**	6.2
Total	**90.0**	85.6
Receivables total	**480.8**	501.5

Non-current loan receivables include in 2015 a non-current receivable of EUR 18.1 million (16.8) from Metsäliitto Management Oy. The capability of Metsäliitto Management Oy to meet its obligations depends on the share price development of Metsä Board's B-share. The fair value of Metsä Board's B-shares exceeds the book value at 31 December 2015.

EUR million	2015	2014
PREPAYMENT AND ACCRUED INCOME, CURRENT		
Insurances	**0.3**	1.0
Periodisations of employee costs	**0.9**	1.7
Received compensations	**0.6**	1.1
Degrees of completion	**0.4**	0.6
Receivables from licenses	**3.2**	0.0
Others	**1.3**	1.8
Total	**6.7**	6.2

13. MEMBERS' FUNDS

Participation shares, 1 Jan.	**206.2**	203.4
Increase	**6.4**	4.9
Transferred from interest	**1.7**	2.0
Refund of participation shares	**-6.5**	-4.1
Total *)	**207.8**	206.2
Transfer of refundable members' capital to liabilities for the waiting period	**-1.9**	-0.7
Participation shares, 31 Dec.	**205.9**	205.6
Additional shares A, 1 Jan.	**597.6**	554.7
Increase	**23.1**	28.2
Transferred from interest	**26.4**	27.6
Equity Bonus	**1.4**	1.8
Refund of additional shares	**-17.8**	-14.6
Total	**630.8**	597.6
Transfer of refundable members' capital to liabilities for the waiting period	**-42.3**	-22.8
Additional shares A, 31 Dec.	**588.5**	574.8
Additional shares B, 1 Jan.	**134.4**	110.5
Increase	**25.3**	27.6
Refund of additional members' capital	**-6.2**	-3.8
Total	**153.5**	134.4
Transfer of refundable members' capital to liabilities for the waiting period	**-28.7**	-23.9
Additional shares B, 31 Dec.	**124.7**	110.5
Other reserves		
Reserve for invested unrestricted equity, 1 Jan	**0.0**	0.0
Refund of Equity Bonus	**0.1**	0.0
Reserve for invested unrestricted equity, 31 Dec.	**0.1**	0.0
General reserve I, 1 Jan.	**3.9**	3.9
General reserve I, 31 Dec.	**3.9**	3.9
General reserve II, 1 Jan.	**64.1**	61.7
Transferred from retained earnings	**3.3**	2.4
General reserve II, 31 Dec.	**67.4**	64.1
Retained earnings, 1 Jan.	**660.6**	644.1
Interest paid	**-45.7**	-44.5
Transferred to general reserve II	**-3.3**	-2.4
Used for accelerated refund of participation shares	**-1.5**	0.0
Used for Equity Bonus	**-1.5**	-1.8
Retained earnings, 31 Dec.	**608.6**	595.4
Result for the financial period	**130.3**	65.1
Total members´ funds	**1,729.4**	1,619.5

EUR million	2015	2014
*) Unpaid participation shares		
Total called-up members' capital	**256.4**	261.9
Participation shares paid	**-206.3**	-206.2
Unpaid participation shares	**50.1**	55.7
The amount available for redemption of capital		
Participation shares **)	**207.8**	206.2
Additional shares A **)	**630.8**	597.6
Additional shares B **)	**153.5**	134.4
Retained earnings	**738.9**	660.6
Transfer to General reserve II	**0.0**	-3.3
Depreciation difference less tax liability	**14.4**	14.0
Total	**1,745.3**	1,609.5
**) Transfer of refundable members' capital to liabilities for the waiting period	**72.9**	47.3

In accordance with Metsäliitto Cooperative's rules under Section 16 one third of the distributable funds shown in the balance sheet confirmed for the preceding financial period can be used for refunding of participation shares and additional shares.

14. PROVISIONS

EUR million	2015	2014
PROVISION FOR PENSION		
1 Jan.	**0.0**	0.0
Increases	**0.0**	0.0
Decreases	**0.0**	0.0
31 Dec.	**0.0**	0.0
UNEMPLOYMENT PENSION COSTS		
1 Jan.	**3.2**	2.6
Increases	**0.2**	0.9
Decreases	**-0.7**	-0.3
31 Dec.	**2.7**	3.2
UNFUNDED PENSION COSTS		
1 Jan.	**0.7**	1.0
Increases	**0.0**	0.0
Decreases	**-0.7**	-0.2
31 Dec.	**0.0**	0.7
OTHER PROVISIONS		
1 Jan.	**0.1**	0.3
Increases	**0.0**	0.0
Decreases	**0.0**	-0.2
31 Dec.	**0.2**	0.1
PROVISIONS TOTAL		
1 Jan.	**4.1**	3.9
Increases	**0.3**	0.9
Decreases	**-1.4**	-0.7
31 Dec.	**2.9**	4.1

15. DEFERRED TAX RECEIVABLES AND -LIABILITIES, NOT RECOGNISED IN THE BALANCE SHEET

EUR million	2015	2014
Deferred tax receivables		
Provisions	**0.6**	0.8
Unused taxable losses	**0.9**	15.6
Total	**1.4**	16.4
Deferred tax liabilities		
Depreciation difference	**3.6**	3.5
Total	**3.6**	3.5

16. LIABILITIES

EUR million	2015	2014
Non-current		
Non-interest bearing	**18.8**	13.4
Interest-bearing	**417.2**	519.9
Total	**436.0**	533.3
Current		
Non-interest bearing	**269.9**	244.5
Interest-bearing	**111.7**	169.1
Total	**381.6**	413.6
Non-current non-interest bearing liabilities include transferred refundable members' capital for the waiting period:		
Additional shares B	**17.7**	12.4
Current non-interest bearing liabilities include transferred refundable members' capital for the waiting period:		
Participation shares	**1.9**	0.7
Additional shares A	**42.3**	22.8
Additional shares B	**11.0**	11.5
Total	**55.2**	34.9

17. NON-CURRENT DEBTS WITH AMORTISATION PLAN

EUR million	Liabilities to Group companies	Bonds	Loans from financial institutions	Pension loans	Other liabilities	Total
2016	3.4	0.0	33.8	74.5	0.0	111.7
2017	15.3	160.1	28.9	0.0	0.0	204.3
2018	0.4	0.0	10.9	0.0	0.0	11.3
2019	0.4	0.0	200.0	0.0	0.0	200.4
2020	0.4	0.0	0.0	0.0	0.0	0.4
2021–	0.8	0.0	0.0	0.0	0.0	0.8
Total	20.7	160.1	273.6	74.5	0.0	528.8

EUR million	2015	2014
18. CURRENT LIABILITIES		
Loans from financial institutions	**33.8**	159.1
Pension loans	**74.5**	9.5
Advance payments	**6.7**	7.5
Account payables	**70.4**	64.7
Liabilities to Group companies		
Loans	**3.4**	0.5
Advance payments	**7.7**	6.9
Accounts payable	**11.2**	7.0
Other loans	**1.7**	0.0
Accruals and deferred income	**1.2**	2.2
Liabilities to associated companies		
Accounts payable	**1.3**	1.8
Liabilities to others		
Due members' capital transferred to liabilities during the waiting period	**55.2**	34.9
Other liabilities	**10.2**	11.6
Accruals and deferred income	**104.4**	108.0
Total current liabilities	**381.6**	413.6
19. ACCRUALS AND DEFERRED INCOME		
Current		
Interest	**1.6**	3.3
Pension insurance premium	**5.1**	5.6
Other insurance premiums	**2.5**	2.4
Periodisations of employee costs	**34.6**	32.6
Periodisations of purchases	**50.2**	55.4
Others	**10.4**	8.7
Total	**104.4**	108.0

20. COMMITMENTS AND CONTINGENCIES

PENDING DISPUTES

In March 2011, the state enterprise Metsähallitus filed a claim for damages at the District Court of Helsinki, demanding that Metsäliitto Cooperative and two other forest industry companies jointly pay compensation for alleged damage caused by prohibited cooperation with regard to prices in the raw wood market. The claim is related to the 3 December 2009 decision by the Market Court which states that the aforementioned companies have violated the act on competition restrictions in the raw wood market. In addition, some municipalities, parishes and a group of individuals in Finland have instituted similar proceedings. The total amount of all claims that Metsäliitto Cooperative is aware of and that were directed at Metsäliitto Cooperative and the other aforementioned companies jointly is approximately EUR 202 million, of which approximately EUR 65 million is directed at Metsäliitto Cooperative alone. The aforementioned proceedings are associated with interest, value added tax claims and legal process expenses. In addition to the aforementioned claims, new claims for damages have been filed by private individuals and entities in January 2015, the amounts of which are not yet known by Metsäliitto. Metsäliitto Cooperative's view is that the claims for damages are unfounded, and the company has not recognised any provisions regarding them.

In May, Metsäliitto Cooperative and Metsä Board demanded the District Court of Helsinki to revoke the judgment issued by the Arbitral Tribunal on 11 February 2014 that ordered Metsäliitto Cooperative to pay EUR 47.3 million and Metsä Board to pay EUR 19.6 million in damages to UPM-Kymmene Corporation. In the judgment issued in June 2015, the District Court rejected the demands by Metsäliitto Cooperative and Metsä Board. Metsäliitto Cooperative and Metsä Board have appealed the District Court's judgment at the Court of Appeal.

During the past 12 months there have been no administrational processes, legal proceedings or arbitrations that can have or have had a significant impact on the financial position of Metsäliitto Cooperative. The company has no information of similar future pending disputes.

EUR million	2015	2014
CONTINGENT LIABILITIES		
For own liabilities		
Liabilities secured by pledges		
Loans from financial institutions	**232.7**	243.6
Pension loans	**65.0**	65.0
Pledges granted	**336.8**	292.8
On behalf of own and Group companies' liabilities		
Guarantee liabilities	**552.4**	571.8
On behalf of others		
Guarantee liabilities	**0.9**	1.8
Other own liabilities		
Other liabilities	**0.0**	0.0
Leasing liabilities		
For the next 12 months	**6.9**	7.1
For subsequent years	**14.0**	15.7
Total		
Pledges	**336.8**	292.8
Guarantee liabilities	**553.3**	573.6
Other liabilities	**0.0**	0.0
Leasing liabilities	**20.9**	22.9
Total	**911.0**	889.3

LIABILITIES DUE TO OPEN DERIVATE CONTRACTS

EUR million	GROSS AMOUNT 2015	GOING VALUE	Gross amount 2014	Going value
Interest derivatives				
Interest rate swaps	**111.0**	**-2.6**	119.0	-3.8
Currency derivatives				
Forward agreements	**132.9**	**1.6**	127.6	-1.4
Option agreements	**11.0**	**0.0**	45.1	-0.2
Commodity derivatives				
Other commodity derivatives	**2.1**	**-0.9**	9.8	-3.2
Derivatives total	**257.0**	**-1.9**	301.5	-8.6

EUR million	2014	2013
21. ENVIRONMENTAL ITEMS		
Income statement		
Raw materials and consumables	**0.4**	0.4
Employee costs		
Wages and fees	**0.5**	0.5
Other employee costs	**0.2**	0.2
Depreciation	**0.2**	0.2
Other operating expenses	**0.5**	0.6
Total	**1.8**	1.9
Balance sheet		
Tangible assets		
Acquisition costs 1 Jan.	**4.3**	4.4
Increases	**0.4**	0.0
Decreases	**0.0**	0.0
Accumulated depreciation	**-3.7**	-3.5
Book value 31 Dec.	**1.0**	0.8
Provisions		
Environmental obligations	**0.0**	0.0
Granted liabilities for environmental items	**5.8**	5.9

Only additional recognisable costs that are primarily intended to prevent, reduce or repair damage to the environment are included in environmental costs. Environmental expenditures are capitalised if they have been incurred to prevent or reduce future damage or conserve resources and bring future economic benefits.

PARENT COMPANY SHARES AT 31 DECEMBER 2015

SHARES IN GROUP COMPANIES	Country	Parent company's holding, %	Group's holding, %	Number of shares	Book value, 1,000 EUR
Finnforest Polska Sp. z.o.o.	Poland	100.00			0
Finnforest UK Holdings Ltd	Great Britain	100.00		43,200 000	53,458
Kirkniemen Kartano Oy	Finland	100.00		57,100	6,035
Kumpuniemen Voima Oy	Finland	53.97		34	462
Metsa Forest Latvia SIA	Latvia	100.00		670	3,259
Metsa Wood Italia S.r.l.	Italy	100.00		1	0
Metsä Board Corporation *	Finland	40.18	42.24	142,827 856	566,497
Metsä Fibre Oy	Finland	50.20	60.71	38,211	721,058
Metsä Forest Eesti AS	Estonia	100.00		150,000	1,146
Metsä Forest Sverige AB	Sweden	100.00		5,000	703
Metsä Group Services Sp. z.o.o.	Poland	100.00		100	2,000
Metsä Group Treasury Oy	Finland	100.00		50,000	10,236
Metsäliitto Management Oy	Finland	100.00		3,850	3,869
Metsä Tissue Corporation	Finland	91.00		8,297 915	195,711
Metsä Wood Deutschland GmbH	Germany	100.00			11,948
Metsä Wood Holland B.V.	The Netherlands	100.00			143
Metsä Wood Hungary Kft.	Hungary	100.00			1,056
Metsä Wood Ibérica S.L.U.	Spain	100.00		500	146
Metsä Wood Schweiz AG	Switzerland	100.00		200	750
Metsä Wood USA Inc.	USA	100.00		500,000	316
Mittaportti Oy	Finland	100.00		3,000	50
OOO Metsa Forest Podporozhye	Russia	100.00			4,579
OOO Metsa Forest St. Petersburg	Russia	100.00		100	981
Punkavoima Oy	Finland	35.00		8,750	929
SHARES IN GROUP COMPANIES					**1,585 330**

*) Holding 60.92% by number of votes, Group's total holding 61.63%

ASSOCIATED COMPANIES	Country	Parent company's holding, %	Group's holding, %	Number of shares	Book value, 1,000 EUR
Asunto Oy Tapiolan Jalava	Finland	1.70			58
Asunto Oy Tapiolan Pyökki	Finland	4.49			232
Asunto Oy Tapiolan Saarni	Finland	48.98			1,295
Asunto Oy Tapiolan Tammi	Finland	48.98			1,295
Finsilva Oyj	Finland	19.77		19,064 275	5,719
Hartolan Kuningaslämpö Oy	Finland	50.00		300	76
Kiinteistö Oy Metsätapiola	Finland	48.98		30,432	17,107
Kiinteistö Oy Metsätapiolan Pysäköinti	Finland	48.96		212	3,049
Kiinteistö Oy Tapiolan Jalopuupysäköinti	Finland	28.10			3,801
Lohjan Biolämpö Oy	Finland	46.00		782,000	782
Metsäteho Oy	Finland	24.00		40	67
Perkaus Oy	Finland	33.33		2,500	6
Punkaharjun Lämpö Oy	Finland	20.00		6	10
Suomen Metsäsijoitus Oy	Finland	25.00		23,850	2,011
ZAO HC Vologodskiye Lesopromyshlenniki	Russia	44.19			6,164
Äänevoima Oy	Finland	20.00	20.00	2,000 000	2,000
INVESTMENTS IN ASSOCIATED COMPANIES					**43,674**

OTHER SHARES AND HOLDINGS	Country	Parent company's holding, %	Group's holding, %	Number of shares	Book value, 1,000 EUR
Finnish Wood Research Oy	Finland	25.00		60	60
Finnish Bioeconomy Cluster FIBIC Oy	Finland	5.00		150	150
Misawa Homes of Finland	Finland			400	67
Real estate companies					1,675
Golf shares					167
Shares and holdings in telephone companies					31
Other shares and holdings					140
OTHER SHARES AND HOLDINGS					**2,290**

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 31 December, 2015. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, 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 consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view 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 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 express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about 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 or of the Board of Directors of the parent cooperative or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the cooperative or have violated the Cooperatives Act or the rules of the cooperative.

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, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the cooperative's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the cooperative's internal control. 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.

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 of 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, 19 February 2016

KPMG Oy Ab

Raija-Leena Hankonen
Authorized Public Accountant

QUARTERLY DATA

EUR million	Yearly		Quarterly							
INCOME STATEMENT	**2015**	**2014**	**QIV/2015**	**QIII/2015**	**QII/2015**	**QI/2015**	**QIV/2014**	**QIII/2014**	**QII/2014**	**QI/2014**
Sales by segments										
Wood Supply and Forest Services	**1,518.2**	1,575.0	364.9	348.0	393.5	411.8	397.5	363.2	379.5	434.9
Wood Products Industry	**852.2**	896.9	188.0	212.0	242.8	209.4	215.9	207.3	251.8	221.9
Pulp Industry	**1,444.6**	1,295.7	373.5	349.6	391.1	330.4	337.1	303.8	325.8	329.0
Paperboard Industry	**2,007.5**	2,008.4	462.2	497.6	522.0	525.7	499.4	513.8	494.0	501.2
Tissue and Cooking Papers	**1,015.8**	1,012.8	263.8	249.2	249.0	253.7	257.6	252.4	250.2	252.6
Other operations	**4.1**	9.6	0.5	0.8	0.9	1.9	2.4	2.3	2.7	2.3
Eliminations	**-1,826.4**	-1,828.1	-447.7	-432.0	-469.1	-477.7	-462.4	-439.3	-438.9	-487.5
SALES TOTAL	**5,016.0**	4,970.3	1,205.4	1,225.2	1,330.2	1,255.1	1,247.5	1,203.6	1,264.9	1,254.3
Operating result by segments										
Wood Supply and Forest Services	**29.0**	26.7	6.3	7.0	6.9	8.7	8.1	4.5	5.5	8.6
Wood Products Industry	**10.0**	34.1	8.6	5.7	-12.2	7.9	5.8	6.3	14.4	7.7
Pulp Industry	**337.2**	227.9	80.5	85.5	92.5	78.7	64.5	51.8	56.7	54.9
Paperboard Industry	**199.0**	116.5	34.1	54.6	67.2	43.1	6.7	34.1	32.2	43.5
Tissue and Cooking Papers	**41.6**	61.8	23.9	6.5	6.1	5.1	21.1	19.2	9.7	11.8
Other operations	**21.8**	-40.7	-5.1	4.2	23.3	-0.6	-4.7	3.4	3.7	-43.2
Eliminations	**-96.5**	-9.5	-20.2	-21.5	-29.8	-25.0	-17.4	-16.4	38.0	-13.7
OPERATING RESULT TOTAL	**542.1**	416.9	128.2	142.0	154.0	117.8	84.1	102.9	160.2	69.7
-"-, excluding non-recurring items	**537.4**	418.1	122.7	149.0	137.1	128.6	117.3	104.3	91.5	105.1
-"-, % of sales	**10.7**	8.4	10.2	12.2	10.3	10.2	9.4	8.7	7.2	8.4
Share of results from associated companies and joint ventures	**11.2**	16.4	2.7	-0.8	3.2	6.1	1.9	-0.9	7.9	7.4
Net exchange gains/losses	**-1.2**	2.7	2.6	-0.6	-6.7	3.5	3.9	0.0	0.9	-2.1
Financial income and expenses	**-83.8**	-106.1	-20.1	-20.0	-22.4	-21.3	-22.4	-22.6	-23.3	-37.8
RESULT BEFORE TAX	**468.4**	329.9	113.4	120.7	128.2	106.1	67.6	79.4	145.7	37.2
Income taxes	**-112.6**	-69.7	-21.2	-38.4	-35.5	-17.5	-11.1	-17.4	-35.8	-5.4
RESULT FOR THE PERIOD	**355.7**	260.3	92.2	82.3	92.7	88.6	56.5	62.0	109.9	31.8

OPERATING RESULT EXCLUDING NON-RECURRING ITEMS	**2015**	**2014**	**QIV/2015**	**QIII/2015**	**QII/2015**	**QI/2015**	**QIV/2014**	**QIII/2014**	**QII/2014**	**QI/2014**
Wood Supply and Forest Services	**29.0**	28.2	6.3	7.0	6.9	8.7	8.1	4.5	7.0	8.6
Wood Products Industry	**31.4**	37.2	7.5	5.9	10.2	7.9	8.0	6.2	14.4	8.6
Pulp Industry	**337.2**	207.5	80.5	85.5	92.5	78.7	64.5	51.8	36.3	54.9
Paperboard Industry	**179.9**	136.5	35.1	54.6	47.0	43.2	36.9	35.2	28.3	36.1
Tissue and Cooking Papers	**55.1**	62.2	18.6	13.2	7.6	15.8	21.1	19.6	9.7	11.8
Other operations and eliminations	**-95.2**	-53.5	-25.3	-17.3	-27.0	-25.7	-21.2	-13.0	-4.2	-15.0
TOTAL	**537.4**	418.1	122.7	149.0	137.1	128.6	117.3	104.3	91.5	105.1

KEY RATIOS	**2015**	**2014**	**QIV/2015**	**QIII/2015**	**QII/2015**	**QI/2015**	**QIV/2014**	**QIII/2014**	**QII/2014**	**QI/2014**
Equity ratio, %	**43.2**	37.9	43.2	42.7	41.9	39.0	37.9	38.5	37.9	37.2
Net gearing ratio, %	**25**	46	25	29	34	41	46	62	70	83
Interest-bearing net liabilities, EUR million	**610**	938	610	682	779	887	938	1,258	1,389	1,614
Return on capital employed, %	**13.7**	11.1	12.9	13.9	15.5	12.5	8.7	10.6	17.2	8.0
- " -, excl. non-recurring items	**13.6**	11.4	12.3	14.6	13.9	13.5	12.0	10.7	10.3	12.3
Return on equity, %	**15.9**	13.0	15.5	14.2	16.5	16.7	11.1	12.4	22.4	6.5
- " -, excl. non-recurring items	**15.8**	13.4	14.6	15.4	13.9	18.8	17.6	12.6	8.4	15.4

FIVE YEARS IN FIGURES

EUR million	2015	2014	2013	2012	2011
Sales	**5,016**	4,970	4,938	5,001	5,346
Operating result	**542**	417	335	241	29
- "-, excluding non-recurring items	**537**	418	343	256	314
Result before tax	**468**	330	224	133	-98
Result for the period	**356**	260	189	101	-157
Non-current assets	**3,166**	3,024	3,251	3,380	3,413
Inventories	**687**	774	776	726	781
Other current assets	**1,763**	1,649	1,164	1,260	1,107
Total assets	**5,616**	5,447	5,191	5,366	5,300
Members' funds	**1,806**	1,590	1,483	1,367	1,126
Non-controlling interest	**611**	467	476	491	359
Non-current liabilities	**1,652**	1,843	2,070	1,717	2,429
Current liabilities	**1,547**	1,547	1,162	1,791	1,386
Total members' funds and liabilities	**5,616**	5,447	5,191	5,366	5,300
Return on capital employed, %	**13.7**	11.1	8.9	6.7	1.1
- " -, excluding non-recurring items	**13.6**	11.4	9.1	7.1	8.5
Return on equity, %	**15.9**	13.0	9.9	6.1	-9.9
- " -, excluding non-recurring items	**15.8**	13.4	10.3	6.9	8.6
Equity ratio, %	**43.2**	37.9	37.9	34.7	28.1
Net gearing ratio, %	**25**	46	77	87	132
Gearing ratio, %	**72**	93	101	115	154
Interest-bearing liabilities	**1,747**	1,904	1,981	2,139	2,293
Interest-bearing financial assets	**1,137**	966	471	530	339
Interest-bearing net liabilities	**610**	938	1,510	1,609	1,953
Investments	**492**	143	214	204	227
-"-, % of sales	**9.8**	2.9	4.3	4.1	4.2
Personnel, average	**10,117**	10,775	11,216	11,986	13,046
Personnel, at the end of year	**9,599**	10,410	10,736	11,447	12,525
- of whom in Finland	**5,122**	5,131	5,227	5,414	5,660

CALCULATION OF KEY RATIOS

Return on capital employed (%) ROCE $= \frac{\text{Result before tax -/+ net exchange gains/losses + interest and other financial expenses}}{\text{Balance total – non-interest-bearing liabilities (average)}}$

Return on equity (%) $= \frac{\text{Result before tax – income taxes}}{\text{Members' funds total (average)}}$

Equity ratio (%) $= \frac{\text{Members' funds total}}{\text{Total assets – advance payments received}}$

Net gearing ratio (%) $= \frac{\text{Interest-bearing net liabilities}}{\text{Members' funds total}}$

Gearing ratio (%) $= \frac{\text{Interest-bearing liabilities}}{\text{Members' funds total}}$

Interest-bearing net liabilities = Interest-bearing liabilities – cash and cash equivalent – interest-bearing receivables

CORPORATE GOVERNANCE STATEMENT 2015

INTRODUCTION

This statement concerning Metsä Group's Corporate Governance has been given as a separate report and published simultaneously with Metsä Group's Financial Statements and Report of the Board of Directors.

Metsäliitto Cooperative is a Finnish cooperative and the parent company of Metsä Group. In this report, Metsäliitto Cooperative is referred to when a matter is being discussed from the parent company's point of view. The decision-making and administration of Metsä Group companies complies with the Cooperatives Act, the Limited Liability Companies Act, the Securities Markets Act, the rules of the cooperative, procedures approved by the administrative bodies and the policies and guidelines approved by the Metsäliitto Cooperative Board of Directors and the Executive Management Team. The rules of Metsäliitto Cooperative are available in full on the Metsä Group website under "Corporate Governance in Metsä Group."

Metsä Group prepares its financial statements and interim reports in accordance with International Financial Reporting Standards (IFRS). The financial statements are published in Finnish and English.

Metsä Group's head office is located in Espoo, Finland. The registered office of the parent company Metsäliitto Cooperative is in Helsinki, Finland.

CORPORATE GOVERNANCE CODE

Metsä Group's parent company Metsäliitto Cooperative complies with the Corporate Governance Code for Finnish listed companies issued by the Securities Market Association in 2015; however, it 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 Finnish Central Chamber of Commerce in January 2006, corporations 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.

On 1 October 2015, the Securities Market Association approved a new Corporate Governance Code, which supercedes the old code from 2010. The new code is effective as of 1 January 2016. As allowed by the new code, this statement concerning the 2015 financial year follows the requirements of the former Code. The Corporate Governance Codes for 2010 and 2015 are available on the Securities Market Association website at www.cgfinland.fi.

The governance and management system of Metsä Group's parent company Metsäliitto Cooperative deviates from the recommendations of the 2010 Corporate Governance Code as follows:

- According to the Corporate Governance Code, the CEO should not be elected as the chairman of the Board of Directors. According to the rules of Metsäliitto Cooperative, Metsä Group's President and CEO acts as the vice chairman of the Board of Directors. Deviating from the recommendation can be justified with Metsäliitto Cooperative's cooperative administrative model.
- According to the Corporate Governance Code, the Annual General Meeting elects the members of the Board of Directors. According to the rules of Metsäliitto Cooperative, the Supervisory Board elects the members of the Metsäliitto Cooperative's Board of Directors. The competence regulations that deviate from the recommendation secure the realisation of cooperative corporate governance.
- In accordance with the Corporate Governance Code, the members of the Board of Directors are elected for a term of office of one year at a time. According to the rules of Metsäliitto Cooperative, the term of office of the members of the Board of Directors is 3 years at a time. The Board members' 3-year term has been deemed necessary in order to secure the continuity of decision-making.
- According to the Corporate Governance Code, the CEO is elected by the Board of Directors in accordance with the Limited Liability Companies Act. According to the Cooperatives Act, the CEO may also be elected by the Supervisory Board, if so provided for in the cooperative's rules. According to the rules of Metsäliitto Cooperative, the Supervisory Board elects the CEO and the President and CEO of Metsä Group. The deviation from the recommendation in the election of the President and CEO can be justified by Metsäliitto Cooperative's cooperative administrative model.

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 and CEO of Metsä Group. The CEO is hereafter referred to as the "President and CEO."

According to the rules of Metsäliitto Cooperative, the administrative personnel of Metsäliitto Cooperative must not work for companies or other organisations operating either directly or indirectly in the same sector as Metsäliitto Cooperative or its group companies or participate in the administration of such companies or organisations.

REPRESENTATIVE COUNCIL

The Representative Council uses the supreme decision-making power belonging to the members in Metsäliitto Cooperative in the matters specified by law and regulations. The Representative Council substitutes for the meeting of the cooperative in Metsäliitto Cooperative. The meeting of the Representative Council discusses the matters specified in the Cooperatives Act and the rules of Metsäliitto Cooperative as well as other matters mentioned in the invitation 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 and CEO from liability;
- to elect the members of the Supervisory Board and the auditors and to decide on their remuneration.

A full member of Metsäliitto Cooperative may be elected to the Representative Council. Persons who are employed by Metsäliitto Cooperative or a Group company and who are members of the Metsäliitto Cooperative Supervisory Board or Board of Directors are not eligible to stand for election to the Representative Council.

The election of the Representative Council is carried out every 4 years by postal voting, a communications link or some other technical device. Each member has one vote. The election is carried out by election districts so that the number of representatives selected from each district equals the number of Metsäliitto Cooperative members on the list of voters for the district in question who are entitled to vote on 1 January of the election year, divided by 2,300. The election districts are confirmed by the Supervisory Board, and basically they are determined in accordance with Metsäliitto Cooperative'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 must also be convened if demanded by at least one tenth of the Representative Council members. Unless otherwise required by the Cooperatives Act for certain matters, the Representative Council is convened by the Supervisory Board no later than 7 days before the meeting with a written invitation to the meeting sent to every member of the Representative Council, which must include the matters to be discussed in the meeting.

Each representative has one vote in the meeting. Amending the rules of Metsäliitto Cooperative requires that the amendment proposal is supported by a minimum of two thirds of the members present at 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 96 of this report.

DISTRICT COMMITTEES

In accordance with the rules of Metsäliitto Cooperative, there is a District Committee in each supply district. The Committee comprises the members of the Representative Council, Supervisory Board and Board of Directors elected from the District's area as well as candidates not elected in the election of the representative council, in the order of their personal number of votes. Each District has twice as many committee members as the number of representatives elected from the District's area, with a minimum of 5. The guidelines approved by the Supervisory Board specify the tasks of the Committee. According to the guidelines, the main task of the Committee is to promote communication and interaction between the members and Metsäliitto Cooperative's supply district.

SUPERVISORY BOARD

The rules of Metsäliitto Cooperative specify that the Supervisory Board is a part of Metsäliitto Cooperative's administration model. This aims to ensure the realisation of sufficient corporate governance and commitment of the members to Metsäliitto Cooperative's decision-making. Strategic and other far-reaching decisions belong to the powers of Metsäliitto Cooperative's Board of Directors, and operational management to the acting management.

The rules of Metsäliitto Cooperative specify the tasks of the Supervisory Board. The main task of the Supervisory Board is to ensure that Metsäliitto Cooperative is managed in accordance with the rules and the decisions of the Representative Council and the Supervisory Board. In addition to this, the Supervisory Board:

- elects and dismisses members of the Metsäliitto Cooperative Board of Directors and decides on their remuneration;
- elects the CEO, who also serves as the President and CEO of Metsä Group, unless otherwise decided by the Supervisory Board;
- gives the Board of Directors instructions in far-reaching matters and matters of importance in principle;
- issues a statement for the Representative Council on the financial statements, including the consolidated financial statements, and the Board of Director's report.

The Supervisory Board elects a Chairman and Deputy Chairman from among its members for 1 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 quorate when more than half the members are present. The opinion favoured by the majority shall be the decision. If the votes are even, the Chairman has the casting vote, and elections are decided by lot.

The Supervisory Board comprises a minimum of 20 and a maximum of thirty 30 members elected by the Representative Council from among the members of Metsäliitto Cooperative. Metsäliitto Cooperative's personnel may elect a maximum of 5 members to the Supervisory Board. In addition, the Representative Council may, at the proposal of the Supervisory Board, elect a maximum of 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 or her and runs until the annual meeting of the Representative Council 3 years later. The aim of the three-year term of office is to ensure continuity in decision-making. Once a member of the Supervisory Board turns 65, his or her term of office, however, terminates at the annual meeting of the Representative Council the following year. Regional equality is considered when electing the members of the Supervisory Board. 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 97 of this report and on the Metsä Group website under "Metsäliitto Cooperative governance and Metsä Group management."

NOMINATION COMMITTEE OF THE SUPERVISORY BOARD

A special nomination committee elected from among the members of the Supervisory Board prepares the election of the members of the Board of Directors in accordance with procedures approved for it. In addition, the nomination committee makes a proposal for the fees paid to the Board of Directors. The nomination committee comprises 6 members of the Supervisory Board as well as the Chairman and the Deputy Chairman of the Supervisory Board. The Chairman of the Supervisory Board acts as the chairman of the Nomination Committee, and the secretary of the Board of Direcators acts as the secretary. The committee may invite the Chairman of the Board of Directors to attend their meeting as an expert member.

The Supervisory Board elected the following persons to the Nomination Committee in its meeting on 7 May 2015: Teuvo Hatva, Ville Hirvonen, Antti Isotalo, Timo Kässi, Timo Nikula and Jukka Vanhatalo. Furthermore, Hannu Järvinen, Chairman of the Supervisory Board, and Juha Paajanen, Deputy Chairman, are members of the Nomination Committee on the basis of their position.

INFORMATION ON THE MEETINGS OF THE SUPERVISORY BOARD DURING THE PREVIOUS FINANCIAL PERIOD

In 2015, there were 34 members in the Supervisory Board, 4 of them personnel representatives elected by different personnel groups. There were no expert members in the Supervisory Board in 2015. The Supervisory Board convened 4 times, and the members' attendance rate was 97 per cent.

BOARD OF DIRECTORS

According to the rules of Metsäliitto Cooperative and legislation, the task of the Board of Directors is to ensure that Metsäliitto Cooperative's and Metsä Group's operations and administration are appropriately arranged. The Board of Directors has composed a procedure for its operations that specifies in greater detail the operating principles followed in the decision-making of the Board of Directors. The working order is available in full on Metsä Group's website under "Corporate Governance in Metsä Group."

The tasks of the Board of Directors include:

- approving the tasks of the CEO/President and CEO and the conditions of the employment relationship and monitoring 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 and CEO;
- deciding on how shares are collected and the issue of additional shares 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 matters to be processed at the meetings of the Supervisory Board;
- deciding on the salaries and other benefits of the CEO/President and 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 1 year at a time. According to the rules of Metsäliitto Cooperative, the President and CEO acts as the deputy chairman. The Board of Directors convenes as summoned by the chairman as often as necessary. The President and CEO prepares the Board's meetings. The Board of Directors is quorate when more than half the members of the Board are present. If the votes are equal, the chairman has the casting vote. Minutes shall be kept 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 Cooperative's Board of Directors. The Board of Directors comprises a minimum of 5 and a maximum of 8 members, plus the CEO of Metsäliitto Cooperative or the President and CEO of Metsä Group. The CEO of Metsäliitto Cooperative is not a member of the Board of Directors if the Supervisory Board has separately appointed a President and CEO. 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 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 they turn 65.

When preparing the nominations of the members of the Board of Directors, the Supervisory Board's Nomination Committee considers their qualifications, experience and available time, and ensures that the Board composition includes diverse expertise.

In 2015, the position of the Chairman of the Board of Directors was held by Martti Asunta and that of the Deputy Chairman by Kari Jordan, and the members were Mikael Aminoff, Arto Hiltunen, Saini Jääskeläinen, Juha Parpala, Timo Saukkonen, Mikael Silvennoinen and Antti Tukeva.

At a meeting on 5 November 2015, the Supervisory Board of Metsäliitto Cooperative selected Leena Mörttinen, D.Soc.Sc., M.Sc. (Econ.), to be a new member of Metsäliitto

METSÄLIITTO COOPERATIVE'S BOARD OF DIRECTORS 31.12.2015

MEMBER OF THE BOARD OF DIRECTORS	MEMBER OF THE BOARD OF DIRECTORS SINCE	YEAR OF BIRTH	EDUCATION	PARTICIPATION (OWN, UNDER COMMON OWNERSHIP AND BY CONTROLLED CORPORATIONS) IN METSÄLIITTO COOPERATIVE ON 31 DECEMBER 2015 (EUR)	SHARES (OWN AND BY CONTROLLED CORPORATIONS) IN METSÄ BOARD CORPORATION ON 31 DECEMBER 2015 (B SHARE)
Martti Asunta, Chairman	2005, Chairman since 2008	1955	M.Sc. (Forestry)	71,840	47,271
Kari Jordan, Deputy Chairman	2005, Deputy Chairman since 2005	1956	M.Sc. (Econ.)	520	450,000
Mikael Aminoff	2008	1951	M.Sc. (Forestry)	43,006	56,961
Arto Hiltunen	2007	1958	M.Sc. (Econ.)	1,040	
Saini Jääskeläinen	2005	1959	Midwife	139,112	2,912
Juha Parpala	2009	1967	Agrologist	21,494	1,087
Timo Saukkonen	2007	1963	M.Sc. (Agriculture and Forestry), forester	76,999	4,007
Mikael Silvennoinen	2015	1956	M.Sc. (Econ.)	195	14,000
Antti Tukeva	2009	1953	Agronomist	31,153	3,479

Cooperative's Board of Directors as of 1 January 2016. Saini Jääskeläinen, who had been a member of the Board of Directors since 2005, resigned her membership as of 1 January 2016.

All Board members apart from the President and CEO are independent of the company. Both genders are represented in the Board of Directors.

More detailed information on the members of the Board of Directors is presented on page 96–97 of this report and on the Metsä Group website under "Metsäliitto Cooperative governance and Metsä Group management."

BOARD COMMITTEES

In order to ensure that the Board of Directors' tasks are effectively carried out, Metsäliitto Cooperative's Board of Directors has an Audit Committee and a Compensation Committee. The Committees do not have the authority 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, 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 3 members who are independent of the company, elected by the Board of Directors from among its members annually. In addition, the President and CEO attends the meetings of the Audit Committee, except for the times when the Audit Committee wishes to convene without the presence of the operative management. The Audit Committee regularly reports to the Board of Directors on its operations and observations. In 2015, the Audit Committee comprised Mikael Silvennoinen, Arto Hiltunen and Martti Asunta.

Compensation Committee

The purpose of the Compensation Committee is to assist the Board of Directors in ensuring that Metsä Group 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 and CEO, pay systems for 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 presents the annual targets for the top management to the Board of Directors and monitors their realisation. Furthermore, the committee reviews 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 annually elects 3 members to the Compensation Committee from among its members. The majority of the members of the Compensation Committee must be independent of Metsä Group, and a member of Metsä Group's operative management may not be a member of the Committee. The Compensation Committee regularly reports to the Board of Directors on its operations. In 2015, the Compensation Committee comprised Martti Asunta, Arto Hiltunen and Antti Tukeva.

INFORMATION ON THE MEETINGS OF THE BOARD OF DIRECTORS AND ITS COMMITEES DURING THE PREVIOUS FINANCIAL PERIOD

The Board of Directors convened 14 times in 2015. Board members Asunta, Jordan, Aminoff, Hiltunen, Jääskeläinen, Parpala, Saukkonen and Tukeva attended all meetings. Mikael Silvennoinen attended 13 meetings. The members' attendance rate was 99 per cent.

The Audit Committee convened 4 times. Committee members Asunta and Hiltunen attended all meetings. Silvennoinen attended three meetings. The attendance rate of the Audit Committee members was 92 per cent in 2015. The Compensation Committee convened 6 times, and the members' attendance rate was 100 per cent.

PRESIDENT AND CEO

Metsäliitto Cooperative has a CEO who also acts as the President and CEO of Metsä Group unless otherwise decided by the Supervisory Board. The President and CEO manages the operation of the entire Metsä Group. Currently, the President and CEO of Metsä Group, Kari Jordan, also acts as the CEO of Metsäliitto Cooperative. The President and CEO is elected by the Supervisory Board, and the Board of Directors approves the contract of the President and CEO.

President and CEO Kari Jordan (M.Sc. (Econ.), born 1956) has acted as the CEO of Metsäliitto Cooperative since 2004 and as the President and CEO of Metsä Group since 2006.

The President and CEO's duty is to manage the operational actions of Metsä Group in accordance with the law and regulations as well as the decisions and instructions of the administrative bodies. According to the rules of Metsäliitto Cooperative, the President and CEO is in charge of arranging the running administration of the cooperative and supervises its financial administration.

More detailed information on the President and CEO is presented on page 98 of this report and on the Metsä Group website under "Metsäliitto Cooperative governance and Metsä Group management."

EXECUTIVE MANAGEMENT TEAM

Metsä Group has an Executive Management Team with the Group's President and CEO as its chairman. The Executive Management Team assists the President and CEO in the planning and operational management of business operations and prepares proposals for 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 the Metsä Group's President and CEO, the CEOs of the subsidiaries, Executive Vice Presidents of Metsä Wood and Metsä Forest as well as the Group's CFO and Executive Vice President, Strategy.

The Executive Management Team convenes as summoned by the Chairman, primarily twice a month, and additionally whenever necessary.

In 2015, the Executive Management Team comprised Kari Jordan (President and CEO), Hannu Anttila (Executive Vice President, Strategy), Petri Helsky (CEO of Metsä Tissue Corporation as of 16 April 2015), Ilkka Hämälä (CEO of Metsä Fibre Oy), Mika Joukio (CEO of Metsä Board Corporation), Esa Kaikkonen (Executive Vice President, Metsä Wood), Juha Mäntylä (Executive Vice President, Metsä Forest) and Vesa-Pekka Takala (CFO).

METSÄ GROUP'S EXECUTIVE MANAGEMENT TEAM 31.12.2015

MEMBER OF THE EXECUTIVE MANAGEMENT TEAM (MEMBER OF THE EXECUTIVE MANAGEMENT TEAM SINCE)	POSITION AT METSÄ GROUP	YEAR OF BIRTH	EDUCATION	PARTICIPATION (OWN, UNDER COMMON OWNERSHIP AND BY CONTROLLED CORPORATIONS) IN METSÄLIITTO COOPERATIVE ON 31 DECEMBER 2015 (EUR)	SHARES (OWN AND BY CONTROLLED CORPORATIONS) IN METSÄ BOARD CORPORATION ON 31 DECEMBER 2015 (B SHARE)
Kari Jordan (2005)	President and CEO	1956	M.Sc. (Econ.)	520	450,000
Hannu Anttila (2005)	Executive Vice President, Strategy	1955	M.Sc. (Econ.)		83,037
Petri Helsky (2015)	CEO of Metsä Tissue Corporation	1966	M.Sc. (Eng.)		
Ilkka Hämälä (2008)	CEO of Metsä Fibre Oy	1961	M.Sc. (Eng.)		76,650
Mika Joukio (2012)	CEO of Metsä Board Corporation	1964	M.Sc. (Eng.)		116,620
Esa Kaikkonen (2008)	Executive Vice President, Metsä Wood	1969	LLM		61,320
Juha Mäntylä (2008)	Executive Vice President, Metsä Forest	1961	M.Sc. (Agriculture and Forestry)	160,335	66,698
Vesa-Pekka Takala (2010)	CFO	1966	M.Sc. (Econ.)		66,430

More detailed information on the members of the Executive Management Team is presented on pages 100–101 of this report and on the Metsä Group website under "Metsäliitto Cooperative governance and Metsä Group management."

INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT

Profitable business requires that operations are monitored continuously and with adequate efficiency. Metsä Group's internal control covers the control of financial reporting, internal authorisation rights, investment follow-up and credit control. The functionality of internal control is evaluated by Metsä Group'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 Metsä Group's internal control and the principles of internal audit are described below. Metsä Group's operative management, risk management director and internal audit are in charge of composing the principles mentioned above and the Board of Directors for ultimately ratifying them.

INTERNAL CONTROL

In Metsä Group, internal control covers financial reporting and other monitoring. Internal control is implemented by the Board of Directors, the Audit Committee and the operative 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 Metsä Group;
- economical, appropriate and efficient use of resources;
- management of operational 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;
- arrangement of adequate and suitable manual and IT systems to support operations.

Internal control is divided into: (i) proactive control, such as defining Metsä Group's values and general operational and business principles, as well as its goals and strategy; (ii) daily control, such as general control and follow-up with operational systems and work guidelines, related to operational steering; and (iii) subsequent control, 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. Metsä Group's corporate culture, governance and the approach to control together create the basis for the entire process of internal control.

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 at the Metsä Group Executive Management Team meetings attended by the senior management of Metsä Group and of each business area, as well as at financial management team meetings attended by the Group CFO and director of finance and the CFO of each business area, among others. 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. Metsä Group's Controllers' Manual describes the reporting and control regulations and the reporting procedure in detail.

Credit control in Metsä 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 and the authority separately granted by the President and CEO and other management personnel.

Investment approval and follow-up are carried out by the business areas and the Group's financial administration according to the decision-making order and investment policy approved by the Board of Directors. The 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

Metsä Group'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 Metsä Group'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. In its audit work, the internal audit function complies with the internal audit guideline ratified by the Board of Directors of Metsäliitto Cooperative.

The internal audit unit operates under the supervision of the Group's President and 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 by 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 and 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 composes 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 states 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 Metsä Group's standard business planning and leadership. Risk management is part of daily decision-making, operations follow-up and internal control, and it promotes the objectives set by the company and ensures that they are met.

Linking business management effectively with risk management is based on the operational principles confirmed by Metsäliitto Cooperative'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 for Metsä Group's insurance coverage.

The most crucial objective of risk management is to identify and evaluate those risks, threats and opportunities that 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 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 Metsä Group are divided as follows:

- The Board of Directors is responsible for Metsä Group's risk management and confirms the company's risk management policy.
- The Audit Committee evaluates the adequacy of Metsä Group's risk management and the essential risk areas and provides the Board with related proposals.
- The President and CEO and the members of 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 essential insurance decisions.
- Business areas and services 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 essential elements of Metsä Group's risk management include implementing a comprehensive corporate risk management process that supports the entire business, protecting property and ensuring business continuity, Metsä Group's 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 that 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 or operational capacity are controlled according to applicable laws and on the basis of best available information and financial aspects;
- ensure that Metsä Group's objectives are met;
- fulfil the expectations of stakeholders;
- protect property and ensure disruption-free business continuity;
- optimise the profit/loss possibility ratio;
- ensure the management of Metsä Group's overall risk exposure and minimise the overall risks.

The most significant risks and uncertainties that Metsä Group is aware of are described in the report of the Board of Directors.

INSIDER GUIDELINES

In matters related to insiders, Metsä Group complies with securities market legislation and the insider guidelines of the subsidiary Metsä Board Corporation, composed in accordance with the standards of the Financial Supervisory Authority and the guidelines prepared by the Helsinki stock exchange). Metsä Group 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 Metsä Group's statutory insider register. In addition to a permanent insider register, the Group company sets up, when needed, an insider project, which covers all persons who participate in the preparation of a certain project containing insider information. Metsä Group only recommends long-term investments and the use of purchase programmes. Insiders are provided with instructions and training at frequent intervals.

The public insider register of the listed Metsä Board Corporation comprises the members of Metsäliitto Cooperative's Board of Directors, the President and CEO, and the auditors. Metsä Board's company-specific insiders include the members of the Group's Executive Management Team and designated persons appointed to legal, financial, communications and investor relations-related tasks of Metsä Group, who thus regularly have access to insider information on Metsä Board. Trading in Metsä Board's securities is prohibited when a person possesses insider information concerning the company. Public insiders and permanent insiders are also not allowed to trade in the securities during a period starting from the end of the reporting period until the interim report has been published (the "closed window").

In addition, trading is prohibited from all persons included in insider projects. Metsä Board's insiders are under the obligation to declare to the company up-to-date information on themselves, their related parties as well as the corporations directly or indirectly controlled or effectively influenced by them.

The declared information is entered into the register without delay.

RELATED PARTY TRANSACTIONS

Metsäliitto Cooperative and its Group companies assess and monitor related party transactions. Related parties are determined in accordance with International Accounting Standards (IAS 24) and they include, among others, all Group companies, members of the Board of Directors and the Executive Management Team, as well as their immediate family members. Any conflicts of interest are taken into account in decision-making, and in accordance with the new Corporate Governance Code 2015, each Group company maintains a list of the members of its related parties.

AUDIT

According to the rules of Metsäliitto Cooperative, Metsäliitto Cooperative has one (1) auditor, which shall be an auditing firm authorised by the Finland Chamber of Commerce. The Representative Council elects the auditor 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 auditor is to audit the financial statements and accounting of the Group and the parent company and the administration of the parent company. The auditor provides a statutory auditor's report to the members of Metsäliitto Cooperative in connection with the annual financial statements and regularly reports on their observations to the Board of Directors and the management of Metsä Group.

In accordance with the resolution of the Representative Council meeting in the spring of 2015, Metsäliitto Cooperative's auditor for 2015 is KPMG Oy Ab, firm of authorised public accountants, with Raija-Leena Hankonen, APA, as the principal auditor. In 2015, companies that belong to Metsä Group paid a total of EUR 1,146,000 (EUR 1,209,000 in 2014) in audit fees to KPMG in Finland and internationally and a total of EUR 128,000 (EUR 115,000 in 2014) to other accounting firms. In addition, the KPMG chain was paid EUR 54,000 (EUR 37,000 in 2014) for services not related to the actual audit, and other auditing firms were paid EUR 124,000 (EUR 253,000 in 2014).

SALARY AND REMUNERATION REPORT 2015

This salary and remuneration report of Metsä Group on the remuneration of Board of Directors, Supervisory Board and executive management has been issued pursuant to Recommendation 47 of the Finnish Corporate Governance Code of 2010. Metsä Group issues the salary and remuneration report once per year simultaneously with the publishing of Metsä Group's Financial Statements and Report of the Board of Directors. Metsä Group updates the salary and remuneration information based on this report, provided on its website, to ensure that the website is as up to date as possible.

FEES OF THE SUPERVISORY BOARD AND THE BOARD OF DIRECTORS

METSÄLIITTO COOPERATIVE'S SUPERVISORY BOARD

Pursuant to a decision of the Representative Council, the Chairman and Deputy Chairman of the Supervisory Board are paid fixed monthly remuneration and meeting fees. The other members only receive meeting fees. The members are entitled to travel compensation according to Metsä Group's travel rules.

The Representative Council decided, at the Annual General Meeting of spring 2015, to raise the monthly remuneration of the Chairman and Deputy Chairman of the Supervisory Board as of May 2015 as follows: the monthly remuneration of the Chairman increased from EUR 3,400 to EUR 3,900, and the monthly remuneration of the Deputy Chairman increased from EUR 1,500 to EUR 1,700. In addition, the meeting fees payable to the members of the Supervisory Board were raised from EUR 600 to EUR 700. The Chairman was paid a total of EUR 59,000 (EUR 57,300 in 2014) in salaries and meeting fees in 2015. The Deputy Chairman was paid a total of EUR 28,400 (EUR 24,900 in 2014) in salaries and meeting fees in 2015. The other members were paid meeting fees totalling EUR 108,600 (EUR 116,100 in 2014) in 2015. Members of the Supervisory Board were paid a total of EUR 196,000 (EUR 198,300 in 2014) in salaries and fees in 2015.

METSÄLIITTO COOPERATIVE'S BOARD OF DIRECTORS

The Supervisory Board decides on the remuneration of the members of the Board of Directors based on a proposal from the Nomination Committee. Pursuant to the Supervisory Board's decision, each member of the Board of Directors is paid fixed monthly remuneration and meeting fees. Meeting fees are also paid for committee meetings. In addition, the chairman of the Audit Committee is paid separate monthly compensation of EUR 1,200. The members of the Board of Directors are entitled to travel compensation according to Metsä Group's travel rules. At its meeting in November 2014, the Supervisory Board decided to raise the monthly compensation payable to the members of the Board of Directors as of January 2015. The monthly compensation for the Chairman of the Board increased from EUR 5,800 to EUR 6,700, and the monthly compensation of the other members increased from EUR 3,200 to EUR 3,700. The meeting fee of EUR 600 remained unchanged.

The Chairman was paid a total of EUR 94,540 (EUR 86,640 in 2014) in salaries and meeting fees in 2015. The other members were paid a total of EUR 387,700 (EUR 355,800 in 2014) in salaries and meeting fees in 2015. Members of the Board of Directors were paid a total of EUR 482,240 (EUR 442,440 in 2014) in salaries and fees in 2015. The aforementioned fees paid for duties in the Board of Directors accumulate pension benefits. The President and CEO is not paid a salary or remuneration for duties in the Board of Directors.

REWARDS SYSTEM FOR OPERATIVE MANAGEMENT

The purpose of the reward system for Metsä Group's operative management is to reward the management in a just and competitive manner for the performance of Metsä Group and realising the strategy and development of the business operations. The Board of Directors of Metsäliitto Cooperative decides on the remuneration and other financial benefits of the Group President and CEO and members of the Group's Executive Management Team employed by Metsäliitto Cooperative, and the principles of the profit pay system based on the preparation of the Compensation Committee. All Metsä 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.

SALARY AND REMUNERATION OF THE PRESIDENT AND CEO

The monthly salary, including fringe benefits, of President and CEO Kari Jordan was EUR 88,428 (EUR 87,400 in December 2014) in December 2015. The monthly salary includes housing, car, chauffeur and other minor benefits. Pursuant to the President and CEO's contract, the Board of Directors may decide that the President and CEO receives a bonus based on the profit, cash flow and personal performance, corresponding to maximum nine (9) months' salary.

Metsä Group companies paid President and CEO Kari Jordan a total of EUR 3,955,430 (EUR 2,638,103 in 2014) in salaries, fees and other benefits in 2015. The salary including fringe benefits paid by Metsäliitto Cooperative to the President and CEO amounted to EUR 1,111,432 (EUR 1,098,223 in 2014) and the bonus and share reward to EUR 2,721,694 (EUR 1,427,369 in 2014) in 2015. The other Metsä Group companies paid the President and CEO a total of EUR 122,304 (EUR 112,512 in 2014) in salaries, fees and other benefits.

PRESIDENT AND CEO'S TERM OF NOTICE, SEVERANCE PAY AND PENSION ARRANGEMENTS

The term of notice of the President and CEO is 6 months. If the contract of the President and CEO is terminated by the Board, the President and CEO is entitled to severance pay corresponding to 24 months' total salary. No severance compensation is paid if the contract is terminated by the President and CEO.

The President and CEO falls within the scope of the Finnish Employees' Pensions Act. It provides pension security based on the period of service and earned income as provided in the Act. In the Finnish earnings-related pension system, basic salary, remuneration and taxable fringe benefits are included in earned income, whereas income from options and share-based incentive systems for management is not. The President and CEO has a separate pension agreement with a retirement age of 60. The Board of Directors of Metsäliitto Cooperative and Kari Jordan, President and CEO, have agreed in May 2015 that Jordan will continue in his position beyond 9 March 2016, when he reaches the age of retirement determined in his contract. The President and CEO's maximum level of pension is 60 per cent of the total salary under the Employees' Pensions Act, calculated on the basis of the five-year period preceding retirement. In 2015, the annual contribution of the President and CEO's defined benefit pension plan was 8.5 per cent (60 per cent in 2014) of the total salary and remuneration paid by Metsä Group companies to the President and CEO.

SALARIES AND FEES OF OTHER MANAGEMENT

In addition to the monthly salary paid to the other members of Metsä Group's Executive Management Team, they may also be paid a bonus specific to each Group company, to be determined separately. The maximum bonus paid to members of the Executive Management Team can vary, according to the task's effect on earnings, between the amounts corresponding to 6–7 months' salary for that person. The criteria for the bonus system are the performance targets at Group level and in the executives' own areas of responsibility. Metsä Group companies paid members of the Executive Management Team (excluding the President and CEO) a total of EUR 6,344,338 (EUR 5,153,958 in 2014) in salaries and fees in 2015.

PERIODS OF NOTICE AND PENSION ARRANGEMENTS OF OTHER MANAGEMENT

The period of notice of the other members of Metsä Group's Executive Management Team is six months. The members of the Executive Management Team are entitled to a severance pay equalling 6–12 months' salary if their contract is terminated on grounds not related to the executive.

The other members of the Executive Management Team fall within the scope of the Finnish Employees' Pensions Act. It provides pension security based on the period of service and earned income as provided in the Act. In the Finnish earnings-related pension system, basic salary, remuneration and taxable fringe benefits are included in earned income, but not income from options and share-based incentive systems for management. Depending on when their contract began, some members of Metsä Group's Executive Management Team have a separate defined benefit pension agreement with a retirement age of 62. According to the pension agreement, the level of pension is a maximum of 60 per cent of the total salary under the Employees' Pensions Act, calculated on the basis of the five-year period preceding retirement. If their employment relationship with Metsä Group ends before retirement age, members of the Executive Management Team are entitled to a paid-up policy. At the end of 2015, six members of the Executive Management Team had separate pension arrangements.

SHARE-BASED INCENTIVE SCHEME FOR EXECUTIVES

Share-based incentive scheme for 2011–2015: The Board of Directors of Metsäliitto Cooperative decided in December 2010 on a share-based incentive scheme for Metsä Group's executives for the years 2011–2015. The arrangement offers the target group an opportunity to receive Metsä Board Corporation's B Series shares in three (3) earning periods of three calendar years each if they achieve the targets set for the periods' earning criteria. The earning periods are the calendar years 2011–2013, 2012–2014 and 2013–2015.

The Board of Directors of Metsäliitto Cooperative determines the executives who belong to the target group and their maximum rewards at the beginning of every three-year earning period. 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 will be paid to the executives. Any reward will be paid partially in shares in Metsä Board Corporation and partially in cash. The reward will, as a rule, be paid in the spring following the earning period. As a rule, the reward will not be paid if the person's employment has ended before the payment of the reward. The shares cannot be transferred during a commitment period of two (2) years.

The possible reward from each earning period (2011–2013, 2012–2014 and 2013–2015) is based on the development of Metsä Group's equity ratio, return on capital employed (ROCE), and earnings before interest and taxes (EBIT).

The rewards from the 2012–2014 earning period paid to 54 persons equated to approximately 1.9 million Metsä Board B shares, including the portion payable in cash. President and CEO Kari Jordan's share of the reward equalled the value of approximately 0.3 million shares.

The reward from the 2013–2015 earning period paid to 48 persons equated to approximately 3.2 million Metsä Board B shares, including the portion payable in cash. President and CEO Kari Jordan's share of the reward equalled the value of approximately 0.5 million shares.

Share-based incentive scheme for 2014–2018: The Board of Directors of Metsäliitto Cooperative decided in February 2014 to extend the share-based incentive scheme for Metsä Group's executives for the years 2014–2018. The share-based incentive scheme has three 3-year earning periods: the calendar years 2014–2016, 2015–2017 and 2016–2018.

The Board of Directors of Metsäliitto Cooperative determines the executives who belong to the target group and their maximum rewards at the beginning of every three-year earning period (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 will be paid to the executives. The amount of the reward paid annually may be limited. Any reward will be paid partially in shares in Metsä Board Corporation and partially in cash. The reward will, as a rule, be paid in the spring following the earning period. Each earning period will be followed by a subsequent 2-year commitment period during which the participant is not entitled to transfer or dispose of the shares. If the executive's employment contract is terminated or cancelled by the Group company or the executive during the commitment period, the executive must return the share-based incentive earned for the earning period without consideration.

The possible reward from each earning period (2014–2016, 2015–2017 and 2016–2018) is based on Metsä Group's return on capital employed (ROCE), earnings before interest and taxes (EBIT) and equity ratio. The reward from the earning period 2014–2016 equates in value to a maximum of approximately 4.1 million Metsä Board B shares, including the portion payable in cash. At the end of the 2015 earning period, the scheme covers 47 persons, including all the members of Metsä Group's Executive Management Team.

The reward from the earning period 2015–2017 equates in value to a maximum of approximately 4.8 million Metsä Board B shares, including the portion payable in cash. At the end of the 2015 earning period, the scheme covers 51 persons, including all members of Metsä Group's Executive Management Team.

The reward from the earning period 2016–2018 equates in value to a maximum of approximately 2.5 million Metsä Board B shares, including the portion payable in cash. At the beginning of the earning period, the scheme covers 73 persons, including all the members of Metsä Group's Executive Management Team.

METSÄLIITTO COOPERATIVE'S REPRESENTATIVE COUNCIL

Members of Metsäliitto Cooperative elect a Representative Council from among the members every four years by mail, telecommunications or by some other technical device. The Representative Council is the highest decision-making body.

Anttila Juha	Farmer	Mänttä-Vilppula
Haikkonen Aila	Master of Science, Agricultural Entrepreneur	Pori
Hanhimäki Jorma	Farmer	Kauhava
Hiekka Matti	Farmer	Ikaalinen
Hiltunen Martti	Account Manager	Kaavi
Häppölä Heikki	Farmer	Orimattila
Härkönen Matti J.	Forestry Entrepreneur	Sotkamo
Isomuotia Harri	M.Sc. Forestry	Hämeenkyrö
Kallio Maarit	Farmer, Agrologist	Sastamala
Kankaanpää Antti	Rural Entrepreneur	Orivesi
Karhunen Asko	Farmer	Suonenjoki
Kasurinen Pekka	Forestry Engineer	Sodankylä
Ketola Jyrki	Director, Forestry Entrepreneur	Helsinki
Kivenmäki Ari	Agrologist, Farmer	Kuortane
Kiviranta Esko	Farmer, Senior Lawyer	Sauvo
Kontinen Kati	Research Manager, Licentiate of Science (Agriculture and Forestry)	Ristiina
Koskinen Jaakko	Farming Entrepreneur	Hamina
Kurtti Aulis	Forest Owner	Kuusamo
Könönen Katri	Farmer	Tohmajärvi
Laitinen Markku	Farming and Forestry Entrepreneur	Kangasniemi
Lauttia Petri	Farmer	Renko
Lillandt Anders	Farmer	Kristiinankaupunki
Lunttila Tommi	Farmer	Äänekoski
Långgård Tomas	Farmer	Maalahti
Minkkinen Timo	Forestry Entrepreneur	Viitasaari
Moilanen Heli	Public Health Nurse	Paltamo
Morri Tiina	Forestry Entrepreneur	Virrat
Mäntylä Arto	Farmer	Kurikka
Nevavuori Jari	Product Manager, Farmer	Uusikaupunki
Niemelä Henry	Farmer, Forest Machine Entrepreneur	Lapua

Nybacka Mika	Forestry Entrepreneur	Haapajärvi
Nylund Mats	Farmer, Member of Parliament	Pedersöre
Oinas-Panuma Eero	Reindeer Herder, Rural Entrepereneur	Pudasjärvi
Orjala Jari	Farming Entrepreneur, Lecturer	Kannus
Pekonen Kari	Rural Entrepreneur	Parikkala
Pietilä Juho	Farming Entrepreneur	Loimaa
Purhonen Petri	Farmer	Enonkoski
Pylkkänen Ari	Forestry Engineer	Rantasalmi
Raininko Tuomo	Farming and Forestry Entrepreneur	Kankaanpää
Rautiola Antti	Farmer	Oulainen
Ruusuvirta Jukka	Farmer	Kivijärvi
Savola Mikko	Member of Parliament	Ähtäri
Savolainen Jyrki	Farmer	Laukaa
Sipola Atso	Farmer	Oulu
Sirviö Antti	Rural Entrepreneur	Kemijärvi
Soronen Mauno	Vicar	Haapavesi
Säynätjoki Ilkka	Farmer	Kuhmoinen
Tanskanen Paavo	Farmer	Polvijärvi
Tasanen Terho	Machine Entrepreneur, Farmer	Nousiainen
Tikka Antti-Lassi	Quality Manager, Farming Entrepreneur	Kiuruvesi
Tolvanen Matti	Forest Technician, Farming and Forest Entrepreneur	Varkaus
Tuominen Pasi	Agrologist, Farmer	Eura
Uotila Kirsi	Forestry Entrepreneur, Technology student	Helsinki
Uusitalo Ilkka	Farmer	Salo
Vanhatalo Tuula	Bachelor of Science (Agriculture and Forestry)	Hyvinkää
Virnala Jukka	Entrepreneur	Jalasjärvi
Wasberg Johan	Forestry Engineer	Mustasaari
Wasström Anders	Farmer	Raasepori
Ylimartimo Aatto	Farmer	Tervola
Ylä-Outinen Päivi	Farmer	Lappeenranta

METSÄLIITTO COOPERATIVE'S SUPERVISORY BOARD

The Supervisory Board's duty is to supervise the appropriate management of Metsäliitto Cooperative in compliance with the relevant regulations, the Supervisory Board's decisions, and in the interests of Metsäliitto Cooperative. It also supervises the implementation of the Representative Council's decisions and elects Metsäliitto Cooperative's Board of Directors.

CHAIRMAN		
Järvinen Hannu	Agronomi	Janakkala
VICE CHAIRMAN		
Paajanen Juha	Farming and Forestry Entrepreneur	Punkaharju
MEMBERS		
Alatalo Matti	Farmer	Soini
Björkenheim Johan	Farmer	Isokyrö
Brandt Mats	Agrologist	Kokkola
Ekman Eero	Rural Secretary	Paimio
Hatva Teuvo	Forest Entrepreneur	Kajaani
Haukilahti Tapani	Farmer	Veteli
Hirvonen Ville	Agrologist	Rääkkylä
Hongisto Arto	Farmer	Liminka
Isotalo Antti	Farmer	Kauhava
Junttila Risto	Executive Manager	Kemijärvi
Jäärni Antti	Farmer	Simo
Kinnunen Esko	Farmer	Pieksämäki
Kulmala Airi	Specialist, Farmer	Nousiainen
Kuutti Petri	Farmer	Kouvola
Kässi Timo	Agrologist	Uurainen
Laineenoja Jari	Agronomist, Financing Manager	Huittinen
Laitinen Pirkko	Agrologist	Utajärvi
Lappalainen Jukka	Farmer	Pielavesi
Lassila Hannu	Farmer	Veteli
Lindqvist Hans-Erik	M.Sc. (Forestry), Town Manager	Närpiö
Linnaranta Jussi	Agronomist	Kuopio
Malmström Mårten	Farmer	Espoo
Mikkola Antti-Jussi	Farmer	Pälkäne
Nikula Timo	Agrologist	Laitila
Palojärvi Martti	Farmer	Vihti
Ruuth Mauri	Agrologist	Mikkeli
Siponen Ahti Tapani	M.Soc. Sc	Kiuruvesi
Tolonen Mikko	Farmer	Suomussalmi
Turtiainen Matti	M.Sc (Agriculture and Forestry), Agrologist	Savonlinna
Vanhatalo Jukka	Farmer	Siikainen
Vapaniemi Jukka-Pekka	Forestry Services Entrepreneur	Nurmijärvi
Äijö Matti	Forestry Engineer	Ikaalinen
PERSONNEL REPRESENTATIVES		
Hyvönen Jari	Mill measurer	Keuruu
Keskinen Matti	Forest Specialist, Wood trade and Forestry services	Nastola
Koljonen Timo	Solution Owner	Helsinki
Nurmi Mikko	Quality and Development Supervisor	Kyrö

METSÄLIITTO COOPERATIVE'S BOARD OF DIRECTORS

MARTTI ASUNTA
b. 1955
M.Sc (Forestry)
Metsäneuvos (Finnish honorary title)

Member of the Board since 2005, Chairman since 2008

Metsä Board Corporation, Vice Chairman of the Board (2008–)
Metsä Fibre Oy, Member of the Board (2008–)
Metsä Tissue Corporation, Member of the Board (2008–)
Pellervo-Seura ry, Member of the Board (2008–), Chairman of the Board (2010–)
Pellervo-Media Oy, Chairman of the Board (2013–)
Finnish Agri-Agency for Food and Forest Development, Member of the Board (2012–)
Cooperative Council of Finland, Chairman (2013–)
Kiinteistötoimisto Martti Asunta LKV, entrepreneur (1995–2015)
Huoneistokeskus Oy, Branch Manager (2003–2005)
Municipality of Kuru, Project Manager (2001–2003)
Suomen Yhdyspankki, Bank Manager (1993–1995)
Tampere Regional Savings Bank (SSP), Area Manager (1988–1993)
Federation of Forest Management Associations in Pohjois-Häme, Field Manager, Executive Manager (1982–1988)

KARI JORDAN
b. 1956
M.Sc (Economy)
Vuorineuvos (Finnish honorary title)

Member and Vice Chairman of the Board since 2005

Metsä Group, President and CEO (2006–)
Metsäliitto Cooperative, CEO (2004–)
Metsä Board Corporation, Chairman of the Board (2005–)
Metsä Tissue Corporation, Chairman of the Board (2004–)
Metsä Fibre Oy, Member of the Board (2004–), Chairman (2006–)
Central Chamber of Commerce of Finland, Member of the Board (2007–2011), Chairman (2012–)
Confederation of Finnish Industries EK, Member of the Board (2005–), Vice Chairman (2009–2011, 2013–2014), member of the Board's Working Committee (2015–)
Finnish Forest Industries Federation, Chairman of the Board and the Board's Working Committee (2009–2011), Vice Chairman of the Board and Board's Working Committee (2005–2009, 2014–), Member of the Board (2012–2013)
Varma Mutual Pension Insurance Company, Member of the Supervisory Board (2006–2012), Deputy Chairman of the Board (2013), Chairman of the Board (2014), Chairman of the Supervisory Board (2015–)
Holds several positions of trust in foundations and non-profit associations

MIKAEL AMINOFF
b. 1951
M.Sc (Forestry)

Member of the Board since 2008

Metsä Board Corporation, Member of the Board (2010–)
Entrepreneur in farming and forestry (1992–)
Coastal regional council of the Finnish Forestry Centre, Member (2010–)
Pellervo Society, Member of the Delegation (2010–2011)
Coastal forest owners' union, Chairman (2004–2007)
Eteläinen metsäreviiri, Chairman of the Board (2000–2007)
Länsi-Uudenmaan metsäreviiri, Executive Manager (1980–1997)

ARTO HILTUNEN
b. 1958
M.Sc (Economy)

Member of the Board since 2007

Metsä Tissue Corporation, Member of the Board (2010–)
SOK Corporation, CEO and Chairman of the Board (2007–2009)
Cooperative Society Elanto, Managing Director, (2004–2007), Chairman of the Board (2005–2007)
Cooperative Elanto, following the merger decision, Managing Director (2003)
Helsinki Cooperative Society HOK, Managing Director, Chairman of the Board (1998–2003)
Veho Group Oy AB, Member of the Board (2011–), Chairman of the Board (2012–)
Talent Vectia Oy, member of the Board (2010–2015)
SRV Group Plc, Member of the Board (2010–)
Posti Corporation, Member of the Board (2010–), Chairman (2011–)
Jenny and Antti Wihuri Foundation, Member of the Board of (2010–), Vice Chairman (2015–)

LEENA MÖRTTINEN
b. 1967
Doctor of Social Sciences (Econ.) M.Sc (Economy)

Member of the Board since 2016

Finnish Family Firms Association, Managing director (2015–)
Confederation of Finnish Industries, Director, Competence and Growth (2012–2015)
Nordea, various management positions (2006–2012)
Bank of Finland, Financial Stability and Statistics department, Advisor (2005–2006)
European Central Bank, Senior Economist (2002–2005)
Bank of Finland, Financial Stability department, Economist (1999–2002)
University of Helsinki, Researcher (1995–1999)
Sibelius Academy Foundation, member of the Board (2015–)
LocalTapiola Mutual Pension Insurance Company, member of the Board (2013)
Finnish Industry Investment Ltd, member of the Board (2012–2013)
University of Oulu, Vice Chairman of the Board (2010–2013)
University of Oulu, Investment Committee, member (2013)
Finnish Biathlon Association, Vice Chairman of the Board (2013–)
Scout Foundation, member of the Supervisory Board (2011–)

Board's members' capital and shareholding in Metsäliitto Cooperative and Metsä Board Corporation are presented on page 88 of this report.

JUHA PARPALA
b. 1967
Agrologist

Member of the Board since 2009

Farmer (1994–)
Metsäliitto Cooperative, District Committee (1997–), Member of the Supervisory Board (2001–2008)
Simon Turvejaloste Oy, Member of the Board (2011–)
Osuuskunta Pohjolan Maito, Member of the Board (2006–2007)

TIMO SAUKKONEN
b. 1963
M.Sc (Agriculture and Forestry)

Member of the Board since 2007

Farmer (1992–)
Metsäliitto Cooperative various positions of trust (1995–)
Delegation of Pellervo, Confederation of Finnish Cooperatives, Member (2008–)
Simpele Cooperative Bank, Member of the Supervisory Board (2000–), Chairman (2011–)

MIKAEL SILVENNOINEN
b. 1956
M.Sc (Economy)

Member of the Board since 2015

IMS Talent Oy, Chairman of the Board (2013–)
Pohjola Bank plc, Managing Director (1997–2013)
Pohjola Bank plc, various management positions (1989–1997)
Wärtsilä Group, various management positions (1983–1989)
Konecranes Plc, Member of the Board (2008–2015)
Orion Corporation, member of the Board (2014–)
Hartwall Capital Ltd, Member of the Board (2014–)

ANTTI TUKEVA
b. 1953
Agronomist
Maanviljelysneuvos (Finnish honorary title)

Member of the Board since 2009

Osuuskunta Maitosuomi, CEO (2007–2015)
Osuuskunta Normilk, CEO (1994–2015)
Osuuskunta Maitojaloste, CEO (1991–2006)
Arola and Vaara farms, Farming and forestry (1985–)
LähiTapiola Southern Ostrobothnia, member of the Board (2012–2015)
Lakeus Local Insurance Mutual Company, Vice Chairman of the Board (2006–2012)
Positions of trust in agrifood organisations

Board's members' capital and shareholding in Metsäliitto Cooperative and Metsä Board Corporation are presented on page 88 of this report.

METSÄ GROUP EXECUTIVE MANAGEMENT TEAM

KARI JORDAN
b. 1956
M.Sc (Economy)
Vuorineuvos
(Finnish honorary title)

President and CEO, Metsä Group
Member of the Executive Management Team since 2005

Metsä Group, President and CEO (2006–)
Metsäliitto Cooperative, CEO (2004–), Vice Chairman of the Board (2005–)
Metsä Board Corporation, Chairman of the Board (2005–)
Metsä Fibre Oy, Member of the Board (2004–), Chairman of the Board (2006–)
Metsä Tissue Corporation, Chairman of the Board (2004–)
Central Chamber of Commerce of Finland, Member of the Board (2007–2011), Chairman of the Board (2012–)
Confederation of Finnish Industries EK , Member of the Board (2005–), Vice Chairman (2009–2011, 2013–2014), member of the Board's Working Committee (2015–)
Finnish Forest Industries Federation, Chairman of the Board and the Board's Working Committee (2009–2011), Vice Chairman of the Board and Board's Working Committee (2005–2009, 2014–), Member of the Board (2012–2013)
Varma Mutual Pension Insurance Company, Member of the Supervisory Board (2006–2012), Deputy Chairman of the Board (2013), Chairman of the Board (2014), Chairman of the Supervisory Board (2015–)
Holds several positions of trust in foundations and non-profit associations

HANNU ANTTILA
b. 1955
M.Sc (Economy)

Executive Vice President, Strategy, Metsä Group
Member of the Executive Management Team since 2005

Metsä Group, Executive Vice President, Strategy (2006–)
M-real Corporation (now Metsä Board Corporation), CEO (2005–2006)
Metsäliitto Group, Chief Financial Officer (2003–2004)
Metsä Tissue Corporation, CEO, (1998–2003)
Previously various management positions with Metsä-Botnia and Metsä Serla Corporation (now Metsä Fibre and Metsä Board)
Pohjolan Voima Oy, Member of the Board (2009–)
Tapiola Mutual Life Assurance Company, Member of the Advisory Board (2011–)
Teollisuuden Voima Oyj, Member of the Board (2007–)
Metsä Tissue Corporation, Member of the Board (2004–)
Metsä Fibre Oy, Member of the Board (2004–)
Metsä Group Financial Services Ltd., Chairman of the Board (2010–2013)

PETRI HELSKY
b. 1966
M.Sc (Chemical Engineering)
M.Sc (Economy)

CEO, Metsä Tissue Corporation
Member of the Executive Management Team since 2015

Metsä Tissue Corporation, CEO (2015–)
Kemira Oyj, President, (Paper and Region APAC), member of the management team (2008–2015)
Kemira ChemSolutions, Vice President (2007–2008)
Solvay Group, several management positions (1993–2007)

ILKKA HÄMÄLÄ
b. 1961
M.Sc (Engineering)

CEO, Metsä Fibre Oy
Member of the Executive Management Team since 2008

Metsä Fibre Oy, CEO (2008–)
Oy Metsä-Botnia Ab (now Metsä Fibre Oy), various management positions in since 1988
Finnish Forest Industries Federation, Vice Chairman of the Board and the Board's Working Committee (2012–2013), Member of the Board (2014–)
Pohjolan Voima Oy, Deputy Member of the Board (2009–)
Ilmarinen Mutual Pension Insurance Company, Member of the Supervisory Board (2009–)
Delegation of Excellence Finland, Member (2008–)

Management's members' capital and shareholding in Metsäliitto Cooperative and Metsä Board Corporation are presented on page 90 of this report.

MIKA JOUKIO
b. 1964
M.Sc (Technology)
MBA

CEO, Metsä Board Corporation
Member of the Executive Management Team since 2012

Metsä Board Corporation, CEO (2014–)
Metsä Tissue Corporation, CEO (2012–2014)
M-real Corporation (now Metsä Board Corporation), Head of Consumer Packaging (2006–2012)
Metsä-Serla and M-real, various positions in management since 1990

ESA KAIKKONEN
b. 1969
LL.M

Executive Vice President, Metsä Wood
Member of the Executive Management Team since 2008

Metsä Wood, Executive Vice President (2013–)
Metsä Group, General Counsel (2003–2013)
Metsäliitto Group, Legal counsel (2000–2003)
Metsä-Serla Corporation, (now Metsä Board Corporation), Legal counsel (1998–2000)
Federation of the Finnish Woodworking Industries, Chairman of the Board (2015–)
Finnish Forest Industries Federation, Sawmill industry committee, member (2013–)

JUHA MÄNTYLÄ
b. 1961
M.Sc (Agriculture and Forestry)
Forester, Metsäneuvos (Finnish honorary title)

Executive Vice President, Metsä Forest
Member of the Executive Management Team since 2008

Metsä Forest, Executive Vice President (2008–)
Metsäliitto Cooperative, various positions in since 1988
Metsä Fibre Oy, Member of the Board (2008–)
Finsilva Oyj, Member of the Board (2007–)
Etelä-Pohjanmaa Forestry Centre and Enso Forest Development Ltd, previously various positions
CEPI (Confederation of European Paper Industries), Member of Forest Committee (2012–2014)
Swedish Forest Industries Federation, Member of the Forest Committee (2011–)
Finnish Forest Industries Federation, Chairman of the Forest Committee (2010–)
Finnish Forest Foundation, Chairman of the Board (2010–2014), Member of the Board (2015–)
Pellervo Economic Research, Member of the Board (2011–)
Natural Resources Institute Finland, Chairman of the Board (2015–)

VESA-PEKKA TAKALA
b. 1966
M.Sc (Enocomy)

Chief Financial Officer, Metsä Group
Member of the Executive Management Team since 2010

Metsä Group, Chief Financial Officer (2010–)
Metsä Group Treasury Oy, Chairman of the Board (2013-)
Outotec Group, Chief Financial Officer and Director of Finance (2006–2010), member of the management team, deputy to the CEO
Outokumpu Group, Chief Financial Officer (2001–2006), member of the management team (2005)
Outokumpu Group, previously management positions in the financial administration

Management's members' capital and shareholding in Metsäliitto Cooperative and Metsä Board Corporation are presented on page 90 of this report.

METSÄ GROUP

SALES EUR **5.0** BILLION | PERSONNEL **9,600**

METSÄLIITTO COOPERATIVE

GROUP'S PARENT COMPANY | OWNED BY 116,000 FINNISH FOREST OWNERS

METSÄ FOREST

WOOD SUPPLY AND FOREST SERVICES

SALES
EUR 1.5 BILLION

PERSONNEL
900

METSÄLIITTO COOPERATIVE HOLDING 100%

METSÄ WOOD

WOOD PRODUCTS

SALES
EUR 0.9 BILLION

PERSONNEL
2,000

METSÄLIITTO COOPERATIVE HOLDING 100%

METSÄ FIBRE

PULP

SALES
EUR 1.4 BILLION

PERSONNEL
850

METSÄLIITTO COOPERATIVE HOLDING 50.2%,
METSÄ BOARD 24.9%,
ITOCHU CORPORATION 24.9%

METSÄ BOARD

PAPERBOARD

SALES
EUR 2.0 BILLION

PERSONNEL
2,600

METSÄLIITTO COOPERATIVE HOLDING 42.24%
(61.63% OF VOTES)

METSÄ TISSUE

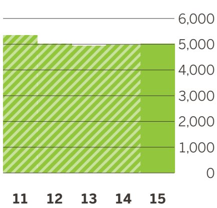
TISSUE AND COOKING PAPERS

SALES
EUR 1.0 BILLION

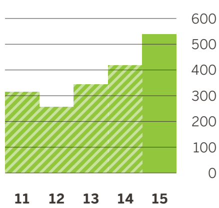
PERSONNEL
2,800

METSÄLIITTO COOPERATIVE HOLDING 91%

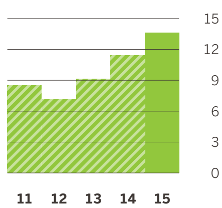
SALES
EUR MILLION



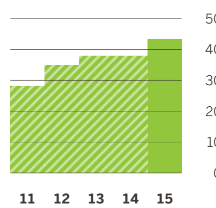
OPERATING RESULT, EXCL. NON-RECURRING ITEMS
EUR MILLION



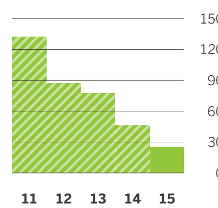
RETURN ON CAPITAL EMPLOYED, EXCL. NON-RECURRING ITEMS
%



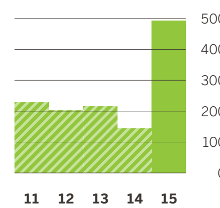
EQUITY RATIO
%



NET GEARING RATIO
%



INVESTMENTS
EUR MILLION



SALES BY COUNTRY
%

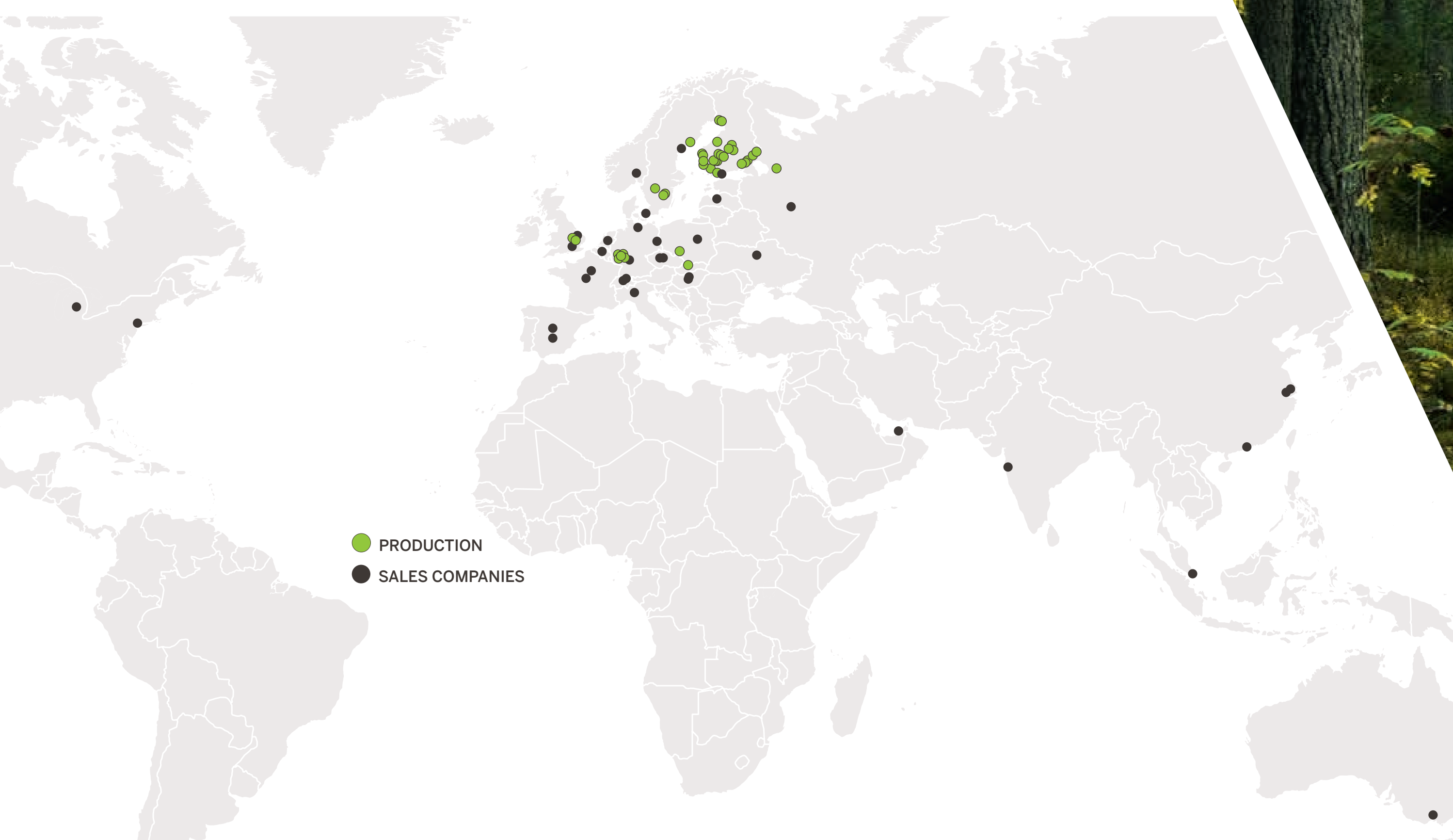
Finland	17
Germany	13
United Kingdom	10
Italy	5
France	5
Sweden	5
Poland	3
Norway	3
Rest of Europe	17
Other countries	22

KEY FIGURES	2015	2014	2013	2012	2011
Sales, EUR million	**5,016**	4,970	4,938	5,001	5,346
Operating result, EUR million	**542**	417	335	241	29
Operating result, excl. non-recurring items, EUR million	**537**	418	343	256	314
Return on capital employed, %	**13.7**	11.1	8.9	6.7	1.1
Return on capital employed, %	**13.6**	11.4	9.1	7.1	8.5
Equity ratio, %	**43.2**	37.9	37.9	34.7	28.1
Net gearing ratio, %	**25**	46	77	87	132
Investments, EUR million	**492**	143	214	204	227
Personnel, 31 December	**9,599**	10,410	10,736	11,447	12,525
Share of certified wood, %	**84**	84	82	82	81
Lost-time accident rate, per million worked hours	**9.5**	11.2	13.2	15.7	18.3
Fossil CO_2 emissions, 1,000 tonnes	**803**	803	855	962	1,200

INTER-NATIONAL AND EVOLVING METSÄ GROUP

We are a Finnish forest industry group that operates on the international market. Our production units are at the top of the industry, and their efficiency and environmental performance are continuously being developed by a systematic investment programme.

Sales companies, retailers and agents sell our products around the world. Europe is our main market area. We are seeking growth in Asia and North America. In addition, more than 300 forest specialists serve forest owners in approximately 100 locations in Finland.



FINANCIAL REPORTING

Metsä Group does not comment on the Group's financial performance or similar matters from the close of each reporting period up to the publication of the report for the period, apart from substantial changes in the market conditions or correcting incorrect information.

FINANCIAL INFORMATION

The financial reports are published in Finnish and English. Annual Brochures and other publications can be ordered by sending e-mail to communications@metsagroup.com and found on the Group's website at www.metsagroup.com. Stock exchange releases, interim reports and financial statements are updated on Metsä Group's website in real time. In addition, the website presents the Group's products, customers, sales network, environmental matters and organisation. You can order Metsä Group's publications and provide feedback on the website. Metsä Group's general e-mail address is communications@metsagroup.com.

Metsä Group aims to offer company-related information that is up to date and easy to utilise on a regular and open basis. The company aims to provide reliable and truthful information on its operations and financial position and short-term outlook. All investors are treated equally.

Metsä Group publishes its financial reports in 2016 as follows:

CLOSED WINDOW	FINANCIAL REPORT	PUBLICATION DATE
1 January to 3 Feb 2016	Financial result for 2015	Wednesday 3 February 2016
1 April to 3 May 2016	Interim report January–March	Tuesday 3 May 2016
1 July to 4 Aug 2016	Interim report January–June	Thursday 4 August 2016
1 October to 2 Nov 2016	Interim report January–September	Wednesday 2 November 2016

Cover: Carta Integra 235 g/m². © Metsä Group 2016

Make the most of Metsä

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