Financial Statements
and investor information
2015

Profitability remained at a good level despite the uncertain economic development

From the CEO

How to read Metso's reports for 2015

Metso has published 3 reports that together form the Annual Report for the year 2015. This Financial Statements for 2015 has been published and printed in English and Finnish. The "Read more" sections contains additional sources and information about the topics presented in the Financial Statements.

To read all the three reports, Annual Review, Financial Statements and Sustainability Report, please visit our reporting website annualreportmetso.com. On the website you can read our Annual Review that summarizes the past year as a PDF-file or order the printed version in either English or Finnish. Sustainability information is presented on the website in English as a PDF-file. The Sustainability Report has been externally assured.

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For Metso, 2015 was a fairly good year even though our operating environment was challenging. Despite these market challenges, we worked hard throughout the year to make Metso an increasingly better and more competitive company. We have renewed our product and services offering to meet our customers' changing needs, and we've advanced ways to take advantage of digitalization in our different businesses. At the same time, we've revised our business models so that our organizations are structurally lighter, our experts are even closer to our customers, responsibilities are clear in all areas, and we are generally more flexible in reacting to changes in the business environment. Some of these projects have unfortunately meant that we've had to reduce the number of our personnel; lightening our cost structure, however, has been necessary in order for Metso to succeed in the ever-tighter competitive environment.

In light of the figures, we performed well last year. Order intake by our current businesses decreased only by 4 percent from the previous year, and mining industry orders, for example, increased by 2 percent. This growth is noteworthy because China's weakened economic growth, which contributed to the price drop in minerals, like iron ore and copper, has negatively impacted the mining sector's investment activity. Additionally, the low prices have prompted mining companies to cut costs, and some mines have had to be closed. This development has also affected our services business, which has, nevertheless, proven its competitiveness and has performed well in the tight market situation. Orders in our valve business were close to the previous year's level, even though the oil and gas industry's demand weakened somewhat with the steep drop in the price of oil. The fact that we sell valves and related equipment and services to many other process industry sectors – in addition to the oil and gas industry – also helps us in this situation.

Despite the decline in orders and net sales, our profitability (EBITA margin before non-recurring items) decreased only slightly and was 12.2 percent compared to 12.7 percent the previous year. These figures do not include the divested Process Automation Systems (PAS) business. The sales profit gained from the PAS divestment increased our operating profit (EBIT) to EUR 555 million and earnings per share to EUR 2.95. We made significant progress also in the management of capital employed, where the special focus has been on inventories and receivables. Calculated according to the current structure, return on capital employed last year was 16.1 percent. Boosting the efficiency of inventories and receivables released working capital, which had a positive impact on our cash flow. Our operating cash flow increased to EUR 360 million from EUR 256 million the previous year, and free cash flow was EUR 341 million, compared to EUR 204 million in the comparison year. Metso's balance sheet was significantly strengthened and our gearing dropped to 10.6 percent from 45.6 percent the previous year; our cash assets at year-end were EUR 590 million.

Based on the company's strong financial position and the confidence in the future, the Board of Directors is proposing to the Annual General Meeting that an ordinary annual dividend of EUR 1.05 per share be paid for the financial year 2015, i.e. the same amount as last spring. We want to be a reliable and predictable dividend payer, and I believe the Board of Directors' proposal is well aligned with this goal. At the same time, I want to point out that the dividend does not restrict Metso's future growth opportunities; our financial position gives us a good premise for carrying out attractive acquisitions if they are seen as having the potential to increase our competitiveness and our shareholder value.

A positive factor that I want to mention is also last year's substantial progress in Metso's safety culture, which is reflected in the decreasing number of work-related injuries. The number of recordable incidents decreased by 39% from the previous year, and the lost time incident frequency (LTIF) was 2.6 compared to 3.9 in 2014. We will continue our efforts to improve safety; our target is to bring down the injury frequency rate to less than one. The only way Metso can succeed is by offering our own people and our partners a safe work environment.

In closing, I want thank Metso employees for the commendable tenacity they've demonstrated during these tough times. I want to thank our customers and shareholders for their trust in Metso, and I hope that we continue to be worthy of your trust also this year. Thanks are also in order to our other stakeholders for their good collaboration. I wish you all a successful 2016!

Matti Kähkönen
President and CEO

Earnings per share
2.95

Operating profit*
EUR 555 million

* Operating profit for full year 2015 includes the gain on the disposal of Process Automation Systems (PAS)

Read more

> **CEO's video greeting: annualreportmetso.com**

Financial Statements 2015

Financial Statements are condensed from audited financial statements of Metso Corporation and comprise the consolidated financial statements of Metso, the Board of Directors' report, as well as the income statement, balance sheet and statement of changes in the shareholders' equity of the Parent Company. Audited financial statements are available on our website **metso.com**.

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*) The accompanying notes form an integral part of these Financial Statements.

Board of Directors' Report

Operating environment in 2015

Activity in our customer industries remained challenging in 2015, due to declining commodity prices and weaker economic growth in China and other emerging markets. Demand for mining equipment remained weak and general trading conditions were roughly unchanged throughout the year. Customers' cost saving initiatives had some adverse effect on our mining services in some regions, but overall activity remained fairly stable with significant differences between market areas. Demand for aggregates equipment and services deteriorated from the previous year, primarily due to the slowdown in emerging markets. The demand for valves for new capex projects in the oil & gas industry was lower compared to the previous year, but this was somewhat offset by the stable demand in other process industries. The demand for services was also stable.

Orders and order backlog

Mainly as a result of the divestment of the Process Automation Systems (PAS) business, the Group's orders declined 11 percent and totaled EUR 3,027 million (EUR 3,409 million) in 2015. Services orders declined 7 percent and totaled EUR 1,913 million (EUR 2,052 million). Minerals' orders decreased 4 percent, while Flow Control's orders were down 27 percent as a result of the divestment of PAS. Excluding PAS, the Group's order intake in 2015 declined 4 percent from 2014, mainly due to declining orders for aggregates equipment and services. Excluding PAS, Flow Control's orders declined 2 percent. The order backlog at the end of December 2015 totaled EUR 1,268 million (EUR 1,575 million, or EUR 1,400 million excluding PAS), and we expect 88 percent of the backlog to be delivered in 2016. The current market environment will continue to pose risks to the delivery of orders in the backlog.

Net sales and financial performance

Net sales in 2015 decreased to EUR 2,977 million (EUR 3,658 million), and services accounted for 63 percent of net sales or EUR 1,869 million (EUR 2,007 million). Excluding PAS, full-year net sales totaled EUR 2,923 million (EUR 3,363 million). Minerals' net sales decreased 18 percent primarily due to lower equipment sales. Flow Control's net sales decreased 21 percent due to the divestment of PAS. Excluding PAS, Flow Control's net sales grew 6 percent.

EBITA before non-recurring items declined 25 percent and was EUR 347 million (EUR 460 million) or 11.7 percent of net sales (12.6%). The decline was due to the PAS divestment as well as the lower net sales of mining and aggregates equipment.

Operating profit (EBIT) in 2015 totaled EUR 555 million or 18.7 percent of net sales (EUR 351 million and 9.6%). Non-recurring items totaled EUR 226 million in 2015 (EUR -90 million), of which EUR 252 million is attributable to the gain on the divestment of PAS.

Net financing expenses in 2015 were EUR 39 million (EUR 69 million). Interest expenses accounted for EUR 28 million (EUR 38 million), interest income for EUR 8 million (EUR 9 million), foreign exchange losses for EUR 4 million (EUR 5 million loss), and other net financial expenses for EUR 15 million (EUR 35 million).

Profit before taxes was EUR 516 million (EUR 282 million) in 2015. The effective tax rate for 2015 was 14 percent (33%). The low rate was a result of the tax free gain from the PAS divestment. The operational tax rate for 2015 was around 30 percent. Net cash generated by operating activities totaled EUR 360 million (EUR 256 million) and free cash flow was EUR 341 million (EUR 204 million). Earnings per share totaled EUR 2.95 (EUR 1.25).

Metso's key figures

EUR million	**2015**	2014	Change %	**2015 excl PAS***	2014 excl PAS*	Change %
Orders received	**3,027**	3,409	-11	**2,965**	3,074	-4
Services orders	**1,913**	2,052	-7	**1,879**	1,910	-2
% of orders received	**63**	60		**63**	62	
Order backlog	**1,268**	1,575	-19	**1,268**	1,400	-9
Net sales	**2,977**	3,658	-19	**2,923**	3,363	-13
Services net sales	**1,869**	2,007	-7	**1,840**	1,869	-2
% of net sales	**63**	55		**63**	56	
Earnings before interest, tax and amortization (EBITA) and non-recurring items	**347**	460	-25	**356**	426	-16
% of net sales	**11.7**	12.6		**12.2**	12.7	
Operating profit**	**555**	351	58			
% of net sales	**18.7**	9.6				
Earnings per share, EUR	**2.95**	1.25	136			
Free cash flow	**341**	204	67			
Return on capital employed (ROCE) before taxes, %	**25.7**	16.4		**16.1**		
Equity-to-asset ratio, %	**48.3**	40.5				
Net gearing, %	**10.6**	45.6				
Personnel at the end of the year	**12,375**	15,644	-21	**12,375**	14,072	-12

* The Process Automation Systems (PAS) business was divested on April 1, 2015.
**Operating profit for 2015 includes the gain on the disposal of the PAS business.

Financial position

Continued focus on capital efficiency resulted in a decline in net working capital. This decline was largely attributed to inventories and receivables and had a EUR 64 million positive impact on the Group's cash flow (EUR 75 million negative impact) in 2015.

Metso's liquidity position remains solid. Total cash assets at the end of 2015 were EUR 657 million (EUR 292 million), of which EUR 67 million (EUR 13 million) was invested in financial instruments with an initial maturity exceeding three months, and the remaining EUR 590 million (EUR 279 million) is accounted for as cash and cash equivalents. Metso has a committed EUR 500 million revolving credit facility, which is undrawn.

The Group's balance sheet remains strong. Net interest-bearing liabilities totaled EUR 153 million at the end of December (EUR 561 million) and gearing was 10.6 percent (45.6%). The equity-to-asset ratio was 48.3 percent (40.5%).

In September 2015, Metso decided to continue with only one rating service provider. After evaluation, the rating relationship with Moody's Investor Service ended and cooperation with Standard & Poor's Ratings Services continued. Moody's future ratings will be based on publicly available information only. There were no changes in our credit rating during the reporting period. Standard & Poor's Ratings Services latest rating dated April 2015: long-term corporate credit rating BBB and short-term A-2, outlook stable.

Capital expenditure

Gross capital expenditure in 2015, excluding business acquisitions, was EUR 46 million (EUR 74 million). Maintenance investments accounted for 80 percent, i.e. EUR 36 million (81% and EUR 60 million). Capital expenditure in 2016 is expected to be on the same level as in 2015.

Reporting Segments

Minerals

EUR million	**2015**	2014	Change %
Orders received	**2,260**	2,361	-4
Services orders	**1,477**	1,511	-2
% of orders received	**65**	64	
Order backlog	**1,006**	1,108	-9
Net sales	**2,198**	2,676	-18
Services net sales	**1,437**	1,474	-3
% of net sales	**65**	55	
Earnings before interest, tax and amortization (EBITA) and non-recurring items	**241**	338	-29
% of net sales	**11.0**	12.6	
Operating profit	**213**	244	-13
% of net sales	**9.7**	9.1	
Return on operative capital employed (ROCE), %	**17.5**	19.4	
Personnel at the end of the year	**9,039**	10,368	-13

Orders in 2015 declined 4 percent to EUR 2,260 million (EUR 2,361 million). Services accounted for 65 percent or EUR 1,477 million of total orders, which was a small decline compared to last year. The decline resulted from lower wear and spare parts orders, as performance services orders grew 3 percent. Mining equipment orders increased 7 percent and amounted to EUR 389 million in 2015. The order backlog at the end of December was EUR 1,006 million (December 31, 2014: EUR 1,108 million). We expect 86 percent of the order backlog to be delivered in 2016 and 14 percent in 2017.

Net sales in 2015 declined 18 percent to EUR 2,198 million (EUR 2,676 million). Aggregates' sales declined 13 percent as a result of lower sales in both services and equipment businesses. Mining equipment sales were 40 percent lower than last year, while mining services sales were down 2 percent.

The segment's EBITA before non-recurring items was EUR 241 million or 11.0 percent of net sales (EUR 338 million and 12.6%) for the year as a whole. Proportionally higher fixed costs in the equipment business and restructuring expenses impacted the segment's profitability negatively. Operating profit was EUR 213 million (EUR 244 million) in 2015.

Flow Control

EUR million	**2015**	2014	Change %	**2015 excl PAS**	2014 excl PAS	Change %
Orders received	**767**	1,051	-27	**705**	717	-2
Services orders	**437**	542	-19	**402**	399	1
% of orders received	**57**	52		**57**	56	
Order backlog	**262**	468	-44			
Net sales	**778**	982	-21	**723**	685	6
Services net sales	**432**	533	-19	**402**	395	2
% of net sales	**56**	54		**56**	58	
Earnings before interest, tax and amortization (EBITA) and non-recurring items	**118**	148	-21	**126**	114	11
% of net sales	**15.1**	15.1		**17.5**	16.6	
Operating profit*	**110**	139	-20			
% of net sales	**14.2**	14.1				
Return on operative capital employed (ROCE), %	**32.5**	36.5		**37.1**	33.1	
Personnel at the end of the year	**2,770**	4,557	-39	**2,770**	2,985	-7

*Operating profit for 2015 does not include the gain on the disposal of the PAS business.

Total order intake in 2015 was EUR 705 million, which is 2 percent lower than in the comparison period. Orders from the oil & gas industry declined 12 percent, while pulp & paper orders grew 2 percent. Pump orders grew by 8 percent in 2015. Flow Control's order backlog at the end of December was EUR 262 million, of which 99 percent is expected to be delivered in 2016.

Full-year net sales increased 6 percent following the delivery of a few larger pulp & paper valve projects and increased sales of pump services. The segment's EBITA before non-recurring items in 2015 increased to EUR 126 million from EUR 114 million last year. The EBITA margin before non-recurring items increased to 17.5 percent (16.6%). The higher margin was a result of cost control and higher net sales of the segment.

Divestments

On April 1, 2015 Metso closed the disposal of Process Automation Systems (PAS) business. The PAS business included process automation solutions for pulp, paper and power industries, covering automation and quality control systems, analyzers and measurements and related services and was reported in Metso's Flow Control segment. PAS had 1,657 employees and annual net sales of around EUR 300 million. The final cash consideration was EUR 312 million and Metso booked a gain of EUR 252 million on the transaction in its second quarter results.

On April 13, 2015, Metso completed the divestment of its Tampere foundry in Finland to the Finnish company TEVO Oy. In conjunction with the sale, the foundry's 130 employees transferred to TEVO. The divestment was treated as a sale of fixed assets.

Research and technology development

Metso's research and technology development (RTD) network encompasses approximately 20 units around the world. Metso actively develops and protects new technologies, processes, and service solutions, and the RTD network made 93 (141) invention disclosures during 2015, resulting in 21 (33) priority patent applications. As of the end of 2015, 293 (428) Metso inventions were protected by patents. Research and development expenses in 2015 totaled EUR 40 million, which is 1.3 percent of net sales (EUR 59 million and 1.6%). The decline from last year was a result of the divestment of PAS. Expenses related to intellectual property rights amounted to EUR 2 million in 2015 (EUR 3 million).

Minerals continued its strategic research and development program with a target of creating the next-generation minerals concentrator technology together with partners. New solutions for improving the efficiency of mining operations were developed. For example, a new mill drive system is cost efficient to install, operate and maintain. Several new solutions were launched for the aggregates industry. These included a new Nordberg® NP13(TM) impact crusher and a Nordberg® HP5(TM) high-performance cone crusher. Metso also introduced two new screening product ranges, Metso PREMIER Screens(TM) and Metso COMPACT Screens(TM), to serve different customers' unique needs. Minerals' Services business focused on developing new wear solutions, spare parts, performance services, and a life-cycle services offering globally close to our customers. Metso expanded the Megaliner(TM) mill lining concept to include grinding mill heads. A new maintenance platform was developed for changing jaw crusher wear parts. These solutions are examples of increasing safety, decreasing downtime and improving the efficiency of services.

Flow Control's valve business made several product releases to improve safety and energy efficiency for our oil and gas customers. A new high-pressure ball valve (XH) was released to give customers a safe and reliable solution for multiple high-pressure applications. For industrial gas applications, a new energy-saving, metal-seated butterfly valve for cryogenic and oxygen services (BWX) was released. The intelligent positioner portfolio was expanded with a new NDX valve controller that is specially designed from a globe valve operation point of view. The NDX features reliable and safe functionality. It is extremely fast and easy to install and enables significant time savings when commissioning a valve. Flow Control's pump business, launched mill discharge metal and rubber-lined slurry pumps with the latest hydraulic technology, and specifically sized for today's larger mills. These massive pumps are offered with high chrome iron or rubber-lined wear components and are designed to have higher operational efficiency.

Health, safety and environment

Prioritizing the health, safety and wellbeing of our employees, customers and partners in all our operations is fundamental to everyone at Metso. Our goal is to guarantee a safe working environment for our employees, and we are committed to taking the right actions. Metso's safety culture has improved significantly, which can be seen in the decrease in work-related incidents.

During 2015 we were able to cut the number of recordable incidents by 28% compared to 2014. LTIF (lost-time incident frequency) in 2015 was 2.6 (3.9) – the target being less than one. LTIF reflects the number of incidents resulting in an absence of at least one workday per million hours worked. Metso's long-term target is zero work-related incidents.

We put special focus on few specific proactive areas of safety in 2015. One is Metso HIRA, the hazard identification and risk assessment approach to identify, assess and control hazards. We also further developed our risk observation reporting and continued our management training. In 2015 the focus of our yearly safety campaign, Metso safety pledge, was on safety conversations. Safety conversations are general discussions about safety between a manager and employee. Our internal HSE audit was carried out in 22 locations.

Sustainable use of resources underpins the long-term success of our business. A global operating environment brings opportunities and risks that we must recognize throughout our value chain. We have Metso-wide targets to reduce water usage by 15% and waste by 15% by 2020. We have ambitious targets to reduce the energy consumption and the carbon dioxide emissions of our own production.

Personnel

Metso had 12,375 employees at the end of December 2015. Minerals had 9,039 employees and Flow Control 2,770. The head office and support functions employed 566 persons. Compared to end of 2014, headcount declined by 1,329 in Minerals and by 1,787 in Flow Control, of which 1,657 is attributable to the divestment of PAS. Personnel in emerging markets accounted for 49 percent (50%). The average number of personnel in 2015 was 13,872.

Personnel by area

	Dec 31, 2015	% of personnel	Dec 31, 2014	% of personnel	Change %
Europe	**4,249**	**34**	4,824	34	-12
North America	**1,939**	**16**	2,296	16	-16
South and Central America	**2,545**	**20**	2,963	21	-14
China	**1,189**	**10**	1,314	9	-10
Other Asia-Pacific	**1,488**	**12**	1,599	12	-7
Africa and Middle East	**965**	**8**	1,076	8	-10
Metso excluding PAS	**12,375**	**100**	14,072	100	-12
Process Automation Systems	**-**		1,572		
Metso total	**12,375**	**100**	15,644		-21

	Dec 31, 2015	% of personnel	Dec 31, 2014	% of personnel	Change %
Emerging markets	**6,113**	**49**	6,967	50	-12
Developed markets	**6,262**	**51**	7,105	50	-12
Metso excluding PAS	**12,375**	**100**	14,072	100	-12
Process Automation Systems	**-**		1,572		
Metso total	**12,375**	**100**	15,644	100	

Decisions of the Annual General Meeting

Metso's Annual General Meeting was held on March 27, 2015, in Helsinki, Finland. The AGM approved the Financial Statements for 2014 and discharged the members of the Board of Directors and the President and CEO from liability for the 2014 financial year.

The Annual General Meeting decided that a dividend of EUR 1.05 per share will be paid for the financial year ended on December 31, 2014. In addition, the Board of Directors was authorized to decide on the payment of an extra dividend of up to EUR 0.40 per share if the disposal of the Process Automation Systems business to Valmet was completed. On July 24, 2015 the Board decided to use this authorization and the full extra dividend was paid on August 4, 2015.

The Annual General Meeting also approved the proposal of the Board of Directors to authorize the Board to decide on the repurchase of Metso shares. The Nomination Board's Proposals concerning Board members and their remuneration were also approved. Authorized Public Accountant Ernst & Young was elected as the company's Auditor until the end of the next Annual General Meeting.

Board of Directors

The Annual General Meeting confirmed the number of Board members as seven and elected Mikael Lilius as Chairman of the Board and Christer Gardell as Vice Chairman. Wilson Nélio Brumer, Ozey K. Horton Jr., Lars Josefsson, Nina Kopola and Eeva Sipilä were re-elected for a new term. The term of office of Board members will last until the end of the next AGM.

The Board elected the members of its Audit Committee and the Remuneration and HR Committee as follows:

- Audit Committee consists of Eeva Sipilä (Chairman), Lars Josefsson and Nina Kopola.
- Remuneration and HR Committee consists of Mikael Lilius (Chairman), Christer Gardell and Ozey K. Horton Jr.

Changes in Metso's Executive Team

Two appointments were made to Metso's Executive Team on July 23, 2015, with immediate effect. Perttu Louhiluoto was appointed President, Services, and John Quinlivan was appointed President, Flow Control. The former President of Services, Juha Silvennoinen, did not continue in Metso.

With these appointments, Metso's Executive Team consists of:

- Matti Kähkönen, President and CEO (Chairman of the Executive Team)
- Harri Nikunen, CFO and Deputy to the CEO
- João Ney Colagrossi, President, Minerals
- Perttu Louhiluoto, President, Services
- John Quinlivan, President, Flow Control
- Merja Kamppari, Senior Vice President, Human Resources
- Simo Sääskilahti, Senior Vice President, Strategy and Business Development.

Corporate Governance Statement

Metso will publish a separate Corporate Governance Statement for 2015 that complies with the recommendations of the Finnish Corporate Governance Code for listed companies and also covers other central areas of corporate governance. The statement will be published on our website, separately from the Board of Directors' Report.

Shares and share capital

On December 31, 2015, Metso Corporation's share capital was EUR 140,982,843.80, and the total number of shares 150,348,256. At the end of 2015, Metso Corporation held a total of 363,718 of the company's own shares, which represent 0.2 percent of all Metso shares and votes. Metso's market capitalization at year-end, excluding shares held by the company, was EUR 3,105 million.

In 2015, 150,739,847 Metso shares were traded on the NASDAQ OMX Helsinki, equivalent to a turnover of EUR 3,640 million. Metso's share price on the NASDAQ OMX Helsinki decreased 16 percent, from EUR 24.68 to EUR 20.70, in 2015. At the same time, the NASDAQ OMX Helsinki portfolio index, OMX Helsinki CAP, increased 11 percent. The highest quotation of Metso's share on the NASDAQ OMX Helsinki in 2015 was EUR 29.55 and the lowest EUR 17.31. The average trading price for the year was EUR 24.11.

Metso's ADS (American Depositary Shares) are traded in the United States on the International OTCQX market. The ADS price at year-end

2015 was USD 5.92. During 2015, the highest trading price for Metso's ADS in the United States was USD 8.22 and the lowest USD 4.88.

Flaggings

Under the provisions of the Finnish Securities Markets Act, shareholders of listed companies have an obligation to notify both the Finnish Financial Supervision Authority and the listed company of changes in their holdings. Metso is not aware of any shareholders' agreement regarding the Metso shares or voting rights.

Events after the reporting period

On February 3, 2016, Eeva Sipilä, M.Sc. (Econ.), CEFA, was appointed Metso's Chief Financial Officer (CFO) starting August 1, 2016. She joins Metso from Cargotec Corporation, where she has worked as Executive Vice President and CFO.

Metso's current CFO, Harri Nikunen, continues in his current role until the end of July, after which he takes on new responsibilities within the company.

Share-based incentive plans

Metso's share ownership plans are part of the remuneration and commitment program for management. All reward shares are acquired through public trading and do not have a diluting effect on share value. For further information, see our Corporate Governance Statement for 2015.

Short-term business risks and market uncertainties

Uncertainties surrounding economic growth globally might affect our customer industries and weaken the demand for Metso's products and services. A significant slowdown in global growth might further reduce market size and lead to tougher price competition. Our backlog, projects under negotiation and other business operations might also be adversely affected by political turbulence seen, for example, in Eastern Europe, Russia and the Middle East.

A prolonged uncertainty in the Chinese economy might affect our business negatively through declining foreign investments made in the country and falling commodity prices. Low commodity prices reduce the investment appetite and cut spending among our customers. This may cause projects to be postponed, delayed or discontinued. A tougher pricing environment also makes it harder to integrate increasing labor and manufacturing costs into our prices.

Exchange rate fluctuations are likely to increase with economic uncertainty, although the wide geographical scope of our operations reduces the impact of any individual currency. Metso Group hedges currency exposure linked to firm delivery and purchase agreements.

Economic uncertainty could lead to short-term financing deficits and indirect adverse effects on Metso's operations due to our customers' reduced investment appetite. Sufficient funding and financing is crucial at all times in order to ensure the continuity of our own operations. Our current cash assets and funding are considered sufficient to secure liquidity and flexibility in the short and long run.

Outlook for 2016

Metso has changed its guidance policy and will discontinue publishing financial guidance as of the beginning of 2016. Instead of numerical financial guidance on the development of our net sales and profitability, we will share our views on the overall trading conditions, expected demand development in our end markets, as well as some financial information, such as expected capital expenditure and restructuring costs during the current financial year.

Metso's overall trading conditions are expected to weaken somewhat in 2016 compared to 2015. Demand for our products and services is expected to develop as follows:

- remain weak for mining equipment and satisfactory for mining services
- remain satisfactory for aggregates equipment and services
- remain satisfactory for Flow Control products related to customers' new investments and good for Flow Control services

We expect to invoice EUR 1.1 billion from our year-end 2015 backlog during 2016. Internal efficiency actions will continue to improve competitiveness and mitigate price pressure that might be seen in the markets that are facing weak or satisfactory demand. Restructuring costs are expected to be lower than in 2015. Capital expenditure without acquisitions and net financial costs are expected to be on the same level as in 2015.

Board of Directors' proposal on the use of profit

The Company's distributable funds on December 31, 2015, totaled EUR 917,679,762.79, of which the net profit for 2015 was EUR 543,811,588.67.

The Board of Directors proposes that a dividend of EUR 1.05 per share be paid based on the balance sheet to be adopted for the financial year, which ended December 31, 2015, and that the remaining portion of the profit is retained and included in the Company's unrestricted equity.

Annual General Meeting 2016

Metso Corporation's Annual General Meeting 2016 will be held on Monday, March 21, 2016 at the Finlandia Hall in Helsinki (Mannerheimintie 13, FI-00100 Helsinki). The Board will convene the meeting by separate invitation.

Helsinki, February 3, 2016
Metso Corporation's Board of Directors

Consolidated Statements of Income

		Year ended December 31,	
EUR million	Note	2014	2015
Net sales	33	3,658	**2,977**
Cost of goods sold	6, 7	-2,579	**-2,062**
Gross profit		1,079	**915**
Selling. general and administrative expenses	4, 6, 7	-683	**-593**
Other operating income and expenses. net	5	-46	**234**
Share in profits and losses of associated companies	14	1	**-1**
Operating profit	33	351	**555**
Financial income and expenses. net	8	-69	**-39**
Profit before tax		282	**516**
Income taxes	9	-93	**-74**
Profit		189	**442**
Attributable to:			
Shareholders of the company		188	**442**
Non-controlling interests		1	**0**
Profit		189	**442**
Earnings per share			
Basic, EUR	12	1.25	**2.95**
Diluted, EUR	12	1.25	**2.95**

Consolidated Statements of Comprehensive Income

EUR million	Note	2014	2015
		Year ended December 31,	
Profit		189	**442**
Items that may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges, net of tax	22, 31	-3	**2**
Available-for-sale equity investments, net of tax	15, 22	0	**0**
Currency translation on subsidiary net investments	22	33	**-19**
		30	**-17**
Items that will not be reclassified to profit or loss:			
Defined benefit plan actuarial gains (+) / losses (-), net of tax	28	-19	**12**
Other comprehensive income (+) / expense (-)		11	**-5**
Total comprehensive income (+) / expense (-)		200	**437**
Attributable to:			
Shareholders of the company		199	**437**
Non-controlling interests		1	**0**
Total comprehensive income (+) / expense (-)		200	**437**

Consolidated Balance Sheets

Assets

			As at December 31,
EUR million	Note	2014	**2015**
Non-current assets			
Intangible assets	13		
Goodwill		461	**452**
Other intangible assets		105	**98**
		566	**550**
Property, plant and equipment	13		
Land and water areas		52	**49**
Buildings and structures		144	**123**
Machinery and equipment		172	**161**
Assets under construction		30	**10**
		398	**343**
Financial and other assets			
Investments in associated companies	14	8	**1**
Available-for-sale equity investments	15, 20	2	**1**
Loan and other interest bearing receivables	19, 20	10	**11**
Derivative financial instruments	20, 31	7	**10**
Deferred tax asset	9	127	**108**
Other non-current assets	19, 20	40	**39**
		194	**170**
Total non-current assets		1,158	**1,063**
Current assets			
Inventories	16	842	**715**
Receivables			
Trade and other receivables	19, 20	860	**632**
Cost and earnings of projects under construction in excess of advance billings	17	217	**90**
Loan and other interest bearing receivables	19, 20	0	**1**
Financial instruments held for trading	19, 20	13	**67**
Derivative financial instruments	20, 31	9	**6**
Income tax receivables		25	**45**
		1,124	**841**
Cash and cash equivalents	21	279	**590**
Total current assets		2,245	**2,146**
Total assets		3,403	**3,209**

Shareholders' equity and liabilities

		Year ended December 31,	
EUR million	Note	2014	**2015**
Equity	22		
Share capital		141	**141**
Cumulative translation adjustments		-52	**-71**
Fair value and other reserves		302	**302**
Retained earnings		830	**1,064**
Equity attributable to shareholders		1,221	**1,436**
Non-controlling interests		8	**8**
Total equity		1,229	**1,444**
Liabilities			
Non-current liabilities			
Long-term debt	20, 24	791	**765**
Post-employment benefit obligations	28	121	**99**
Provisions	25	22	**27**
Derivative financial instruments	20, 31	6	**7**
Deferred tax liability	9	13	**15**
Other long-term liabilities	20	3	**2**
Total non-current liabilities		956	**915**
Current liabilities			
Current portion of long-term debt	20, 24	1	**27**
Short-term debt	20, 26	71	**30**
Trade and other payables	20, 27	630	**469**
Provisions	25	104	**68**
Advances received		277	**164**
Billings in excess of cost and earnings of projects under construction	17	88	**54**
Derivative financial instruments	20, 31	22	**9**
Income tax liabilities		25	**29**
Total current liabilities		1,218	**850**
Total liabilities		2,174	**1,765**
Total shareholders' equity and liabilities		3,403	**3,209**

Consolidated Statements of Cash Flows

Year ended December 31,

EUR million	Note	2014	2015
Cash flows from operating activities:			
Profit		189	**442**
Adjustments to reconcile profit to net cash provided by operating activities			
Depreciation and amortization	7	75	**69**
Gain (-) / loss (+) on sale of fixed assets	5	-3	**-1**
Gain (-) / loss (+) on sale of subsidiaries and associated companies	5	0	**-252**
Gain on sale of available-for-sale equity investments	5	0	**0**
Share of profits and losses of associated companies	14	-1	**1**
Financial income and expenses, net	8	69	**39**
Income taxes	9	93	**74**
Other non-cash items		78	**20**
Change in net working capital, net of effect from business acquisitions and disposals	18	-75	**64**
Interest paid		-46	**-28**
Interest received		9	**8**
Other financing items paid, net		-6	**-4**
Income taxes paid		-126	**-72**
Net cash provided by operating activities		256	**360**
Cash flows from investing activities:			
Capital expenditures on fixed assets	13	-74	**-46**
Proceeds from sale of fixed assets		8	**17**
Business acquisitions, net of cash acquired	10	-19	**-**
Proceeds from sale of businesses, net of cash sold	11	-	**305**
Investments in associated companies		-1	**-2**
Proceeds from sale of associated companies		0	**-**
Proceeds from sale of available-for-sale equity investments		0	**0**
Investments in financial instruments held for trading		-	**-82**
Proceeds from sale of financial instruments held for trading		7	**26**
Increase in loan receivables		-13	**-3**
Decrease in loan receivables		1	**0**
Net cash provided by (+) / used in (–) investing activities		-91	**215**
Cash flows from financing activities:			
Dividends paid		-150	**-217**
Net borrowings (+) / payments (-) on short-term debt		-35	**-39**
Proceeds from issuance of long-term debt		0	**0**
Principal payments of long-term debt		-180	**-1**
Principal payments of finance leases		0	**0**
Other items		0	**0**
Net cash used in financing activities		-365	**-257**
Net increase / decrease in cash and cash equivalents		-200	**318**
Effect of changes in exchange rates on cash and cash equivalents		12	**-7**
Cash and cash equivalents at beginning of year	21	467	**279**
Cash and cash equivalents at end of year		279	**590**

Consolidated Statements of Changes in Shareholders' Equity

EUR million	Share capital	Cumulative translation adjustments	Fair value and other reserves	Retained earnings	**Equity attributable to shareholders**	Non-controlling interests	**Total equity**
Balance at December 31, 2013	**141**	**-85**	**305**	**812**	**1,173**	**8**	**1,181**
Profit	-	-	-	188	188	1	189
Other comprehensive income (+) / expense (-)							
Cash flow hedges, net of tax	-	-	-3	-	-3	-	-3
Available-for-sale equity investments, net of tax	-	-	0	-	0	-	0
Currency translation on subsidiary net investments	-	33	-	-	33	-	33
Net investment hedge gains (+) / losses (-), net of tax	-	-	-	-	-	-	-
Defined benefit plan acturial gains (+) / losses (-), net of tax	-	-	-	-19	-19	-	-19
Total comprehensive income (+) / expense (-)	-	33	-3	169	199	1	200
Dividends	-	-	-	-150	-150	0	-150
Share-based payments, net of tax	-	-	0	0	0	-	0
Other	-	-	0	-1	-1	-1	-2
Changes in non-controlling interests	-	-	-	0	0	-	0
Balance at December 31, 2014	**141**	**-52**	**302**	**830**	**1,221**	**8**	**1,229**
Profit	-	-	-	442	442	0	442
Other comprehensive income (+) / expense (-)							
Cash flow hedges, net of tax	-	-	2	-	2	-	-2
Available-for-sale equity investments, net of tax	-	-	0	-	0	-	0
Currency translation on subsidiary net investments	-	-19	-	-	-19	-	-19
Defined benefit plan acturial gains (+) / losses (-), net of tax	-	-	-	12	12	-	12
Total comprehensive income (+) / expense (-)	-	-19	2	454	437	0	437
Dividends	-	-	-	-217	-217	0	-217
Share-based payments, net of tax	-	-	-1	-1	-2	-	-2
Other	-	-	-1	1	0	0	0
Changes in non-controlling interests	-	-	-	-3	-3	0	-3
Balance at December 31, 2015	**141**	**-71**	**302**	**1,064**	**1,436**	**8**	**1,444**

Notes to the Consolidated Financial Statements

1 Accounting principles

Description of businesses

Metso Corporation (the "Parent Company") and its subsidiaries (together with the Parent Company, "Metso" or the "Group") form a world's leading industrial group as an equipment and service provider for the mining and aggregates industries and in the flow control business. The main customers operate in the mining, oil and gas and aggregates industries.

Group has two reporting segments, Minerals and Flow Control. The Minerals segment covers mining, aggregates and recycling businesses and the Flow Control segment covers valves and pumps.

Metso Corporation is a publicly listed company and its shares are listed on the NASDAQ OMX Helsinki Ltd under the trading symbol MEO1V. Metso Corporation is domiciled in Finland and the address of the Group Head Office is Fabianinkatu 9A, 00130 Helsinki, Finland.

These consolidated financial statements were authorized for issue by the Board of Directors on February 3, 2016 after which, in accordance with Finnish Company Law, the financial statements are either approved, amended or rejected in the Annual General Meeting.

Basis of preparation and changes in accounting policies

The consolidated financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU include the financial statements of Metso Corporation and its subsidiaries. There are no differences between IFRS standards and interpretations as adopted by the EU, as applied in Metso, and IFRS as written by the International Accounting Standards Board ("IASB").

New and amended standards adopted by Metso

As of January 1, 2015 Metso applied the Annual Improvements Cycle 2011-2013 and IFRIC 21 Levies interpretation. These changes have no material impact on Metso's consolidated financial statements.

Use of estimates

The preparation of financial statements, in conformity with IFRS, requires management to make estimates and assumptions and to exercise its judgement in the process of applying the group's accounting policies. These affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to Metso's consolidated financial statements are disclosed in note 3.

Accounting convention

The financial statements are prepared under the historical cost convention, except for financial assets and liabilities classified as fair valued through profit and loss, available-for-sale investments, financial instruments held for trading and derivative instruments, which are recognized at fair value.

Principles of consolidation

Subsidiaries

The consolidated financial statements include the financial statements of the Parent Company and each of those companies in which it owns, directly or indirectly through subsidiaries, over 50 percent of the voting rights or in which it is in a position to govern the financial and operating policies of the entity. The companies acquired during the financial period have been consolidated from the date Metso acquired control. Subsidiaries sold or distributed to the owners have been included up to their date of disposal.

All intercompany transactions, balances and gains or losses on transactions between subsidiaries are eliminated as part of the consolidation process. Non-controlling interests are presented in the consolidated balance sheets within equity, separate from the equity attributable to shareholders. Non-controlling interests are separately disclosed in the consolidated statements of income.

Acquisitions of businesses are accounted for using the acquisition method. The purchase consideration of an acquisition is measured at fair value over the assets given up, shares issued or liabilities incurred or assumed at the date of acquisition. For each acquisition the non-controlling interest in the acquiree, if any, can be recognized either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The excess acquisition price over the fair value of net assets acquired is recognized as goodwill (see also intangible assets). If the purchase consideration is less than the fair value of the Group's share of the net assets acquired, the difference is recognized directly through profit and loss.

When Metso ceases to have control, any retained interest in the equity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities.

Transactions with non-controlling interests are regarded as transactions with equity owners. In case of purchases from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets acquired in the subsidiary is recorded in shareholders' equity. Gains or losses on disposals to non-controlling interests are also recorded directly in shareholders' equity.

Associated companies and joint ventures

The equity method of accounting is used for investments in associated companies in which the investment provides Metso the ability to exercise significant influence over the operating and financial policies of the investee company. Such influence is presumed to exist for investments in companies in which Metso's direct or indirect shareholding is between 20 and 50 percent of the voting rights or if Metso is able to exercise significant influence. Investments in associated companies are initially recognized at cost after which Metso's share of their post-acquisition retained profits and losses is included as part of investments in associated companies in the consolidated balance sheets.

Under the equity method, the share of profits and losses of associated companies and joint ventures is presented separately in the consolidated statements of income.

A joint arrangement is an arrangement of which two or more parties have joint control. In Metso group all the joint arrangements are joint ventures. Investments in joint ventures in which Metso has the power to jointly govern the financial and operating activities of the investee company are accounted for using the equity method. Investments in joint ventures in which Metso has the control on the financial and operating activities of the investee company are consolidated and non-controlling interest is recognized.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Metso's Board of Directors that makes strategic decisions.

Foreign currency translation

The financial statements are presented in euros, which is the Parent Company's functional currency and Metso's presentation currency.

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the date of the transaction. At the end of the accounting period, unsettled foreign currency transaction balances are valued at the rates of exchange prevailing at the balance sheet date. Trade flow related foreign currency exchange gains and losses are recorded in other operating income and expenses, unless the foreign currency denominated transactions have been subject to hedge accounting, in which case the related exchange gains and losses are recorded in the same line item as the hedged transaction. Foreign exchange gains and losses associated with financing are entered as a net amount under financial income and expenses.

The statements of income of subsidiaries with a functional currency different from the presentation currency are translated into euro at the average exchange rates for the financial year and the balance sheets are translated at the exchange rate of the balance sheet date. This exchange rate difference is recorded through Other Comprehensive Income/Expense (OCI) in the cumulative translation adjustment line item in equity.

The translation differences arising from subsidiary net investments and long-term subsidiary loans without agreed settlement dates are recognized through the OCI to the cumulative translation adjustments under equity. When Metso hedges the net investment of its foreign subsidiaries with foreign currency loans and with financial derivatives, the translation difference is adjusted by the currency effect of hedging instruments which has been recorded, net of taxes, through the OCI in equity. When a foreign entity is disposed of, the respective accumulated translation difference, including the effect from qualifying hedging instruments, is reversed through the OCI and recognized in the consolidated statements of income as part of the gain or loss on the sale. If the equity of a foreign currency denominated subsidiary is reduced by reimbursement of invested funds, the translation difference relating to the reduction is reversed through the OCI and recognized in the consolidated statements of income.

Derivative financial instruments

Derivatives are initially recognized in the balance sheet at fair value and subsequently measured at their fair value at each balance sheet date. Derivatives are designated at inception either as hedges of firm commitments or forecasted transactions (cash flow hedge) or as hedges of fixed rate debt (fair value hedge), or as hedges of net investment in a foreign operation (net investment hedge), or as derivatives at fair value through profit and loss that do not meet the hedge accounting criteria.

In case of hedge accounting, Metso documents at inception the relationship between the hedging instruments and hedged items in accordance with its risk management strategy and objectives. Metso also tests the effectiveness of the hedge relationships at hedge inception and quarterly both prospectively and retrospectively.

Derivatives are classified as non-current assets or liabilities when the remaining maturities exceed 12 months and as current assets or liabilities when the remaining maturities are less than 12 months.

Cash flow hedge

Metso applies cash flow hedge accounting to certain interest rate swaps, foreign currency forward contracts and to electricity forwards.

Metso designates only the currency component of the foreign currency forward contracts as the hedging instrument to hedge foreign currency denominated firm commitments. The interest component is recognized under other operating income and expenses, net. The gain or loss relating to the effective portion of the currency forward contracts is recognized in the income statement concurrently with the underlying in the same line item. The effective portion of foreign currency forwards hedging sales and purchases is recognized in the net sales and the cost of goods sold, respectively. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is reversed from the hedge reserve through the OCI to the income statement within financial items concurrently with the recognition of the underlying. Both at hedge inception and at each balance sheet date an assessment is performed to ensure the continued effectiveness of the designated component of the derivatives in offsetting changes in the fair values of the cash flows of hedged items.

Metso assesses regularly the effectiveness of the fair value changes of the electricity forwards in offsetting the changes in the fair value changes of the underlying forecasted electricity purchases in different countries. The gain or loss relating to the effective portion of the electricity forward contracts is recognized in the cost of goods sold.

The effective portion of the derivatives is recognized through OCI in the hedge reserve under equity and reversed through OCI to be recorded through profit and loss concurrently with the underlying transaction being hedged.

The gain or loss relating to the ineffective portion of the derivatives is reported under other operating income and expenses, net or under financial items when contracted to hedge variable rate borrowings. Should a hedged transaction no longer be expected to occur, any cumulative gain or loss previously recognized under equity is reversed through OCI to profit and loss.

Fair value hedge

Metso applies fair value hedge accounting to certain fixed rate loans. The change in fair value of the interest rate swap hedging the loan is recognized through profit and loss concurrently with the change in value of the underlying. Both at inception and quarterly the effectiveness of the derivatives is tested by comparing their change in fair value against those of the underlying instruments.

Net investment hedge

Metso may hedge its net foreign investments in certain currencies to reduce the effect of exchange rate fluctuations. The hedging instruments are mainly foreign currency loans and foreign currency forward contracts. Both realized and unrealized exchange gains and losses measured on these instruments are recorded, net of taxes, through OCI in a separate component of equity against the translation differences arising from consolidation to the extent these hedges are effective. The interest portion of derivatives qualifying as hedges of net investment is recognized under financial income and expenses, net.

Derivatives at fair value through profit and loss

Certain derivative instruments do not qualify for hedge accounting. These instruments, which have been contracted to mitigate risks arising from operating and financing activities, comprise foreign exchange forward contracts, currency and interest rate options, interest rate swaps and swap agreements for nickel.

Changes in the fair value of interest rate swaps are recognized in interest expenses. Changes in the fair value of foreign exchange forward contracts are mainly recognized in other operating income and expenses. However, when the foreign exchange forwards have been contracted to mitigate the exchange rate risks arising from foreign currency denominated cash and from financial instruments used for cash management, the changes in fair value of the derivatives are recognized in financial income and expenses, net. Changes in the fair value of other derivative instruments such as commodity instruments are recognized in other operating income and expenses, net.

Fair value estimation of derivative instruments

The fair value of the foreign currency forward contracts is determined using forward exchange market rates at the balance sheet date. The fair value of the interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. The fair value of the commodity forwards and swaps are based on quoted market prices at the balance sheet date. The fair value of options is determined using Black-Scholes valuation model.

Employee benefits

Share-based payments

Metso has share-based incentive plans for its key personnel.

The equity-settled share awards are valued based on the market price of the Metso share as of the grant date, and recognized as an employee benefit expense over the vesting period with corresponding entry in other reserves of the equity. The liability resulting from the cash-settled transactions is measured based on the market price of the Metso share as of the balance sheet date and accrued as an employee benefit expense with corresponding entry in the current liabilities until the settlement date.

Market conditions, such as the total shareholder return upon which vesting is conditioned, is taken into account when estimating the fair value of the equity instruments granted. The expense relating to the market condition is recognized irrespective of whether that market condition is satisfied.

Non-market vesting conditions, such as operating profit, services business growth, return on capital employed and earnings per share targets are included in assumptions about the amount of share-based payments that are expected to vest. At each balance sheet date, Metso revises its estimates on the amount of share-based payments that are expected to vest. The impact of the revision to previous estimate is recognized through profit and loss with corresponding adjustment to equity and current liabilities, as appropriate.

Pensions and coverage of pension liabilities

Metso has several different pension schemes in accordance with local regulations and practices in countries where it operates. In certain countries, the pension schemes are defined benefit plans with retirement, disability, death, and other post-retirement benefits, such as health services, and termination income benefits. The retirement benefits are usually based on the number of service years and the salary levels of the final service years. The schemes are generally funded through payments to insurance companies or to trustee-administered funds as determined by periodic actuarial calculations.

In addition, certain companies within Metso have multi-employer pension arrangements and defined contribution pension schemes. The contributions to defined contribution plans and to multi-employer and insured plans are charged to profit and loss concurrently with the payment obligations.

In the case of defined benefit plans, the liability recognized from the plan is the present value of the defined benefit obligation as of the balance sheet date less the fair value of the plan assets. Independent actuaries calculate the defined benefit obligation by applying the projected unit credit method under. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating to the terms of the related pension obligation. The cost of providing retirement and other post-retirement benefits to the personnel is charged to profit and loss concurrently with the service rendered by the personnel. The net interest is recorded into financial income and expenses in the income statement. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized through OCI into shareholders' equity in the period in which they arise. Past service costs are recognized immediately in income statement.

Revenue recognition

Revenues from goods and services sold are recognized, net of sales taxes and discounts, when substantially all the risks and rewards of ownership are transferred to the buyer or when legal title of the goods and responsibility for shipment has been transferred to the buyer. The transfer of risk takes place either when the goods are shipped or made available to the buyer for shipment depending on the terms of the contract. The credit worthiness of the buyer is verified before engaging into a sale. However, if a risk of non-payment arises after revenue recognition, a provision for non-collectability is established.

Percentage-of-completion method

Sales and anticipated profits under engineering and construction contracts are recorded on a percentage-of-completion basis. The stage of completion is determined by the cost-to-cost method of accounting. In the cost-to-cost method, sales and profits are recorded after considering the ratio of accumulated costs to estimated total costs to complete each contract. Subcontractor materials, labor and equipment, are included in sales and costs of goods sold when management believes that Metso is responsible for the ultimate acceptability of the project. Changes to total estimated contract costs and losses, if any, are recognized in the period in which they are determined.

Service revenue

Revenues from short-term service contracts are recognized once the service has been rendered. Revenues from long-term service contracts are recognized using the cost-to-cost method.

Trade-ins

Sales against which trade-ins are accepted are recorded at contract price. Any reduction between the agreed trade-in price and its recorded value in the inventory is recognized in cost of goods sold concurrently with the sale.

Government grants

Government grants relating to acquisition of property, plant and equipment are deducted from the acquisition cost of the asset and they reduce the depreciation charge of the related asset. Other government grants are deferred and recognized in profit and loss concurrently with the costs they compensate.

Other operating income and expenses. net

Other operating income and expenses, net, comprise income and expenses, which do not directly relate to the operating activity of businesses within Metso or which arise from unrealized and realized changes in fair value of foreign currency denominated financial instruments associated with the operating activity, including forward exchange contracts. Such items include costs related to significant restructuring programs, gains and losses on disposal of assets, except for those qualifying as discontinued operations, and foreign exchange gains and losses, excluding those qualifying for hedge accounting and those, which are reported under financial income and expenses, net. Additionally, non- recoverable foreign taxes, which are not based on taxable profits, are reported in other operating income and expenses, net. These include for example foreign taxes and/or suchlike payments not based on Double Tax Treaties in force.

Income taxes

Income taxes presented in the consolidated statements of income consist of current and deferred taxes. Current taxes include estimated taxes corresponding to the Group companies' taxable results for the financial year, and adjustments to taxes for previous years.

A deferred tax liability or asset has been determined for all temporary differences between the tax bases of assets and liabilities and their amounts in financial reporting, using the enacted tax rates effective for the future years. The deferred tax liabilities are recognized in the balance sheet in full, and the deferred tax assets are only recognized when it is probable that there will be sufficient taxable profit against which the asset can be utilized. Deferred taxes are accounted for asset and liabilities acquired in business combinations.

No deferred tax liability has been recognized for undistributed earnings of domestic subsidiaries (i.e. Finnish) since such earnings can be transferred to the Parent Company without tax consequences. Metso does not provide deferred income taxes on undistributed earnings of foreign subsidiaries, except in subsidiaries where Metso has elected to distribute earnings in prior years and, which become subject to additional non-recoverable taxes triggered by a distribution.

Fixed assets

Fixed assets comprise intangible assets and property, plant and equipment.

Intangible assets

Intangible assets, which comprise mainly goodwill, trademarks, patents and licenses, are stated at historical cost less accumulated amortization and impairment losses, if any. Goodwill and intangible assets with indefinite useful lives, such as brands, are not amortized, but tested annually for impairment.

Amortization of intangible assets

Amortization of intangible assets with a definite useful life is calculated on a straight-line basis over the expected economic lives of the assets as follows:

Patents and licenses	5–10 years
Computer software	3–5 years
Technology	3–15 years
Customer relationships	3–12 years
Other intangibles (incl. acquired order backlog)	< 1–15 years

Expected useful lives are reviewed at each balance sheet date and if they differ significantly from previous estimates, the remaining amortization periods are adjusted accordingly.

The carrying value of intangible assets subject to amortization is reviewed for impairment whenever events and changes in circumstances indicate that the carrying amount of an asset may not be recoverable. A previously recognized impairment loss may be reversed if there is a significant improvement to the circumstances having initially caused the impairment, however not to a higher value than the carrying amount, which would have been recorded had there been no impairment in prior years.

Impairment of intangible assets with indefinite useful lives

The carrying value of goodwill for each segment and of other intangible assets with indefinite useful lives are reviewed annually or more frequently for impairment, if the facts and circumstances, such as declines in sales, operating profit or cash flows or material adverse changes in the business environment, suggest that its carrying value may not be recoverable. The testing of goodwill is performed at the cash generating unit level, whereas the testing of other intangible assets with an indefinite useful life is either performed as part of a cash generating unit or separately if the asset generates independent cash flows. The annual testing may be performed using previous year's recoverable amounts of the cash generating units, if there has not been any significant changes to the assets and liabilities of the cash generating unit, and if in the previous testing the recoverable value clearly exceeded the carrying values tested, and if the likelihood that the current recoverable value would be less than the current carrying value of the cash generating unit is remote. Metso uses a discounted cash flow analysis to assess the fair value of goodwill or of another intangible asset subject to testing. A previously recognized impairment loss on goodwill is not reversed even if there is a significant improvement in circumstances having initially caused the impairment.

Research and development costs

Research and development costs are mainly expensed as incurred. Research and development costs comprise salaries, administration costs, depreciation and amortization of tangible and intangible fixed assets. Development costs meeting certain capitalization criteria under IAS 38 are capitalized and amortized during the expected economic life of the underlying technology.

Property, plant and equipment

Property, plant and equipment are stated at historical cost, less accumulated depreciation and impairment loss, if any. Land and water areas are not depreciated.

Depreciation is calculated on a straight-line basis over the expected useful lives of the assets as follows:

Buildings and structures	15–40 years
Machinery and equipment	3–20 years

Expected useful lives are reviewed at each balance sheet date and if they differ significantly from previous estimates, the remaining depreciation periods are adjusted accordingly.

Subsequent improvement costs related to an asset are included in the carrying value of such asset or recognized as a separate asset, as appropriate, only when the future economic benefits associated with the costs are probable and the related costs can be separated from normal maintenance costs.

Metso reviews property, plant and equipment to be held and used by the company for impairment whenever events and changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment of property, plant and equipment and capital gains and losses on their disposal are included in other operating income and expenses, net. Previously recognized impairment on property, plant and equipment is reversed only if there has been a significant change in the estimates used to determine the recoverable amount, however not to exceed the carrying value, which would have been recorded had there been no impairment in prior years.

Capitalization of interest expenses

The interest expenses of self-constructed investments are capitalized in Metso's financial statements. The capitalized interest expense is amortized over the estimated useful life of the underlying asset.

Leases

Leases for property, plant and equipment, where Metso has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in long-term debt, and the interest element is charged to profit and loss over the lease period. Property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset or over the lease period, if shorter.

Leases of property, plant and equipment, where the lessor retains a significant portion of the risks and rewards, are classified as operating leases. Payments under operating leases are expensed as incurred.

Financial assets and liabilities

Metso classifies its financial investments into the following categories: assets and liabilities at fair value through profit and loss, loans and receivables and available-for-sale financial assets. The classification is determined at the time of the acquisition depending on the intended purpose. Assets at fair value through profit and loss comprise derivatives and financial instruments designated as at fair value through profit and loss upon initial recognition.

Available-for-sale financial assets are further classified into available-for-sale equity investments and available-for-sale financial investments. Loans and receivables include loans and other interest bearing receivables and other receivables, which are not interest bearing.

Purchases and sales of assets and liabilities at fair value through profit and loss, and loans and receivables are recognized or derecognized on the trade date, i.e. the date Metso commits to purchase or sell the asset. Purchases and sales of available-for-sale financial assets are recognized on the transaction date at fair value including transaction costs.

Financial assets are presented as non-current when their maturity exceeds one year.

At each balance sheet date, Metso assesses whether there is objective evidence of an available-for-sale financial asset or of a group of assets under this category being impaired. In case of significant or prolonged decline in the fair value of such an asset compared to its acquisition value, the accumulated net loss is reversed from equity and recognized in the income statement.

Assets and liabilities at fair value through profit and loss

Financial instruments held for trading, which are fair valued through profit and loss, comprise investments in financial instruments, and time deposits with various maturities exceeding three months. The instruments are fair valued quarterly and the change in fair value is recognized through profit and loss. Gains and losses at disposal and impairment, if any, are recorded in profit and loss.

Fixed rate debt hedged with derivatives are qualified for hedge accounting (fair value hedge) and fair valued quarterly through profit and loss. Gains and losses at disposal are recorded in profit and loss.

Derivatives that are not designated as hedges do not meet the hedge accounting criteria, and are fair valued quarterly through profit and loss. Gains and losses at disposal are recorded in profit and loss.

Available-for-sale equity investments

Available-for-sale equity investments include mainly shares in publicly listed companies. Available-for-sale equity investments are carried at fair value, based on quoted closing prices as of the respective balance sheet date. Unrealized gains and losses arising from changes in fair value are recognized through OCI in the fair value reserve of equity. Gains and losses at disposal and impairment, if any, are recorded in the profit and loss and the accumulated change in fair value previously recorded in the fair value reserve of equity is reversed through OCI. Unlisted shares, for which fair values cannot be measured reliably, are recognized at cost less impairment, if any.

Available-for-sale financial investments

Non-current available-for-sale financial investments

Available-for-sale financial investments, which are reported under non-current assets and which have been contracted as part of the cash management of Metso, comprise investments in financial instruments, e.g. bonds, commercial papers and time deposits with maturities exceeding one year or with an undefined maturity and which Metso plans to hold for more than one year. The instruments are fair valued quarterly and the change in fair value is recognized through OCI in the fair value reserve of equity. Gains and losses at disposal and impairment, if any, are recorded in profit and loss and the accumulated change in fair value previously recorded in the fair value reserve of equity is reversed through OCI.

Current available-for-sale financial investments

Available-for-sale financial investments, which are reported under current assets, comprise highly liquid investments, which have been contracted as part of the cash management of Metso and which do not qualify as cash and cash equivalents. They are fair valued quarterly and the change in fair value is recognized through OCI in the fair value reserve of equity. Gains and losses at disposal and impairment, if any, are recorded in profit and loss and the accumulated change in fair value previously recorded in the fair value reserve of equity is reversed through OCI.

Loans and receivables

Loans and other interest bearing receivables comprise interest bearing trade and loan receivables.

Loans and receivables are initially recognized at fair value including transaction costs. Subsequently they are recognized at amortized cost using the effective interest method. They are subject to regular and systematic review as to collectability. If a loan receivable is estimated to be partly or totally unrecoverable, an impairment loss is recognized for the shortfall between the carrying value and the present value of the expected cash flows. Interest income on loan and other interest bearing receivables is included in financial income and expenses, net.

Inventories

Inventories are stated at the lower of historical cost calculated on average cost basis or net realizable value. Costs include purchase costs as well as transportation and processing costs. The costs of finished goods include direct materials, wages and salaries plus social costs, subcontracting and other direct costs. In addition, production costs include an allocable portion of production and project administration overheads. Net realizable value is the estimated amount that can be realized from the sale of the asset in the normal course of business after allowing for the costs of realization.

Inventories are shown net of a reserve for obsolete and slow-moving inventories. A reserve is established and a corresponding charge is taken to profit and loss in the period in which the loss occurs based upon an assessment of technological obsolescence and related factors.

Trade-in equipment received is recorded as inventory at the lower of cost or net realizable value.

Trade receivables

Trade receivables are recognized at original invoice amount to customers and reported in the balance sheet, net of impairment. The impairment, which is expensed under selling, general and administrative expenses, is recorded on the basis of periodic reviews of potential non-recovery of receivables by taking into consideration individual customer credit risk, economic trends in customer industries and changes in payment terms. Bad debts are written off when official announcement of receivership, liquidation or bankruptcy is received confirming that the receivable will not be honored.

If extended payment terms, exceeding one year, are offered to customers, the invoiced amount is discounted to its present value and interest income is recognized over the credit term.

Cash and cash equivalents

Cash and cash equivalents consist of cash in banks and other liquid investments with initial maturity of three months or less.

Assets classified as held-for-sale

Non-current assets and discontinued operations are classified as held-for-sale and stated at the lower of carrying value and the fair value less cost to sell, if their carrying value is recovered principally through a sale transaction rather than through a continuing use.

A discontinued operation results from the management's decision and commitment to dispose either through a sale or distribution to owners of a separate business for which the related assets, liabilities and operating results can be distinguished both operationally and for financial reporting purposes. When specific criteria for the held-for-sale classification has been met, the non-current assets are recorded at the lower of carrying value or fair value less cost to sell, and non-current assets subject to depreciation or amortization are no longer amortized. The assets and liabilities of a disposal group classified as held-for-sale are presented in the balance sheet separate from assets and liabilities related to continuing operations as of the date the operation qualified as discontinued. The results of discontinued operations, net of taxes and the gain or loss on their disposal are presented for all periods separate from continuing operations in the consolidated statements of income. Balance sheet data from periods preceding the qualifying disposal decision is not reclassified.

Issue of new shares and own shares

Transaction costs directly attributable to the issue of new shares or options are shown net of their tax effect in equity as a deduction from the proceeds.

Own shares held by the Parent Company valued at historical acquisition price are deducted from equity. Should such shares be subsequently sold or reissued, the consideration received, net of any directly attributable transaction costs and related income tax, is recorded in the equity.

Dividends

Dividends proposed by the Board of Directors are not recognized in the financial statements until they have been approved by the shareholders in the Annual General Meeting.

Long-term debt

Long-term debt is initially recognized at fair value, net of transaction costs incurred. Debt is classified as current liability unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Capitalization of transaction costs related to issuance of debt instruments

Transaction costs arising from issuance of debt instruments are included in the carrying value of the debt and amortized using the effective interest method over the period of the respective liability.

Capitalization of transaction costs related to modification of debt instruments

Transaction costs arising from modification of debt instruments are included in the carrying value of the debt and amortized using the effective interest method over the remaining period of the modified liability provided that the new conditions obtained through the modification do not substantially differ from those of the original debt. The assessment of whether the conditions are substantially different is based on a comparison of the discounted present value of the cash flows under the new terms and the present value of the remaining cash flows of the original financial liability.

Provisions

Provisions, for which settlement is expected to occur more than one year after the initial recognition, are discounted to their present value and adjusted in subsequent closings for the time effect.

Restructuring and capacity adjustment costs

A provision for restructuring and capacity adjustment costs is recognized only after management has developed and approved a formal plan to which it is committed. Employee termination benefits are recognized after the representatives of employees or individual employees have been informed of the intended measures in detail and the related compensation packages can be reliably measured. The costs included in a provision for capacity adjustment are those costs that are either incremental or incurred as a direct result of the plan or are the result of a continuing contractual obligation with no continuing economic benefit to Metso or a penalty incurred to cancel the contractual obligation. Restructuring and capacity adjustment expenses are recognized in either cost of goods sold or selling, general and administrative expenses depending on the nature of the restructuring expenses. Restructuring costs can also include other costs incurred as a result of the plan, which are recorded under other operating income and expenses, net, such as asset write-downs.

Environmental remediation costs

Metso accrues for losses associated with environmental remediation obligations when such losses are probable and can be estimated reliably. Accruals for estimated losses from environmental remediation obligations generally are recognized no later than completion of the remedial feasibility study. Such accruals are adjusted as further information develops or circumstances change. Recoveries of environmental remediation costs from other parties are recorded as assets when their receipt is deemed virtually certain.

Warranty costs

An accrual is made for expected warranty costs. The adequacy of this accrual is reviewed periodically based on an analysis of historical experience and anticipated probable warranty liabilities.

2 Financial risk managment

As a global company, Metso is exposed to a variety of business and financial risks. Financial risks are managed centrally by the Group Treasury under annually reviewed written policies approved by the Board of Directors. Treasury operations are monitored by the Treasury Management Team chaired by the CFO. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the operating units. Group Treasury functions as counterparty to the operating units, manages centrally external funding and is responsible for the management of financial assets and appropriate hedging measures. The objective of financial risk management is to minimize potential adverse effects on Metso's financial performance.

Sensitivity analysis

Sensitivity analysis figures presented in connection with different financial risks are based on the risk exposures at the balance sheet date. The sensitivity is calculated by assuming a change in one of the risk factors of a financial instrument, such as interest or currency. It is not likely that the future volatility of a risk factor will develop in accordance with the test assumptions and that only one factor would be impacted.

When calculating the sensitivity, Metso has chosen to use market conventions in assuming a one percentage point (100 basis points) variation in interest rates, 10 percent change in foreign exchange rates and in commodity prices because this provides better comparability from one period to another and information on the volatility to users of financial statements. Metso is aware that such assumptions may not be realistic when compared to past volatility and they are not intended to reflect the future. Metso has chosen not to use past volatility as this could mislead the users of financial statements to assume the analysis reflect management's view on the future volatility of the financial instruments.

Liquidity and refinancing risk and capital structure management

Liquidity or refinancing risk arises when a company is not able to arrange funding at terms and conditions corresponding to its creditworthiness. Sufficient cash, short-term investments and committed and uncommitted credit facilities are maintained to protect short-term liquidity. Diversification of funding among different markets and adequate number of financial institutions is used to safeguard the availability of liquidity at all times. Group Treasury monitors bank account structures, cash balances and forecasts of the operating units and manages the utilization of the consolidated cash resources.

The liquidity position of the Group remained strong supported by the solid cash flow from operations, maturity structure of the funding and the available back up credit facilities. At the end of 2015 (end of 2014 respectively) cash and cash equivalents amounted to EUR 590 million (EUR 279 million), financial instruments held for trading EUR 67 million (EUR 13 million) and committed undrawn credit facilities to EUR 500 million (EUR 500 million). The five year revolving credit facility matures in June 2020, and has one extension option for one year. Additionally, the uncommitted Finnish Commercial Paper program totaling EUR 500 million can be utilized for funding.

Liquidity risk management as described here excludes trade receivables (both interest and non-interest bearing) and similar financial instruments, as they are not considered active risk management tools within the responsibility of Group Treasury. Similarly, non-interest bearing liabilities such as trade and other payables are not included in liquidity management.

Metso's refinancing risk is managed by balancing the proportion of short-term and long-term debt as well as the average remaining maturity of long-term debt. The tables below analyze the repayments and interests on Metso's liabilities by the remaining maturities from the balance sheet date to the contractual maturity date. The net interest payments of interest rate swaps hedging long-term loans are included in the long-term debt repayment figures.

Maturities as of December 31, 2014

EUR million	<1 year	1–5 years	>5 years
Long-term debt			
Repayments	1	717	100
Interests	22	70	11
Short-term debt			
Repayments	71	-	-
Interests	1	-	-
Trade payables	331	-	-
Other liabilities	73	-	-
Total	499	787	111
Financial guarantee contracts	-		

Maturities as of December 31, 2015

EUR million	<1 year	1–5 years	>5 years
Long-term debt			
Repayments	27	681	100
Interests	20	52	8
Short-term debt			
Repayments	30	-	-
Interests	1	-	-
Trade payables	249	-	-
Other liabilities	23	-	-
Total	350	733	108
Financial guarantee contracts	-		

Detailed information of balance sheet items is presented in other notes to consolidated financial statements.

Capital structure is assessed regularly by the Board of Directors and managed operationally by the Group Treasury.

Capital structure management in Metso comprises both equity and interest bearing debt. As of December 31, 2015 the equity attributable to shareholders was EUR 1,436 million (EUR 1,221 million) and the amount of interest bearing debt was EUR 822 million (EUR 863 million). The objectives are to safeguard the ongoing business operations and to optimize the cost of capital. Metso has a target to maintain a solid investment grade credit rating.

The credit ratings are as at December 31, 2015:

Standard & Poor's	BBB / A-2

There are no prepayment covenants in Metso's financial contracts which would be triggered by changes in credit rating. Financial covenants included in some loan agreements refer to Metso's capital structure. Metso is in compliance with all covenants and other terms of its debt instruments.

Capital structure ratios are included in financial indicators for years 2011–2015 on page 62 in these financial statements. The formulas for calculating the financial indicators are presented on page 63.

Interest rate risk

Interest rate risk arises when changes in market interest rates and interest margins influence finance costs, returns on financial investments and valuation of interest bearing balance sheet items. Interest rate risks are managed through balancing the ratio between fixed and floating interest rates and duration of debt and investment portfolios. Additionally, Metso may use derivative instruments such as forward rate agreements, swaps, options and futures contracts to mitigate the risks arising from interest bearing assets and liabilities. The interest rate risk is managed and controlled by the Group Treasury and measured using sensitivity analysis and duration of long-term debt. The Macaulay Duration of long-term debt was 2.1 years on December 31, 2015 (2.5 years).

At the end of 2015 the balance sheet items exposed to interest rate risk were interest bearing assets of EUR 669 million (EUR 302 million) and interest bearing debt of EUR 822 million (EUR 863 million). Of the total interest bearing debt 93 percent (88%) was denominated in EUR.

The basis for the interest rate risk sensitivity analysis is an aggregate group level interest rate exposure, composed of interest bearing assets, interest bearing debt and financial derivatives, such as interest rate swaps and options, which are used to hedge the underlying exposures. For all interest bearing debt and assets to be fixed during next 12 months a one percentage point move upwards or downwards in interest rates with all other variables held constant would have an effect on Metso's net interest expenses, net of taxes, of EUR -/+ 0.8 million (EUR -/+ 1.4 million).

A one percentage point move upwards or downwards in all interest rates with all other variables held constant would have following effects, net of taxes, in income statement and equity:

EUR million	2014	2015
Effects in		
income statement	+/- 0.7	**+/- 0.3**
equity	+/- 0.9	**+/- 0.7**

The effect in the income statement comprises the changes in the fair value of financial instruments which are directly recognized through profit and loss as well as financial instruments under fair value hedge accounting. The effect in the equity is comprised of the changes in the fair value of derivatives qualifying as effective cash flow hedge instruments for long-term floating rate debt.

Foreign exchange risk

Metso operates globally and is exposed to foreign exchange risk in several currencies, although the geographical diversity of operations decreases the significance of any individual currency. About 80 percent of Metso's net sales originate from outside euro zone; the main currencies being EUR, USD, AUD, BRL, CLP and CNY.

Transaction exposure

Foreign exchange transaction exposure arises when an operating unit has commercial or financial transactions and payments in other than its own functional currency, and when related cash inflow and outflow amounts are not equal or concurrent.

In accordance with the Metso Treasury Policy, operating units are required to hedge in full the foreign currency exposures on balance sheet and other firm commitments. Future cash flows denominated in a currency other than the functional currency of the unit are hedged with internal foreign exchange contracts with the Group Treasury for periods, which do not usually exceed two years. Operating units also do some hedging directly with banks in countries, where regulation does not allow corporate internal cross-border contracts.

Group Treasury monitors the net position of each currency and decides to what extent a currency position is to be closed. Group Treasury is however responsible for entering into external forward transaction whenever an operating unit applies hedge accounting. Metso Treasury Policy defines upper limits on the open currency exposures managed by the Group Treasury; limits have been calculated on the basis of their potential profit impact. To manage the foreign currency exposure Group Treasury may use forward exchange contracts and foreign exchange options.

Total amount of foreign currency exposures on December 31 was as follows:

EUR million	2014	2015
Operational items	173	**191**
Financial items	363	**461**
Hedges	-515	**-597**
Total exposure	20	**55**

This aggregate group level currency exposure is the basis for the sensitivity analysis of foreign exchange risk. This exposure, net of respective hedges, is composed of all assets and liabilities denominated in foreign currencies, projected cash flows for unrecognized firm commitments, both short- and long-term sales and purchase contracts and anticipated operational cash flows to the extent their realization has been deemed highly probable and therefore hedged. This analysis excludes net foreign currency investments in subsidiaries together with instruments hedging these investments. Assuming euro to appreciate or depreciate ten percent against all other currencies, the impact on cash flows, net of taxes, derived from the year-end net exposure as defined above, would be EUR -/+ 0.8 million (EUR -/+ 0.9 million).

Transaction exposure is spread in about 35 currencies and as of December 31, 2015 the biggest open exposures were in SEK (32%) and USD (21%). A 10 percent appreciation of SEK would have an effect, net of taxes, of EUR +2.0 million. A corresponding effect on USD would be EUR +1.3 million and on any other currency would be less than EUR 1 million.

A sensitivity analysis of financial instruments as required by IFRS 7, excludes following items: projected cash flows for unrecognized firm commitments, advance payments, both short- and long-term purchase contracts and anticipated operational cash flows. The table below presents the effects, net of taxes, of a +/- 10 percent change in EUR foreign exchange rates:

EUR million	2014 Total	USD	SEK	Others	2015 Total
Effects in					
income statement	+/- 0.1	**+/- 1.9**	**+/- 0.3**	**+/- 0.6**	**+/- 2.7**
equity	+/- 0.6	**-/+ 0.3**	**-/+ 0.1**	**-/+ 0.5**	**-/+ 1.0**

Effect in equity is the fair value change in derivatives contracts qualifying as cash flow hedges for unrecognized firm commitments. Effect in income statement is the fair value change for all other financial instruments exposed to foreign exchange risk including derivatives, which qualify as cash flow hedges, to the extent the underlying sales transaction, recognized under the percentage of completion method, has been recognized as revenue.

Translation or equity exposure

Foreign exchange translation exposure arises when the equity of a subsidiary is denominated in currency other than the functional currency of the parent company. The major translation exposures are in CNY, BRL, CLP and USD, which altogether comprise approximately 60 percent of the total equity exposure. Metso is currently not hedging any equity exposure.

Commodity risk

Metso is exposed to variations in prices of raw materials and of supplies including energy. Metso units identify their commodity price hedging needs and hedges are executed through the Group Treasury using approved counterparties and instruments. For commodity risks separate overall hedging limits are defined and approved. Hedging is done on a rolling basis with a declining hedging level over time. The overall importance of the commodity price risks is small compared to other financial risks, and thus cannot be considered to be significant.

Electricity exposure in the Nordic units has been hedged with electricity forwards and fixed price physical contracts, which are designated as hedges of highly probable future electricity purchases. Hedging is focused on the estimated energy consumption for the next two year period with some contracts extended to approximately five years. Execution of electricity hedging has been outsourced to an external broker. As of December 31, 2015 Metso had outstanding electricity forwards amounting to 69 GWh (112 GWh).

To reduce its exposure to the volatility caused by the surcharge for certain metal alloys (Alloy Adjustment Factor) comprised in the price of stainless steel charged by its suppliers, Metso has entered into average-price swap agreements for nickel. The Alloy Adjustment Factor is based on monthly average prices of its components of which nickel is the most significant. As of December 31, 2015 Metso had outstanding nickel swaps amounting to 324 tons (342 tons).

The following table on the sensitivity analysis of the commodity prices based on financial instruments under IFRS 7 comprises the net aggregate amount of commodities bought through forward contracts and swaps but excludes the anticipated future consumption of raw materials and electricity.

A 10 percent change upwards or downwards in commodity prices would have following effects, net of taxes:

EUR million	2014	2015
Electricity – effect in equity	+/- 0.3	**+/- 0.1**
Electricity – effect in income statement	0	**+/- 0**
Nickel – effect in income statement	+/- 0.3	**+/- 0.2**

As cash flow hedge accounting is applied, the effective portion of electricity forwards is recognized in equity. The ineffective portion is recognized through profit and loss. Hedge accounting is not applied to nickel agreements, and the change in the fair value is recorded through profit and loss.

Other commodity risks are not managed using financial derivative instruments.

Credit and counterparty risk

Credit or counterparty risk is defined as the possibility of a customer or a financial counterparty not fulfilling its commitments towards Metso. The operating units of Metso are primarily responsible for credit risks pertaining to sales and procurement activities. The units assess the credit quality of their customers, by taking into account their financial position, past experience and other relevant factors. When appropriate, advance payments, letters of credit and third party guarantees or credit insurance are used to mitigate credit risks. Group Treasury provides centralized services related to customer financing and seeks to ensure that the principles of the Treasury Policy are adhered to with respect to terms of payment and required collateral. Metso has no significant concentrations of credit risks. In 2014 Metso booked a credit loss related to a long-term loan granted unexceptionally to our customer, Northland Resources. According to current Treasury policy Metso does not participate in financing of customers.

The maximum credit risk equals the carrying value of trade and loan receivables. The credit quality is evaluated both on the basis of aging of the trade receivables and also on the basis of customer specific analysis. The aging structure of trade receivables is presented in note 19.

Counterparty risk arises also from financial transactions agreed upon with banks, financial institutions and corporates. The risk is managed by careful selection of banks and other counterparties, by counterparty specific limits determined in the Treasury Policy, and netting agreements such as ISDA (Master agreement of International Swaps and Derivatives Association). The compliance with counterparty limits is regularly monitored.

The maximum amount of financial counterparty risk is calculated as the fair value financial assets available for sale or held for trading, derivatives and cash and cash equivalents on the balance sheet date.

Fair value estimation

For those financial assets and liabilities which have been recognized at fair value in the balance sheet, the following measurement hierarchy and valuation methods have been applied:

Level 1 Quoted unadjusted prices at the balance sheet date in active markets. The market prices are readily and regularly available from an exchange, dealer, broker, market information service system, pricing service or regulatory agency. The quoted market price used for financial assets is the current bid price. Level 1 financial instruments include debt and equity investments classified as financial instruments available-for-sale or at fair value through profit and loss.

Level 2 The fair value of financial instruments in Level 2 is determined using valuation techniques. These techniques utilize observable market data readily and regularly available from an exchange, dealer, broker, market information service system, pricing service or regulatory agency. Level 2 financial instruments include:

- Over-the-counter derivatives classified as financial assets/liabilities at fair value through profit and loss or qualified for hedge accounting.
- Debt securities classified as financial instruments at fair value through profit and loss.
- Fixed rate debt under fair value hedge accounting.

Level 3 A financial instrument is categorized into Level 3 if the calculation of the fair value cannot be based on observable market data. Metso had no such instruments in 2014 or in 2015.

The tables below present Metso's financial assets and liabilities that are measured at fair value:

December 31, 2014

EUR million	Level 1	Level 2	Level 3
Assets			
Financial assets at fair value through profit and loss			
Derivatives	-	5	-
Securities	13	-	-
Derivatives qualified for hedge accounting	-	13	-
Available for sale investments			
Equity investments	0	-	-
Total assets	**13**	**18**	**-**
Liabilities			
Financial liabilities at fair value through profit and loss			
Derivatives	-	22	-
Long-term debt at fair value	-	418	-
Derivatives qualified for hedge accounting	-	9	-
Total liabilities	**-**	**449**	**-**

December 31, 2015

EUR million	Level 1	Level 2	Level 3
Assets			
Financial assets at fair value through profit and loss			
Derivatives	-	4	-
Securities	21	46	-
Derivatives qualified for hedge accounting	-	12	-
Available for sale investments			
Equity investments	0	-	-
Total assets	**21**	**62**	**-**
Liabilities			
Financial liabilities at fair value through profit and loss			
Derivatives	-	11	-
Long-term debt at fair value	-	419	-
Derivatives qualified for hedge accounting	-	5	-
Total liabilities	**-**	**435**	**-**

3 Critical accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates and judgments affecting the amounts reported in the consolidated financial statements and accompanying notes. These estimates and judgments, based on historical evidence and plausible future scenarios, are continually evaluated. Following assets and liabilities include a high degree of management estimate and assumptions and their carrying value can therefore materially differ from current value in the next financial year.

Trade receivables

Metso's policy is to calculate an impairment loss based on the best estimate of the amounts that are potentially uncollectable at the balance sheet date. The estimates are based on a systematic, on-going review and evaluation performed as part of the credit-risk evaluation process. As part of this evaluation, Metso takes into account the history of collections, the size and compositions of the receivable balances, current economic events and conditions.

Inventory

Metso's policy is to maintain a provision for slow-moving and obsolete inventory based on the best estimate of such amounts at the balance sheet date. The estimates are based on a systematic, on-going review and evaluation of inventory balances. As part of this evaluation, Metso also considers the composition and age of the inventory compared to anticipated future needs.

Revenue recognition

Metso delivers complete installations to its customers, where the moment of signing a sales contract (firm commitment) and the final acceptance of a delivery by the customer may take place in different financial periods. In accordance with its accounting principles, Metso applies the percentage of completion method ("POC method") for recognizing such long-term delivery contracts. In year 2015, approximately 9 percent of the net sales were recognized under the POC method, which is based on estimated revenue, costs and profit and where the revenue is recognized based on the estimated realized value added or on the cost-to-cost method. A projected loss on a firm commitment is recognized through profit and loss, when it becomes known. The estimated revenue, the costs and profit, together with the planned delivery schedule of the projects are subject to regular revisions as the contract progresses to completion. Revisions in profit estimates are charged through profit and loss in the period in which the facts that give rise to the revision become known. Although Metso has significant experience using the POC method, the total costs estimated to be incurred on projects may change over time due to changes in the underlying project cost structures, which may ultimately affect the revenue recognized. Therefore, the POC method is not applied for recognizing sales commitments where the final outcome of the project and related cost structure cannot be pre-established reliably.

Hedging of foreign currency denominated firm commitments

Under Metso hedging policy units have to hedge their foreign currency risk when they become engaged in a firm commitment denominated in a currency different of their functional currency. The commitment can be either internal to Metso or external. When a firm commitment qualifies for recognition under the percentage of completion method, the unit applies cash flow hedge accounting and recognizes the effect of the hedging instruments in the OCI until the commitment is recognized. Though Metso has defined the characteristics triggering a firm commitment, the final realization of the unrecognized commitment depends also on factors beyond management control, which cannot be foreseen when initiating the hedge relationship. Such factors can be a change in the market environment causing the other party to postpone or cancel the commitment. To the extent possible management tries to include in the contracts clauses reducing the impact of such adverse events to the result.

Accounting for income taxes

As part of the process of preparing its consolidated financial statements, Metso is required to estimate the income taxes in each of the jurisdictions and countries in which it operates. This process involves estimating the actual current tax exposure together with assessing temporary differences resulting from differing treatment of items, such as deferred revenue and cost reserves, for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in the consolidated balance sheet. The likelihood for the recovery of deferred tax assets from future taxable income is assessed, and to the extent the recovery is not considered likely the deferred asset is adjusted in accordance.

Significant management judgment is required in determining the provision for income taxes and the deferred tax assets. Metso has recorded net deferred tax assets of EUR 93 million as of December 31, 2015. When recording the deferred tax assets judgment has been used based on Metso's estimates of taxable income in each subsidiary and country in which it operates, and the period over which the deferred tax assets will be recoverable based on estimated future taxable income and planned tax strategies to utilize these assets. In the event that actual results differ from these estimates, the deferred tax asset needs to be adjusted in coming financial years. The final outcome may also be affected by future changes in tax laws applicable in the jurisdictions where Metso operates.

Allocation of purchase price to acquired assets

In accordance with the accounting principles, the purchase price is allocated to the acquired assets and assumed liabilities the excess being recognized as goodwill in the balance sheet. Whenever feasible, Metso has used as a basis for such allocations readily available market values to determine the fair value to be recognized. However, when this has not been possible, as often is the case with non-current intangible assets and certain assets with no active markets or available price quotations, the valuation has been based on past performance of such asset and expected future cash generating capacity. The appraisals, which have been based on current replacement costs, discounted cash flows and estimated selling prices depending on the underlying asset, require management to make estimates and assumptions of the future performance and use of these assets and their impact on the financial position. Any change in Metso's future business priorities and orientations may affect the planned outcome of initial appraisals.

Impairment testing

The carrying value of identifiable intangible assets with indefinite economic life such as goodwill is tested annually or more frequently if events or changes in circumstances indicate that such carrying value may not be recoverable. The carrying values of property, plant and equipment and intangible assets, subject to depreciation and amortization are reviewed for impairment whenever there are indications that their carrying values could exceed their value in use or disposal value if disposal is considered as a possible option. Metso recognized an impairment on fixed assets of EUR 2 million in 2014 and EUR 0 million in 2015.

Triggering events for impairment reviews include the following:

- Material permanent deterioration in the economic or political environment of the customers' or of own activity
- Business's or asset's significant under-performance relative to historical or projected future performance
- Significant changes in Metso's strategic orientations affecting the business plans and previous investment policies

The policy related to the impairment tests is based on numerous estimates. The valuation is inherently judgmental and highly susceptible to change from period to period because it requires Metso to make assumptions about future supply and demand related to its individual business units, future sales prices and achievable cost savings. The value of the benefits and savings expected from the efficiency improvement programs are inherently subjective. The fair value of the cash generating units is determined using a derived weighted average cost of capital as the rate to discount estimated future cash flows. This rate may not be indicative of actual rates obtained in the market. In the annual goodwill impairment test, 0.5 percentage point reduction in the terminal growth rate applied for determining the fair values of the cash generating units would have reduced the total value of units tested by 5 percent and would not have caused impairment. A second sensitivity test with a two percentage point increase in the discount rates combined with the lower terminal growth rate would have reduced the fair values by 25 percent without triggering impairment.

Reserves for restructuring costs

Reserves for capacity adjustments and restructuring costs are recognized when the requirements for recognition are satisfied. For reason beyond the control of management the final costs may differ from the initial amount reserved. At December 31, 2015 the amount of reserves for restructuring costs amounted to EUR 20 million.

Reserves for warranty and guarantee costs

The warranty and guarantee reserve is based on the history of past warranty costs and claims on machines and equipment under warranty. The typical warranty period is 12 months from the date of customer acceptance of the delivered equipment. For larger projects, the average warranty period is two years. For sales involving new technology and long-term delivery contracts, additional warranty reserves can be established on a case by case basis to take into account the potentially increased risk.

Pensions

In accordance with IAS 19, the benefit expense for defined benefit arrangements is based on assumptions that include the following:

- A weighted average expected return assessed in the beginning of the financial year on plan assets. Actual return on plan assets may differ significantly based on market activity.
- An assumed discount rate based on rates observed in the beginning of the financial year to be used in the calculation of the current year pension expense and pension liability balance. This rate may not be indicative of actual rates realized in the market.
- Estimated rates of future pay increases. Actual increases may not reflect estimated future increases. Due to the significant change in the Group's structure and the uncertainty of the global market place, these estimates are difficult to project.

The actuarial experience that differs from the assumptions and changes in the assumptions results in gains and losses, which are recognized in OCI. Sensitivity analyses on present value of defined benefit obligation have been presented in note 28.

Share-based payments

Share-based payment plans and related incentive programs include vesting conditions such as targets for earnings per share, return on capital employed (ROCE) before taxes and total shareholder return, and service year requirements subsequent to the grant date. The maximum share reward is in relation to each participant's annual salary. At each balance sheet date, the management revises its estimates for the number of shares that are expected to vest. As part of this evaluation, Metso takes into account the changes in the forecasted performance of the Group and its reporting segments, the expected turnover of the personnel benefiting from the incentive plan and other pertinent information impacting the number of shares to be vested.

Financial instruments

In accordance with the disclosure requirements on financial instruments, the management is obliged to make certain assumptions of the future cash in- and outflows arising from such instruments. The management has also had to assume that the fair values of derivatives, especially foreign currency denominated derivatives at balance sheet date materially reflect the future realized cash in- or outflow of such instruments.

4 Selling, general and administrative expenses

Year ended December 31,

EUR million	2014	2015
Marketing and selling expenses	-384	**-339**
Research and development expenses, net	-59	**-40**
Administrative expenses	-240	**-214**
Total	-683	**-593**

Research and development expenses, net, consist of following:

Year ended December 31,

EUR million	2014	2015
Research and development expenses, total	-60	**-41**
Capitalized development costs	-	**-**
Capital expenditure	0	**-**
Grants received	2	**1**
Depreciation and amortization	-1	**0**
Research and development expenses, net	-59	**-40**

5 Other operating income and expenses, net

Year ended December 31,

EUR million	2014	2015
Gain on sale of subsidiaries and businesses	0	**252**
Gain on sale of fixed assets	4	**2**
Gain on sale of available-for-sale equity investments	0	**0**
Royalty income	1	**1**
Rental income	1	**1**
Foreign exchange gains [1)	62	**72**
Other income	3	**8**
Other operating income, total	71	**336**
Loss on sale of fixed assets	-2	**-1**
Impairment on fixed assets	-2	**-1**
Credit loss of Northland receivables	-34	**-**
Foreign exchange losses [1)	-72	**-84**
Other expenses	-7	**-16**
Other operating expenses, total	-117	**-102**
Other operating income and expenses, net	-46	**234**

1) Includes foreign exchange gains and losses resulting from trade receivables and payables and related derivatives.

6 Personnel expenses and the number of personnel

Personnel expenses:

Year ended December 31,

EUR million	2014	2015
Salaries and wages	-666	**-584**
Pension costs, defined contribution plans	-41	**-30**
Pension costs, defined benefit plans [1]	-2	**-6**
Other post-employment benefits [1]	1	**-11**
Share-based payments	-2	**-2**
Other indirect employee costs	-140	**-112**
Total	-850	**-745**

1) For more information on pension costs, see note 28.

Number of personnel at end of year:

	2014	2015
Minerals	10,368	**9,039**
Flow Control	4,557	**2,770**
Group Head Office and others total	719	**566**
Metso total	15,644	**12,375**

Average number of personnel during the period:

	2014	2015
Minerals	10,663	**9,719**
Flow Control	4,740	**3,513**
Group Head Office and others total	688	**640**
Metso total	16,091	**13,872**

Board remuneration:

EUR thousand	2014	2015
Serving Board members December 31, 2015:		
Mikael Lilius	-128	**-126**
Christer Gardell	-76	**-73**
Wilson Nélio Brumer	-91	**-81**
Ozey K. Horton, Jr.	-101	**-95**
Lars Josefsson	-73	**-62**
Nina Kopola	-71	**-62**
Eeva Sipilä	-77	**-77**
Markku Aapakari[1]	-	**-6**
Former Board members:		
Jukka Viinanen	-2	**-**
Mikael von Frenckell	-1	**-**
Erkki Pehu-Lehtonen	-1	**-**
Pia Rudengren	-1	**-**
Eija Lahti-Jäntti[1]	-1	**-**
Juha Lehtonen[1]	-8	**-**
Total	-631	**-582**

1) Has attended meetings as a personnel representative, without voting right.

According to the decision of the Annual General Meeting held on March 27, 2015, the annual fees of the Board members are as follows: Chairman EUR 110,000, Vice Chairman EUR 62,000 and other members EUR 50,000 each. An additional remuneration will be paid to the member of the Board to be elected in the position of Chairman of Audit Committee EUR 15,000 and to Chairman of HR and Remuneration Committee EUR 5,000. Based on the decision of the Annual General Meeting, the Board members have used 40 percent of their fixed annual remuneration to buy Metso shares.

The Board members acquired the shares from the market within two weeks after the publication of the first-quarter 2015 Interim Review on April 23, 2015. In addition, an attendance fee of EUR 700 per meeting is paid to members whose residence is in the Nordic countries, EUR 1,400 to members whose residence is elsewhere in Europe and for those residing outside Europe, EUR 2,800 per meeting they attend, including committee meetings. Compensations for traveling expenses and daily allowances are paid in accordance with Metso's travel policy.

Remuneration paid to Chief Executive Officer, Executive Vice President and other Executive Team members:

EUR	Annual salary	Paid performance bonus	Fringe benefits	Share-based payment	Total
2014					
President and CEO Matti Kähkönen	553,200	48,600	15,800	181,916	799,516
Executive Vice President Harri Nikunen	314,490	77,550	13,332	121,278	526,650
Other Executive Team members	1,334,286	238,309	21,492	193,450	1,787,537
Total	**2,201,976**	**364,459**	**50,624**	**496,644**	**3,113,703**
2015					
President and CEO Matti Kähkönen	616,200	143,802	15,621	469,543	1,245,166
Executive Vice President Harri Nikunen	320,524	82,606	13,625	263,211	679,966
Other Executive Team members	1,559,558	305,070	20,885	648,146	2,533,659
Total	**2,496,282**	**531,478**	**50,131**	**1,380,900**	**4,458,791**

Remuneration paid to President and CEO Matti Kähkönen is presented in the table above. The fringe benefits comprised a company car and a telephone. Mr. Kähkönen participates in the remuneration programs for Metso's management, the remuneration of which consists of Metso shares and a cash-settled portion. For more information on share-based payments, see note 23.

According to his executive contract, Matti Kähkönen is eligible to retire at the age of 63 (2019) and his retirement pension is 60 percent of his pensionable compensation during the past four service years. In case of termination of contract, he is entitled to compensation equivalent to 24 months' salary. For the years ended December 31, 2014 and December 31, 2015 contributions made to the executive defined benefit plan amounted to EUR 291 thousand and EUR 448 thousand.

Remuneration paid to Executive Vice President Harri Nikunen is presented in the table above. The fringe benefits comprised a company car and a telephone. Mr. Nikunen participates in the remuneration programs for Metso's management, the remuneration of which consists of Metso shares and a cash-settled portion.

According to his executive contract, Harri Nikunen is eligible to retire at the age of 63 (2018). In case of termination of contract, he is entitled to compensation equivalent to 6 months' salary. For the years ended December 31, 2014 and December 31, 2015 contributions made to the executive defined benefit plan amounted to EUR 65 thousand and EUR 66 thousand.

Metso has subscribed supplementary pension plans for senior management for retirement, the beneficiaries include the Metso Executive Team. For the years ended December 31, 2014 and December 31, 2015 these pension insurance premium payments totaled approximately EUR 164 thousand and EUR 165 thousand, respectively.

Board share ownership in Metso as at December 31, 2015:	
Mikael Lilius	28,811
Christer Gardell	4,238
Wilson Nélio Brumer	1,454
Ozey K. Horton, Jr.	3,210
Lars Josefsson	1,454
Nina Kopola	1,501
Eeva Sipilä	3,161
Total	**43,829**

Executive Team share ownership in Metso as at December 31, 2015:	
Matti Kähkönen	30,957
Harri Nikunen	14,255
Perttu Louhiluoto	3,159
João Ney Colagrossi	19,193
John Quinlivan	2,739
Merja Kamppari	7,955
Simo Sääskilahti	1,118
Total	**79,376**

7 Depreciation and amortization

	Year ended December 31,	
EUR million	2014	**2015**
Intangible assets	-19	**-18**
Property, plant and equipment		
Buildings and structures	-11	**-13**
Machinery and equipment	-45	**-38**
Total	-75	**-69**

Depreciation and amortization by function are as follows:

	Year ended December 31,	
EUR million	2014	**2015**
Cost of goods sold	-45	**-44**
Selling, general and administrative expenses		
Marketing and selling	-10	**-9**
Research and development	-1	**0**
Administrative	-19	**-16**
Total	-75	**-69**

8 Financial income and expenses, net

EUR million	Year ended December 31, 2014	2015
Financial income		
Dividends received	0	**0**
Interest income on cash and cash equivalents	5	**7**
Income on financial investments	4	**1**
Other financial income	1	**2**
Financial income total	10	**10**
Financial expenses		
Interest expenses from financial liabilities at amortized cost	-38	**-28**
Interest expenses on financial leases	0	**0**
Other financial expenses [1)]	-36	**-17**
Net loss from foreign exchange	-5	**-4**
Financial expenses total	-79	**-49**
Financial income and expenses, net	-69	**-39**

1) Other financial expenses in 2014 included a EUR 19 million credit loss of a financial instrument.

9 Income taxes

The components of income taxes are as follows:

EUR million	Year ended December 31, 2014	2015
Current tax expense	-86	**-71**
Deferred taxes	-7	**-3**
Income taxes, total	-93	**-74**

The differences between income tax expense computed at Finnish statutory rate and income tax expense provided on earnings are as follows:

EUR million	Year ended December 31, 2014	2015
Income before taxes	282	**516**
Income tax expense at Finnish statutory tax rate 20.0%	-56	**-103**
Income tax for prior years	11	**-1**
Difference between Finnish and foreign tax rates	-26	**-23**
Benefit of operating loss carryforward	0	**6**
Operating losses and credits with no current tax benefit	0	**1**
Foreign non-deductible withholding taxes	-9	**-1**
Non-deductible expenses	-4	**-5**
Tax exempt income	0	**53**
Change in deferred tax liability concerning undistributed dividends	-5	**-1**
Other	-4	**0**
Income tax expense	-93	**-74**

Tax effects of components in other comprehensive income:

	Year ended December 31, 2014			2015		
EUR million	Before taxes	Tax	After taxes	**Before taxes**	**Tax**	**After taxes**
Cash flow hedges	-4	1	-3	**0**	**0**	**0**
Available-for-sale equity investments	0	0	0	**0**	**0**	**0**
Defined benefit plan acturial gains (+) / losses (-)	-28	9	-19	**13**	**-1**	**12**
Currency translation on subsidiary net investments	33	0	33	**-19**	**0**	**-19**
Total comprehensive income (+) / expense (-)	1	10	11	**-6**	**-1**	**-7**
Current tax		1			**0**	
Deferred tax		9			**-1**	
Total		10			**-1**	

Reconciliation of deferred tax balances:

EUR million	Balance at beginning of year	Charged to income statement	Charged to shareholders' equity	Translation differences	Acquisitions and business disposals	Balance at end of year
2014						
Deferred tax assets						
Tax losses carried forward	22	1	0	1	-	24
Fixed assets	23	-18	-	1	-	6
Inventory	29	0	-	1	-	30
Provisions	21	-5	-	-	-	16
Accruals	7	11	-	-	-	18
Pension related items	19	-5	9	2	-	25
Other	16	-4	0	3	-	15
Total deferred tax assets	137	-20	9	8	-	134
Offset against deferred tax liabilities [1)]	-20	13	-	-	-	-7
Net deferred tax assets	117	-7	9	8	-	127
Deferred tax liabilities						
Purchase price allocations	13	-4	-	-	-	9
Fixed assets	15	-12	-	-	-	3
Other	5	3	-	-	-	8
Total deferred tax liabilities	33	-13	-	-	-	20
Offset against deferred tax assets [1)]	-20	13	-	-	-	-7
Net deferred tax liabilities	13	0	-	-	-	13
Deferred tax assets, net	**104**	**-7**	**9**	**8**	**-**	**114**

EUR million	Balance at beginning of year	Charged to income statement	Charged to shareholders' equity	Translation differences	Acquisitions and business disposals	Balance at end of year
2015						
Deferred tax assets						
Tax losses carried forward	24	-12	0	0	-1	11
Fixed assets	6	2	-	0	0	8
Inventory	30	2	-	0	0	32
Provisions	16	3	-	-1	0	18
Accruals	18	-2	-	0	-6	10
Pension related items	25	-2	-1	1	0	23
Other	15	9	0	0	-10	14
Total deferred tax assets	134	0	-1	0	-17	116
Offset against deferred tax liabilities [1)]	-7	-1	-	-	-	-8
Net deferred tax assets	127	-1	-1	0	-17	108
Deferred tax liabilities						
Purchase price allocations	9	2	-	-	0	11
Fixed assets	3	1	-	-	0	4
Other	8	0	-	-	0	8
Total deferred tax liabilities	20	3	-	-	0	23
Offset against deferred tax assets [1)]	-7	-1	-	-	-	-8
Net deferred tax liabilities	13	2	-	-	0	15
Deferred tax assets, net	**114**	**-3**	**-1**	**0**	**-17**	**93**

1) Deferred 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 taxes relate to the same fiscal authority.

A deferred tax liability on undistributed profits of subsidiaries located in countries where distribution generates tax consequences is recognized when it is likely that earnings will be distributed in the near future. For the years ended December 31, 2014 and 2015, respectively, earnings of EUR 190 million and EUR 151 million would have been subject to recognition of a deferred tax liability, had Metso regarded a distribution in the near future as likely.

10 Acquisitions

Metso made no business acquisitions during 2015. In 2014, Metso made no business acquisitions, but paid a deferred consideration of EUR 19 million according to agreed timetable relating to an acquisition made in 2013.

11 Business disposals

On April 13, 2015, Metso completed the sale of its Tampere foundry in Finland to a Finnish company TEVO Oy. The divestment was treated as sale of fixed assets and it had no significant effect on Metso's result.

On April 1, 2015 Metso closed the disposal of Process Automation Systems (PAS) business. The PAS business included process automation solutions for the pulp, paper and power industries, covering automation and quality control systems, analyzers and measurements and related services and was reported in Metso's Flow Control segment.

The final cash consideration was EUR 312 million. The net assets of the entity disposed of were EUR 55 million, direct transaction costs were EUR 6 million and related cumulative translation adjustments were EUR 1 million positive, whereby Metso booked a gain of EUR 252 million on the transaction.

Disposed balance sheet items as at April 1, 2015:

EUR million	
Non-current assets	
Goodwill	13
Other intangible assets	3
Property, plant and equipment	22
Investments in associated companies	8
Deferred tax assets	17
Other non-current assets	0
Total non-current assets	**63**
Current assets	
Inventories	44
Trade and other receivables	59
POC receivables	56
Other current receivables	1
Cash and cash equivalents	48
Total current assets	**208**
Non-current liabilities	
Post employment benefit obligations	4
Provisions	3
Deferred tax liability	0
Other non-current liabilities	0
Total non-current liabilities	**7**
Current liabilities	
Short term debt	65
Trade and other payables	50
Provisions	8
Advances received	70
POC liabilities	13
Other current liabilities	3
Total current liabilities	**209**
Net assets of disposed business	**55**
Consideration received in cash	312
Net assets of disposed business	-55
Transaction costs	-6
Cumulative translation difference	1
Gain on disposal	**252**
Consideration received in cash	312
Transaction costs	-6
Cash and cash equivalents disposed of	-48
Income tax relating to divestment	-10
Debt repayments at disposal	57
Net cash inflow on disposal	**305**

12 Earnings per share

Earnings per share are calculated as follows:

Basic

Basic earnings per share are calculated by dividing the profit attributable to shareholders of the company by the weighted average number of shares in issue during the year, excluding own shares.

	Year ended December 31,	
	2014	**2015**
Profit attributable to shareholders of the company, EUR million	188	**442**
Weighted average number of shares issued and outstanding (in thousands)	149,884	**149,965**
Earnings per share, basic, EUR	1.25	**2.95**

Diluted

The shares to be potentially issued in the future are treated as outstanding shares when calculating the "Diluted earnings per share" if they have a diluting effect. The own shares held by Metso are reissued within the terms of the share ownership plan to the key personnel if the targets defined in the plan are met. The diluted earnings per share are calculated by increasing the weighted average number of outstanding shares with the number of those shares, which would be distributed to the beneficiaries based on the results achieved, if the conditional earnings period ended at the end of the financial period in question. As at December 31, 2015, Metso held 363,718 own shares intended for the share ownership plans.

	Year ended December 31,	
	2014	**2015**
Profit attributable to shareholders of the company, EUR million	188	**442**
Weighted average number of shares issued and outstanding (in thousands)	149,884	**149,965**
Adjustment for potential shares distributed (in thousands)	86	**24**
Weighted average number of diluted shares issued and outstanding (in thousands)	149,970	**149,989**
Earnings per share, diluted, EUR	1.25	**2.95**

13 Intangible assets and property, plant and equipment

Intangible assets

EUR million	Goodwill	Patents and licences	Capitalized software	Other intangible assets	Intangible assets total
2014					
Acquisition cost at beginning of year	456	26	93	113	688
Translation differences	4	0	1	3	8
Business acquisitions	-	-	-	-	-
Disposals of businesses	-	-	-	-	-
Capital expenditure	-	3	1	4	8
Reclassifications	-	0	1	-2	-1
Other changes	1	0	-1	1	1
Acquisition cost at end of year	461	29	95	119	704
Accumulated amortization at beginning of year	-	-20	-51	-48	-119
Translation differences	-	0	-1	-1	-2
Disposals of businesses	-	-	-	-	-
Other changes	-	0	1	1	2
Impairment losses	-	0	0	0	0
Amortization charges for the year	-	-2	-9	-8	-19
Accumulated amortization at end of year	-	-22	-60	-56	-138
Net book value at end of year	**461**	**7**	**35**	**63**	**566**
2015					
Acquisition cost at beginning of year	461	29	95	119	704
Translation differences	4	0	0	3	7
Business acquisitions	-	-	-	-	-
Disposals of businesses	-13	-3	-3	-5	-24
Capital expenditure	-	2	1	4	7
Reclassifications	-	0	2	-2	0
Other changes	0	0	-4	0	-4
Acquisition cost at end of year	452	28	91	119	690
Accumulated amortization at beginning of year	-	-22	-60	-56	-138
Translation differences	-	0	0	-1	-1
Disposals of businesses	-	2	3	3	8
Other changes	-	0	4	5	9
Impairment losses	-	0	0	0	0
Amortization charges for the year	-	-2	-9	-7	-18
Accumulated amortization at end of year	-	-22	-62	-56	-140
Net book value at end of year	**452**	**6**	**29**	**63**	**550**

Property, plant and equipment

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Assets under construction	Property. plant and equipment total
2014					
Acquisition cost at beginning of year	50	272	626	22	970
Translation differences	2	8	16	3	29
Business acquisitions	-	-	-	-	-
Disposals of businesses	-	-	-	-	-
Capital expenditure	1	4	28	33	66
Reclassifications	0	13	13	-25	1
Other changes	-1	-2	-36	-3	-42
Acquisition cost at end of year	52	295	647	30	1,024
Accumulated depreciation at beginning of year	-	-141	-453	-	-594
Translation differences	-	-3	-9	-	-12
Business acquisitions	-	-	-	-	-
Disposals of businesses	-	-	-	-	-
Other changes	-	4	34	-	38
Impairment losses	-	0	-2	-	-2
Amortization charges for the year, continuing operations	-	-11	-45	-	-56
Accumulated depreciation at end of year	-	-151	-475	-	-626
Net book value at end of year	**52**	**144**	**172**	**30**	**398**
2015					
Acquisition cost at beginning of year	52	295	647	30	1,024
Translation differences	1	4	-14	0	-9
Business acquisitions	-	-	-	-	-
Disposals of businesses	-2	-36	-21	0	-59
Capital expenditure	-	4	26	9	39
Reclassifications	0	4	13	-17	0
Other changes	-2	-17	-87	-12	-118
Acquisition cost at end of year	49	254	564	10	877
Accumulated depreciation at beginning of year	-	-151	-475	-	-626
Translation differences	-	-1	13	-	12
Business acquisitions	-	-	-	-	-
Disposals of businesses	-	20	17	-	37
Other changes	-	14	80	-	94
Impairment losses	0	0	0	-	0
Amortization charges for the year	-	-13	-38	-	-51
Accumulated depreciation at end of year	-	-131	-403	-	-534
Net book value at end of year	**49**	**123**	**161**	**10**	**343**

For information on pledged assets, see note 29.

Other intangible assets with indefinite useful life, i.e. brands, amounted to EUR 16 million and EUR 16 million for the years ended December 31, 2014 and 2015, respectively. They relate to Minerals segment and have been recognized in connection with business acquisitions. As no economic useful life can be determined for these brands, the management has assessed them to have indefinite useful lives based on their continuous competitive advantage to the business. The brands are actively used in promoting the products. They are subject to annual impairment test concurrently with that of the goodwill.

For the year ended December 31, 2015 the amortization expense related to the intangible assets recognized through business acquisitions was EUR 5 million. The future amortization expense is expected to amount to EUR 5, EUR 5, EUR 4, EUR 3 and EUR 1 million for the years 2016, 2017, 2018, 2019 and 2020, respectively.

Assets leased under financial lease arrangements are included in property, plant and equipment as follows:

EUR million	Buildings and structures	Machinery and equipment	Property. plant and equipment total
2014			
Acquisition cost at end of year	0	1	1
Accumulated depreciation at end of year	0	-1	-1
Net book value at end of year	**0**	**0**	**0**
2015			
Acquisition cost at end of year	0	1	1
Accumulated depreciation at end of year	0	-1	-1
Net book value at end of year	**0**	**0**	**0**

Goodwill and impairment tests

In the year ended December 31, 2015, the total amount of goodwill in Metso was EUR 452 million, equalling 31% of the equity. As at December 31, 2014, the goodwill amounted to EUR 461 million, equalling 37% of the equity.

The goodwill arising from business acquisitions is allocated as of the acquisition date to cash generating units expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Metso made no business acquisitions during 2015.

If Metso reorganizes its reporting structure by changing the composition of one or more cash generating units to which goodwill has been allocated, the goodwill is reallocated to the units affected based on their relative fair values, which correspond to the present values of the cash generating units' cash flows at the time of the reorganization. There were no business transfers between the cash generating units in 2015.

The cash generating units in Metso are either reportable segments such as Minerals and Flow Control or separate business areas under the reportable segments. In 2015, on the date of testing Metso had two cash generating units with goodwill: Minerals and Flow Control.

Metso measures the value of its goodwill for impairment annually or more frequently, to ensure that the carrying value of goodwill does not exceed its fair value. The assessment is done using fair value measurement techniques, such as the discounted cash flow method. The testing is performed on the cash generating unit level to which the goodwill has been allocated. The recoverable amount of a cash generating unit is based on value-in-use calculations. In the discounted cash flow method, Metso discounts forecasted performance plans to their present value.

The performance plans, which include four years of projection, are calculated in the annual strategy process and subsequently reviewed by Metso's management and approved by the Board of Directors. In addition to the projection period, the discounted cash flows include an additional year, which is extrapolated from the performance of the projection period adjusted for cyclicality of each cash generating unit. The growth rate reflecting the long-term average growth rate of businesses subject to testing, was estimated to be 1.7% in 2014 and 2015. The forecasted sales and production volumes are based on the current structure and production capacity of each cash generating unit. The assumptions requiring most management judgment are the market and product mix. Values assigned to key assumptions reflect past experience. Data on growth, demand and price development provided by various research institutions are utilized in establishing the assumptions for the projection period.

The discount rates used in testing are derived from the weighted average cost of capital based on comparable peer industry betas, capital structure and tax rates. Pre-tax discount rates are used in the value in use calculations.

In the September 2015 annual test, the average EBITDAs (earnings before interest, tax, depreciation and amortization) of the tested cash generating units for the projection period 2015-2019 were following: Minerals 15.3% and Flow Control 20.9% of net sales.

As a result of the annual impairment tests, no impairment loss was recognized in 2014 and 2015.

Summary of assumptions and impacts of sensitivity tests to present values:

	Derived weighted average cost of capital applied	Sensitivity tests Reduction of present values *) Terminal growth rate 1.2%	Increase of discount rate by 200 bp, terminal growth rate 1.2%
2014			
Minerals	14.2%	4%	21%
Flow Control	11.9%	5%	26%
Group total	11.9%–14.2%	5%	23%
2015			
Minerals	12.7%	5%	23%
Flow Control	12.0%	5%	25%
Group total	12.0%–12.7%	5%	25%

*) Sensitivity figures represent the weighted average impact to segments and the total represents the impact to the combined carrying goodwill of all segments.

The sensitivity to impairment of each cash generating unit is tested by applying a change both in the discount and terminal growth rate. The discount rate is increased by 2 percentage points and the terminal growth rate is dropped from 1.7% to 1.2%. In 2015, the sensitivity tests did not indicate any risks of impairment.

The management believes that no reasonably possible change of the key assumptions used would cause the carrying value of any cash generating unit to exceed its recoverable amount.

From time to time the sensitivity tests include several cash projections based on reasonable change in the future performance of a unit. However, the impact to the fair value obtained is limited as long as there is no permanent weakening expected for the business, which would affect the terminal value. These projections have not led to impairment.

A summary of changes in Metso's goodwill is as follows:

EUR million	Balance at beginning of year	Translation differences and other changes	Acquisitions	Disposals	Balance at end of year	As percent of total goodwill
2014						
Minerals	423	-19	-	-	404	88%
Flow Control	33	24	-	-	57	12%
Group total	456	5	-	-	461	100%
2015						
Minerals	404	3	-	-	407	90%
Flow Control	57	1	-	-13	45	10%
Group total	**461**	**4**	**-**	**-13**	**452**	**100%**

Prosess Automation Systems business was divested on April 1, 2015 to Valmet Corporation. The amount of transferred goodwill was EUR 13 million. In 2015 there were no business transfers between the segments. The amount of other intangible assets with indefinite useful lives is insignificant and their carrying value is tested as part of the annual goodwill impairment tests.

14 Investments in associated companies and joint ventures

EUR million	2014	2015
	As at December 31,	
Investments in associated companies and joint ventures		
Acquisition cost at beginning of year	4	**5**
Translation differences	0	**0**
Increases	1	**1**
Disposals and other decreases	0	**-4**
Acquisition cost at end of year	5	**2**
Equity adjustments in investments in associated companies and joint ventures		
Equity adjustments at beginning of year	2	**3**
Share of results	1	**-1**
Translation differences	0	**0**
Dividend income	0	**-**
Disposals and other changes	0	**-3**
Equity adjustments at end of year	3	**-1**
Carrying value of investments in associated companies and joint ventures at end of year	8	**1**

As at December 31,

	2014		**2015**	
EUR million	Ownership	Carrying value	**Ownership**	**Carrying value**
Nanjing SAC Metso Control Systems Co. Ltd	33.0%	6	**-**	**-**
Liugong Metso Construction Equipment (Shanghai) Co. Ltd	50.0%	2	**50.0%**	**1**
Others		-		**0**
Total investments in associated companies and joint ventures		8		**1**

The amounts representing Metso's share of the assets and liabilities, net sales and results of the associated companies and joint ventures, which have been accounted for using the equity method are presented below:

EUR million	2014	2015
	Year ended December 31,	
Assets	30	**3**
Liabilities	22	**2**
Net sales	15	**1**
Profit	1	**-1**

Related party transactions

The following transactions were carried out with associated companies and joint ventures and the following balances have arisen from such transactions:

EUR million	2014	2015
	Year ended December 31,	
Net sales	12	**0**
Purchases	0	**0**
Receivables	2	**2**
Payables	0	**-**

15 Available-for-sale equity investments

The available-for-sale equity investments as at December 31, 2015 comprise industrial participations, shares in real estate companies and other shares for which market values do not exist and thereby they are valued at cost.

The available-for-sale equity investments have changed as follows:

EUR million	2014	2015
Carrying value at beginning of year	2	**2**
Additions	0	**0**
Changes in fair values	0	**0**
Disposals and other changes	0	**-1**
Carrying value at end of year	2	**1**

16 Inventory

As at December 31,

EUR million	2014	2015
Materials and supplies	131	**103**
Work in process	206	**160**
Finished products	505	**452**
Total inventory	842	**715**

The cost of inventories recognized as expense was EUR 2,535 million and EUR 2,020 million for the years ended December 31, 2014 and 2015, respectively.

Provision for inventory obsolescence has changed as follows:

EUR million	2014	2015
Balance at beginning of year	63	**65**
Impact of exchange rates	2	**1**
Additions charged to expense	13	**12**
Increase from business acquisitions	-	**-**
Used reserve	-5	**-2**
Deductions / other additions	-8	**-12**
Balance at end of year	65	**64**

17 Percentage of completion

Net sales recognized under the percentage of completion method amounted to EUR 566 million, or 16 percent of net sales, in 2014 and EUR 265 million, or 9 percent of net sales, in 2015. The percentage was highest in the Minerals segment, where it accounted for 19 percent in 2014 and 11 percent in 2015.

Information on balance sheet items of uncompleted projects at December 31 is as follows:

EUR million	Cost and earnings of uncompleted projects	Billings of projects	Net
2014			
Projects where cost and earnings exceed billings	1,007	790	217
Projects where billings exceed cost and earnings	489	577	88
2015			
Projects where cost and earnings exceed billings	**716**	**626**	**90**
Projects where billings exceed cost and earnings	**362**	**416**	**54**

18 Change in net working capital

Change in net working capital, net of effect from business acquisitions and disposals:

	Year ended December 31,	
EUR million	2014	**2015**
Increase (-) / decrease (+) in assets and increase (+) / decrease (-) in liabilities:		
Inventory	105	**76**
Trade and other receivables	-3	**122**
Percentage of completion: recognized assets and liabilities, net	-47	**50**
Trade and other payables	-130	**-184**
Total	-75	**64**

19 Interest bearing and non-interest bearing receivables

As at December 31,

	2014			2015		
EUR million	Non-current	Current	Total	**Non-current**	**Current**	**Total**
Interest bearing receivables						
Loan receivables	10	0	10	**11**	**1**	**12**
Financial instruments held for trading	-	13	13	**-**	**67**	**67**
Trade receivables	-	-	-	**-**	**0**	**0**
Total	10	13	23	**11**	**68**	**79**
Non-interest bearing receivables						
Loan receivables	0	-	0	**0**	**-**	**0**
Trade receivables	1	643	644	**-**	**483**	**483**
Prepaid expenses and accrued income	-	54	54	**-**	**43**	**43**
Other receivables	39	163	202	**39**	**106**	**145**
Total	40	860	900	**39**	**632**	**671**

Metso actively manages its cash by investing in financial instruments with varying maturities. Instruments exceeding maturity of three months are classified as available-for-sale financial investments or financial instruments held for trading.

As of December 31, 2014, other non-interest bearing receivables comprised EUR 25 million of Brazilian tax credits arising from circulation of goods and transfer of services (ICMS) recognized by local subsidiaries, EUR 4 million thereof was classified as long-term. As of December 31, 2015, these Brazilian tax credits amounted to EUR 18 million, of which EUR 1 million was long-term.

Provision for impairment has changed as follows:

EUR million	2014	**2015**
Balance at beginning of year	29	**34**
Impact of exchange rates	0	**-2**
Additions charged to expense	18	**14**
Increase from business acquisitions	-	**-**
Used reserve	-15	**-13**
Deductions / other additions	2	**0**
Balance at end of year	34	**33**

Analysis of non-interest bearing trade receivables by age:

As at December 31,

EUR million	2014	**2015**
Trade receivables, not due at reporting date	432	**315**
Trade receivables 1–30 days overdue	99	**75**
Trade receivables 31–60 days overdue	46	**31**
Trade receivables 61–90 days overdue	27	**21**
Trade receivables 91–180 days overdue	26	**21**
Trade receivables more than 180 days overdue	14	**20**
Total	644	**483**

20 Financial assets and liabilities

Financial assets and liabilities divided by categories were as follows as of December 31:

EUR million	Assets at fair value through profit and loss	Derivatives qualified for hedge accounting	Loans and receivables	Available-for-sale financial assets	Carrying value	Fair value
2014						
Non-current assets						
Available-for-sale equity investments	-	-	-	2	2	2
Loan receivables	-	-	10	-	10	10
Financial instruments held for trading	-	-	-	-	-	-
Trade receivables	-	-	1	-	1	1
Derivative financial instruments	-	7	-	-	7	7
Other receivables	-	-	23	-	23	23
Total	**-**	**7**	**34**	**2**	**43**	**43**
Current assets						
Loan receivables	-	-	0	-	0	0
Financial instruments held for trading	13	-	-	-	13	13
Trade receivables	-	-	644	-	644	644
Derivative financial instruments	5	4	-	-	9	9
Other receivables	-	-	216	-	216	216
Total	**18**	**4**	**860**	**-**	**882**	**882**

EUR million	Liabilities at fair value through profit and loss	Derivatives qualified for hedge accounting	Financial liabilities measured at amortized cost	Carrying value	Fair value
Non-current liabilities					
Bonds	207	-	371	578	593
Loans from financial institutions	177	-	36	213	248
Pension loans	-	-	-	-	-
Finance lease obligations	-	-	0	0	0
Other long-term debt	-	-	0	0	0
Derivative financial instruments	-	6	-	6	6
Other liabilities	-	-	3	3	3
Total	**384**	**6**	**410**	**800**	**850**
Current liabilities					
Current portion of long-term debt	-	-	1	1	1
Short-term debt	-	-	71	71	71
Trade payables	-	-	330	330	330
Derivative financial instruments	17	5	-	22	22
Other liabilities	-	-	300	300	300
Total	**17**	**5**	**702**	**724**	**724**

EUR million	Assets at fair value through profit and loss	Derivatives qualified for hedge accounting	Loans and receivables	Available-for-sale financial assets	Carrying value	Fair value
2015						
Non-current assets						
Available-for-sale equity investments	-	-	-	1	1	1
Loan receivables	-	-	11	-	11	11
Financial instruments held for trading	-	-	-	-	-	-
Trade receivables	-	-	-	-	-	-
Derivative financial instruments	-	10	-	-	10	10
Other receivables	-	-	18	-	18	18
Total	**-**	**10**	**29**	**1**	**40**	**40**
Current assets						
Loan receivables	-	-	1	-	1	1
Financial instruments held for trading	67	-	-	-	67	67
Trade receivables	-	-	483	-	483	483
Derivative financial instruments	4	2	-	-	6	6
Other receivables	-	-	149	-	149	149
Total	**71**	**2**	**633**	**-**	**706**	**706**

EUR million	Liabilities at fair value through profit and loss	Derivatives qualified for hedge accounting	Financial liabilities measured at amortized cost	Carrying value	Fair value
Non-current liabilities					
Bonds	206	-	372	578	589
Loans from financial institutions	187	-	0	187	212
Pension loans	-	-	-	-	-
Finance lease obligations	-	-	0	0	0
Other long-term debt	-	-	0	0	0
Derivative financial instruments	-	7	-	7	7
Other liabilities	-	-	2	2	2
Total	**393**	**7**	**374**	**774**	**810**
Current liabilities					
Current portion of long-term debt	-	-	27	27	27
Short-term debt	-	-	30	30	30
Trade payables	-	-	249	249	249
Derivative financial instruments	5	4	-	9	9
Other liabilities	-	-	220	220	220
Total	**5**	**4**	**526**	**535**	**535**

Carrying value of other financial assets and liabilities than those presented in the fair value level table in Note 2 approximates their fair value. Fair value of other debt is calculated as net present value.

For more information on derivative financial instruments, see note 31.

21 Cash and cash equivalents

As at December 31,

EUR million	2014	2015
Bank and cash	215	**418**
Commercial papers and other investments	64	**172**
Total cash and cash equivalents	279	**590**

22 Equity

Share capital and number of shares

Metso Corporation's registered share capital, which is fully paid, was EUR 140,982,843.80 as at December 31, 2014 and 2015.

	2014	2015
Number of outstanding shares, January 1	149,864,619	**149,889,268**
Redemption of own shares by the Parent Company	-	**-**
Shares granted from share ownership plans	24,649	**95,270**
Number of outstanding shares, December 31	149,889,268	**149,984,538**
Own shares held by the Parent Company	458,988	**363,718**
Total number of shares, December 31	150,348,256	**150,348,256**

As of December 31, 2015 the acquisition price of 363,718 own shares held by the Parent Company was EUR 8,312,138.40 and was recognized in the treasury stock.

Dividends

The Board of Directors proposes that a dividend of EUR 1.05 per share be paid based on the balance sheet to be adopted for the financial year which ended December 31, 2015 and the remaining part of the profit be retained and carried further in the Company's unrestricted equity. These financial statements do not reflect this dividend payable of EUR 157 million.

Fair value and other reserves

Hedge reserve includes the fair value movements of derivative financial instruments which qualify as cash flow hedges.

Fair value reserve includes the change in fair values of assets classified as available-for-sale. Share-based payments are presented in fair value reserve.

Legal reserve consists of restricted equity, which has been transferred from distributable funds under the Articles of Association, local company act or by a decision of the shareholders.

Other reserves consist of the distributable fund and the invested non-restricted equity fund held by the Parent Company.

Changes in fair value and other reserves:

EUR million	Treasury stock	Hedge reserve	Fair value reserve	Legal reserve	Other reserves	Total
Balance as of December 31, 2013	**-10**	**-1**	**6**	**20**	**290**	**305**
Cash flow hedges						
Fair value gains (+) / losses (-), net of taxes	-	-2	-	-	-	-2
Transferred to profit and loss, net of taxes						
Net sales	-	2	-	-	-	2
Cost of goods sold / Administrative expenses	-	-1	-	-	-	-1
Interest income / expenses	-	-2	-	-	-	-2
Available-for-sale equity investments						
Fair value gains (+) / losses (-), net of taxes	-	-	2	-	-	2
Transferred to profit and loss, net of taxes	-	-	-2	-	-	-2
Redemption of own shares	0	-	-	-	-	0
Share-based payments, net of taxes	0	-	0	-	-	0
Other	-	-	0	-1	1	0
Balance as of December 31, 2014	**-10**	**-4**	**6**	**19**	**291**	**302**
Cash flow hedges						
Fair value gains (+) / losses (-), net of taxes	-	4	-	-	-	4
Transferred to profit and loss, net of taxes						
Net sales	-	2	-	-	-	2
Cost of goods sold / Administrative expenses	-	0	-	-	-	0
Interest income / expenses	-	-4	-	-	-	-4
Available-for-sale equity investments						
Fair value gains (+) / losses (-), net of taxes	-	-	0	-	-	0
Transferred to profit and loss, net of taxes	-	-	0	-	-	0
Redemption of own shares	-	-	-	-	-	-
Share-based payments, net of taxes	1	-	-2	-	-	-1
Other	-	-	-	-3	2	-1
Balance as of December 31, 2015	**-9**	**-2**	**4**	**16**	**293**	**302**

Foreign currency translation adjustment included in the shareholders' equity:

EUR million	2014	2015
Cumulative translation adjustment as of January 1	-85	**-52**
Currency translation on subsidiary net investments	33	**-19**
Hedging of net investment denominated in foreign currency	-	**-**
Cumulative translation adjustment as of December 31	-52	**-71**

23 Share-based payments

Long-term incentive plan for 2012–2014

In December 2011, the Board of Directors of Metso Corporation approved a new share-based incentive plan for Metso's management. The plan included three performance periods, which were calendar years 2012, 2013 and 2014. The Board decided on the performance criteria, targets and participants in the beginning of each performance period. The reward for each performance period of plan may not exceed 120 percent of a participant's total annual base salary. The reward for each performance period will be paid in Metso shares and partly in cash. The cash-settled portion is dedicated to cover taxes and tax-related payments.

The earnings criteria of the performance period 2012 was based on the net sales growth of the services business, return on capital employed (ROCE) before taxes and earnings per share (EPS). In March 2015 the reward was paid in Metso shares and partly in cash. The equity-settled portion of the plan was recognized over the vesting period i.e. from the beginning of 2012 until the end of February 2015 based on the average share price on the grant date of EUR 33.89. According to the Board of Directors' decision, the number of maximum shares have been increased to take into account the effect of the demerger to Metso share value.

The earnings criteria of the performance period 2013 were based on the same criteria as the 2012 performance period. The threshold values were not reached and no rewards will be paid.

For the 2014 performance period, there were 54 participants at the end of year 2015. The potential rewards to be paid from the plan to Metso participants correspond to a maximum total of 311,676 shares and were based on the same criteria as the 2012 performance period. The equity-settled portion of the plan is recognized over the vesting period i.e. from the beginning of 2014 until the end of February 2017 based on the average share price on the grant date of EUR 29.08.

Performance share plan

In December 2014, the Board of Directors of Metso Corporation decided to on a new long-term share-based Performance Share Plan (PSP) for the Group's senior management. The plan consists of annually commencing performance share plans, each with a three-year earning period.

The earnings criteria of the first plan, PSP 2015–2017, is based on the total shareholder return of Metso's share during 2015–2017. For the plan PSP 2015–2017, there were 95 participants at the end of 2015. The potential rewards to be paid will correspond to a maximum total of 355,800 Metso shares. The equity-settled portion of the plan is recognized over the vesting period i.e. from the beginning of 2015 until the end of February 2018 based on the average share price on the grant date of EUR 27.41.

In December 2015, the Board of Directors of Metso Corporation decided to continue the performance plan approved in December 2014. The potential share reward payable under the PSP 2016-2018 is based on the total shareholder return of Metso's share during 2016-2018. The plan will cover about 100 Metso managers and the potential rewards to be paid will correspond to a maximum total of 460,000 Metso shares.

Costs recognized for the share ownership plans

The compensation expense for the shares, which is accounted for as equity-settled, is recognized as an employee benefit expense with corresponding entry in equity. The cost of the equity-settled portion, which will be evenly recognized during the required service period, is based on the market price of the Metso share on the grant date. The historical development of the Metso share and the expected dividends have been taken into account when calculating the fair value. The compensation expense resulting from the cash-settled portion is recognized as an employee benefit expense with a corresponding entry in short-term liabilities. The cash-settled portion is fair valued at each balance sheet date based on the prevailing share price and accrued until the settlement date.

Beneficiaries and granted shares of the share ownership plan as at December 31, 2015:

	Metso Executive Team	Shares	Other beneficiaries	Shares	Beneficiaries total	Shares total
Plan 2011–2013						
Granted	6	8,966	33	15,683	39	24,649
Plan 2012–2014						
Granted	6	24,370	50	70,900	56	95,270

Costs recognized for the share ownership plans:

EUR thousand	Plan 2011–2013	Plan 2012–2014	Plan 2014–2016	Plan PSP 2015–2017	Total
2014					
Metso Executive Team	-67	-374	-137	-	-578
Other beneficiaries	79	-1,078	-350	-	-1,349
Total	12	-1,452	-487	-	-1,927
2015					
Metso Executive Team		-162	15	-350	-497
Other beneficiaries		-238	61	-827	-1,004
Total		**-400**	**76**	**-1,177**	**-1,501**

As of balance sheet date, a liability of EUR 168 thousand was recognized as an accrued expense for the cash-settled portion of Metso Share Ownership Plan 2014–2016 and EUR 483 thousand from Plan PSP 2015-2017.

24 Long-term debt

	As at December 31,			
	Carrying values		Fair values	
EUR million	2014	**2015**	2014	**2015**
Bonds	578	**578**	593	**589**
Loans from financial institutions	213	**214**	248	**239**
Finance lease obligations	1	**0**	1	**0**
Other long-term debt	0	**0**	0	**0**
	792	**792**	842	**828**
Less current maturities	1	**27**	1	**27**
Total	791	**765**	841	**801**

The fair values of long-term debt are equal to the present value of their future cash flows.

Bonds:

				Outstanding carrying value at December 31,	
EUR million	Nominal interest rate Dec. 31, 2015	Effective interest rate Dec. 31, 2015	Original loan amount	2014	**2015**
Public bond 2012-2019	2.75%	2.91%	400	405	**406**
Private placements maturing 2018-2022		1.04%–4.7%	170	173	**172**
Bonds total				578	**578**
Less current maturities				0	**0**
Bonds, long-term portion				578	**578**

Metso has a Euro Medium Term Note Program (EMTN) of EUR 1.5 billion, under which EUR 578 million at carrying value were outstanding at the end of both 2014 and 2015. EUR 406 million of the outstanding amount were public bonds and EUR 172 million private placements.

Loans from financial institutions consist of bank borrowings with either fixed or variable interest rates. A major share of loans is EUR denominated. The interest rates vary from 2.757% to 5.5%.The loans are payable from 2016 to 2018.

Metso's five-year revolving loan facility of EUR 500 million was renewed in 2014 and includes 10 banks. The facility was undrawn at the end of 2014 and 2015.

Contractual maturities of interest bearing debt as at December 31, 2015 are as follows:

EUR million	Bonds	Loans from financial institutions	Total
Repayments	-	27	**27**
Interests	19	1	**20**
Total 2016	**19**	**28**	**47**
Repayments	-	0	**0**
Interests	19	0	**19**
Total 2017	**19**	**0**	**19**
Repayments	72	211	**283**
Interests	17	0	**17**
Total 2018	**89**	**211**	**300**
Repayments	398	-	**398**
Interests	12	-	**12**
Total 2019	**410**	**-**	**410**
Repayments	-	-	**-**
Interests	4	-	**4**
Total 2020	**4**	**-**	**4**
Repayments	100	-	**100**
Interests	8	-	**8**
Later	**108**	**-**	**108**

The maturities of derivative financial instruments are presented in note 31.

25 Provisions

	As at December 31,					
	2014			**2015**		
EUR million	Non-current	Current	Total	**Non-current**	**Current**	**Total**
Warranty and guarantee liabilities	2	54	56	**0**	**39**	**39**
Accrued restructuring expenses	2	22	24	**2**	**18**	**20**
Environmental and product liabilities	0	2	2	**0**	**1**	**1**
Other provisions	18	26	44	**25**	**10**	**35**
Total	22	104	126	**27**	**68**	**95**

The provisions, both non-current and current, have changed as follows during the financial year 2015:

EUR million	Accrued restructuring expenses	Environmental and product liabilities	Total
Balance at beginning of year	24	2	26
Impact of exchange rates	-1	0	-1
Addition charged to expense	16	0	16
Used reserve	-17	0	-17
Reversal of reserve / other changes	-2	-1	-3
Balance at end of year	**20**	**1**	**21**

Provisions, for which the expected settlement date exceeds one year from the moment of their recognition, are discounted to their present value and adjusted in subsequent periods for the time effect.

Accrued restructuring expenses

The costs included in a provision for restructuring are those costs that are either incremental and incurred as a direct result of the formal plan approved and committed by management, or are the result of a continuing contractual obligation with no economic benefit to Metso or a penalty incurred for a cancelled contractual obligation.

Environmental and product liabilities

Metso accrues for losses associated with environmental remediation obligations when such losses are probable and reasonably calculable.

The amounts of accruals are adjusted later as further information develops or circumstances change. As at December 31, 2015, environmental liabilities amounted to EUR 1 million.

Metso is occasionally involved in product liability claims. As at December 31, 2015, provisions for product liabilities amounted to EUR 1 million.

Other provisions

Other provisions comprise among other things provisions related to personnel, delivery project costs and lawsuits.

Warranty and guarantee provisions

Metso issues various types of contractual product warranties under which it generally guarantees the performance levels agreed in the sales contract, the performance of products delivered during the agreed warranty period and services rendered for a certain period or term. The warranty liability is based on historical realized warranty costs for deliveries of standard products and services. The usual warranty period is 12 months from the date of customer acceptance of the delivered equipment. For larger projects, the average warranty period is two years. For more complex contracts, including long-term projects, the warranty reserve is calculated contract by contract and updated regularly to ensure its sufficiency.

The provisions for warranty and guarantee liabilities have changed as follows:

EUR million	2014	2015
Balance at beginning of year	60	**56**
Impact of exchange rates	3	**2**
Increase for current year's deliveries	21	**26**
Increase for previous years' deliveries	2	**5**
Increase from business acquisitions	-	**-**
Used reserve	-17	**-28**
Reversal of reserve / other changes	-13	**-22**
Balance at end of year	56	**39**

26 Short-term debt

As at December 31,

EUR million	2014	2015
Loans from financial institutions	71	**30**
Finnish commercial paper financing	-	**-**
Total	71	**30**

The weighted average interest rate applicable to short-term borrowing at December 31, 2014 and 2015 was 5.9% and 4.6%, respectively. In 2016, interest amounting to EUR 0.9 million is expected to be paid concurrently with respective principals on the short-term debt.

Metso has established a Finnish commercial paper program amounting to EUR 500 million. No domestic commercial papers were outstanding as of December 31, 2014 or 2015.

27 Trade and other payables

As at December 31,

EUR million	2014	2015
Trade payables	330	**248**
Accrued interests	7	**7**
Accrued personnel costs	103	**79**
Accrued project costs	61	**37**
Other	129	**98**
Total	630	**469**

The maturities of payables rarely exceed six months. The maturities of trade payables are largely determined by local trade practices and individual agreements between Metso and its supplier.

Accrued project costs may be settled after six months depending on the issuance of the supplier invoice when the costs arise from work performed by third parties.

The accrued personnel costs, which include holiday pay, are settled in accordance with local laws and stipulations.

28 Post-employment benefit obligations

Metso operates various defined benefit pension and other long-term employee benefit arrangements pursuant to local conditions, practices and collective bargaining agreements in the countries in which it operates. The majority of Metso's defined benefit liabilities relate to arrangements that are funded through payments to either insurance companies or to independently administered funds based on periodic actuarial calculations. Other arrangements are unfunded with benefits being paid directly by Metso as they fall due. All arrangements are subject to local tax and legal restrictions in their respective jurisdictions.

Metso's defined benefit pension arrangements in the US, Canada, the UK and Sweden together represent 74% of Metso's Defined Benefit Obligation and 83% of its pension assets. These arrangements provide income in retirement which is substantially based on salary and service at or near retirement. In the US and Canada annual valuations are carried out to determine whether cash funding contributions are required in accordance with local legislation. In the UK, Metso's defined benefit pension arrangement is closed to the future accrual. Plan assets are held by a separate pension fund and are administered by a board of trustees. Cash contributions are determined on a triennial basis in accordance with local funding legislation, with the level of cash payments being agreed between the trustees and Metso. Defined benefit pension arrangements in Sweden are offered in accordance with collective labour agreements and are unfunded.

The liability recorded on Metso's balance sheet and cash contributions to funded arrangements are sensitive to the assumptions used to measure the liabilities, the extent to which actual experience differs to the assumptions made and the returns on plan assets. Therefore Metso is exposed to the risk that balance sheet liabilities and/or cash contributions increase based on these influences. Assets of Metso's funded arrangements are managed by external fund managers. The allocation of assets is reviewed regularly by those responsible for managing Metso's arrangements based on local legislation, professional advice and consultation with Metso, based on acceptable risk tolerances.

The expected contributions in 2016 are EUR 12 million. Metso paid contributions of EUR 18 million to defined contribution arrangements during 2015.

The amounts recognized as of December 31 in the balance sheet were following:

	Pension benefits		Other post-employment benefits		Total	**Total**
EUR million	2014	**2015**	2014	**2015**	2014	**2015**
Present value of funded obligations	284	**285**	-	**-**	284	**285**
Fair value of plan assets	-269	**-284**	-	**-**	-269	**-284**
	15	**1**	-	**-**	15	**1**
Present value of unfunded obligations	51	**45**	38	**30**	89	**75**
Unrecognized asset	1	**1**	-	**-**	1	**1**
Net liability recognized	67	**47**	38	**30**	105	**77**
Amounts in the balance sheet:						
Liabilities	82	**69**	38	**30**	120	**99**
Assets	15	**22**	-	**-**	15	**22**
Net liability recognized	67	**47**	38	**30**	105	**77**

Movements in the net liability recognized in the balance sheet were as follows:

	Pension and other post-employment benefits	
EUR million	2014	**2015**
Net liability at beginning of year	89	**105**
Other adjustment to present value	-	**2**
Net expense recognized in the income statement	-1	**1**
Employer contributions	-14	**-18**
Gain (+) / loss (-) recognized through OCI	27	**-14**
Translation differences	4	**1**
Net liability at end of year	105	**77**

The amounts recognized in the income statement were as follows:

Year ended December 31,

EUR million	Pension benefits 2014	Pension benefits **2015**	Other post-employment benefits 2014	Other post-employment benefits **2015**
Employer's current service cost	3	**2**	1	**1**
Net interest on net surplus/ (deficit)	1	**1**	2	**1**
Settlements	-1	**1**	-	**-1**
Recognition of past service cost/(credit)	-2	**0**	-4	**-5**
Administration costs paid by the scheme	0	**1**	-	**-**
Expense (+) / income (-) recognized in income statement	1	**5**	-1	**-4**

The amounts recognized through OCI were following:

Year ended December 31,

EUR million	Pension benefits 2014	Pension benefits **2015**	Other post-employment benefits 2014	Other post-employment benefits **2015**	Total 2014	**Total 2015**
Return on plan assets, excluding amounts included in interest expense/(income)	-20	**6**	-	**-**	-20	**6**
Actuarial (gain)/loss on liabilities due to change in financial assumptions	29	**-9**	4	**-1**	33	**-10**
Actuarial (gain)/loss on liabilities due to change in demographic assumptions	9	**-6**	2	**-**	11	**-6**
Actuarial (gain)/loss on liabilities due to experience	3	**-1**	-1	**-3**	2	**-4**
Gain (-) / loss (+) as result of asset ceiling	1	**-**	-	**-**	1	**0**
Total gain (-) / loss (+) recognized through OCI	22	**-10**	5	**-4**	27	**-14**

The changes in the value of the defined benefit obligation were as follows:

EUR million	Pension benefits 2014	Pension benefits **2015**	Other post-employment benefits 2014	Other post-employment benefits **2015**	Total 2014	**Total 2015**
Defined benefit obligation at beginning of year	308	**335**	34	**38**	342	**373**
Other adjustment to present value	-27	**35**	-	**-**	-27	**35**
Employer's current service cost	3	**2**	0	**1**	3	**3**
Interest cost	11	**10**	2	**2**	13	**12**
Plan participant contributions	0	**-**	-	**-**	0	**0**
Past service cost (+) / credit (-)	-2	**-**	-4	**-5**	-6	**-5**
Actuarial gain (-) / loss (+) due to change in financial assumptions	28	**-9**	4	**-1**	32	**-10**
Actuarial (gain)/loss on liabilities due to change in demographic assumptions	10	**-6**	2	**-**	12	**-6**
Actuarial gain (-) / loss (+) due to experience	3	**-1**	-1	**-3**	2	**-4**
Settlements	-3	**-31**	-	**-1**	-3	**-32**
Benefits paid from the arrangement	-12	**-17**	-	**-**	-12	**-17**
Benefits paid direct by employer	-5	**-4**	-2	**-2**	-7	**-6**
Translation differences	21	**16**	3	**2**	24	**18**
Defined benefit obligation at end of year	335	**330**	38	**31**	373	**361**

The changes in the fair value of the plan assets during the year were as follows:

	Pension and other post-employment benefits total	
EUR million	2014	**2015**
Fair value of assets at beginning of year	253	**269**
Other adjustments to the fair value of assets	-27	**33**
Interest income on assets	10	**9**
Return on plan assets excluding interest income	19	**-4**
Assets distributed on settlements	-3	**-32**
Employer contributions	16	**18**
Plan participant contributions	0	**-**
Benefits paid from the arrangements	-12	**-16**
Benefits paid direct by employer	-7	**-5**
Administration expenses paid from the scheme	0	**-1**
Translation differences	20	**13**
Fair value of assets at end of year	269	**284**

The major categories of plan assets as a percentage of total plan assets as at December 31 were as follows:

		Quoted		Unquoted		**Total**
EUR million	2014	**2015**	2014	**2015**	2014	**2015**
Equity securities	36%	**33%**	0%	**0%**	36%	**33%**
Bonds	36%	**23%**	2%	**2%**	38%	**25%**
Property	3%	**1%**	0%	**0%**	3%	**1%**
Cash	1%	**1%**	0%	**0%**	1%	**1%**
Insurance contracts	0%	**0%**	2%	**13%**	2%	**13%**
Other	4%	**4%**	16%	**23%**	20%	**27%**
	80%	**62%**	20%	**38%**	100%	**100%**

As at December 31, 2015, there were no plan assets invested in affiliated or property occupied by affiliated companies.

The principal actuarial assumptions at December 31 (expressed as weighted averages):

	2014	**2015**
Benefit obligation: discount rate	3.45%	**3.68%**
Benefit obligation: rate of compensation increase	3.02%	**3.00%**
Benefit obligation: rate of pension increase	2.67%	**2.81%**
Expense in income statement: discount rate	3.45%	**4.93%**
Expense in income statement: rate of compensation increase	3.02%	**3.87%**
Expense in income statement: rate of pension increase	2.67%	**2.81%**

The weighted average life expectancy (expressed in years) used for the major defined benefit plans are as follows:

	Life expectancy at age of 65 for a male member currently aged 65		Life expectancy at age of 65 for a male member currently aged 45	
Country	2014	**2015**	2014	**2015**
United Kingdom	21.1	**21.2**	22.4	**22.5**
United States	21.7	**21.3**	23.4	**23.0**
Canada	21.4	**21.6**	22.6	**22.7**

Life expectancy is allowed for in the assessment of the Defined Benefit Obligation using mortality tables which are generally based on experience within the country in which the arrangement is located with (in many cases) an allowance made for anticipated future improvements in longevity.

Sensitivity analyses on present value of Defined Benefit Obligation in below table presents the present value of the Defined Benefit Obligation when major assumptions are changes while others held costant

	2014			2015		
	Pension	Other	Total	Pension	Other	Total
Discount rate						
Increase of 0.25%	(10.1)	(1.1)	(11.4)	**(8.8)**	**(0.9)**	**(10.7)**
Decrease of 0.25%	10.7	1.1	12.1	**9.1**	**1.0**	**11.2**
Salary increase rate						
Increase of 0.25%	0.2	0.4	0.7	**0.1**	**0.1**	**0.3**
Decrease of 0.25%	(0.2)	(0.4)	(0.7)	**(0.2)**	**(0.1)**	**(0.4)**
Pension increase rate						
Increase of 0.25%	3.1	n/a	4.0	**2.6**	**n/a**	**3.3**
Decrease of 0.25%	(3.0)	n/a	(3.8)	**(2.3)**	**n/a**	**(2.9)**
Medical cost trend						
Increase of 0.25%	n/a	3.1	3.1	**n/a**	**1.6**	**1.6**
Decrease of 0.25%	n/a	(2.6)	(2.6)	**n/a**	**(1.4)**	**(1.4)**
Life expectancy						
Increase of one year	8.8	0.7	9.8	**12.0**	**0.6**	**15.0**
Decrease of one year	(8.9)	(0.7)	(9.9)	**(12.2)**	**(0.6)**	**(15.1)**

Weighted average duration of Defined Benefit Obligation expressed in years by geographic area

	2014			2015		
	Pension	Other	Total	Pension	Other	Total
At December 31	13.1	11.4	13.0	**12.4**	**13.1**	**12.6**

29 Mortgages and contingent liabilities

EUR million	As at December 31, 2014	2015
On own behalf		
Mortgages	1	-
On behalf of others		
Guarantees	1	**1**
Other commitments		
Repurchase commitments	1	**2**
Other contingencies	4	**3**
Total	7	**6**

The mortgages given as security for own commitments relate to industrial real estate. The mortgage amount on corporate debt has been calculated as the amount of corresponding loans. The nominal value of the mortgages at December 31, 2014 was equal to the amount of the corresponding liability. As at December 31, 2015 there were no mortgages outstanding.

The repurchase commitments represent engagements whereby Metso agrees to purchase back equipment sold to customer. The conditions triggering the buy back obligation are specific to each sales contract. The amounts in the above table comprise the agreed value in full of each repurchase commitment.

Metso Corporation has guaranteed obligations of its subsidiaries arising in the ordinary course of business of many of its subsidiaries up to a maximum of EUR 487 million and EUR 350 million as of December 31, 2014 and 2015, respectively.

30 Lease contracts

Metso leases offices, manufacturing and warehouse space under various noncancellable leases. Certain contracts contain renewal options for various periods of time.

Minimum annual rental expenses for leases in effect at December 31 are shown in the table below:

	Operating leases		Finance leases	
EUR million	2014	**2015**	2014	**2015**
Not later than 1 year	43	**37**	0	**0**
Later than 1 year and not later than 2 years	31	**28**	0	**0**
Later than 2 years and not later than 3 years	24	**23**	0	**0**
Later than 3 years and not later than 4 years	19	**18**	-	**-**
Later than 4 years and not later than 5 years	13	**11**	-	**-**
Later than 5 years	29	**25**	-	**-**
Total minimum lease payments	159	**142**	0	**0**
Future financial expenses			0	**0**
Total net present value of finance leases			0	**0**

Total rental expenses amounted to EUR 48 million and EUR 46 million in the years ended December 31, 2014 and 2015, respectively.

31 Derivative financial instruments

Notional amounts and fair values of derivative financial instruments as at December 31 were as follows:

EUR million	Notional amount	Fair value. assets	Fair value. liabilities	Fair value. net
2014				
Forward exchange contracts [1]	1,040	9	22	-13
Interest rate swaps	285	9	3	6
Cross currency swaps	244	-2	-	-2
Option agreements				
Bought	-	-	-	-
Sold	20	0	2	-2
Electricity forward contracts [2]	112	0	1	-1
Nickel swap contracts [3]	342	-	0	0
Total		16	28	-12
2015				
Forward exchange contracts [1]	**1,009**	**6**	**7**	**-1**
Interest rate swaps	**265**	**8**	**2**	**6**
Cross currency swaps	**244**	**1**	**2**	**-1**
Option agreements				
Bought	**-**	**-**	**-**	**-**
Sold	**20**	**0**	**2**	**-2**
Electricity forward contracts [2]	**69**	**0**	**1**	**-1**
Nickel swap contracts [3]	**324**	**-**	**1**	**-1**
Total		**15**	**15**	**0**

1) Some 26 percent and 19 percent of the notional amount at the end of 2014 and 2015, respectively, qualified for cash flow hedge accounting.
2) Notional amount in GWh
3) Notional amount in tons

The notional amounts indicate the volumes in the use of derivatives, but do not indicate the exposure to risk.

Derivative financial instruments recognized in balance sheet as at December 31 are presented below:

	2014		2015	
EUR million	Assets	Liabilities	**Assets**	**Liabilities**
Interest rate swaps - cash flow hedges	-	-	**-**	**-**
Interest rate swaps - fair value hedges	9	-	**9**	**0**
Interest rate swaps - non-qualifying hedges	0	3	**0**	**3**
	9	3	**9**	**3**
Cross currency swaps - cash flow hedges	-2	-	**-**	**2**
Cross currency swaps - fair value hedges	0	-	**1**	**-**
	-2	-	**1**	**2**
Forward exchange contracts - cash flow hedges	4	5	**2**	**2**
Forward exchange contracts - non-qualifying hedges	5	17	**4**	**5**
	9	22	**6**	**7**
Electricity forward contracts - cash flow hedges	0	1	**0**	**1**
Nickel swaps - non-qualifying hedges	0	0	**0**	**1**
Options - non-qualifying hedges	-	2	**-**	**2**
Total derivatives	16	28	**16**	**16**

In the year ended December 31, 2015 there was ineffectiveness related to the cash flow hedges, which resulted in recognition of EUR 0.3 million loss (a loss of EUR 0.4 million in 2014) in the income statement. As at December 31, 2015, the fixed interest rates of swaps varied from 1.3 percent to 3.9 percent.

As at December 31, 2015, the maturities of financial derivatives are the following (expressed as notional amounts):

EUR million	2016	2017	2018	2019	2020 and later
Forward exchange contracts	997	13	-	-	-
Interest rate swaps	40	-	25	200	-
Cross currency swaps	-	-	244	-	-
Option agreements	-	-	-	-	20
Electricity forward contracts [1]	34	21	14	-	-
Nickel swap contracts [2]	288	36	-	-	-

[1] Notional amount in GWh
[2] Notional amount in tons

32 Subsidiaries

Company name	Ownership, %
Finland	
Metso Minerals Oy	100.0%
Metso Flow Control Sales Oy	100.0%
Metso Flow Control Oy	100.0%
Metso Shared Services Oy	100.0%
Kaukotalo Oy	100.0%
Rauma Oy	100.0%
Sweden	
Metso Sweden AB	100.0%
Norway	
Metso Norway A/S	100.0%
Denmark	
Metso Denmark A/S	100.0%
Austria	
Metso Austria GmbH	100.0%
Belgium	
Metso Minerals Belux NV	100.0%
Metso Automation SA NV	100.0%
France	
Metso France SAS	100.0%
Germany	
Metso Germany GmbH	100.0%
Metso Automation Mapag GmbH	100.0%
Italy	
Metso Italy SpA	100.0%
Metso Minerals (Italy) SpA	100.0%
Netherlands	
Metso Netherlands B.V.	100.0%
Portugal	
Metso Minerals (Portugal) Lda	100.0%
Metso Automation Portugal Lda	100.0%
Spain	
Metso Espana SA	100.0%
Metso Spain Holding. S.L.U	100.0%
Santa Ana de Bolueta Grinding Media. S.A.U	100.0%
Forjas del Guadalquivir. S.L.U	100.0%
United Kingdom	
Metso UK Ltd	100.0%
Metso Captive Insurance Limited	100.0%
Czech Republic	
Metso Czech Republic s.r.o.	100.0%
Poland	
Metso Poland Sp zoo	100.0%
Russia	
OOO Metso	100.0%
Turkey	
Metso Minerals Anonim Sirketi	100.0%
Ukraine	
LLC Metso Ukraine	100.0%
United States	
Metso USA Inc.	100.0%
Metso Minerals Industries Inc.	100.0%
Neles-Jamesbury Inc.	100.0%
Metso Automation USA Inc.	100.0%
Canada	
Metso Minerals Canada Inc.	100.0%
Metso Automation Canada Ltd	100.0%
Metso Shared Services Ltd	100.0%

Company name	Ownership, %
Argentina	
Metso Argentina SA	100.0%
Brazil	
Metso Brazil Indústria e Comércio Ltda	100.0%
Chile	
Metso Chile SA	100.0%
Mexico	
Metso (Mexico) SA de CV	100.0%
Metso SA de CV	100.0%
Peru	
Metso Perú SA	100.0%
Australia	
Metso Australia Ltd	100.0%
China	
Metso (China) Investment Co. Ltd	100.0%
Metso Minerals (Tianjin) Co. Ltd	100.0%
Metso Minerals (Tianjin) International Trade Co. Ltd	100.0%
Metso Minerals (Quzhou) Co. Ltd	100.0%
Shaoguan City Shaorui Heavy Industries Co. Ltd	75.0%
Metso Automation (Shanghai) Co. Ltd	100.0%
India	
Metso India Private Ltd	100.0%
Indonesia	
PT Metso Minerals Indonesia Ltda	100.0%
Japan	
Metso Japan Co. Ltd	100.0%
New Zealand	
Metso New Zealand Ltd	100.0%
Singapore	
Metso Asia Pacific Pte Ltd	100.0%
South Korea	
Metso Korea Ltd	100.0%
Thailand	
Metso Automation Co. Ltd	100.0%
Vietnam	
Metso Vietnam Co. Ltd	100.0%
Kazakhstan	
Metso (Kazakhstan) LLP	100.0%
South Africa	
Metso Minerals Investment Holdings (SA) (Pty) Ltd	100.0%
Metso South Africa Pty Ltd	100.0%
Metso Mining and Construction (South Africa) (Pty) Ltd	74.9%
Metso Automation RSA (Pty) Ltd	100.0%
Algeria	
Metso Algeria EURL	100.0%
Ghana	
Metso Ghana Ltd	100.0%
Lebanon	
Metso Minerals (Lebanon) sarl	100.0%
Zambia	
Metso Zambia Ltd	100.0%
Zimbabwe	
Metso Minerals (Zimbabwe) PVT Ltd	100.0%
United Arab Emirates	
Metso FZE (Dubai)	100.0%
Metso Flow Control LLC*	90.0%
Qatar	
Metso Flow Control Qatar LLC*	49.0%

*has been 100% consolidated

33 Reporting segment and geographic information

Corporate structure

Metso Group is a global supplier of sustainable technology and services for mining, aggregates, oil and gas, pulp, paper as well as process industries.

The Board of Directors, which has been identified as Metso's chief operating decision maker, decides on strategy, selection of key employees, major development projects, business acquisitions, investments, organization and financing. The operating segments in Metso are determined based on the reports delivered to the Board of Directors who uses them in decision making. The accounting policies applicable to the segment reporting are the same as those used for establishing the consolidated financial statements.

Metso reports its result in line with the strategy and reporting structure, which consists of two segments: Minerals and Flow Control. The Minerals segment covers Metso's mining, aggregates and recycling businesses. The Flow Control segment covers valves and pumps businesses. Process Automation Systems was part of the Flow Control segment until divestment on April 1, 2015.

Minerals segment supplies technology, process solutions, machinery and services for aggregates production, construction, mining, minerals processing and recycling. The segment is organized in two business areas: Minerals and Services.

Flow Control segment supplies process industry flow control solutions and services. The segment is organized into Valves and Pumps businesses.

Group Head Office and other is comprised of the Parent Company and shared service centers as well as holding companies in several countries.

Intra-group transactions are at arm's length price.

The financial performance of the segments is measured through their ability to generate operating profit and earnings before interest, tax and amortization (EBITA) both in absolute figures and as percentage of net sales. The performance is also analyzed by excluding from EBITA items qualifying as non-recurring, such as capacity adjustment costs, outcome of material intellectual property rights disputes, gains and losses on business disposals, business prospection and acquisition costs and other infrequent events, as these items reduce the comparability of the segments' performance from one period to another. The net effect the non-recurring items have on cost of goods sold, selling, general and administrative expenses as well as other income and expenses is presented in the segment information.

Financial income and expenses and income taxes are not allocated to segments but included in the profit (loss) of Group Head Office and other. The treasury activities of Metso are coordinated and managed by the Group Treasury to benefit from cost efficiency obtained from pooling arrangements, financial risk management, bargaining power, cash management, and other measures. Tax planning aims at the minimization of Metso's overall tax cost and it is based on the legal structure and the utilization of holding company structure as applicable.

Segment assets comprise intangible assets, property, plant and equipment, investments in associated companies and joint ventures, available-for-sale equity investments, inventories and non-interest bearing operating assets and receivables. They exclude interest bearing assets, including also cash and cash equivalents, income tax receivables and deferred tax assets, which are included in the assets of Group Head Office and other.

Segment liabilities comprise non-interest bearing operating liabilities and exclude income tax liabilities and deferred tax liabilities, which are included in the liabilities of Group Head Office and other. Interest bearing liabilities are not allocated to segments, but included in the liabilities of Group Head Office and other.

Non-cash write-downs include write-offs made to the value of notes, receivables, and inventories and impairment and other write-offs recognized to reduce the value of intangible assets, property, plant and equipment and other assets.

Gross capital expenditure comprises investments in intangible assets, property, plant and equipment, associated companies, joint ventures and available-for-sale equity investments including additions through business acquisitions.

Information about Metso's reportable segments as of and for the years ended December 31, 2014 and 2015 is presented in the following tables.

EUR million	Minerals	Flow Control	Group Head Office and other	Eliminations	**Metso total**
2014					
External net sales	2,674	979	5	-	**3,658**
Intra-Metso net sales	2	3	0	-5	**-**
Net sales	2,676	982	5	-5	**3,658**
EBITA	257.1	142.1	-29.4	-	**369.8**
% of net sales	9.6	14.5	n/a	-	**10.1**
EBITA before non-recurring items	337.8	148.2	-25.8	-	**460.2**
% of net sales	12.6	15.1	n/a	-	**12.6**
Operating profit (loss)	243.9	138.7	-31.8	-	**350.8**
% of net sales	9.1	14.1	n/a	-	**9.6**
Non-recurring items in cost of goods sold	-24.5	-0.2	-	-	**-24.7**
Non-recurring items in selling, general and administrative expenses	-21.3	-5.9	-3.6	-	**-30.8**
Non-recurring items in other operating income and expenses, net	-34.9	-	-	-	**-34.9**
Total non-recurring items	-80.7	-6.1	-3.6	-	**-90.4**
Amortization	-13	-3	-3	-	**-19**
Depreciation	-40	-15	-1	-	**-56**
Gross capital expenditure (including business acquisitions)	47	22	5	-	**74**
Non-cash write-downs	-15	-3	0	-	**-18**
Intangible assets and property, plant and equipment	775	170	19	-	**964**
Investments in associated companies	2	6	0	-	**8**
Available-for-sale equity investments	0	0	2	-	**2**
Inventories and other non-interest bearing assets	1,439	484	77	-	**2,000**
Interest bearing assets	-	-	302	-	**302**
Deferred tax assets	-	-	127	-	**127**
Total assets	2,216	660	527	-	**3,403**
Non-interest bearing liabilities	879	284	135	-	**1,298**
Interest bearing debt	-	-	863	-	**863**
Deferred tax liability	-	-	13	-	**13**
Total liabilities	879	284	1,011	-	**2,174**
Capital employed	1,337	376	379	-	**2,092**
Orders received	2,361	1,051	-	-3	**3,409**
Order backlog	1,108	468	-	-1	**1,575**

Capital employed includes only external balance sheet items.

Non-recurring items and amortization of intangible assets

EUR million	Minerals	Flow Control	Group Head office and other	2014 Metso total
EBITA before non-recurring items	**337.8**	**148.2**	**-25.8**	**460.2**
% of net sales	**12.6**	**15.1**	**-**	**12.6**
Credit loss of Northland long-term receivables	-47.5	-	-	**-47.5**
Capacity adjustment expenses	-33.2	-6.1	-0.4	**-39.7**
Demerger costs	-	-	-3.2	**-3.2**
Amortization of intangible assets	-13.2	-3.4	-2.4	**-19.0**
Operating profit (EBIT)	243.9	138.7	-31.8	**350.8**

EUR million	Minerals	Flow Control	Group Head Office and other	Eliminations	**Metso total**
2015					
External net sales	2,198	777	2	-	**2,977**
Intra-Metso net sales	-	1	-	-1	**-**
Net sales	2,198	778	2	-1	**2,977**
EBITA	220.5	113.0	239.9	-	**573.4**
% of net sales	10.0	14.5	n/a	-	**19.3**
EBITA before non-recurring items	240.7	117.5	-11.0	-	**347.2**
% of net sales	11.0	15.1	n/a	-	**11.7**
Operating profit (loss)	213.2	110.4	231.7	-	**555.3**
% of net sales	9.7	14.2	n/a	-	**18.7**
Non-recurring items in cost of goods sold	-11.3	-0.4	-	-	**-11.7**
Non-recurring items in selling, general and administrative expenses	-6.4	-0.8	-1.5	-	**-8.7**
Non-recurring items in other operating income and expenses, net	-2.4	-3.3	252.3	-	**246.6**
Total non-recurring items	-20.1	-4.5	250.8	-	**226.2**
Amortization	-7	-3	-8	-	**-18**
Depreciation	-37	-14	0	-	**-51**
Gross capital expenditure (including business acquisitions)	29	12	5	-	**46**
Non-cash write-downs	-9	-4	0	-	**-13**
Intangible assets and property, plant and equipment	722	132	39	-	**893**
Investments in associated companies	1	-	0	-	**1**
Available-for-sale equity investments	0	0	1	-	**1**
Inventories and other non-interest bearing assets	1,137	319	81	-	**1,537**
Interest bearing assets	0	0	669	-	**669**
Deferred tax assets	0	0	108	-	**108**
Total assets	1,860	451	898	-	**3,209**
Non-interest bearing liabilities	696	130	102	-	**928**
Interest bearing debt	-	-	822	-	**822**
Deferred tax liability	-	-	15	-	**15**
Total liabilities	696	130	939	-	**1,765**
Capital employed	1,164	321	782	-	**2,267**
Orders received	2,260	767	-	0	**3,027**
Order backlog	1,006	262	-	0	**1,268**

Capital employed includes only external balance sheet items.

Non-recurring items and amortization of intangible assets

EUR million	Minerals	Flow Control	Group Head office and other	2015 **Metso total**
EBITA before non-recurring items	**240.7**	**117.5**	**-11.0**	**347.2**
% of net sales	**11.0**	**15.1**	**-**	**11.7**
Gain on disposal of the PAS business	-	-	252.3	**252.3**
Capacity adjustment expenses	-20.1	-1.2	-	**-21.3**
Other costs	-	-3.3	-1.5	**-4.8**
Amortization of intangible assets	-7.4	-2.6	-8.1	**-18.1**
Operating profit (EBIT)	213.2	110.4	231.7	**555.3**

Entity-wide information

Metso's businesses are present in over 50 countries. The main market areas are Europe and North America accounting for over 45 per cent of net sales. However, Asia and South America are becoming increasingly important. Metso has production units on all continents.

Net sales to unaffiliated customers by destination:

EUR million	Finland	Other European countries	North America	South and Central America	Asia-Pacific	China	Africa and Middle East	Metso total
2014	163	907	685	731	529	287	356	3,658
2015	**101**	**602**	**655**	**602**	**474**	**203**	**340**	**2,977**

Metso's exports, including sales to unaffiliated customers and intra-group sales from Finland, by destination:

EUR million	European countries	North America	South and Central America	Asia-Pacific	China	Africa and Middle East	Total
2014	286	80	58	156	41	50	671
2015	**233**	**68**	**28**	**141**	**22**	**40**	**532**

Long-term assets by location:

EUR million	Finland	Other European countries	North America	South and Central America	Asia-Pacific	China	Africa and Middle East	Non-allocated	Metso total
2014	135	92	109	82	67	63	7	459	1,014
2015	**94**	**91**	**111**	**64**	**69**	**61**	**6**	**437**	**933**

Long-term assets comprise intangible assets, property, plant and equipment, investments in associated companies, available-for-sale equity investments and other non-interest bearing non-current assets. Non-allocated assets include mainly goodwill and other allocated assets arising from business acquisitions that have not been pushed down to the subsidiaries' books.

Gross capital expenditure (excluding business acquisitions) by location:

EUR million	Finland	Other European countries	North America	South and Central America	Asia-Pacific	China	Africa and Middle East	Metso total
2014	10	9	17	19	12	5	2	74
2015	**9**	**8**	**9**	**9**	**5**	**4**	**2**	**46**

Analysis of net sales by category:

	Year ended December 31,	
EUR million	2014	**2015**
Sale of services	2,007	**1,869**
Sale of projects, equipment and goods	1,651	**1,108**
Total	3,658	**2,977**

Major customers

Metso delivers large long-term construction contracts, which however rarely never exceed 10 percent of its net revenue.

34 Audit fees

Year ended December 31,		
EUR million	2014	**2015**
Audit	-1.8	**-1.9**
Tax consulting	-0.5	**-0.5**
Other services	-0.6	**-0.6**
Total	-2.9	**-3.0**

35 Lawsuits and claims

Several lawsuits, legal claims and disputes based on various grounds are pending against Metso in various countries related, among other things, to Metso's products, projects, and other operations, customer receivables and bankruptcy proceedings. Metso's management assesses, however, to the best of its present understanding that the outcome of these lawsuits, claims and legal disputes would not have a material adverse effect on Metso in view of the grounds presented for them, provisions made, insurance coverage in force and the extent of Metso's total business activities.

Pending asbestos litigation

On December 31, 2015 there were 374 pending litigation cases filed in the United States in relation to asbestos injuries in which a Metso entity is one of the named defendants. Metso management's present belief is that the risk caused by the pending asbestos litigation cases in the United States is not material in the context of Metso's total business operations.

36 New accounting standards

IFRS 15

New IFRS 15 standard 'Revenue from Contracts with Customer´ replaces existing standards related to revenue recognition, IAS 18 'Revenue ' and IAS 11' Construction Contracts´. New standard will be applied to all contracts with customers, which justify an entity to receive the considerations against the promised transfer of goods or services. Revenue will be recognized when the control of goods or services are transferred to the customer. Applying the new standard an entity needs to assess whether the revenue will be recognized over time or at a point in time. Also, the effect of the variable considerations and the value of money to the transaction price need to be assessed. Metso has monitored the development of the standard's requirements and will apply the new standard from the beginning of the financial year 2018. Metso has continued the assessing of the impact on its financial statement.

IFRS 9

IFRS 9 standard 'Financial instruments' will replace the current IAS 39. IFRS 9 contains new requirements for the classification and measurement of financial assets and liabilities and the impairment model based on excepted credit losses. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The new guidance for hedge accounting aligns hedge accounting more closely with risk management. Also IFRS 9 relaxes the requirements for hedge effectiveness and change what qualifies as a hedged item. IFRS 9 allows hedge accounting for example for risk components of commodities, aggregated exposures, group of items when hedging foreign currency and equity investments. The standard is applicable to annual reporting periods beginning on or after January 1, 2018. The early adoption is allowed, if EU have accepted the standard. Metso will adopt the standard on required effective date. Based on preliminary assessment, Metso is not expecting any major impact of the standard to its financial statement.

IAS 1

´The Amendments to IAS 1 Disclosure Initiative´ clarifies the existing IAS 1 disclosure requirements for the statement of financial position, profit and loss account and OCI. These amendments are effective for annual periods beginning on 1 January 2016. Metso will apply this amendment on required effective date and does not expect any major impact to its financial statements.

Annual Improvements 2012-2014 Cycle

Metso will apply the required annual improvements related to ´IFRS 5 Non-current assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting´ for annual period beginning January 1 2016 and does not expect any major impact to its financial statements. There are no other IFRS standards, amendments to standards and IFRIC interpretations that are not yet effective that would be expected to have an impact on Metso's reporting.

Financial Indicators 2011–2015

EUR million	2011	2012	2013	2014	**2015**
Net sales	6,646	4,282	3,858	3,658	**2,977**
Operating profit	572	458	423	351	**555**
% of net sales	8.6	10.7	11.0	9.6	**18.7**
Profit before taxes	507	400	369	282	**516**
% of net sales	7.6	9.3	9.6	7.7	**17.3**
Profit from continuing operations	358	256	238	189	**442**
% of net sales	5.4	6.0	6.2	5.2	**14.8**
Profit from continuing operations, attributable to shareholders of the company	356	256	238	188	**442**
Exports from Finland and international operations	6,281	4,125	3,710	3,501	**2,881**
% of net sales	94.5	96.3	96.2	95.7	**96.8**
Amortization	52	18	19	19	**18**
Depreciation	120	53	54	56	**51**
Depreciation and amortization	172	71	73	75	**69**
% of net sales	2.6	1.7	1.9	2.1	**2.3**
EBITA	623	476	442	370	**573**
% of net sales	9.4	11.1	11.5	10.1	**19.3**
EBITDA	744	529	496	426	**624**
% of net sales	11.2	12.4	12.9	11.6	**21.0**
Financial income and expenses, net	65	58	54	69	**39**
% of net sales	1.0	1.4	1.4	1.9	**1.3**
Interest expenses	75	55	48	38	**28**
% of net sales	1.1	1.3	1.2	1.0	**0.9**
Interest cover (EBITDA)	11.4x	9.1x	9.2x	6.2x	**16x**
Gross capital expenditure (excl. business acquisitions)	166	93	95	74	**46**
% of net sales	2.5	2.2	2.5	2.0	**1.5**
Business acquisitions, net of cash acquired	15	4	44	19	**-**
Net capital expenditure (excl. business acquisitions and disposals)	156	91	80	66	**31**
% of net sales	2.3	2.1	2.1	1.8	**1.0**
Net cash provided by operating activities	466	359	316	256	**360**
Free cash flow	375	257	251	204	**341**
Cash conversion, %*)	105	70	105	108	**180**
Research and development	124	61	63	60	**41**
% of net sales	1.9	1.4	1.6	1.6	**1.4**
Balance sheet total	6,618	3,923	3,678	3,403	**3,209**
Equity attributable to shareholders	2,115	1,326	1,173	1,221	**1,436**
Total equity	2,136	1,326	1,181	1,229	**1,444**
Interest bearing liabilities	1,027	1,094	1,049	863	**822**
Net interest bearing liabilities	260	377	490	561	**153**
Net working capital	281	452	651	709	**598**
% of net sales	4.2	10.6	16.9	19.4	**20.1**
Capital employed	3,164	2,420	2,230	2,092	**2,267**
Return on equity (ROE), %	17.8	19.8	19	15.7	**33.1**
Return on capital employed (ROCE) before taxes, %	18.4	21.2	18.6	16.4	**25.7**
Return on capital employed (ROCE) after taxes, %	13.8	14.7	12.9	12.1	**22.4**
Equity to assets ratio, %	39.8	39.1	36.9	40.5	**48.3**
Net gearing, %	12.2	28.4	41.6	45.6	**10.6**
Debt to capital, %	32.5	45.2	47	41.2	**36.3**
Orders received	7,961	4,215	3,709	3,409	**3,027**
Order backlog, December 31	5,310	2,324	1,927	1,575	**1,268**
Average number of personnel	29,590	16,457	16,687	16,091	**13,872**
Personnel, December 31	30,324	16,612	16,425	15,644	**12,375**

*) In 2015, cash conversion is calculated on profit excluding the gain on PAS divestment.

Years 2012–2013 are presented for continuing operations unless otherwise indicated. For illustrative purposes, the balance sheet of 2012 has been restated to represent the continuing operations. For calculating averages in 2012, also 2011 balance sheet has been recalculated to present comparable average information. Key figures for 2012 are in this respect based on unaudited numbers.

Formulas for Calculation of Indicators

Formulas for calculation of financial indicators

EBITA:
Operating profit + amortization + goodwill impairment

EBITDA:
Operating profit + depreciation and amortization + goodwill impairment

Return on equity (ROE), %:
$$\frac{\text{Profit}}{\text{Total equity (average for period)}} \times 100$$

Return on capital employed (ROCE) before taxes, %:
$$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Balance sheet total - non-interest bearing liabilities (average for period)}} \times 100$$

Return on capital employed (ROCE) after taxes, %:
$$\frac{\text{Profit + interest and other financial expenses}}{\text{Balance sheet total - non-interest bearing liabilities (average for period)}} \times 100$$

Net gearing, %:
$$\frac{\text{Net interest bearing liabilities}}{\text{Total equity}} \times 100$$

Equity to assets ratio, %:
$$\frac{\text{Total equity}}{\text{Balance sheet total – advances received}} \times 100$$

Net working capital (NWC):
Inventory + trade receivables + other non-interest bearing receivables
- trade payables - advances received - other non-interest bearing liabilities

Net interest bearing liabilities:
Loan and other interest bearing receivables (non-current and current)
+ financial instruments held for trading + cash and cash equivalents
- long-term debt - current portion of long-term debt - short-term debt

Capital employed:
Balance sheet total - non-interest bearing liabilities

Free cash flow:
Net cash provided by operating activities - capital expenditures on maintenance investments + proceeds from sale of fixed assets

Cash conversion, %:
$$\frac{\text{Free cash flow}}{\text{Profit}} \times 100$$

Debt to capital, %:
$$\frac{\text{Interest bearing liabilities}}{\text{Total equity + interest bearing liabilities}} \times 100$$

Interest cover (EBITDA):
$$\frac{\text{EBITDA}}{\text{Financial income and expenses. net}}$$

Formulas for calculation of share-related indicators

Earnings per share, basic:
$$\frac{\text{Profit attributable to shareholders}}{\text{Average number of outstanding shares during period}}$$

Earnings per share, diluted:
$$\frac{\text{Profit attributable to shareholders}}{\text{Average number of diluted shares during period}}$$

Dividend/share:
$$\frac{\text{Dividend distribution}}{\text{Number of outstanding shares at end of period}}$$

Dividend/earnings, %:
$$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

Total shareholder return (TSR), %:
$$\frac{\text{Change in share price + dividend paid during period}}{\text{Share price at end of previous period}} \times 100$$

Equity/share:
$$\frac{\text{Equity attributable to shareholders of the company}}{\text{Number of outstanding shares at end of period}}$$

Free cash flow/share:
$$\frac{\text{Free cash flow}}{\text{Average number of outstanding shares during period}}$$

Effective dividend yield, %:
$$\frac{\text{Dividend per share}}{\text{Share price on December 31}} \times 100$$

P/E ratio:
$$\frac{\text{Share price on December 31}}{\text{Earnings per share}}$$

Average share price:
$$\frac{\text{Total value of shares traded in euro}}{\text{Number of shares traded during period}}$$

Market capitalization:
Number of outstanding shares x share price at end of period

Parent Company Statement of Income, in accordance with Finnish Accounting Standards, FAS

Year ended December 31,

EUR million	2014	**2015**
Net sales	15	**14**
Other operating income	0	**246**
Personnel expenses	-13	**-14**
Depreciation and amortization	-1	**-1**
Other operating expenses	-23	**-30**
Operating loss	-22	**215**
Financial income and expenses, net	50	**295**
Profit before extraordinary items	28	**510**
Group contributions	47	**36**
Profit before appropriations and taxes	75	**546**
Income taxes for the period	0	**-2**
Income taxes, previous years	-	**-**
Change in deferred taxes	-1	**0**
Profit	74	**544**

Parent Company Balance Sheet, FAS

Assets

As at December 31,

EUR million	2014	**2015**
Non-current assets		
Intangible assets	0	**1**
Tangible assets	19	**1**
Investments		
Shares in Group companies	666	**623**
Other investments	615	**591**
Total non-current assets	1,300	**1,216**
Current assets		
Long-term receivables	2	**1**
Short-term receivables	430	**475**
Securities	13	**111**
Bank and cash	103	**315**
Total current assets	548	**902**
Total assets	1,848	**2,118**

Shareholders' equity and liabilities

As at December 31,

EUR million	2014	**2015**
Shareholders' equity		
Share capital	141	**141**
Invested non-restricted equity fund	366	**368**
Retained earnings	223	**550**
Total shareholders' equity	730	**1,059**
Liabilities		
Long-term liabilities	781	**789**
Current liabilities	337	**270**
Total liabilities	1,118	**1,059**
Total shareholders' equity and liabilities	1,848	**2,118**

Parent Company Statement of Changes in Shareholders' Equity, FAS

EUR million	Share capital	Invested non-restricted equity fund	Retained earnings	Total
Balance at December 31, 2013	**141**	**365**	**299**	**805**
Dividends	-	-	-150	-150
Other	-	1	-	1
Profit	-	-	74	74
Balance at December 31, 2014	**141**	**366**	**223**	**730**
Dividends	-	-	-217	-217
Other	-	2	0	2
Profit	-	-	544	544
Balance at December 31, 2015	**141**	**368**	**550**	**1,059**

Exchange Rates Used

		Average rates		Year-end rates	
		2014	**2015**	2014	**2015**
USD	(US dollar)	1.3256	**1.1130**	1.2141	**1.0887**
SEK	(Swedish krona)	9.1004	**9.3414**	9.3930	**9.1895**
GBP	(Pound sterling)	0.8055	**0.7284**	0.7789	**0.7340**
CAD	(Canadian dollar)	1.4639	**1.4236**	1.4063	**1.5116**
BRL	(Brazilian real)	3.1207	**3.7024**	3.2207	**4.3117**
CNY	(Chinese yuan)	8.1693	**6.9924**	7.5358	**7.0608**
AUD	(Australian dollar)	1.4777	**1.4836**	1.4829	**1.4897**

Shares and shareholders

Shares and share capital

Metso Corporation's share capital, fully paid up and entered in the trade register on December 31, 2015, was EUR 140,982,843.80 and the total number of shares 150,348,256. Metso Corporation held on December 31, 2015, a total of 363,718 of the company's own shares, which represent 0.2 percent of all Metso shares and votes. Metso has one share series, and each share entitles its holder to one vote at the General Meeting and to an equal amount of dividend. Metso's shares are registered in the Finnish book-entry system.

Share trading

Metso Corporation's shares are quoted on the NASDAQ OMX Helsinki (OMXH), under the ticker symbol MEO1V, since July 1, 1999. In addition, Metso shares are traded on alternative marketplaces BOAT, BATS Chi-X and Turquoise.

Metso's ADS (American Depositary Shares) are traded in the United States on the International OTCQX market under the ticker symbol MXCYY. Four Metso ADS represents one Metso share.

The Bank of New York Mellon serves as the depository bank for Metso's ADS. OTCQX is the premier tier of the OTC (over-the-counter) markets, and requires more comprehensive financial reporting and availability of financial data from listed companies.

Market capitalization

Metso's share price on the NASDAQ OMX Helsinki decreased 16 percent, from EUR 24.68 to EUR 20.70, in 2015. The NASDAQ OMX Helsinki portfolio index, OMX Helsinki CAP, increased 11 percent during the same period. The highest quotation of Metso's share on the NASDAQ OMX Helsinki in 2015 was EUR 29.55, and the lowest EUR 17.31. The average trading price for the year was EUR 24.15. Metso's market capitalization at year-end, excluding shares held by the company, was EUR 3,105 million.

The ADS price on the OTCQX market at year-end 2015 was USD 5.92. The highest closing price for Metso's ADSs in the United States was USD 8.22, and the lowest USD 4.88.

Share turnover

A total of 150,739,847 Metso shares were traded on the NASDAQ OMX Helsinki during 2015, equivalent to a turnover of EUR 3,640 million. The average daily trading volume was 600,557 shares which was a 12 percent decrease from the previous year. During the year, the relative turnover was 101 percent (114%).

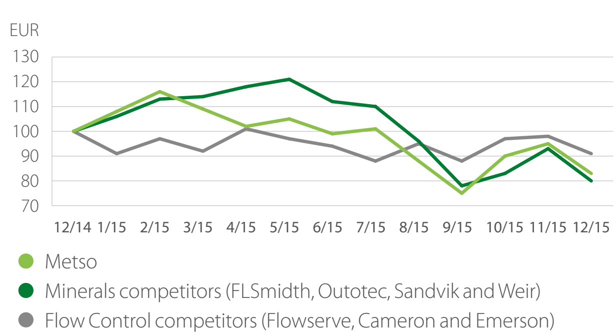
Shareholders

At the end of 2015, Metso had 52,020 shareholders in the book-entry system, the largest of which was Solidium Oy with 14.7 percent (11.7%) ownership. Nominee-registered shares and shares in direct foreign ownership accounted for 49.5 percent (47.8%) of the total stock. Finnish institutions, companies and organizations accounted for 36.5 percent (38.2%) and Finnish private persons for 14.0 percent (14.0%) of Metso's shares.

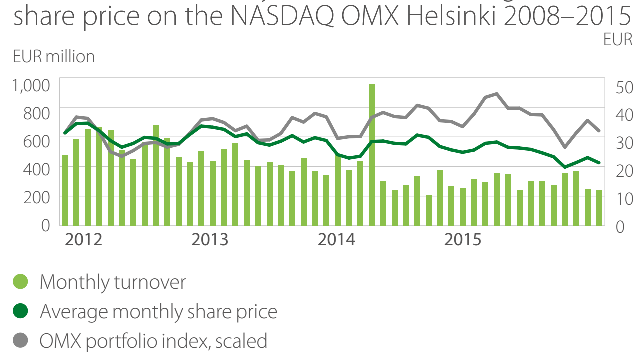
Flaggings

Under the provisions of the Finnish Securities Markets Act, shareholders of listed companies have an obligation to notify both the Finnish Financial Supervision Authority and the listed company of changes in their holdings. Metso is not aware of any shareholders' agreement regarding the Metso shares or voting rights.

Metso and competitors' share price development



Metso share's monthly turnover and average share price on the NASDAQ OMX Helsinki 2008–2015



Flagging notifications in 2015

Release date	Flagging date	Shareholder	Treshold	Amount of shares	% of shares
Nov 30, 2015	Nov 26, 2015	BlackRock Inc.	below 5%	-	-
Nov 16, 2015	Nov 12, 2015	BlackRock Inc.	above 5%	7,524,136	5.0
Aug 20, 2015	Aug 19, 2015	BlackRock Inc.	below 5%	-	-
June 23, 2015	June 18, 2015	BlackRock Inc.	above 5%	7,674,531	5.1
June 11, 2015	June 11, 2015	BlackRock Inc.	below 5%	-	-
March 27, 2015	March 23, 2015	BlackRock Inc.	above 5%	7,524,029	5.0
March 12, 2015	March 11, 2015	BlackRock Inc.	below 5%	-	-
March 12, 2015	March 10, 2015	BlackRock Inc.	above 5%	7,528,875	5.0
Feb 6, 2015	Feb 6, 2015	Cevian Capital Partners Ltd.*	above 10%	20,813,714	13.84
Feb 6, 2015	Feb 6, 2015	Cevian Capital II Masterfund*	below 5%	0	0

*Transfer between funds. The transaction did not have any impact on the total amount of shares held by Cevian.

Share repurchases

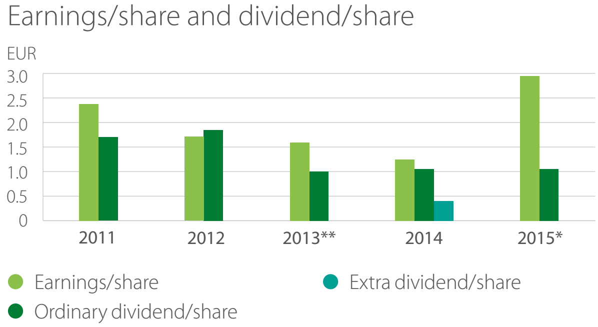
On March 27, 2015, the Annual General Meeting authorized the Board to decide on the repurchase and/or accept as a pledge of the company's own shares. Under the authorization granted, the Board is entitled to decide on the repurchase and/or acceptance as a pledge of a maximum of 10,000,000 of the company's own shares acquired through public trading on the NASDAQ OMX Helsinki Ltd at the market price at the time of repurchase.

The company's repurchased shares can be held by the company, cancelled or conveyed. The Board of Directors shall decide on other matters related to the repurchase and/or acceptance as a pledge of the company's own shares. The repurchase authorization is valid until June 30, 2016, and it revoked the repurchase authorization given by the Annual General Meeting on March 26, 2014.

Incentive plans

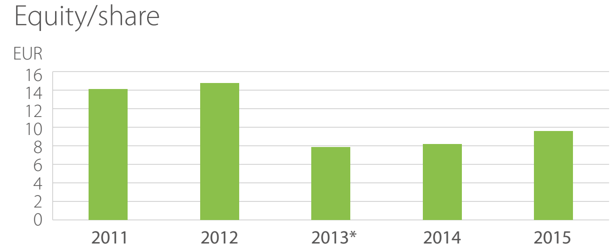
Metso's share ownership plans are part of the remuneration program for Metso management. For further information, see metso.com/investors and the Notes to the Financial Statements (Note 23, on pages 44–45). Any shares to be potentially rewarded are acquired through public trading, and therefore the incentive plans will have no diluting effect on the share value.

Earnings/share and dividend/share



* Board's proposal
** Profit from continuing operations

Equity/share



* After the Valmet demerger

Holdings of Metso's Board of Directors and executive management

At the year-end, the members of Metso's Board of Directors, President and CEO Matti Kähkönen, Executive Vice President Harri Nikunen, and their interest parties held altogether 89,912 Metso shares, which correspond to 0.06 percent of the total amount of shares and votes in Metso.

Dividend policy

Metso's dividend policy is to distribute at least 50 percent of annual earnings per share as annual dividend. The Board of Directors proposes to the Annual General Meeting, to be held on March 21, 2016, that the dividend of EUR 1.05 per share be paid for the financial year 2015. The proposed dividend of EUR 1.05 (EUR 1.05 and an extra dividend of EUR 0.40) corresponds to 36 percent (116%) of the profit attributable to shareholders for the year, and the effective dividend yield is 5.1 percent (5.8%).

Share capital and share data 2011–2015

	2011	2012	2013	2014	2015
Share capital, December 31, EUR million	241	241	141	141	**141**
Number of shares, December 31:					
Number of outstanding shares	149,629,196	149,756,034	149,864,619	149,889,268	**149,984,538**
Own shares held by the Parent Company	719,060	592,222	483,637	458,988	**363,718**
Total number of shares	150,348,256	150,348,256	150,348,256	150,348,256	**150,348,256**
Average number of outstanding shares	149,629,690	149,715,383	149,826,119	149,884,338	**149,964,701**
Average number of diluted shares	149,832,989	149,870,074	149,941,820	149,969,729	**149,989,417**
Trading volume, NASDAQ OMX Helsinki Ltd	206,936,576	223,439,548	173,318,027	170,218,971	**150,739,847**
% of shares [1]	138.3	149.2	115.6	113.6	**100.5**
Earnings/share, basic, EUR	2.38	1.71	1.59	1.25	**2.95**
Earnings/share, diluted, EUR	2.38	1.71	1.59	1.25	**2.95**
Free cash flow/share, EUR	2.50	1.72	1.68	1.36	**2.27**
Dividend/share [2], EUR	1.70	1.85	1.00	1.45	**1.05**
Dividend [2], EUR million	254	277	150	217	**157**
Dividend/earnings [2], %	71	108	63	116	**36**
Effective dividend yield [2], %	5.9	5.8	3.2	5.8	**5.1**
P/E ratio	12.04	18.74	19.51	19.89	**7.02**
Equity/share, EUR	14.13	14.74	7.83	8.15	**9.58**
Highest share price, EUR	43.27	37.27	34.93	31.97	**29.55**
Lowest share price, EUR	19.72	24.88	25.64	21.74	**17.31**
Average share price, EUR	31.79	30.02	30.12	26.42	**24.11**
Share price, December 31, EUR	28.65	32.04	31.02	24.86	**20.70**
Market capitalization, December 31 [3], EUR million	4,287	4,798	4,649	3,726	**3,105**

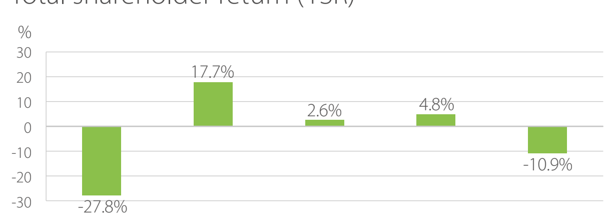
[1] Of the total amount of shares for public trading
[2] 2015 proposal by the Board of Directors
[3] Excluding own shares held by the Parent Company

Formulas for calculation of share-related indicators are on page 64.

Market capitalization, on December 31

* Metso's market capitalization after listing of Valmet Corporation on January 2, 2014 was EUR 3,656 million

Total shareholder return (TSR)



* Metso shareholders received Valmet share (EUR 6.65 a piece) in consideration of the demerger.

Metso´s biggest shareholders on December 31, 2015

		Shares and votes	% of share capital and voting rights
1	**Solidium Oy**	**22,110,709**	**14.7**
2	**Varma Mutual Pension Insurance Company**	**6,048,465**	**4.0**
3	**Ilmarinen Mutual Pension Insurance Company**	**3,302,126**	**2.2**
4	**Odin Funds**	**1,724,474**	**1.2**
	Odin Norden	1,279,726	0.9
	Odin Finland	444,748	0.3
5	**The State Pension Fund**	**1,620,000**	**1.1**
6	**Keva**	**1,527,810**	**1.0**
7	**Mandatum Life Insurance**	**1,487,381**	**1.0**
8	**Svenska litteratursällskapet i Finland r.f.**	**1,188,676**	**0.8**
9	**Elo Pension Company**	**1,077,000**	**0.7**
10	**Schweizerische Nationalbank**	**738,759**	**0.5**
	10 largest owner groups in total	**40,825,400**	**27.2**
	Nominee-registered and non-Finnish holders *)	74,411,597	49.5
	Other shareholders	34,738,621	23.1
	Own shares held by the Parent Company	363,718	0.2
	In the issuer account	8,920	0.0
	Total	**150,348,256**	**100.0**

*) Shareholders have an obligation to notify the company of changes in their holdings, when the holdings have reached, exceeded or fallen below 5 percent of Metso's voting rights, share capital or options entitling to these.

Breakdown by shareholder capital

- Nominee-registered and non-Finnish holders 50% (48%)
- Solidium Oy 15% (12%)
- Private investors 14% (14%)
- General government 10% (12%)
- Financial and insurance corporations 4% (6%)
- Non-profit institutions 5% (5%)
- Finnish institutions, companies and foundations 2% (3%)

Breakdown of share ownership on December 31, 2015

Number of shares	Shareholders	% of shareholders	Total numberof shares and votes	% of share capital and voting rights
1 – 100	22,108	42.5	1,159,103	0.8
101 – 1 000	25,129	48.3	9,059,888	6.0
1,001 – 10 000	4,422	8.5	11,344,016	7.6
10,001 – 100,000	301	0.6	7,687,280	5.1
over 100,000	47	0.1	49,534,978	32.9
Total	52,007	100.0	78,785,265	52.4
Nominee-registered shares	12		71,190,353	47.4
Own shares held by the Parent Company	1		363,718	0.2
In the issuer account			8,920	0
Number of shares issued			**150,348,256**	**100.0**

Changes in number of shares and share capital

	Flagging date	Number of shares	Change in number of shares	Share capital, EUR	Change in share capital, EUR
2001	New shares subscribed with the Metso 1994 options, which were transferred from Valmet Corporation	136,250,545	793,270	231,625,926.50	1,348,559.00
2005	New shares subscribed with the Metso 2000A/B and 2001A/B options	141,654,614	5,404,069	240,812,843.80	9,186 917.30
2006	New shares subscribed with the Metso 2003A options	141,719,614	65,000	240,923,343.80	110,500.00
2007	New shares subscribed with the Metso 2003A options	141,754,614	35,000	240,982,843.80	59,500.00
2008	No changes in number of shares nor in share capital	141,754,614	-	240,982,843.80	-
2009	New shares issued as consideration for Tamfelt acquisition	150,348,256	8,593,642	240,982,843.80	-
2010–2012	No changes in number of shares nor in share capital	150,348,256	-	240,982,843.80	-
2013	Metso's share capital decreased in connection with the demerger by an amount equaling Valmet Corporation's share capital.	150,348,256	-	140,982,843.80	-100,000, 000.00
2014	No changes in number of shares nor in share capital	150,348,256	-	140,982,843.80	
2015	No changes in number of shares nor in share capital	150,348,256	-	140,982,843.80	

Read more

- metso.com/governance
- metso.com/shareholders
- metso.com/insiders

Auditor's Report

To the Annual General Meeting of Metso Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Metso 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 President and CEO

The Board of Directors and the President and CEO 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 President and CEO 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 and the President and CEO are guilty of an act or negligence which may result in liability in damages towards the company or 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 that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the President and CEO of the parent company should be discharged from liability for the financial period audited by us.

Helsinki, February 3, 2016
Ernst & Young Oy
Authorized Public Accounting Firm

Roger Rejström
Authorized Public Accountant

Quarterly information

Consolidated statements of income

EUR million	1–3/14	4–6/14	7–9/14	10–12/14	2014	1–3/15	4–6/15	7–9/15	10–12/15	2015
Net sales	817	962	861	1,018	**3,658**	787	756	680	754	**2,977**
Cost of goods sold	-582	-679	-599	-719	**-2,579**	-551	-521	-456	-534	**-2,062**
Gross profit	235	283	262	299	**1,079**	236	235	224	220	**915**
Selling, general and administrative expenses	-161	-172	-161	-189	**-683**	-170	-147	-127	-149	**-593**
Other operating income and expenses, net	2	-9	-29	-10	**-46**	-1	259	-21	-3	**234**
Share in profits and losses of associated companies	0	0	0	1	**1**	0	0	0	-1	**-1**
Operating profit	76	102	72	101	**351**	65	347	76	67	**555**
Financial income and expenses, net	-13	-23	-16	-17	**-69**	-10	-9	-12	-8	**-39**
Profit before taxes	63	79	56	84	**282**	55	338	64	59	**516**
Income taxes	-21	-26	-18	-28	**-93**	-18	-28	-22	-6	**-74**
Profit	42	53	38	56	**189**	37	310	42	53	**442**
Attributable to:										
Shareholders of the company	42	53	38	55	**188**	37	310	42	53	**442**
Non-controlling interests	0	0	0	1	**1**	0	0	0	0	**0**
Profit	42	53	38	56	**189**	37	310	42	53	**442**
Earnings per share										
Basic, EUR	0.28	0.35	0.26	0.36	**1.25**	0.25	2.06	0.29	0.35	**2.95**
Diluted, EUR	0.28	0.35	0.26	0.36	**1.25**	0.25	2.06	0.29	0.35	**2.95**
EBITA	80.9	106.7	76.7	105.5	**369.8**	70.3	351.1	79.9	72.1	**573.4**
% of net sales	9.9	11.1	8.9	10.4	**10.1**	8.9	46.4	11.8	9.6	**19.3**
Non-recurring items	-6.6	-24.5	-27.1	-32.2	**-90.4**	-	257.2	-12.4	-18.6	**226.2**
EBITA before non-recurring items	87.5	131.2	103.8	137.7	**460.2**	70.3	93.9	92.3	90.7	**347.2**
% of net sales	10.7%	13.6%	12.1%	13.5%	**12.6%**	8.9%	12.4%	13.6%	12.0%	**11.7%**

Consolidated balance sheets

	Mar 31, 2014	June 30, 2014	Sep 30, 2014	**Dec 31, 2014**	Mar 31, 2015	June 30, 2015	Sep 30, 2015	**Dec 31, 2015**
Non-current assets								
Intangible assets	566	563	565	**566**	578	557	552	**550**
Property, plant and equipment	375	377	393	**398**	410	373	345	**343**
Financial and other assets	241	229	203	**194**	219	190	183	**170**
Total non-current assets	1,182	1,169	1,161	**1,158**	1,207	1,120	1,080	**1,063**
Current assets								
Inventories	941	913	925	**842**	871	784	752	**715**
Receivables	1,075	1,122	1,201	**1,124**	1,093	997	897	**841**
Cash and cash equivalents	467	271	255	**279**	376	542	537	**590**
Total current assets	2,483	2,306	2,381	**2,245**	2,340	2,323	2,186	**2,146**
Total assets	3,665	3,475	3,542	**3,403**	3,547	3,443	3,266	**3,209**
Equity								
Share capital	141	141	141	**141**	141	141	141	**141**
Other shareholders' equity	919	982	1,046	**1,080**	1,009	1,298	1,233	**1,295**
Non-controlling interests	7	7	8	**8**	9	9	8	**8**
Total equity	1,067	1,130	1,195	**1,229**	1,159	1,448	1,382	**1,444**
Liabilities								
Non-current liabilities	925	928	927	**956**	967	924	924	**915**
Current liabilities	1,673	1,417	1,420	**1,218**	1,421	1,071	960	**850**
Total liabilities	2,598	2,345	2,347	**2,174**	2,388	1,995	1,884	**1,765**
Total shareholders' equity and liabilities	3,665	3,475	3,542	**3,403**	3,547	3,443	3,266	**3,209**
Net interest bearing liabilities								
Long-term interest bearing debt	778	787	789	**791**	794	761	766	**765**
Short-term interest bearing debt	245	161	105	**72**	81	67	60	**57**
Cash and cash equivalents	-467	-271	-255	**-279**	-376	-542	-537	**-590**
Other interest bearing assets	-98	-74	-47	**-23**	-19	-46	-82	**-79**
Total	458	603	592	**561**	480	240	207	**153**
Equity to assets ratio, %	33.6	37.3	38.9	**40.5**	36.6	46.0	46.4	**48.3**
Net gearing, %	42.8	53.4	49.6	**45.6**	41.4	16.6	15.0	**10.6**

Net sales by reporting segment

EUR million	1–3/14	4–6/14	7–9/14	10–12/14	**2014**	1–3/15	4–6/15	7–9/15	10–12/15	**2015**
Minerals	608	706	619	743	**2,676**	563	560	501	574	**2,198**
Flow Control	210	255	247	270	**982**	225	194	179	180	**778**
Group Head Office and other	-	-	-	5	**5**	-	1	1	0	**2**
Intra Metso net sales	-1	1	-5	0	**-5**	-1	1	-1	0	**-1**
Metso total	817	962	861	1,018	**3,658**	787	755	679	754	**2,977**

EBITA before non-recurring items by reporting segment

EUR million	1–3/14	4–6/14	7–9/14	10–12/14	**2014**	1–3/15	4–6/15	7–9/15	10–12/15	**2015**
Minerals	68.6	95.7	73.5	100.0	**337.8**	55.4	60.2	55.9	69.2	**240.7**
Flow Control	23.3	40.9	41.8	42.2	**148.2**	20.8	36.1	37.0	23.6	**117.5**
Group Head Office and other	-4.4	-5.4	-11.5	-4.5	**-25.8**	-5.9	-2.4	-0.6	-2.1	**-11.0**
Metso total	87.5	131.2	103.8	137.7	**460.2**	70.3	93.9	92.3	90.7	**347.2**

EBITA before non-recurring items, % of net sales by reporting segment

%	1–3/14	4–6/14	7–9/14	10–12/14	**2014**	1–3/15	4–6/15	7–9/15	10–12/15	**2015**
Minerals	11.3	13.6	11.9	13.5	**12.6**	9.9	10.8	11.2	12.1	**11.0**
Flow Control	11.1	16.0	16.9	15.6	**15.1**	9.2	18.6	20.7	13.1	**15.1**
Group Head Office and other	n/a	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	n/a	**n/a**
Metso total	10.7	13.6	12.1	13.5	**12.6**	8.9	12.4	13.6	12.0	**11.7**

Operating profit (loss) by reporting segment

EUR million	1–3/14	4–6/14	7–9/14	10–12/14	**2014**	1–3/15	4–6/15	7–9/15	10–12/15	**2015**
Minerals	60.2	68.1	48.2	67.4	**243.9**	53.8	58.3	50.9	50.2	**213.2**
Flow Control	22.2	39.6	36.2	40.7	**138.7**	19.4	36.1	33.0	21.9	**110.4**
Group Head Office and other	-6.1	-5.8	-12.4	-7.5	**-31.8**	-7.9	252.7	-8.4	-4.7	**231.7**
Metso total	76.3	101.9	72.0	100.6	**350.8**	65.3	347.1	75.5	67.4	**555.3**

Operating profit (loss), % of net sales by reporting segment

%	1–3/14	4–6/14	7–9/14	10–12/14	**2014**	1–3/15	4–6/15	7–9/15	10–12/15	**2015**
Minerals	9.9	9.6	7.8	9.1	**9.1**	9.6	10.4	10.2	8.7	**9.7**
Flow Control	10.6	15.5	14.7	15.1	**14.1**	8.6	18.6	18.4	12.2	**14.2**
Group Head Office and other	n/a	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	n/a	**n/a**
Metso total	9.3	10.6	8.4	9.9	**9.6**	8.3	45.9	11.1	8.9	**18.7**

Orders received by reporting segment

EUR million	1–3/14	4–6/14	7–9/14	10–12/14	**2014**	1–3/15	4–6/15	7–9/15	10–12/15	**2015**
Minerals	597	662	558	544	**2,361**	558	642	475	585	**2,260**
Flow Control	279	286	230	256	**1,051**	241	181	172	173	**767**
Group Head Office and other	-	-	-	-	**-**	-	-	-	-	**-**
Intra Metso net sales	-1	-1	-2	1	**-3**	0	0	0	0	**0**
Metso total	875	947	786	801	**3,409**	799	823	647	758	**3,027**

Order backlog by reporting segment

EUR million	Mar 31, 2014	June 30, 2014	Sep 30, 2014	**Dec 31, 2014**	Mar 31, 2015	June 30, 2015	Sep 30, 2015	**Dec 31, 2015**
Minerals	1,483	1,442	1,381	**1,108**	1,120	1,109	1,004	**1,006**
Flow Control	462	496	500	**468**	510	300	285	**262**
Group Head Office and other	-	-	-	**-**	-	-	1	**-**
Intra Metso order backlog	-1	-	-9	**-1**	1	2	0	**0**
Metso total	1,944	1,938	1,872	**1,575**	1,631	1,411	1,290	**1,268**

Personnel by reporting segment

	Mar 31, 2014	June 30, 2014	Sep 30, 2014	**Dec 31, 2014**	Mar 31, 2015	June 30, 2015	Sep 30, 2015	**Dec 31, 2015**
Minerals	10,818	10,724	10,660	**10,368**	10,182	9,739	9,267	**9,039**
Flow Control	4,636	4,776	4,562	**4,557**	4,495	2,927	2,814	**2,770**
Group Head Office and other	744	748	717	**719**	673	658	583	**566**
Metso total	16,198	16,248	15,939	**15,644**	15,350	13,324	12,664	**12,375**

Risks and risk management

Risk and risk management

Metso uses risk management to support the achievement of its strategic targets and business objectives and to ensure the continuity of its operations also in changing circumstances. We believe that the ability to take risks and to manage them effectively is an essential element of business success and shareholder value creation.

We define risks as uncertainties, which, if materialized, can either positively or negatively impact our chances of achieving our goals. So, risk is either an opportunity or a threat to our goals – or a combination of opportunity and threat. We assess the significance of a risk as a combination of probability and impact of the occurrence. Our comprehensive risk management approach emphasizes anticipation of risks and proactive actions accordingly. We strive to execute this approach systematically and in a structured and timely manner. Risk management is embedded in all of our daily operations. Our risk management is established on the requirements of the ISO 31000 standard.

Risk management focus areas in 2015

The key focus area of Metso's risk management is on providing support for the implementation of its strategy. In 2015, uncertainties surrounding economic growth globally, the political turbulence seen, for example, in Eastern Europe and Russia, and the prolonged uncertainty in the Chinese economy, increased the threats related to our operating environment. Continued financial uncertainty, fluctuations in exchange rates and tightening financial market regulations increased our receivables-related risks. New, cost-efficient players influenced the competitive situation in individual businesses, especially in emerging markets.

We continued our active participation in the development of supply chain management to ensure sufficient consideration to aspects related to risk management. Around 60% of our production is done by external suppliers and therefore supply chain management is highly important for us. Together with our sustainability, legal and risk management functions, our Global Supply Chain organization oversees that sustainability and compliance issues as well as the business interruption risks of supply chains are carefully clarified and settled and constantly followed.

High priority was given to the development of more proactive, faster, higher-quality and easily available crisis management capabilities. The importance of efficient crisis management has increased in the new Metso, as the company's project portfolio has developed towards a larger number of smaller projects in different parts of the world.

To monitor the risk management performance of our units globally, we conduct and organize Risk Management Evaluations. The purpose of the evaluation audits is to support our units in finding the best ways to manage risks and provide a forum for sharing best practices throughout the company. The results of the 2015 evaluations show that, of Metso's four risk categories, the management of strategic and financial risks is at the strongest level, and the management of certain operational and hazard risks calls for further development. Particular attention is paid to the continuous improvement of the management of business interruption and information security risks.

Altogether six Risk Management Evaluations, ten property damage and business interruption risk engineering audits, six logistics audits, and 23 HSE audits were carried out during the year. More than half of the units audited include a service function. Altogether, we have approximately 90 service centers around the world that pose a definite challenge for our risk management. We must make sure that all of them address health, safety and environment issues and are included in relevant audit programs.

We have further improved the coordination and synergies between audits carried out by different actors to make sure that all identified units and sectors are subject to audits that best support the development of their risk management.

Since the beginning of 2015, we have been using the services of a new insurance broker. Together with our broker, we have been working to ensure the sufficient quantity of limits of all our global insurance programs. We have also reviewed the quality of the terms and conditions of these programs in an effort to ensure unambiguity for all relevant parties.

Most significant threats and opportunities

We define risks as uncertainties that can be both opportunities for and threats to our business operations and strategy implementation. In our annual risk assessment, we systematically assess the significance and development of various risks.

In the risk assessment for the strategic period of 2016–2019, the most significant factors creating threats and opportunities for Metso are:

1. Impact of global economic cycles on meeting our strategic goals.
2. Availability of mergers and acquisitions and capacity to utilize them.
3. Occurrence of customer credit risks and ability to manage them.
4. Occurrence of capital business profitability risks and ability to manage them.
5. Effects of customer industry cycles on meeting our business targets.
6. Ability to manage and develop the customer interface.
7. Maintaining our competitive position and market share.
8. Maintaining the demand for our products and the continuity of customer relationships.
9. Ability to retain and strengthen our brand and reputation as the industry's leading company.
10. Ability to ensure sufficient marketing and sales capabilities.

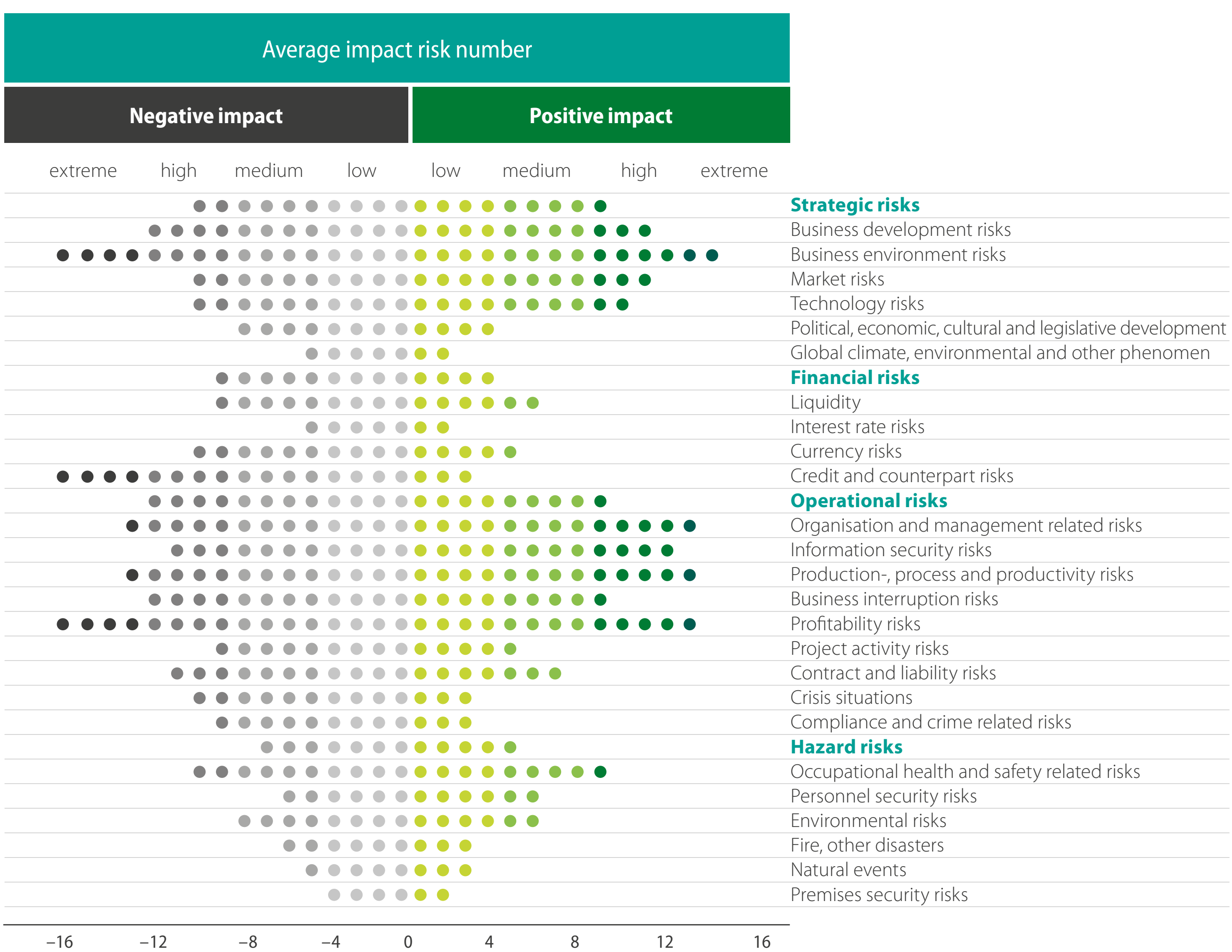
Goals for 2016

We use risk management to support the achievement of our strategic and business goals and to ensure the continuity of our operations also in changing circumstances. Particular attention is given to the most relevant findings of our annual risk assessment. We continue to focus on proactive measures and securing our operations and on limiting adverse impacts and utilizing opportunities.

The focus areas of our risk management work in 2016 include the following:

- **Review of risk management processes** to make sure that they contribute to the achievement of our strategic targets.
- **Internal communication of risk management processes.** Special emphasis must be given to the internal communication of these processes due to the large number of organizational changes we have had during the past two years.
- **Further improvement of coordination and synergies between supply chain, information security and risk management audits carried out by different actors.** We must make sure that all identified units and sectors are subject to audits that best support the development of their risk management. In particular, we are looking for better synergies with the internal audits.
- **Continuous development of corporate security-related functions.**
- **Ensuring that the terms, limits and conditions of all our insurance programs are appropriate.**

Risk management



For shareholders

Annual General Meeting

Metso's 2016 Annual General Meeting (AGM) will be held on Monday, March 21, 2016 at 2 p.m., at Finlandia Hall, Mannerheimintie 13 e, entrance door M4/K4, Helsinki.

Right to attend

Shareholders who are entered as shareholders in Metso's shareholder register maintained by Euroclear Finland Ltd by March 9, 2016, have the right to participate in the AGM. The meeting will be held in Finnish, and simultaneous interpretation in English will be provided.

Registration

1) Internet: metso.com/agm (metso.com/yk in Finnish)
2) Telephone: +358 10 808 300
   (Weekdays between 8:00 a.m. and 6:00 p.m. EET)
3) Fax: +358 20 484 3170
4) Metso Corporation
   Share register/ Ritva Tyventö-Saari
   PO Box 1220
   FI-00101 Helsinki
   Finland

Letters, e-mails and faxes informing of participation must reach Metso before the notification period expires at 10:00 a.m. on March 16, 2016. Letters authorizing a proxy to exercise a shareholder's voting right at the Annual General Meeting should also reach Metso before the notification period expires.

In connection with the registration, shareholders are required to provide their name, personal or company identification number, address, telephone number and the name of a possible assistant, authorized representative or statutory representative, as well as the personal identification number of the proxy representative or the statutory representative.

Shareholders holding nominee-registered shares and wishing to participate in the AGM can be entered into the temporary shareholder register by no later than 10:00 a.m. on March 16, 2016, in order to be able to participate in the AGM, if the shareholder has the right to be entered in Metso's shareholder register on the basis of the same shares on the AGM's record date on March 9, 2016. Shareholders holding nominee-registered shares are urged to ask their custodian bank for instructions on registering in the shareholder register, the issuing of proxy documents and registering for the AGM.

Payment of dividends

The Board of Directors proposes to the AGM that a dividend of EUR 1.05 per share be paid for 2015. The dividend will be paid to those shareholders who are entered in the Corporation's shareholder register maintained by Euroclear Finland Ltd on the record date of the dividend payment, March 23, 2016.

Important dates related to the AGM

Record date of AGM participation	March 9, 2016
Registration period ends	March 16, 2016
Annual General Meeting	March 21, 2016
Dividend ex-date	March 22, 2016
Record date of dividend payment	March 23, 2016
Dividend payment	April 1, 2016

Trading of Metso's shares

Metso Corporation has one share series. Metso's shares are listed on the NASDAQ OMX Helsinki Ltd and are registered in the Finnish book entry register maintained by Euroclear Finland Ltd. Metso shares are traded as American Depositary Shares (ADS) in the United States on the International OTCQX marketplace. Four Metso ADS represents one Metso share. The Bank of New York Mellon acts as the depository for the Metso ADS.

Financial publications

We publish a printed Annual Review and Financial Statements in Finnish and English. A pdf version of the Annual Review and Financial Statements is also available on our website at metso.com.

Our interim reviews and our releases are available in Finnish and English on our website.

Publication dates of reviews and reports in 2016

Financial statements review 2015	February 4, 2016
Annual Report 2015	week 8, 2016
Interim review for January–March	April 22, 2016
Interim review for January–June	July 21, 2016
Interim review for January–September	October 21, 2016

Read more

› **Read more about AGM-related issues on our website: metso.com/agm**

Board of Directors

December 31, 2015

Mikael Lilius

Mikael Lilius
Chairman of the Board
Born: 1949, Finnish citizen
Education: B.Sc. (Econ.)
Chairman of the Board since 2013. Member of the Board since 2013. Chairman of the Board's Remuneration and HR Committee. Independent of the company and independent of significant shareholders.
Main occupation: Miscellaneous positions of trust

Lars Josefsson

Lars Josefsson
Member of the Board
Born: 1953, Swedish citizen
Education: M.Sc. (Eng. Physics)
Member of the board since 2013. Member of the Board's Audit Committee. Independent of the company and independent of significant shareholders.
Main occupation: Independent consultant

Christer Gardell

Christer Gardell
Vice-chairman of the Board
Born: 1960, Swedish citizen
Education: M.Sc. (Business Administration and Economics)
Vice-chairman of the Board since 2013. Member of the Board since 2006. Member of the Board's Remuneration and HR Committee. Independent of the company and not independent of significant shareholders.
Main occupation: CEO, Cevian Capital

Nina Kopola

Nina Kopola
Member of the Board
Born: 1960, Finnish citizen
Education: M.Sc. (Chemical Eng.), Technology Licentiate
Member of the Board since 2013. Member of the Board's Audit Committee. Independent of the company and independent of significant shareholders.
Main occupation: President and CEO, Suominen Corporation

Wilson Nélio Brumer

Wilson Nélio Brumer
Member of the board
Born: 1948, Brasilian citizen
Education: BA
Member of the board since 2013. Independent of the company and independent of significant shareholders.
Main occupation: Managing Director B & P Investimentos e Participações and president at Vicenza Mineracao e Participacoes S.A

Eeva Sipilä

Eeva Sipilä
Member of the Board
Born: 1973, Finnish citizen
Education: M.Sc. (Econ.), CEFA
Member of the Board since 2012. Chairman of the Board's Audit Committee. Independent of the company and independent of significant shareholders.
Main occupation: Executive Vice President, CFO, Cargotec Corporation

Ozey K. Horton, Jr.

Ozey K. Horton, Jr.
Member of the Board
Born: 1951, U.S. citizen
Education: MBA, BSE
Member of the Board since 2011. Member of the Board's Remuneration and HR Committee. Independent of the company and independent of significant shareholders.
Main occupation: Board professional, independent advisor

Read more

These are summaries of the Board of Directors CV's. Read full CV's online on
› metso.com/board

Metso Executive Team

December 31, 2015


Matti Kähkönen

Matti Kähkönen
President and CEO
Born: 1956, Finnish citizen
Education: M.Sc. (Eng.)
Member of the Executive Team since 2011. Joined the company in 1980.
Key experience: President Mining and Construction Technology 2008–2011; President, Metso Minerals 2006–2008; President, Metso Automation 2001–2006.


John Quinlivan

John Quinlivan
President, Flow Control
Born: 1961, US citizen
Education: B.S. Mechanical Engineering
Member of the Executive Team since 2015. Joined the company in 1989.
Key experience: Senior Vice President Global Operations, Flow Control and Automation 2012–2015; President of Metso Automation, North America 2004–2012.


Harri Nikunen

Harri Nikunen
CFO, Deputy to CEO
Born: 1955, Finnish citizen
Education: BA (Finance and Business Administration)
Member of the Executive Team since 2011. Joined the company in 1986.
Key experience: Various senior management positions, Metso 1986–2011.


Merja Kamppari

Merja Kamppari
Senior Vice President, Human Resources
Born: 1958, Finnish citizen
Education: M.Sc. (Econ.)
Member of the Executive Team since 2011. Joined the company in 2009.
Key experience: Head of Operational Excellence, HR 2008–2009, Head of Global HR, Nokia Siemens Networks; Various senior HR positions, Nokia Networks 1994–2007.


João Ney Colagrossi

João Ney Colagrossi
President, Minerals
Born: 1955, Brazilian citizen
Education: Metallurgical Engineering, Business Administration
Member of the Executive Team since 2013. Joined the company in 1979.
Key experience: President, Metso Minerals 2014; President Mining and Construction 2014; President, Service Business Line 2009–2013.


Simo Sääskilahti

Simo Sääskilahti
Senior Vice President, Strategy and Business Development
Born: 1971, Finnish citizen
Education: M.Sc. (Eng.), M.Sc. (Econ.)
Member of the Executive Team since 2013. Joined the company in 2011.
Key experience: Vice President, Business Development, Metso Automation 2011–2013; Various management positions in Comptel Corporation 2001–2011.


Perttu Louhiluoto

Perttu Louhiluoto
President, Services
Born: 1964, Finnish citizen
Education: Master of Laws, M.Sc. (Econ.)
Member of the Executive Team since 2009, 2011–. Joined the company in 2008.
Key experience: President Flow Control 2014–2015; President, Automation 2012–2014, President, Energy and Environmental Technology 2009–2011.

Read more

These are summaries of the Metso Executive Team's CV's. Read the full CV's online on
metso.com

Investor Relations

The main task of Metso's Investor Relations is to support the correct valuation of Metso's share by providing up-to-date information on matters concerning the company's operations and operating environment, strategy, objectives and financial situations.

Providing up-to-date and reliable information about the company

We regularly gather and analyze market information and investor feedback for use by top management and the Board of Directors. Our goal is to provide correct, adequate and current information regularly and impartially to all market participants. In our work, we aim for promptness, transparency and excellent service.

Close interaction with our stakeholders

Investor relations is responsible for investor communications and for daily contact with representatives of capital markets and the financial media. All investor meeting requests are processed centrally through Investor Relations. In addition to financial reports and actively updated internet pages, Metso's investor communications involve investor meetings and seminars in which corporate executives actively participate. We also arrange an annual Capital Markets Day event.

Renewal of the Investor Relations webpage

Metso renewed its Investor Relations web pages and the rest of the corporate website in 2015. The goal of the renewal was to create a more focused and user friendly website for our stakeholders. The new page structure is based on a dropdown menu, which gives the visitor direct access to the information that is sought. Visit metso.com/investors to explore our new IR pages.

Silent period

During the three-week period prior to publication of the annual or interim financial results, we are not in contact with capital market representatives. At other times, we are happy to answer the inquiries of analysts and investors by phone, email or at arranged investor meetings.

IR activity in 2015

In 2015 the IR team hosted 200 investor meetings and held 25 pre-scheduled conference calls. We held 13 Roadshows in London, Oslo, Stockholm, Copenhagen, Edinburgh, Paris, New York, Boston and Frankfurt. We also held three presentations for Finnish private investors and four post-results presentations for Finnish analysts and investors. Metso hosted site visits in Shanghai (China), Seoul (Korea) and Hakkila (Finland) and held a Capital Markets Day in London on September 29th. During the year the IR team and management met or talked with 400 investors and analysts.

Read more

- metso.com
- metso.com/investors

Juha Rouhiainen *Seija Fabritius* *Viktor Kockberg*

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Investor Relations:
metso.ir@metso.com

Questions and answers about 2015

All information in this section has been previously published in annual reports, interim reports, financial statements, Capital Markets Day presentations or other investor presentations.

Q

2015 in short

Metso performed well in a challenging market environment. Margins were maintained, despite the lack of growth and low demand for mining equipment. Our financial targets remain valid though it is obvious that delivering the targets is challenging.

During the year markets became more challenging in our customer industries, as we saw a decline in demand for mining and aggregates equipment and oil & gas valves. Demand for mining and aggregates equipment also decreased in some market areas. On the other hand, demand for pulp & paper valves, pumps and Flow Control services increased.

Metso continued its strategy implementation by divesting the Process Automations Systems Business (PAS) to Valmet. The divestment was a logical step by which the company is targeting higher margins and lower volatility.

Q

How did the low demand for mining equipment business affect Metso in 2015?

Declining commodity prices reduced our customers' investments and the number of new projects is low. Replacement equipment was still delivered but also maintenance investments tended to be postponed in the depressed market environment. Metso was able to adjust its operations to the current market environment through a renewal of the operating model, cost awareness and restructuring measures. These actions helped us to remain competitive and hold our share in a very challenging market. The restructuring measures have been made with a long term perspective – a leaner and adaptive operating model enables a stronger performance when markets turn more favorable.

Q

How do commodity prices reflect the demand for mining services?

Our services business is more resilient to commodity price fluctuations than the equipment business, since existing mines and production plants need maintenance and spare and wear parts to stay operational. Longer dips in commodity prices affect our services business, since margin pressures reduce our customers' spending. Metso works hard to offer performance services that increase the operational efficiency of our customers and help mitigate higher productions costs.

Q

Will demand for aggregates equipment and services increase?

The aggregates industry is highly dependent on government investments and construction projects. The business is very global and the geographical diversity of the business reduces the impact of cyclicality in different market places. Growth in emerging countries, especially in China and Brazil, slowed in 2015, negatively affecting demand for equipment and services. Some of the decline was offset by growth in the US and a partial recovery in Europe. In the long run we see a growing demand for aggregates equipment, thanks to the ongoing urbanization and increased demand for energy efficient technology.

Q

Oil price impact on Flow Control

Metso offers valves to mid- and downstream sectors of the oil & gas industry, e.g. refineries and petrochemical plants. Oil & gas valves represent about half of Flow Control's net sales. The oil price has declined significantly since June 2014, which has led to postponements, delays and discontinuations of oil & gas projects in general. The low oil price has had an explicitly negative effect on exploration and production (upstream) related investment while transportation and refining (mid- and downstream) activities are more resilient to sudden price fluctuations. Some mid- and downstream projects have also been delayed or postponed since companies have reduced investments in all sectors of the industry in order to cut spending. This caused Metso's orders for new oil & gas-related projects to decline somewhat in 2015.

Q

Which other customer industries does Flow Control serve?

Metso serves multiple industries through its pump and valve offering. Pumps and related services are mainly sold to the mining industry where Metso increased its market share in the past year. We see a large potential to grow and expand the pumps business both organically and through acquisitions. Besides the oil & gas industry, Metso offers valves and services for the pulp & paper industry and various other process industries. Metso is the world's largest pulp & paper valve manufacturer and we expect demand for these valves to remain healthy following new pulp mill investments.

Q

Metso's investment activity and RTD

Metso has the assets and resources to grow the business and we do not see a larger need for investments in the coming years. The annual capital expenditure level is expected to remain below depreciation and amortization of our assets.

Metso's RTD network encompasses approximately 20 units around the world. Metso actively develops and protects new technologies, processes, and service solutions; the RTD network made 93 (141) invention disclosures during 2015, resulting in 21 (33) priority patent applications. As of the end of 2015, 293 (428) Metso inventions were protected by patents. Research and development expenses in 2015 totaled EUR 40 million, which is 1.3 percent of net sales (EUR 59 million and 1.6%). The decrease in R&D expenses is largely attributable to the divestment of the PAS business. Expenses related to intellectual property rights amounted to EUR 2 million in 2015 (EUR 3 million).

Q

Capital allocation priorities going forward

Metso's goal is to remain a solid and predictable dividend payer with a payout ratio above 50 percent of annual EPS. Maintaining our investment-grade credit rating in order to access funding at competitive terms is also important. Given these prerequisites, Metso's strategic objective is to grow its businesses through development of its existing portfolio and/or by acquiring businesses.

Q

Reaching the profitability target of 15 percent EBITA before non-recurring items

Growth is a necessity for reaching the margin target announced in July 2014. Given the current market conditions, we have been able to maintain the current EBITA margin level thanks to restructuring measures and cost control.

Q

Reaching ROCE of 30 percent

In order to reach the ROCE target, we will have to deliver our margin target and increase capital turnover to at least two. Much of the strategy work has been focused on net working capital efficiency, asset-light business models, a strict capex policy and a redefined cash policy. These areas remains in focus when going forward with our strategy implementation.


metso.com
Annual Review
Financial Statements
Sustainability Report
Metso's Annual Report 2015
Our Annual Report 2015 consists of three reports: a printed Annual Review and printed Financial Statements available in Finnish and English, as well as an assured Sustainability Report available as a PDF in English. All reports can be viewed as PDF-files online at annualreportmetso.com. The reports for 2015 present Metso's way of working with our customers, focusing also on strategy, our business and sustainability issues. Online you can also view a video interview with our CEO, Matti Kähkönen.
Welcome to explore more on annualreportmetso.com

Metso is a world leading industrial company serving the mining, aggregates, recycling, oil, gas, pulp, paper and process industries. We help our customers improve their operational efficiency, reduce risks and increase profitability by using our unique knowledge, experienced people and innovative solutions to build new, sustainable ways of growing together.

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