FINANCIAL STATEMENTS REVIEW

January 1 – December 31, 2015

Valmet's Financial Statements Review, January 1 – December 31, 2015

Net sales increased to EUR 2.9 billion and EBITA to EUR 182 million in 2015

Figures in brackets, unless otherwise stated, refer to the comparison period, i.e. the same period of the previous year. Automation has been consolidated into Valmet's financials since April 1, 2015, when the acquisition of Automation was completed.

October–December 2015: EBITA margin in the targeted range

- Orders received increased to EUR 793 million (EUR 480 million).
  - Orders received increased in the Pulp and Energy, and Paper business lines and remained at the previous year's level in the Services business line.
  - Automation contributed to orders received with EUR 67 million.
  - Orders received tripled in China.
- Net sales increased to EUR 854 million (EUR 777 million).
  - Net sales increased in the Services, and Paper business lines and decreased in the Pulp and Energy business line.
  - Automation contributed to net sales with EUR 95 million.
- Earnings before interest, taxes and amortization (EBITA) and non-recurring items were EUR 63 million (EUR 48 million), and the corresponding EBITA margin was 7.3 percent (6.1%).
  - Profitability improved due to increased net sales in Services and Paper business lines, improved gross profit, and the acquisition of Automation.
- Earnings per share were EUR 0.18 (EUR 0.17).
- Non-recurring items amounted to EUR -10 million (EUR -5 million), of which EUR -5 million impairment related to fixed assets.
- Cash flow provided by operating activities was EUR 64 million (EUR 30 million).

January–December 2015: Profitability in the targeted range

- Orders received decreased to EUR 2,878 million (EUR 3,071 million).
  - Orders received increased in the Services business line, remained at the previous year's level in the Paper business line, and decreased in the Pulp and Energy business line.
  - Automation contributed to orders received with EUR 222 million.
  - Orders received increased in China and North America.
- Net sales increased to EUR 2,928 million (EUR 2,473 million).
  - Net sales increased in the Paper, and Services business lines and remained at the previous year's level in the Pulp and Energy business line.
  - Automation contributed to net sales with EUR 229 million.
- Earnings before interest, taxes and amortization (EBITA) and non-recurring items were EUR 182 million (EUR 106 million), and the corresponding EBITA margin was 6.2 percent (4.3%).
  - Profitability improved due to increased net sales in Services and Paper business lines, improved gross profit, and the acquisition of Automation.
- Earnings per share were EUR 0.51 (EUR 0.31).
- Non-recurring items amounted to EUR -26 million (EUR -12 million), of which EUR -14 million related to the acquisition of Automation and EUR -5 million to impairment of fixed assets.
- Cash flow provided by operating activities was EUR 78 million (EUR 236 million).

Dividend proposal

The Board of Directors proposes for the Annual General Meeting that a dividend of EUR 0.35 per share be paid. The proposed dividend equals to 68 percent of the net result.

Guidance for 2016

Valmet estimates that net sales in 2016 will remain at the same level with 2015 (EUR 2,928 million) and EBITA before non-recurring items in 2016 will increase in comparison with 2015 (EUR 182 million).

Short-term outlook

General economic outlook

Global growth, currently estimated at 3.1 percent in 2015, is projected at 3.4 percent in 2016 and 3.6 percent in 2017. The pickup in global activity is projected to be more gradual than in the October 2015 World Economic Outlook (WEO), especially in emerging market and developing economies. In advanced economies, a modest and uneven recovery is expected to continue, with a gradual further narrowing of output gaps. The picture for emerging market and developing economies is diverse but in many cases challenging. The slowdown and rebalancing of the Chinese economy, lower commodity prices, and strains in some large emerging market economies will continue to weigh on growth prospects in 2016–17. (International Monetary Fund, January 19, 2016)

Short-term market outlook

Valmet estimates that the short-term market outlook has improved for Board and Paper to good level (previously satisfactory level) and for Energy to satisfactory level (previously weak level). Valmet also estimates that the short-term market outlook for Pulp has decreased to satisfactory level (previously good level).

Valmet reiterates the satisfactory short-term market outlook for services, automation, and tissue.

President and CEO Pasi Laine: Acquisition of Automation and profitability improvement the main successes of 2015

The year 2015, Valmet's second year as an independent company, was successful in many ways. We acquired and integrated the Automation business, we were able to improve profitability and to reach our targeted profitability range for the full year, and we retained our position among the world's sustainability leaders for the second consecutive year. The role of our stable business, meaning services and automation, has increased, which offers us resilience and visibility. We succeeded in strengthening our position in the paper industry, and we are now the market leader in paper, board and tissue technologies.

One of the highlights of the year was the acquisition of Automation. With our unique offering, we are now capable of serving our customers better than ever and move our customers' performance forward. Having process technology, automation and services within the same company clearly differentiates us from our competitors.

The acquisition of Automation has also strengthened Valmet's position as the forerunner in Industrial Internet. This plays an important role in enhancing our leadership in technology and innovation. Another key element is our renewal capability. Going forward, the focus areas of our research and development work are to ensure advanced and competitive technologies and services, to enhance raw material, water and energy efficiency, and to promote renewable materials.

For the last couple of years, we have worked very hard to reach our profitability target. I am very pleased to see that Valmet's profitability in 2015 reached the targeted level. Every Valmet employee around the world has made a valuable contribution to this. The significant improvement in profitability over a rather short time has required a lot of team work, commitment and determination.

Key figures[1]

EUR million	Q4/2015	Q4/2014	Change	2015	2014	Change
Orders received	**793**	480	65%	**2,878**	3,071	-6%
Order backlog[2]	**2,074**	1,998	4%	**2,074**	1,998	4%
Net sales	**854**	777	10%	**2,928**	2,473	18%
Earnings before interest, taxes and amortization (EBITA) and non-recurring items	**63**	48	31%	**182**	106	73%
% of net sales	**7.3%**	6.1%		**6.2%**	4.3%	
Earnings before interest, taxes and amortization (EBITA)	**52**	43	22%	**157**	94	67%
% of net sales	**6.1%**	5.5%		**5.3%**	3.8%	
Operating profit (EBIT)	**41**	38	11%	**120**	72	65%
% of net sales	**4.9%**	4.8%		**4.1%**	2.9%	
Profit before taxes	**37**	36	2%	**108**	67	61%
Profit / loss	**28**	25	10%	**78**	46	69%
Earnings per share, EUR	**0.18**	0.17	9%	**0.51**	0.31	67%
Earnings per share, diluted, EUR	**0.18**	0.17	9%	**0.51**	0.31	67%
Equity per share[2], EUR	**5.70**	5.36	6%	**5.70**	5.36	6%
Dividend per share, EUR				**0.35**[3]	0.25	40%
Cash flow provided by operating activities	**64**	30	>100%	**78**	236	-67%
Cash flow after investments	**51**	15	>100%	**-287**	194	
Return on equity (ROE)				**9%**	6%	
Return on capital employed (ROCE) before taxes				**12%**	9%	

[1] The calculation of key figures is presented in the Tables section of the Financial Statements Review 2015.

[2] At the end of period.

[3] Board of Directors' proposal.

Equity to assets ratio and gearing	As at December 31, 2015	As at December 31, 2014	As at September 30, 2015
Equity to assets ratio at end of period	**36%**	42%	35%
Gearing at end of period	**21%**	-21%	28%

Orders received, EUR million	Q4/2015	Q4/2014	Change	2015	2014	Change
Services	**267**	273	-2%	**1,119**	1,055	6%
Automation	**67**	-	-	**222**	-	-
Pulp and Energy	**261**	66	>100%	**864**	1,344	-36%
Paper	**199**	142	40%	**673**	671	0%
Total	**793**	480	65%	**2,878**	3,071	-6%

Order backlog, EUR million	As at December 31, 2015	As at December 31, 2014	Change	As at September 30, 2015
Total	**2,074**	1,998	4%	2,117

Net sales, EUR million	Q4/2015	Q4/2014	Change	2015	2014	Change
Services	**314**	278	13%	**1,128**	989	14%
Automation	**95**	-	-	**229**	-	-
Pulp and Energy	**245**	312	-22%	**913**	956	-5%
Paper	**200**	186	8%	**659**	528	25%
Total	**854**	777	10%	**2,928**	2,473	18%

Webcast for analysts, investors and media

Valmet will arrange a news conference in English for investment analysts, investors, and media on Tuesday, February 9, 2016 at 2:00 p.m. Finnish time (EET). The news conference will be held at Valmet Head Office in Keilaniemi, Keilasatama 5, 02150 Espoo, Finland. The news conference can also be followed through a live webcast at www.valmet.com/webcasts.

It is also possible to take part in the news conference through a conference call. Conference call participants are requested to dial in at least five minutes prior to the start of the conference, at 1:55 p.m. (EET), at +44 1452 560304. The participants will be asked to provide the following conference ID: 25632403.

During the webcast and the conference call, all questions should be presented in English. After the webcast and the conference call, media has a possibility to interview the management in Finnish.

The event can also be followed in Twitter at www.twitter.com/valmetir.

Valmet's Financial Statements Review, January 1 – December 31, 2015

Automation has been consolidated into Valmet's financials since April 1, 2015, when the acquisition of Automation was completed.

Customer activity increased towards the end of the year

In 2015, customer activity increased towards the end of the year, which was visible in orders received. After the high activity in the first half of 2014, orders received decreased to a lower level in the second half of 2014. From that level, customer activity and orders received have been growing during 2015. In 2015, orders received increased in China and North America, and decreased in other areas.

The services business developed well in 2015 and orders received remained stable compared with 2014 in EMEA (Europe, Middle East and Africa) and increased in all other areas. In 2015, the development in the capital business was strong in China and North America. In the automation business, the majority of the orders received came from EMEA in 2015.

In the energy business, customers' decision making has been slower and in many cases postponed due to uncertainty in regulation in the energy market and low price of energy. In the pulp business, customers made many investment decisions in 2015.

Orders received increased in all geographical areas, stable business[1] orders received EUR 334 million in Q4/2015

Orders received, EUR million	Q4/2015	Q4/2014	Change	2015	2014	Change
Services	**267**	273	-2%	**1,119**	1,055	6%
Automation	**67**	-	-	**222**	-	-
Pulp and Energy	**261**	66	>100%	**864**	1,344	-36%
Paper	**199**	142	40%	**673**	671	0%
Total	**793**	480	65%	**2,878**	3,071	-6%

[1] Stable business = Services and Automation business lines.

Orders received, comparable foreign exchange rates, EUR million[2]	Q4/2015	Q4/2014	Change	2015	2014	Change
Services	**255**	273	-7%	**1,070**	1,055	1%
Automation	**67**	-	-	**218**	-	-
Pulp and Energy	**268**	66	>100%	**848**	1,344	-37%
Paper	**190**	142	34%	**636**	671	-5%
Total	**779**	480	62%	**2,773**	3,071	-10%

[2] Indicative only. January to December 2015 orders received in the functional currency of the contracting entity converted to euro with January–December 2014 average monthly exchange rates.

Orders received, EUR million	Q4/2015	Q4/2014	Change	2015	2014	Change
North America	**162**	88	84%	**717**	490	46%
South America	**56**	40	38%	**166**	281	-41%
EMEA	**427**	277	54%	**1,320**	1,470	-10%
China	**104**	35	>100%	**428**	244	75%
Asia-Pacific	**43**	41	7%	**247**	586	-58%
Total	**793**	480	65%	**2,878**	3,071	-6%

October–December 2015: Orders received increased in Pulp and Energy, and Paper

Orders received in October–December amounted to EUR 793 million, i.e. 65 percent more than in the comparison period (EUR 480 million). Automation business line contributed to orders received with EUR 67 million. The emerging markets accounted for 38 percent (33%) of orders received. Orders received increased in the Pulp and Energy, and Paper business lines and remained at the previous year's level in the Services business line. Orders received increased in all areas. Measured by orders received, the top three countries were Sweden, the USA and China, which together accounted for 50 percent of total orders received (Sweden, the USA and Finland, which together accounted for 49%).

In October–December, changes in foreign exchange rates increased orders received by approximately EUR 15 million compared with the exchange rates for October–December 2014.

During October–December, Valmet announced orders for key technology to a pulp mill expansion project in Sweden, a pulp cooking plant in Thailand, and automation for a new biomass-fired boiler plant in Finland. Additionally, Valmet received an order for a grade conversion in Canada. The paper line, currently producing newsprint, will be rebuilt to produce 100 percent recycled lightweight and high-strength linerboard.

January–December 2015: Orders received increased in Services

Orders received in 2015 amounted to EUR 2,878 million, i.e. 6 percent less than in the comparison period (EUR 3,071 million). Automation business line contributed to orders received with EUR 222 million. The emerging markets accounted for 36 percent (45%) of orders received. Orders received increased in the Services business line, remained at the previous year's level in Paper business line, and decreased in the Pulp and Energy business line. Orders received increased in China and North America and decreased in other areas. Measured by orders received, the top three countries were the USA, Finland and China, which together accounted for 49 percent of total orders received (Sweden, Finland and the USA, which together accounted for 41%).

In 2015, changes in foreign exchange rates increased orders received by approximately EUR 105 million compared with the exchange rates for 2014.

The largest orders in 2015 were received by the Pulp and Energy business line. In April, Valmet received an order for key technology to a bioproduct mill in Finland. The estimated value of the delivery, which includes only the core equipment supplied by Valmet, is about EUR 125–150 million. In August, Valmet received an order for the main equipment to a pulp mill project in China. The value of the order is about EUR 110 million. In December 2015, Valmet received an order for key technology to a pulp mill expansion project in Sweden.

Other orders that Valmet received during the year were, among others, an OptiConcept M containerboard production line to China, several automation orders in Europe and North America, an Advantage NTT tissue production line to the USA, and two Advantage DCT tissue production lines to China. Valmet also signed a five-year agreement on the supply of paper machine and fiber line consumables to a customer in Sweden.

Order backlog at EUR 2.1 billion

Order backlog, EUR million	As at December 31, 2015	As at December 31, 2014	Change	As at September 30, 2015
Total	**2,074**	1,998	4%	2,117

At the end of December, the order backlog was EUR 2,074 million, which was 2 percent lower than at the end of September 2015 (EUR 2,117 million at the end of September, 2015) and 4 percent higher than at the end of the comparison period (EUR 1,998 million). Approximately 25 percent of the order backlog relates to stable business (Services and Automation business lines). At the end of December 2014, approximately 20 percent of the order backlog related to the Services business line.

Net sales increased

Net sales, EUR million	Q4/2015	Q4/2014	Change	2015	2014	Change
Services	**314**	278	13%	**1,128**	989	14%
Automation	**95**	-	-	**229**	-	-
Pulp and Energy	**245**	312	-22%	**913**	956	-5%
Paper	**200**	186	8%	**659**	528	25%
Total	**854**	777	10%	**2,928**	2,473	18%

Net sales, comparable foreign exchange rates, EUR million[1]	Q4/2015	Q4/2014	Change	2015	2014	Change
Services	**301**	278	8%	**1,076**	989	9%
Automation	**94**	-	-	**224**	-	-
Pulp and Energy	**250**	312	-20%	**925**	956	-3%
Paper	**188**	186	1%	**625**	528	18%
Total	**833**	777	7%	**2,851**	2,473	15%

[1] *Indicative only. January to December 2015 net sales in the functional currency of the contracting entity converted to euro with January–December 2014 average monthly exchange rates.*

Net sales, EUR million	Q4/2015	Q4/2014	Change	2015	2014	Change
North America	**167**	125	33%	**615**	449	37%
South America	**114**	93	22%	**335**	325	3%
EMEA	**388**	344	13%	**1,304**	1,053	24%
China	**101**	69	45%	**303**	268	13%
Asia-Pacific	**85**	145	-41%	**372**	378	-2%
Total	**854**	777	10%	**2,928**	2,473	18%

October–December 2015: All-time high net sales in Services

Net sales in October–December increased 10 percent to EUR 854 million (EUR 777 million). Automation business line contributed to net sales with EUR 95 million. Net sales increased in the Services, and Paper business lines and decreased in the Pulp and Energy business line. The stable business (Services and Automation business lines together) accounted for 48 percent of Valmet's net sales (Services business line accounted for 36% in the fourth quarter of 2014). Net sales decreased in Asia-Pacific and increased in other areas. Measured by net sales, the top three countries were the USA, Finland and Sweden, which together accounted for 44 percent of total net sales (Sweden, the USA and Indonesia, which together accounted for 39%). Emerging markets accounted for 42 percent (49%) of net sales.

In October–December, changes in foreign exchange rates increased net sales by approximately EUR 21 million compared with the exchange rates for October–December 2014.

January–December 2015: Net sales increased 18 percent

Net sales in 2015 increased 18 percent to EUR 2,928 million (EUR 2,473 million). Automation business line contributed to net sales with EUR 229 million. Net sales increased in the Paper, and Services business lines and remained at the previous year's level in the Pulp and Energy business line. The stable business (Services and Automation business lines together) accounted for 46 percent of Valmet's net sales (Services business line accounted for 40% in 2014). Net sales increased in North America, EMEA, and China, and remained at the previous year's level in Asia-Pacific and South America. Measured by net sales, the top three countries were the USA, Finland and Sweden, which together accounted for 43 percent of total net sales (the USA, Sweden and Brazil, which together accounted for 38%). Emerging markets accounted for 42 percent (48%) of net sales.

In 2015, changes in foreign exchange rates increased net sales by approximately EUR 78 million compared with the exchange rates for 2014.

Profitability improved – EBITA margin in the targeted range in Q4/2015

In October–December, earnings before interest, taxes and amortization and non-recurring items (EBITA before non-recurring items) were EUR 63 million, i.e. 7.3 percent of net sales (EUR 48 million and 6.1%). Profitability improved due to the higher level of net sales in Services and Paper business lines, improved gross profit, and the acquisition of Automation.

In 2015, earnings before interest, taxes and amortization and non-recurring items (EBITA before non-recurring items) were EUR 182 million, i.e. 6.2 percent of net sales (EUR 106 million and 4.3%). Profitability improved due to increased net sales in Services and Paper business lines, improved gross profit, and the acquisition of Automation.

Operating profit (EBIT) in October–December was EUR 41 million, i.e. 4.9 percent of net sales (EUR 38 million and 4.8%). Non-recurring items amounted to EUR -10 million (EUR -5 million).

Operating profit (EBIT) in 2015 was EUR 120 million, i.e. 4.1 percent of net sales (EUR 72 million and 2.9%). Non-recurring items amounted to EUR -26 million (EUR -12 million), of which EUR -14 million related to the acquisition of Automation and EUR -5 million to impairment of fixed assets.

Financing activities

Net financial income and expenses in October–December were EUR -3 million (EUR -1 million), of which interest expenses amounted to EUR 4 million (EUR 3 million), interest income to EUR 1 million (EUR 1 million), other financial income and expenses to EUR -1 million (EUR -1 million), dividends received to EUR 0 million (EUR 0 million) and net foreign exchange gains to EUR 1 million (EUR 1 million).

Net financial income and expenses in 2015 were EUR -10 million (EUR -5 million), of which interest expenses amounted to EUR 13 million (EUR 12 million), interest income to EUR 3 million (EUR 5 million), other financial income and expenses to EUR -2 million (EUR -2 million), dividends received to EUR 0 million (EUR 1 million) and net foreign exchange gains to EUR 2 million (EUR 3 million).

Share in profits and losses of associated companies, financial investments, amounted to EUR -2 million (EUR 0 million) in October–December, and EUR -2 million (EUR 0 million) in 2015.

Profit before taxes and earnings per share

Profit before taxes for October–December was EUR 37 million (EUR 36 million). The profit attributable to owners of the parent in October–December was EUR 28 million (EUR 25 million), corresponding to earnings per share (EPS) of EUR 0.18 (EUR 0.17).

Profit before taxes for 2015 was EUR 108 million (EUR 67 million). The profit attributable to owners of the parent in 2015 was EUR 77 million (EUR 46 million), corresponding to earnings per share (EPS) of EUR 0.51 (EUR 0.31).

Return on capital employed (ROCE) increased

In 2015, return on capital employed (ROCE) before taxes was 12 percent (9%) and return on equity (ROE) 9 percent (6%).

Business lines

Services – Orders received and net sales EUR 1.1 billion in 2015

Services business line	**Q4/2015**	Q4/2014	Change	**2015**	2014	Change
Orders received (EUR million)	**267**	273	-2%	**1,119**	1,055	6%
Net sales (EUR million)	**314**	278	13%	**1,128**	989	14%
Personnel (end of period)				**5,363**	5,230	3%

In October–December, orders received by the Services business line remained stable at EUR 267 million (EUR 273 million) and accounted for 34 percent of all orders received (57%). Orders received increased in North America and decreased in other areas. Orders received increased in Rolls, remained stable compared with Q4/2014 in Fabrics, and Performance Parts, and decreased in other business units.

During 2015, orders received by the Services business line increased 6 percent to EUR 1,119 million (EUR 1,055 million) and accounted for 39 percent of all orders received (34%). Orders received remained stable compared with the comparison period in EMEA and increased in other areas.

In October–December, net sales for the Services business line totaled to EUR 314 million (EUR 278 million), corresponding to 37 percent of Valmet's net sales (36%).

During 2015, net sales for the Services business line totaled to EUR 1,128 million (EUR 989 million), corresponding to 39 percent of Valmet's net sales (40%).

Automation – orders received EUR 222 million and net sales EUR 229 million in 2015

Automation business line	**Q4/2015**	Q4/2014	Change	**2015**	2014	Change
Orders received (EUR million)	**67**	-	-	**222**	-	-
Net sales (EUR million)	**95**	-	-	**229**	-	-
Personnel (end of period)				**1,637**	-	-

The acquisition of Process Automation Systems was completed on April 1, 2015 and the acquired business forms the Automation business line. In October–December, orders received by the Automation business line amounted to EUR 67 million and accounted for 8 percent of all orders received. EMEA accounted for approximately 65 percent and North America for approximately 20 percent of orders received. Pulp and Paper accounted for approximately 70 percent and Energy and Process for approximately 30 percent of orders received.

During April–December, orders received by the Automation business line amounted to EUR 222 million and accounted for 8 percent of all orders received. EMEA accounted for approximately 60 percent and North America for approximately 20 percent of orders received.

In October–December, net sales for the Automation business line totaled to EUR 95 million, corresponding to 11 percent of Valmet's net sales.

During April–December, net sales for the Automation business line totaled to EUR 229 million, corresponding to 8 percent of Valmet's net sales.

Pulp and Energy – Orders received EUR 864 million and net sales EUR 913 million in 2015

Pulp and Energy business line	Q4/2015	Q4/2014	Change	2015	2014	Change
Orders received (EUR million)	**261**	66	>100%	**864**	1,344	-36%
Net sales (EUR million)	**245**	312	-22%	**913**	956	-5%
Personnel (end of period)				**1,750**	1,737	1%

In October–December, orders received by the Pulp and Energy business line more than tripled to EUR 261 million (EUR 66 million) and accounted for 33 percent of all orders received (14%). Orders received increased in all areas. Orders received increased in Pulp and decreased in Energy.

During 2015, orders received by the Pulp and Energy business line decreased 36 percent to EUR 864 million (EUR 1,344 million) and accounted for 30 percent of all orders received (44%). Orders received increased in China and North America and decreased in other areas. Orders received decreased in both Pulp and Energy.

In October–December, net sales for the Pulp and Energy business line totaled to EUR 245 million (EUR 312 million), corresponding to 29 percent of Valmet's net sales (40%).

During 2015, net sales for the Pulp and Energy business line totaled to EUR 913 million (EUR 956 million), corresponding to 31 percent of Valmet's net sales (39%).

Paper – Orders received EUR 673 million and net sales EUR 659 million in 2015

Paper business line	Q4/2015	Q4/2014	Change	2015	2014	Change
Orders received (EUR million)	**199**	142	40%	**673**	671	0%
Net sales (EUR million)	**200**	186	8%	**659**	528	25%
Personnel (end of period)				**3,036**	3,098	-2%

In October–December, orders received by the Paper business line increased to EUR 199 million (EUR 142 million) and accounted for 25 percent of all orders received (30%). Orders received increased in China, and North America, and decreased in EMEA, and Asia-Pacific. Orders received increased in both Board and Paper, and Tissue.

During 2015, orders received by the Paper business line remained at the previous year's level at EUR 673 million (EUR 671 million) and accounted for 23 percent of all orders received (22%). Orders received increased in China, North America and South America, remained stable compared to the comparison period in Asia-Pacific, and decreased in EMEA. Orders received remained stable compared to the comparison period in both Board and Paper, and Tissue.

In October–December, net sales for the Paper business line totaled to EUR 200 million (EUR 186 million), corresponding to 23 percent of Valmet's net sales (24%).

During 2015, net sales for the Paper business line totaled to EUR 659 million (EUR 528 million), corresponding to 23 percent of Valmet's net sales (21%).

Cash flow and financing

Cash flow provided by operating activities amounted to EUR 64 million in October–December (EUR 30 million) and EUR 78 million (EUR 236 million) in 2015. Net working capital was EUR -238 million (EUR -353 million) at the end of December 2015. Change in net working capital, net of effect from business combinations and disposals in the condensed consolidated statement of cash flows was EUR -11 million (EUR -32 million) in October–December and EUR -121 million (EUR 103 million) in 2015. Payment schedules of large capital projects have significant impact on net working capital development. Cash flow after investments was EUR 51 million (EUR 15 million) in October–December and EUR -287 million (EUR 194 million) in 2015.

Gearing was 21 percent (-21%) at the end of December and equity to assets ratio was 36 percent (42%). Gearing increased and equity to assets ratio decreased mainly due to the acquisition of Automation, which was completed on April 1, 2015. Interest-bearing liabilities were EUR 371 million (EUR 68 million) and net interest-bearing liabilities totaled to EUR 178 million (EUR -166 million) at the end of the reporting period. Interest-bearing liabilities increased due to bank loans to finance the acquisition of Automation. The average maturity for Valmet's non-current debt was 3.4 years and average interest rate was 1.3 percent.

Valmet's liquidity was strong at the end of the reporting period, with cash and cash equivalents totaling to EUR 165 million (EUR 192 million) and interest-bearing available-for-sale financial assets totaling to EUR 7 million (EUR 34 million). Valmet's liquidity was additionally secured by an unused revolving credit facility agreement worth EUR 200 million, that is committed by the banks and matures in 2018, and an uncommitted EUR 200 million commercial paper program, of which none was outstanding at the end of December.

On April 10, 2015, Valmet Corporation paid out dividends of EUR 37 million.

Investments excluding business combinations decreased in 2015

Gross capital expenditure, excluding business combinations, in October–December was EUR -15 million (EUR -15 million). Maintenance investments were EUR -12 million (EUR -12 million).

Gross capital expenditure, excluding business combinations, in 2015 was EUR -44 million (EUR -46 million). Maintenance investments were EUR -36 million (EUR -37 million).

Business combinations and disposals of businesses

Business combinations

Acquisition of Process Automation Systems

On April 1, 2015, Valmet completed its acquisition of Process Automation Systems. The final purchase consideration was EUR 312 million in cash. Control in the acquiree was obtained through series of share deals financed through long-term borrowings. Goodwill of EUR 164 million arising from the acquisition is attributable to the assembled workforce and synergies expected to arise subsequent to the acquisition.

Acquisition of MC Paper Machinery and Focus Rewinding business

On August 6, 2015, Valmet completed its acquisition of the MC Paper Machinery and Focus Rewinding business, through purchase of 100 percent of the share capital of Valmet Pescia S.r.l.. The purchase consideration paid and provisional goodwill arising from the transaction amounted to EUR 5 million and EUR 5 million, respectively. This acquisition had no material effect on Valmet's financial statements for the August–December 2015 period.

Disposals

Valmet made no disposals during the 12 months period ended December 31, 2015.

Research and development

Valmet's research and development (R&D) expenses for 2015 were EUR 59 million, i.e. 2.0 percent of net sales (EUR 42 million and 1.7%). Research and development work is carried out predominantly in Finland and Sweden within the business lines' technology and R&D organizations. In addition, research and development takes place together with a network made up of customers, research facilities and universities. In 2015, R&D employed 456 people (298 people).

Valmet's R&D work is based on customers' needs, such as increasing production efficiency, improve competitiveness, maximize value of raw materials, widen raw material base, provide high-value end products, and developing new innovations and technologies.

Currently, Valmet has three focus areas in its R&D work. To ensure advanced and competitive technologies and services, Valmet develops cost competitive, leading production and automation technologies and services. To enhance raw material, water and energy efficiency, Valmet combines process technology, automation and services to reduce raw material, water, and energy consumption in its customers' production processes. To promote renewable materials, Valmet develops solutions to replace fossil materials with renewable ones.

Valmet has successfully commercialized its techological innovations. Valmet has, for example, sold 10 OptiConcept M board and paper machines, and 6 Advantage NTT tissue machines. Valmet is in the process of delivering its first high power recovery boiler and has delivered 2 LignoBoost lignin separation plants.

Valmet has recorded all costs resulting from R&D activities as expenses in the income statement in 2014 and 2015.

Number of personnel increased mainly due to the acquisition

Personnel by business line	**As at December 31, 2015**	As at December 31, 2014	Change	As at September 30, 2015
Services	**5,363**	5,230	3%	5,337
Automation	**1,637**	-	-	1,627
Pulp and Energy	**1,750**	1,737	1%	1,763
Paper	**3,036**	3,098	-2%	3,050
Other	**520**	399	30%	519
Total (end of period)	**12,306**	10,464	18%	12,296

Personnel by area	**As at December 31, 2015**	As at December 31, 2014	Change	As at September 30, 2015
North America	**1,367**	1,141	20%	1,357
South America	**531**	432	23%	520
EMEA	**7,747**	6,376	22%	7,714
China	**1,955**	1,927	1%	1,999
Asia-Pacific	**706**	588	20%	706
Total (end of period)	**12,306**	10,464	18%	12,296

In 2015, Valmet employed an average of 11,781 people (10,853). The number of personnel at the end of December was 12,306 (10,464). The number of personnel increased mainly due to the acquisition of Automation. In 2015, personnel expenses totaled to EUR 748 million (EUR 609 million) of which wages, salaries and remuneration equaled to EUR 583 million (EUR 472 million).

Strategic goals and their implementation

Valmet is a leading global developer and supplier of services, technologies and automation for the pulp, paper and energy industries. Valmet's mission is to convert renewable resources into sustainable results. The company continues to focus on developing and supplying competitive technology and services to the pulp, paper and energy industries. Valmet is committed to moving its customers' performance forward.

Valmet seeks to achieve its strategic targets by pursuing the following Must-Win initiatives: customer excellence, leader in technology and innovation, excellence in processes, and winning team. Valmet's vision is to become the global champion in serving its customers.

Valmet’s product and service portfolio consists of productivity-enhancing services, automation solutions, plant upgrades and rebuilds, new cost-efficient equipment and solutions for optimizing energy and raw material usage, and technologies increasing the value of its customers’ end-products.

Valmet’s strategy and financial targets were reconfirmed by the Board of Directors in June 2015 (Stock exchange release on June 24, 2015). Valmet has the following financial targets:

Financial targets

- Net sales growth to exceed market growth
- EBITA margin before non-recurring items: 6 to 9 percent
- Return on capital employed (pre-tax), ROCE: minimum of 15 percent
- Dividend payout at least 40 percent of net profit

Continued focus on improving profitability

Valmet aims to improve product margin by focusing on improving sales and project management. By harmonizing processes and tools, localization of competencies, better selection of sales cases and developing project management, Valmet believes it can improve product margin.

In order to reduce quality costs and lead times Valmet is implementing Lean. Implementing Lean is expected to improve efficiency and reduce waste. A common quality development approach, together with different quality tools and processes help reduce quality costs and lead times. In order to affect quality costs and lead times, it is also important to highlight the importance of quality initiatives and accountability. In 2015, Valmet has conducted active Lean trainings on all levels, and there were over 100 Lean projects, of which majority ongoing. Results in reducing quality costs have been in line with the targets in 2015.

To improve profitability, Valmet also focuses on procurement savings. These can be achieved by increasing sourcing from cost-competitive countries, by increasing the use of sub-contracting and by consolidating the shipment and warehouse network. Valmet also aims to find savings by focusing on design-to-cost together with suppliers. In 2015, Valmet was ahead of its procurement savings target. Procurement activity has increased in all main cost-competitive areas, such as China, India, Eastern Europe and Mexico.

Valmet is constantly focusing on improving product competitiveness in order to increase gross profit and reduce customer investment costs. Valmet focuses on cost efficient design, modularity and standardization, and product-based improvement programs.

Following the acquisition of the automation business, Valmet believes it can increase profitability by providing customer benefits by combining process technology, automation and services. Valmet can use common sales lead activation and a harmonized project execution model. Valmet can also utilize low-cost automation engineering and manufacturing optimization and focus on product competitiveness development.

Activities and achievements in sustainability

Valmet’s sustainability agenda focuses on five core areas: sustainable supply chain; health, safety and environment; people and performance; sustainable solutions and corporate citizenship. Each focus area has a specific roadmap with targets and key performance indicators for 2014–2016.

Implementation of global supply chain activities continued

In 2015, Valmet continued to integrate sustainability criteria and tools into procurement processes. By the end of 2015 all active suppliers had been informed about the company’s Sustainable Supply Chain policy and assessed through a 5-level sustainability risk assessment, and relevant tools and processes established for supplier self-assessments and audits. Based on the results from the risk assessments and self-assessments, Valmet conducted in total 41 supplier sustainability audits covering all geographical areas with a third-party sustainability auditor. At the end of 2015, the company kicked off a specific development program to ensure compliance with future chemical regulations. Furthermore, altogether 380 procurement professionals globally received training in sustainability.

Improvements in health, safety and environment (HSE)

Valmet's lost time incident frequency rate (LTIF) at the end of 2015 was at the level of 3.3 (12 months rolling; 5.5 at the end of December 2014). In 2015, the focus was on improving preventative safety measures, reinforcing safety awareness and leadership, and harmonizing HSE practices in customer project deliveries globally. The development of Valmet's environmental indicators are disclosed as part of Valmet's Annual Report.

New solutions for more sustainable production processes

Valmet continuously develops and innovates new solutions to drive its customers' performance. In 2015, Valmet received further orders for its recent board, paper and tissue technologies which are designed for improved environmental efficiency, profitability and safety of production processes. The company also launched a new-generation online quality management solution, called Valmet IQ, and continued to develop new bioconversion technologies.

Personnel engagement increased

In 2015, Valmet conducted its second employee engagement survey with a global response rate of 81 percent (68%). The survey results improved in nearly all questions and global employee engagement rose by 9 percentage points to 65 percent.

During the year, Valmet launched a renewed global training portfolio. It also continued to develop the role of managers and embed the company values in the daily work.

Valmet recognized as one of the world's sustainability leaders

In September 2015, Valmet was included in the Dow Jones Sustainability Index (DJSI) for the second consecutive year among the 317 most sustainable companies in the world. Valmet was listed both in the Dow Jones Sustainability World and Europe indices. Valmet also ranked high in CDP's Climate change program with a score of 97/100.

To promote standards of behavior, Valmet enforced its updated Code of Conduct supported by an e-learning and class room trainings. By the end of 2015, 90 percent of Valmet's employees had completed the training.

Valmet reports annually on its sustainability performance according to the Global Reporting Initiative, GRI G4 Core option, with selected indicators assured by an independent third party.

Lawsuits and claims

Several lawsuits, claims and disputes based on various grounds are pending against Valmet in various countries, including product liability lawsuits and claims as well as legal disputes related to Valmet's deliveries.

On February 20, 2015 Valmet issued a stock exchange release about Andritz Oy having filed a summons application with the Stockholm District Court against Valmet AB, a subsidiary of Valmet Corporation, regarding patent infringement. In the claim Andritz is asking that Valmet under a penalty ceases to utilize the patent allegedly infringing Andritz's patent and the Court to impose royalty and damages on Valmet AB. Valmet has denied the claims in its writ of response submitted to the Stockholm District Court. In June

Andritz revised its claim, which subsequently changed their overall claim from EUR 52 million to EUR 54 million and interest for the alleged infringement. Consequently, Valmet filed a second response to the Stockholm District Court in September.

Valmet's management does not expect to the best of its present understanding that the outcome of these lawsuits, claims and disputes will have a material adverse effect on Valmet in view of the grounds presented for them, provisions made, insurance coverage in force and the extent of Valmet's total business activities. Valmet is also a plaintiff in several lawsuits.

Corporate Governance Statement

Valmet has prepared a separate Corporate Governance Statement for 2014 which complies with the recommendations of the Finnish Corporate Governance Code for listed companies. It also covers other central areas of corporate governance. The statement has been published on Valmet's website, separately from the Board of Directors' Report, at www.valmet.com/governance.

Shares and shareholders

Share capital and number of shares

At the end of December 2015, Valmet Corporation's share capital totaled to EUR 100,000,000 and the number of shares was 149,864,619. At the end of December, Valmet held 399 treasury shares and the number of outstanding shares was 149,864,220.

Treasury shares and Board authorizations

Valmet Corporation's Annual General Meeting on March 27, 2015 authorized Valmet's Board of Directors to resolve on repurchasing Company shares in one or more tranches. The maximum number of shares to be repurchased shall be 10,000,000 shares, which corresponds to approximately 6.7 percent of all the shares in the Company.

Company shares may be repurchased otherwise than in proportion to the shareholdings of the shareholders (directed repurchase). Company shares may be repurchased using the unrestricted equity of the Company at a price formed on a regulated market on the main list of the Nasdaq Helsinki Ltd. on the date of the repurchase.

Company shares may be repurchased for reasons of developing the Company's capital structure, financing or carrying out acquisitions, investments or other business transactions, or for the shares to be used in an incentive scheme. The Board of Directors resolves on all other terms related to the repurchasing of own shares.

Valmet Corporation's Annual General Meeting authorized Valmet's Board of Directors to resolve on the issuance of shares as well as the issuance of special rights entitling to shares, pursuant to Chapter 10(1) of the Finnish Limited Liability Companies Act, in one or more tranches. The issuance of shares may be carried out by issuing new shares as well as transferring treasury shares of Valmet Corporation. Based on the authorisation, the Board of Directors may resolve to issue shares in derogation from the shareholder's pre-emptive right and to issue special rights within the conditions by Finnish laws.

The maximum number of new shares which may be issued shall be 15,000,000 shares, which corresponds to approximately 10 percent of all the shares in Valmet Corporation. The maximum number of treasury shares which may be issued shall be 10,000,000 shares, which corresponds to approximately 6.7 percent of all the shares in the Company.

The Board of Directors is furthermore authorised to issue special rights pursuant to Chapter 10(1) of the Finnish Limited Liability Companies Act entitling their holder to receive new shares or treasury shares for consideration. The maximum number of shares which may be issued based on the special rights shall be 15,000,000 shares, which corresponds to approximately 10 percent of all the shares in Company. This number of shares shall be included in the aggregate numbers of shares mentioned in the previous paragraph.

The new shares and treasury shares may be issued for consideration or without consideration.

The Board of Directors of Valmet Corporation shall also be authorised to resolve on issuing treasury shares to the Company without consideration. The maximum number of shares which may be issued to Valmet Corporation shall be 10,000,000 shares when combined with the number of shares repurchased based on an authorisation. Such number corresponds to approximately 6.7 percent of all shares in the Company. The treasury shares issued to the Company shall not be taken into account in the limits pursuant to the preceding paragraphs.

The Board of Directors resolves on all other terms related to the issuance of shares as well as the issuance of special rights entitling to shares pursuant to Chapter 10(1) of the Finnish Limited Liability Companies Act. The authorisation may be exercised by The Board of Directors for example for reasons of developing the Company's capital structure, in financing or carrying out acquisitions, investments or other business transactions, or for the shares to be used in an incentive scheme.

The authorisations shall remain in force until the next Annual General Meeting, and they cancel the Annual General Meeting's authorisations of March 26, 2014.

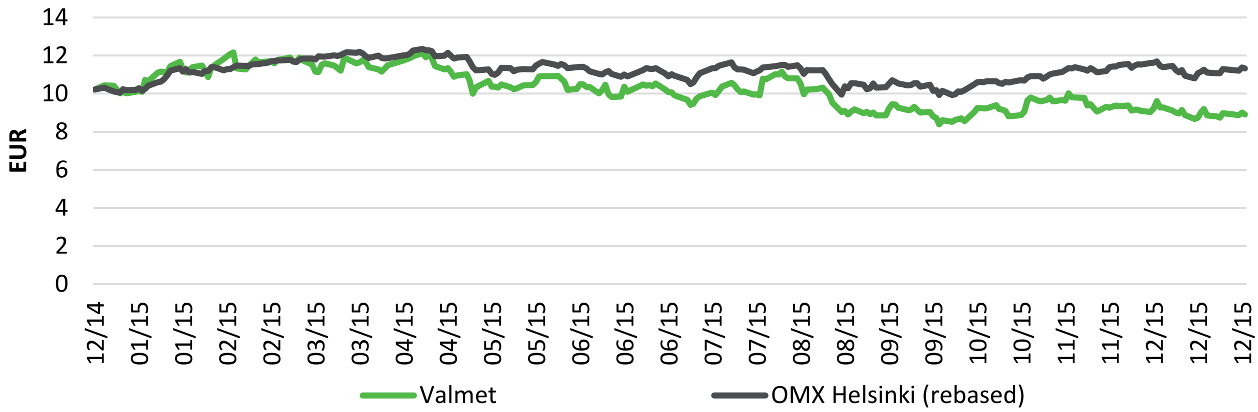
Trading in shares

The closing price of Valmet's share on the final day of trading for the reporting period, December 30, 2015, was EUR 8.90. The closing share price on the last day of trading in 2014 (December 30, 2014) was EUR 10.22. The share price decreased by some 13 percent during the reporting period. The highest price for the share during the reporting period was EUR 12.47, the lowest was EUR 8.36 and the volume-weighted average price was EUR 10.39. The number of shares traded on Nasdaq Helsinki Ltd during January–December was approximately 102 million. The value of trading was approximately EUR 1,1 billion. (Source: Nasdaq)

In addition to Nasdaq Helsinki Ltd, Valmet's shares are also traded on other marketplaces, such as Chi-X and BATS. A total of approximately 22 million of Valmet's shares were traded on alternative marketplaces in January–December, which equals to approximately 18 percent of the share's total trade volume. Of the alternative exchanges, Valmet's shares were traded especially on Chi-X. (Source: VWD, Six)

Market capitalization (excluding treasury shares) stood at EUR 1,334 million at the end of the reporting period.

Development of Valmet's share price, December 30, 2014 – December 30, 2015



Number of shareholders

The number of registered shareholders at the end of December 2015 was 47,952 (49,294). Shares owned by nominee-registered parties and by non-Finnish parties equaled to 51.3 percent of the total number of shares at the end of December 2015 (54.7%).

Flagging notifications

During the review period, Valmet received the following flagging notifications:

Stock exchange release on June 11, 2015

Valmet Corporation received a notification referred to in Securities Market Act from Franklin Templeton Institutional, LLC, stating that the company's ownership and share of votes in Valmet Corporation has decreased below the threshold of 5 percent (1/20). As a result of share transactions on June 9, 2015, the holding of Franklin Templeton Institutional, LLC decreased to 7,196,324 shares (previously 7,517,629 shares), representing an ownership of 4.80 percent (previously 5.02 percent) of Valmet Corporation's total number of shares and share of votes.

Stock exchange release on February 13, 2015

Valmet Corporation received a notification referred to in Securities Market Act from Cevian Capital Partners Ltd., stating that the company's ownership and share of votes in Valmet Corporation has decreased below the threshold of 10 percent (1/10). As a result of share transactions on February 12, 2015, the holding of Cevian Capital Partners Ltd. decreased to 10,323,191 shares (previously 20,813,714 shares), representing an ownership of 6.89 percent (previously 13.89 percent) of Valmet Corporation's total number of shares and share of votes.

Share-based incentive plans

Valmet's share-based incentive plans are part of the remuneration and retention program for Valmet's management. The aim of the plans is to align the objectives of shareholders and management to increase the value of the company, commit management to the company, and offer management a competitive reward plan based on long-term shareholding in Valmet.

Valmet has entered into an agreement with a third-party service provider concerning the administration of the share-based incentive programs for key personnel. At the end of the reporting period, the number of shares held within the administration plan was 473,617.

Long-term incentive plan 2012–2014

In December 2011, a share-based incentive plan including three performance periods, which were the calendar years 2012, 2013 and 2014 was approved.

For the 2012 performance period a gross number of 321,438 shares were earned by 31 participants. The earning criteria of the performance period 2012 were based on net sales growth of the Services business, return on capital employed (ROCE) before taxes and earnings per share (EPS). The reward was paid partly as company shares and partly in cash during 2015.

For the 2013 performance period, the performance criteria were not met and therefore no rewards will be paid for the 2013 performance period.

For the 2014 performance period, the plan was targeted at 40 persons in Valmet’s management. From the performance period 2014 a gross number of 268,003 shares were earned. The earning criteria of the performance period 2014 were based on growth in Valmet’s EBITA % and growth in Services orders received. The reward will be paid partly as company shares and partly in cash. The cash portion is dedicated to cover taxes and tax-related payments. The expense of the plan is recognized over the vesting period i.e. from the beginning of 2014 until the end of February 2017.

Long-term incentive plan 2015–2017

The Board of Directors of Valmet Corporation approved in December 2014 a new share-based incentive plan for Valmet’s key employees. The Plan includes three discretionary periods, which are the calendar years 2015, 2016 and 2017. The Board of Directors shall decide on the performance criteria and targets in the beginning of each discretionary period. The Plan is directed to approximately 80 key people.

The reward of the plan may not exceed 120 percent of the key employee’s annual base salary. As a rule, no reward is paid, if the key employee’s employment or service ends before the reward payment. The shares paid as reward may not be transferred during the restriction period, which will end two years from the end of the discretionary period. Should a key employee’s employment or service end during the restriction period, as a rule, he or she must gratuitously return the shares given as reward to the Company.

The potential reward of the plan from the discretionary period 2015 is based on EBITA % and Services orders received growth %. The potential reward of the plan from the discretionary period 2015 will be paid partly as company shares and partly in cash in 2016. The proportion to be paid in cash is intended to cover taxes and tax-related costs arising from the reward to the key employee. The rewards to be paid on the basis of the discretionary period 2015 are in total a maximum of 693,079 shares in Valmet Corporation.

As part of the plan, members of Valmet’s Executive Team shall have a possibility to receive a matching share reward for the discretionary period 2015 provided that he or she owns or acquires Valmet shares up to a number determined by the Board of Directors by December 31, 2015.

The Board of Directors of Valmet Corporation decided in December 2015 to continue the share-based incentive program for Valmet's key employees approved in December 2014. The potential reward of the program from the discretionary period 2016 is based on EBITA % and orders received growth % of the stable business, that is, the Services and Automation business lines. The potential reward of the plan from the discretionary period 2016 will be paid partly as Valmet shares and partly in cash in 2017. The rewards to be paid on the basis of the discretionary period 2016 are in total an approximate maximum of 850,000 shares in Valmet.

As part of the share-based incentive program members of the Valmet Executive Team shall have a possibility to receive a matching share reward for the discretionary period 2016 provided that he or she owns or acquires Valmet shares up to a number determined by the Board of Directors by December 31, 2016.

The shares to be transferred as part of the possible reward will be obtained in public trading, ensuring that the incentive plan will not have a diluting effect on Valmet's share value.

More information about share-based incentive plans can be found in Valmet's Corporate Governance Statement which is available at www.valmet.com/governance.

Resolutions of Valmet Corporation's Annual General Meeting

The Annual General Meeting of Valmet Corporation was held in Helsinki on March 27, 2015. The Annual General Meeting adopted 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 approved the Board of Directors' proposals, which concerned authorizing the Board to resolve on repurchasing company shares and to resolve on the issuance of shares and the issuance of special rights entitling to shares.

The Annual General Meeting confirmed the number of Board members as seven and appointed Bo Risberg as a new member of the Board. Bo Risberg was appointed as Chairman of Valmet Corporation's Board and Mikael von Frenckell as Vice Chairman. Lone Fønss Schrøder, Friederike Helfer, Pekka Lundmark, Erkki Pehu-Lehtonen and Rogério Ziviani will continue as members of the Board. The term of office of the members of the Board of Directors expires at the end of the next Annual General Meeting.

The Annual General Meeting appointed PricewaterhouseCoopers Oy, authorized public accountants, as the company's auditor for a term expiring at the end of the next Annual General Meeting.

Valmet published stock exchange releases on March 27, 2015, concerning the resolutions of the Annual General Meeting and the composition of the Board of Directors. The stock exchange releases and a presentation of the Board's members can be viewed on Valmet's website at www.valmet.com/agm.

In compliance with the resolution of the Annual General Meeting on March 27, 2015, Valmet Corporation paid out dividends of EUR 37 million for 2014, corresponding to EUR 0.25 per share, on April 10, 2015.

Changes in the Board composition

On April 7, 2015, Pekka Lundmark announced his resignation from the Board of Directors of the company. The reason for the resignation is his appointment as the President and CEO of Fortum Corporation as of September 2015. Valmet announced the resignation as a stock exchange release on April 8, 2015.

The Board of Directors elected Erkki Pehu-Lehtonen to replace Pekka Lundmark in Valmet's Remuneration and HR Committee. Valmet announced the election as a stock exchange release on April 20, 2015.

Risks and business uncertainties

Valmet's operations are affected by various strategic, financial, operational, and hazard risks. Valmet takes measures to exploit emerging opportunities and to limit the adverse effects of potential threats. The assessment of risks related to sustainable development holds a key role in risk management. If such threats materialized, they could have material adverse effects on Valmet's business, financial situation, and operating result or on the value of shares and other securities.

The objective of Valmet's risk management is to ensure the implementation of an effective and successful strategy for achieving both long- and short-term goals. The task of Valmet's management is to regulate risk appetite.

In assessing risks, Valmet takes into consideration the probability of the risks and their estimated impact on net sales and financial results. Valmet's management estimates that the company's overall risk level is currently manageable in proportion to the scope of its operations and the practical measures available for managing these risks.

Financial uncertainty in the global economy, coupled with fluctuations in exchange rates and tightening financial market regulations, may have an adverse effect on the availability of financing from banks and capital markets, and could reduce the investment appetite of Valmet's customers. Valmet estimates that the high proportion of business derived from stable business (Services and Automation) and the geographical diversification will reduce the possible negative effects that market uncertainties may have.

If global economic growth weakens, it might have adverse effects on new projects under negotiation or on projects in the order backlog. Some projects may be postponed, suspended, or canceled. In the case of long-term delivery projects, initial customer down payments are typically 10–30 percent of the value of the project, and customers make progress payments as a project is implemented. This significantly decreases the risks and financing requirements related to Valmet's projects. Valmet continually assesses its customers' creditworthiness and their ability to meet their obligations. As a rule, Valmet does not finance customer projects. If economic growth slows significantly, the markets for Valmet's products may shrink, which may lead to, for example, tougher price competition. Changes and uncertainty in future regulation and legislation can also critically affect especially the energy business.

Large fluctuations in energy prices can affect the global economy. These fluctuations can also affect Valmet and its customers, especially in the energy business.

Changes in labor costs and the prices of raw materials and components can affect Valmet's profitability. Wage inflation is continuing, but Valmet's goal is to offset this at least partly through increased productivity and strict price discipline. It is possible, however, that tough competition in some product categories will make it difficult to pass on cost increases to product prices. On the other hand, some of Valmet's customers are raw material producers, and their ability to operate and invest may be enhanced by strengthening commodity prices and hampered by declining commodity prices.

Through acquisitions Valmet may become exposed to risks associated with new markets and business environments. The actual acquisition process also includes risks. Other risks associated with acquisitions include, but are not limited to, integration of the acquired business, increased financial risk exposure, retention of key personnel and achieving the targets set for the acquired business.

Management of project business risks important

An important part of Valmet's business consists of project business. Pulp business projects in particular are large, thus project-specific risk management is crucial. Key risks related to projects are cost accounting, scheduling and materials management risks. Risk analysis shall, as a minimum, take place for all significant project quotations. The work concerning threat and opportunity assessment continues during the execution phase of the project. Risk management is based on careful planning and on continuous, systematic monitoring and drawing on past experiences. Project risks are managed by improving and continuously developing project management processes and the related tools.

There may be changes in the competitive situation of Valmet's individual businesses, such as the emergence of new, cost-effective players in the markets. Valmet can safeguard its market position by developing its products and services, and through good customer service and a local presence.

Availability of financing crucial

Securing the continuity of Valmet's operations requires that sufficient funding is available under all circumstances. Valmet estimates that its liquid cash assets and committed credit limits are sufficient to secure the company's immediate liquidity and to ensure the flexibility of financing. The average maturity for Valmet's non-current debt is 3.4 years. Loan facilities include customary covenants and Valmet is in clear compliance with the covenants at the balance sheet date.

Net working capital and capital expenditure levels have a key impact on the adequacy of our financing. Valmet estimates that the company is well-positioned to keep capital expenditure at the level of total depreciation.

Of the financial risks that affect Valmet's profit, currency exchange rate risks are among the most substantial. Exchange rate changes can affect Valmet's business, although the wide geographical scope of the company's operations reduces the impact of any individual currency. Economic insecurity typically increases exchange rate fluctuations. Valmet hedges its currency exposures linked to firm delivery and purchase agreements.

At the end of December 2015, Valmet had EUR 624 million (EUR 446 million) of goodwill on its statement of financial position. Valmet assesses the value of its goodwill for impairment annually or more frequently if facts and circumstances indicate that a risk of impairment exists. Valmet has not identified any indications of impairment during the reporting period. The principles used for impairment testing are presented in the Annual Report.

Events after the reporting period

There were no subsequent events after the review period that required recognition or disclosure.

Guidance for 2016

Valmet estimates that net sales in 2016 will remain at the same level with 2015 (EUR 2,928 million) and EBITA before non-recurring items in 2016 will increase in comparison with 2015 (EUR 182 million).

Short-term outlook

General economic outlook

Global growth, currently estimated at 3.1 percent in 2015, is projected at 3.4 percent in 2016 and 3.6 percent in 2017. The pickup in global activity is projected to be more gradual than in the October 2015 World Economic Outlook (WEO), especially in emerging market and developing economies. In advanced economies, a modest and uneven recovery is expected to continue, with a gradual further narrowing of output gaps. The picture for emerging market and developing economies is diverse but in many cases challenging. The slowdown and rebalancing of the Chinese economy, lower commodity prices, and strains in some large emerging market economies will continue to weigh on growth prospects in 2016–17. (International Monetary Fund, January 19, 2016)

Short-term market outlook

Valmet estimates that the short-term market outlook has improved for Board and Paper to good level (previously satisfactory level) and for Energy to satisfactory level (previously weak level). Valmet also estimates that the short-term market outlook for Pulp has decreased to satisfactory level (previously good level).

Valmet reiterates the satisfactory short-term market outlook for services, automation, and tissue.

Board of Director's proposal for the distribution of profit

Valmet Corporation’s distributable funds totaled to EUR 882,995,368.40 on December 31, 2015, of which the net profit for 2015 was EUR 21,593,211.93 (according to Finnish Generally Accepted Accounting Standards).

The Board of Directors proposes that a dividend of EUR 0.35 per share be paid based on the statement of financial position to be adopted for the financial year which ended December 31, 2015, and that the remaining part of the profit be retained and carried further in the Company’s unrestricted equity.

The dividend will be paid to shareholders who on the dividend record date March 24, 2016 are registered in the Company’s shareholders’ register held by Euroclear Finland Ltd. The dividend will be paid on April 6, 2016. All the shares in the company are entitled to a dividend with the exception of treasury shares held by the company on the dividend record date.

In Espoo on February 9, 2016

Valmet Corporation’s Board of Directors

Consolidated Statement of Income

EUR million	Q4/2015	Q4/2014	Q1–Q4/ 2015	Q1–Q4/ 2014
Net sales	**854**	777	**2,928**	2,473
Cost of goods sold	**-664**	-633	**-2,291**	-2,004
Gross profit	**190**	144	**637**	469
Selling, general and administrative expenses	**-141**	-109	**-501**	-401
Other operating income and expenses, net	**-8**	3	**-18**	4
Share in profits and losses of associated companies, operative investments	**1**	-	**2**	-
Operating profit	**41**	38	**120**	72
Financial income and expenses, net	**-3**	-1	**-10**	-5
Share in profits and losses of associated companies, financial investments	**-2**	-	**-2**	-
Profit before taxes	**37**	36	**108**	67
Income taxes	**-9**	-11	**-30**	-21
Profit / loss	**28**	25	**78**	46
Attributable to:				
Owners of the parent	**28**	25	**77**	46
Non-controlling interests	**-**	-	**-**	-
Profit / loss	**28**	25	**78**	46
Earnings per share attributable to owners of the parent:				
Earnings per share, EUR	**0.18**	0.17	**0.51**	0.31
Diluted earnings per share, EUR	**0.18**	0.17	**0.51**	0.31

Consolidated Statement of Comprehensive Income

EUR million	**Q4/2015**	Q4/2014	**Q1–Q4/ 2015**	Q1–Q4/ 2014
Profit / loss	**28**	25	**78**	46
Items that may be reclassified to profit or loss in subsequent periods:				
Cash flow hedges	**-**	-1	**-2**	-11
Currency translation on subsidiary net investments	**7**	-2	**10**	7
Income tax relating to items that may be reclassified	**-**	1	**-**	3
	7	-2	**8**	-1
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	**11**	-25	**8**	-40
Income tax on items that will not be reclassified	**-2**	10	**-1**	13
	9	-16	**7**	-27
Other comprehensive income / expense	**16**	-18	**15**	-28
Total comprehensive income / expense	**43**	7	**93**	18
Attributable to:				
Owners of the parent	**43**	7	**92**	18
Non-controlling interests	**1**	-	**1**	-
Total comprehensive income / expense	**43**	7	**93**	18

Consolidated Statement of Financial Position

Assets

EUR million	As at December 31, 2015	As at December 31, 2014
Non-current assets		
Intangible assets		
Goodwill	**624**	446
Other intangible assets	**235**	91
Total intangible assets	**859**	537
Property, plant and equipment		
Land and water areas	**26**	22
Buildings and structures	**138**	132
Machinery and equipment	**196**	202
Assets under construction	**25**	25
Total property, plant and equipment	**385**	381
Financial and other non-current assets		
Investments in associated companies	**12**	5
Available-for-sale financial assets	**3**	9
Loan and other receivables	**20**	7
Derivative financial instruments	**2**	-
Deferred tax asset	**85**	86
Other non-current assets	**13**	14
Total financial and other non-current assets	**134**	121
Total non-current assets	**1,378**	1,040
Current assets		
Inventories	**508**	474
Receivables		
Trade and other receivables	**575**	445
Amounts due from customers under construction contracts	**216**	192
Loan and other receivables	**1**	-
Available-for-sale financial assets	**7**	28
Derivative financial instruments	**13**	20
Income tax receivables	**31**	22
Total receivables	**842**	706
Cash and cash equivalents	**165**	192
Total current assets	**1,516**	1,372
Total assets	**2,894**	2,412

Consolidated Statement of Financial Position

Equity and liabilities

EUR million	As at December 31, 2015	As at December 31, 2014
Equity		
Share capital	**100**	100
Reserve for invested unrestricted equity	**404**	403
Cumulative translation adjustments	**18**	9
Fair value and other reserves	**-4**	-3
Treasury shares	**-7**	-
Retained earnings	**344**	296
Equity attributable to owners of the parent	**855**	804
Non-controlling interests	**6**	5
Total equity	**860**	809
Liabilities		
Non-current liabilities		
Non-current debt	**309**	16
Post-employment benefits	**149**	144
Provisions	**10**	10
Derivative financial instruments	**3**	3
Deferred tax liability	**70**	22
Other non-current liabilities	**-**	1
Total non-current liabilities	**542**	195
Current liabilities		
Current portion of non-current debt	**62**	51
Trade and other payables	**767**	740
Provisions	**98**	98
Advances received	**248**	146
Amounts due to customers under construction contracts	**276**	327
Derivative financial instruments	**13**	30
Income tax liabilities	**27**	16
Total current liabilities	**1,491**	1,408
Total liabilities	**2,033**	1,603
Total equity and liabilities	**2,894**	2,412

Condensed Consolidated Statement of Cash Flows

EUR million	**Q4/2015**	Q4/2014	**Q1–Q4/ 2015**	Q1–Q4/ 2014
Cash flows from operating activities				
Profit / loss	28	25	78	46
Adjustments				
Depreciation and amortization	25	18	92	72
Dividend income and net interests	2	-	6	2
Income taxes	9	11	30	21
Other non-cash items	15	11	22	18
Change in net working capital, net of effect from business combinations and disposals	-11	-32	-121	103
Net interests and dividends received	-1	-1	-4	-2
Income taxes paid	-2	-2	-25	-24
Net cash provided by (+) / used in (-) operating activities	**64**	30	**78**	236
Cash flows from investing activities				
Capital expenditure on fixed assets	-15	-15	-44	-46
Proceeds from sale of fixed assets	1	1	3	4
Business combinations, net of cash acquired and loan repayments	-	-	-323	-
Net cash provided by (+) / used in (-) investing activities	**-13**	-14	**-365**	-42
Cash flows from financing activities				
Redemption of own shares	-	-	-7	-
Dividends paid	-	-	-37	-22
Net borrowings (+) / payments (-) on current and non-current debt	-28	-25	294	-142
Net investments in available-for-sale financial assets	-	13	24	-33
Other	1	-7	-13	-7
Net cash provided by (+) / used in (-) financing activities	**-27**	-19	**259**	-204
Net increase (+) / decrease (-) in cash and cash equivalents	**24**	-4	**-28**	-10
Effect of changes in exchange rates on cash and cash equivalents	**2**	-14	**1**	-9
Cash and cash equivalents at beginning of period	**139**	210	**192**	211
Cash and cash equivalents at end of period	**165**	192	**165**	192

Consolidated Statement of Changes in Equity

EUR million	Share capital	Reserve for invested unrestricted equity	Cumulative translation adjustments	Fair value and other reserves	Treasury shares	Retained earnings	**Equity attributable to owners of the parent**	Non-controlling interests	**Total equity**
Balance at January 1, 2014	100	402	2	5	-	299	808	5	813
Profit / loss	-	-	-	-	-	46	46	-	46
Other comprehensive income / expense	-	-	7	-8	-	-27	-28	-	-28
Total comprehensive income / expense	-	-	7	-8	-	19	18	-	18
Dividends	-	-	-	-	-	-22	-22	-	-23
Share-based payments, net of tax	-	-	-	-	-	2	2	-	2
Other	-	-	-	-	-	-1	-1	-	-1
Balance at December 31, 2014	100	403	9	-3	-	296	804	5	809
Balance at January 1, 2015	**100**	**403**	**9**	**-3**	**-**	**296**	**804**	**5**	**809**
Profit / loss	-	-	-	-	-	77	77	-	**78**
Other comprehensive income / expense	-	-	10	-2	-	7	15	-	**15**
Total comprehensive income / expense	-	-	10	-2	-	84	92	1	**93**
Dividends	-	-	-	-	-	-37	-37	-	**-37**
Purchase of treasury shares	-	-	-	-	-7	-	-7	-	**-7**
Share-based payments, net of tax	-	2	-	-	-	2	3	-	**3**
Balance at December 31, 2015	**100**	**404**	**18**	**-4**	**-7**	**344**	**855**	**6**	**860**

Accounting principles

General information

Valmet Corporation (the “Company” or the “parent company”) and its subsidiaries (together “Valmet”, “Valmet Group” or the “Group”) form a global supplier of sustainable technology and services, which designs, develops and produces systems, automation solutions, machinery and equipment for process industries. The main customers of Valmet operate in pulp, paper and energy generation industries.

Valmet Corporation is domiciled in Helsinki, and its registered address is Keilasatama 5, 02150 Espoo, Finland. The Company’s shares are listed on the Nasdaq Helsinki Ltd.

These Condensed Consolidated Interim Financial Statements were approved for issue on February 9, 2016.

Basis of preparation

These Condensed Consolidated Interim Financial Statements for the 12 months ended December 31, 2015 have been prepared in accordance with IAS 34, ‘Interim financial reporting’ and in conformity with IFRS as adopted by the European Union. The financial information presented in these Condensed Consolidated Interim Financial Statements has not been audited. The Condensed Consolidated Interim Financial Statements should be read in conjunction with the Group’s annual consolidated financial statements for the year ended December 31, 2014, which have been prepared in accordance with IFRS.

In the Condensed Consolidated Interim Financial Statements the figures are presented in million euros subject to rounding, which may cause some rounding inaccuracies in column and total sums.

Accounting principles

The accounting policies adopted in the preparation of these Condensed Consolidated Interim Financial Statements are consistent with those followed in the preparation of the Group’s Annual Consolidated Financial Statements for the year ended December 31, 2014.

Business combinations and disposals of businesses

Business combinations

Acquisition of Process Automation Systems

On April 1, 2015, the Group completed its acquisition of Process Automation Systems. The final purchase consideration was EUR 312 million in cash. Process Automation Systems supplies process automation and information management systems and related applications and services to the pulp, paper, energy and other process industries. Control in the acquiree was obtained through series of share deals financed through long-term borrowings. Goodwill of EUR 164 million arising from the acquisition is attributable to the assembled workforce and synergies expected to arise subsequent to the acquisition. Majority of the goodwill recognized is not expected to be deductible for income tax purposes.

The following table summarizes the fair values of assets acquired and liabilities assumed at the date of acquisition. The below amounts include EUR 2 million of net receivables from Valmet that were settled at closing.

EUR million	As at April 1, 2015
Non-current assets	
Goodwill	**164**
Other intangible assets	**166**
Property, plant and equipment	**26**
Financial and other non-current assets	**13**
Total non-current assets	**369**
Current assets	
Inventories	**51**
Trade receivables	**45**
Other current assets	**70**
Cash and cash equivalents	**48**
Total current assets	**213**
Non-current liabilities	
Deferred tax liability	**47**
Other non-current liabilities	**7**
Total non-current liabilities	**53**
Current liabilities	
Current debt	**65**
Trade and other payables	**51**
Advances received	**75**
Other current liabilities	**26**
Total current liabilities	**216**
Net assets acquired	**312**

Acquisition related costs of EUR 2 million and EUR 1 million have been charged to selling, general and administrative expenses in the consolidated income statement for the 12 months ended December 31, 2015 and 2014, respectively.

From the date of acquisition, Process Automation Systems contributed EUR 229 million of revenue and EUR 19 million to profit of the Group. If the acquisition had occurred on January 1, 2015, management estimates that the combined statement of income would show pro-forma net sales of EUR 2,983 million and profit of EUR 64 million. These pro-forma amounts, include estimated interest expenses and income taxes as well as the fair value adjustments, determined as at December 31, 2015, for the January-March period.

The following table presents the cash flows associated with the acquisition of the Process Automation Systems business.

EUR million	
Consideration transferred	**-312**
Cash and cash equivalents acquired	**48**
Loan repayments at closing	**-54**
Net cash outflow	**-318**

Acquisition of MC Paper Machinery and Focus Rewinding business

On August 6, 2015, the Group completed its acquisition of the MC Paper Machinery and Focus Rewinding business, through purchase of 100 percent of the share capital of Valmet Pescia S.r.l.. The purchase consideration paid and provisional goodwill arising from the transaction amounted to EUR 5 million and EUR 5 million, respectively. This acquisition had no material effect on Valmet's financial statements for the August–December 2015 period.

Disposals

Valmet made no disposals during the 12 months ended December 31, 2015.

Fair value estimation

For those financial assets and liabilities which have been recognized at fair value in the statement of financial position, 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.

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.

Level 3 A financial instrument is categorized into Level 3 if the calculation of the fair value cannot be based on observable market data.

The tables below present Valmet's financial assets and liabilities that are measured at fair value. There have been no transfers between fair value levels during 2015.

	As at December 31, 2015		
EUR million	**Level 1**	**Level 2**	**Level 3**
Assets			
Derivatives at fair value through profit and loss	-	6	-
Derivatives qualified for hedge accounting	-	8	-
Available for sale financial assets	8	-	2
Total assets	**8**	**15**	**2**
Liabilities			
Derivatives at fair value through profit and loss	-	4	-
Derivatives qualified for hedge accounting	-	13	-
Total liabilities	**-**	**16**	**-**

	As at December 31, 2014		
EUR million	Level 1	Level 2	Level 3
Assets			
Derivatives at fair value through profit and loss	-	7	-
Derivatives qualified for hedge accounting	-	13	-
Available for sale financial assets	12	23	2
Total assets	12	43	2
Liabilities			
Derivatives at fair value through profit and loss	-	7	-
Derivatives qualified for hedge accounting	-	26	-
Total liabilities	-	33	-

There were no changes in level 3 instruments for the 12 months ended December 31, 2015 and 2014.

Assets pledged and contingent liabilities

EUR million	**As at December 31, 2015**	As at December 31, 2014
Guarantees on behalf of others	**4**	5
Lease commitments	**56**	48

Valmet Corporation, with its subsidiaries, and financial institutions have guaranteed commitments arising from the ordinary course of business of Valmet Group up to a maximum of EUR 771 million and EUR 1,170 million as at December 31, 2015 and 2014, respectively.

Nominal amounts of derivative financial instruments

	As at December 31, 2015	As at December 31, 2014
Forward exchange contracts, EUR million	**1,591**	1,290
Interest rate swaps, EUR million	**30**	-
Electricity forward contracts, GWh	**216**	327

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

Related party information

Valmet's related parties included Valmet Group companies and associated companies and joint ventures as well as the members of Valmet's key management personnel.

Valmet reassessed the nature of its interest in Allimand S.A. in 2015 concluding that its interest in this associate is investing rather than operating in nature, and consequently, reporting of Valmet's share of profit and losses in Allimand S.A. below operating profit is appropriate.

There were no material transactions between Valmet and its related parties as at and for the 12 months ended December 31, 2015 and 2014, respectively.

Reporting segment and geographic information

Valmet’s operations and profitability is reported as a single reportable segment and operative decisions have been made by the CEO of Valmet as Valmet's Chief Operating Decision Maker at Valmet Group level. Following the acquisition of the Automation Business from Metso on April 1, 2015, Automation was established as a separate business line within Valmet. Valmet has not prior to or after the acquisition of Automation aggregated operating segments. Accordingly Valmet Group is the reportable operating segment.

The performance of the Group is reviewed by the chief operating decision maker. One key indicator of performance is EBITA (Earnings before interest, taxes and amortization). The performance is also analyzed by excluding from EBITA items qualifying as non-recurring, such as capacity adjustment costs, impairment of assets, and other infrequent events, as these reduce the comparability of the Group's performance from one period to another.

EUR million	**Q4/2015**	Q4/2014	**Q1–Q4/ 2015**	Q1–Q4/ 2014
Net sales	**854**	777	**2,928**	2,473
EBITA before non-recurring items	**63**	48	**182**	106
% of net sales	**7.3%**	6.1%	**6.2%**	4.3%
Operating profit	**41**	38	**120**	72
% of net sales	**4.9%**	4.8%	**4.1%**	2.9%
Amortization	**-11**	-5	**-37**	-22
Depreciation	**-14**	-12	**-55**	-51
Non-recurring items:				
in cost of goods sold	**-4**	-2	**-10**	-4
in selling, general and administrative expenses	**-1**	-2	**-4**	-4
in other operating income and expenses, net	**-5**	-1	**-11**	-4
Total non-recurring items	**-10**	-5	**-26**	-12
Gross capital expenditures (including acquisitions)	**-15**	-15	**-368**	-46
Non-cash write-downs	**-12**	-2	**-16**	-6
Capital employed, end of period			**1,231**	877
Orders received	**793**	480	**2,878**	3,071
Order backlog, end of period			**2,074**	1,998

Entity-wide information

Valmet's businesses are present in over 30 countries and on all continents. The main market areas are Europe and North America accounting for 64 percent of net sales in Q1–Q4/2015 and 59 percent in Q1–Q4/2014.

Net sales to unaffiliated customers by destination:

EUR million	North America	South America	EMEA	China	Asia-Pacific	Total
Q1–Q4/2015	**615**	**335**	**1,304**	**303**	**372**	**2,928**
Q1–Q4/2014	449	325	1,053	268	378	2,473

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

EUR million	North America	South America	EMEA	China	Asia-Pacific	Total
Q1–Q4/2015	**155**	**133**	**469**	**135**	**219**	**1,111**
Q1–Q4/2014	75	111	409	112	221	928

Gross capital expenditure (excluding business combinations) by location:

EUR million	North America	South America	EMEA	China	Asia-Pacific	Total
Q1–Q4/2015	**4**	**2**	**28**	**6**	**5**	**44**
Q1–Q4/2014	4	2	31	8	1	46

Analysis of net sales by category:

EUR million	Q1–Q4/2015	Q1–Q4/2014
Sale of services and automation	**1,357**	989
Sale of projects, equipment and goods	**1,572**	1,484
Total	**2,928**	2,473

Events after the reporting period

There were no subsequent events after the review period that required recognition or disclosure.

Key ratios

	Q1–Q4/ 2015	Q1–Q4/ 2014
Earnings per share, EUR	**0.51**	0.31
Diluted earnings per share, EUR	**0.51**	0.31
Equity per share at end of period, EUR	**5.70**	5.36
Return on equity (ROE), % (annualized)	**9%**	6%
Return on capital employed (ROCE) before taxes, % (annualized)	**12%**	9%
Equity to assets ratio at end of period, %	**36%**	42%
Gearing at end of period, %	**21%**	-21%
Cash flow provided by operating activities, EUR million	**78**	236
Cash flow after investments, EUR million	**-287**	194
Gross capital expenditure (excl. business combinations), EUR million	**-44**	-46
Business combinations, net of cash acquired, EUR million	**-323**	-
Depreciation and amortization, EUR million	**-92**	-72
Number of outstanding shares at end of period	**149,864,220**	149,864,220
Average number of outstanding shares	**149,864,220**	149,863,252
Average number of diluted shares	**149,864,220**	149,863,252
Net interest-bearing liabilities at end of period, EUR million	**178**	-166

Key exchange rates

		Average rates		**Period-end rates**	
		Q1–Q4/ 2015	Q1–Q4/ 2014	**Q4/2015**	Q4/2014
USD	(US dollar)	**1.1130**	1.3256	**1.0887**	1.2141
SEK	(Swedish krona)	**9.3414**	9.1004	**9.1895**	9.3930
BRL	(Brazilian real)	**3.7024**	3.1207	**4.3117**	3.2207
CNY	(Chinese yuan)	**6.9924**	8.1693	**7.0608**	7.5358

Formulas for Calculation of Indicators

EBITA:
Operating profit + amortization + goodwill impairment

EBITA before non-recurring items:
Operating profit + amortization + goodwill impairment + non-recurring items

Earnings per share:

$$\frac{\text{Profit attributable to shareholders of the company}}{\text{Average number of outstanding shares during period}}$$

Earnings per share, diluted:

$$\frac{\text{Profit attributable to shareholders of the company}}{\text{Average number of diluted shares during period}}$$

Return on equity (ROE), %:

$$\frac{\text{Profit}}{\text{Total equity (average for period)}} \times 100$$

Return on capital employed (ROCE) before taxes, %:

$$\frac{\text{Profit before tax + interest and other financial expenses}}{\text{Balance sheet total - non-interest bearing liabilities (average for period)}} \times 100$$

Equity to assets ratio, %:

$$\frac{\text{Total equity}}{\text{Balance sheet total - advances received}} \times 100$$

Gearing, %:

$$\frac{\text{Net interest bearing liabilities}}{\text{Total equity}} \times 100$$

Net interest bearing liabilities:
Non-current interest bearing debt + current interest bearing debt
- cash and cash equivalents - other interest bearing assets

Net Working Capital:
Other non-current assets + inventories + trade and other receivables
+ amounts due from customers under construction contracts + derivative financial instruments (assets)
- post-employment benefits - provisions - trade and other payables - advances received
- amounts due to customers under construction contracts - derivative financial instruments (liabilities)

Quarterly information

EUR million	Q4/2015	Q3/2015	Q2/2015	Q1/2015	Q4/2014
Net sales	**854**	734	779	561	777
EBITA before non-recurring items	**63**	47	54	19	48
% of net sales	**7.3%**	6.4%	6.9%	3.5%	6.1%
Operating profit (loss)	**41**	33	32	13	38
% of net sales	**4.9%**	4.4%	4.1%	2.4%	4.8%
Profit before taxes	**37**	29	31	11	36
% of net sales	**4.3%**	4.0%	3.9%	2.0%	4.6%
Profit (loss)	**28**	21	21	8	25
% of net sales	**3.2%**	2.8%	2.7%	1.4%	3.2%
Earnings per share, EUR	**0.18**	0.14	0.14	0.05	0.17
Earnings per share, diluted, EUR	**0.18**	0.14	0.14	0.05	0.17
Amortization	**-11**	-11	-10	-6	-5
Depreciation	**-14**	-14	-15	-13	-12
Research and development expenses, net	**-19**	-13	-17	-10	-12
% of net sales	**-2.2%**	-1.8%	-2.2%	-1.8%	-1.5%
Non-recurring items:					
in cost of goods sold	**-4**	-3	-3	-	-2
in selling, general and administrative expenses	**-1**	-1	-3	-	-2
in other operating income and expenses, net	**-5**	-	-6	-	-1
Total non-recurring items	**-10**	-4	-12	-	-5
Gross capital expenditures (including business combinations)	**-15**	-4	-339	-10	-15
Business combinations, net of cash acquired	**-**	7	-330	-	-
Non-cash write-downs	**-12**	-2	-2	-	-2
Capital employed, end of period	**1,231**	1,214	1,240	1,239	877
Orders received	**793**	725	781	580	480
Order backlog, end of period	**2,074**	2,117	2,208	2,064	1,998