

METSÄ BOARD

ANNUAL REPORT
2015



MetsäBoard

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The Carta Integra folding boxboard used for the cover of this annual report 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 high-yield 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.

KEY FIGURES

	2015	2014
Result for the period, EUR million	137.3	68.5
Return on capital employed excl. NRIs, %	11.3	9.1
Return on equity excl. NRIs, %	12.9	10.4
Interest-bearing net liabilities at the end of the period, EUR million	333.4	426.7
Net gearing ratio at the end of the period, %	32	51
Equity ratio at the end of the period, %	46.5	39.2
Result per share, EUR	0.39	0.20
Shareholders' equity per share at the end of the period, EUR	2.89	2.49
Dividend per share, EUR	0.17 ¹⁾	0.12
Company's market value, EUR million	2,435	1,472
Gross investments, EUR million	177.8	44.2
Net cash flow from operations, EUR million	246.7	198.2
Personnel at the end of the period	2,601	3,111
CO ₂ emissions, 1,000 tonnes	317	380
Energy efficiency improvement ²⁾ , %	10	7
Lost-time accident frequency rate ³⁾	11.1	12.0
Sickness absenteeism rate	4.2	3.9
Paperboard deliveries, 1,000 tonnes	1,449	1,310
Paper deliveries, 1,000 tonnes	478	636
Amount of certified wood, %	75	77

1) Board of Directors' proposal to the annual general meeting

2) Decrease in the amount of energy used in the manufacturing of a product from the 2009 level

3) Accidents at work per one million worked hours

KEY FIGURES

	2015	2014
Sales, EUR million	2,007.5	2,008.4
EBITDA, EUR million	302.5	242.2
- % of sales	15.1	12.1
EBITDA excl. NRIs, EUR million	283.3	236.2
% of sales	14.1	11.8
Operating result excl. NRIs, EUR million	179.9	136.5
- % of sales	9.0	6.8
Operating result, EUR million	199.0	116.5
- % of sales	9.9	5.8
Result before taxes, EUR million	167.1	77.6
- % of sales	8.3	3.9

CREATING VALUE FOR CUSTOMERS GLOBALLY

Metsä Board is a leading European producer of folding boxboards and white linerboards made from fresh forest fibres. Its lightweight paperboards are developed as the perfect fit for consumer goods, retail-ready and food service packaging. The pure fresh forest fibres Metsä Board uses are a renewable resource, traceable to origin in northern forests.

The global sales network of Metsä Board supports customers worldwide, including brand owners, converters and merchants. In 2015, the company's sales totalled EUR 2.0 billion, and it has approximately 2,600 employees. Metsä Board, part of Metsä Group, is listed on the Nasdaq Helsinki.

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READ MORE:



Sustainability
Report 2015



Metsä Group
Annual Brochure
2015

STRONG GROWTH IN PREMIUM PACKAGING PAPERBOARDS

DEAR SHAREHOLDER,

The year 2015 was a successful year for Metsä Board in many ways. Growth in the paperboard business improved our operative profitability, and the restructuring progressed as planned. Our paperboard deliveries grew by 12 per cent compared to the previous year. Our result was also supported by favourable exchange rates and our exit from the loss-making paper business. Our balance sheet continued to strengthen, and cash flow remained clearly positive. We also achieved considerable recognition for the quality of our products and responsibility of our operations. Our objective continues to be to grow faster than the average market growth, and maintain our strong self-sufficiency in pulp.

COMPLETING THE RESTRUCTURING

Metsä Board's transformation from a paper company to a paperboard company is completed. The EUR 170 million investment programme at Husum was completed with the start-up of the new folding boxboard production line at the beginning of 2016. At Husum, we shut down two paper machines and converted one paper machine to manufacture white fresh forest fibre liner. After the investments, our paperboard capacity is more than two million tonnes per year.

At Husum, the production of coated paper ended and the remaining production of uncoated fine paper business reels will be discontinued by the end of 2017 at the latest. The measures taken removed paper production capacity from the market of approximately 500,000 tonnes per annum. We also sold the loss-making Gohrsmühle speciality paper mill to the German company mutares AG.

The changes implemented in 2015 will have a considerable financial impact. The losses of the divested Gohrsmühle mill were approximately

EUR 20 million per year, and we estimate that the investment programme at Husum will improve our annual operating result by a total of approximately EUR 50 million. The improved result achieved through the investment programme will be realised fully in 2018.

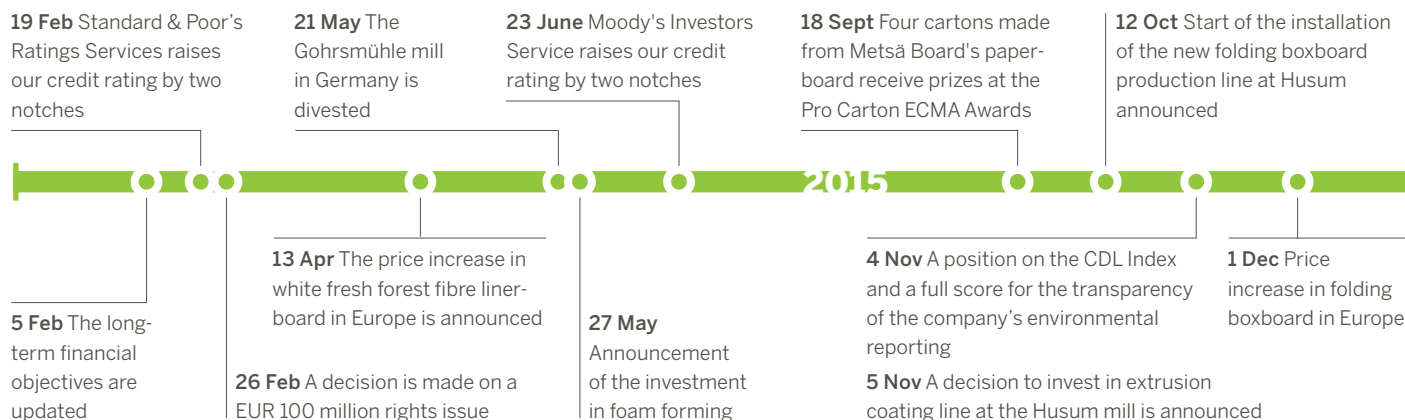
EXPANDED END USES THROUGH PRODUCT DEVELOPMENT

We are investing heavily in product development in order to continue to offer our customers the most lightweight and high-quality paperboard on the market.

We have designed the Carta Dedicata product family to meet the needs of the rapidly growing food service industry. In addition, we have expanded our product range in the food service packaging segment to end uses in which paperboard is required to have barrier properties against, for example, moisture and grease. Related to this, we decided to invest EUR 38 million in an extrusion coating line in Husum. We expect production on the line to begin in the first half of 2017. We will also continue product development in order to manufacture bio-based functional coatings in the future.

During the year under review, we were the first company in the world to begin testing foam forming on an industrial scale. Foam forming technology has already brought good laboratory scale results, for example, in lightweighting of products.

The high quality of our paperboards is our top priority. For this, we received considerable recognition when four cartons using boards from Metsä Board won awards at the 2015 Pro Carton ECMA Awards. One of the awards came in the Sustainability category as a recognition of the ecological quality of our paperboards.



SUCCESS STEMS FROM RESPONSIBLE OPERATIONS

We are strongly committed to promoting sustainability and responsible business operations. I am extremely proud that Metsä Board received three recognitions from CDP. Metsä Board was included in CDP's Nordic Disclosure Leadership Index (CDLI) among a selection of companies that extensively and openly report on their actions against climate change. Here, we received the highest score. The recognition as the world's leading company in responsible water usage demonstrates that water usage at our mills does not place an unnecessary burden on the environment. In addition, we were awarded leadership status in the 2015 CDP forest programme.

Our work to promote sustainable business continues. We have succeeded in increasing our material efficiency considerably in recent years and have set new objectives, for example, for even more efficient use of energy.

PROFITABLE GROWTH TOGETHER WITH CUSTOMERS

We have grown profitably together with customers – brand owners, converters and merchants – globally in businesses that benefit from our safe and ecological paperboards. Our paperboards not only protect products, they also support the success of our customers' brands and business.

The Americas continues to be one of our most significant growth markets in the coming years. We are marketing the 400,000 t/a volume of

the new Husum folding boxboard machine to the Americas as well as for food service packaging globally. The new machine also offers an opportunity to optimise operations at our mills in Finland and thus improve the reliability of premium paperboard deliveries. We are marketing our new 300,000 t/a volume of linerboard primarily to the Americas and Europe as well as for food and general packaging.

I am very pleased with the development of the company in 2015. Still, our internal development projects and the global growth of the packaging markets enable us to carry out continuous improvement. I would like to extend my warmest thanks to our customers, employees, shareholders and other stakeholders. Supported by our successful restructuring, premium products and strong self-sufficiency in pulp, as well as competent employees, we have all the prerequisites needed for becoming an even larger and more profitable paperboard company on a global scale.

Mika Joukio
CEO



**I AM VERY
PLEASSED
WITH THE
DEVELOPMENT
OF THE
COMPANY
IN 2015.**



Metsä Board is ready for even bigger growth after successful restructuring. The company's strategic objective is to continue profitable growth, which exceeds the average market growth.

READY FOR EVEN BIGGER GROWTH

Globalisation

According to Metsä Board's view, brand harmonisation will continue alongside the growing role of retail. More and more consumers expect the same brand experience when buying a product, regardless of the sales channel or the geographical location of the purchase.

Brand harmonisation improves effectiveness of operations for brand owners. At the same time, the importance of logistics is increasing in the transport of both manufacturing materials and end products in the global operating environment.

Metsä Board is responding to this development with globally available high-quality, consistent paperboards.

Technology

Interest in wood fibre and other renewable raw materials is increasing in the market, from consumers to producers. Innovations utilise fully renewable raw materials or can replace, for example, some oil-based materials with renewable fibre.

Technological developments are also manifest in increased digitalisation and automation in production, logistics and the consumer interface alike. The market also sees new business models based on the latest technology.

Metsä Board continuously investigates new possibilities to utilise fresh forest fibre and to develop the operations of its mills and supply chain on the basis of the best available technology.

Sustainability

Population growth, urbanisation and the rise of the middle class are placing a global burden on the environment. Therefore, the importance of resource efficiency is increasing and reflected in lifecycle and circular economy thinking.

Regulation is increasing the obligations on producers and other parties in the supply chain. In particular, the requirements set for product safety are increasing.

Metsä Board is continuing its work in developing lightweight, ecological paperboards. The company can best support sustainable development by decreasing the use of raw materials, water and energy in its production. Metsä Board's product safety relies on using pure fresh forest fibres from sustainably managed forests.

Consumption

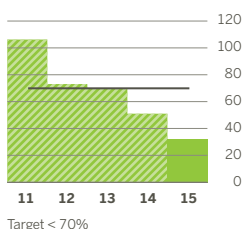
Consumption is increasing globally, and consumers' quality requirements are growing. Developing appealing packages helps brand owners to stand out in the competition.

Metsä Board believes that demand for sustainably produced packaging materials will increase. The renewable fibre raw material of paperboard is attracting positive attention in both traditional retail and e-commerce.

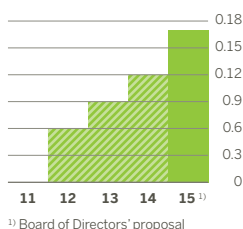
RETURN ON CAPITAL EMPLOYED EXCL. NRIS
%



NET GEARING
%



DIVIDEND
EUR/SHARE



VISION

Our vision is to be the preferred supplier of premium paperboards, creating value for customers globally.

FINANCIAL TARGETS

Return on capital employed

> 12%

from 2017

Net gearing

< 70%

Dividend at least

1/3

of earnings per share

CRITICAL SUCCESS FACTORS

1 Unified paperboard company

2 Proactive sales

3 Innovative products and services

4 Safe and cost efficient production and supply chain

5 Fair leadership for growth

STRATEGIC CORNERSTONES

Metsä Board's strategic cornerstones form the foundations for our work.

FOCUS

Focus on premium fresh forest fibre paperboards for consumer and retail packaging.

GROWTH

Grow profitably together with brand owner, converter and merchant customers globally in businesses that benefit from our safe and sustainable paperboards.

PROFITABILITY

Profitability is based on superior cost efficiency and healthy sales prices driven by high-quality pulps and unique technical know-how.

SUPPORTED BY METSÄ GROUP

Paperboard is one of the core businesses in Metsä Group. According to its ownership strategy, Metsä Group requires from Metsä Board profitable growth. Metsä Board benefits from the competencies, financial strength and scale of operations of Metsä Group.

In 2015, Metsä Board completed the restructuring by developing the integrated board and pulp mill in Husum and by divesting the loss-making speciality paper mill at Gohrsmühle.

INVESTMENTS TO SUPPORT GROWTH

HUSUM BECOMES A PAPERBOARD MILL

In December 2014, Metsä Board announced it would invest EUR 170 million to develop the Husum integrated mill in Sweden. Most of the work related to the investment programme was completed in 2015. The programme included a new folding boxboard production line supplied by Valmet and improvements in the pulp mill and port. In the spring, one of the mill's paper machines was also converted to a linerboard machine.

Since the investment programme was completed at the beginning of 2016, Metsä Board has two paperboard machines at Husum: the folding boxboard machine BM1 with an annual capacity of 400,000 tonnes, and the linerboard machine BM2 with an annual capacity of 300,000 tonnes.

In addition to folding boxboard, BM1 is also used to manufacture food service board. In addition to linerboard, BM2 also manufactures paper. However, paper production will be discontinued by the end of 2017 at the latest.

In November 2015, Metsä Board announced it will invest an additional EUR 38 million in a paperboard extrusion coating line. This supports the expansion of the paperboard offering. The line is scheduled to be commissioned at Husum in the first half of 2017.

PAPERBOARD AND PAPER SALES BREAKDOWN

2014
%



	%
Paperboard and market pulp	74
Paper	26

2015
%



	%
Paperboard and market pulp	81
Paper	19

2016E
%



	%
Paperboard and market pulp	96
Paper	4

RIGHTS ISSUE WAS OVERSUBSCRIBED

In March, Metsä Board organised a rights issue with the objective of raising EUR 100 million to finalise the restructuring.

The funds from the rights issue strengthened Metsä Board's financial position and have been used to finance future investments and other measures.

A total of 38,227,770 B-series shares were subscribed for in the rights issue, corresponding to 140 per cent of the shares offered.

RESTRUCTURING IN BRIEF

In 2005, Metsä Board began restructuring with the objective of transforming the company into Europe's leading producer of fresh forest fibre paperboards.

2005

STRUCTURAL CHANGE STARTS

- Paper businesses over 80% of sales
- Decision to exit paper business

2006

STRATEGIC REVIEW LAUNCHED

- Restructuring and investment programme initiated
- Focus on paperboard

2007–2013

STREAMLINING

- Paper capacity reduction from about 5 million to 0.8 million annual tonnes
- Major divestments including Graphic Papers and Map Merchants
- Paperboard capacity increases

2013

STRATEGIC REVIEW COMPLETED

- Clear focus on paperboard
- Paper production about a quarter of sales

2015

STRONG MARKET POSITION

- Divestment of Gohrsmühle mill and exit from paper business
- A leading European manufacturer of folding boxboards and white linerboards made from fresh forest fibre

DIVESTMENT OF THE GOHRSMÜHLE MILL

In May, Metsä Board sold the loss-making Gohrsmühle mill in Bergisch Gladbach in Germany to mutares AG, a German industrial holding company. The transaction included the 100 per cent shareholding in Metsä Board Zanders GmbH, including all liabilities related to the company. The main products of the Gohrsmühle mill were cast-coated specialty papers and label papers.

THE LAST PAPER MACHINE SHUT DOWN ON 9 NOVEMBER 2015

The date 9 November 2015 will be remembered in Metsä Board's history: it is the date PM6, the company's last paper machine, was shut down at the Husum mill. Before that, paper machine PM7 was shut down in October, when the installation of the new folding boxboard machine BM1 began at Husum. The Data Copy paper brand was sold in June.

The third paper machine at the Husum mill, PM8, was converted for the production of white fresh forest fibre linerboard, and the machine was renamed BM2. The machine is also used to manufacture uncoated fine paper, the production of which will end by the end of 2017 at the latest.

One specialty paper machine remains: PM3, which is used for wallpaper base and linerboard manufacturing at the Kyro mill.

CONTINUED DEVELOPMENT OF FOAM FORMING

For years, Metsä Board has been developing foam forming technology, which has been proved to function well under laboratory conditions. In foam forming technology, the water-fibre suspension is aerated with a stream of tiny bubbles which lowers the board's weight while maintaining its functional properties.

Based on the lighter weight achieved in test runs in the laboratory, foam forming aims to reduce the consumption of raw materials, energy and water. Fibres are also distributed more evenly in the web, resulting in more consistent paperboard quality.

Metsä Board has been undertaking research as part of the Finnish Bioeconomy Cluster FIBIC's research programmes with VTT Technical Research Centre of Finland, which have been successfully scaled up with funding from Tekes – the Finnish Funding Agency for Innovation.

In May 2015, Metsä Board announced it will become the first company in the world to invest in further development of foam forming in production conditions, at its Kyro mill.

INVESTING IN SELF- SUFFICIENCY IN PULP

Metsä Fibre, an associated company of Metsä Board, is building a EUR 1.2 billion bioproduct mill to replace the existing pulp mill in Äänekoski, Finland. Operations at the mill are scheduled to start in the third quarter of 2017.

Metsä Board is participating in the investment with EUR 24.9 million, since the investment will improve Metsä Board's self-sufficiency in pulp and enable the paperboard capacity to grow in the future. Metsä Board owns 24.9 per cent of Metsä Fibre.

METSÄ BOARD'S PRODUCTION CAPACITIES (1,000 t/a)

Mill	Machines	Folding boxboard	Linerboard	Wallpaper base	Chemical pulp	High-yield pulp
Husum	2	400*	300*		750	
Kemi	1		410			
Kyro	2	190		100**		
Simpele	1	280				
Tako	2	210				
Äänekoski	1	240				
Joutseno						320
Kaskinen						320
Total	9	1,320	710	100	750	640

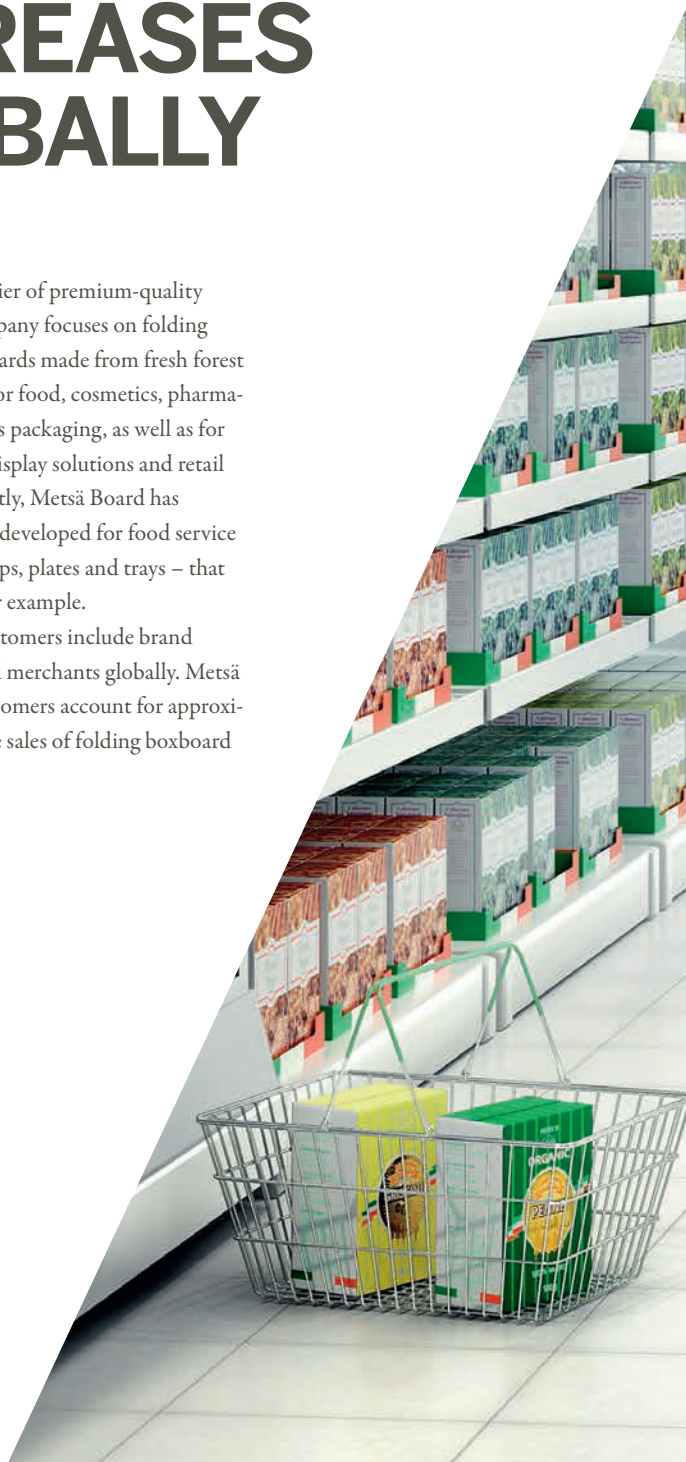
* As of 2016 ** Includes also linerboard

Premium packaging meets the requirements of global trends. Metsä Board focuses on the growing paperboard segments.

USE OF PACKAGING INCREASES GLOBALLY

Metsä Board is a supplier of premium-quality paperboards. The company focuses on folding boxboards and linerboards made from fresh forest fibre, which are ideal for food, cosmetics, pharmaceutical and electronics packaging, as well as for various point-of-sale display solutions and retail packaging. Most recently, Metsä Board has launched paperboards developed for food service packaging – such as cups, plates and trays – that can replace plastics, for example.

The company's customers include brand owners, converters and merchants globally. Metsä Board's ten largest customers account for approximately one third of the sales of folding boxboard and white linerboard.



MARKET LEADER IN EUROPE

- Our strength is long-term customer relationships
- We aim for steady growth

SIGNIFICANT Foothold IN THE AMERICAS

- Locally limited availability of folding boxboards
- Converters without own paperboard production seek alternative suppliers

FOCUS ON PREMIUM SEGMENTS IN THE ASIA-PACIFIC REGION

- Metsä Board is the quality benchmark in Asia
- Brand owners value sustainable packaging and traceability of raw materials

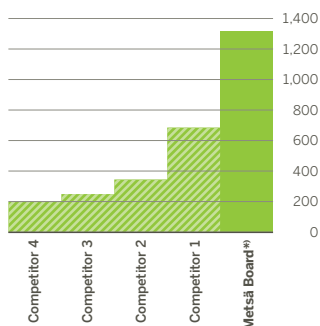
In folding boxboards, the company is seeking growth in all markets and all end uses.

In linerboards, the objective is to achieve growth in coated grades, in particular, primarily in the Americas and Europe.

The capacity of the five largest folding boxboard manufacturers accounts for approximately 90 per cent of all folding boxboard manufacturing in Europe. From the beginning of 2016, Metsä Board's share of this was the largest, approximately 42 per cent.

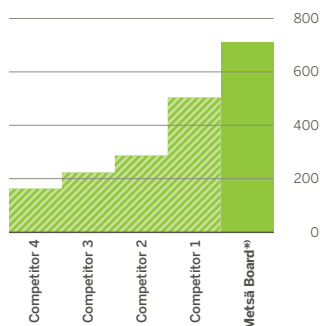
The capacity of the five largest manufacturers of white fresh forest fibre linerboard accounts for approximately 90 per cent of all linerboard manufacturing in Europe. In 2015, Metsä Board's share of this was the largest, nearly 33 per cent.

LARGEST MANUFACTURERS OF FOLDING BOXBOARD IN EUROPE (1,000 t/a)



*) Includes the capacity of Husum BM1 which started up in the beginning of 2016

LARGEST MANUFACTURERS OF WHITE FRESH FOREST FIBRE LINER IN EUROPE (1,000 t/a)



*) Paperboard machine BM2 in Husum produces also uncoated paper. This production will be finished by the end of 2017

2015–2018

METSÄ BOARD IS SEEKING
AVERAGE ANNUAL GROWTH OF

13%

IN THE SALES VOLUMES OF FRESH
FOREST FIBRE PAPERBOARDS

THE GLOBAL MARKET FOR PREMIUM
FRESH FOREST FIBRE PAPERBOARD IS
GROWING PER YEAR BY

3–4%

METSÄ BOARD'S DELIVERIES BY MARKET AREA

FOLDING BOXBOARD

%



■ EMEA
■ Americas
■ APAC

WHITE FRESH FOREST FIBRE LINERBOARD

%



■ EMEA
■ Americas
■ APAC



Metsä Board's paperboards provide many benefits throughout the supply chain – from production to converting, retail and consumer use. The production of ecological, lightweight paperboards requires less raw materials, water and energy than before.

PREMIUM PROPERTIES FOR ALL PACKAGING

IN CONSUMER GOODS PACKAGING PERCEPTION AND PRODUCT SAFETY ARE KEY DIFFERENTIATORS

Metsä Board's paperboards are designed for various end uses and suitable for different printing and converting methods. Folding boxboard and linerboard manufactured from renewable fresh forest fibre are used for packing consumer goods globally.

IN RETAIL-READY PACKAGING FOCUS IS ON COLOURS AND STRENGTH

Metsä Board's linerboards are a great success in displays and shelf-ready packaging, in particular. Their desired features include a good printing surface and strength.

IN FOOD SERVICE PACKAGING CONVENIENCE IS ESSENTIAL

Metsä Board's food service boards have great formability and they work well in converting. They are also a sustainable alternative for example to oil-based packaging materials.



PAPERBOARD FOR FOOD SERVICE PACKAGING

Urbanisation is continuing worldwide and changing the ways people eat and drink. More and more people enjoy food on-the-go and convenience meals, and this is also increasing demand for various kinds of paperboard containers.

In 2015, Metsä Board developed four grades of Carta Dedicata board for food service packaging. They are excellent for cups, plates, trays as well as takeaway and food packaging, thanks to their formability. Starting in 2016, Carta Dedicata will be manufactured on the new folding boxboard machine at the Husum mill. The mill also manufactures linerboard suitable for a variety of food service packaging.

In November 2015, Metsä Board announced its decision to invest in an extrusion coating line at the Husum mill. The new line will provide the board with barrier properties against for example moisture and grease. Extrusion-coated paperboard can compete in many cases with oil-based packaging materials, among others.

LINERBOARD FOR LITHOLAMINATION

Competition for consumer attention in supermarkets and online stores is fierce. Shortening value chains and the requirements for purity in food packaging impact how and what kind of packaging is manufactured.

Packaging manufacturers are increasingly looking to litholamination as the manufacturing process, since it combines extremely high-quality graphics with the option to do shorter production runs. In this way, the packaging provides the brand owner with an excellent marketing tool for their product.

At the beginning of 2015, Metsä Board launched a linerboard portfolio optimised for litholamination. The portfolio offers good printing properties and strength, and the fresh forest fibre ensures that the product suits food packaging, where product safety is important.



AWARD-WINNING PAPERBOARD PACKAGING FROM METSÄ BOARD

In 2015, Metsä Board's packaging won in the European Pro Carton ECMA Awards. Among all packaging entered in the contest, the Sustainability award went to the packaging of the **Fazer Alku** cereal, manufactured from Simcote. The jury praised the design and convenience of the packaging, as well as its recyclability.

The winner of the Beauty and Cosmetics category was **Müller Soft Star Tissue Duchesse**, made from Carta Solida. The round cylinder design of the pack is easily distinguishable among other facial tissues in stores. In the Healthcare and Pharmaceuticals category, the winner was **Hoffman La Roche's** pack. It is made from Carta Elegia,

which is a premium example of the use of paperboard for logistics needs. The winning packaging in the Beverages category was **Eckes-Granin's YO Syrup**, also made from Carta Solida. A protruding ribbon around the drink pack is a feature that attracts attention in the target group.

Furthermore, Metsä Board was named Champion of Packaging Printing in the Hong Kong Print Awards for the multi-purpose Swiss army knife box designed for **Victorinox** and made from Carta Elegia. For example, no glue is used in the packaging, which supports Victorinox's sustainability principles.



The completion of Metsä Board's restructuring has had a considerable impact on the company's employees and their development.

TOWARDS A UNIFIED PAPERBOARD COMPANY

In the beginning of 2015, Metsä Board switched from two business areas to a unified operating organisation. During the year under review, two paper machines at the Husum mill in Sweden were also closed and the building of the new folding boxboard production line, which started up in the beginning of 2016, was started. In addition, the Gohrsmühle speciality paper mill was sold to mutares AG in 2015. Customer and supply services, production planning and sales were developed to better meet the changed situation.

Ensuring personnel competence is essential in projects like Husum's. The development of personnel competence was supported by equipment- and process-specific technical training and long-term specialist training.

DEVELOPMENT OF SUPERVISORY WORK

During 2015, Metsä Board launched a training programme for all managers in the company, with the aim of developing and harmonising leadership. Metsä Board employees also participated in Metsä Group's shared training, such as the programmes aimed at middle management and senior management. In addition to these, Metsä Board also applies personal development plans and implements programmes leading to vocational qualifications.

Metsä Board anticipates future resource needs by means of retirement forecasts. Career paths, job rotation, and recruitments are also planned.



PROACTIVE MEASURES IN WELL-BEING AT WORK

Metsä Board systematically cares for the well-being at work and working capacity of its personnel and addresses related risks proactively. In 2015, the company continued to apply the early support model as part of the unified operating method. Supervisory work includes taking care of personnel well-being at work together with occupational health and HR professionals.

The number of early support discussions and working capacity plans drawn up increased

in 2015. Key figures related to sickness absences and accidents at work are also monitored monthly by the units and management.

The personnel survey is one of the key tools for determining how daily work is supported by the working environment. In 2015, the measures based on the 2014 personnel survey were continued.



ACCIDENT
FREQUENCY RATE

11.1

AVERAGE AGE
OF EMPLOYEES

46.3

TARGETING ZERO ACCIDENTS AT WORK

Every accident at work is one too many. Metsä Board pays special attention to the safety of work. Accidents at work and near miss situations are reviewed right away, and the mills share best practices. These have helped cut the number of lost-time accidents by half at Metsä Board over the past five years.

In 2016, Metsä Board will launch a safety at work project to help in getting closer to the target of zero accidents. Safety at work practices will be further improved, and the effectiveness of its communication within and between mills will be improved.

CONSISTENT SUPERVISORY WORK

Metsä Board launched a company-wide leadership programme at its mills in Finland. A total of 270 supervisors took part in the training and received tools for daily leadership work, for identifying strengths and development areas in units, as well as for using them for renewing the operations and agreeing on management practices.

“The purpose of the training sessions was to harmonise management practices, but they also offered tools for motivating personnel, developing competence and providing feedback,” says Jari-Pekka Rantala, operations manager at the Kyro mill. Among these tools, Rantala specifically highlights the importance of motivation, since “in the future, the company with the most motivated personnel will be the one to succeed.”

Leadership programme also focused on mill-specific needs and reviewed the internal forums for meetings and decision-making. The programme highlighted the responsibility of the mill manager and mill management team in renewing the management practices.

PAPERBOARD MAKERS FROM HUSUM

Husum mill's personnel have been trained in order to ensure that once the new paperboard machine starts, the mill will produce premium paperboard as well.

Husum's transformation from a paper mill into a paperboard mill has required training the personnel and harmonising the information systems with the other mills. Simo Wilén, operations manager at the Tako mill, was excited about taking on the task of training the operators at Husum on the equipment and processes.

“The training sessions included, for example, measuring and modifying the quality properties of paperboard as well as running the machines,” Wilén says. Initially, understanding what kind of information is needed at Husum and gathering that information in Swedish was a challenge.

When the new production line started, Wilén came to work at the mill in shifts, and since then, he has been present at the mill at all times to provide assistance. “But I have also had the chance to learn new things myself, since the mill uses the latest technology.”

Product managers Maria Alsén and Marie Bergqvist have been receiving for several months induction on, for example, the end use applications of paperboards and the product properties. “Up until now, the Husum mill has been operating as a complex of its own. Therefore, it was great that part of the training took place at mills in Finland, where we could talk with colleagues and see how the mill organisations work,” Alsén and Bergqvist say.

“We are glad that the company took inducting us seriously and that we have had time to prepare for our new work.”



Petteri Teerijoki, product manager, explains the Äänekoski mill's quality control to product managers Maria Alsén (left) and Marie Bergqvist.

Occupational safety and well-being at work	2015	2014
Sickness absence, % ¹⁾	4.2	3.8
Absences due to lost-time accidents, %	0.2	0.3
Lost-time accident frequency (per one million working hours)	11.1	12.0

¹⁾ Percentage of theoretical work time

Environmental responsibility and sustainability are an integral part of Metsä Board's daily operations. The company uses fully traceable raw materials and emphasises energy and water resource efficiency in all its operations.

RESPONSIBLE PRODUCTS FROM FOREST TO CONSUMERS

METSÄ GROUP'S SUSTAINABILITY TARGETS

WE OFFER SUSTAINABLE CHOICES

PRODUCTS AND SERVICES

- Turning renewable wood into sustainable, safe and recyclable products
- Providing customer-focused services and solutions
- Innovating for continuous improvement and renewal

WE BRING THE FOREST TO YOU

RAW MATERIALS AND SUPPLY CHAIN

- Promoting sustainable forest management, certification, biodiversity and multiple use of forests
- Enhancing sustainability in the value chain
- Ensuring the traceability of raw materials

WE WORK FOR A BETTER CLIMATE AND ENVIRONMENT

RESOURCE EFFICIENCY AND EMISSIONS

- Making efficient use of raw materials, energy and water
- Increasing the value of side streams
- Maximising the share of bioenergy
- Minimising emissions to water and air

WE CREATE WELL-BEING

STAKEHOLDER ENGAGEMENT

- Ensuring ethical business practices
- Improving safety at work
- Assuring responsible management
- Contributing to local livelihoods and society

METSÄ BOARD'S TARGETS

PRODUCT AND PROCESS INNOVATION

EXPANDING PRODUCT PORTFOLIO

Metsä Board is expanding its product portfolio into food service boards, which supports the company's strategic growth. In research and development, Metsä Board puts effort into functional coating solutions.

ENERGY:

Energy efficiency improvement, target 2009–2020

12%

Actual 2015

10%

RESPONSIBLE SUPPLY CHAIN

WWF RECOGNITION FOR IMPROVED ENVIRONMENTAL PERFORMANCE

In November, Metsä Group was recognised for its transparency and improved environmental performance in the Environmental Paper Company Index measuring sustainable forest industry operations by WWF (the World Wide Fund for Nature). The index lauded Metsä Board for the reduction of fossil CO₂ emissions, in particular.

CLIMATE:

Fossil CO₂ emissions per product tonne, target 2009–2020

-30%

Actual 2015

-42%

RESOURCE EFFICIENCY

PRODUCTION RECORDS AT THE MILLS

The overall efficiency of Metsä Board's mills in Finland improved by 1.1 per cent from the previous year. This has a direct impact on material and energy efficiency as well as productivity. Several efficiency improvement measures are underway at Metsä Board's mills, which have enabled the Kemi, Kyrö, Joutseno and Äänekoski mills to break their annual production records.

RESOURCE EFFICIENCY:

Use of process water per product tonne, target 2009–2020

-17%

Actual 2015

-16%

BIOBASED PURCHASED ENERGY

81%

WELL-BEING AND SAFETY AT WORK

MILLS IN FINLAND AUDITED UNDER SMETA

Metsä Board's paperboard mills in Finland were audited in 2015 in accordance with the SMETA (Sedex Members Ethical Trade Audit) auditing system. The audit covered labour matters and occupational health and safety, as well as the environmental impact and ethical principles of business operations. No significant deviations were identified at Metsä Board's mills in these audits.

ORGANISATIONAL FUNCTIONALITY INDEX

8.2

on a scale from 4 to 10

Metsä Board's products are based on renewable fresh forest fibre. The company continuously reduces its carbon footprint and improves its resource efficiency. As an acknowledgment of its good work, Metsä Board received in 2015 three significant recognitions from CDP.

LEADING ENVIRONMENTAL DATA REPORTING

Metsä Board addresses market demand by means of environmental responsibility, which also supports sustainability in a broader respect. Reliable information on how companies adjust to changes is increasingly important. Therefore, Metsä Board reports important environmental information to CDP (formerly the Carbon Disclosure Project), for example.

Metsä Board received a full score of 100 for the transparency of its environmental impact reporting from CDP and was also included in the Climate Disclosure Leadership Index (CDLI). The inclusion in the CDLI Index is based on high-quality management and reporting of carbon dioxide emissions and energy information. Only the top 10 per cent of Nordic companies were selected for the index. Metsä Board works to combat climate change in the long term primarily by increasing the use of bioenergy, improving water and energy efficiency, and reducing the weight of its paperboards.

CDP also selected Metsä Board for its global Water A List as recognition for the company's responsible use of water. This year, only eight companies in the world received an A grade from CDP for their use of water. Metsä Board is the only forest industry company and the only European company on this list. The inclusion in the list was a significant recognition, since using water is necessary in the manufacturing of paperboard and pulp. Metsä Board is continuously seeking new ways to improve the efficiency of its water use and to minimise the impact of its production on nature and the environment.

The third recognition from CDP was received in the materials sector of the forest programme, where Metsä Board was awarded Leadership status, together with eight other companies.

Metsä Board also reports environmental data to CDP concerning its supply chain. Some of the company's customers would like to see this reporting as part of their own CDP reporting.

CDP is an international, non-profit organisation that offers companies and municipal authorities the only worldwide system for measuring, publishing, managing and distributing this information. Thousands of companies annually submit information on their environmental impact to CDP at the request of investors.

IMPROVED SCORES

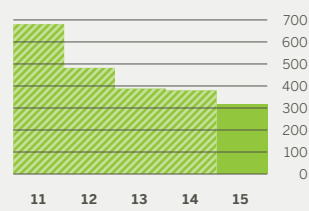
At the end of 2013, L'Oréal presented its commitments with regard to sustainable development by 2020 through the "Sharing Beauty With All" programme. L'Oréal's objective is to become one of the leaders of the new economic development model, which is increasingly ecological, responsible and inclusive.

Suppliers are an integral part of the environmental, social and ethical commitments made by L'Oréal. The company's objective is that by 2020, 100 per cent of L'Oréal's strategic suppliers will be involved in its sustainability programme.

As its suppliers' activities represent 28 per cent of its carbon emissions, L'Oréal believes such activity is part of its broader environmental footprint. Therefore, since 2009, L'Oréal has involved its suppliers in measuring and reducing its carbon footprint by asking them to work with CDP in the CDP Supply Chain programme.

Since 2013, Metsä Board has been participating in CDP's supply chain programme and improving their scoring year on year to reach in 100B in 2015. Among L'Oréal's packaging components suppliers, Metsä Board is the best performer for 2015. It demonstrates again Metsä Board's action and commitment to tackling climate change.

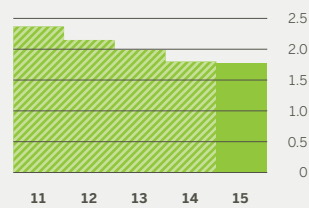
METSÄ BOARD'S CO₂ EMISSIONS,
1,000 t



REDUCED CONSUMPTION OF ENERGY AT KASKINEN

Operations and technology have been developed considerably in recent years at the Kaskinen high-yield pulp mill, which has been in operation for ten years. The consumption of electric energy, in particular, has decreased considerably at the mill through several measures, the most recent of which were the investments in a low-consistency grinder in 2013 and 2015. The mill's electric energy consumption has decreased by 28 per cent compared to 2009.

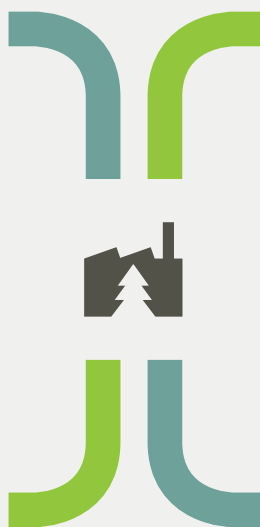
ELECTRICITY USAGE OF KASKINEN MILL
MWh/h



LIGHTWEIGHTING AND SAVINGS IN THE VALUE CHAIN



	2015	2014
EMISSIONS INTO AIR (t)		
Fossil carbon dioxide (CO ₂)	317,441	380,348
Sulphur (as SO ₂)	671	861
Nitrogen oxides (as NO ₂)	1,649	1,870
Particles	110	142
	2015	2014
RAW MATERIALS		
Metsä Board's wood purchases (1,000 m ³)	4,939	5,381
Chemical and high-yield pulp used by Metsä Board (1,000 t)	1,388	1,391
OTHER RAW MATERIALS (1,000 t)		
Pigments	340	409
Adhesives	75	71
WATER INTAKE (1,000 m³)	105,124	106,723
Process water	68,702	73,703
Cooling water	54,141	50,527



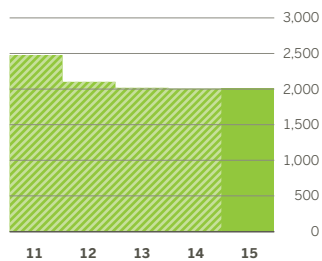
	2015	2014
PRODUCTION (1,000 t)		
Board and paper	1,911	1,999
Chemical and high-yield pulp	1,206	1,294
	2015	2014
DISCHARGES TO WATER (t)		
Waste water flow (1,000 m ³)	68,702	73,703
Chemical oxygen demand (COD)	10,673	11,997
Biological oxygen demand (BOD)	568 ¹⁾	525 ¹⁾
Total suspended solids	2,082	2,906
WASTE (t)		
Recycled waste	159,953 ²⁾	284,068
Recycled waste, %	98	99
Landfill waste	2,718	672
Hazardous waste	736	1,300

¹⁾ Not measured at the Husum mill

²⁾ Doesn't include Gohrsmühle mill

SALES

EUR MILLION



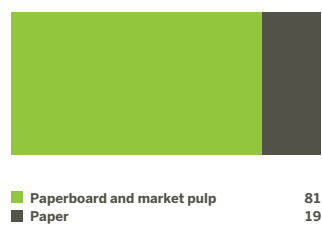
SALES BY MARKET AREA

%



SALES BREAKDOWN

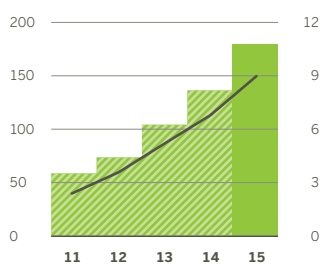
%



OPERATING RESULT EXCL. NRIS

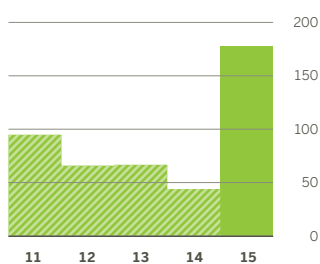
EUR MILLION

EBIT-%



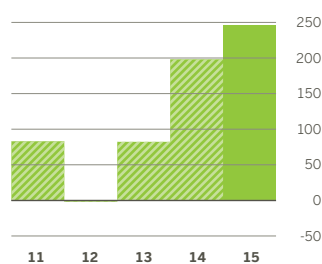
INVESTMENTS

EUR MILLION



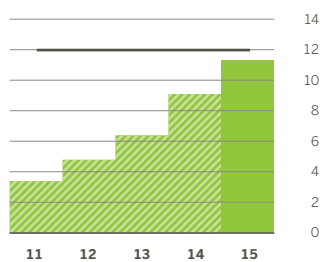
CASH FLOW FROM OPERATIONS

EUR MILLION



RETURN ON CAPITAL EMPLOYED EXCL. NRIS

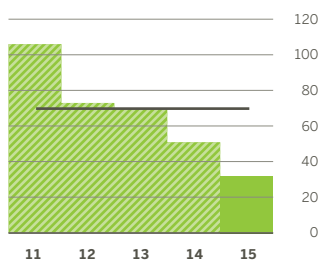
%



Target 12%

NET GEARING RATIO

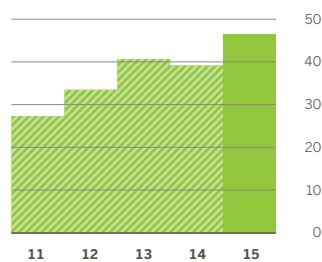
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Target < 70%

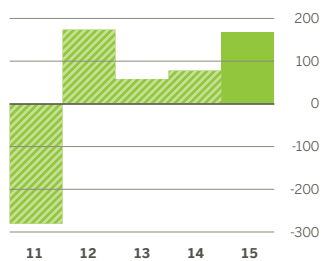
EQUITY RATIO

%



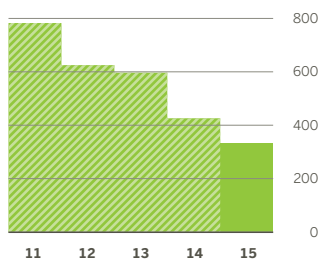
RESULT BEFORE TAXES

EUR MILLION

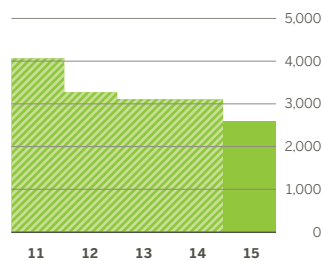


INTEREST-BEARING NET LIABILITIES

EUR MILLION



PERSONNEL



FINANCIAL STATEMENTS 2015

Overall, 2015 was a record year for Metsä Board. The company's operating result excluding non-recurring items improved by nearly a third from the previous year. Paperboard deliveries grew by 12 per cent, and average prices remained stable. In addition, Metsä Board's profitability was supported by favourable exchange rates and the exit from the loss-making paper business. Metsä Board also received significant recognitions for the quality of its products and sustainability.

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REPORT OF THE BOARD OF DIRECTORS 2015

MARKET SITUATION IN 2015

Demand for Metsä Board's lightweight and ecological fresh forest fibre linerboards continued to be strong in 2015. Sales to the Americas increased considerably, and demand for the company's paperboard was good in Europe. The total deliveries by folding boxboard producers in Europe increased by 4 per cent, and the total deliveries by white fresh forest fibre linerboard producers increased by 5 per cent from the previous year. Price levels remained stable.

Metsä Board's paperboard deliveries grew by 12 per cent compared to the previous year. The investment programme at Husum will grow Metsä Board's folding boxboard capacity by a total of 400,000 tonnes in 2016. This capacity will be marketed primarily to the Americas and for food service packaging globally.

Market pulp demand and supply remained in balance. The foreign currency-denominated price of long-fibred pulp decreased and the foreign currency-denominated price of short-fibred pulp increased in 2015.

The deliveries by European producers of uncoated fine paper and the average prices remained at approximately the previous year's level. Metsä Board's deliveries decreased as planned, and the production of coated paper and uncoated fine paper sheets ended in 2015. The remaining production of uncoated fine paper reels will end in 2017, at the latest.

The average exchange rate of the euro weakened in relation to the US dollar by 17 per cent and to the British pound by 10 per cent compared to the previous year. In relation to the Swedish krona, the average exchange rate of the euro strengthened by 3 per cent. All these changes were favourable for Metsä Board's business operations.

KEY FIGURES

	2015	2014	2013
Sales, EUR million	2,007.5	2,008.4	2,019.3
EBITDA, EUR million	302.5	242.2	214.8
excl. non-recurring items, EUR million	283.3	236.2	208.0
EBITDA, %	15.1	12.1	10.6
excl. non-recurring items, %	14.1	11.8	10.3
Operating result, EUR million	199.0	116.5	113.6
excl. non-recurring items, milj. e	179.9	136.5	104.4
EBIT, %	9.9	5.8	5.6
excl. non-recurring items, %	9.0	6.8	5.2
Result before taxes, EUR million	167.1	77.6	57.8
excl. non-recurring items, EUR million	150.2	99.7	48.6
Result for the period, EUR million	137.3	68.5	64.1
excl. non-recurring items, EUR million	120.2	88.1	55.4
Earnings per share, EUR	0.39	0.20	0.19
excl. non-recurring items, EUR	0.34	0.26	0.16
Return on equity, %	14.7	8.1	7.5
excl. non-recurring items, %	12.9	10.4	6.5
Return on capital employed, %	12.5	7.7	7.0
excl. non-recurring items, %	11.3	9.1	6.4
Equity ratio at the end of the period, %	46.5	39.2	40.7
Gearing ratio at the end of the period, %	64	81	83
Net gearing ratio at the end of the period, %	32	51	70
Shareholders' equity per share at the end of the period, EUR	2.89	2.49	2.51
Interest-bearing net liabilities at the end of the period, EUR million	333.4	426.7	597.2
Gross investments, EUR million	177.8	44.2	66.9
Net cash flow from operations, EUR million	246.7	198.2	82.2
Deliveries, 1,000 t			
Paperboard	1,449	1,310	1,182
Non-core operations	478	636	716
Personnel at the end of the period	2,601	3,111	3,116

FINANCIAL PERFORMANCE IN 2015 (2014)

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

The operating result was EUR 199.0 million (116.5), and 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 excluding non-recurring items improved as a result of the paperboard delivery volumes, exchange rates favourable for the operations, and the divestment of the loss-making Gohrsmühle mill. The operating result was weakened by the integrated mill shut-down related to the investment programme at Husum.

The total costs remained fairly stable. The divestment of the Gohrsmühle mill reduced fixed costs. Currency hedging expenses increased considerably from the previous year.

The currency-denominated market price of long-fibred pulp decreased and the price of short-fibred pulp increased from the previous year.

Metsä Board announced it would increase the prices of white fresh forest fibre linerboard in Europe by EUR 40 per tonne (as of 11 May 2015) and the prices of folding boxboard by EUR 60 per tonne (as of 1 December 2015).

The combined delivery volume of Metsä Board's folding boxboard and white fresh forest fibre linerboard totalled 1,404,000 tonnes in January–December (1,256,000). The delivery volume of papers reported in the Non-core Operations segment was 460,000 tonnes (591,000).

Financial income and expenses totalled EUR -32.0 million (-39.2). The financial expenses were reduced by the lower market interest rates and credit margins as well as the decrease in interest-bearing debt. Foreign exchange rate differences from trade receivables, trade payables, financial items and the valuation of currency hedging instruments were EUR -3.4 million (+2.7). Net interest and other financial income and expenses amounted to EUR -28.6 million (-41.9). Net interest in the comparison period increased by approximately EUR 5.8 million due to the early repayment of a loan of EUR 350 million and a EUR 100 million standby credit facility, as well as refinancing. An impairment loss of EUR 2.2 million was recognised in financial expenses as a non-recurring item associated with Metsä Board's part of the shareholder loan granted to Pohjolan Voima in the OL4 project. A non-recurring item of EUR -2.2 million was recognised in financial expenses for the corresponding period last year, related to the penal interest on the damages paid to UPM-Kymmene.

The result before taxes for the review period was EUR 167.1 million (77.6). The result before taxes excluding non-recurring items was EUR 150.2 million (99.7). The amount of income taxes was EUR -29.8 million (-9.1). Previously unrecognised income taxes of approximately EUR 15 million were recognised on the review period.

Earnings per share were EUR 0.39 (0.20). Earnings per share excluding non-recurring items were EUR 0.34 (0.26). The return on

equity was 14.7 per cent (8.1), and the return on equity excluding non-recurring items was 12.9 per cent (10.4). The return on capital employed was 12.5 per cent (7.7), and the return on capital employed excluding non-recurring items was 11.3 per cent (9.1).

INVESTMENTS

Gross investments in 2015 totalled EUR 177.8 million (44.2). The change compared to the comparison period was attributable to the investment programme at Husum, which had an impact of approximately EUR 132 million on the gross investments of 2015.

BUSINESS DEVELOPMENT

Demand for Metsä Board's lightweight and ecological fresh forest fibre linerboards continued to be strong worldwide, and paperboard deliveries grew by 12 per cent. Sales to the Americas increased considerably, and the demand for the company's paperboard was also good in Europe.

In 2015, Metsä Board implemented an investment programme of EUR 170 million at the Husum mill in Sweden. The annual capacity of the new folding boxboard machine 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 ended at Husum. The remaining production of uncoated fine paper reels (approximately 100,000 tonnes per year) will end in 2017. It is estimated that the Husum investment programme will have a positive effect of approximately EUR 50 million on Metsä Board's annual operating result. The company estimates that approximately one third of this result improvement will be realised in 2016. The result improvement is expected to be realised in full starting from 2018.

In the second quarter of the year, Metsä Board divested the Gohrsmühle mill and all related liabilities. The divestment had a negative impact of approximately EUR 37 million on the company's cash flow. The divestment will decrease Metsä Board's annual sales by approximately EUR 90 million and improve the operating result excluding non-recurring items by approximately EUR 20 million. Slightly more than half of this was realised in the 2015 result.

Metsä Board decided to invest EUR 24.9 million in the new bio-product mill built by its associated company Metsä Fibre. Metsä Board's holding in Metsä Fibre remains unchanged after the investment, at 24.9 per cent. The company has no other financial commitments in the project. The investment will increase Metsä Board's annual pulp capacity by approximately 200,000 tonnes starting from 2018. The investment will be made in the second quarter of 2016.

The company will expand its range of paperboards for food service packaging by investing EUR 38 million in an extrusion coating line and the related supporting structure at the Husum mill in Sweden. The extrusion coating line will be commissioned at the beginning of 2017, and its coating capacity will be approximately 100,000 tonnes per year. Slightly over half of the investment will be realised in 2016. The company will also continue to develop other barrier solutions.



Metsä Board received a full score for the transparency of its environmental impact reporting from the international organisation CDP and was included in the Climate Disclosure Leadership Index (CDLI). In addition, the company was included in CDP's global Water A List and awarded Leadership status in the forest programme.

Four products made with Metsä Board's paperboard received awards at the 2015 Pro Carton ECMA Awards. One of the awards came in the Sustainability Award category, in which the jury praised the packaging's unique ecological properties.

DISPUTES

In May 2014, Metsä Board petitioned that the District Court of Helsinki revoke the judgment issued by the Arbitral Tribunal on 11 February 2014 that orders Metsä Board to pay EUR 19.7 million in damages to UPM-Kymmene Corporation. In the judgment issued in June 2015, the District Court rejected Metsä Board's petition. Metsä Board decided in September to appeal the District Court's judgment to 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 of previous periods' taxes in its tax expense of 2015. Metsä Board will appeal against the decision issued by the Tax Administration, as the company believes the losses are deductible.

RESEARCH AND DEVELOPMENT

In 2015, Metsä Board's R&D operations were further strengthened to support the company's strategy. The company is seeking growth in packaging paperboards by developing current and new products to ensure that the impact of the products are minimal on the environment. The main 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. Metsä Board's know-how and self-sufficiency in fibre form a solid foundation for its R&D operations. 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's R&D is divided into the following areas:

- Products creating added value for customers, packaging recommendations as well as cooperation projects
- Process improvements aiming to make the use of energy, water and raw materials more effective
- Renewable raw materials as the basis of competitiveness
- Development of various barrier solutions for the food service packaging segment
- Sharing best practices between mills
- Product development of folding boxboards and linerboards manufactured at the Husum mill

The importance of product safety in packaging is constantly increasing, and in the rapidly growing food service segment, in particular, the increase is global. At the same time, the requirements set by legislation on paperboards vary widely between different areas.

Metsä Board is the first paperboard manufacturer to test foam forming in production at its Kyro mill in Kyröskoski. In the foam forming process, tiny air bubbles are mixed into a water-fibre suspension,

making the resulting paperboard bulkier as well as further reducing its weight. This process will also improve quality. Foam forming also reduces the use of raw materials, energy and water.

In 2015, Metsä Board expanded its product family for the food service packaging segment introduced in 2014 to a total of four different products, two of which are coated and two uncoated grades. Metsä Board also announced it would invest in an extrusion coating line, which will be used to create barrier properties in paperboards. The company will also continue to develop other barrier solutions, such as dispersion-based and biobased coatings.

Metsä Board's research and development expenses in 2015 were approximately EUR 8.4 (6) million, including a tangible fixed assets investment of EUR 2.1 million related to the development activities. R&D expenses accounted for approximately 0.4 (0.3) per cent of sales.

SUSTAINABILITY

Metsä Board is committed to promoting sustainability, continuously improving its operations and conducting responsible business. In addition to its own operations, Metsä Board is committed to sustainability throughout the supply chain and supports sustainable forest management.

The wood fibre used is 100 per cent traceable to its roots and always comes from sustainably managed forests. In 2015, Metsä Board's mills used 8 million cubic metres of wood (8.3) including wood consumption in accordance with its holding in Metsä Fibre as well as external pulp purchases. 75 per cent (77) of the pulp originated from certified forests.

The majority of wood used by Metsä Board in Finland comes from forests owned by Metsäliitto Cooperative's owner-members. In 2015, other wood supply countries included Sweden, the Baltic countries, and the European part of Russia. The origin of wood is verified by means of the PEFC™ and FSC® (license code FSC-C001580) certified Chain of Custody tracing methods managed by Metsä Group's wood supply organisation.

Metsä Board aims to mitigate climate change through its operations. Metsä Board's energy efficiency improved by 10 per cent in 2009–2015. The efficiency improvement measures include optimising equipment, processes and operating methods as well as making investments. Improving energy efficiency is an essential part of all investments related to the production process. In addition, Metsä Board's divestment of the Gohrsmühle mill in Germany ended the use of coal as a source of energy. Metsä Board is committed to improving energy efficiency at its mills by 4 per cent by 2020 (compared to 2015).

Wood-based bioenergy accounted for 61 per cent of Metsä Board's total energy consumption in 2015. The majority of this bioenergy is produced using by-products from Metsä Group's production, such as bark and black liquor. The rest is produced from forest energy materials procured by the wood supply organisation.

Metsä Board continuously looks for ways to make the usage of fresh water in its production more efficient by reusing water efficiently, among other things. In 2015, the consumption of water was 68.7 million cubic metres (74). The consumption of process water has decreased by approximately 16 per cent in 2010–2015.

In 2015, Metsä Board received three significant recognitions from CDP (formerly the Carbon Disclosure Project) for its activities concerning environmental matters and the related reporting. Metsä Board received a full score of 100 for the transparency of its environmental impact reporting and was also included in the Climate Disclosure

Leadership Index (CDLI). The company was also selected for CDP's global Water A List as recognition of its responsible use of water. Metsä Board was also awarded Leadership status in the materials sector of CDP's forest programme.

In 2015, Metsä Board's paperboard mills in Finland were audited in accordance with the SMETA (Sedex Members Ethical Trade Audit) auditing system created by Sedex. The audit covered labour matters and occupational safety, as well as the environmental impact and ethical principles of business operations. No significant deviations were detected in the audits.

All of Metsä Board's production units have an ISO 9001 quality system and ISO 14001 environmental system in place, as well as a Chain of Custody system, which provides a reliable method to verify the origin of wood and the proportion of certified wood in the products. An ISO 22000 food safety management system and an ISO 50001 energy efficiency system are in place in all of Metsä Board's production units, and the mills in Finland also have an OHSAS 18001 occupational and product safety system.

No significant deviations resulting in significant environmental effects occurred in Metsä Board's production units during 2015. However, some short-term deviations from permit limits were recorded.

Metsä Board has environmental liabilities related to former operations at sites that have since been closed, sold or leased, as well as at decommissioned landfill sites. Financial provisions for the cost of land rehabilitation work have been made in cases where it has been possible to measure the company's liability for land contamination.

Metsä Board's environmental liabilities in 2015 totalled EUR 5.8 million (10.9) and the environmental expenses amounted to EUR 18.4 million (18). The environmental expenses consist mainly of expenses related to the use and maintenance of environmental protection equipment, expenses related to waste management and environmental insurance, and depreciation of capitalised environmental expenses.

PERSONNEL

At the end of 2015, the number of Metsä Board's personnel was 2,601 (3,111), of whom 1,494 (1,469) people worked in Finland. In January–December, Metsä Board employed 2,851 (3,200) people on average. Personnel expenses totalled EUR 234.5 million (252.6) in 2015.

In the beginning of 2015, the company switched from its previous organisation of two business areas to a unified operating organisation. Related to this, an investment programme was launched at the Husum mill and the Gohrsmühle specialty paper mill was divested. Customer and delivery service, production planning and sales were developed to better meet the changed situation.

In projects such as the investment programmes at Husum, ensuring personnel competence is essential for the success of the investment. At Metsä Board, the development of personnel competence was supported by equipment-specific and process-specific technical training and long-term specialist training.

In 2015, Metsä Board launched coaching for supervisors in the company, with the aim of developing and harmonising management.

Safety at work is continuously developed, in particular by striving to impact attitudes and proactive thinking. Harmonising occupational safety practices between different units is also one of the objectives. The long-term goal concerning lost-time accidents is zero. In 2015, the number of accidents at work resulting in an absence of at least one day was 11.1 (12.0) per one million hours worked.

Metsä Board focuses on maintaining working capacity. Our target is to keep absences due to illness at the best European level, in other words below 3 per cent. In 2015, the rate of absences due to illness was 4.2 per cent (3.9).

FINANCING

Metsä Board's equity ratio at the end of 2015 was 46.5 per cent (39.2) and the net gearing ratio was 32 per cent (51). The key figures were improved by the decrease in interest-bearing liabilities and the rights issue. The ratio of net liabilities to EBITDA of the past 12 months excluding non-recurring items at the end of the review period was 1.2 (1.8).

The fair value of investments available for sale at the end of the review period was EUR 210.2 million (EUR 233.3). The change in the fair value, or EUR -23.1 million, was related primarily to the decrease in the fair value of Pohjolan Voima Oy's shares.

The amount of defined benefit pension obligations decreased due to the slight increase in the discount rate, and EUR 3.6 million after taxes has been recognised in other comprehensive income items this year. Furthermore, the divestment of the Gohrsmühle mill in the second quarter decreased the pension obligations by EUR 93.6 million.

At the end of 2015, net interest-bearing liabilities amounted to EUR 333.4 million (426.7). Foreign currency-denominated loans accounted for 0.6 per cent and floating-rate loans for 38 per cent of the loans, with the rest being fixed-rate loans. At the end of the year, the average interest rate on loans was 3.8 per cent (4.0), and the average maturity of long-term loans was 2.6 years (3.5). The interest rate maturity of loans was 20.6 months at the end of the year (27.2). During the period, the interest rate maturity has varied between 20 and 28 months.

The net cash flow of the operations was EUR 246.7 million (198.2) in January–December. Working capital decreased by EUR -72.2 million (-59.0) in January–December.

At the end of the review period, an average of 3.6 months of the net foreign currency exposure was hedged. The degree of hedging varied between three and six months, on average, during the period.

The financing agreement includes financial covenants concerning the Group's financial performance and capital structure. Other covenants related to the loan are regular conditions that, among other things, limit the issue of collateral, relinquishment and sale of property, subsidiaries' level of debt, material changes in the business operations and changes in the statutory majority in shareholding. The company has considerable headroom in relation to covenants set in the credit agreements.

Metsä Board's liquidity has remained strong. At the end of the financial period, the available liquidity was EUR 486.5 million (396.0), consisting of the following items: liquid assets and investments of EUR 321.8 million, revolving credit of EUR 100.0 million, and undrawn pension premium (TyEL) funds of EUR 64.7 million. Of the liquid assets, EUR 311.3 million were short-term deposits with Metsä Group Treasury, and EUR 10.5 million were cash funds and investments. Other interest-bearing receivables amounted to EUR 3.7 million. In addition, Metsä Board's liquidity reserve is complemented by Metsä Group's internal undrawn short-term credit facility of EUR 150.0 million.

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 upgraded ratings had no impact on Metsä Board's current financing costs.

SIGNIFICANT RISKS AND UNCERTAINTIES

Metsä Board assesses its strategic, operative, financial and liability risks as part of its continuing operations. The risks are reported to the Board of Directors at least twice per year and, if needed, in interim reports and the financial statements bulletin published by the company. In addition, the company 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 the risk assessment in the strategy process reviews risks related to the implementation of the company's business strategy. The company's management team reviews the company's most significant risks regularly as part of its management work. The risk assessments carried out in 2015 identified the following risks and uncertainties that have a possible impact on Metsä Board's financial performance and ability to operate.

UNCERTAINTY IN THE DEVELOPMENT OF THE OVERALL ECONOMY

In the main markets, demand for paperboard and pulp mainly follows general economic development. The development of the euro area, in particular, significantly affects the demand for and profitability of Metsä Board's main products. There are still considerable uncertainties associated with the development of the euro area's economy.

CHANGES IN THE OPERATING ENVIRONMENT

Metsä Board operates in a cyclical business where the balance between supply and demand has a significant impact on the prices of paperboard products, in particular. Any future decrease in demand or increase in supply may have unfavourable effects on the market balance and, therefore, on the company's profitability. New players or products and materials entering the market, capacity increases or product range expansions by competitors may lower the prices of Metsä Board's products. On the other hand, potential capacity closures in the industry or consolidation of the industry may result in increased prices. Changes in regulations, such as the EU's climate and environmental policy and increasing new requirements to limit carbon dioxide, sulphur or other emissions may increase production costs and thereby have a negative impact on profitability.

CENTRALISATION OF OPERATIONS IN A LIMITED GEOGRAPHICAL AREA

With the exception of the Husum mill in Sweden, all of Metsä Board's production units are located in Finland. Finland has a history of labour disputes in both the forest industry and the distribution chain of forest industry products. These labour disputes hinder the operations of the industry, particularly in production and deliveries to customers. This may impair the company's competitiveness and profitability.

Labour disputes in the Swedish forest industry or distribution chain could impair Metsä Board's ability to deliver folding boxboard, fresh forest fibre linerboard, market pulp and, to a lesser extent, paper, and this could weaken the company's profitability.

CUSTOMER RETENTION AND CUSTOMERS' SOLVENCY

The retention of customer relationships may be at risk in certain extreme situations. Severe delivery problems or persistent problems related to the quality of delivered goods may endanger the stability of customer relationships. Furthermore, factors beyond the company's control, such as labour disputes in fields critical to deliveries in Finland, may endanger the stability of customer relationships.

The management of the credit risks involved in commercial activities is the responsibility of Metsä Board's centralised credit control and business areas. The credit control function, together with the business areas, defines the credit limits and terms of payment for different customers. Nearly all credit risks are transferred further to credit insurance companies by means of credit insurance contracts. Metsä Board's customer credit risk was at a normal level in 2015. Measures are taken to reduce the risk further by intensifying internal credit control and its processes. The main principles of credit control are defined in the credit guidelines of the risk management policy approved by the company's Board of Directors.

CHANGES IN CONSUMER HABITS

Changes in the market, such as new consumer trends, packaging materials and printing technologies may have an adverse effect on the demand for Metsä Board's products.

BUSINESS DEVELOPMENT

Metsä Board is focusing on the development and growth of its paperboard business operations. Business development and growth require strategic choices that involve risks. These uncertainties are related to the product portfolio, targeting of investments and selection of customer segments, for example.

The company's paperboard capacity will grow considerably in 2016. Growing the paperboard business and bringing new products to the market are contingent on successful growth in sales in Europe and, in particular, in the Americas. Growing sales globally is also associated with cost and exchange rate risks.

PRICE RISKS OF PRODUCTION AND LOGISTICS COSTS

A radical and unforeseen rise in the price of production inputs important for Metsä Board's operations, such as wood, energy and chemicals, as well as transportation costs or problems with their availability, may reduce profitability and threaten the continuity of operations. Metsä Board works to hedge against this risk by entering into long-term delivery agreements and related derivative contracts.

In addition, a steep increase in transportation and other logistics costs, for example related to the EU's emissions trading or other obligations, may affect Metsä Board's profitability.

LIABILITY RISKS

Metsä Board's business operations involve various types of liability risks arising from damage to third parties, the most central of which are general operational liability risks, contract risks, environmental risks and product liability risks. The company strives to manage these

risks by streamlining business processes, improving management practices, training personnel, raising quality requirements and increasing the transparency of operations. Some of the above-mentioned risks have been transferred to insurance companies by means of insurance contracts.

BUSINESS INTERRUPTION RISKS

Different kinds of large losses, major accidents, natural disasters, environmental damage, serious malfunctions in key information systems, labour disputes and delivery problems of the most important raw materials may interrupt Metsä Board's business operations and, if prolonged, even cause loss of customers. The mills have drawn up continuity and recovery plans in preparation for the realisation of such risks. The property and interruption risks of the production units are assessed regularly and the risk has mainly been covered by insurance contracts.

PERSONNEL AVAILABILITY AND RETENTION

Metsä Board has paid special attention to ensuring the availability and retention of competent personnel by means of various personnel development programmes and successor plans. Metsä Board strives to prepare for retirement and other risks related to personnel by means of career planning and job rotation.

RISKS ASSOCIATED WITH THE AVAILABILITY OF FINANCING

Furthermore, as a result of increasing regulation in the financial market, the operations of credit and bond markets may become more difficult, which may impact the company's ability to acquire long-term debt financing at a competitive price. The financial risks are managed in accordance with the treasury policy approved by Metsä Board's Board of Directors. The purpose is to hedge against considerable financial risks, balance cash flow and give the business units enough time to adjust their operations according to the changing conditions. Metsä Board's financial risks and the management thereof are described in more detail on pages 67–75 of this Annual Report.

FINANCIAL RISKS

Metsä Board's operative profitability improved in 2015, despite the weak economic situation in Europe. The company will grow its paper-board business and discontinue the paper business completely in 2017, at the latest. It is estimated that the investment programme at Husum will have a considerable positive impact on the result in the coming years. The execution of the growth and profit improvement measures involves uncertainties, and the profit improvement sought may not necessarily be fully accomplished.

The exchange rate of the euro in relation to, in particular, the US dollar, British pound and Swedish krona impacts Metsä Board's profitability. The company is growing its operations in North America, in particular, which is why the sensitivity of the result to the exchange rate fluctuations of the US dollar continues to increase.

Metsä Board's financial risks, related primarily to currencies, interest rates, liquidity, counterparty risks and the use of derivative instruments as well as the management thereof, are described in greater detail on pages 67–75 of this Annual Report.

PREPARING FOR AND TRANSFERRING RISKS

The identified risks are monitored and continuously assessed and prepared for in the manner most appropriate for the company. With regard to loss risks, Metsä Board works actively with insurance companies in risk management, for example by regularly executing risk assessments in different areas of the business operations, such as at mills and in the export chain. The production units have prepared for potential disturbances to operations by drawing up continuity and recovery plans. The company's crisis management plan directs crisis management in the business areas and production units.

Some of the risks are borne by the company itself, whereas some of them are selectively transferred by means of, for example, insurance contracts, derivative contracts and other contract terms and conditions to be borne by insurance companies, banks and other counterparties. The most common loss risks are mainly covered by the following comprehensive global insurance contracts:

- property and business interruption insurance
- general third-party and product liability insurance
- liability insurance for Directors and Officers
- credit insurance
- cargo insurance.

SHARES

In January–December, the highest price for Metsä Board's A share on the Nasdaq Helsinki was EUR 7.67, the lowest price was EUR 4.47, and the average price was EUR 5.98. At the end of 2015, the price of the A share was EUR 6.75. The average daily trading volume was 4,739 shares. In 2014, the adjusted closing price of the A share was EUR 4.44, while the average price was EUR 3.39 and the average daily trading volume was 4,546 shares.

In January–December, the highest price for Metsä Board's B share was EUR 7.01, the lowest price was EUR 4.47, and the average price was EUR 5.72. At the end of 2015, the price of the B share was EUR 6.86. The average daily trading volume was 438,203 shares. In 2014, the adjusted closing price of the B share was EUR 4.34, while the average price was EUR 3.34, and the average daily trading volume was 236,476 shares.

In 2015, the trading volume of the A share was EUR 7.2 million, and the trading volume of the B share was EUR 629.7 million. The market value of the A shares was EUR 242.3 million, and the market value of the B shares was EUR 2.2 billion at the end of December.

Metsä Board's market cap segment changed in Nasdaq's Nordics listing. As of the beginning of 2016, Metsä Board is included in the Large Cap segment of companies with a market value of over EUR 1 billion.

At the end of 2015, Metsäliitto Cooperative and its subsidiary together owned 42 per cent of the shares, and the voting rights conferred by these shares totalled 62 per cent. Foreign and nominee-registered investors held 20 per cent of the shares (31 December 2014: 15 per cent).

The company does not hold any treasury shares.

In the first quarter of the year, the company organised a rights issue, which accumulated net funds of approximately EUR 98 million. The rights issue offered a total of 27,347,134 new B series shares at EUR 3.66 per share. As a result of the rights issue, the total number of the company's shares amounts to 355,512,746, of which 35,895,651 are A shares and 319,617,095 are B shares.



BOARD OF DIRECTORS' PROPOSAL FOR DISTRIBUTION OF PROFIT

The distributable funds of the parent company on 31 December 2015 were EUR 454.7 million, of which the retained earnings for the financial year are EUR 69.9 million.

The Board of Directors proposes to the Annual General Meeting to be held on 23 March 2016 that a dividend of EUR 0.17 per share, or a total of EUR 60.4 million, be paid for the 2015 financial period.

The dividend will be paid to shareholders who are registered in the company's shareholders register held by Euroclear Finland Oy on the dividend payment record date of 29 March 2016. The Board of Directors proposes 5 April 2016 as the dividend payment date.

BOARD OF DIRECTORS AND AUDITORS

The Annual General Meeting confirmed the number of the members of the Board of Directors as nine (9) in March 2015. The following individuals were elected as members of the Board: Mikael Aminoff, Martti Asunta, Kari Jordan, Kirsi Komi, Kai Korhonen, Liisa Leino, Juha Niemelä, Veli Sundbäck and Erkki Varis. The term of office of the Board members expires at the end of the next Annual General Meeting.

At its constitutive meeting, the Board of Directors elected Kari Jordan as its Chairman and Martti Asunta as its Vice Chairman. The Board further resolved to organise the Board committees as follows: the members of the Auditing Committee are Kirsi Komi, Kai Korhonen, Veli Sundbäck and Erkki Varis, and the members of the Nomination and Compensation Committee are Mikael Aminoff, Martti Asunta, Kari Jordan, Liisa Leino and Juha Niemelä.

Authorised Public Accountants KPMG Oy Ab was elected as the company's auditor, with APA Raija-Leena Hankonen as the principal auditor. The term of office of the auditor expires at the end of the next Annual General Meeting.

A separate Corporate Governance Statement has been issued and published simultaneously with the financial statements and this Annual Report.

BUSINESS ENVIRONMENT AND NEAR-TERM OUTLOOK

Metsä Board's paperboard deliveries are expected to grow in January–March from the last quarter of 2015. Demand for paperboard is expected to remain good in Americas and the market situation to remain stable in Europe.

The average price of Metsä Board's folding boxboard will be reduced by the start-up volumes from the new folding boxboard machine at Husum. The company estimates that the required quality objectives will be reached by the third quarter of 2016, according to the original plan.

The delayed start-up phase of the new production line will have a negative impact on the production volumes of pulp and paperboard in the first quarter. According to the original plan, Metsä Board's target is to sell 200,000 tonnes of the new folding boxboard from Husum to the Americas and for food service packaging globally in 2016.

The global demand for and supply of long-fibred pulp is expected to remain fairly stable. Metsä Board's market pulp deliveries are expected to grow from the last quarter of 2015. Paper deliveries will decrease as planned, and the prices are expected to remain stable.

Production costs in January–March are expected to remain at approximately the level of the last quarter of 2015.

It is estimated that the investment programme at Husum will have a positive effect of approximately EUR 50 million on Metsä Board's annual operating result. The company estimates that approximately a third of this result improvement will be realised in 2016. Correspondingly, the positive impact of the EUR 20 million divestment of the Gohrsmühle mill will show in the 2016 operating result in full. Of this, somewhat over a half was realised in the 2015 result.

Metsä Board's operating result excluding non-recurring items in the first quarter of 2015 is expected to improve slightly compared to the last quarter of 2014.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Note	1 JAN–31 DEC 2015	1 JAN–31 DEC 2014
SALES	3, 31	2,007.5	2,008.4
Change in stocks of finished goods and work in progress	6	-15.1	10.3
Other operating income	5, 31	47.7	69.6
Materials and services	6, 31	-1,408.0	-1,449.4
Employee costs	6	-234.5	-252.6
Share of result from associated companies and joint ventures	13, 31	61.3	43.7
Depreciation, amortisation and impairment charges	3, 7	-103.5	-125.6
Other operating expenses	6, 31	-156.4	-187.9
OPERATING RESULT		199.0	116.5
Share of result from associated companies and joint ventures	13	0.1	0.3
Net exchange gains/losses	8	-3.4	2.7
Other financial income	8, 31	1.1	1.6
Interest and other financial expenses	8, 31	-29.7	-43.5
RESULT BEFORE TAX		167.1	77.6
Income taxes	9	-29.8	-9.1
RESULT FOR THE PERIOD		137.3	68.5
OTHER COMPREHENSIVE INCOME			
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS	20		
Actuarial gains/losses on defined pension plans		6.3	-26.3
Income tax relating to items that will not be reclassified		-2.7	7.7
Total		3.6	-18.6
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS	20		
Cash flow hedges		-2.9	-11.2
Available for sale investments		-23.0	-0.6
Translation differences		7.0	-15.1
Share of result from other comprehensive income of associated companies and joint ventures		0.3	-4.4
Income tax relating to components of other comprehensive income		5.5	2.4
Total		-13.1	-28.9
Other comprehensive income, net of tax		-9.5	-47.5
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		127.8	21.0
RESULT FOR THE PERIOD ATTRIBUTABLE TO:			
Shareholders of parent company		137.3	68.5
Non-controlling interest		0.0	0.0
		137.3	68.5
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Shareholders of parent company		127.8	21.0
Non-controlling interests		0.0	0.0
		127.8	21.0
BASIC AND DILUTED EARNINGS PER SHARE FOR RESULT ATTRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY, EUR	10	0.39	0.20

The notes are an integral part of the financial statements.



CONSOLIDATED BALANCE SHEET

EUR million	Note	31 DEC 2015	31 DEC 2014
ASSETS			
NON-CURRENT ASSETS			
Goodwill	11	12.4	12.7
Other intangible assets	11	13.7	15.1
Tangible assets	12, 32	812.3	737.7
Investments in associated companies and joint ventures	13	260.2	223.1
Available for sale investments	13, 14, 27	210.2	233.3
Other non-current financial assets	15, 27	14.6	11.2
Deferred tax receivables	16	4.5	17.3
		1,327.9	1,250.4
CURRENT ASSETS			
Inventories	17	299.3	339.8
Accounts receivables and other receivables	18, 23, 27, 31	270.9	308.2
Current income tax receivables		0.0	0.0
Derivative financial instruments	26, 27	0.2	0.0
Cash and cash equivalent	19, 23, 27, 31	321.8	250.4
		892.2	898.4
TOTAL ASSETS		2,220.1	2,148.8
SHAREHOLDERS' EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY			
Share capital	20	557.9	557.9
Translation differences		14.2	6.9
Fair value and other reserves		111.7	132.1
Reserve for invested unrestricted equity		383.1	284.8
Retained earnings		-38.0	-140.3
		1,028.9	841.4
NON-CONTROLLING INTERESTS		0.0	0.0
TOTAL SHAREHOLDERS' EQUITY		1,028.9	841.4
NON-CURRENT LIABILITIES			
Deferred tax liabilities	16	80.2	78.2
Post employment benefit obligations	21	14.6	112.2
Provisions	22, 32	8.3	24.7
Borrowings	23, 26, 27	611.3	580.8
Other liabilities	24, 26, 27	0.2	1.4
Derivative financial instruments	26, 27	11.3	6.4
		725.9	803.7
CURRENT LIABILITIES			
Provisions	22, 32	13.8	10.1
Current borrowings	23, 26, 27, 31	47.6	103.2
Accounts payable and other liabilities	25, 26, 27, 31	387.3	370.3
Current income tax liabilities		2.9	0.0
Derivative financial instruments	26, 27	13.7	20.1
		465.3	503.7
TOTAL LIABILITIES		1,191.2	1,307.4
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,220.1	2,148.8

The notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Equity attributable to shareholders of parent company

EUR million	Note	Share capital	Translation differences	Fair value and other reserves	Reserve for invested unrestricted equity	Retained earnings	Total	Non-controlling interest	Total
Shareholders' equity, 1 Jan 2014		557.9	25.9	142.0	284.8	-161.0	849.6	0.0	849.6
Result for the period						68.5	68.5	0.0	68.5
Other comprehensive income net of tax	20		-19.0	-9.9		-18.6	-47.5		-47.5
COMPREHENSIVE INCOME TOTAL			-19.0	-9.9		49.9	21.0	0.0	21.0
Share based payments						0.3	0.3		0.3
Related party transaction									
Dividend distribution	4					-29.5	-29.5		-29.5
SHAREHOLDERS' EQUITY, 31 DEC 2014		557.9	6.9	132.1	284.8	-140.3	841.4	0.0	841.4
Shareholders' equity, 1 Jan 2015		557.9	6.9	132.1	284.8	-140.3	841.4	0.0	841.4
Result for the period						137.3	137.3	0.0	137.3
Other comprehensive income net of tax	20		7.3	-20.4		3.6	-9.5		-9.5
COMPREHENSIVE INCOME TOTAL			7.3	-20.4		140.9	127.8	0.0	127.8
Share based payments						0.8	0.8		0.8
Related party transaction									
Share issue net of transaction costs					98.3		98.3		98.3
Dividend distribution						-39.4	-39.4		-39.4
SHAREHOLDERS' EQUITY, 31 DEC 2015		557.9	14.2	111.7	383.1	-38.0	1,028.9	0.0	1,028.9

The notes are an integral part of the financial statements.



CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	2015	2014
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the period		137.3	68.5
Adjustments to the result, total	28	66.3	82.8
Interest received		0.6	1.4
Interest paid		-24.9	-40.4
Dividends received	8, 13	25.0	25.2
Other financial items, net		-8.5	4.5
Income taxes paid		-21.3	-2.8
Change in working capital	28	72.2	59.0
NET CASH FLOW FROM OPERATING ACTIVITIES		246.7	198.2
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of other shares		-1.5	-1.5
Capital expenditure		-175.0	-42.5
Proceeds from disposal of shares in subsidiary, net of cash	4, 28	-38.2	
Proceeds from disposal of other shares		1.1	
Proceeds from sale of tangible and intangible assets		6.5	44.5
Proceeds from non-current receivables		0.0	3.0
NET CASH FLOW FROM INVESTING ACTIVITIES		-207.1	3.5
CASH FLOW FROM FINANCING ACTIVITIES			
Share issue net of transaction costs		97.9	
Proceeds from non-current interest bearing liabilities		7.6	381.1
Payment of non-current interest bearing liabilities		-34.1	-395.6
Proceeds from current liabilities, net		-1.1	-5.6
Change in current interest bearing receivables, net		0.1	2.6
Change in non-current non-interest bearing liabilities, net		-0.2	1.9
Dividends paid		-39.4	-29.5
NET CASH FLOW FROM FINANCING ACTIVITIES		30.8	-45.1
CHANGE IN CASH AND CASH EQUIVALENTS		70.4	156.6
Cash and cash equivalents at beginning of period		250.4	94.2
Translation adjustments		1.0	-0.4
Changes in cash and cash equivalents		70.4	156.6
CASH AND CASH EQUIVALENTS AT END OF PERIOD	19	321.8	250.4

The notes are an integral part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

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

MAIN OPERATIONS

Metsä Board Corporation and its subsidiaries comprise a forest industry group, which operations are organised into two business areas: Paperboard and Non-core operations. There are also the operating segments of the company from the first quarter of 2015. After the divestment of Gohrsmühle mill in May 2015, the Group has manufacturing operations in two countries in Europe. Europe is also the company's main market area, but its products are sold worldwide. Paperboard segment includes folding boxboard, fresh forest fibre linerboard, wall-paper base and market pulp businesses. Non-core operations segment covers the remaining standard paper business of Husum plant, which is planned to be fully discontinued by end of 2017. Furthermore, the segment includes cast coated paper and label paper businesses of the Gohrsmühle mill until May 2015.

Metsä Board Corporation is Group's parent company, which is domiciled in Helsinki. The registered address of the company is Revontulenpuisto 2, 02100 Espoo Finland. The parent company is listed on Nasdaq Helsinki Ltd. At the end of 2015 Metsäliitto Cooperative owned 40.2 per cent of the shares, and the voting rights conferred by these shares were 60.9 per cent.

The copy of the annual report can be obtained in Metsä Board's website www.metsaboard.com or parent company's head office Revontulenpuisto 2, 02100 Espoo Finland.

The Group consolidated financial statements were authorised for issue by the Board of Directors on 2 February 2016.

According to Finnish Companies Act shareholders can accept or reject the financial statements in General Meeting of shareholders after date of publication. General Meeting of shareholders also have possibility to decide to change financial statements.

ACCOUNTING POLICIES AND MEASUREMENT BASES

Metsä Board Corporation'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 company legislation supplementing the IFRS regulations.

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

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, and share-based business operations settled by means of cash, which have been recognised at fair value.

GOING CONCERN

According to management assessment, the Group has sufficient resources to continue as a going concern in foreseeable future. Consequently, the group has prepared the financial statements on a going concern basis.

NEW AND AMENDED STANDARDS APPLIED

IN THE FINANCIAL YEAR ENDED

The Group has applied the same accounting policies in preparation of the consolidated financial statements as in the annual financial statements for 2014 except for the effect of changes required by the adoption of the following new standards, interpretations and amendments to existing standards and interpretations on 1 January 2015.

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 did not have an 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 varied standard by standard but were 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. Subsidiaries are consolidated in the consolidated financial statements in their entirety starting on the day on which the Group obtains control in them. Consolidation is terminated when control ceases.



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 through 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.

The amount, by which the sum of paid consideration, proportion of non-controlling shareholders in the acquisition target and previously owned proportion exceeds the Group's proportion of the fair value of the acquired net assets, is reported in balance sheet as goodwill. If the total amount of consideration, proportion of non-controlling shareholders and previously owned portion is lower than fair value of acquired net assets, the difference is recognised in income statement.

Acquired subsidiaries are consolidated from the point of time at which the Group obtains control of them. Disposed subsidiaries are included in consolidated Group accounts until the time they are no longer under Group control.

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 exceeds the fair value of identifiable 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.

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 as necessary.

In an acquisition that is completed in stages, 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 fair value on the date 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 of 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 accounted for according to the standards in effect during that time.

STRUCTURED ENTITIES

Alrec Boiler Oy, which was established for the combustion of Metsä Board's Kaskinen high-yield mill's own concentrate in 2009, is consolidated in a similar manner to a subsidiary. The project is a fixed-term (seven years) product development project. Metsä Board has a redemp-

tion right to the company's assets; it is likely that Metsä Board will exercise its redemption right. After the redemption right has been exercised, but latest from 1 January 2017, the other shareholder of Alrec Boiler Oy has a right to acquire (call option) and Metsä Board has a right to sell (put option) the Alrec Boiler shares it owns to the other shareholder at a price set in the agreement between the two shareholders.

TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Business transactions with non-controlling interests are processed in the same way as those with Group shareholders. When shares are purchased from non-controlling interest, 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 interest 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 share 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 share 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 said assets on 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 significant influence but no control. Usually, significant influence is based on shareholding conferring 20–50 per cent 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 following the acquisition is recognised in the income statement, 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 an associated company's or joint ventures' losses is as large as or larger than its share of the associated company or joint venture including any other unsecured receivables, the Group will not recognise additional losses unless it has commitments concerning the associated company or joint venture 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 shareholding 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.

The Group's share of the profits of associated companies and joint ventures is reported in income statement on a separate line "Share of profits from associated companies and joint ventures" in operating profit if the associated company or joint venture essentially is linked to Group's business, otherwise below operating profit. The Group's share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income.

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 functional currency using the rate of the closing date. Non-monetary items in foreign currencies recognised at fair value have been translated into 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 recognised 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 is it recognised in income statement as an adjustment of the hedged sales.

More information about foreign currency hedging is provided under section "Derivative financial instruments and hedge accounting" of the accounting principles.

The income statements of Group companies whose functional 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 by applying the exemption under IFRS 1, and they are no longer entered in the income statement if the subsidiary is disposed of subsequently. Starting from transition date, translation differences have been presented in shareholders' equity as 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 originally included in the carrying value, when the item is not 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 are investments classified as held for trading. Held for trading financial assets are mainly derivatives, for which hedge accounting is not applied. The principles applied to accounting and valuation of these instruments are provided below under section "Derivative financial instruments and hedge accounting".

Held-to-maturity investments include those investments with a maturity of more than six months 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 and Metsä Group's internal accounts, loan 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 fair value reserve, taking 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 been impaired so that an impairment loss is to be recognised for the investment.

Cash and cash equivalents consist of cash and other short-term, highly liquid investments which can be easily converted to an amount of cash known in advance and which carry a minimal risk of value changes. Metsä Board 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. 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 moved substantially under acquisition cost for a period of time exceeding the period of time defined by the Group, there is indication that the value of the investment is 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 financial assets include:

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

Impairment testing of accounts receivables is described below in section "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 reversed in the income statement. Unless the assets classified as held for sale investments, for which the impairment loss is always reversed in the other comprehensive income.

FINANCIAL LIABILITIES

The Group has classified all financial liabilities under "Other liabilities" category. When a financial liability is first recognised in the accounts, it

is measured at cost, which is equal to the fair value of the consideration received for it. Transaction costs are deducted from 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".

Financial assets and liabilities are classified according to IAS 39 and fair values are presented in the Note 27.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivative financial instruments are initially recognised in the balance sheet at cost and thereafter during their term-to-maturity are 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 fair value 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 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. The fair values of derivatives classified in accordance with the applied accounting practice are presented in Notes to the accounts no. 27. The maturity analysis of cash flow hedge accounting is presented in Notes to the accounts no. 26.

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 forecast cash flow of sales in

USD, GBP and SEK is the object of hedge accounting. A change in the fair value of a derivative hedge (currency forward contracts) proven effective is recognised directly in shareholders' equity in the fair value reserve, and only after the realisation of the forecasted sales transaction is it 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 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 fair valued determined with Black&Scholes model.

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 loans designated to be hedged and derivative contracts, that meet the criteria for effective hedge accounting, are recognised in financial income and expenses through profit and loss. The fair value of loans is calculated with respect to interest rate risk element, but any changes in the company's credit risk premium have not been taken into account.

Moreover, to hedge its interest rate exposure, the Group applies as part of 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 shareholders' equity 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

Metsä Board applies cash flow hedge accounting in accordance with IAS 39 to hedges on its electricity, propane and gasoil price exposure. A separately defined portion of highly probable cash flow of electricity and propane purchases and logistics cost in Finland and Sweden is the object of hedge accounting. Additionally hedge accounting could be applied to pulp price risk hedging of Metsä Board as so-called cash flow hedge. A change in the fair value of a derivative hedge (forward electricity, propane and pulp contracts) proven effective is recognised directly in shareholders' equity in fair value reserve, and only after the realisation of the forecast electricity and propane purchases or pulp sales is it recognised in income statement as an adjustment of the hedged purchases or sales. The ineffective part of derivatives classified to hedge accounting and other commodity derivatives hedging commodity price risk are recognised at market rates at the balance sheet date, and changes in fair value are recognised in 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 income statement. The amount of embedded derivatives at the Metsä Board 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 operating decision-maker. The Corporate Management Team has been appointed as the chief operating 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. Operating profit, assets and liabilities of own pulp mills as well as share of profit in associated companies and net assets of Metsä Fibre have been allocated to operating segments based on purchases of pulp.

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 is expected to be recovered 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 programme to complete the plan. The asset must be available 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. 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 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 reliably. Capitalised development costs are amortised over their estimated useful lives. Metsä Board does not have capitalised development expenditure.

BORROWING COSTS

Borrowing costs are generally recognised as an expense in the period in which they are incurred. In a major and long-term investment project undertaken to produce an item of property, plant and equipment, the borrowing costs directly attributable to the acquisition, construction and production of the asset are included in the asset's cost.

INCOME TAXES

Tax expense in the income statement is comprised of the current tax and deferred taxes. Current tax and deferred tax that relates to items that are recognised in comprehensive income shall be, respectively, 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 recognised at the carrying amount and does not concern business combinations, 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 be realised in the foreseeable 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 loss carryforwards and measurement at fair value in connection with business combinations.

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 utilised.

INTANGIBLE ASSETS

GOODWILL

Goodwill arising from the merging of business operations is recognised in the amount by which the sum of the consideration paid, the share of non-controlling interest in the company to be acquired and the previous holding exceed the fair value of the acquired net assets. Goodwill arising from the acquisition of subsidiaries is included in intangible assets.

Goodwill is not amortised but it is tested for impairment annually or whenever indications of potential impairment have been identified. Goodwill is allocated to cash-generating units for impairment testing. Goodwill is allocated to those units or groups of units expected to benefit from the business combination in which the goodwill has arisen. Goodwill is recognised in balance sheet at cost less accumulated impairment losses. Impairment losses from goodwill are not reversed.

OTHER INTANGIBLE ASSETS

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

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 five 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 and IT applications is recorded as an expense in the reporting period in which it has been incurred.

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.

OTHER

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 5–10 years.

The estimated useful lives of intangible assets are reviewed at each balance sheet date and if they differ significantly from previous estimates, the amortisation periods are altered accordingly.

PROPERTY, PLANT AND EQUIPMENT

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

Cost of property, plant and equipment includes all costs directly attributable to acquisition of an item of property, plant and equipment. Cost of self-constructed property, plant and equipment includes materials, directly attributable employee benefit expenses and other direct expenses needed to bring the asset to the condition necessary for it to operate in its intended purpose. Borrowing cost arising from acquisition, construction and production of a qualifying asset is included in its acquisition cost.

If an item of property, plant and equipment comprises several components with different useful lives, each component is treated as a separate asset. In this case, the cost of replacing such a component is recognised as a new asset with any remaining book value of the replaced asset is derecognised as expense.

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 costs of an item of property, plant and equipment arising from additions, partial replacement or maintenance, are included in the book value of the original asset only if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. Repair and maintenance expenditures are recognised in profit and loss as incurred.

Property, plant and equipment is depreciated on a straight-line basis over the useful life of the asset. Land and water are not depreciated.

Estimated useful lives are as follows:

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	5–20 years

The residual value of an asset, its useful life and depreciation method are verified 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, in other words when it is in such a location and state, that it is able to function as intended by management. Depreciation is discontinued when a tangible asset of property, plant and equipment is classified as held for sale or when it is included in a group of assets classified as held for sale according to IFRS 5 standard Non-current Assets Held for Sale and Discontinued Operation.

Gains and losses arising from the sale and decommissioning of items of property, plant and equipment are recognised in income statement and reported as other operating income. Capital gain or loss is calculated as the difference between the net revenue obtained and the carrying amount of the disposed asset.

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 reductions in lease liabilities over the lease term in such a manner, that in each period, the remaining liability balance receives the same fixed interest rate.

Lease agreements in which the risks and rewards incident to ownership remain with the lessor are treated as 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 carrying 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 determined based on 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 the assets generate largely independent cash flows. 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 on a pro rata basis to goodwill of the cash-generating unit and thereafter on a pro rata basis to 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.

INVENTORIES

Inventories are measured at the lower of cost and net realisable value. The value of inventories is determined using the FIFO (first-in, first-out) method or, alternatively, the weighted average cost method depending on the nature of the inventories.

The cost of purchased inventories comprises all purchase cost including direct transport, handling and other expenses. The cost of finished and semi-finished goods includes raw materials, cost of direct labour, other direct cost as well as systematically allocated share of

variable and fixed production overheads incurred at normal level of production activity. Cost of inventories does not include borrowing cost. Net realisable value is the estimated selling price that is obtainable less the costs of completion and the costs necessary to make the sale.

ACCOUNTS RECEIVABLES

Accounts receivables are measured at the expected net realisable value, which is the original invoicing value less estimated impairment allowances on the receivables. Impairment test is carried for all receivables at bankruptcy or overdue over 180 days, when there is a justifiable reason to assume that the Group will not receive payment for the invoiced amount according to the original terms.

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 annual 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 OBLIGATIONS

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 obliga-

tion based on an agreement or a constructive obligation has arisen on the basis of past practices.

SHARE-BASED PAYMENT

A share-based incentive programme, in which payments are made with equity instruments and cash, has been established for company's top executives. Incentives granted in equity instruments are valued at fair value on grant date and recognised as expense in income statement and equity on straight-line basis over the vesting term. Incentives granted in cash are valued at fair value on each closing date and recognised as expense in income statement and liability in balance sheet over the vesting term. The effect on profit of incentive programmes is presented under employee costs.

EARNINGS PER SHARE

Undiluted earnings per share are calculated using the weighted average number of shares during the reporting period. In calculating earnings per share adjusted for the effect of dilution, the average number of shares is adjusted for the dilution effect of any equity instruments that have been issued. In calculating earnings per share, earnings are taken to be the reported earnings attributable to the parent company's shareholders. Earnings, both undiluted and adjusted for the effect of dilution, are calculated separately for continuing and discontinued operations.

DIVIDENDS PAYABLE

Dividends payable by the company are recorded as a decrease in equity in the period during which shareholders, in a general meeting, have approved the dividend for payment

COMPARATIVE FIGURES

Where necessary, comparative figures have been classified to conform to changes in presentation in the current year.

ADOPTION OF NEW AMENDED STANDARDS AND INTERPRETATIONS APPLICABLE IN THE FUTURE FINANCIAL PERIODS

The Group has not yet adopted the following new and amended standards and interpretations already issued by the IASB. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year. (* = 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 amendments are designed to encourage companies to apply judgement in determining what information to disclose in the financial statements. For example, the amendments clarify the application of the materiality concept and judgement when determining where and in what order information is presented in the financial disclosures. The amendment is not deemed to have a material impact on consolidated financial statements.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint



Venture* (effective date postponed indefinitely): The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are not assessed to have an impact on 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 add new guidance to IFRS 11 on how to account for the acquisition of an interest in a joint operation that constitutes a business, i.e. business combination accounting is required to be applied. The amendment is not assessed to have an impact on consolidated financial statements.

Annual Improvements to IFRSs, 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 IFRSs to be grouped together and issued in one package annually. The amendments cover in four standards. Their impacts vary standard by standard but are not significant.

New IFRS 15 Revenue from Contracts with Customers* (effective for financial years beginning on or after 1 January 2017): IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. Under IFRS 15 an entity shall recognise revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group is currently assessing the impact of IFRS 15.

New IFRS 9 Financial Instruments* (effective for financial years beginning on or after 1 January 2018): IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group is assessing the impact of IFRS 9.

Other new or amended standards or interpretations are not assessed to have an impact on 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 the goodwill and intangible assets not ready to use 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. No impairments were recognised in 2015 due to impairment testing.

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 on 31 December 2015 amounted to EUR 206.0 million. The carrying amount of Pohjolan Voima shares is estimated to remain unchanged if the rates used for discounting were 10 per cent higher than the rates estimated by the management. The carrying amount of shares is estimated to be EUR 0.4 million lower if the rates used for discounting were 10 lower than the rates estimated by the management. The carrying amount of shares is estimated to be EUR 24.5 million higher or EUR 24.5 million lower should the energy prices used for calculating the fair value differ by 10 per cent 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. If the fair value of Pohjolan Voima Oy shares was deemed to have significantly and non-temporarily decreased below the acquisition cost, an additional after tax loss with maximum amount of EUR 31 million would have been recognised in the financial statements of 2015. Additionally, there would have been a EUR 133 million net of deferred tax reduction in fair value reserve recognised in other comprehensive income and arising from reversal of cumulative positive fair value adjustments to Pohjolan Voima Oy shares recognised in the period ended as well as prior periods.

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. Metsä Board's balance sheet included inventories amounting to EUR 299.3 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. Metsä Board's balance sheet at 31 December 2015 included accounts receivables amounting to EUR 221.6 million and new impairment losses for trade receivables amounting to EUR 0.1 million were recognised in the financial year.



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. 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. A recorded provision illustrates the management's best estimate of the current value of future expenses, but actual expenditure may differ from the estimate. Provisions amounted to EUR 22.1 million on Metsä Board'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 included EUR 0.1 million deferred tax assets recognised for tax loss carry-forwards. 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 assets and liabilities based on the taxable income for the period and deferred tax assets and liabilities in the period during which they are observed.

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 Corporate Management Team is the chief operating decision-maker. The Corporate Management Team has determined that the operating segments are based on the reports used by the Team in strategic decision-making. The Corporate Management Team monitors the business operations based on business areas. The sales of the reportable operating segments are mainly generated by sales of board and paper and pulp.

Metsä Board Corporation renewed its management and reporting structure as of 1 January 2015 to enable successful implementation of the company's growth strategy in paperboard business. Metsä Board Group's business operations are divided into two business areas, which also constitute its reporting segments from the first quarter of 2015 onwards: Paperboard and Non-core operations.

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

The reported result for the operating segments is operating result (result before financial items). Operating segments' assets and liabilities are items directly used by the segments in their business operations or items that based on reasonable basis can be allocated to the segments. The goodwill arising from business combinations has been allocated to the operating segments based on the expected synergies from the combinations. Operating result, assets and liabilities of pulp mills as well as share of profit and net assets of associate company Metsä Fibre have been allocated to operating segments based on purchases of pulp. Capital employed related to Metsä Board's Pohjolan Voima Oy ownership, earlier reported under Other operations, has been allocated to Paperboard 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 and acquisition of shares.

REPORTABLE SEGMENTS

Paperboard

Non-core operations

Other operations

The Group has not aggregated operating segments when identifying the reportable segments.

Segment sales from external customers by geographical area are based on the geographical location of the customer and segment assets and capital expenditure by geographical location of the assets.

Paperboard segment includes folding boxboard, fresh forest fibre linerboard, wallpaper base and market pulp businesses. Segment's products are sold to boxboard printers, corrugated cartonboard manufacturers, converters, manufacturers of branded goods and wholesalers. Lightweight and pure cartonboards made of fresh forest fiber are ideal for packaging of e.g. foods, confectionery, cigarettes, medicines and cosmetics.

Non-core operations segment covers the remaining standard paper business of Husum plant, which is planned to be fully discontinued by end of 2017. Furthermore, the segment includes cast coated paper and label paper businesses of the Gohrsmühle mill until May 2015.

Paperboard segment includes Kyro, Simpele, Tako and Äänekoski board mills in Finland, linerboard mills in Husum Sweden and Kemi Finland as well as the folding boxboard mill started in Husum in the beginning of 2016. The segment also includes Kyro wallpaper base machine and high-yield pulp mills located in Joutseno and Kaskinen in Finland. The section of Husum mill still manufacturing standard paper is included in Non-core operations segment. The segment also includes specialty paper mill in Gohrsmühle in Germany, which the Group divested in May 2015.

Other operations include Head office, sales company network, Group IT services and hedge accounting of sales revenue and energy sales from the pulp mills or through Metsä Board's holdings in energy companies.

SALES BY OPERATING SEGMENT

EUR million	2015			2014		
	EXTERNAL	INTERNAL	TOTAL	EXTERNAL	INTERNAL	TOTAL
Paperboard	1,611.6	0.0	1,611.6	1,444.2	0.0	1,444.2
Non-core operations	364.8	7.9	372.8	502.1	15.0	517.1
Other operations	31.0	248.7	279.7	62.1	225.3	287.4
Elimination of the inter-segment sales		-256.6	-256.6		-240.3	-240.3
Total	2,007.5	0.0	2,007.5	2,008.4	0.0	2,008.4



**OPERATING RESULT AND RETURN ON CAPITAL EMPLOYED
BY OPERATING SEGMENT**

	2015			2014		
	Operating result	Excl. non-recurring items	Return on capital employed, %	Operating result	Excl. non-recurring items	Return on capital employed, %
EUR million						
Paperboard	236.6	236.3	20.0	184.3	180.2	16.4
Non-core operations	3.0	-16.3	1.5	-57.4	-17.7	-19.5
Other operations	-40.6	-40.2		-10.4	-26.1	
Total	199.0	179.9	12.5	116.5	136.5	7.7
Share of results from associated companies	0.1			0.3		
Finance costs, net	-32.0			-39.2		
Income taxes	-29.8			-9.1		
Result for the period	137.3			68.5		

NON-RECURRING ITEMS IN OPERATING RESULT IN 2015

EUR million	Paperboard	Non-core operations	Other operations	Total
Gains on disposal in other operating income		17.5		17.5
Employee costs			-0.3	-0.3
Impairment charges and reverse of impairment charges	0.3	-0.4		-0.1
Other operating expenses		2.2	-0.2	2.0
Total	0.3	19.3	-0.5	19.2

Paperboard segment includes EUR 0.3 million reversal of impairment charge arising from disposal of old papermachine at Simpele mill.

Non-core operations segment reported a EUR 17.5 million gain on sale of Gohrsmühle mill in Germany and EUR 2.6 million non-recurring income from reversing unused provisions related to the closure of

Alizay mill in France. Additionally, a EUR -0.4 million impairment was recognised on goodwill related to operations of a sales company which will be closed.

Other operations non-recurring items consist mostly of restructuring cost related to a sales company located in the United Kingdom.

NON-RECURRING ITEMS IN OPERATING RESULT IN 2014

EUR million	Paperboard	Non-core operations	Other operations	Total
Gains on disposal in other operating income			32.1	32.1
Employee costs	-0.2	-9.2	-0.3	-9.7
Share of result from associated companies	4.0	0.0		4.0
Impairment charges and reverse of impairment charges	0.3	-26.1		-25.8
Other operating expenses		-4.4	-16.1	-20.5
Total	4.1	-39.7	15.7	-19.9

Paperboard segment reported EUR -0.2 million non-recurring employee costs due to paper sales reorganisation in China. Metsä Board's share of profit on sale of Pohjolan Voima shares by Metsä Fibre was EUR 4.0 million and almost fully allocated to Paperboard segment. Additionally, a reversal of impairment charges amounting to EUR 0.3 million was reported in the segment following disposal of old papermachine at Simpele mill.

Non-core operations segment included a provision of EUR -13.4 million (EUR -9.2 million employee costs and EUR -4.2 million other

operating expenses) related to reorganisation recognised in Metsä Board Sverige AB. Based on impairment testing, an impairment of EUR -26.1 million was recognised in Metsä Board Zanders due to weak profitability of Gohrsmühle mill.

Other operations included EUR 32.1 million gain from a sale of property in Finland and EUR -19.6 million (EUR -17.4 in operating result and EUR -2.2 million in financial items) in damages to UPM-Kymmene related to Metsä Fibre Oy's share transaction in 2012 as well as EUR 1.1 million rental provision reversals.

ASSETS, LIABILITIES AND GOODWILL BY OPERATING SEGMENT

EUR million	Assets		Liabilities		Goodwill	
	2015	2014	2015	2014	2015	2014
Paperboard	1,574.4	1,397.7	327.1	273.0	12.1	12.1
Non-core operations	246.8	403.4	65.1	190.6		0.4
Other operations	144.1	150.9	124.0	151.1	0.2	0.2
Elimination	-75.2	-77.9	-75.2	-77.9		
Unallocated	330.0	274.7	750.1	770.6		
Total	2,220.1	2,148.8	1,191.2	1,307.4	12.4	12.7

CAPITAL EXPENDITURE, DEPRECIATION AND IMPAIRMENT CHARGES BY OPERATING SEGMENT

EUR million	Capital expenditure		Depreciation		Impairment charges and reverse of impairment charges	
	2015	2014	2015	2014	2015	2014
Paperboard	163.5	32.9	63.3	62.8	-0.3	-0.3
Non-core operations	9.7	9.9	37.0	34.1	0.4	26.1
Other operations	3.3	1.4	3.1	2.9		
Total	176.5	44.2	103.4	99.8	0.1	25.8

Segment assets include goodwill, other intangible assets, tangible assets, biological assets, investments in associated companies, inventories, accounts receivables and prepayments and accrued income (excl. interest and income tax items). Segment liabilities include non-interest-bearing liabilities (excl. interest and income tax items). Capital employed is segment assets less segment liabilities. The formula for calculation of return on capital employed:

Segment: Operating result/Capital employed (average)*100
Group: Profit from continuing operations before tax + interest expenses, net exchange gains/losses and other financial expenses/Total assets ./ non-interest-bearing liabilities (average)*100.

In the following tables are presented information of sales, assets and investments by geographical areas.

GEOGRAPHICAL AREAS

EUR million	External sales by location of customer		Total non-current assets by country		Capital expenditure by country	
	2015	2014	2015	2014	2015	2014
Germany	258.1	220.2	3.3	9.0	0.4	0.9
Finland	173.6	203.2	938.5	952.4	24.4	28.3
Great Britain	194.5	175.6	8.8	4.4		
Italy	131.0	130.9	0.0	0.0		
Sweden	116.2	110.1	371.8	266.3	151.6	14.9
France	98.0	109.1	0.0	0.0		
Russia	89.4	82.9	0.0	0.0		
Poland	64.6	76.6	0.0	0.0		
Spain	60.5	56.9	0.0	0.0		
The Netherlands	34.1	54.7	0.0	0.0		
Belgium	36.0	39.7	0.2	0.0		0.0
Austria	48.9	34.3	0.0	0.0		
Switzerland	14.7	17.8	0.0	0.0		
Other Europe	121.3	145.7	0.4	0.5		0.0
North America	256.0	202.1	0.3	0.2	0.1	0.1
Asia	207.3	232.6	0.1	0.3		0.0
Other countries	103.3	116.0	0.0	0.0		
Total	2,007.5	2,008.4	1,323.4	1,233.1	176.5	44.2

Non-current assets include other assets but financial instruments and deferred tax assets.



PERSONNEL AT YEAR END BY COUNTRY

	2015	2014
Finland	1,494	1,469
Sweden	810	866
Germany	61	540
Belgium	49	49
USA	37	29
China	33	42
Other countries	117	116
Total	2,601	3,111

PERSONNEL BY OPERATING SEGMENT, AVERAGE

	2015	2014
Paperboard	1,430	1,474
Non-core operations	798	1,161
Other operations	623	565
Group total	2,851	3,200

Group's income from one customer amounted to EUR 261 million (281) or 13 (14) per cent of total sales. Sales of all segments include sales to the customer.

4. Disposed and discontinued operations and non-current assets held for sale

There were no acquisitions during 2015 or 2014.

Metsä Board divested its 100 per cent holding in Metsä Board Zanders GmbH, the subsidiary owning the mill in Gohrsmühle, to a company wholly owned by German mutares AG and to its partner company. Cash balance of the divested company amounted to EUR 35.8 million, including cash equivalent funds in immediately available deposits. The disposal had a cash flow effect of EUR -38.2 million and resulted in a recognised non-recurring divestment gain of EUR 17.5 million.

METSÄ BOARD ZANDERS GMBH, DISPOSED ASSETS

EUR million	2015
Other intangible assets	0.0
Tangible assets	5.5
Deferred tax receivables	10.9
Inventories	30.7
Accounts receivables and other receivables, interest bearing	0.3
Accounts receivables and other receivables, non-interest bearing	16.5
Cash and cash equivalents	35.8
Total assets	99.7
Non-controlling interest	0.0
Post employment benefit obligations	93.6
Provisions	2.1
Current borrowings	0.0
Accounts payable and other liabilities	23.8
Total liabilities	119.5
Net assets	-19.8
Transaction fees paid for professional services	1.2
Total	-18.6
Divestment proceeds received	-1.1
Disposal gain	17.5
Income taxes	0.0
Disposal gain after tax	17.5
Disposal gain	17.5
Divestment proceeds received	-1.1
Transaction fees paid for professional services	-1.2
Cash and cash equivalents of disposed subsidiary	-35.8
Proceeds from disposal of shares in subsidiary, net of cash	-38.2

DISPOSAL OF NON-CONTROLLING INTEREST

Metsä Board Zanders GmbH owned 90 per cent of BGE Eisenbahn Güterverkehr GmbH's shares. As part of divestment transaction completed in May 2015, non-controlling interest in Metsä Board's consolidated balance sheet was reduced by EUR 0.03 million.

5. Other operating income

EUR million	2015	2014
Gains on disposal	23.8	36.5
Rental income	1.2	1.4
Service revenue	8.0	8.4
Government grants and allowances	3.8	6.4
Scrap and waste sale	2.1	4.3
Other operating income	8.8	12.6
Total	47.7	69.6

Gains on disposal include EUR 17.5 million gain from sale of Metsä Board Zanders GmbH shares to a company owned by mutares AG and its partner company in May 2015, EUR 3.4 million gain on sales of property mostly in Finland and EUR 1.9 million from electricity certificates of Metsä Board Sverige. Remaining disposal gains of EUR 1.0 million arose mainly from sale of non-current shaerholdings.

The most significant gains on disposals in 2014 were the EUR 33.8 million gain on sales of property in Finland and some EUR 2.6 million related to electricity certificates disposed by Metsä Board Sverige.

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

6. Operating expenses

EUR million	2015	2014
Change in stocks of finished goods and work in progress	-15.1	10.3
MATERIALS AND SERVICES		
Raw materials and consumables	1,110.0	1,152.6
Change in inventories	-2.8	-1.3
External services		
Logistics expenses	246.5	238.5
Other external services	54.3	59.6
	1,408.0	1,449.4
EMPLOYEE COSTS		
Wages and salaries	151.7	164.2
Share-based payments (note 30)	2.9	1.9
Social security costs		
Pension costs		
Defined benefit plans	0.9	1.0
Defined contribution plans	22.8	21.0
Social security costs	56.2	64.5
	79.9	86.5
Employee costs, total	234.5	252.6
OTHER OPERATING EXPENSES		
Rents and other real estate expenses	11.6	11.8
Purchased services	73.3	79.5
Losses on sale of fixed assets	0.1	0.3
Other operating expenses	71.4	96.3
Total	156.4	187.9

External services include production related services and logistics expenses of sold products. Other operating expenses include among other things non-production related services, energy costs, real estate costs and administration costs.

Share based payments are presented in Note 30 and the compensations paid to the key management are presented in Note 31.

Other operating expenses were reduced by EUR 2.6 million in 2015 due to reversal of unused provisions and accruals related to the closed Alizay mill in France.

Other operating expenses of 2014 included EUR 17.4 million in damages paid to UPM-Kymmene following a judgment issued by the Arbitral Tribunal on 11 February 2014.

In 2014 employee expenses were increased by a reorganisation provision of EUR 9.2 million recognized by Metsä Board Sverige AB. The provision also increased other operating expenses by EUR 4.2 million.

Research and development costs during the financial period 2015 were EUR 6.3 million and in 2014 EUR 6.0 million.

PRINCIPAL AUDITORS FEES

The independent principal auditor was KPMG Oy in 2015. 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 AUDITORS FEES AND SERVICES

EUR million	2015	2014
Audit fees	0.4	0.5
Tax consultancy	0.0	0.0
Other fees	0.0	0.0
Total	0.4	0.5

In 2015 fees paid to other auditors than KPMG were EUR 0.05 million. In 2014 fees paid to other auditors were EUR 0.05 million.



7. Depreciation, amortisation and impairment charges

EUR million	2015	2014
DEPRECIATION AND AMORTISATION		
Other intangible assets	3.7	3.3
Buildings	8.4	8.5
Machinery and equipment	90.0	86.3
Other tangible assets	1.3	1.7
Total	103.4	99.8
IMPAIRMENT CHARGES AND REVERSED IMPAIRMENT CHARGES		
Goodwill	0.4	
Other intangible assets		1.3
Land and water areas		3.1
Buildings		1.4
Machinery and equipment	-0.3	18.2
Other tangible assets		1.8
Total	0.1	25.8
Depreciation, amortisation and impairment charges, total	103.5	125.6
IMPAIRMENT CHARGES AND REVERSED IMPAIRMENT CHARGES BY SEGMENT		
Paperboard	-0.3	-0.3
Non-core operations	0.4	26.1
Total	0.1	25.8

Depreciation, amortisation and impairment charges in Non-core operations segment include an impairment loss of EUR 0.4 million related to goodwill of a sales company which will be closed. A reversal of previous impairment of EUR 0.3 million, arising from disposal of old paper-machine at Simpele mill, was recognised in the financial period under Paperboard segment.

In Non-core operations segment, depreciation, amortisation and impairment charges for 2014 included an impairment loss of EUR 26.1 million recognised in Metsä Board Zanders' Gohrsmühle mill based on impairment testing as a result of weak profitability. In Paperboard segment, impairment charges of EUR 0.3 million were reversed following disposal of old paper-machine at Simpele mill.

IMPAIRMENT OF ASSETS

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 performed each quarter. Should the sensitivity analysis indicate impairment, a full test will be initiated. The Audit Committee reviews the sensitivity analyses or impairment testing results quarterly.

TESTING PRINCIPLES

The carrying values of asset items or cash generating units are evaluated for possible impairment. Cash-generating units are operating segments or smaller units to which a recoverable amount can be defined to. In 2015 testing, the cash-generating units are Folding boxboard, Liner, Kyro Paper and Market Pulp. In 2014 testing, the cash-generating units were Folding boxboard, Kemi, Kyro Paper, Husum paper and liner, Zanders and Market Pulp. The changes in the cash-generating units are due to Metsä Board's plan to discontinue Husum's paper production and focus on paperboard businesses. Cash-generating unit Folding boxboard includes folding boxboard mills in Finland and the new folding boxboard production line in Husum. Cash-generating unit Liner includes linerboard businesses in Kemi and Husum. Cash-generating unit Zanders was divested in May 2015.

If there are indications of impairment of an asset item or cash-generating unit, or if the unit's carrying amount includes or it has been allocated goodwill, the recoverable amount of the asset or cash-generating unit is measured. The recoverable amount of the asset or cash-generating unit is the value in use based on future cash flows, or fair value less cost to sell. In 2015 testing, all recoverable amounts are based on value in use of cash-generating units.

The recoverable cash flows for the cash-generating units under testing are based on five-year forecasts with subsequent cash flows expected to grow at a constant rate.

The key 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 paper and board prices, delivery volumes, foreign exchange rates, and capacity utilisation rates, cost development of key raw materials such as wood, pulp, chemicals and energy, the development of personnel costs and other fixed costs as well as the discount rate. The key factors affecting estimates are similar to those used in 2014 testing.

Metsä Board's share of Metsä Fibre's recoverable amounts, carrying amount and goodwill included in "Investment in associated companies and joint ventures" (EUR 45.2 million) are allocated to Cash generating units in the proportion of their pulp purchases.

For the situation on 30 September 2015 and for previous goodwill impairment tests, the cash flows subsequent 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.

8. Financial income and expenses

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 concerning situation 30 September 2015, the WACC after taxes was 5.09 per cent (2014: 5.14) 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 cash-generating unit to another.

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

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

The most important cash-generating units of Metsä Board Group, the goodwill allocated to them as of 30 September 2015 as well as their testing result as of 30 September 2015:

	Goodwill	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%
Metsä Board Group total	57.6	

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

EUR million	2015	2014
EXCHANGE DIFFERENCES		
Commercial items	7.2	19.6
Hedging / hedge accounting not applied	-10.4	-16.6
Other items	-0.2	-0.3
Total	-3.4	2.7
OTHER FINANCIAL INCOME		
Interest income on loans, other receivables and cash and cash equivalents	1.0	1.4
Divided income	0.1	0.2
Other financial income total	1.1	1.6
VALUATION OF FINANCIAL ASSETS AND LIABILITIES		
Impairment charges from financial assets	-2.2	0.0
Gains and losses on derivatives / hedge accounting not applied		-0.8
Gains and losses on hedging instrument in fair value hedges	-1.0	0.7
Gains and losses on hedged item in fair value hedges	0.9	-0.1
Valuation total	-2.3	-0.2
Interest expenses from financial liabilities carried at amortised cost using the effect interest rate method	-26.1	-41.4
Other financial expenses	-1.3	-1.8
Interest and other financial expenses, total	-27.4	-43.2
Valuation of financial assets and liabilities and interest and other financial expenses, total	-29.7	-43.5

Impairment charges from financial assets include EUR 2.2 million write-off of shareholder loan to Pohjolan Voima Oy for OL4 project.

Interest expenses of 2014 included EUR 2.2 million in interest paid to UPM-Kymmene based on the judgment issued by the Arbitral Tribunal on 11 February 2014.



9. Income taxes

EUR million	2015	2014
Income taxes for the financial period	14.4	7.6
Income taxes from previous periods	9.6	0.2
Change in deferred taxes	5.7	1.2
Other taxes	0.1	0.1
Total	29.8	9.1

INCOME TAX RECONCILIATION

Result before taxes	167.1	77.6
Computed tax at Finnish statutory rate or 20.0%	33.4	15.5
Difference between Finnish and foreign rates	-4.4	-5.0
Tax exempt income	-3.9	0.0
Non-deductible expenses	4.5	0.4
Previous years tax losses used during period	0.0	-0.3
Adjustments to previously recognised deferred taxes	-0.4	0.0
Losses from subsidiaries, of which no deferred tax asset have been recognised	3.2	7.0
Share of result from associated companies and joint ventures	-12.3	-8.8
Income taxes from previous periods	9.6	0.2
Other	0.1	0.1
Income tax expense	29.8	9.1
Effective tax rate, %	17.8	11.7

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 of previous periods' taxes in its tax expense of 2015. Metsä Board will appeal against the decision issued by the Tax Administration, as the company believes the losses are deductible.

THE INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

EUR million	Before taxes	Taxes	2015 After taxes
Items that will not be reclassified to profit or loss			
Actuarial gains/losses on defined pension plans	6.3	-2.7	3.6
Items that may be reclassified to profit or loss			
Cash flow hedges	-2.9	0.9	-2.0
Available for sale investments	-23.0	4.6	-18.4
Share of other comprehensive income of associated companies	0.1	0.0	0.1
Translation differences	7.0	0.0	7.0
Share of other comprehensive income of associated companies, translation differences	0.2	0.0	0.2
Total	-18.6	5.5	-13.1

THE INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

EUR million	Before taxes	Taxes	2014 After taxes
Items that will not be reclassified to profit or loss			
Actuarial gains/losses on defined pension plans	-26.3	7.7	-18.6
Items that may be reclassified to profit or loss			
Cash flow hedges	-11.2	2.3	-8.9
Available for sale investments	-0.6	0.1	-0.5
Share of other comprehensive income of associated companies	-0.5	0.0	-0.5
Translation differences	-15.1	0.0	-15.1
Share of other comprehensive income of associated companies, translation differences	-3.9	0.0	-3.9
Total	-31.3	2.4	-28.9

10. Earnings per share

	2015	2014
RESULT FOR THE PERIOD ATTRIBUTABLE TO SHARE-HOLDERS OF PARENT COMPANY, EUR MILLION	137.3	68.5
Adjusted number of shares (average) in thousands	349,504	338,216
Basic and diluted earnings per share, EUR	0.39	0.20

The 2014 earnings per share has been issue-adjusted. The rights issue factor was 1.030627.

11. Intangible assets

EUR million	Goodwill	Other intangible assets	Construction in progress	Total
Acquisition costs, 1 Jan 2015	12.7	172.4	0.1	185.2
Translation differences		0.3		0.3
Increases		1.7	0.0	1.7
Decreases		-21.0	0.0	-21.0
Transfers between items		0.7	-0.1	0.6
Acquisition costs, 31 Dec 2015	12.7	154.1	0.0	166.8
Accumulated depreciation, amortisation and impairment charges, 1 Jan 2015		-157.4		-157.4
Translation differences		-0.2		-0.2
Accumulated amortisation on deduction and transfers		20.9		20.9
Amortisation for the period		-3.7		-3.7
Impairments for the period	-0.4			-0.4
Accumulated depreciation, 31 Dec 2015	-0.4	-140.4		-140.8
Book value, 1 Jan 2015	12.7	15.0	0.1	27.8
Book value, 31 Dec 2015	12.4	13.7	0.0	26.1

EUR million	Goodwill	Other intangible assets	Construction in progress	Total
Acquisition costs, 1 Jan 2014	12.7	169.8	8.1	190.6
Translation differences		-0.9	0.0	-0.9
Increases		8.8	0.0	8.8
Decreases		-11.7	1.6	-13.3
Transfers between items		6.4	-6.4	0.0
Acquisition costs, 31 Dec 2014	12.7	172.4	0.1	185.2
Accumulated depreciation, amortisation and impairment charges, 1 Jan 2014		-155.3		-155.3
Translation differences		0.6		0.6
Accumulated amortisation on deduction and transfers		1.9		1.9
Amortisation for the period		-3.3		-3.3
Impairments for the period		-1.3		-1.3
Accumulated depreciation, 31 Dec 2014		-157.4		-157.4
Book value, 1 Jan 2014	12.7	14.5	8.1	35.3
Book value, 31 Dec 2014	12.7	15.0	0.1	27.8

Current year impairment charges include an impairment loss of EUR 0.4 million related to goodwill of a sales company which will be closed. Impairment charges for 2014 include an impairment loss of EUR 1.3 million recognised in Metsä Board Zanders' Gohrsmühle mill based on impairment testing. Other intangible assets include among other things computer software, patents and licenses. Metsä Board has not capitalised development expenditure.



12. Tangible assets

EUR million	Land and water areas	Buildings	Machinery and equipment	Other tangible assets	Construction in progress	Total
Acquisition costs, 1 Jan 2015	23.6	667.0	3,180.8	80.8	15.4	3,967.6
Translation differences	0.0	2.8	24.1	0.6	2.6	30.1
Increases	0.0	0.6	22.7	0.0	151.1	174.4
Decreases	-10.1	-247.6	-779.6	-42.6	-1.4	-1,081.3
Transfers between items		0.1	8.3	0.0	-9.1	-0.7
Acquisition costs, 31 Dec 2015	13.5	422.9	2,456.3	38.8	158.6	3,090.1
Accumulated depreciation, 1 Jan 2015	-5.3	-524.4	-2,628.6	-71.6		-3,229.9
Translation differences	0.0	-2.3	-19.8	-0.5		-22.6
Accumulated depreciation on deduction and transfers	4.8	247.6	779.1	42.6		1,074.1
Depreciation for the period		-8.4	-90.0	-1.3		-99.7
Impairment charges and reversed impairment charges			0.3			0.3
Accumulated depreciation and impairment charges, 31 Dec 2015	-0.5	-287.5	-1,959.0	-30.8		-2,277.8
Book value, 1 Jan 2015	18.3	142.6	552.2	9.2	15.4	737.7
Book value, 31 Dec 2015	13.0	135.4	497.3	8.0	158.6	812.3

EUR million	Land and water areas	Buildings	Machinery and equipment	Other tangible assets	Construction in progress	Total
Acquisition costs, 1 Jan 2014	24.8	672.2	3,322.2	80.1	18.3	4,117.6
Translation differences	-0.1	-7.9	-69.0	-1.7	-0.3	-79.0
Increases	0.2	1.0	14.8	0.4	14.5	30.9
Decreases	-1.4	-0.3	-95.4	0.0	-4.8	-101.9
Transfers between items	0.1	2.0	8.2	2.0	-12.3	0.0
Acquisition costs, 31 Dec 2014	23.6	667.0	3,180.8	80.8	15.4	3,967.6
Accumulated depreciation, 1 Jan 2014	-2.2	-521.1	-2,691.0	-69.5		-3,283.8
Translation differences	0.0	6.6	55.0	1.4		63.0
Accumulated depreciation on deduction and transfers		0.0	111.9			111.9
Depreciation for the period		-8.5	-86.3	-1.7		-96.5
Impairment charges and reversed impairment charges	-3.1	-1.4	-18.2	-1.8		-24.5
Accumulated depreciation and impairment charges, 31 Dec 2014	-5.3	-524.4	-2,628.8	-71.6		-3,229.9
Book value, 1 Jan 2014	22.6	151.1	631.2	10.6	18.3	833.8
Book value, 31 Dec 2014	18.3	142.6	552.2	9.2	15.4	737.7

Tangible asset decreases include the assets of Metsä Board Zanders divested in May 2015. Reversed impairment charges include reversal of impairment on sale of an old paper machine Simpele mill reported under Paperboard segment.

Impairment charges for 2014 included impairment losses of EUR 24.8 million recognised in Metsä Board Zanders' Gohrmühle mill based on impairment testing as a result of the weak profitability as well as a reverse of impairment charges of EUR 0.3 million related to disposal of old papermachine at Simpele mill.

Real estate mortgages for loans from financial institutions, pension loans and other liabilities amounted to EUR 232.8 million (232.8). Commitments are presented in the Note 30.

Borrowing costs totaling EUR 1.8 million were capitalised in tangible assets (in 2014 no borrowing costs were capitalised). The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 3.85 per cent.

At 31 December 2015 tangible assets include assets acquired under finance lease agreements:

EUR million	Buildings	Machinery and equipment	Total
Acquisition costs	0.8	44.7	45.5
Accumulated depreciation	-0.1	-34.3	-34.4
Book value, 1 Jan 2015	0.7	10.7	11.4
Book value, 31 Dec 2015	0.7	10.4	11.1

At 31 December 2014 tangible assets include assets acquired under finance lease agreements:

EUR million	Buildings	Machinery and equipment	Total
Acquisition costs	0.8	42.5	43.3
Accumulated depreciation	-0.1	-31.8	-31.9
Book value, 1 Jan 2014	0.8	10.9	11.7
Book value, 31 Dec 2014	0.7	10.7	11.4

Additions include assets of EUR 0.1 million (2014: EUR 0.4 million) acquired under finance lease agreements.



13. Group structure

THE PRINCIPAL SUBSIDIARIES 31 DECEMBER 2015

	Country	Group's holding, %	Number of shares
SHARES AND HOLDINGS IN THE GROUP			
Metsäliitto Cooperative	Finland		179,171

SHARES IN SUBSIDIARIES

IN FINLAND

Alrec Boiler Oy ¹⁾	Finland	24.92	899
Oy Hangö Stevedoring Ab	Finland	100.00	150
Metsä Board Kemi Oy	Finland	100.00	2,000,000
OOO Peterbox	Russia	100.00	
Metsä Board International Oy	Finland	100.00	10,000

IN OTHER COUNTRIES

Metsä Board Deutsche Holding GmbH	Germany	100.00	
Metsä Board Netherlands Fine B.V.	The Netherlands	100.00	1,000
Metsä Board IBP Deals Americas Ltd	USA	100.00	50
Metsä Board NL Holding B.V.	The Netherlands	100.00	15,350
Metsä Board Reinsurance AG	Switzerland	100.00	19,997
Metsä Board Sverige Ab	Sweden	100.00	10,000,00
M-real UK Holdings Ltd	Great Britain	100.00	146,750,000

¹⁾ Structured entity, in which Metsä Board has a purchase option and it is probably that Metsä Board will utilise the option. After the redemption right has been exercised, but latest from 1 January 2017, the other shareholder of Alrec Boiler Oy has a right to acquire (call option) and Metsä Board has a right to sell (put option) the Alrec Boiler shares it owns to the other shareholder at a price set in the agreement between the two shareholders.

	Country	Group's holding, %	Number of shares
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SUBGROUPS IN FINLAND

METSÄ BOARD INTERNATIONAL OY

Metsä Board Benelux n.v./s.a	Belgium	100.00	2,921
Metsä Board OOO	Russia	100.00	100
Metsä Board CZ, s.r.o.	Czech Republic	100.00	
Metsä Board Deutschland GmbH	Germany	100.00	1
Metsä Board France S.A.	France	100.00	8,211
M-real Hellas Ltd	Greece	51.00	306
Metsa Board Hong Kong Ltd	Hong Kong	100.00	100
Metsa Board Shanghai Ltd	China	100.00	
Metsa Board Ibérica S.A.	Spain	100.00	147,871
Metsa Board Italia S.r.l.	Italy	100.00	100,000
Metsä Board Hungary Kft	Hungary	100.00	30
Metsä Board (Middle East & North Africa) Ltd	Cyprus	100.00	742,105
Metsä Board Polska Sp. Z o.o.	Poland	100.00	232
Metsä Board Nordic A/S	Denmark	100.00	36
Metsä Board Nordic AB	Sweden	100.00	1,000
Metsa Board Singapore Pte Ltd	Singapore	100.00	10,000
Metsä Board Schweiz AG	Switzerland	100.00	100
Metsa Board UK Ltd	Great Britain	100.00	2,400
Metsa Board Americas Corporation	USA	100.00	180
Metsa Board Australia and New Zealand Pty Ltd	Australia	100.00	1
Metsa Board Middle East & Africa DMCC	United Arab Emirates	100.00	50

	Country	Group's holding, %	Number of shares
SUBGROUPS IN OTHER COUNTRIES			
Metsä Board Deutsche Holding GmbH			
Metsäliitto Energie GmbH	Germany	80.00	
Metsä Board NL Holding B.V.			
Metsä Board IBP China Ltd	China	100.00	
Metsä Board IBP (HK) Ltd	Hong Kong	100.00	7,009,900
M-real UK Holdings Ltd			
M-real UK Services Ltd	Great Britain	100.00	115,800,001
	Country	Group's holding, %	Number of shares
JOINT OPERATIONS			
Äänevoima Oy ¹⁾	Finland	56.25	4,500,000
Ääneverkko Oy ¹⁾	Finland	56.25	51,000

¹⁾ The primary purpose of the arrangement is to produce energy for the parties, and liabilities incurred in the arrangement shall in actuality be paid from cash flows obtained when the parties purchase the energy generated.

JOINT OPERATIONS

Äänevoima Oy and Ääneverkko Oy have been consolidated using line-by-line method proportionate to the Metsä Board Group's holding. Group's consolidated Income statement and Balance sheet included assets, liabilities, income and costs as follows:

EUR million	2015	2014
Non-current assets	11.0	12.1
Current assets	4.1	4.5
Assets total	15.1	16.6
Non-current liabilities	15.7	1.4
Current liabilities	3.0	19.6
Liabilities total	18.7	21.0
Sales	12.9	13.2
Expenses	12.2	13.6
The result for the period	0.7	-0.5

MATERIAL SUBSIDIARIES

Metsä Board has two material subsidiaries:

- Metsä Board Sverige AB
- Metsä Board Kemi Oy

Metsä Board Sverige AB is located in Örnsköldsvik, Sweden. Metsä Board Sverige AB produces fresh forest fibre linerboard, uncoated paper and until the end of 2015 also coated fine paper. The company started folding boxboard production in the beginning of 2016. In addition, Metsä Board Sverige AB produces pulp for its own needs. Metsä Board Sverige AB's sales are approximately EUR 585 million (627).

The company's capacity is 300,000 tonnes of liner, 400,000 tonnes of folding boxboard and 750,000 tonnes of chemical pulp. Metsä Board Sverige AB's liner production and folding boxboard production starting in 2016 are included in Paperboard segment and remaining paper production in Non-core operations segment. The result as well as assets and liabilities of pulp are allocated to segments based on usage. Metsä Board Sverige AB's pulp has been allocated almost evenly between Paperboard and Non-core operations segments in 2015.

Metsä Board Kemi Oy is located in Kemi, Finland. Metsä Board Kemi Oy produces fresh forest fibre linerboard, and the company's capacity is 410,000 tonnes. The company's sales are approximately EUR 322 million (278). Metsä Board Kemi is included in Paperboard segment.

Non-controlling interest in Metsä Board consolidated Balance sheet amounts to EUR 0.0 million.

INVESTMENTS IN ASSOCIATED COMPANIES AND IN JOINT VENTURES

EUR million	2015	2014
At 1 Jan	223.1	208.7
Share of results from associated companies and joint ventures		
Share of result from Metsä Fibren (operating result)	61.3	43.7
Share of results from other associated companies and joint ventures	0.1	0.3
Dividends received	-24.9	-25.0
Share of other comprehensive income from associated companies and joint ventures		
Fair value reserve	0.1	-0.5
Translation differences and other changes in equity	0.5	-4.1
At 31 Dec	260.2	223.1



AMOUNTS IN INCOME STATEMENT

EUR million	2015	2014
Associated companies	61.3	43.7
Joint ventures	0.1	0.3
Total	61.4	44.0

AMOUNTS IN BALANCE SHEET

EUR million	2015	2014
Associated companies	259.9	222.9
Joint ventures	0.3	0.2
Total	260.2	223.1

The carrying amount in associated companies at 31 December 2015 includes goodwill of EUR 45.2 million (2014: 45.2).

FINANCIAL INFORMATION SUMMARY OF ESSENTIAL ASSOCIATED COMPANIES

According to management's view, the only essential associated company is Metsä Fibre Group, which produces chemical pulp. Metsä Board owns 24.9 per cent of Metsä Fibre. Metsä Board's parent company, Metsäliitto Cooperative, owns 50.2 per cent, and Itochu Corporation from Japan owns 24.9 per cent. Metsä Fibre has operations primarily in Finland, and its production capacity is approximately 2.5 million tonnes of chemical pulp.

SUMMARISED FINANCIAL INFORMATION FOR METSÄ FIBRE

METSÄ FIBRE GROUP

EUR million	2015	2014
Sales	1,444.6	1,295.7
Profit for the period	263.4	179.0
Other comprehensive income	1.6	-17.8
Total comprehensive income for the period	265.0	161.2
Dividends received	24.9	24.9
Non-current assets	638.6	460.2
Current assets	614.4	555.6
Non-current liabilities	98.6	67.9
Current liabilities	315.9	275.3
Net assets	838.5	672.6

RECONCILIATION OF FINANCIAL INFORMATION FOR METSÄ FIBRE TO THE VALUE RECOGNISED IN CONSOLIDATED BALANCE SHEET

EUR million	2015	2014
Group's share of net assets	208.8	167.5
Goodwill	45.2	45.2
Other purchase price allocations (PPA)	9.9	11.0
Other items	-4.4	-1.2
Carrying amount in consolidated Balance sheet	259.5	222.5

Metsä Fibre has been consolidated according to equity method based on its respective consolidated financial statement prepared with IFRS.

FINANCIAL INFORMATION SUMMARY OF OTHER THAN ESSENTIAL ASSOCIATED COMPANIES

EUR million	2015	2014
Share of results from other associated companies	0.0	0.0
Carrying amount in consolidated balance sheet	0.4	0.4

JOINT VENTURES

Metsä Board has one joint venture, Kemishipping Oy. Kemishipping Oy offers logistics services in Kemi, in Finland. Parties have joint control of relevant activities. Kemishipping Oy has been consolidated according to equity method. Metsä Board's ownership is 15 per cent.

EUR million	2015	2014
Sales	16.8	18.3
Profit for the period	0.6	1.1
Profit for the period includes the following items:		
Depreciation and impairment charges	1.7	1.7
Interest expenses	0.4	0.6
Income taxes	0.2	0.2
Dividends received	0.0	0.0
Non-current assets	9.7	10.6
Current assets		
Cash and cash equivalents	2.8	3.4
Other current assets	1.9	2.0
Non-current liabilities		
Non-current financial liabilities	8.6	10.0
Other non-current liabilities	0.1	0.1
Current liabilities		
Current financial liabilities	1.3	1.7
Other current liabilities	2.3	2.8
Net assets	2.1	1.4
Group's share of net assets	0.3	0.2
Carrying amount in consolidated Balance sheet	0.3	0.2

None of the associated companies or joint ventures are listed companies. Transaction and balances with associated companies and joint ventures are presented in the Note 31.

14. Available for sale investments

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

EUR million	2015	2014
Shares in other companies		
Listed companies	0.1	0.4
Other companies	210.1	232.9
Total	210.2	233.3

The most important shareholding of non-quoted companies consists of 2.6 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 market prices. The Group controls about 5.2 per cent of the electricity produced by Olkiluoto nuclear power plant (OL1 and OL2) through Pohjolan Voima's B-shares, about 6.3 per cent electricity produced by Meripori coal-fired power plant (through C2 shares). The Group also controls 84 per cent of the energy produced by Hämeenkyron Voima Oy (through Pohjolan Voima's G10 shares). In addition, the Group also has, through Pohjolan Voima's B2 shares, a share of about 1.5 per cent in Olkiluoto 3, the new nuclear power plant under construction.

The ownership is measured quarterly at fair value on share series basis by using the average of discounted cash flow method and valuation based on earlier transaction. The weighted average cost of capital used was 2.72 (2014: 2.48) per cent and 5.72 per cent (6.48) for the Olkiluoto 3 under construction. 12 months rolling averages have been used for energy price estimates, which evens out the effect of fluctuations in short-term energy price estimates. The changes in fair value less deferred tax calculated at Finnish tax rate are recorded in other comprehensive income and presented under fair value reserve in equity.

The acquisition cost of shares in Pohjolan Voima Oy is EUR 39.1million (39.1) and the fair value EUR 206.0 million (228.7), which can be allocated to different shares as follows: The fair value of nuclear power shares totals EUR 198.8 million (223.1), of which B shares constitute EUR 193.6 million (224.9) and B2 shares EUR 5.2 million (-1.8). Coal power plant shares (C2 shares) have a fair value of EUR -4.9 million (-6.4) and G10 shares EUR 12.0 million (12.0).

Shareholder agreement restricts free selling of shares to others than existing shareholders. Sensitivity analysis of Pohjolan Voima Oy's shares based on changes in key assumptions is presented in Note 2.

Other shares in unquoted companies, for which fair value cannot be measured reliably, are carried at cost less any impairment losses.

15. Other non-current financial assets

EUR million	2015	2014
INTEREST-BEARING LOAN RECEIVABLES		
Loans from Group companies		
Loans from associated companies and joint ventures	0.3	0.3
Other loan receivables	3.4	6.3
	3.7	6.6
NON-INTEREST BEARING RECEIVABLES		
Loans from Group companies	0.0	0.0
Other loan receivables	0.2	0.2
Defined benefit pension plans (note 21)	10.7	4.4
	10.9	4.6
Other non-current financial assets total	14.6	11.2

Loans from Group companies are loans granted to parent company Metsäliitto Cooperative and to other subsidiaries of the parent company.



16. Deferred taxes

RECONCILIATION OF DEFERRED TAX ASSETS AND LIABILITIES TO 2015 BALANCE SHEET

EUR million	As at 31 Jan 2015	Charged in income statement	Charged to other item of com- prehensive income	Translation differences	Disposed operations	As at 31 Dec 2015
Deferred tax assets						
Pension obligations and other provisions	19.0	-1.4	-1.1	0.1	-10.9	5.7
Intercompany margins	1.1	-0.5				0.6
Unused operating loss carry-forwards	3.8	-3.7				0.1
Financial instruments	7.8	-0.2	1.7			9.3
Other temporary differences	0.0	0.6				0.6
Deferred tax assets, total	31.7	-5.2	0.6	0.1	-10.9	16.3
Netting against liabilities	-14.4	3.6	-1.0	0.0		-11.8
Deferred tax assets in Balance sheet	17.3	-1.6	-0.4	0.1	-10.9	4.5
Deferred tax liabilities						
Pension obligations	0.5	0.3	1.5	0.1		2.4
Appropriations	53.3	-0.6		0.8		53.5
Available for sale financial assets recognised at fair value	38.0		-4.6			33.4
Financial instruments	0.0	0.7	0.8			1.5
Hedge of net investments in foreign operations	0.0	-0.3		0.3		0.0
Other temporary differences	0.8	0.4				1.2
Deferred tax liabilities, total	92.6	0.5	-2.3	1.2		92.0
Netting against assets	-14.4	3.6	-1.0	0.0		-11.8
Deferred tax liabilities in Balance sheet	78.2	4.1	-3.3	1.2		80.2

RECONCILIATION OF DEFERRED TAX ASSETS AND LIABILITIES TO 2014 BALANCE SHEET

EUR million	As at 31 Jan 2014	Charged in income statement	Charged to other item of com- prehensive income	Translation differences	As at 31 Dec 2014
Deferred tax assets					
Pension obligations and other provisions	12.5	-0.9	7.5	-0.1	19.0
Intercompany margins	1.5	-0.4			1.1
Unused operating loss carry-forwards	3.9	-0.1			3.8
Financial instruments	5.1	0.5	2.2		7.8
Deferred tax assets, total	23.0	-0.9	9.7	-0.1	31.7
Netting against liabilities	-12.5	0.2	-2.3	0.2	-14.4
Deferred tax assets in Balance sheet	10.5	-0.7	7.4	0.1	17.3
Deferred tax liabilities					
Pension obligations	0.7	0.0	-0.2	0.0	0.5
Appropriations	57.4	-1.6		-2.5	53.3
Available for sale financial assets recognised at fair value	38.1		-0.1		38.0
Hedge of net investments in foreign operations		2.1		-2.1	0.0
Other temporary differences	0.8	-0.2		0.2	0.8
Deferred tax liabilities, total	97.0	0.3	-0.3	-4.4	92.6
Netting against assets	-12.5	0.2	-2.3	0.2	-14.4
Deferred tax liabilities in Balance sheet	84.5	0.5	-2.6	-4.2	78.2

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 on either the same taxable entity or different taxable entity, which intend to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

The Group has recognised deferred tax assets related to operating loss carry-forwards for EUR 0.1 million in Finland. Management assesses that taxable profit will be available against which loss carry-forward can be utilised.

The taxable loss carry-forwards of business operations, for which deferred tax assets have not been recognised due to uncertainty of amount or utilisation possibilities, amounted approximately to EUR 508 million (1,128), mainly in Finland. The unrecognised deferred tax assets for these loss carry forwards is about EUR 113 million (265). About EUR 205 million of the loss carry-forwards will expire between 2016–2020 and another EUR 205 million between 2021–2025. The remaining loss carry-forwards of about EUR 98 million do not expire.

17. Inventories

EUR million	2015	2014
Raw materials and consumables	72.9	81.2
Work in progress	0.0	9.0
Finished goods and goods for sale	214.4	238.4
Advance payments	12.0	11.2
Total	299.3	339.8

Metsä Board Sverige AB recognised EUR 2.0 million in reduction of carrying value of inventories during 2015. In 2014, the cost of inventories recognised as expense to reduce the carrying amount to equal the net realisable value was EUR 1.3 million in Metsä Board Zanders and EUR 1.7 million in Metsä Board Sverige AB.

The expense is included in materials and services in the income statement.

18. Accounts receivables and other receivables

EUR million	2015	2014
Financial assets at fair value through profit or loss (current)		
At 1 Jan	0.0	0.0
No changes		
At 31 Dec	0.0	0.0

Financial assets at fair value through profit or loss are mainly derivatives, to which hedge accounting is not applied.

INTEREST-BEARING LOAN RECEIVABLES

Other loan receivables	0.0	0.3
Total	0.0	0.3

ACCOUNTS RECEIVABLES AND OTHER NON-INTEREST-BEARING RECEIVABLES

From group companies		
Accounts receivables	13.5	12.5
Other receivables	0.0	0.0
Prepayment and accrued income	0.2	1.8
	13.7	14.3
From associated companies and joint ventures		
Accounts receivables	0.2	0.2
	0.2	0.2
From others		
Accounts receivables	207.9	240.1
Other receivables	31.8	35.3
Prepayment and accrued income	17.3	17.9
	257.0	293.3
Accounts receivables and other receivables	270.9	308.2

Receivables from Group companies are receivables from parent company Metsäliitto Cooperative and from other subsidiaries of the parent company.

DOUBTFUL ACCOUNTS RECEIVABLES

Accounts receivables are recognised net of the following provision for impairment:

EUR million	2015	2014
At 1 Jan	4.7	4.5
Increases	0.4	2.0
Decreases	-2.4	-1.8
At 31 Dec	2.7	4.7

EUR 0.1 million of credit loss was recognised during 2015 (EUR 0.3 million in 2014).

AGEING ANALYSIS OF ACCOUNTS RECEIVABLES, EXTERNAL

No overdue	192.5	199.1
Overdue		
Less than 30 days	11.5	34.9
Between 31 and 60 days	1.1	2.4
Between 61 and 90 days	0.3	2.0
Between 91 and 180 days	1.6	0.5
More than 180 days	0.9	1.2
Total	207.9	240.1

19. Cash and cash equivalents

EUR million	2015	2014
Current investments	0.0	4.3
Cash at bank and in hand	321.8	246.1
Total	321.8	250.4

Cash and cash equivalents comprises cash on hand and other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk in changes in value. Metsä Group has classified as cash and cash equivalents short-term money market investments according to Group Treasury Policy and interest-bearing receivables comparable to cash funds and available immediately from Metsä Group's internal bank Metsä Group Treasury Oy.



20. Shareholders' equity

CHANGES IN SHARE CAPITAL

EUR million	Share capital		Total
	Series A	Series B	
At 1 Jan 2014	61.2	496.7	557.9
No changes in 2014			
At 31 Dec 2014	61.2	496.7	557.9
Conversion of A shares into B shares	-0.2	0.2	0.0
Rights issue		0.0	0.0
At 31 Dec 2015	61.0	496.9	557.9

Each series A share entitles its holder to twenty (20) votes at a General Meeting of Shareholders, and each series B share entitles the holder to one (1) vote. All shares carry the same right to receive a dividend. Metsä Board's A shares can be converted to B shares if shareholder or representative of the nominee registered shares makes a written request of the conversion to the company. No monetary consideration is paid for the conversion.

NUMBER OF SHARES

	Series A	Series B	Total
At 1 Jan 2014	35,985,651	292,179,961	328,165,612
No changes in 2014			
At 31 Dec 2014	35,985,651	292,179,961	328,165,612
Conversion of A shares into B shares	-90,000	90,000	0
Rights issue		27,347,134	27,347,134
At 31 Dec 2015	35,895,651	319,617,095	355,512,746

The share has no nominal value. All shares have been paid in full.

In the first quarter of 2015, Metsä Board Oyj organised a rights issue, in which 27,347,134 new B shares in total were subscribed at EUR 3.66 per share. The funds received from the new shares, net of transaction cost and deferred tax, was added to reserve for invested unrestricted equity.

FAIR VALUE AND OTHER RESERVES

EUR million	2015	2014
Fair value reserve	110.0	130.4
Legal reserve and reserves stipulated by the Articles of Association	1.7	1.7
Total	111.7	132.1
Reserve for invested unrestricted equity	383.1	284.8

LEGAL RESERVE AND RESERVES STIPULATED BY THE ARTICLES OF ASSOCIATION

Legal reserve and reserves stipulated by the Articles of Association have been created and accumulated on resolutions by the General Meeting of Shareholders.

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.

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 less deferred tax, when requirements of hedge accounting have been fulfilled.

RESERVE FOR INVESTED UNRESTRICTED EQUITY

According to Finnish Limited Liability Companies Act the reserve for invested unrestricted equity shall be credited with that part of the subscription price of the shares that according to the share issue decision is not to be credited to the share capital and that according to the Accounting Act is not to be credited to liabilities, as well as with other equity inputs that are not to be credited to some other reserve.

DIVIDENDS

After Balance sheet day the Board of Directors has proposed a dividend of EUR 0.17 per share.

**OTHER COMPREHENSIVE INCOME
AFTER TAXES 2015**

EUR million	Equity attributable to shareholders of parent company				Non-controlling interest	Total equity
	Translation differences	Fair value and other reserves	Retained earnings	Total		
Actuarial gains/losses on defined pension plans			6.3	6.3		6.3
Income tax relating to items that will not be reclassified			-2.7	-2.7		-2.7
Cash flow hedges						
Currency flow hedges						
Gains and losses recorded in equity		-13.3		-13.3		-13.3
Transferred to adjust sales		21.9		21.9		21.9
Interest flow hedges						
Gains and losses recorded in equity		2.6		2.6		2.6
Transferred to adjust financial items						
Commodity hedges						
Gains and losses recorded in equity		-27.7		-27.7		-27.7
Transferred to adjust purchases		13.6		13.6		13.6
Cash flow hedges, total		-2.9		-2.9		-2.9
Available for sale financial assets						
Gains and losses recorded in equity		-22.7		-22.7		-22.7
Transferred to financial income		-0.3		-0.3		-0.3
Share of other comprehensive income of associated companies		0.0		0.0		0.0
Available for sale financial assets, total		-23.0		-23.0		-23.0
Translation differences	7.1			7.1		7.1
Gains and losses on hedges of net investments in foreign operations						
Share of other comprehensive income of associated companies	0.2			0.2		0.2
Translation differences, total	7.3			7.3		7.3
Income tax relating to items that may be reclassified		5.5		5.5		5.5
Other comprehensive income after taxes	7.3	-20.4	3.6	-9.5		-9.5

**OTHER COMPREHENSIVE INCOME
AFTER TAXES 2014**

EUR million	Equity attributable to shareholders of parent company				Non-controlling interest	Total equity
	Translation differences	Fair value and other reserves	Retained earnings	Total		
Actuarial gains/losses on defined pension plans			-26.3	-26.3		-26.3
Income tax relating to items that will not be reclassified			7.7	7.7		7.7
Cash flow hedges						
Currency flow hedges						
Gains and losses recorded in equity		-20.0		-20.0		-20.0
Transferred to adjust sales		9.9		9.9		9.9
Interest flow hedges						
Gains and losses recorded in equity						
Transferred to adjust financial items		-1.3		-1.3		-1.3
Commodity hedges						
Gains and losses recorded in equity		-3.4		-3.4		-3.4
Transferred to adjust purchases		3.6		3.6		3.6
Cash flow hedges, total		-11.2		-11.2		-11.2
Available for sale financial assets						
Gains and losses recorded in equity		-0.6		-0.6		-0.6
Transferred to financial income						
Share of other comprehensive income of associated companies		-0.5		-0.5		-0.5
Available for sale financial assets, total		-1.1		-1.1		-1.1
Translation differences	-15.1			-15.1		-15.1
Gains and losses on hedges of net investments in foreign operations						
Share of other comprehensive income of associated companies	-3.9			-3.9		-3.9
Translation differences, total	-19.0			-19.0		-19.0
Income tax relating to items that may be reclassified		2.4		2.4		2.4
Other comprehensive income after taxes	-19.0	-9.9	-18.6	-47.5		-47.5



21. 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
Amounts recognised in Balance sheet		
Defined benefit pension plans	13.9	108.6
Defined contribution plans	0.7	3.6
Liability in Balance sheet	14.6	112.2
Defined benefit pension plans		
Liability in Balance sheet	13.9	108.6
Surplus of funded plans in assets	-10.7	-4.4
Net liability of defined benefit pension plans in Balance sheet	3.2	104.2

DEFINED BENEFIT PENSION PLANS

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

The number and scope of Group's German defined benefit pension plans was significantly reduced following the divestment of Metsä Board Zanders GmbH in 2015. The remaining plans grant old-age pensions, disability pensions and family pensions exceeding the statutory pension level to eligible officials and senior management. 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. 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 participates actively in the foundation's investment committee.

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

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

AMOUNTS IN BALANCE SHEET

EUR million	2015	2014
Present value of funded obligations	60.9	63.8
Fair value of plan assets	-69.7	-63.8
Deficit of funded plans	-8.8	0.0
Present value of unfunded obligations	12.0	104.2
Deficit of defined benefit pension plans, total	3.2	104.2
Impact of minimum funding requirement / asset ceiling	0.0	0.0
Net liability in Balance sheet	3.2	104.2

CHANGE OF DEFINED BENEFIT PENSION OBLIGATIONS IN 2015

EUR million	Present value of obligation	Fair value of plan assets	Total
1 Jan 2015	168.0	-63.8	104.2
Current service cost	0.9	0.0	0.9
Administrative costs	0.0	0.0	0.0
Interest expense (+) or interest income (-)	2.4	-1.9	0.5
Past service cost	-0.6	0.0	-0.6
Total amount recognised in profit and loss	2.7	-1.9	0.8
Remeasurements in other comprehensive income			
The return on plan assets, excl. amounts included in interest	0.0	-2.6	-2.6
Gains (-) and losses (+) from change in demographic assumptions	-0.8	0.0	-0.8
Gains (-) and losses (+) from change in financial assumptions	-2.7	0.0	-2.7
Experience gains and losses	-0.2	0.0	-0.2
Total remeasurements in other comprehensive income	-3.7	-2.6	-6.3
Translation differences	2.5	-2.7	-0.2
Contribution			
Employers	0.0	-1.1	-1.1
Plan participants	0.0	0.0	0.0
Payments from plans			
Benefit payments	-4.3	2.4	-1.9
Settlements	-0.7	0.0	-0.7
Disposed operations	-91.6		-91.6
31 Dec 2015	72.9	-69.7	3.2

CHANGE OF DEFINED BENEFIT PENSION OBLIGATIONS IN 2014

EUR million	Present value of obligation	Fair value of plan assets	Total
1 Jan 2014	136.1	-54.8	81.3
Current service cost	1.0	0.0	1.0
Administrative costs	0.0	0.0	0.0
Interest expense (+) or interest income (-)	4.5	-2.1	2.4
Past service cost	-0.2	0.0	-0.2
Total amount recognised in profit and loss	5.3	-2.1	3.2
Remeasurements in other comprehensive income			
The return on plan assets, excl. amounts included in interest	0.0	-5.9	-5.9
Gains (-) and losses (+) from change in demographic assumptions	0.0	0.0	0.0
Gains (-) and losses (+) from change in financial assumptions	31.7	0.0	31.7
Experience gains and losses	-0.5	0.0	-0.5
Total remeasurements in other comprehensive income	31.2	-5.9	25.3
Translation differences	2.1	-2.4	-0.3
Contribution			
Employers	0.0	-0.9	-0.9
Plan participants	0.0	0.0	0.0
Payments from plans			
Benefit payments	-6.5	2.4	-4.1
Settlements	-0.3	0.0	-0.3
31 Dec 2014	168.0	-63.8	104.2

**DEFINED BENEFIT PENSION OBLIGATIONS AND PLAN ASSETS
BY COUNTRY IN 2015**

EUR million	Germany	Great Britain	Finland	Other countries	Total
Present value of obligations	10.5	35.3	13.9	13.2	72.9
Fair value of plan assets		-44.1	-14.3	-11.3	-69.7
Total	10.5	-8.8	-0.4	1.9	3.2

**DEFINED BENEFIT PENSION OBLIGATIONS AND PLAN ASSETS
BY COUNTRY IN 2014**

EUR million	Germany	Great Britain	Finland	Other countries	Total
Present value of obligations	104.2	35.4	14.7	13.7	168.0
Fair value of plan assets		-39.7	-13.0	-11.1	-63.8
Total	104.2	-4.3	1.7	2.6	104.2

SIGNIFICANT ACTUARIAL ASSUMPTIONS 2015

	Germany	Great Britain	Finland	Other countries
Discount rate, %	2.16	3.90	2.13	0.60–2.33
Salary growth rate, %	3.0	2.0	1.5	1.0–3.0
Pension growth rate, %	2.0	3.0	1.8	0.00–2.00
Average life expectancy of persons retiring at the end of the reporting period				
Male	21.3	22.2	21.4	17.2–21.5
Female	25.6	24.4	25.4	23.0–24.4
Retiring 20 years after the end of reporting period				
Male	24.0	23.6	23.7	17.2–24.4
Female	28.1	25.9	28.0	23.0–26.9

SIGNIFICANT ACTUARIAL ASSUMPTIONS 2014

	Germany	Great Britain	Finland	Other countries
Discount rate, %	1.40	3.55	1.60	1.27–2.09
Salary growth rate, %	3.0	2.0	2.0	1.0–3.0
Pension growth rate, %	2.0	3.0	2.1	1.0–2.0
Average life expectancy of persons retiring at the end of the reporting period				
Male	21.1	22.1	19.0	17.2–21.4
Female	25.4	24.3	24.7	23.0–24.3
Retiring 20 years after the end of reporting period				
Male	23.9	23.5	20.6	17.2–24.3
Female	28.0	25.8	26.4	23.0–26.8

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**

	Change of assumption	Impact on benefit obligation	
		Increase	Decrease
Discount rate,	0.5%	7.5% decrease	8.6% increase
Increase in salary growth rate	0.5%	0.7% increase	0.3% decrease
Increase in pension growth rate	0.5%	5.1% increase	4.4% decrease
		Increase in assumption one year	Decrease in assumption one year
Life expectancy		3.1% increase	3.0% decrease

**SENSITIVITY OF BENEFIT OBLIGATION TO
CHANGES IN ESSENTIAL WEIGHTED ASSUMPTIONS 2014**

	Change of assumption	Impact on benefit obligation	
		Increase	Decrease
Discount rate,	0.5%	7.8% decrease	8.9% increase
Increase in salary growth rate	0.5%	0.3% increase	0.3% decrease
Increase in pension growth rate	0.5%	4.9% increase	4.7% decrease
		Increase in assumption one year	Decrease in assumption one year
Life expectancy		5.0% increase	5.0% 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 calculated using the same methods and same assumptions as in previous year.



PLAN ASSETS IN 2015 ARE COMPRISED AS FOLLOWS:

EUR million	Quoted	Unquoted	Total	%
Equity instruments	2.7	0.1	2.8	4
Debt instruments				
Corporate bonds (investment grade)	0.6	0.3	0.9	
Other loans		6.0	6.0	
Total	0.6	6.3	6.9	10
Property		4.1	4.1	6
Qualifying insurance policies	8.9		8.9	13
Cash and cash equivalents	1.5		1.5	2
Investment funds	43.2		43.2	62
Assets managed by insurance company	2.3		2.3	3
Total	59.2	10.5	69.7	100

Assets included in the pension arrangements include Metsäliitto Cooperative's participations with a fair value of EUR 0.1 million (2014: 0.1) and Metsä Board Corporation's B shares with a fair value of EUR 1.6 million (1.5).

Metsäliitto Employees' Pension Foundation is a separate legal entity granting defined supplementary pension benefits to part of Metsä Board officials and manages foundation's assets. The foundation owns about 0.1 per cent of Metsä Board Oyj. Furthermore, the foundation has invested EUR 0.2 million in Metsäliitto Cooperative's participations. The company did not pay any contributions to the foundation in 2015 and 2014. The employer loans granted by the foundation to the Group amounted to EUR 5.9 million (5.9) in 2015.

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. 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.

The Group works to reduce investment risk by diversifying the assets in the arrangement to different asset types. However, the Group believes that equity investments offer the best yield in the long run with acceptable risk and that is why a considerable portion of the assets consists of equity investments. The plan assets have been diversified also to other asset types, such as property, government bonds as well as corporate bonds.

PLAN ASSETS IN 2014 ARE COMPRISED AS FOLLOWS:

EUR million	Quoted	Unquoted	Total	%
Equity instruments	1.0	0.1	1.1	2
Debt instruments				
Corporate bonds (investment grade)	1.8		1.8	
Other loans		6.3	6.3	
Total	1.8	6.3	8.1	13
Property		4.5	4.5	7
Qualifying insurance policies	9.0		9.0	14
Cash and cash equivalents	1.1		1.1	2
Investment funds	40.0		40.0	62
Total	52.9	10.9	63.8	100

CHANGES IN THE RETURN ON BONDS

A decrease in corporate yields will increase plan obligations even though this will partially be offset by an increase in the value of the plan's bond assets.

INFLATION RISK

The plan's benefit obligations are linked to inflation and a higher inflation will lead to increased obligation. As a major part of plan's asset values are unaffected by inflation or inflation only has a minor effect on plan's asset values, it means that an increase in inflation will also increase the obligation deficit.

LIFE EXPECTANCY

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

The contribution made to post-employment defined benefit plans is expected to be EUR 1.6 million in 2016.

The weighted average duration of the defined benefit obligation is 15.6 years (15.3).

22. Provisions

EUR million	Restructuring	Environmental obligations	Other provisions	Total
At 1 Jan 2015	14.9	10.9	9.0	34.8
Translation differences	0.2	0.1	0.1	0.4
Increases	0.4	0.0	0.0	0.4
Decreases	-3.2	-4.3	-2.9	-10.4
Unused amounts reversed	-0.4	-0.9	-1.8	-3.1
At 31 Dec 2015	11.9	5.8	4.4	22.1

	2015	2014
Non-current	8.3	24.7
Current	13.8	10.1
Total	22.1	34.8

Reversed provision amounts are related to Alizay mill closure provisions reversal in France and sale of Gohrsmühle mill in Germany, both reported under Non-core operations segment.

Other provision include provisions related to environmental and landscaping expenses. The non-current portion of 2015 provisions is estimated to be paid by the end of 2017.

23. Borrowings

EUR million	2015	2014
NON-CURRENT INTEREST-BEARING FINANCIAL LIABILITIES		
Bonds	221.7	220.7
Loans from financial institutions	198.6	198.4
Pension loans	121.7	154.3
Finance lease liabilities	18.3	3.6
Other liabilities	51.0	3.8
Total	611.3	580.8
CURRENT INTEREST-BEARING FINANCIAL LIABILITIES		
Current portion of non-current debt	44.6	99.7
Interest bearing current liabilities to Group companies	3.0	3.5
Total	47.6	103.2
Interest-bearing financial liabilities, total	658.9	684.0
INTEREST-BEARING FINANCIAL ASSETS		
NON-CURRENT		
Loan receivables	3.7	6.6
	3.7	6.6
CURRENT		
Financial assets at fair value through profit or loss	0.0	0.0
Loan receivables and other receivables	0.0	0.3
Current investments at amortised cost	0.0	4.3
Cash at bank and in hand and deposits in Metsä Group Treasury	321.8	246.1
	321.8	250.8
Interest-bearing financial assets, total	325.5	257.4
Interest-bearing net liabilities, total	333.4	426.7

Metsä Board has reclassified interest-bearing receivables comparable to cash funds and available immediately from Metsä Group's internal bank Metsä Group Treasury Oy as Cash and cash equivalents.



24. Other non-current liabilities

BONDS

EUR million	Interest %	2015	2014
2015–2020	4.00	221.7	220.7
Total		221.7	220.7

MATURITY OF FINANCE LEASE LIABILITIES

EUR million	Minimum lease payments		The present value of minimum lease payments	
	2015	2014	2015	2014
Not later than 1 year	3.8	20.1	3.4	19.6
1–2 years	16.0	1.3	15.7	1.2
2–3 years	1.1	1.0	1.1	0.9
3–4 years	0.7	0.8	0.6	0.8
4–5 years	0.5	0.3	0.5	0.2
Later than 5 years	0.4	0.5	0.4	0.5
Total	22.5	24.0	21.7	23.2
Future finance charges	0.8	0.8		
The present value of minimum lease payments	21.7	23.2		

The most significant finance lease agreements cover Äänevoima Oy's power plants. Originally, Äänevoima lease contract periods varied between 10 and 15 years. At the end of year 2015, Äänevoima finance lease liabilities are due by 2017. The contracts contain renewal and purchase options.

EUR million	2015	2014
Non-interest bearing non-current liabilities to Group companies		
Non-interest bearing non-current liabilities to others		
Accruals and deferred income	0.1	0.1
Other liabilities	0.1	1.3
Total non-interest bearing non-current liabilities	0.2	1.4

Liabilities to Group companies are liabilities to parent company Metsäliitto Corporative and other subsidiaries of the parent company.

25. Accounts payable and other liabilities

EUR million	2015	2014
Non-interest bearing current liabilities to Group companies		
Accounts payable	42.7	47.1
Other liabilities	2.2	26.6
Non-interest bearing current liabilities to associated companies and joint ventures		
Accounts payable	1.5	1.2
Other liabilities	0.0	0.0
Non-interest bearing current liabilities to others		
Advance payments	6.1	4.6
Accounts payable	248.5	189.0
Other liabilities	19.6	2.2
Accruals and deferred income	66.7	99.6
Total	387.3	370.3

Liabilities to Group companies are liabilities to parent company Metsäliitto Corporative and other subsidiaries of the parent company.

26. 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 company. 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 company'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 specialised 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 Group's foreign currency exposure consists of the risks associated with foreign currency flows, translation risk of net investments in foreign entities and economic currency exposure. Most of the Group's costs are incurred in the euro zone and to some extent in Sweden, but a significant part of the sales is in other currencies. Sales 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 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 Australian dollar, Canadian dollar, Danish krone and Norwegian krone. The Russian rouble's share of the direct currency transaction exposure is minor. 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 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 recognised directly in shareholders' equity in fair value reserve. At the end of the reporting period, the foreign exchange transaction exposure had been hedged 3.6 months on average (2014: 5.6). During the reporting period, the hedging level has varied between 3 and 6 months (5–7). The dollar's hedging level was 2.9 months (4.3), of which the portion of hedge accounting was 2.4 months (2.4). The Swedish krona's hedging level was 4.5 months (7.8), of which the portion of hedge accounting was 2.5 months (3.2). The pound's hedging level was 5.6 months (5.1), of which the portion of hedge accounting was 4.3 months (3.1). 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 84 per cent of the norm determined in the hedging policy has been hedged (115).

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 of equity should be hedged. Hedging of equity has for the time being been discontinued.

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 limit set for the Metsä Board's foreign currency risk is EUR 12.0 million (8.0) and the VaR is at the end of the reporting period EUR 1.1 million (3.2). Average during the period has been EUR 1.6 million (2.6).

INTEREST RATE RISK

The interest rate risk is related mainly in the interest bearing receivables and loans and currency hedging. The most significant currencies in risk management are the euro, the US dollar, the British pound and the Swedish krona. The objective of the interest rate risk policy is to minimise the negative impact of interest rate changes on the 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 20.6 months at the end of the year (27.2). During the reporting period duration has varied between 20 and 28 months (17–34). At the end of 2015, an increase of one per cent in interest rates would decrease net interest rate costs of the next 12 months by EUR 1.1 million (decrease by 0.7).

The Group is exposed to a risk of change in the value of derivatives due to a change in market prices when using interest rate derivatives, since according to IAS 39 derivatives must be valued to their fair value in the balance sheet. However, the partial application of hedge accounting will balance the effects of changes in the market value of derivatives on the financial result 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 253.4 million (265.3), of which EUR 200.0 million (265.3) has been allocated to hedge accounting. The maturity of interest rate swap contracts varies between 1–5 years (1–6).

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 centralised by Metsä Group Treasury based on the strategy approved by Board of Directors of Metsä Board. The commodity hedging policy has been applied to the management of the price risks of electricity, natural gas, propane, gas oil and pulp and also transactions related to Emission allowances have been managed by Metsä Group Treasury.

Metsä Board'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 the Finnish and Swedish electricity procurement, the hedge strategy is implemented in

cooperation with Metsä Group Energy service unit centralise 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 hedges 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 recognised in equity in fair value reserve and only after the realisation of electricity purchases in the income statement as an adjustment of the purchases.

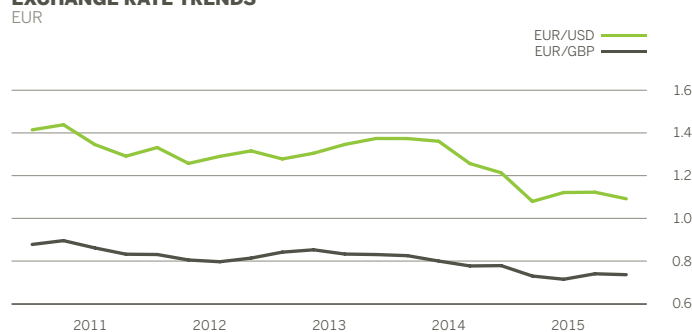
Approximately a quarter of Metsä Board's mills' purchase of fuel is based on natural gas. The hedging of natural gas price risks has been done with physical, fixed-price contracts. The prices of natural gas have typically been fixed to Fuel-Oil and/or Gas-Oil prices. In addition, the prices of gas supply to Finland have been fixed to the development of coal import price and the energy price index. The premise of natural gas price risk hedging is, however, to hedge only the oil-related part of the contract by using oil derivatives and fixed-priced physical supply contracts. In 2015 Metsä Board 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 and propane 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 Group Board of Directors makes significant strategic decisions.

Approximately 0 per cent (9) of electricity hedges have been carried out by using physical supply contracts and 100 per cent (91) 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. All natural gas price risk hedges have so far been implemented by using physical supply contracts. Propane price risk hedges have been implemented by using financial contracts.

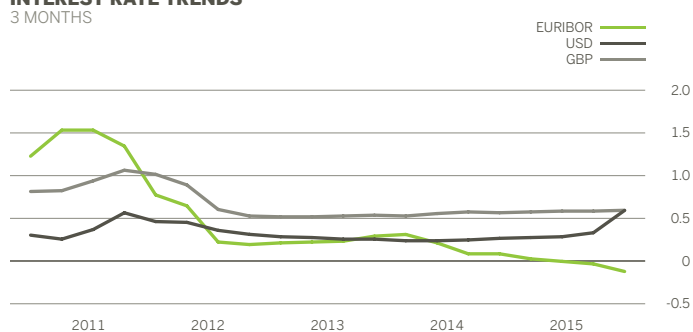
Metsä Board has continued gas oil price risk hedging related to logistics costs (sea freights) based on prepared risk management policy with financial hedges and IFRS hedge accounting is applied.

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 has used pulp price risk hedges during 2015, but there are no valid hedges at the end of the year.

EXCHANGE RATE TRENDS



INTEREST RATE TRENDS



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 most 20 per cent of the Group's loans, including committed credit facilities, are 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 company'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 emphasised in financial decisions. Metsä Board is using short-term working capital financing related to accounts receivables and accounts 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. In 2014, Metsä Board issued an unsecured bond of EUR 225 million maturing in 2019 and an unsecured syndicated credit facility consisting of a term loan facility of EUR 150 million and a revolving credit facility of EUR 100 million maturing in 2018. In 2015 only minor debt arrangements related to financial leasing have been implemented.

Metsä Board's liquidity has remained strong. At the end of the review period, available liquidity was EUR 486.5 million (396.0), of which EUR 100.0 million (100.0) consisted of a revolving credit facility, EUR 64.7 million (45.6) consisted of undrawn pension premium (TyEL) funds and EUR 321.8 million (250.4) of liquid assets and investments. Of the liquid funds, EUR 10.5 million consisted of cash and cash equivalents and investments and EUR 311.3 million were cash comparable, interest-bearing immediately drawable receivables from Metsä Group's internal bank Metsä Group Treasury Oy. In addition the Group had other interest-bearing receivables EUR 3.7 million (6.9). Metsä Board liquidity reserve is supplemented by Metsä Group internal EUR 150.0 million unused short-term funding limit.

At the end of 2015, the liquidity reserve covers fully the forecasted financing need of 2016–2017. 5 per cent (12) of long-term loans and committed facilities fall due in a 12 month period and 11 per cent (40) have a maturity of over four years. The average maturity of long-term loans is 2.6 years (3.5). The share of short-term financing of the Group's interest bearing liabilities is 0.5 per cent (0.5).

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. 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. Main part of financial credit risks were in 2013 transferred directly out of Metsä Board balance sheet followed by the change of Metsä Group Treasury ownership.

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. Accounts receivable performance is followed weekly by Group Credit Risk Management Team and reported monthly to Corporate Credit Committee and 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. The Corporate Credit Committee reviews and sets all major credit limits which are not supported by credit insurance and/or other insurance security.

Metsä Board 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 acceptable reasons. New credit loss provisions for the year were EUR 0.1 million (0.2). The portion of overdue client receivables of all accounts receivable is at the time of financial statements 7.4 per cent (17.2), of which 0.8 per cent (0.2) is overdue between 90–180 days and 0.4 per cent (0.6) over 180 days. 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. The top ten largest sources of credit risk exist in Great Britain, Italy, USA, Germany, Finland, Sweden, Russia, France, Poland and Spain (around 67 per cent of total external receivables (66)). The share of largest individual customer (individual companies or groups of companies under common ownership) credit risk exposure of Metsä Board at the end of 2015 represented 5 per cent (12) of total external accounts receivable. 30 per cent (34) of accounts receivable was owed by ten largest customer groups (individual companies or groups of companies under common ownership). At the end of 2015, there was no material shortfall of credit insurance limits beyond usually policy deductibles and exclusions.



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. The company has a credit rating for its long-term financing. Certain central target values, which correspond to standard requirements set by financing and capital markets, have been defined for the capital structure. No target level has been defined for the credit rating. The Group's capital structure is regularly assessed by the Group's Board of Directors and its Audit Committee.

The Group monitors the development of its capital structure through a key ratio that describes net gearing. The objective of the Group is to maintain its net gearing ratio below the 70 per cent level.

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, %	32	51
Interest-bearing borrowings	658.9	684.0
./. Liquid funds	321.8	250.4
./. Interest-bearing receivables	3.7	6.9
	333.4	426.7
Equity attributable to shareholders of parent company	1,028.9	841.4
+ Non-controlling interest	0.0	0.0
Total	1,028.9	841.4

In 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. During 2015 the improvement of credit ratings has removed part the mentioned restrictions. The Group has been in compliance with its covenants during the accounting periods 2015 and 2014.

In case the company could not meet its obligations as defined in financial contracts 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.

HEDGING OF FOREIGN EXCHANGE TRANSACTION EXPOSURE

31 DEC 2015

Annual transaction exposure

	USD	GBP	SEK	NOK	DKK	AUD	Other long	Other short	2015 TOTAL	2014 TOTAL
Transaction exposure, net (mill. currency units)	729	66	-2,590	14	53	12				
Transaction exposure, net (EUR million)	670	90	-282	1	7	8	21	0	1,078	1,070
Transaction exposure hedging (EUR million)	-163	-42	105	-1	-3	-5	-6	0	-325	-496
Hedging at the end of the year (months)	2.9	5.6	4.5	4.8	4.3	7.4	3.7		3.6	5.6
Average hedging in 2015 (months)	4.1	5.8	8.4	4.6	4.4	6.2	4.2		4.2	5.8

HEDGING OF NET INVESTMENTS IN A FOREIGN ENTITY

31 DEC 2015

Equity exposure

	GBP	SEK	Others	2015 TOTAL	2014 TOTAL
Equity exposure (mill. currency units)	10	2,937			
Equity exposure (EUR million)	14	320	6	339	311
Equity hedging (EUR million)	0	0	0	0	0
Hedging at the end of the year (%)	0	0	0	0	0
Average hedging in 2015 (%)	0	0	0	0	0

INTEREST RATE RISK / DURATION AND RE-PRICING STRUCTURE OF LOANS (INCL. INTEREST RATE DERIVATIVES)

31 DEC 2015

31 DEC 2014

Loan amount (mill. EUR)	Duration (months)	Average interest rate (%)	Interest rate sensitivity ¹⁾ (mill. EUR)	Re-pricing structure of interest rates of loans							Loan amount (mill. EUR)	Duration (months)	Average interest rate (%)	Interest rate sensitivity ¹⁾ (mill. EUR)
				1-4/2016	5-8/2016	9-12/2016	2017	2018	2019	-->2019				
659	20.6	3.8	-1.1	-47	286	14	22	122	243	19	684	27.2	4.0	-0.7

¹⁾ Interest rate sensitivity is an estimate of the effect of an interest rate change of one percent in one direction on net interest cost based on year end exposure.

HEDGING OF ELECTRICITY PRICE RISK EXPOSURE

GWh	31 DEC 2015	31 DEC 2014
Electricity exposure, net 2016	969	1,034
Electricity hedging 2016	823	792
Hedging at the end of the year 2015 (%)	85	77

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.

CURRENCY BREAKDOWN FOR LOANS

%



EUR 99,4
USD 0,6

FOREIGN CURRENCY BREAKDOWN FOR CURRENCY EXPOSURE

%



USD 62
GBP 8
SEK 26
DKK 1
AUD 1
Others 2



MARKET RISK SENSITIVITY 31 DEC 2015	31 DEC 2015	IMPACT ON EQUITY EXPOSURE AND ANNUAL TRANSACTION EXPOSURE 31 DEC 2015			
EUR million	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
INTEREST RATE RISK (100 BP RISE IN INTEREST RATES)					
Effect on profit	-1.3			1.1	2.1
Effect on other change in equity	2.3				
COMMODITY RISK (ELECTRICITY PRICE + 20%)					
Effect on profit				-5.0	3.3
Effect on other change in equity	8.4				
FX RISK (USD - 10%)					
Effect on profit	0.1			-67.0	-50.6
Effect on other change in equity	13.3	-0.1	-0.1		
FX RISK (GBP - 10%)					
Effect on profit	-1.2			-9.0	-4.8
Effect on other change in equity	3.2	-1.4	1.4		
FX RISK (SEK - 10%)					
Effect on profit	-0.7			28.2	17.6
Effect on other change in equity	-5.7	-32.0	-32.0		

MARKET RISK SENSITIVITY 31 DEC 2014	31 DEC 2014	IMPACT ON EQUITY EXPOSURE AND ANNUAL TRANSACTION EXPOSURE 31 DEC 2014			
EUR million	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
INTEREST RATE RISK (100 BP RISE IN INTEREST RATES)					
Effect on profit	0.4			0.7	5.6
Effect on other change in equity	4.5				
COMMODITY RISK (ELECTRICITY PRICE + 20%)					
Effect on profit	0.1			-6.6	3.4
Effect on other change in equity	9.9				
FX RISK (USD - 10%)					
Effect on profit	2.6			-48.7	-31.3
Effect on other change in equity	9.6	-0.1	-0.1		
FX RISK (GBP - 10%)					
Effect on profit	0.3			-18.6	-10.7
Effect on other change in equity	4.8	-0.9	-0.9		
FX RISK (SEK - 10%)					
Effect on profit	-6.6			34.3	12.3
Effect on other change in equity	-8.9	-29.5	-29.5		

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 US dollar, British pound and Swedish krona as reasonably possible risk variables. These currencies represent over 80 per cent of Group's annual transaction exposure. The nature of the market price risk is relatively linear so that the size of effects of opposite market price changes do not essentially differ from the presented figures. The scenarios have been calculated by using regular principles of calculating market values of financial instruments described in the Group Accounting policies. Figures at the reporting date reflect quite well the average market risk conditions throughout the reporting period.

Additionally the Group is presenting figures describing the effects of the risk variables to its equity exposure and annual transaction exposure (cash flow) to present a broader picture about market risks of interest rates, electricity prices and foreign exchange rates. Annual cash flows are based on estimates, but not existing commercial contracts. The weakening of US dollar and British pound has a negative impact on annual cash flow and the weakening of Swedish krona 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.

CASH FLOWS OF INSTALLMENTS AND INTEREST PAYMENT OF FINANCIAL LIABILITIES 31 DEC 2015

EUR million	Carrying amount	2016	2017	2018	2019	2020	2021–
Bonds	221.7						
Installments					-221.7		
Interest payment		-9.0	-9.0	-9.0	-9.0		
Loans from financial institutions	198.6						
Installments			-50.0	-148.6			
Interest payment		-3.2	-3.6	-1.1			
Pension loans	160.2						
Installments		-38.5	-32.5	-32.5	-32.5	-24.2	
Interest payment		-6.7	-5.0	-3.6	-2.1	-0.6	
Finance lease liabilities	21.7						
Installments		-3.4	-15.7	-1.1	-0.6	-0.5	-0.4
Interest payment		-0.4	-0.3	-0.1	-0.0	-0.0	-0.0
Interest-bearing liabilities	53.7						
Installments		-2.7	-49.9				-1.1
Interest payment		-0.7	-0.7				
NON-CURRENT INTEREST-BEARING LIABILITIES, TOTAL	655.9						
REPAYMENTS IN 2016	-44.6						
NON-CURRENT INTEREST-BEARING LIABILITIES IN BALANCE SHEET	611.3						
Total							
Installments		-44.6	-148.1	-182.2	-254.8	-24.7	-1.5
Interest payment		-20.0	-18.6	-13.8	-11.1	-0.6	-0.0
Current interest-bearing liabilities	3.0						
Installments		-3.0					
Interest payment		-0.0					
Accounts payables and other liabilities	390.3						
Repayment		-390.2	-0.1				-0.1
TOTAL LIABILITIES	1,049.2						
Installments		-437.8	-148.2	-182.2	-254.8	-24.7	-1.6
Interest payment		-20.0	-18.6	-13.8	-11.1	-0.6	-0.0
	Carrying amount						
Guarantees agreement	4.3	-0.4	-0.2	-0.3	-0.0		-3.4
Derivative financial instrument liabilities	25.0						
Interest rate swaps		-1.9	-0.2	0.1	0.4	0.1	
Currency derivatives		-465.5					
Commodity derivatives		-15.1	-5.2	-2.1	-1.9	-0.0	
DERIVATIVE FINANCIAL INSTRUMENT LIABILITIES TOTAL		-482.5	-5.4	-2.0	-1.5	0.1	
Derivative financial instrument assets	0.2						
Interest rate swaps							
Currency derivatives		465.7					
Commodity derivatives							
DERIVATIVE FINANCIAL INSTRUMENT ASSETS TOTAL		465.7					
Derivative financial instruments cash flow		-16.8	-5.4	-2.0	-1.5	0.1	



CASH FLOWS OF INSTALLMENTS AND INTEREST PAYMENT OF FINANCIAL LIABILITIES 31 DEC 2014

EUR million	Carrying amount	2015	2016	2017	2018	2019	2020–
Bonds	220.7						
Installments						-220.7	
Interest payment		-9.0	-9.0	-9.0	-9.0	-9.0	
Loans from financial institutions	199.1						
Installments		-0.7	-0.4	-50.0	-148.0		
Interest payment		-4.6	-5.2	-4.7	-1.3		
Pension loans	183.7						
Installments		-29.5	-32.5	-32.5	-32.5	-32.6	-24.1
Interest payment		-7.9	-6.5	-5.1	-3.6	-2.1	-0.7
Finance lease liabilities	23.2						
Installments		-19.6	-1.2	-0.9	-0.8	-0.2	-0.5
Interest payment		-0.5	-0.1	-0.1	-0.1	-0.0	-0.0
Interest-bearing liabilities	53.7						
Installments		-49.9	-2.7				-1.1
Interest payment		-0.7					
NON-CURRENT INTEREST-BEARING LIABILITIES, TOTAL	680.5						
REPAYMENTS IN 2015	-99.7						
NON-CURRENT INTEREST-BEARING LIABILITIES IN BALANCE SHEET	580.8						
Total							
Installments		-99.7	-36.8	-83.4	-181.3	-253.5	-25.7
Interest payment		-22.7	-20.8	-18.9	-14.0	-11.2	-0.7
Current interest-bearing liabilities	3.5						
Installments		-3.5					
Interest payment		-0.0					
Accounts payables and other liabilities	371.7						
Repayment		-370.3	-1.3				-0.1
TOTAL LIABILITIES	1,055.7						
Installments		-473.5	-38.1	-83.4	-181.3	-253.5	-25.8
Interest payment		-22.7	-20.8	-18.9	-14.0	-11.2	-0.7
	Carrying amount						
Guarantees agreement	3.2	-0.6	-0.3	-0.2	-0.0	-0.0	-2.1
Derivative financial instrument liabilities	26.5						
Interest rate swaps		-2.0	-1.7	-0.1	0.1	0.3	0.1
Currency derivatives		-576.9					
Commodity derivatives		-7.3	-2.3	-0.5	-0.2		
DERIVATIVE FINANCIAL INSTRUMENT LIABILITIES TOTAL		-586.2	-4.0	-0.6	-0.1	0.3	0.1
Derivative financial instrument assets	0.0						
Interest rate swaps							
Currency derivatives		564.1					
Commodity derivatives							
DERIVATIVE FINANCIAL INSTRUMENT ASSETS TOTAL		564.1					
Derivative financial instruments cash flow		-22.1	-4.0	-0.6	-0.1	0.3	0.1

MATURITY ANALYSIS OF CASH FLOW HEDGE ACCOUNTING

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

EUR million

31 DEC 2015

Periods when the forecasted cash flow are expected to occur, EUR million	Highly probable foreign currency cash flows	Contractual interest cash flows	Highly probable commodity cash flows (pulp)	Highly probable commodity cash flows (others)
Q1	88.0	-0.3		-10.6
Q2	73.4	-1.5		-10.4
Q3	46.1	-0.3		-9.8
Q4	15.9	-0.5		-9.7
Total 2016	223.4	-2.6	0.0	-40.5
2017		-1.9		-21.0
2018		-0.8		-9.7
2019				-7.4
2020				-1.5
Cash flows total	223.4	-5.3	0.0	-80.1
Total nominal values of derivatives directed to hedge accounting	223.4	200.0	0.0	80.1

EUR million

31 DEC 2014

Periods when the forecasted cash flow are expected to occur, EUR million	Highly probable foreign currency cash flows	Contractual interest cash flows	Highly probable commodity cash flows (pulp)	Highly probable commodity cash flows (others)
Q1	80.3	-0.7	5.6	-10.9
Q2	86.9	-1.3	5.6	-9.5
Q3	49.7	-1.3	5.6	-7.0
Q4	10.4	-1.3	5.6	-6.8
Total 2015	227.3	-4.5	22.3	-34.3
2016	6.9	-4.0		-14.2
2017		-3.2		-9.2
2018		-0.9		-6.7
2019				-0.6
Cash flows total	234.3	-12.7	22.3	-65.0
Total nominal values of derivatives directed to hedge accounting	234.3	200.0	22.3	65.0



27. Fair value of financial assets and liabilities

FINANCIAL ASSETS 31 DEC 2015

EUR million	Note	Fair value through profit & loss	Available for sale fin. assets	Loans and receivables	Derivatives at hedge accounting	Amortised cost	Total carrying amount	Fair value
Non-current investments	14		210.2				210.2	210.2
Other non-current financial assets	15			14.6			14.6	14.6
Accounts receivables and other receivables	18			270.7			270.7	270.7
Cash and cash equivalents	19			321.8			321.8	321.8
Derivative financial instruments	27	1.5			-1.4		0.2	0.2
Total		1.5	210.2	607.1	-1.4		817.4	817.4

FINANCIAL LIABILITIES

Non-current interest-bearing financial liabilities	23					611.3	611.3	636.3
Other non-current financial liabilities	24					0.1	0.1	0.1
Current interest-bearing financial liabilities	23					47.6	47.6	49.5
Accounts payable and other financial liabilities	25					355.2	355.2	355.2
Derivative financial instruments	27	-3.1			28.1		25.0	25.0
Total		-3.1			28.1	1,014.2	1,039.2	1,066.2

FINANCIAL ASSETS 31 DEC 2014

EUR million	Note	Fair value through profit & loss	Available for sale fin. assets	Loans and receivables	Derivatives at hedge accounting	Amortised cost	Total carrying amount	Fair value
Non-current investments	14		233.3				233.3	233.3
Other non-current financial assets	15			11.2			11.2	11.2
Accounts receivables and other receivables	18			307.5			307.5	307.5
Cash and cash equivalents	19			250.4			250.4	250.4
Derivative financial instruments	27	0.0			0.0		0.0	0.0
Total		0.0	233.3	569.1	0.0		802.4	802.4

FINANCIAL LIABILITIES

Non-current interest-bearing financial liabilities	23					580.8	580.8	605.9
Other non-current financial liabilities	24					1.4	1.4	1.4
Current interest-bearing financial liabilities	23					103.2	103.2	105.0
Accounts payable and other financial liabilities	25					332.9	332.9	332.9
Derivative financial instruments	27	2.8			23.7		26.5	26.5
Total		2.8			23.7	1,018.3	1,044.8	1,071.7

Accounts receivables and other receivables do not include advance payments and employee costs accruals (note 18). Accounts payable and other financial liabilities do not include advance payments and employee costs accruals (note 25).

In Metsä Board Group all interest-bearing liabilities are valued in the balance sheet at amortised cost based on effective interest method. Interest-bearing financial assets have been classified by applying IAS 39 standard. Fair values in the table are based on the present value of cash

flow of each liability or assets calculated by market rate. The discount rates applied are between 0.6–2.7 per cent (2014: 0.8–3.1). Of total interest bearing liabilities, 38 per cent (23) 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 (2014: 4.0 per cent). The fair values of accounts and other receivables and accounts 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 at fair value through profit or loss, non-current	14				
Available for sale financial assets	14	0.1		210.1	210.2
Financial assets at fair value through profit or loss, current	18				
Derivative financial assets	27		0.2		0.2
Derivative financial liabilities	27	24.1	0.9		25.0
Financial assets not measured at fair value					
Cash and cash equivalent	19		321.8		321.8
Financial liabilities not measured at fair value					
Non-current interest-bearing financial liabilities	23		636.3		636.3
Current interest-bearing financial liabilities	23		49.5		49.5

FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES
2014

EUR million	Note	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss, non-current	14				
Available for sale financial assets	14	0.4		232.9	233.3
Financial assets at fair value through profit or loss, current	18				
Derivative financial assets	27		0.0		0.0
Derivative financial liabilities	27	10.2	16.3		26.5
Financial assets not measured at fair value					
Cash and cash equivalent	19		250.4		250.4
Financial liabilities not measured at fair value					
Non-current interest-bearing financial liabilities	23		605.9		605.9
Current interest-bearing financial liabilities	23		105.0		105.0

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE BASED ON LEVEL 3

EUR million	2015	2014
Opening balance	232.9	233.5
Total gains and losses in profit or loss	0.6	0.0
Total gains and losses in other comprehensive income	-22.7	-0.6
Purchases		
Settlements	-0.7	
Closing balance	210.1	232.9

Financial assets and liabilities measured at fair value have been categorised according to IFRS 7 Paragraph 27 A and 27 B.

Level 1 Fair value is based on quoted prices in active markets.

Level 2 Fair value is determined by using valuation techniques that use observable price information from market.

Level 3 Fair value are not based on observable market data, but company's own assumptions.

The fair values of electricity, natural gas, propane and gas oil derivatives are determined by using public price quotations in an active market (Level 1).

The fair values of currency forwards and options are determined by using the market prices of the closing date of the reporting period. The fair values of interest rate swaps are determined by using the present value of expected payments, discounted using a risk adjusted discount rate, supported by market interest rates and other market data of the closing date of the reporting period (Level 2).

For financial instruments not traded on an open market, the fair value is determined by valuation techniques. Consideration is used when choosing the different techniques and making assumptions, which are mainly based on circumstances prevailing in the markets on each closing date of the reporting period (Level 3).



DERIVATIVES

EUR million	NOMINAL VALUE				FAIR VALUE			Derivatives/ Hedge Accounting not applied
		Assets	Liabilities	Total	Fair Value Hedges	Cash Flow Hedges	Equity hedges	
2015								
Interest forward agreements								
Interest rate options								
Interest rate swaps	253.4		0.9	-0.9		-4.0		3.1
INTEREST RATE DERIVATIVES	253.4		0.9	-0.9		-4.0		3.1
Currency forward agreements	465.5	0.2		0.2		-1.4		1.5
Currency option agreements	91.8	0.0		0.0				0.0
Currency swap agreements								
CURRENCY DERIVATIVES	557.4	0.2		0.2		-1.4		1.5
Electricity derivatives	62.6		16.6	-16.6		-16.6		
Pulp derivatives								
Oil derivatives	16.7		6.4	-6.4		-6.4		
Other commodity derivatives	5.0		1.1	-1.1		-1.1		
COMMODITY DERIVATIVES	84.3		24.1	-24.1		-24.1		
DERIVATIVES TOTAL	895.1	0.2	25.0	-24.8		-29.4		4.6

EUR million

2014								
Interest forward agreements								
Interest rate options								
Interest rate swaps	265.3		3.4	-3.4	3.2	-6.6		
INTEREST RATE DERIVATIVES	265.3		3.4	-3.4	3.2	-6.6		
Currency forward agreements	564.1		11.4	-11.4		-10.0		-1.4
Currency option agreements	169.5		1.4	-1.4				-1.4
Currency swap agreements	0.0							
CURRENCY DERIVATIVES	733.6		12.8	-12.8		-10.0		-2.8
Electricity derivatives	62.8		6.7	-6.7		-6.6		-0.1
Pulp derivatives	22.3		0.1	-0.1		-0.1		
Oil derivatives	10.8		3.6	-3.6		-3.6		
Other commodity derivatives								
COMMODITY DERIVATIVES	95.9		10.3	-10.3		-10.3		-0.1
DERIVATIVES TOTAL	1,094.8		26.5	-26.5	3.2	-26.8		-2.9

28. Notes to the Consolidated cash flow statement

EUR million	2015	2014
ADJUSTMENTS TO THE RESULT FOR THE PERIOD		
Taxes	29.8	9.1
Depreciation, amortisation and impairment charges	103.5	125.6
Share of results from associated companies	-61.4	-43.9
Gains and losses on sale of non-current assets	-23.7	-40.4
Finance costs, net	32.0	39.2
Provisions	-13.9	-6.7
	66.3	82.8
CHANGE IN WORKING CAPITAL		
Inventories	11.1	-12.7
Accounts receivables and other receivables	27.1	13.3
Accounts payable and other liabilities	34.0	58.4
Total	72.2	59.0

DISPOSAL OF SUBSIDIARY

In May 2015, Metsä Board divested its 100 per cent holding in Metsä Board Zanders GmbH, the subsidiary owning the mill in Gohrsmühle, to a company wholly owned by German mutares AG and to its partner company. Cash balance of the divested company amounted to EUR 35.8 million, including cash equivalent funds in immediately available deposits. The disposal had a cash flow effect of EUR -38.2 million and resulted in a recognised non-recurring divestment gain of EUR 17.5 million.

29. Contingent liabilities

DISPUTES AND CLAIMS

In May 2014, Metsä Board petitioned that the District Court of Helsinki revoke the judgment issued by the Arbitral Tribunal on 11 February 2014 that orders Metsä Board to pay EUR 19.7 million in damages to UPM-Kymmene Corporation. In the judgment issued in June 2015, the District Court rejected Metsä Board's petition. Metsä Board decided in September to appeal the District Court's judgment to the Court of Appeal.

Metsä Board companies have been sellers in several share transactions in recent years. In these divestments, the companies have issued regular seller's assurances. Claims presented against the companies and costs incurring to the companies due to these assurances cannot be ruled out.

EUR million	2015	2014
FOR OWN LIABILITIES		
Liabilities secured by pledges		
Loans from financial institutions	0.0	0.0
Pension loans	43.9	53.2
Pledges granted	91.9	78.8
Liabilities secured by floating charges		
Other liabilities	3.0	3.0
Floating charges	3.0	3.0
Liabilities secured by mortgages		
Pension loans	110.3	124.6
Real estate mortgages	232.8	232.8
As security of own commitments		
Pledged assets		
Guarantees and counter-indemnities	4.1	16.2
Other leasing commitments	4.4	7.2
Other liabilities	0.0	9.0
On behalf of associated companies		
Guarantee liabilities	0.1	0.2
On behalf of others		
Guarantee liabilities	0.1	0.1
TOTAL		
Pledges	91.9	78.8
Floating charges	3.0	3.0
Real estate mortgages	232.8	232.8
Guarantees and counter-indemnities	4.3	16.5
Other leasing commitments	4.4	7.2
Other commitments	0.0	9.0
Total	336.4	347.3



Commitments include granted pledges, mortgages and floating charges as well as guarantees. Pledges granted are associate company's shares (Metsä Fibre).

OTHER LEASE COMMITMENTS

Metsä Board leases various offices and warehouses under non-cancel-labe operating lease agreements. Some contracts are renewable at the end of the lease period.

EUR million	2015	2014
Operating leases		
Not later than one year	2.3	2.7
Later than one year and not later than five years	1.9	4.2
Later than five years	0.2	0.3
Total	4.4	7.2

COMMITMENTS RELATED TO PROPERTY, PLANT AND EQUIPMENT

EUR million	2015	2014
Payments due in following 12 months	30.7	50.4
Payments due later	5.9	15.2
Total	36.6	65.6

30. Share based payment

SHARE INCENTIVE SCHEMES

During 2015 Metsä Board had two active share-based incentive schemes, as part of the company's incentive and commitment programme for key personnel: Share incentive scheme 2011, which company Board of Directors decided to adopt 15 December 2010 and Share incentive scheme 2014, which company Board of Directors decided to adopt 6 February 2014.

In 2015, EUR 2,925,417 was recognized as expense in the income statement related to the share-based incentive schemes.

SHARE INCENTIVE SCHEME 2011

The scheme offers the participants the possibility to be awarded Metsä Board Corporation's B shares for achieving set goals for three incentive periods. Incentive periods are the calendar years 2011–2013, 2012–2014 and 2013–2015. The bonus awarded under the share incentive scheme is determined by achievement of the set goals; by the end of April following the incentive period. In addition to shares, the bonus includes a cash portion, which is used to cover taxes and tax-like charges incurred by key personnel due to the bonus. The bonus is not paid, if the employee's contract with the company ends before the end of the incentive period. In addition, the awarded person must continue to own the shares for at least two years following the end of the vesting period.

Based on the realisation of the criteria of the share incentive scheme 2012–2014, a total of 62,533 Metsä Board Corporation B shares and a cash portion were paid in order to cover the taxes and tax-like charges incurred from the bonus at the time of the share transfer. As a result of the Metsä Board share rights carried out in 2015, the share allocations of 2013–2015 were increased to correspond with shareholders' position at the time of the issue. The rights issue has been taken into account in share incentives granted during the financial period.

SHARE INCENTIVE SCHEME 2014

The scheme offers the participants the possibility to be awarded Metsä Board Corporation's B shares for achieving set goals for three incentive periods. Incentive periods are the calendar years 2014–2016, 2015–2017 and 2016–2018. The bonus awarded under the share incentive scheme is determined by achievement of the set goals; by the end of April following the incentive period. In addition to shares, the bonus includes a cash portion, which is used to cover taxes and tax-like charges incurred by key personnel due to the bonus. The bonus is not paid, if the employee's contract with the company ends before the end of the incentive period. In addition, the awarded person must continue

to own the shares for at least two years following the end of the vesting period. If the employment of a plan participant ends during the incentive period, the member should, as a rule, return the transferred shares to the company without consideration.

As a result of Metsä Board rights issue carried out in 2015, the share allocations of Share incentive scheme 2014 were increased to correspond with shareholders' position at the time of the issue. The rights issue has been taken into account in share incentives granted during the financial period.

31 Dec 2015	Share incentive scheme 2011	Share incentive scheme 2014
Maximum number of shares	1,050,000	427,500
Criteria	Equity ratio, ROCE, EBIT	Equity ratio, ROCE, EBIT
Personnel (31.12.2015)	10	8
FAIR VALUE MEASURING ¹⁾		
Fair value of share at grant date, EUR	2.22	2.90
Fair value at end of financial period, EUR	1,756,307	7,761,359
EFFECT ON RESULT AND FINANCIAL POSITION		
Expense for 2015, share based payment, EUR	1,154,076	1,771,341
Expense for 2015, share based payment, settled as equity, EUR	216,359	526,126
Liability at the end of period, EUR	1,144,345	1,410,962
Number of shares 1 Jan 2015 ²⁾		
Outstanding at the beginning of period	603,333	398,334
Changes during the period		
Shares granted	9,401	420,776
Shares forfeited	10,001	20,000
Shares exercised	62,533	0
Shares expired	217,468	0
Number of shares 31 Dec 2015		
Outstanding at the end of the period	322,733	799,110

¹⁾ The fair value of the share-settled part at exercise date was the market price of Metsä Board Corporation's B-share less any dividend estimated by analyst consensus to be paid before the payment of the incentive. Furthermore, possible rights issues are taken into account in line with applicable rights issue factor. The fair value of the cash-settled part changes at every reporting date following changes in share closing price 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 it is believed the scheme participants will earn during the vesting period.

²⁾ The amounts in the table reflect gross amounts, i.e. the number of shares and cash portion to be given based on share-based payment. In addition, the payment includes a cash part used to cover taxes and tax-like charges.



31. Related party transactions

To related parties belong Metsä Board's ultimate parent company Metsäliitto Cooperative, which owns 42.3 per cent of Metsä Board's shares and 61.6 per cent of the voting rights (including shares owned by Metsäliitto Management Oy), other subsidiaries of Metsäliitto, associated companies and joint ventures as well as Metsäliitto Employees' Pension Foundation. The members of the Board of Directors, Metsä Group's Executive Management Team and Metsä Board's Corporate Management Team as well as their close family members also belong to related parties.

The most significant subsidiaries of Metsäliitto, with which Metsä Board has business activities, are as follows:

Metsä Tissue Group
Metsä Fibre Group
Metsä Forest Sverige Ab

Metsä Fibre has been consolidated by using equity method according to Investments in associates-standard (IAS 28) since 8 December 2009. Before that Metsä Board consolidated Metsä Fibre according to Interests in Joint Ventures-standard (IAS 31). Related party transactions with Metsä Fibre are presented as transactions with sister companies.

On 30 September 2013, Metsä Board and the Group's parent company Metsäliitto Cooperative agreed on an ownership arrangement in which the Group's internal financing unit Metsä Group Treasury Oy, was transferred under the ownership of Metsäliitto Cooperative in its entirety. After the implementation of the ownership arrangement, Metsä Group Treasury remained a separate company and continues to provide financial services to Metsä Board as before. Financial transactions with Metsä Group Treasury Oy are carried out at market prices.

The value of wood purchases from Metsäliitto Cooperative was EUR 105.6 million (2014: 114.2) and pulp purchases from Metsä Fibre Oy EUR 398.5 million (335.9). The purchases were carried out at market prices.

Metsä Board is participating in supplementary pension arrangement related to executive management of Metsä Group. Payments to arrangement amounted to EUR 0.2 million in 2015 (0.6).

Metsäliitto Employees' Pension Foundation is a separate legal entity granting defined supplementary pension benefits to part of Metsä Board officials and manages foundation's assets. The foundation owns about 0.1 per cent of Metsä Board Oyj. Furthermore, the foundation has invested EUR 0.2 million in Metsäliitto Cooperative's participations. The company did not pay any contributions to the foundation in 2015 and 2014. The employer loans granted by the foundation to the Group amounted to EUR 5.9 million (5.9) in 2015.

EUR million	Transactions with parent company		Transactions with sister companies	
	2015	2014	2015	2014
Sales	10.4	10.6	64.4	58.5
Other operating income	3.6	3.4	1.8	1.5
Purchases	105.6	138.0	594.7	536.6
Share of result from associated companies			61.3	43.7
Dividend income	0.0	0.0	24.9	24.9
Interest income	0.0	0.0	0.2	0.4
Interest expenses	0.0	0.0	2.4	1.0
Receivables				
Other non-current financial assets	0.0	0.0	0.0	0.0
Accounts receivables and other receivables	1.7	1.6	12.2	12.7
Cash and cash equivalents			311.3	236.0
Liabilities				
Accounts payable and other liabilities	12.1	8.1	60.8	69.0

TRANSACTION AND BALANCES WITH ASSOCIATED COMPANIES AND JOINT VENTURES

EUR million	2015	2014
Sales	0.6	0.7
Purchases	7.4	7.7
Interest income	0.0	0.0
Interest expenses	0.0	0.0
Receivables		
Other non-current financial assets	0.3	0.3
Accounts receivables and other receivables	0.2	0.2
Liabilities		
Accounts payable and other liabilities	1.5	1.2

Metsä Board has reclassified interest-bearing receivables comparable to cash funds and available immediately from Metsä Group's internal bank Metsä Group Treasury Oy as Cash and cash equivalents.

The receivables from group companies do not include doubtful receivables, and no bad debt was recognised during the period. No security has been given for group liabilities.

Key management includes members of the Board as well as Corporate Management Team.

REMUNERATION PAID TO THE KEY MANAGEMENT

EUR	2015	2014
Salaries and other remuneration	3,231,901.95	3,034,474.45
Pension costs	712,061.80	1,034,533.10
Total	3,943,963.75	4,069,007.55

THE REMUNERATION PAID TO THE MEMBERS OF THE BOARD OF DIRECTORS OF THE PARENT COMPANY AND SHAREHOLDING

	Shareholding	2015 EUR	2014 EUR
Kari Jordan Chairman	450,000	99,503.99	89,711.95
Martti Asunta Vice chairman	47,271	85,593.53	77,615.95
Mikael Aminoff	56,961	69,263.92	63,403.18
Kirsi Komi	23,766	69,263.92	63,403.18
Kai Korhonen	186,536	79,463.92	70,603.18
Liisa Leino	152,411	69,263.92	63,403.18
Juha Niemelä	152,411	68,063.92	63,403.18
Veli Sundbäck	43,431	69,863.92	63,403.18
Erkki Varis	107,003	69,263.92	63,403.18
Total	1,219,790	679,544.96	618,350.16

Pension payments of the members of the Board were EUR 95,182.00 in 2015 (104,668.20).

Metsä Board's Annual General Meeting 2015 decided, that one half of the remuneration will be paid in cash while the other half is paid in company's B-series shares to be acquired from the stock exchange between 1 and 30 April 2015.

Remuneration of Corporate Management Team consists of fixed monthly salary, annual bonus determined by each Team member position's ability to affect Group's financial result, pension benefits, CEO's share based incentive scheme and shareholding programme for Corporate Management Team.

The monthly salary of CEO Mika Joukio is EUR 37,000. The salary includes car and phone benefits and extended insurance cover for travel and accidents. In addition, the Board may, in accordance with CEO contract, decide that the CEO receives bonus pay based on his overall performance and equalling his salary of up to seven months. In 2015, CEO Mika Joukio was paid EUR 662,484.07 in total compensation and consisting of EUR 469,711.49 in fixed salary, EUR 165,319.41 in annual bonus and EUR 27,453.17 in share based incentives.

From the beginning of October and until the end of December 2014, CEO Mika Joukio received compensation of EUR 116,262.09, all of which as fixed salary. CEO Mikko Helander was paid a total compensation of EUR 444,183.36 including fringe benefits from the beginning of January to end of September in 2014. In accordance with Helander's CEO contract, The Board of Directors could decide to award him an annual bonus based on his overall performance and amounting to at most his six-month salary. In 2014, Mikko Helander was paid EUR 130,382.63 as annual bonus. Additionally, he received

EUR 146,479.50 in share based incentive payment during 2014. All in all, Mikko Helander's salary including variable bonus and incentives amounted to EUR 721,045.49 in 2014.

The members of Corporate Management Team are entitled to bonus pay corresponding to a maximum of their respective six-month salaries. The bonus pay is defined and decided by the Board of Directors and was in years 2015 and 2014 based on the Company's and its business areas' operating results. Salaries including benefits paid to other members of Corporate Management Team than CEOs were EUR 1,154,996.38 (2014: EUR 1,156,108.51), bonuses EUR 454,030.11 (180,483.74) and share-based incentive EUR 280,846.43 (242,224.46) with total at EUR 1,889,872.92 (EUR 1,578,816.71).

Share based incentive schemes and the shareholding programme for Board of Directors are presented in Note 30.

The shareholding system of Metsä Group Corporate Management Team, which was arranged through Metsäliitto Management Oy, was dismantled in the first quarter of 2014 by selling the company's shares to Metsäliitto Cooperative.

CEO Mika Joukio owns 116,620 Metsä Board's B-shares and other members of the Corporate Management Team 1,000 Metsä Board A shares and 109,732 Metsä Board's B shares.

The CEO's mutual term of notice is six months. In case the CEO contract is terminated by the Board of Directors, the CEO is entitled to receive discharge compensation equal to his 12-month salary.

The period of notice for other members of Corporate Management Team is six months. For other members of Corporate Management Team the period of additional severance compensation varies from six to twelve months in case of employment termination on grounds not related to the affected Management Team member.

The CEO of the parent company has the right to retire on a pension at the age of 62 years. The Company has taken a supplementary pension insurance policy for the CEO, covering the period between the contractual and statutory retirement age of 63 years and entitling the CEO to receive pension compensation equal to 60 per cent of his salary at the time of retirement calculated in accordance with Finnish pension legislation and based on the calculation period of five years immediately preceding retirement. In case the service relationship of the CEO is terminated prior to retirement, the pension earned by the CEO becomes vested.

Excluding the CEO, the Corporate Management Team members have no pension arrangements which could differ from applicable pension legislation. According to Finnish pension legislation, employees can retire between the ages of 63 to 68. The expenses of the Corporate Management Team member's defined contribution pension plans were EUR 0.4 million (0.9), which includes supplementary defined contribution pension cost of EUR 0.2 million (0.6). The Group has no off balance-sheet pension liabilities on behalf of management.

Neither Metsä Board's CEO nor the members of the Board of Directors had any loans outstanding from the company or its subsidiaries.



32. Environmental affairs

Only incremental 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.

Following is the summary of environmental costs and changes in capitalised environmental expenditures.

EUR million	2015	2014
INCOME STATEMENT		
Materials and services	8.1	8.9
Employee costs		
Wages and salaries	1.0	1.5
Other employee costs	0.5	0.7
Depreciation and amortisation	5.6	5.7
Other operating expenses	3.2	1.6
	18.4	18.4
BALANCE SHEET		
Tangible assets		
Acquisition costs, 1 Jan	148.4	152.6
Translation difference	1.1	-3.0
Increases	4.8	0.5
Decreases	-31.7	-1.7
Depreciation	-82.9	-95.5
Carrying amount, 31 Dec	39.7	52.9
PROVISIONS		
Environmental obligations	5.8	10.9
THE NOTES		
Other commitments for environmental obligations	0.4	0.4

EMISSION ALLOWANCES

Metsä Board Group participates in the European Union Emissions Trading System. In 2015, the Group received 725 kilotonnes of emission allowances free of charge. On the balance sheet date, the company had 480 kilotonnes of emission allowances. Actual emissions during the financial period were 317 kilotonnes.

The Group has recognised the emission allowances in accordance with the net method. The difference between the emissions and the emission allowances received has been recognised through profit and loss if the actual emissions have exceeded the allowances received. Actual emission during the period did not have any effect on profit and loss or on balance sheet.

In 2015, the Group sold emission allowances worth of EUR 2.0 million. On the balance sheet date, the fair value of an emission right was EUR 8.22 per ton and total value of owned rights approximately EUR 3.9 million.

33. Events after the Balance sheet date

Husum's new folding boxboard production line started up slightly behind the original schedule. The delay will have a slight negative impact on the operating result for the first quarter of 2016.

Metsä Board's market cap segment changed in Nasdaq's Nordics listing. As of the beginning of 2016, Metsä Board's segment is Large Cap.

SHARES AND SHAREHOLDERS

SHARE CAPITAL AND SHARES

Metsä Board's share capital was EUR 557,881,540.40 on 31 December 2015. The company has two series of shares. In 2015, the company organised a rights issue, which accumulated net funds of approximately EUR 98 million. The rights issue offered a total of 27,347,134 new B series shares at EUR 3.66 per share. As a result of the rights issue, the total number of the company's shares amounts to 355,512,746, of which 35,895,651 are A shares and 319,617,095 are B shares. Each series A share entitles its holder to twenty (20) votes at a General Meeting of Shareholders, and each series B share entitles the holder to one (1) vote. All shares carry the same right to receive a dividend.

Metsä Board's A shares can be converted to B shares if a shareholder or a representative of the nominee registered shares makes a written request for the conversion to the company. In 2015, a total of 90,000 Metsä Board Corporation's A shares were converted to 90,000 B shares. The conversion was entered in the Trade Register on 7 January 2015, and trading in these shares began on 8 January 2015.

TRADING

Metsä Board's shares are listed on the Nasdaq Helsinki. The ticker symbol of the B share is METSB and its ISIN code is FI0009000665. The ticker symbol of the A share is METSA and its ISIN code is FI0009000640.

In January–December, the highest price for Metsä Board's A share on the Nasdaq Helsinki was EUR 7.67, the lowest price was EUR 4.47, and the average price was EUR 5.98 (3.39). At the end of 2015, the price of the A share was EUR 6.75 (4.44). The average daily trading volume was 4,739 (4,546) shares.

In January–December, the highest price for Metsä Board's B share was EUR 7.01, the lowest price was EUR 4.47, and the average price was EUR 5.72 (3.34). At the end of 2015, the price of the B share was EUR 6.86 (4.34). The average daily trading volume was 438,203 (236,476) shares.

In 2015, the trading volume of the A share was EUR 7.2 million, and the trading volume of the B share was EUR 629.7 million. The market value of the A shares was EUR 242 million, and the market value of the B shares was EUR 2,193 million at the end of December.

Metsä Board's market cap segment changed in Nasdaq's Nordics listing. As of the beginning of 2016, Metsä Board is included in the Large Cap segment of companies with a market value of over EUR 1 billion.

SHAREHOLDERS

On 31 December 2015, Metsä Board Corporation had 42,050 registered shareholders (42,175). At the end of 2015, Metsäliitto Cooperative and its subsidiary together owned 42 per cent of the shares, and the voting rights conferred by these shares totalled 62 per cent. Foreign and nominee-registered investors held 20 (15) per cent of the shares.

The company does not hold any treasury shares.

IMPACT OF CHANGE IN CONTROL

Some of Metsä Board's shareholder agreements concerning resource and associated companies include provisions under which Metsä Board must offer its shares in an associated company for sale to the other shareholders in the case of a change of control of Metsä Board. Of these agreements, pursuant to the

shareholders agreement of Metsä Fibre Oy, Metsä Fibre's shareholders should offer their shares for sale to the other shareholders in the case of a change of control. A possible decrease of the voting rights of Metsäliitto Cooperative in Metsä Board below 50 per cent would not, however, obligate Metsä Board to offer its shares in Metsä Fibre Oy for sale.

DIRECTORS' INTEREST

The shareholdings of Metsä Board's Board of Directors and Corporate Management Team are presented on pages 114–117.

BOARD OF DIRECTORS' AUTHORITY TO ISSUE SHARES

The Board of Directors has the authorisation to decide on the issuance of new shares or special rights, as specified in section 1 of Chapter 10 of the Limited Liability Companies Act, entitling to shares. By virtue of the authorisation, the Board is entitled to issue up to 70,000,000 new B series shares. Correspondingly, the Board is entitled to issue special rights entitling to such shares such that the maximum number of new B shares to be issued directly or pursuant to the special rights does not exceed 70,000,000. The special rights entitle their holders to receive the company's new shares against the monetary payment of a subscription price or by setting off a receivable against the subscription price ("Convertible Bond"). The new shares may be issued against a payment or without payment. The authorisation is effective until 28 March 2017. In the spring of 2015, the Board of Directors decided to issue a total of 27,347,134 B series shares. Thus, 42,652,866 B series shares remained unissued on 31 December 2015.

DIVIDEND POLICY

Metsä Board's objective is to pay a dividend equalling at least one third of the earnings per share. The Board of Directors proposes to the Annual General Meeting to be held on 23 March 2016 that a dividend of EUR 0.17 per share, equalling 44 per cent of the earnings per share, be paid for the 2015 financial period.

CHANGES IN SHARE CAPITAL AND NUMBER OF SHARES 1 JAN 2005–31 DEC 2015

		Number of shares	Share capital, EUR million
2003	Share capital 31 Dec 2003	178,999,425	304.3
2004	Rights issue	148,633,415	252.7
	Rights issue	532,772	0.9
	Share capital 31 Dec 2004	328,165,612	557.9
2005–2014	No changes		
2015	Rights issue, no changes to share capital		
	Share capital 31 Dec 2015	355,512,746	557.9



MAJOR SHAREHOLDERS 31 DEC 2015¹⁾

SHAREHOLDERS	A SERIES	B SERIES	TOTAL SHARES		VOTES
	NO. OF SHARES	NO. OF SHARES	NO. OF SHARES	%	%
1. Metsäliitto Cooperative	25,751,535	117,076,321	142,827,856	40.18	60.92
2. Varma Mutual Pension Insurance Company	2,203,544	15,041,485	17,245,029	4.85	5.70
3. Ilmarinen Mutual Pension Insurance Company	3,534,330	12,793,487	16,327,817	4.59	8.05
4. Etola Erkki Olavi	0	7,800,000	7,800,000	2.19	0.75
5. Metsäliitto Management Oy	0	7,356,794	7,356,794	2.07	0.71
6. OP-Delta Mutual Fund	0	4,200,000	4,200,000	1.18	0.40
7. The State Pension Fund	1,704,249	1,730,927	3,435,176	0.97	3.45
8. Maa- ja metsätaloustuottajain Keskusliitto MTK r.y.	0	2,152,866	2,152,866	0.61	0.21
9. OP-Focus Fund	0	2,090,424	2,090,424	0.59	0.20
10. OP-Finland Value Fund	0	2,031,411	2,031,411	0.57	0.20
11. Nordea Fennia Fund	0	1,802,354	1,802,354	0.51	0.17
12. Säästöpankki Kotimaa Mutual Fund	0	1,663,665	1,663,665	0.47	0.16
13. OP-Finland Small Firms Fund	0	1,252,786	1,252,786	0.35	0.12
14. Evli Finnish Small Cap Fund	0	1,188,412	1,188,412	0.33	0.11
15. Danske Finnish Institutional Equity Fund	0	1,000,000	1,000,000	0.28	0.10
16. SEB Gyllenberg Finlandia Fund	0	959,709	959,709	0.27	0.09
17. OP-Henkivakuutus Ltd.	0	672,507	672,507	0.19	0.06
18. Danske Invest Finnish Small Cap Fund	0	664,166	664,166	0.19	0.06
19. Danske Invest Finnish Equity Fund	0	632,003	632,003	0.18	0.06
20. FIM Fenno Mutual Fund	0	604,488	604,488	0.17	0.06

¹⁾ Shareholders in the book entry system.

METSÄ BOARD A SHARE

NUMBER OF SHARES	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%	NUMBER OF VOTES	%
1–100	1,338	31.83	74,085	0.21	1,481,700	0.21
101–500	1,723	40.99	488,102	1.36	9,762,040	1.36
501–1,000	593	14.11	490,794	1.37	9,815,880	1.37
1,001–5,000	488	11.61	1,019,544	2.84	20,390,880	2.84
5,001–10,000	38	0.90	274,425	0.77	5,488,500	0.77
10,001–50,000	20	0.48	355,043	0.99	7,100,860	0.99
50,001–100,000	0	0.00	0	0.00	0	0.00
100,001–500,000	0	0.00	0	0.00	0	0.00
500,001–	4	0.10	33,193,658	92.47	663,873,160	92.47
Total	4,204	100	35,895,651	100	717,913,020	100
of which nominee registered	7		36,203	0.10	724,060	0.10
On waiting list, total	0		0	0	0	0
In joint accounts			0	0	0	0
Total in special accounts			0	0	0	0
Number issued			35,895,651	100	717,913,020	100

METSÄ BOARD B SHARE

NUMBER OF SHARES	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%	NUMBER OF VOTES	%
1–100	13,392	33.51	563,905	0.18	563,905	0.18
101–500	11,849	29.65	2,936,441	0.92	2,936,441	0.92
501–1,000	4,781	11.96	3,511,568	1.10	3,511,568	1.10
1,001–5,000	7,757	19.41	16,624,635	5.20	16,624,635	5.20
5,001–10,000	1,163	2.91	7,966,869	2.49	7,966,869	2.49
10,001–50,000	852	2.13	16,294,085	5.10	16,294,085	5.10
50,001–100,000	73	0.18	4,890,433	1.53	4,890,433	1.53
100,001–500,000	74	0.19	14,989,343	4.69	14,989,343	4.69
500,001–	28	0.07	251,839,816	78.79	251,839,816	78.79
Total	39,969	100	319,617,095	100	319,617,095	100
of which nominee registered	13		67,525,921	21.13	67,525,921	21.13
On waiting list, total	0		0	0	0	0
In joint accounts			0	0	0	0
Total in special accounts			0	0	0	0
Number issued			319,617,095	100	319,617,095	100

SHAREHOLDERS 31 DEC 2015

%



Metsäliitto Cooperative	40.2
Households	16.8
Public sector organisations	11.2
Foreigners ¹⁾	19.8
Finance and insurance companies	5.3
Other companies	4.5
Non-profit organisations	2.2

¹⁾ Includes nominee registered

VOTING RIGHTS 31 DEC 2015

%

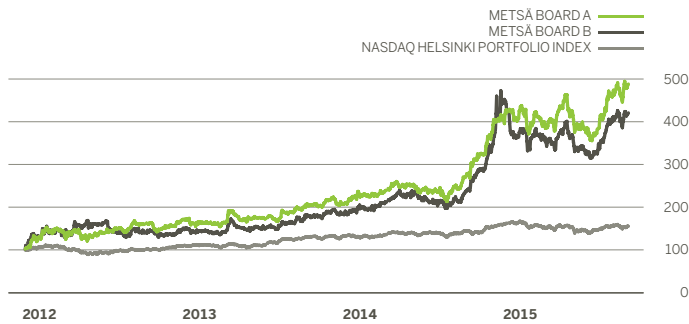


Metsäliitto Cooperative	60.9
Households	10.0
Public sector organisations	14.4
Foreigners ¹⁾	7.0
Finance and insurance companies	1.9
Other companies	1.8
Non-profit organisations	4.1

¹⁾ Includes nominee registered

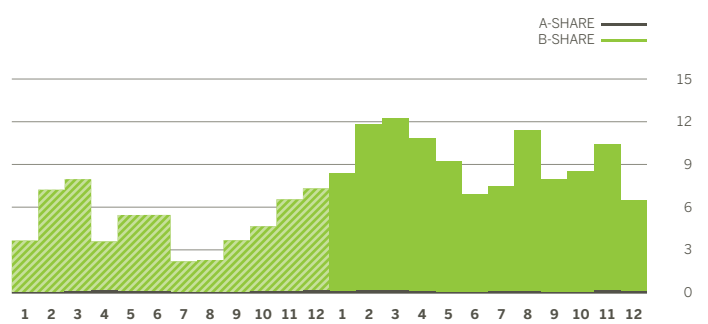
SHARE PRICE DEVELOPMENT 2012–2015

INDEX 2012=100



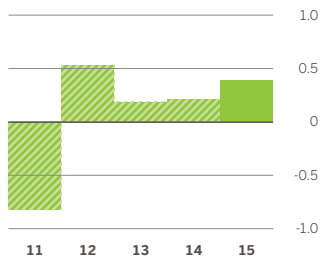
TRADED VOLUME 2014–2015

MILLIONS



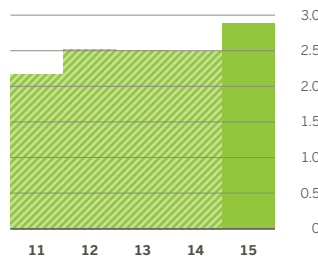
EARNINGS PER SHARE

EUR



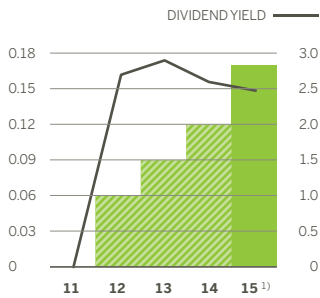
SHAREHOLDER'S EQUITY PER SHARE

EUR



DIVIDEND

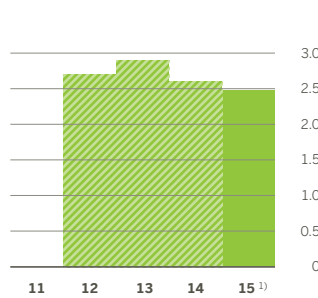
EUR



¹⁾ Board's proposal to the Annual General Meeting

DIVIDEND YIELD

%



¹⁾ Board's proposal to the Annual General Meeting



SHARE PERFORMANCE

		2015	2014	2013	2012	2011
Share prices, EUR						
A share	high	7.67	4.61	3.10	2.76	3.24
	low	4.47	2.86	2.13	1.47	1.45
	at year end	6.75	4.44	2.99	2.14	1.46
	average	5.98	3.39	2.51	2.27	2.78
B share	high	7.01	4.43	3.06	2.40	3.23
	low	4.47	2.83	2.12	1.29	1.13
	at year end	6.86	4.34	3.06	2.15	1.29
	average	5.72	3.34	2.50	1.94	2.12
Trading in shares, units of Nasdaq Helsinki						
A share		1,189,370	1,136,611	713,546	992,596	1,579,107
% of total no. of A shares		3.3	3.2	2.0	2.7	4.3
B share		109,988,836	59,119,118	52,692,081	110,668,983	280,402,053
% of total no. of B shares		35.1	20.2	18.0	37.9	96.1
Number of shares at the year end						
A share		35,895,651	35,985,651	35,985,651	36,339,550	36,339,550
B share		319,617,095	292,179,961	292,179,961	291,826,062	291,826,062
Total		355,512,746	328,165,612	328,165,612	328,165,612	328,165,612
Adjusted number of shares at year end		355,512,746	338,216,496	338,216,496	338,216,496	338,216,496
Market capitalisation of shares at year end, EUR million		2,434.9	1,471.6	1,031.2	728.2	442.6
Number of shareholders ¹⁾		42,050	40,235	40,390	41,232	42,463

¹⁾ Shareholders in the book entry system. Does not include nominee registered shareholders.

FIGURES PER SHARE

EUR million	2015	2014	2013	2012	2011
Calculation of earnings per share					
Result before tax	167.1	77.6	57.8	173.9	-280.9
- non-controlling interest	0.0	0.0	-0.2	-0.2	-0.1
- taxation	-29.8	-9.1	6.3	-2.6	7.8
= Earnings	68.5	63.9	171.1	-273.2	28.4
Adjusted number of shares (average)	349,503,922	338,216,496	338,216,496	338,216,496	338,216,496
Earnings per share, EUR					
Basic and diluted	0.39	0.20	0.19	0.51	-0.81
Earnings per share total, EUR	0.39	0.20	0.19	0.51	-0.81
Shareholders' equity per share, EUR	2.89	2.49	2.51	2.52	2.17
Dividend per share, EUR	0.17 ¹⁾	0.12	0.09	0.06	0.00
Dividend per profit, %	43.6	57.1	47.4	11.5	-
Nominal value per share, EUR				-	-
Dividend yield, %					
Series A	2.5 ¹⁾	2.6	2.9	2.7	0.0
Series B	2.5 ¹⁾	2.7	2.9	2.7	0.0
Price/earning ratio (P/E ratio)					
Series A	17.3	21.9	16.2	4.3	-1.8
Series B	17.6	21.3	16.6	4.3	-1.6
P/BV, %					
Series A	233.6	179.7	118.9	85.3	67.3
Series B	237.4	174.6	121.6	85.7	59.6

¹⁾ Board of Directors proposes that a dividend of EUR 0.17 per share is paid for 2015.

CALCULATION OF KEY RATIOS

PROFITABILITY

Return on equity (%)	=	$\frac{\text{Profit from continuing operations before tax - direct taxes}}{\text{Shareholders' equity (average)}}$
Return on capital employed (%)	=	$\frac{\text{Profit from continuing operations before tax + interest expenses, net exchange gains/losses and other financial expenses}}{\text{Total equity + interest-bearing borrowings (average)}}$

FINANCIAL POSITION

Equity ratio (%)	=	$\frac{\text{Shareholders' equity}}{\text{Total assets - advance payments received}}$
Gearing ratio (%)	=	$\frac{\text{Interest-bearing borrowings}}{\text{Shareholders' equity}}$
Net gearing ratio (%)	=	$\frac{\text{Interest-bearing borrowings - liquid funds - interest-bearing receivables}}{\text{Shareholders' equity}}$

SHARE PERFORMANCE INDICATORS

Earnings per share	=	$\frac{\text{Profit attributable to shareholders of parent company}}{\text{Adjusted number of shares (average)}}$
Shareholders' equity per share	=	$\frac{\text{Equity attributable to shareholders of parent company}}{\text{Adjusted number of shares at 31 December}}$
Dividend per share	=	$\frac{\text{Dividends}}{\text{Adjusted number of shares at 31 December}}$
Dividend per profit (%)	=	$\frac{\text{Dividend per share}}{\text{Earnings per share}}$
Dividend yield (%)	=	$\frac{\text{Dividend per share}}{\text{Share price at 31 December}}$
Price/earnings ratio (P/E ratio) (%)	=	$\frac{\text{Adjusted share price at 31 December}}{\text{Earnings per share}}$
P/BV (%)	=	$\frac{\text{Adjusted share price at 31 December}}{\text{Shareholders' equity per share}}$
Adjusted average share price	=	$\frac{\text{Total traded volume per share (EUR)}}{\text{Average adjusted number of shares traded during the financial year}}$
Market capitalisation	=	Number of shares x market price at 31 December

OTHER KEY FIGURES

Internal financing of capital expenditure (%)	=	$\frac{\text{Net cash flow arising from operating activities}}{\text{Gross capital expenditure}}$
Interest cover	=	$\frac{\text{Net cash flow arising from operating activities + net interest expenses}}{\text{Net interest expenses}}$
Net cash flow arising from operating activities	=	Net cash flow arising from operating activities in the cash flow statement



PARENT COMPANY ACCOUNTS

(FINNISH ACCOUNTING STANDARDS, FAS)

INCOME STATEMENT

EUR million	Note	1 JAN – 31 DEC 2015	1 JAN – 31 DEC 2014
SALES	1	1,057.8	1,013.9
Change in stocks of finished goods and in work		-3.6	22.9
Other operating income	2	28.7	55.6
Materials and services			
Raw materials and consumables			
Purchases during the financial period		-608.7	-608.9
Change in inventories		-0.3	5.0
External services	3	-176.1	-158.3
		-785.1	-762.2
Employee costs	4		
Wages and salaries		-59.2	-54.9
Social security expenses			
Pension expenses		-14.4	-13.2
Other social security expenses		-26.5	-26.2
		-100.0	-94.3
Depreciation, amortisation and impairment charges	5		
Depreciation according to plan		-46.5	-46.6
Impairment charges and reverse of impairment charges		0.3	0.3
		-46.2	-46.3
Other operating expenses	6	-101.5	-118.3
OPERATING RESULT		50.1	71.3
Financial income and expenses	7		
Income from Group companies		29.9	45.5
Income from other non-current assets		0.1	0.1
Other interest and financial income		0.4	0.5
Net exchange gains/losses		-6.8	-19.4
Write-downs and reverse of write-downs on non-current investments		-33.2	39.7
Interest and other financial expenses		-29.1	-42.5
		-38.7	23.8
RESULT BEFORE EXTRAORDINARY ITEMS		11.4	95.1
Extraordinary income and expenses	8		
Extraordinary income and expenses		29.9	-21.5
RESULT BEFORE APPROPRIATIONS AND TAXES		41.3	73.6
Appropriations			
Change in depreciation differences		-22.0	-5.4
Income taxes	9	-13.6	-0.2
RESULT FOR THE FINANCIAL PERIOD		5.6	68.0

PARENT COMPANY ACCOUNTS

BALANCE SHEET

EUR million	Note	31 DEC 2015	31 DEC 2014
ASSETS			
NON-CURRENT ASSETS			
INTANGIBLE ASSETS	10		
Intangible rights		12.9	13.2
Other capitalised expenditure		1.1	1.0
Advance payments			0.1
		14.0	14.3
TANGIBLE ASSETS	10, 25		
Land and water areas		12.1	12.5
Buildings		99.5	105.6
Machinery and equipment		253.9	277.5
Other tangible assets		2.7	3.0
Advance payment and construction in progress		6.2	5.5
		374.4	404.1
INVESTMENTS	11, 15		
Shares in Group companies		559.5	559.5
Receivables from Group companies		174.1	207.6
Shares in associated companies		66.0	66.0
Other shares and holdings		40.6	40.6
Other receivables		0.0	2.8
		840.2	876.6
		1,228.7	1,294.9
CURRENT ASSETS			
Inventories			
Raw materials and consumables		36.8	37.1
Finished goods and goods for resale		126.2	129.8
Advance payment		7.7	6.9
		170.7	173.8
RECEIVABLES	12, 13, 14, 15		
Current			
Accounts receivables		127.3	118.2
Receivables from Group companies		327.1	399.6
Receivables from associated companies		0.2	0.2
Other receivables		13.9	17.0
Prepayment and accrued income		12.3	14.1
		480.8	549.1
Cash and cash equivalents		0.7	0.8
TOTAL ASSETS		1,881.0	2,018.7

EUR million	Note	31 DEC 2015	31 DEC 2014
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	16		
Share capital		557.9	557.9
Reserve for invested unrestricted equity		384.8	284.8
Retained earnings		64.3	35.6
Result for the financial period		5.6	68.0
		1,012.6	946.3
APPROPRIATIONS			
Accumulated depreciation difference		72.9	50.9
PROVISIONS	17, 25		
Provisions for pensions		1.9	3.4
Other provisions		6.3	8.7
		8.3	12.1
LIABILITIES			
NON-CURRENT	19, 20, 21		
Bond loans		223.9	223.5
Loans from financial institutions		200.0	200.0
Pension loans		118.7	150.5
Other liabilities			1.2
Accruals and deferred income		0.1	0.1
		542.6	575.3
CURRENT	19, 20, 22, 23		
Pension loans		37.7	28.7
Advance payments		5.1	3.3
Accounts payable		93.1	96.5
Payables to Group companies		40.6	244.1
Payables to associated companies		0.2	0.3
Other liabilities		6.3	8.7
Accruals and deferred income		61.5	52.5
		244.6	434.1
		787.2	1,009.4
TOTAL EQUITY AND LIABILITIES		1,881.0	2,018.7



PARENT COMPANY ACCOUNTS

CASH FLOW STATEMENT

EUR million	2015	2014
CASH FLOW FROM OPERATING ACTIVITIES		
Operating result	50.1	71.3
Adjustments to operating result a)	36.4	4.9
Change in net working capital b)	58.4	10.2
Interest received	5.1	11.8
Interests paid	-25.7	-32.9
Dividends received	25.0	33.5
Other financial items	-13.6	-16.4
Taxes	-11.4	-0.6
NET CASH FLOW FROM OPERATIONS	124.2	81.9
INVESTMENTS		
Acquisition of shares	-1.5	-1.5
Capital expenditure	-17.1	-18.5
Proceeds from disposal of other shares	1.0	
Proceeds from sale of tangible and intangible assets	6.1	38.7
Decrease in other non-current investments	37.9	23.4
TOTAL CASH USED IN INVESTMENTS	26.5	42.1
CASH FLOW BEFORE FINANCING	150.7	124.0
FINANCING		
Share issue	100.1	
Increase in non-current liabilities	5.9	381.1
Decrease in non-current liabilities	-28.7	-392.2
Increase (-) or decrease (+) in interest-bearing non-current receivables	-176.4	-89.0
Increase (-) or decrease (+) in interest-bearing current receivables	-12.3	5.9
Dividends paid	-39.4	-29.5
TOTAL FINANCING	-150.8	-123.7
Change in liquid funds	-0.1	0.2
Liquid funds at 1 Jan	0.8	0.6
LIQUID FUNDS AT 31 DEC	0.7	0.8
a) Adjustments to operating result		
Depreciation	46.2	46.3
Gains (+) or losses (-) on sale of non-current assets	-6.0	-35.7
Change in provisions	-3.8	-5.7
Total	36.4	4.9
b) Change in net working capital		
Increase (-) or decrease (+) in stocks	3.1	-29.3
Increase (-) or decrease (+) in non-interest bearing receivables	47.2	17.7
Increase (+) or decrease (-) in non-interest bearing liabilities	8.1	21.8
Total	58.4	10.2

PARENT COMPANY ACCOUNTING POLICIES

Metsä Board Corporation's financial statements have been prepared in accordance with Finnish accounting standards (FAS).

SALES

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

EXCHANGE RATE DIFFERENCES

Foreign exchange gains and losses have been booked to net exchange gains/losses under financial income and expense. Open and actual foreign exchange differences hedging sales are recorded immediately to financial income and expenses in the income statement.

TRANSACTIONS IN FOREIGN CURRENCY

Transactions in foreign currency have been booked at the exchange rate on the day of the transaction.

At the balance sheet date, receivables and liabilities denominated in foreign currency have been translated into euros at the exchange rate quoted by the European Central Bank at the balance sheet date.

DERIVATIVE CONTRACTS

Derivative contracts have not been recognized at fair value. Off-balance sheet liabilities arising from derivatives are presented in note 24.

PENSIONS AND PENSION FUNDING

Statutory pensions are handled by pension insurance companies outside the Group. In addition to statutory pensions, some salaried employees have supplementary pension arrangements which are either insured, arranged through Metsäliitto Employees' Pension Foundation or constitute an unfunded liability of the company. Metsäliitto Employees' Pension Foundation is fully funded based on the current value of its assets.

Pension insurance premiums have been periodized to correspond to the accrual-based wages and salaries in the financial statements.

RESEARCH AND DEVELOPMENT EXPENDITURE

Research and development expenditure is recorded as expense in the relevant financial period.

INVENTORIES

Inventories are measured at the lower of cost or net realizable value. FIFO principle is observed in measuring inventories or, alternatively, the weighted average price method.

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

The carrying values of property, plant and equipment are based on original acquisition costs less depreciation according to plan and impairment losses.

Straight-line depreciation according to plan is based on the estimated useful life of the asset as follows:

Buildings and constructions	20–40 years
Heavy power plant machinery	20–40 years
Other heavy machinery	15–20 years
Lightweight machinery and equipment	5–15 years
Other items	5–10 years

Depreciation is not recorded on the purchase cost of land and water.

LEASING

Lease payments are treated as rental expenses.

ENVIRONMENTAL EXPENDITURE

Environmental expenditure comprises the identifiable expenses of environmental protection measures aimed primarily at preventing, remedying or alleviating environmental damage.

EXTRAORDINARY INCOME AND EXPENSES

Only group contribution, paid and received, as well as merger gains and losses are presented in the income statement as extraordinary items. Tax effect of extraordinary items is presented in the notes to the financial statements.

APPROPRIATIONS

Finnish tax legislation offers the possibility to deduct expenses prematurely from the profit for the financial year and to transfer them to the balance sheet as provisions. The items are taken into account in tax filings only if they have been entered in the accounts. These items are presented under appropriations in the income statement. Among such items are depreciation on property, plant and equipment in excess of plan, which is stated as depreciation difference in the balance sheet and as change in the depreciation difference in the income statement.

PROVISIONS

Future costs and losses, to which the Group is committed and which are likely to be realized, are included in the income statement under the appropriate expense heading and in the balance sheet under provisions for future costs whenever the precise amount and timing are not known, and in other cases they are included in accrued liabilities. These can be i.a. pension liabilities or costs of discontinued operations and restructuring costs.



NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

EUR million

2015

2014

1. SALES

Owing to Group structure, the sales of the parent company have not been broken down by segments and markets.

2. OTHER OPERATING INCOME

Rental income	0.7	0.9
Gains on disposal of fixed assets	6.1	33.8
Service revenue	15.1	13.1
Government grants and allowances	1.0	1.0
Scrap and waste sale	1.1	1.7
Other	4.6	5.1
Total	28.7	55.6

3. EXTERNAL SERVICES

Logistics expenses	127.6	115.0
Other external services	48.5	43.4
Total	176.1	158.4

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

4. EMPLOYEE COSTS

Wages and salaries	59.2	54.9
Pension expenses	14.4	13.2
Other social security expenses	26.5	26.2
	100.0	94.3
Key management salaries including variable bonus and incentives		
CEOs	0.7	1.0
Members of the Board	0.7	0.6
Total	1.3	1.6

PENSION COMMITMENTS RELATED TO CEO

CEO of the parent company has the right to retire on a pension at the age of 62 years. The Company has taken a supplementary pension insurance policy for the CEO, covering the period between the contractual and statutory retirement age of 63 years and entitling the CEO to receive pension compensation equal to 60 per cent of his salary at the time of retirement calculated in accordance with Finnish pension legislation and based on the calculation period of five years immediately preceding retirement. In case the service relationship of the CEO is terminated prior to retirement, the pension earned by the CEO becomes vested.

Metsä Board Oyj employed an average of 1,213 people (2013: 1,212). KPMG Oy acted as the independent principal auditor of the parent company during years 2015 and 2014.

PRINCIPAL AUDITORS FEES

Fees paid to independent principal auditor KPMG Oy in 2015 and 2014 were as follows:

Audit fees	0.12	0.12
Other fees	0.00	
Total	0.13	0.12

The audit fees are paid for the audit of the annual and quarterly financial statements and related services.

EUR million

2015

2014

5. DEPRECIATION ACCORDING TO PLAN AND IMPAIRMENT CHARGES

Depreciation according to plan		
Intangible rights	2.8	1.8
Other capitalised expenditure	0.6	0.8
Buildings and constructions	6.6	7.4
Machinery and equipment	36.1	36.3
Other tangible assets	0.3	0.3
Total depreciation according to plan	46.5	46.6
Impairment charges and reverse of impairment charges		
Machinery and equipment	-0.3	-0.3
Change in depreciation difference	22.0	5.4
Total depreciation, amortization and impairment charges	68.3	51.7

6. OTHER OPERATING EXPENSES

Rents and other real estate expenses	6.9	6.7
Purchased services	57.1	58.2
Other operating expenses	37.5	53.4
Total	101.5	118.3

7. FINANCIAL INCOME AND EXPENSES

Dividend income	25.0	33.5
Interest income from non-current investments	5.0	6.8
Other interest income	0.1	5.7
Write-downs and reverse of write-downs on non-current investments	-33.2	39.7
Interest expenses	-25.7	-35.0
Other financial expenses	-3.0	-7.5
	-31.9	43.2
Net exchange differences	-6.8	-19.4
Financial income and expenses, total	-38.7	23.8

EXCHANGE DIFFERENCES IN INCOME STATEMENT

Exchange differences on sales	4.6	4.3
Exchange differences on purchases	-0.5	-0.2
Exchange differences on financing	-10.9	-23.5
Exchange differences, total	-6.8	-19.4

8. EXTRAORDINARY INCOME AND EXPENSES

Extraordinary income		
Group contribution received	29.9	34.5
Loss on merger		-56.0
Total	29.9	-21.5

9. INCOME TAXES

Income taxes for the financial period	4.0	
Income taxes for previous periods	9.6	0.2
Total	13.6	0.2
Income taxes on ordinary operations	7.6	-6.7
Income taxes on extraordinary items	6.0	6.9
Total	13.6	0.2

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 of previous periods' taxes in its tax expense of 2015. Metsä Board will appeal against the decision issued by the Tax Administration, as the company believes the losses are deductible.

EUR million	2015	2014
10. NON-CURRENT ASSETS: INTANGIBLE ASSETS		
INTANGIBLE RIGHTS		
Acquisition costs, 1 Jan	108.3	102.1
Increases	1.9	8.3
Transfers between items	0.6	6.4
Decreases	-5.8	-8.4
Acquisition costs, 31 Dec	105.1	108.3
Accumulated depreciation, 1 Jan	-95.1	-94.5
Accumulated depreciation on deduction and transfers	5.7	1.2
Depreciation for the period	-2.8	-1.8
Accumulated depreciation, 31 Dec	-92.2	-95.1
Book value, 31 Dec	12.9	13.2
OTHER CAPITALIZED EXPENDITURE		
Acquisition costs, 1 Jan	15.2	15.0
Increases	0.7	0.2
Transfers between items	0.0	
Decreases	0.0	0.0
Acquisition costs, 31 Dec	15.9	15.2
Accumulated depreciation, 1 Jan	-14.2	-13.4
Accumulated depreciation on deduction and transfers	0.0	0.0
Depreciation for the period	-0.6	-0.8
Accumulated depreciation, 31 Dec	-14.8	-14.2
Book value, 31 Dec	1.1	1.0
ADVANCE PAYMENTS		
Acquisition costs, 1 Jan	0.1	8.1
Transfers between items	-0.1	-6.4
Decreases		-1.6
Acquisition costs, 31 Dec		0.1
Book value, 31 Dec		0.1

EUR million	2015	2014
10. NON-CURRENT ASSETS: TANGIBLE ASSETS		
LAND AND WATER AREAS		
Acquisition costs, 1 Jan	12.5	13.5
Increases	0.0	0.4
Decreases	-0.4	-1.4
Acquisition costs, 31 Dec	12.1	12.5
Book value, 31 Dec	12.1	12.5
BUILDINGS		
Acquisition costs, 1 Jan	273.7	272.1
Increases	0.5	0.8
Transfers between items	0.1	0.8
Decreases	-1.2	-0.0
Acquisition costs, 31 Dec	273.1	273.7
Accumulated depreciation, 1 Jan	-168.1	-160.8
Accumulated depreciation on deduction and transfers	1.2	0.0
Depreciation for the period	-6.6	-7.4
Accumulated depreciation, 31 Dec	-173.5	-168.1
Book value, 31 Dec	99.5	105.6
MACHINERY AND EQUIPMENT		
Acquisition costs, 1 Jan	1,188.8	1,283.0
Increases	9.3	11.9
Transfers between items	3.2	6.5
Decreases	-9.2	-112.6
Acquisition costs, 31 Dec	1,192.0	1,188.8
Accumulated depreciation, 1 Jan	-911.3	-987.2
Accumulated depreciation on deduction and transfers	8.9	112.0
Depreciation and impairment charges for the period	-35.8	-36.0
Accumulated depreciation, 31 Dec	-938.2	-911.3
Book value, 31 Dec	253.9	277.5
Production machinery and equipment, 31 Dec	253.9	277.5
OTHER TANGIBLE ASSETS		
Acquisition costs, 1 Jan	9.4	9.0
Increases		0.4
Transfers between items	0.0	
Decreases	0.0	
Acquisition costs, 31 Dec	9.4	9.4
Accumulated depreciation, 1 Jan	-6.4	-6.0
Accumulated depreciation on deduction and transfers	0.0	
Depreciation for the period	-0.3	-0.3
Accumulated depreciation, 31 Dec	-6.7	-6.4
Book value, 31 Dec	2.7	3.0
CONSTRUCTION IN PROGRESS		
Acquisition costs, 1 Jan	5.5	9.2
Increases	4.6	3.6
Transfers between items	-3.9	-7.4
Acquisition costs, 31 Dec	6.2	5.5
Book value, 31 Dec	6.2	5.5

The undepreciated portion of capitalized interest expenses under balance sheet item "Machinery and equipment" was EUR 0.0 million (2014: 0.2). No interest expenses were capitalized during financial years 2015 and 2014.



EUR million	2015	2014
11. INVESTMENTS		
SHARES IN GROUP COMPANIES		
Acquisition costs, 1 Jan	559.5	469.5
Reverse of write-downs		90.0
Acquisition costs, 31 Dec	559.5	559.5
Book value, 31 Dec	559.5	559.5
SHARES IN ASSOCIATED COMPANIES		
Acquisition costs, 1 Jan	66.0	66.0
No change		
Acquisition costs, 31 Dec	66.0	66.0
Book value, 31 Dec	66.0	66.0
OTHER SHARES AND HOLDINGS		
Acquisition costs, 1 Jan	40.6	40.6
Decreases	0.0	
Acquisition costs, 31 Dec	40.6	40.6
Book value, 31 Dec	40.6	40.6
RECEIVABLES FROM GROUP COMPANIES		
Acquisition costs, 1 Jan	207.6	265.3
Decreases	-33.5	-7.4
Write-downs		-50.3
Acquisition costs, 31 Dec	174.1	207.6
Book value, 31 Dec	174.1	207.6
OTHER RECEIVABLES		
Acquisition costs, 1 Jan	2.8	2.5
Increases		0.3
Decreases	-2.8	
Acquisition costs, 31 Dec	0.0	2.8
Book value, 31 Dec	0.0	2.8
INVESTMENTS, TOTAL		
Acquisition costs, 1 Jan	876.6	843.9
Increases		0.3
Decreases	-36.3	-7.4
Reverse of write-downs		90.0
Write-downs		-50.3
Acquisition costs, 31 Dec	840.2	876.6
Book value, 31 Dec	840.2	876.6

12. LOAN RECEIVABLES FROM MANAGEMENT

There are no loan receivables from the CEO, members of the Board of Directors and their deputies as well as persons who are members of similar bodies.

EUR million	2015	2014
13. CURRENT RECEIVABLES		
Receivables from Group companies		
Accounts receivables	9.2	5.6
Loan receivables	285.9	336.8
Other receivables	30.6	53.9
Prepayment and accrued income	1.4	3.3
Receivables from associated companies		
Accounts receivables	0.2	0.2
Receivables from others		
Accounts receivables	127.3	118.2
Other receivables	13.9	17.0
Prepayment and accrued income	12.3	14.1
Total	480.8	549.1
14. PREPAYMENT AND ACCRUED INCOME		
Insurances	0.0	0.5
Energy taxes and other taxes	8.5	10.6
Discounts	3.8	3.0
Total	12.3	14.1
15. INTEREST-BEARING RECEIVABLES		
Loan receivables and other non-current assets	174.1	210.5
Liquid funds and other current assets	286.7	337.7
Total	460.8	548.2
16. SHAREHOLDERS' EQUITY		
Share capital, 1 Jan		
Series A shares	61.2	61.2
Series B shares	496.7	496.7
Share capital, 1 Jan		
Conversion of A-shares into B-shares		
Series A shares	-0.2	
Series B shares	0.2	
Total	0.0	
Share capital, 31 Dec		
Series A shares	61.0	61.2
Series B shares	496.9	496.7
Share capital, 31 Dec		
	557.9	557.9
Reserve for invested unrestricted equity 1 Jan		
	284.8	284.8
Share issue		
	100.1	
Reserve for invested unrestricted equity 31 Dec		
	384.8	284.8
Retained earnings, 1 Jan		
Dividends	-39.4	-29.5
Profit for the period	5.6	68.0
Retained earnings, 31 Dec		
	69.9	103.6
Shareholders' equity, total		
	1,012.6	946.3

EUR million	1 Jan	Increase	Decrease	31 Dec
17. PROVISIONS				
Provisions for pension	1.8		-0.6	1.2
Provisions for unemployment pension costs	1.6		-0.9	0.7
Restucturing	0.7		-0.3	0.4
Provision for rental costs	0.6		-0.4	0.2
Other provisions	7.4	0.0	-1.7	5.7
Total	12.1	0.0	-3.9	8.3

EUR million	2015	2014
18. DEFERRED TAX ASSETS AND LIABILITIES NOT RECOGNISED IN BALANCE SHEET		
Deferred tax assets		
Provisions	1.7	2.4
Total	1.7	2.4
Deferred tax liabilities		
Accumulated depreciation difference	14.6	10.2
Total	14.6	10.2

EUR million	2015	2014
19. LIABILITIES		
Non-current		
Non-interest-bearing	0.0	1.3
Interest-bearing	542.6	574.0
Total	542.6	575.3
Current		
Non-interest-bearing	206.4	196.3
Interest-bearing	38.2	237.8
Total	244.6	434.1

Bonds	Interest, %	EUR million
2014–2019	4.0	223.9
Total		223.9

EUR million	2015	2014
20. NON-CURRENT DEBTS WITH AMORTISATION PLAN		
Bonds		
2019	223.9	223.5
Total, at the end of the financial period	223.9	223.5
Loans from financial institutions		
2016		50.0
2017	50.0	150.0
2018	150.0	
Total, at the end of the financial period	200.0	200.0
Pension loans		
2015		28.7
2016	37.7	31.8
2017	31.8	31.8
2018	31.8	31.8
2019	31.8	31.8
2020	23.3	23.3
Total, at the end of the financial period	156.4	179.2
Total		
2015		28.7
2016	37.7	81.8
2017	81.8	181.8
2018	181.8	31.8
2019	255.6	255.3
2020	23.3	23.3
Total, at the end of the financial period	580.3	602.7



EUR million	2015	2014
21. NON-CURRENT LIABILITIES		
Other liabilities		
Bonds	223.9	223.5
Loans from financial institutions	200.0	200.0
Pension loans	118.7	150.5
Other liabilities	0.1	1.3
Total	542.6	575.3
22. CURRENT LIABILITIES		
Liabilities from Group companies	40.6	244.1
Liabilities from associated companies	0.2	0.3
Other liabilities		
Pension loans	37.7	28.7
Advance payment	5.1	3.3
Accounts payable	93.1	96.5
Other liabilities	6.3	8.7
Accruals and deferred income	61.5	52.5
Total	244.6	434.1
23. ACCRUALS AND DEFERRED INCOME		
Current		
Insurances	1.5	1.1
Personnel expenses	21.8	18.7
Interests	8.0	7.9
Accruals of purchases	6.4	5.9
Discounts	13.9	12.3
Others	9.8	6.6
Total	61.5	52.5

24. CONTINGENT LIABILITIES

DISPUTES

In May 2014, Metsä Board petitioned that the District Court of Helsinki revoke the judgment issued by the Arbitral Tribunal on 11 February 2014 that orders Metsä Board to pay EUR 19.7 million in damages to UPM-Kymmene Corporation. In the judgment issued in June 2015, the District Court rejected Metsä Board's petition. Metsä Board decided in September to appeal the District Court's judgment to the Court of Appeal.

EUR million	2015	2014
For own liabilities		
Liabilities secured by pledges		
Pension loans	43.9	53.2
Pledges granted	21.8	21.8
Liabilities secured by mortgages		
Pension loans	110.3	124.6
Real estate mortgages	232.8	232.8
As security of own commitments		
Guarantees and counter-indemnities	5.9	25.0
On behalf of associated companies		
Guarantee liabilities		0.1
On behalf of others		
Other liabilities		9.0
Other commitments	49.9	49.9
Leasing commitments		
Payments due in the following year	1.4	1.4
Payments due in subsequent years	2.5	2.8
Total		
Pledges	21.8	21.8
Floating charges		
Real estate mortgages	232.8	232.8
Guarantees and counter-indemnities	5.9	25.1
Other liabilities		9.0
Other commitments	49.9	49.9
Leasing liabilities	3.9	4.2
Total	314.3	342.8

Other commitments consist of a sale and leaseback arrangement made by Metsä Board Corporation. Commitments arising from derivative contracts not recognised in Balance sheet are as follows:

EUR million	2015		2014	
	Nominal value	Fair value	Nominal value	Fair value
Interest rate swaps	253.4	-0.9	265.3	-3.4
Interest rate derivatives total	253.4	-0.9	265.3	-3.4
Currency forward agreements	465.5	0.2	564.1	-11.4
Currency option agreements	91.8	0.0	169.5	-1.4
Currency derivatives total	557.4	0.2	733.6	-12.8
Electricity derivatives	27.9	-7.0	62.8	-6.7
Pulp derivatives			22.3	-0.1
Oil derivatives	16.7	-6.4	10.8	-3.6
Other commodity derivatives	1.4	-0.3		
Commodity derivatives total	46.0	-13.7	95.9	-10.3
Derivatives total	856.8	-14.4	1,094.8	-26.5

Only incremental 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.

Following is the summary of environmental costs and changes in capitalised environmental expenditures.

EUR million	2015	2014
Income statement		
Materials and consumables	3.9	3.8
Employees costs		
Wages and salaries	0.7	0.7
Social security costs	0.3	0.3
Depreciation	3.0	3.0
Other operating charges	3.0	1.5
	11.0	9.3
Balance sheet		
Tangible assets		
Acquisition costs, 1 Jan	67.2	68.5
Increases	4.8	0.5
Decreases	-1.2	-1.7
Depreciation	-48.0	-33.6
Book value, 31 Dec	22.8	33.7
Provisions		
Other provisions	5.7	7.4

EMISSION ALLOWANCES

Metsä Board Corporation participates in the European Union Emissions Trading System. In 2015, Metsä Board Corporation received 394 kilotonnes of emission allowances free of charge. On the balance sheet date, the company had 395 kilotonnes of emission allowances. Actual emissions during the financial period were 199 kilotonnes.

Metsä Board Corporation has recognised the emission allowances in accordance with the net method. The difference between the emissions and the emission allowances received has been recognised through profit and loss if the actual emissions have exceeded the allowances received. Actual emission during the period did not have any effect on profit and loss or on balance sheet.

In 2015, Metsä Board Corporation sold emission allowances worth EUR 1.7 million. On the balance sheet date, the fair value of an emission right was EUR 8.22 per ton and total value about EUR 3.2 million.



THE BOARD'S PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The distributable funds of the parent company are EUR 454,743,659.76 of which the result for the period is EUR 5,617,838.56. The Board of Directors proposes to the Annual General Meeting that the distributable funds be distributed as follows:

A dividend of EUR 0.17 per share be paid, or in total	60,437,166.82
To be left to the shareholders' equity	<u>394,306,492.94</u>
	454,743,659.76

The Board of Directors proposes that the dividend will be paid on 5 April 2016.

No material changes have taken place with respect to the company's financial position after the balance sheet date.
Liquidity of the company is good.

Espoo, 2 February 2016

Kari Jordan

Martti Asunta

Mikael Aminoff

Kirsi Komi

Kai Korhonen

Liisa Leino

Juha Niemelä

Veli Sundbäck

Erkki Varis

Mika Joukio
CEO

AUDITOR'S REPORT

TO THE ANNUAL GENERAL MEETING OF METSÄ BOARD CORPORATION

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Metsä Board Corporation 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 company'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 company's accounts and finances, and the Managing Director shall see to it that the accounts of the company 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 Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

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 entity'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 company'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 COMPANY'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 company'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 the adoption of the financial statements. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the Managing Director be discharged from liability for the financial period audited by us.

Helsinki, 19 February 2016

KPMG OY AB

Raija-Leena Hankonen
Authorised Public Accountant



CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

This statement describing the corporate governance of Metsä Board Corporation (Metsä Board or Company) has been issued as a separate statement pursuant to the Securities Markets Act and the Finnish Corporate Governance Code and is published concurrently with the Company's financial statements and report of the Board of Directors. The Finnish Corporate Governance Codes from years 2010 and 2015 are available at the website of the Finnish Securities Markets Association at www.cgifinland.fi.

Metsä Board is a Finnish public limited company whose A and B series shares are subject to public trading on the official list of Nasdaq Helsinki Ltd. (Helsinki Stock Exchange). In its administration and govern-

ance Metsä Board applies Finnish laws, especially the Companies Act, the Company's Articles of Association and rules and regulations issued pursuant to laws, including those issued by the Financial Supervisory Authority and applying to listed companies. Metsä Board also follows the rules and recommendations of the Helsinki Stock Exchange as applicable to listed companies.

Metsä Board prepares its financial statements and interim reports according to the International Financial Reporting Standards (IFRS). The financial statement documents are prepared and published in Finnish and English.

Metsä Board's headquarters are located in Espoo, Finland. The Company's registered domicile is Helsinki.

APPLICATION OF THE FINNISH CORPORATE GOVERNANCE CODE

As a Finnish listed company, Metsä Board applies the Finnish Corporate Governance Code of 2015, taking into consideration the transition rules regarding the Code's entry into force. Currently Metsä Board does not deviate from any single recommendation of the Code. The new Corporate Governance Code entered into force on 1 January 2016. Companies can voluntarily apply all or some of the requirements set out in the new Code also in their reporting for the year 2015. This statement has been issued in compliance with the regulations concerning reporting content set out in the Corporate Governance Code 2010, for which the new Code made allowance.

CORPORATE GOVERNANCE IN METSÄ BOARD



METSÄ BOARD'S ADMINISTRATION AND GOVERNANCE STRUCTURE

The Company's statutory bodies include the General Meeting of Shareholders, the Board of Directors and the CEO. In addition, a Corporate Management Team assists the CEO in the operative management of the Company and in coordinating its operations. Members of the Corporate Management Team are not members of the Board of Directors. The tasks and responsibilities of the different bodies are specified pursuant to the Finnish Companies Act.

Metsä Board has a function based organisation, including marketing and sales, production and technology, finance, business development and human resources. Function heads are members of the Corporate Management Team and they are responsible for their function's operation. Functions are supported by centralised support functions, most of which are common with other Metsä Group companies. Support functions are based on specific service agreements, the terms of which are at arm's length.

GENERAL MEETING

The General Meeting of Shareholders is the Company's highest decision-making body where shareholders use their decision-making power. Each shareholder is entitled to participate in a General Meeting by following the procedure described in the notice to the General Meeting.

According to the Finnish Companies Act, the General Meeting decides on the following matters, among others:

- amending the Articles of Association
- approving the financial statements
- profit distribution
- mergers and demergers
- acquisition and transfer of own shares
- appointing the members of the Board and specifying their and Board committee members' compensation
- appointing the auditor and specifying its compensation.

Shareholders are entitled to put forward a matter pertaining to the General Meeting to

be addressed when the shareholder delivers a written request to this effect so well in advance that the matter can be included in the notice to the meeting. In addition, the shareholder has a right to present questions on the items on the agenda of the General Meeting. A shareholder is entitled to participate in a General Meeting when he/she is included in the register of shareholders eight (8) working days before the General Meeting. An Annual General Meeting takes place each year in June at the latest. Notice to a General Meeting is served at the earliest three months and at the latest three weeks before the meeting by publishing it on the Company's website and by publishing the notice or a summary thereof in a Finnish newspaper of general circulation.

An Extraordinary General Meeting will convene if the Board finds it necessary, or if the auditor or shareholders representing at least 10 per cent of all shares deliver a written request to this effect in order to process a specified matter.

BOARD OF DIRECTORS

The Board of Directors is responsible for the company's administration and arranging the company's operations properly according to applicable laws, the Articles of Association and good corporate governance. The general authority of the Board cover matters that are far-reaching and unusual, strategically significant or unusual and which therefore do not belong to the company's day-to-day business operations. The Board supervises Metsä Board's operations and management and decides on strategy, major investments, the company's organisation structure and significant financing matters. The Board supervises the proper arrangement of the company's operations, and ensures that accounting and asset management control, financial reporting and risk management have been organised in an appropriate manner.

For its operation, the Board has a written working order. In accordance with its working order, the Board's tasks include:

- appointing the CEO and accepting the appointment of Corporate Management Team members, and ensuring that the

CEO takes care of the company's day-to-day administration according to the regulations and guidelines given by the Board

- appointing members to the Audit Committee and the Nomination and Compensation Committee and accepting their working orders
- processing and accepting the corporate strategy and its main policies
- accepting the annual operational plan
- monitoring how company accounting, asset management and risk control are arranged
- deciding on significant investments, business acquisitions, divestments and closures of operations
- deciding on considerable investments and financing arrangements
- deciding on the surrender and pledging of the company's significant real property
- deciding on the granting of donations, or on the CEO's authority concerning them
- granting and cancelling the right to represent the company and the authority to sign on behalf of the company
- monitoring that the company's Articles of Association are complied with; convening the General Meeting and monitoring that the decisions made by the Annual General Meeting are implemented
- signing and presenting the annual financial statements to the Annual General Meeting for approval, and preparing a proposal for the use of profits
- approving the essential policies, regulations and guidelines governing the business operations
- deciding on who are permanent insiders in the company and accepting the company's insider rules
- publishing or authorising the CEO to publish all such information that is likely to have an impact on the company's share value, or which otherwise has to be made public according to the Finnish Securities Markets Act.

The working order of the Board of Directors is presented in full on the Metsä Board website (www.metsaboard.com/InvestorRelations/CorporateGovernance). The



Board can delegate matters in its general responsibility to the CEO and correspondingly take charge of decision-making in a task that belongs to the CEO.

On an annual basis, the Board assesses its own operations and the company's administration principles and decides on necessary changes, if any.

The Board convenes on a regular basis. In the financial year 2015, the Board held a total of 17 meetings, four of which were phone meetings. The Board members participated in the meetings as follows: Aminoff, Asunta, Jordan, Korhonen, Leino and Sundbäck took part in all meetings and Komi, Niemelä and Varis in 16 meetings. (The attendance rate of the members was 100 per cent in 2014 and 98 per cent in 2013).

COMPOSITION AND INDEPENDENCE OF THE BOARD OF DIRECTORS

The composition and number of members of the Board of Directors must facilitate effective fulfilment of the Board's tasks. The composition of the Board of Directors takes into account the development phase of the Company, the special requirements of the industry and the needs of the Company's operations. Both sexes are represented in the Board of Directors. A member of the Board must possess the competence required by the task and the opportunity to allocate sufficient time for the task. In compliance with the Corporate Governance Code the Board of Directors will during 2016 define the principles concerning its diversity.

According to the Articles of Association, a minimum of five and a maximum of ten regular members shall be appointed to the Board of Directors by the shareholders by the Annual General Meeting for a one-year period at a time. The number of consecutive terms is not limited. At present, the Board has nine regular members.

The Board appoints a Chairman and a Vice Chairman from among its members. The Annual General Meeting of 2014 appointed the following persons as members of the Board of Directors:

- Mr Kari Jordan, born 1956, Chairman, M.Sc. (Econ.), 450,000 B shares
- Mr Martti Asunta, born 1955, Vice Chairman, M.Sc. (For.), 55,721 B shares
- Mr Mikael Aminoff, born 1951, M.Sc. (For.), 56,961 B shares
- Ms Kirsi Komi, born 1963, independent member, L.L.M., 53,766 B shares
- Mr Kai Korhonen, born 1951, independent member, M.Sc. (Eng.), eMBA, 219,193 B shares
- Ms Liisa Leino, born 1960, independent member, M.Sc. (Nutrition), 152,411 B shares
- Mr Juha Niemelä, born 1946, independent member, M.Sc. (Econ.), 152,411 B shares
- Mr Veli Sundbäck, born 1946, independent member, L.L.M., 43,431 B shares
- Mr Erkki Varis, born 1948, independent member, M.Sc. (Eng.), 107,003 B shares

These ownerships include shares possibly owned by controlled entities. A majority of the members of the Board of Directors are independent of both the Company and its significant shareholders.

The Board's Nomination and Compensation committee proposes to the Annual General Meeting convened for March 23, 2016 that all current Board members be re-elected for a new term. Further information on existing and proposed Board members is available on the Company's website at (www.metsaboard.com/Investor Relations/Corporate Governance).

BOARD COMMITTEES

Board committees provide assistance to the Board of Directors, preparing matters for which the Board is responsible. The Board of Directors appoints an Audit Committee and a Nomination and Compensation Committee from among its members. Every year after the Annual General Meeting, the Board of Directors appoints each committee's chairman and members. The Board of Directors and its committees can also seek assistance from external advisors.

Final decisions concerning matters related to the tasks of the committees are made by the Board of Directors on the basis of committee proposals, excluding proposals made directly to the General Meeting by the Nomination and Compensation Committee.

AUDIT COMMITTEE

The Audit Committee is responsible for assisting the Board of Directors in ensuring that the company's financial reporting, calculation methods, annual financial statements and other financial information made public by the Company are correct, balanced, transparent and clear. On a regular basis, the Audit Committee reviews the internal control and management systems and monitors the progress of financial risk reporting and the auditing of the accounts. The Audit Committee assesses the efficiency and scope of internal auditing, the company's risk management, key risk areas and compliance with applicable laws and regulations. The committee gives a recommendation to the Board concerning the appointment of auditors to the Company. The Audit Committee also processes the annual plan for internal auditing and the reports prepared on significant auditing.

The Audit Committee consists of four Board members who are independent of the Company and its significant shareholders. Since the Annual General Meeting of 2015, Kai Korhonen has been chairman of the Audit Committee with Kirsi Komi, Veli Sundbäck and Erkki Varis as members.

The committee members must have adequate expertise in accounting and financial statement policies. The Audit Committee convenes on a regular basis, at least four times a year, including meeting with the company's auditor. The committee chairman provides the Board with a report on each meeting of the Audit Committee. The tasks and responsibility areas have been specified in the committee's working order which the Board has approved (www.metsaboard.com/Investor Relations/Corporate Governance).

When necessary, the following persons are also represented in the Audit Committee

meetings as summoned by the Committee: the auditor, Chief Executive Officer and Chief Financial Officer as well as other management representatives and external advisors.

The Audit Committee convened four times during 2015 and the attendance rate of the members was 100 per cent (100 per cent also in 2014 and 2013).

NOMINATION AND COMPENSATION COMMITTEE

The task of the Nomination and Compensation Committee is to assist the Board of Directors in matters related to the appointment and compensation of the company's CEO, a possible Deputy CEO and the senior management and prepare matters related to the reward schemes for management and employees. In addition, the Committee prepares for the Annual General Meeting a proposal on the number of Board members, Board composition and Board member compensation. The Committee also recommends, prepares and proposes to the Board the CEO's (and a Deputy CEO's) nomination, salary and compensation, and further evaluates and provides the Board and the CEO with recommendations concerning management rewards and compensation systems.

The Committee consists of five Board members. It convenes on a regular basis at least four times a year. The Committee chairman presents the proposals issued by the Committee to the Board. The tasks and responsibilities of the Nomination and Compensation committee have been specified in the committee's working order, which the Board approves (www.metsaboard.com/InvestorRelations/CorporateGovernance).

Since the Annual General Meeting of 2014, Kari Jordan has been chairman of the Nomination and Compensation Committee with Mikael Aminoff, Martti Asunta, Liisa Leino and Juha Niemelä as members.

The Nomination and Compensation Committee convened four times during 2015 and the attendance rate of the members was 100 per cent (100 per cent in 2014 and 93 per cent in 2013).

CHIEF EXECUTIVE OFFICER

Chief Executive Officer Mika Joukio, M.Sc. (Eng.), born 1964, is responsible for the daily management of the Company's administration according to the guidelines and instructions given by the Board. In addition, the CEO is responsible for ensuring that the Company's accounting has been carried out according to applicable laws and that asset management has been organised in a reliable manner. The CEO manages the Company's daily business and is responsible for controlling and steering the business areas.

The CEO has a written CEO contract approved by the Board. The Board monitors the CEO's performance and provides a performance evaluation once a year. The contractual retirement age of the CEO is 62 years. The Company has commissioned an additional pension insurance policy for the CEO, covering the period between the contractual retirement and the statutory retirement age of 63 years and entitling the CEO to receive pension compensation equal to 60 per cent of his salary at the time of retirement. According to Finnish pension legislation, a person has the option to retire between the ages of 63 to 68.

The Board appoints and discharges the CEO. The Board can discharge the CEO without a specific reason. The CEO can also resign from his assignment. The mutual term of notice is six months. The Board may, however, decide to discharge the CEO without a period of notice.

When the service contract of the CEO is terminated by the Board, the CEO is entitled to receive discharge compensation equal to his 12-month salary.

DEPUTY TO THE CEO

The Board can at its discretion appoint a Deputy to the CEO. The Deputy to the CEO is responsible for carrying out the CEO's tasks when the CEO is unable to perform his duties. For the time being no Deputy to the CEO has been appointed.

CORPORATE MANAGEMENT TEAM

In the operative management of Metsä Board, the CEO is assisted by the Corporate Management Team, which consists of Mika Joukio, CEO, together with function heads Ari Kiviranta (Production and Technology), Seppo Puotinen (Marketing and Sales), Markus Holm (Finance and Control), Sari Pajari (Business Development) and Susanna Tainio, Human Resources, who are all reporting to the CEO.

Each Corporate Management Team member has a written employment or service contract. With the exception of the CEO members of the Corporate Management Team have no extraordinary pension arrangements which would deviate from applicable pension legislation. With the exception of the CEO, the term of notice of Corporate Management team members is six months.

The Corporate Management Team's tasks and responsibilities include planning investments, specifying and preparing the Company's strategic guidelines, allocating resources, controlling routine functions as well as preparing several matters to be reviewed by the Board.

The Corporate Management Team convenes at the Chairman's invitation once a month, as a rule, and also otherwise when necessary.

The Corporate Management Team members' owned the Company's shares at the end of the financial year 2015 as follows:

- Mika Joukio 116,620 B shares
- Markus Holm 33,232 B shares
- Ari Kiviranta 0 shares
- Sari Pajari 16,500 B shares
- Seppo Puotinen 60,000 B shares and 1,000 A shares
- Susanna Tainio 0 shares

These ownerships include shares possibly owned by controlled entities.

INTERNAL CONTROL, INTERNAL AUDITING AND RISK MANAGEMENT

Profitable business requires that operations are monitored continuously and with adequate



efficiency. Metsä Board's internal management and control procedure is based on the Finnish Companies Act, regulations and recommendations for listed companies, the Articles of Association and the company's own approved principles and policies. The functionality of the company's internal control is evaluated by the company's internal auditing. Internal control is carried out throughout the organisation. Internal control methods include internal guidelines and reporting systems.

The following describes the principles, objectives and responsibilities of Metsä Board's internal control, risk management and internal auditing.

INTERNAL CONTROL

Being a listed company, Metsä Board's internal control is steered by the Finnish Companies Act and the Securities Markets Act, other laws and regulations applicable to the operations and the rules and recommendations of the Helsinki Stock Exchange, including the Corporate Governance Code. External control is carried out by Metsä Board's auditor and the authorities.

In Metsä Board, internal control covers financial reporting and other monitoring. Internal control is implemented by the Board and operative management as well as the entire personnel. Internal control aims to ensure achieving the goals and objectives set for the company; economical, appropriate and efficient use of resources; correct and reliable financial information and other management information; adherence to external regulations and internal policies; security of operations, information and property in an adequate manner; and the arrangement of adequate and suitable manual and IT systems to support operations.

Internal control is divided into (i) proactive control, such as the specification of corporate values, general operational and business principles; (ii) daily control, such as operational systems and work instructions related to operational steering and monitoring; and (iii) subsequent control, such as management

evaluations and inspections, comparisons and verifications with the aim of ensuring that the goals are met and that the agreed operational and control principles are followed. The corporate culture, governance and the approach to control together create the basis for the entire process of internal control.

MONITORING OF THE FINANCIAL REPORTING PROCESS, CREDIT CONTROL AND AUTHORISATION RIGHTS

The financial organisations of the business areas and the central administration are responsible for financial reporting. The units and business areas report the financial figures each month. The business areas' control functions check their units' monthly performance and report them further to central administration. Business area profitability development and business risks and opportunities are discussed in monthly meetings attended by senior management of the Company and of the business area in question. The result will be reported to the Board and the Corporate Management Team each month. The Board presents the Financial Statements to the Annual General Meeting for approval, approves the financial statement bulletin and quarterly reports and decides on their publication. The Company's internal guidelines provide detailed descriptions on the reporting and control rules and the reporting procedure.

Credit control in Metsä Board has been centralised under a Credit Committee, which convenes at least each quarter. The development of trade receivables is monitored in each sales company by credit controllers under the supervision of the Group VP of Credits. Counterparty-specific credit limits are set within the boundaries of the credit policy confirmed by the Board in cooperation with centralised credit control and business area management. The development of credit risks is reported to the Board on a regular basis.

Authorisation rights concerning expenses, significant contracts and investments have been specified continuously for different organisation levels according to the decision-

making authority policy confirmed by the Board and the authority separately granted by the CEO and other management personnel. Investment follow-up is carried out by the Group's financial administration according to the investment policy confirmed by the Board. After pre-approval, investments are taken to the management teams of the business areas and the Corporate Management Team within the framework of the annual investment plan. Most significant investments are separately submitted for Board approval. Investment follow-up reports are compiled each quarter.

INTERNAL AUDITING

Internal auditing assists the Board and CEO with their control tasks by evaluating the quality of internal control maintained in order to achieve the Company's objectives. In addition, internal auditing supports the organisation by evaluating and ensuring the functionality of business processes, risk management and the management and administration systems.

The key task of internal auditing is to assess the efficiency and suitability of internal control concerning the company's functions and units. In its assignment, internal auditing evaluates how well the operational principles, guidelines and reporting systems are adhered to, how property is protected and how efficiently resources are used. Internal auditing also acts as an expert in development projects related to its task area and prepares special reports at the request of the Audit Committee or operative management.

Internal auditing operates under the supervision of the Audit Committee and the CEO. Audit observations, recommendations and the progress of measures are reported to the management of the target audited, the company management and the auditor. Every six months, internal auditing reports its auditing measures, plans and operations to the Audit Committee. Internal auditing applies in its tasks a working order approved by the Board of Directors.

The action plan of internal auditing is prepared for one calendar year at a time. The

aim is to allocate the auditing to all functions and units at certain intervals. Auditing is annually allocated to areas that are in a key position regarding the evaluated risk and the company's objectives at the time. The topicality and appropriateness of the action plan are processed with the Company's management every six months.

The scope and coordination of the auditing operations are ensured through regular communication and information exchange with other internal assurance functions and the auditor. When necessary, internal auditing uses external service providers for temporary additional resourcing or special expertise for carrying out demanding evaluation tasks.

RISK MANAGEMENT

Risk management is an essential part of Metsä Board's standard business planning and leadership. Risk management belongs to daily decision-making, operations follow-up and internal control, and it promotes and ensures that the objectives set by the Company are met.

Linking business management efficiently with risk management is based on the operational principles confirmed by the Board; the aim of the principles is to maintain risk management as a process that is well defined, understandable and sufficiently practical. Risks and their development are reported on a regular basis to the Board's Audit Committee. Centralised risk management also takes care of the coordination and competitive bidding of Metsä Board's insurance coverage.

The most crucial objective of risk management is to identify and evaluate those risks, threats and opportunities which may have an impact on the implementation of the strategy and on how short-term and long-term objectives are met. A separate risk review is also included in the most significant investment proposals. The businesses regularly evaluate and monitor the risk environment and related changes as part of their normal operational planning. The risks identified and their control is reported to the company's manage-

ment, Audit Committee and the Board at least twice a year. Business risks also involve opportunities, and they can be utilised within the boundaries of the agreed risk limits. Conscious risk-taking decisions must always be based on an adequate evaluation of the risk-bearing capacity and the profit/loss potential, among other things.

Risk management responsibilities in Metsä Board are divided among different functions. The Board is responsible for the Company's risk management and approves the Company's risk management policy; the Audit Committee evaluates the levels and procedures of the Company's risk management and the essential risk areas and provides the Board with related proposals. The CEO and the Corporate 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 Vice President of Risk Management reports to the CFO and is responsible for the Company's risk management process development, coordination, the implementation of risk evaluation and the essential insurance decisions. Businesses and support functions identify and evaluate the essential risks related to their own areas of responsibility in their planning processes, prepare for them, take necessary preventive action and report on the risks as agreed.

Metsä Board's essential risk management elements include implementing a comprehensive corporate risk management process that supports the entire business, protecting property and ensuring business continuity, corporate security and its continuous development, as well as crisis management and continuity and recovery plans. According to the risk management policy and principles, adequate risk management forms a necessary part of the preliminary review and implementation stages of projects which are financially or otherwise significant.

The tasks of Metsä Board's risk management are to:

- ensure that all identified risks with an impact on personnel, customers, products, property, information assets, corporate image, corporate responsibility and operational capacity are controlled according to applicable laws and on the basis of best available information and financial aspects
- ensure that the company'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 the company's overall risk exposure and minimise the overall risks.

The most significant risks and uncertainties that the company is aware of are described in the Report of the Board of Directors.

AUDIT

According to Metsä Board's Articles of Association, the company has one auditor who shall be an auditing firm authorised by the Central Chamber of Commerce of Finland. The General Meeting appoints the auditor each year. The Audit Committee together with the Audit Committee of the parent entity Metsäliitto Cooperative arranged in 2011 a tender for the auditing services. As a result of the competition, the Company's long-term auditor PricewaterhouseCoopers Oy was changed to KPMG Oy Ab. Pursuant to the decision of the Annual General Meeting of 2015, KPMG Oy Ab acts as the Company's auditor and has appointed Raija-Leena Hankonen, APA, as the auditor with main responsibility. The Audit committee controls the appointment procedure of the auditors and provides the Board and the General Meeting with a recommendation for the appointment of the auditor.

In 2015, KPMG Oy Ab received EUR 229,742 (222,690 in 2014 and 186,953 in 2013) in auditing compensation, KPMG internationally received altogether EUR



407,883 (EUR 447,954 in 2014 and 455,054 in 2013) and other auditing firms outside Finland were paid EUR 42,321 (EUR 50,344 in 2014 and EUR 22,550 in 2013). In addition, KPMG has received EUR 10,554 (EUR 9,113 in 2014 and EUR 3,500 in 2013) for services not related to the actual auditing of the accounts.

INSIDER ADMINISTRATION

Insider administration of Metsä Board complies with the Securities Markets Act and regulations issued pursuant to such Act, Standard 5.3 of the Financial Supervisory Authority, (www.finanssivalvonta.fi), the insider guidelines of NASDAQ OMX Helsinki (www.nasdaqomx.com/listing/rulesregulations) and the Company's insider guidelines approved by the Board of Directors pursuant to the above. Pursuant to Section 2 of Chapter 14 of the Securities Markets Act a person who possesses inside information has no right to directly or indirectly trade in securities by using the information in question or to advise any third party in such securities trading. Moreover, disclosure of inside information to any third party is forbidden. The purpose of insider administration is to provide for transparent ownership of the Company's securities by the Company's insiders, while simultaneously maintaining public trust in the trading with the Company's securities and their price development.

The Company's insiders include, in addition to public insiders (members of the Board

of Directors and the Corporate Management Team and auditors) defined by law, persons specified by the Company, who repeatedly possess insider information. The holdings of public insiders is public. Furthermore, the Company shall when necessary set up, by decision of the Chairman of the Board of Directors, a project-specific insider register. This register shall cover all persons who are involved in the preparation of a specific project containing insider information.

Trading in the Company's shares (and other securities) is prohibited when a person possesses inside information relating to the Company. Public insiders and permanent insiders are further not entitled to trade in the shares (and securities) of the Company during a period starting from the end of each reporting period until the respective result has been published (so called closed window). Moreover, trading in the Company's shares is prohibited for all project-specific insiders.

Company insiders have an obligation to provide up-to-date information for the Company's insider register regarding his/her person, related parties and controlled entities. Information shall be entered in the register without delay. The secretary of the Board of Directors is responsible for the maintenance of the register. The register of the Company's permanent insiders is publicly available at the NetSire system of Euroclear Finland, who is responsible for its maintenance.

The Company provides regular guidance and training for its insiders.

RELATED PARTY TRANSACTIONS

The Company's business activities include contractual relationships with the parent entity Metsäliitto Cooperative and affiliated companies Metsä Fibre Oy and Metsä Tissue Oyj. In situations where the Board of Directors addresses a business relationship or other contractual relationship or connection to Metsäliitto Cooperative or the Company's affiliated companies, the Board of Directors shall, if necessary, act without those of its members who are dependent on Metsäliitto Cooperative or the relevant affiliated company.

To assess the independence and impartiality of the members of the Board of Directors, the members shall notify the company of circumstances that may have an impact on the member's ability to act without conflict of interest.

On 31 December 2015, neither the Board members, nor the company's CEO or the Corporate Management Team members had monetary loans from the Company or its subsidiaries. No security arrangements or business relations existed between these persons (including their related party) and the Company during 2015.

SALARY AND REMUNERATION REPORT

This salary and remuneration report of Metsä Board Corporation (Metsä Board or the Company) has been issued pursuant to recommendations concerning reporting of the Finnish Corporate Governance Code 2015. The description on remuneration principles and decision-making is updated on a regular basis, two times every calendar year as a starting point, however, always in March in connection with the annual Corporate Governance Statement. A report regarding the fees paid out during the previous financial year is also published at the same time.

DECISION-MAKING AND PRINCIPLES OF REMUNERATION

The purpose of the management's compensation system is to compensate management in a fair and competitive way for a successful and profitable implementation of the Company's strategy. The objective of remuneration is also to encourage management in the development of the Company's strategy and business to thereby act for the benefit the Company in the long run.

The Annual General Meeting of the Company decides on the remuneration of the Board of Directors. The Nomination and Remuneration Committee presents the General Meeting with proposals for remuneration of the Board of Directors, taking into account the Company's financial standing at a given time and, among other things, remuneration guidelines in other comparable companies. The Board of Directors for its part approves the salary and compensation of the CEO and the principles applied in the compensation of other Corporate Management Team members. The Board further approves the structures and basis as well as applicable criteria for the Company's remuneration and incentive schemes and the target setting of the applicable criteria at a given time. The Nomination and Compensation Committee assists the Board in matters relating to

management remuneration, conditions of employment and engagement of management members as well as prepares Board decisions relating to management remuneration.

The CEO acting in cooperation with the Chairman of the Board decides on matters related to the compensation of other senior management members in accordance with the principles approved and guidance issued by the Board.

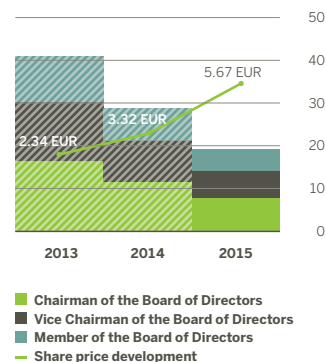
FINANCIAL BENEFITS

BOARD OF DIRECTORS

The Annual General Meeting held in March 2015 resolved to increase the annual remuneration of the members of the Board of Directors by approximately 15 per cent. Thus, the Chairman received an annual remuneration of EUR 88,000, the Vice Chairman EUR 74,200 and members EUR 58,000. One half of the remuneration was decided to be paid in cash while the other half was to be paid in the Company's B-series shares. The Board members are not allowed to transfer these shares within a period of two years from the grant date. The amount of the cash consideration corresponds to the estimated withholding tax. In addition, the Annual General Meeting resolved to pay to the members a remuneration of EUR 600 per each attended Board and committee meeting. Travel expenses of the Board are compensated according to the Company's travel policy. Further, the Annual General Meeting decided that an additional monthly compensation of EUR 800 be paid to the Chairman of the Audit Committee. The Nomination and Compensation Committee of the Board of Directors proposes to the Annual General Meeting convening on March 23, 2016 that the remuneration be kept unchanged and

BOARD OF DIRECTORS' SHARE REMUNERATION

1,000 SHARES



Board of Directors' share remuneration was kept unchanged in 2006–2014.

also that the practice of paying the remuneration in shares and in cash be continued. The Board's annual remuneration remained unchanged between 2006 and 2014 and has been paid in shares and cash since 2009.

CHIEF EXECUTIVE OFFICER

The Board of Directors appoints and discharges the Company's CEO. The CEO has a written service contract approved by the Board. The Board monitors the CEO's performance and provides a specific performance evaluation once a year. The Board can discharge the CEO without a specific reason. The CEO can also resign from his assignment. The mutual term of notice is six months. The Board may, however, decide to discharge the CEO without a period of notice. When the service contract of the CEO is terminated by the Board, the CEO is entitled to receive discharge compensation equal to his 12-month salary.



The contractual retirement age of the CEO is 62 years. The Company has commissioned an extra pension insurance policy for the CEO, covering the period between the contractual and statutory retirement age of 63 years and entitling the CEO to receive pension compensation equal to 60 per cent of his salary at the time of retirement (calculated in accordance with Finnish pension laws) on the basis of a five-year-period preceding the moment of retirement. The combined cost to the Company of the statutory pension contributions and voluntary pension insurance policies of the CEO amounted in 2015 to EUR 328,450 (EUR 663,132 in 2014 and 413,599 in 2013). In case the service relationship of the CEO is terminated prior to retirement, the CEO is entitled to a free policy.

Short-term compensation

The monthly salary of CEO Mika Joukio is EUR 37,000. The salary includes car and mobile phone benefits and an extended travel and accident insurance policy. In addition, the Board may, in accordance with the CEO's service contract, decide that the CEO receives

bonus pay based on his overall performance and corresponding to his seven (7) month salary. In 2015 the CEO Joukio received a total of EUR 662,483 in salary, bonuses and other benefits (including share incentives) (CEO Helander received EUR 894,616 in the period between January 1 and October 31 2014 and 606,534 in 2013), of which EUR 469,711 (Helander EUR 444,183 in 2014 and EUR 535,130 in 2013) was fixed compensation and EUR 165,319 (Helander EUR 130,383 in 2014 and EUR 71,404 in 2013) was short-term bonus pay and EUR 27,453 (Helander EUR 146,480 in 2014 and EUR 0 in 2013) share incentives. CEO Joukio received EUR 116,262 in fixed compensation in the period between October 1 and December 31, 2014.

Long-term compensation

See CEO's long-term share remuneration under "Corporate Management Team – Long-term Compensation".

CORPORATE MANAGEMENT TEAM

Also other Corporate Management Team members have written employment contracts. The period of notice of Corporate Management Team members is six months. Termination of employment without cause entitles members of the Corporate Management Team to receive discharge compensation equal to their 6 to 12-month salary.

Excluding the CEO, Corporate Management Team members have no extraordinary pension arrangements which would deviate from applicable pension legislation. According to Finnish pension legislation, a person has the option to retire between the ages of 63 to 68. The Finnish TyEL pension system provides for a retirement benefit based on years of service and earnings according to the prescribed statutory system. For purposes of the Finnish pension system earnings include salary, bonuses and fringe benefits but exclude share or stock option based income.

Short-term compensation

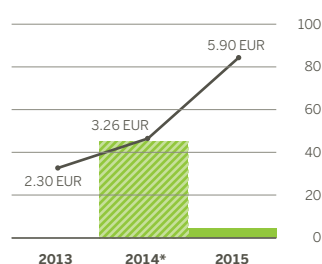
In 2015, other Corporate Management Team members received a total of EUR 1,889,873 (EUR 1,578,817 in 2014 and EUR 1,336,651 in 2013) in salary and bonuses of which EUR 1,154,996 (EUR 1,156,109 in 2014 and EUR 1,192,652 in 2013) were fixed salaries and benefits (car and mobile phone) and EUR 454,030 (EUR 180,484 in 2014 and EUR 143,999 in 2013) short-term bonus pay and EUR 280,846 (EUR 242,224 in 2014 and EUR 0 in 2013) share incentives. The members of the Corporate Management Team are entitled to bonus pay corresponding to a maximum of their respective 6-month salaries. The bonus pay is defined and decided by the Board and the CEO and was in the financial years 2013–2015 based on the Company's and its business areas' (business area heads) operating results (EBIT), and on personal targets. In 2016 the bonus pay is based on the Company's and its functions' operating results (EBIT) and cash flow development, as determined by the Board of Directors.

Long-term compensation

In December 2010, the Board of Directors approved the current share-based incentive plan. The aim of the plan is to combine the objectives of shareholders and executives in order to increase the value of the company, to commit the executives to perform the mutual strategy, and to offer them a competitive reward plan based on share ownership. The plan consists of three consecutive three-year earnings periods, namely calendar years 2011–2013, 2012–2014 and 2013–2015. At the beginning of each period, the Board of Directors decided on the earnings criteria and defined performance targets. The potential reward from the plan for each of the earnings periods is based on Metsä Board Group's equity ratio at the end of the period as well as the development of return on capital employed (ROCE) and earnings before interest and taxes (EBIT) during each earnings

SHARE REMUNERATION OF THE CEO

1,000 SHARES

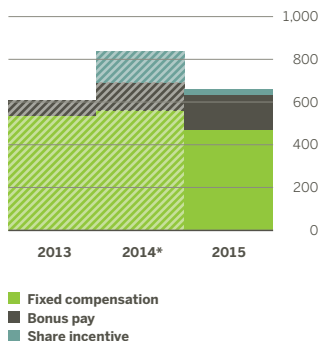


■ Share remuneration
— Share price development

* Change of CEO in 2014

COMPENSATION OF THE CEO

1,000 EUR



* Change of CEO in 2014

period. Each earnings period is followed by a two-year restriction period during which a participant is not entitled to transfer or dispose of the shares.

The Board confirmed in January 2014 that the result for the earnings period 2011–2013 was 45 per cent, based on which 125,750 B-series shares were paid to participants in the spring of 2014 at the price of EUR 3.26, of which 45,000 shares to CEO Helander. Similarly the Board confirmed in February 2015 that the result for the earnings period 2012–2014 was 33,5 per cent, based on which 62,533 B-series shares were paid to participants in February 2015 at the price of EUR 5.90. CEO Helander was not entitled to any shares since his service relationship with the company ended during the earnings period. CEO Joukio was entitled to 4,653 shares for the time period August 1 through December 31, 2014. The Board of Directors confirmed in February 2016 that the result for the earnings period 2013–2015 was 74.4 per cent, based on which a total of 160,074 B-series shares will be paid to participants in spring 2016. Of these 36,187 will be paid to CEO Joukio. The proportion to be paid in cash

covers taxes and other tax-related costs. At the beginning the plan concerned 9 individuals, including all members of the Corporate Management Team.

The Board decided in December 2013 to continue the share-based incentive scheme for management. The aim of the plan is to combine the objectives of shareholders and executives in order to increase the value of the company, to commit the executives to perform the mutual strategy, and to offer them a competitive reward plan based on share ownership. The plan consists of three consecutive three-year earnings periods, namely calendar years 2014–2016, 2015–2017 and 2016–2018. At the beginning of each period, the Board of Directors decided on the earnings criteria and defined performance targets. The potential reward from the plan for each of the earnings periods is based partly on Metsä Board Group's equity ratio at the end of the period as well as the development of return on capital employed (ROCE) and operating results (EBIT) and partly based on corresponding indicators for Metsä Group, as determined by the Board for each earnings period. Each earnings period is followed by a two-year restriction period during which a participant is not entitled to transfer or dispose of the shares.

The potential reward for the earnings period 2014–2016 will be paid in 2017 and is at the start of the period a maximum of 378,335 B-shares. The potential reward for the earnings period 2015–2017 will be paid in 2018 and is at the start of the period a maximum of 265,000 B-shares. Respectively, the reward for the earnings period 2016–2018 will be paid in 2019 and is at the start of the period a maximum of 243,750 B-shares. The amount of the annually paid reward may be limited. Changes in participants such as the appointment of a new CEO in the fall of 2014 and changes to Corporate Management Team members in January 2015 do however have an effect on the maximum number of shares available.



METSÄ BOARD CORPORATION'S BOARD OF DIRECTORS

KARI JORDAN

b. 1956
M.Sc. (Econ)
Vuorineuvos (Finnish honorary title)



Chairman of the Board since 2005

- **Metsä Group**, President and CEO (2006–)
- **Metsäliitto Cooperative**, CEO (2004–), vice chairman of the Board (2005–)
- **Metsä Tissue Corporation**, chairman of the Board (2004–)
- **Metsä Fibre Oy**, member of the Board (2004–), chairman of the Board (2006–)
- **Confederation of Finnish Industries (EK)**, member of the Board (2005–), vice chairman of the Board (2009–2011 and 2013–2014), member of the Executive Committee (2015–)
- **Central Chamber of Commerce**, member of the Board (2007–2011), chairman of the Board (2012–)
- **Finnish Forest Industries Federation**, chairman of the Board and the Federation's Working Group (2009–2011), vice chairman of the Board and the Federation's Working Group (2005–2009, 2014–), member of the Board (2012–2013)
- **Varma Mutual Pension Insurance Company**, member of the Supervisory Board (2006–2012), vice 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.**

Shares owned in Metsä Board Corporation 31 Dec 2015:
450,000 B shares

MARTTI ASUNTA

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



Member and vice chairman of the Board since 2008

- **Metsäliitto Cooperative**, chairman of the Board (2008–)
- **Metsä Fibre Oy**, member of the Board (2008–)
- **Metsä Tissue Corporation**, member of the Board (2008–)
- **Pellervo-Seura**, 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–)

Shares owned in Metsä Board Corporation 31 Dec 2015: 47,271 B shares

MIKAEL AMINOFF

b. 1951
M.Sc. (Forestry)
Agriculture and Forestry entrepreneur



Member of the Board since 2010

- **Metsäliitto Cooperative**, member of the Supervisory Board (2001–), member of the Board (2008–)

Shares owned in Metsä Board Corporation 31 Dec 2015: 56,961 B shares

KIRSI KOMI

b. 1963
LL.M., Master of Laws



Member of the Board since 2010

Independent Board member

- **Finnish Red Cross Blood Service**, member of the Board (2010–), chairman of the Board (2011–)
- **Patria Plc**, vice chairman of the Board (2011–)
- **Citycon Oyj**, member of the Board (2011–)
- **Docrates Oy**, chairman of the Board (2011–)
- **Martela Corporation**, member of the Board (2013–)
- **Finnvera Oyj**, member of the Board (2013–)
- **Bittium Oyj**, member of the Board (2015–)
- **Nokia Siemens Networks**, General Counsel and member of the Executive Board (2007–2010)
- **Nokia Corporation**, Vice President, Legal, Networks Business Group Leadership Team (1999–2007)
- **Nokia Corporation**, Legal Counsel (1992–1999)

Shares owned in Metsä Board Corporation 31 Dec 2015: 53,766 B shares

KAI KORHONEN

b. 1951
M.Sc. (Eng), eMBA



Member of the Board since 2008

Independent Board member

- **Stora Enso Oyj**, Senior Executive Vice President (1998–2007)
- **Ilmarinen Mutual Pension Insurance Company**, member of the Supervisory Board (2006–2008)
- **Finnish Forest Industries Federation**, vice chairman of the Board (2006–2007)
- **American Forest & Paper Association**, member of the Board (2000–2003)
- **German Pulp and Paper Association**, member of the Board (1995–2000)

Shares owned in Metsä Board Corporation 31 Dec 2015:
186,536 B shares

LIISA LEINO

b. 1960
M.Sc. (Nutrition)
Teollisuusneuvos (Finnish
honorary title)



Member of the Board
since 2009

Independent Board member

- **Leinovalu Oy**, full-time chairman of the Board (2006–), CEO (2011–)
- **Confederation of Finnish Industries (EK)**, member of the Board (2011–2012)
- **The Federation of Finnish Technology Industries**, member of the Board (2011–)
- **Varma Mutual Pension Insurance Company**, deputy member of the Board (2011–)
- **Rautaruukki Corporation**, member of the Board (2007–2014)
- **Alko Oy**, member of the Board (2009–2011)
- **Finnish Business and Policy Forum (EVA)**, member of the Supervisory Board (2010–)
- **Elomatic Oy**, member of the Board (2011–)
- **Cadmatic Oy**, member of the Board (2015–)

Shares owned in Metsä Board
Corporation 31 Dec 2015: 152,411
B shares

JUHA NIEMELÄ

b. 1946
M.Sc. (Econ)
Doctor of Sciences in Economics
and Technology h.c.
Vuorineuvos (Finnish honorary title)



Member of the Board
since 2007

Independent Board member

- **UPM-Kymmene Corporation**, CEO (1996–2004)
- **MeritaNordbanken Plc**, member of the Board (1998–1999)
- **Veikkaus Oy**, chairman of the Board (2001–2011)
- **Powerflute Oyj**, member of the Board (2005–2013)
- **Green Resources AS**, member of the Board and chairman of the Board (2009–2015)

Shares owned in Metsä Board
Corporation 31 Dec 2015: 152,411
B shares

VELI SUNDBÄCK

b. 1946
LL.M., Master of Laws
Ambassador



Member of the Board
since 2013

Independent Board member

- **Nokia Corporation**, member of the Executive Board, Executive Vice President, Corporate Relations and Responsibility (1996–2008)
- **Ministry for Foreign Affairs**, Secretary of State (1993–1996), various positions in the Ministry for Foreign Affairs, diplomatic offices in Brussels and Geneva (1969–1993)
- **Vaaka Partners**, chairman of the Board (2010–)
- **IYF**, member of the Board (2009–2014)
- **Finnair Plc**, member of the Board (2004–2012)
- **Huhtamäki Oyj**, chairman of the Board (1999–2005)
- **Confederation of Finnish Industries (EK)**, member of the Board (2004–2008)
- **The Federation of Finnish Technology Industries**, member and vice chairman of the Board (2004–2007)

Shares owned in Metsä Board
Corporation 31 Dec 2015: 43,431
B shares

ERKKI VARIS

b. 1948
M.Sc. (Eng)



Member of the Board
since 2009

Independent Board member

- **Pohjolan Voima Oy**, member of the Board (2000–2009)
- **Botnia SA**, (Uruguay), chairman of the Board (2005–2008)
- **Laatukeskus Excellence Finland Oy**, chairman of the Board (2003–2006)
- **Keskinäinen Eläkevakuutusyhtiö Ilmarinen**, member of the Supervisory Board (1997–2008)
- **Sunila Oy**, member of the Board (1997–2004)
- **Oy Metsä-Botnia Ab**, President and CEO (1997–2008)
- **Metsäliitto Group**, member of the Executive Management Team (2002–2008)
- **Oy Metsä-Rauma Ab**, Managing Director (1994–1996)
- **Oy Metsä-Botnia Ab**, Deputy to CEO (1990–1994)

Shares owned in Metsä Board
Corporation 31 Dec 2015: 107,003
B shares



METSÄ BOARD CORPORATION'S CORPORATE MANAGEMENT TEAM

MIKA JOUKIO

b.1964
M.Sc. (Tech), MBA
Chief Executive Officer



Worked in Metsä Board in 1990–2012 and joined the company again in 2014. Chairman of the Corporate Management Team as of 1 Oct 2014.

- **Metsä Board Corporation**, CEO (1 Oct 2014 –)
- **Metsä Tissue Corporation**, CEO (2012–2014)
- **M-real Corporation (present Metsä Board)**, Head of Consumer Packaging (2006–2012)
- **M-real Corporation**, Vice President and Mill Manager, M-real Kyro and M-real Tako (2006)
- **M-real Corporation**, Vice President and Mill Manager, M-real Kyro (2005–2006)
- **M-real Corporation**, Senior Vice President, Corporate Logistics and Supply Chain (2004–2005)
- **M-real Corporation**, Vice President and Mill Manager, M-real Äänekoski (2001–2004)
- **Various positions in management tasks at Metsä-Serla Corporation (present Metsä Board) and M-real Corporation since 1990**

Shares owned in Metsä Board Corporation
31 Dec 2015: 116,620 B shares

MARKUS HOLM

b.1967
M.Sc. (Econ)
Chief Financial Officer



Joined Metsä Group in 2008 and Metsä Board in 2014. Member of the Corporate Management Team as of 2014.

- **Metsä Board Corporation**, CFO (2014–)
- **Metsä Tissue Corporation**, CFO (2008–2013)
- **GlaxoSmithKline Oy**, Finance and ICT Director (2005–2008)
- **Huhtamäki Oyj**, various managerial positions in finance, treasury, global sourcing and investor relations (1994–2004) in Finland and Brazil (1999–2002)

Shares owned in Metsä Board Corporation
31 Dec 2015: 33,232 B shares

ARI KIVIRANTA

b.1963
D.Sc. (Tech)
Senior Vice President,
Production and Technology



Worked in Metsä-Serla (present Metsä Board) in 1993–1995 and joined the company again in 1999. Member of the Corporate Management Team as of 2014.

- **Metsä Board Corporation**, Senior Vice President, Production and Technology (2015–)
- **Metsä Board Corporation**, Senior Vice President, Head of Cartonboard business area (2014)
- **Metsä Board Zanders GmbH**, Managing Director and Vice President, Mill Manager (2012–2013)
- **M-real Corporation (present Metsä Board)**, Vice President, R&D, Consumer Packaging business area (2008–2012) and mill manager, M-real Kyro and M-real Tako (2009–2010)
- **M-real Zanders GmbH**, Head of Production (2004–2008)
- **M-real Corporation**, Vice President, R&D (2001–2004)
- **Metsä-Serla Corporation (present Metsä Board)**, Manager, Process Development (1999–2001)
- **Valmet Corporation**, Manager, Product Development (1997–1999)
- **Valmet Corporation**, USA, Manager, R&D (1995–1997)
- **Metsä-Serla Paper and Board Ltd. (present Metsä Board)**, Development Manager (1993–1995)

Shares owned in Metsä Board Corporation
31 Dec 2015: no ownership

SARI PAJARI

b.1968
M.Sc. (Tech)
Senior Vice President,
Business Development



Joined Metsä Group in 2007 and Metsä Board in 2011. Member of the Corporate Management Team since 2011.

- **Metsä Board Corporation**, Senior Vice President, Business Development (2011–)
- **Tieto Corporation**, member of the Board (2012–)
- **Metsäliitto Group (present Metsä Group)**, CIO, Senior Vice President (2009–2011)
- **Metsäliitto Group**, Director, Group ICT (2007–2009)
- **IBM Corporation**, Principal Consultant and Business Development Executive (2002–2007)
- **PwC Management Consulting**, Principal Consultant (2000–2002)
- **Jaakko Pöyry Consulting**, various positions (Consultant, Senior Consultant, Vice President) in Finland and USA (1990–2000)

Shares owned in Metsä Board Corporation
31 Dec 2015: 16,500 B shares

SEPPO PUOTINEN

b. 1955

Lic.Sc. (Tech)

Senior Vice President,
Marketing and Sales



Worked in Metsä-Serla (present Metsä Board) in 1986–2000 and joined the company again in 2004. Member of the Corporate Management Team since 2005.

- **Metsä Board Corporation**, Senior Vice President, Marketing and Sales (2015–)
- **Metsä Board Corporation**, Senior Vice President, Head of Linerboard and Paper business area (2014) and Vice President and Mill Manager, Metsä Board Husum (2009–2014)
- **Metsä Board Corporation**, Senior Vice President, Head of Paper and Pulp business area (2005–2013) and Vice President and Mill Manager, Metsä Board Husum (2009–2014)
- **M-real Corporation (present Metsä Board)**, Executive Vice President, Corporate Strategy & Sales Services (2004–2005)
- **SCA**, President, Containerboard Division (2002–2004)
- **SCA Packaging Finland Oy**, Managing Director, Finland, Russia and the Baltic countries (2000–2002)
- **Metsä-Serla Corporation**, various positions in business development, marketing and operational responsibility: i.e. Vice President, Cartons Division, Corrugated and Folding Carton operations (1986–1999)

Shares owned in Metsä Board Corporation

31 Dec 2015: 1,000

A shares; 60,000 B shares

SUSANNA TAINIO

b. 1975

Phil. Lic. (Comm)

Senior Vice President,
Human Resources



Joined Metsä Board in 2011. Member of the Corporate Management Team as of 1 Jan 2015.

- **Metsä Board Corporation**, Senior Vice President, Human Resources (2015–)
- **Metsä Board Corporation**, Vice President, Human Resources (2012–2014)
- **Metsä Board Corporation**, Vice President, Human Resources, Paperboard business area, and Group HRD Services at Metsä Group (2012)
- **Metsä Board Corporation**, Vice President, Human Resources, Consumer Packaging business area (2011–2012)
- **Oy Sinebrychoff Ab**, Head of HR Development (2011)
- **Oy Sinebrychoff Ab**, Human Resources Development Manager (2007–2011)

Shares owned in Metsä Board Corporation

31 Dec 2015: no ownership



QUARTERLY DATA

EUR million	Total year					Quarterly				
SALES	2015	2014	IV/2015	III/2015	II/2015	I/2015	IV/2014	III/2014	II/2014	I/2014
Paperboard	1,611.6	1,444.2	399.5	412.7	408.3	391.1	363.8	375.1	355.8	349.5
Non-core operations	372.8	517.1	50.5	85.4	108.6	128.4	126.9	127.7	126.5	136.0
Other operations	279.8	287.5	76.5	62.5	71.4	69.4	71.5	73.8	71.4	70.7
Internal sales	-256.7	-240.3	-64.3	-63.0	-66.3	-63.3	-62.7	-62.8	-59.8	-55.0
TOTAL	2,007.5	2,008.4	462.2	497.6	522.0	525.7	499.4	513.8	494.0	501.2
OPERATING RESULT EXCLUDING NON-RECURRING ITEMS	2015	2014	IV/2015	III/2015	II/2015	I/2015	IV/2014	III/2014	II/2014	I/2014
Paperboard	236.3	180.2	51.0	64.9	59.8	60.6	50.9	44.2	41.4	43.8
Non-core operations	-16.3	-17.7	-8.4	-1.3	-3.4	-3.2	-1.8	-2.9	-6.9	-6.1
Other operations	-40.2	-26.1	-7.6	-9.0	-9.4	-14.2	-12.3	-6.0	-6.1	-1.6
TOTAL	179.9	136.4	35.0	54.6	47.0	43.2	36.8	35.2	28.3	36.1
OPERATING RESULT AND RESULT BEFORE TAXES	2015	2014	IV/2015	III/2015	II/2015	I/2015	IV/2014	III/2014	II/2014	I/2014
Paperboard	236.6	184.3	51.0	64.9	59.8	60.9	51.0	44.2	45.4	43.8
Non-core operations	3.0	-57.4	-8.8	-1.3	16.7	-3.6	-40.5	-4.0	-6.9	-6.1
Other operations	-40.6	-10.4	-8.1	-9.0	-9.3	-14.2	-3.8	-6.0	-6.5	5.8
OPERATING RESULT	199.0	116.5	34.1	54.6	67.2	43.1	6.7	34.2	32.2	43.5
Share of profit from associated companies	0.1	0.3	0.0	0.0	0.0	0.1	0.0	0.1	0.2	0.0
Exchange gains/losses	-3.4	2.7	1.9	-0.6	-0.9	-3.8	3.3	0.0	-0.5	-0.1
Other financial income and expenses	-28.6	-41.9	-6.6	-6.5	-8.3	-7.2	-8.3	-8.1	-8.0	-17.4
RESULT BEFORE TAXES	167.1	77.6	29.4	47.5	58.0	32.2	1.6	26.1	23.9	26.0
OPERATING RESULT, % OF SALES	2015	2014	IV/2015	III/2015	II/2015	I/2015	IV/2014	III/2014	II/2014	I/2014
Paperboard	14.7	12.8	12.8	15.7	14.6	15.6	14.0	11.8	12.8	12.5
Non-core operations	0.8	-11.1	-17.4	-1.5	15.4	-2.8	-31.9	-3.1	-5.5	-4.5
METSÄ BOARD	9.9	5.8	7.4	11.0	12.9	8.2	1.3	6.6	6.5	8.7

1,000 t	Total year					Quarterly				
DELIVERIES	2015	2014	IV/2015	III/2015	II/2015	I/2015	IV/2014	III/2014	II/2014	I/2014
Paperboard	1,449	1,311	365	373	366	345	326	344	322	318
Non-core operations	478	636	65	118	138	156	158	158	153	167
Market pulp	549	611	134	123	142	150	148	153	158	152
PRODUCTION	2015	2014	IV/2015	III/2015	II/2015	I/2015	IV/2014	III/2014	II/2014	I/2014
Paperboard	1,481	1,370	375	367	376	363	348	336	349	337
Non-core operations	430	629	38	113	126	153	152	163	145	169
Metsä Fibre's pulp ¹⁾	586	562	148	143	147	147	143	140	132	147
Metsä Board's pulp	1,206	1,294	257	318	302	328	337	320	299	337

¹⁾ Corresponds to Metsä Board's ownership of 24.9 per cent in Metsä Fibre.

PRODUCTION CAPACITIES

PAPERBOARD AND PAPER MILLS

1,000 t	Country	Machines	Folding boxboard	White fresh forest fibre linerboard	Wallpaper base	Total
Tampere (Tako)	Finland	2	210			210
Kyröskoski (Kyro)	Finland	2	190		100 ²⁾	290
Äänekoski	Finland	1	240			240
Simpele	Finland	1	280			280
Kemi	Finland	1		410		410
Husum	Sweden	2	400 ¹⁾	300 ¹⁾		700
Total		9	1,320	710	100	2,130

¹⁾ From 2016

²⁾ Also linerboard

PULP MILLS

1,000 t	Country	Chemical pulp	High-yield pulp	Total
Husum	Sweden	750		750
Joutseno	Finland		320	320
Kaskinen	Finland		320	320
Total		750	640	1,390

METSÄ FIBRE ¹⁾

1,000 t	Country	Chemical pulp	Total
Äänekoski	Finland	530	530
Kemi	Finland	590	590
Rauma	Finland	650	650
Joutseno	Finland	690	690
Total		2,460	2,460

¹⁾ Metsä Board's share of production capacity is 24.9 per cent.



TEN YEARS IN FIGURES

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
INCOME STATEMENT, EUR MILLION										
Sales	2,008	2,008	2,019	2,108	2,485	2,605	2,432	3,236	3,499	3,698
- change %	-0.0	-0.5	-4.2	-15.2	-4.6	7.1	-24.8	-7.5	-5.4	10.7
Exports from Finland	1,242	1,108	1,110	1,118	1,140	1,179	1,073	1,216	1,084	1,068
Exports and foreign subsidiaries	1,892	1,853	1,948	1,936	2,307	2,396	2,232	3,068	3,274	3,459
Operating result	199	117	114	221	-214	146	-267	-61	-49	-172
- % of sales	9.9	5.8	5.6	10.5	-8.6	5.6	-11.0	-1.9	-1.4	-4.6
Result from continuing operations before tax ¹⁾	167	78	58	174	-281	48	-358	-204	-191	-280
- % of sales	8.3	3.9	2.9	8.3	-11.3	1.8	-14.7	-6.3	-5.5	-7.6
Result for the period from continuing operations ²⁾	137	69	64	171	-273	27	-331	-170	-168	-270
- % of sales	6.8	3.4	3.2	8.1	-11.0	1.0	-13.6	-5.3	-4.8	-7.3
BALANCE SHEET, EUR MILLION										
Balance sheet total	2,220	2,149	2,097	2,581	2,688	3,117	3,132	4,505	5,481	6,458
Shareholders' equity	1,029	841	850	851	732	994	916	1,329	1,830	2,055
Non-controlling interest	0	0	0	6	5	5	8	58	52	63
Interest-bearing net liabilities	333	427	597	625	783	827	777	1,254	1,867	2,403
DIVIDENDS AND FIGURES PER SHARE										
Dividends, EUR million	60.4 ¹⁾	39.4	29.5	19.7	0.0	0.0	0.0	0.0	19.7	19.7
Dividend per share, EUR	0.17 ¹⁾	0.12	0.09	0.06	0.0	0.0	0.0	0.0	0.06	0.06
Dividend/profit, %	43.6 ¹⁾	57.1	47.4	11.3	0.0	0.0	0.0	0.0	-10.2	-5.0
Earnings per share, EUR	0.39	0.20	0.19	0.51	-0.81	0.08	-1.06	-1.54	-0.57	-1.17
Shareholders' equity per share, EUR	2.89	2.49	2.51	2.52	2.17	2.94	2.71	3.93	5.41	6.08
KEY FIGURES - PROFITABILITY										
Return on capital employed (ROCE), total, %	12.5	7.7	7.0	12.4	-9.9	5.7	-8.9	-1.3	-0.8	-5.5
Return on equity, %	14.7	8.1	7.5	21.5	-31.5	2.8	-28.6	-10.4	-8.5	-14.8
KEY FIGURES - FINANCIAL POSITION										
Equity ratio, %	46.5	39.2	40.7	33.2	27.4	32.1	29.6	30.8	34.4	32.8
Gearing ratio, %	64	81	83	130	154	135	153	152	124	132
Net gearing ratio, %	32	51	70	73	106	83	84	90	99	113
Net cash flow arising from operating activities	247	198	82	-2	83	-69	81	-97	127	223
Internal financing on capital expenditure, EUR million	139	450	122	-3	87	-105	111	-76	50	53
Net interest expenses, EUR million	26	42	60	70	66	64	92	156	148	109
Interest cover	10.4	5.7	2.4	1.0	2.3	-0.1	1.9	0.4	1.9	3.0
OTHER KEY FIGURES										
Gross capital expenditure, EUR million	178	44	67	66	95	66	73	128	259	428
- % of sales ²⁾	8.9	2.2	3.3	3.1	3.8	2.5	3.0	3.2	5.9	9.9
R&D expenditure, EUR million ³⁾	8	6	5	5	5	5	7	10	14	18
- % of sales	0.4	0.3	0.3	0.2	0.2	0.2	0.3	0.3	0.4	0.5
Personnel, average ³⁾	2,851	3,200	3,245	3,552	4,428	4,772	5,913	6,849	8,267	9,849
- of whom in Finland	1,538	1,542	1,560	1,634	1,795	1,842	2,173	2,437	2,824	3,344

Dividends and figures per share for years 2006–2014 have been have been issue-adjusted. The rights issue factor was 1.030627. Only 2012–2015 have been restated due to change of IAS19r Employee benefits.

¹⁾ Board of Directors propose that a dividend of EUR 0.17 per share be distributed for financial year 2015.

²⁾ The key ratio for 2006–2015 has been calculated for continuing operations only

Calculation of key ratios is presented on page 91.

INVESTOR INFORMATION

METSÄ BOARD'S INVESTOR RELATIONS

The task of Metsä Board's investor relations is to ensure that the market receives accurate and sufficient information in order to determine the value of Metsä Board's shares. The investor relations function is responsible for planning and providing financial and investor communications. The activities of the investor relations function also include collecting investor feedback and market information for Metsä Board's management and Board of Directors. All requests from investors are handled in a centralised manner by Metsä Board's investor relations function.

The tools used in Metsä Board's investor communications include financial statements bulletins, interim reports, annual reports, stock exchange and press releases as well as the company's Investors page at www.metsaboard.com/investors. You can also order Metsä Board's publications and provide feedback on the website. In addition, the company's investor relations include meetings with investors, Capital Markets Days, seminars, webcasts and Annual General Meetings. Investor events are attended by the Head of Investor Relations, CEO, CFO and, if needed, other members of the company's senior management.

INVESTOR RELATIONS IN 2015

In 2015, Metsä Board organised more than 20 roadshow days in different cities in Europe and North America, several teleconferences and individual investor meetings. The company also organised a Capital Markets Day for institutional investors in Helsinki in November. In addition, events targeting private investors included the Sijoitus Invest fair, which the company attended, and Nordnet's breakfast event.

SILENT PERIOD

Metsä Board does not comment on the company's financial performance or future outlook from the close of each reporting period up to the publication of the report for the period, apart from substantial changes in the market situation or correcting incorrect information.

ANALYST COVERAGE

In 2015, Metsä Board was followed by nine analysts. The analysts' contact information and consensus forecasts are available on Metsä Board's Investors pages at www.metsaboard.com/investors.

Metsä Board is not responsible for the content, accuracy or extent of the analysts' views.

At least the following brokerage firms conducted analyses of Metsä Board in 2015: Carnegie Investment Bank, Danske Markets Equities, SEB, Evli Bank, Handelsbanken Capital Markets, Inderes, Nordea Markets, Pohjola Bank, ABG Sundal Collier and Kepler Cheuvreux.

FINANCIAL REPORTING IN 2016

In 2016, Metsä Board Corporation will publish financial reports as follows:

- 3 February 2016, financial statement bulletin for 2015
- 3 May 2016, interim report for January–March 2016
- 4 August 2016, interim report for January–June 2016
- 2 November 2015, interim report for January–September 2016

ANNUAL GENERAL MEETING

The Annual General Meeting of Metsä Board Corporation will be held at Finlandiatalo,

Hall A, Congress Wing, Mannerheimintie 13 E, Helsinki, on Wednesday 23 March 2016 at 3 p.m. EET. Shareholders wishing to take part in the Annual General Meeting and to exercise their right to vote must be registered on 11 March 2016 on the company's shareholders' register held by Euroclear Finland Ltd. and give prior notice to the company no later than 10 a.m. on 18 March 2016 on the company's website at www.metsaboard.com; by e-mail to metsaboard.AGM2016@metsagroup.com; by telephone on weekdays between 10 a.m. and 12 a.m. at +358 10 465 4102; or by mail to Metsä Board Corporation, Legal Services/Suuronen, P.O. Box 20, 02020 Metsä. Any proxy documents should be delivered to the above address before the last date for registration.

DIVIDEND DISTRIBUTION

The Board of Directors proposes to the Annual General Meeting to be held on 23 March 2016 that a dividend of EUR 0.17 per share be distributed for the 2015 financial period. The dividend will be paid to shareholders who are registered in the company's shareholders register held by Euroclear Finland Oy on the dividend payment record date of 29 March 2016. The Board of Directors proposes 5 April 2016 as the dividend payment date.

INVESTOR RELATIONS

CONTACT INFORMATION

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General questions and comments on investor relations can be e-mailed to metsaboard.investors@metsagroup.com.

www.metsaboard.com

CLOSED WINDOW	FINANCIAL REPORT	PUBLICATION DATE
1 January to 3 February 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 August 2016	Interim report January–June	Thursday 4 August 2016
1 October to 2 November 2016	Interim report January–September	Wednesday 2 November 2016



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Metsä Board has a global sales network.
To locate contact details of Metsä Board
sales offices, please visit company website
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