Financial Statements Review

January 1 – December 31, 2014

Services

Pulp and Energy

Paper

Valmet's Financial Statements Review January–December 2014

Profitability in the targeted range in Q4/2014 – good orders received in Services

Valmet has formed a separate legal group as of December 31, 2013. The financial information for the year 2014 and the Statement of Financial Position as at December 31, 2013 presented in this Financial Statements Review are based on actual figures. The Statement of Income and Statement of Cash Flow for the year 2013 and all other comparison figures are based on financial carve-out data. Figures in brackets, unless otherwise stated, refer to the comparison period, i.e. the same period of the previous year.

October–December 2014: Profitability in the targeted range

- Orders received increased 12 percent and amounted to EUR 480 million (EUR 428 million).
    - Orders received increased in the Paper and Services business lines, and decreased in the Pulp and Energy business line.
- Net sales increased 17 percent to EUR 777 million (EUR 666 million).
    - Net sales increased in Pulp and Energy, and Paper business lines and remained at the previous year's level in the Services business line.
- Earnings before interest, taxes and amortization (EBITA) and non-recurring items were EUR 48 million (EUR -25 million), and the corresponding EBITA margin was 6.1 percent (-3.7%).
    - EBITA margin reached the targeted range of 6–9 percent in Q4/2014.
- Earnings per share were EUR 0.17 (EUR -0.41).
- Non-recurring items amounted to EUR -5 million (EUR -34 million).
- Cash flow provided by operating activities was EUR 30 million (EUR -38 million).

January–December 2014: EBITA almost doubled

- Orders received increased 41 percent and amounted to EUR 3,071 million (EUR 2,182 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.
- Net sales decreased 5 percent to EUR 2,473 million (EUR 2,613 million).
    - Net sales increased in the Pulp and Energy business line, remained at the previous year's level in the Services business line, and decreased in the Paper business line.
- Earnings before interest, taxes and amortization (EBITA) and non-recurring items were EUR 106 million (EUR 54 million), and the corresponding EBITA margin was 4.3 percent (2.1%).
    - Profitability has improved in every quarter of 2014.
- Earnings per share were EUR 0.31 (EUR -0.42).
- Non-recurring items amounted to EUR -12 million (EUR -86 million).
- Cash flow provided by operating activities was EUR 236 million (EUR -43 million).

Dividend proposal

The Board of Directors proposes for the Annual General Meeting that a dividend of EUR 0.25 per share be paid. The proposed dividend equals to 81 percent of the net result.

Guidance for 2015

Valmet estimates that, including the acquisition of Process Automation Systems, net sales in 2015 will increase in comparison with 2014 (EUR 2,473 million) and EBITA before non-recurring items in 2015 will increase in comparison with 2014 (EUR 106 million).

The completion of the acquisition of Process Automation Systems is subject to approval by the competition authorities.

Short-term outlook

General economic outlook

Global growth in 2015–16 is projected at 3.5 and 3.7 percent, downward revisions of 0.3 percent relative to the October 2014 World Economic Outlook. The revisions reflect a reassessment of prospects in China, Russia, the euro area, and Japan as well as weaker activity in some major oil exporters because of the sharp drop in oil prices. The United States is the only major economy for which growth projections have been raised. The distribution of risks to global growth is more balanced than in October. The main upside risk is a greater boost from lower oil prices, although there is uncertainty about the persistence of the oil supply shock. Downside risks relate to shifts in sentiment and volatility in global financial markets, especially in emerging market economies, where lower oil prices have introduced external and balance sheet vulnerabilities in oil exporters. Stagnation and low inflation are still concerns in the euro area and in Japan. (International Monetary Fund, January 20, 2015)

Short-term market outlook

Valmet is reiterating its short-term market outlook presented on July 31, 2014. Valmet estimates that activity in board and paper markets will remain on a good level. The activity in the services, pulp, energy, and tissue markets is estimated to remain satisfactory.

President and CEO Pasi Laine: A good first year as an independent company

Valmet had a good first year as an independent company. While the focus was strongly on improving profitability, we were also succesful in receiving orders. We received over EUR 3 billion of orders during 2014, which clearly indicates that customers appreciate and trust Valmet and that we have the skills and technology to move our customers forward. It was also pleasing to notice the increase in orders received in the Services business line in the last quarter of the year. All in all, Valmet's order backlog is now approximately EUR 2 billion, and this gives us a good starting point for 2015.

Valmet has been able to improve its profitability in every quarter of 2014 and EBITA almost doubled in the full year of 2014. The highlight of our hard work was the last quarter of 2014, when profitability reached the targeted range. This is a result of the excellent and goal-oriented work put in by every Valmet employee at every site and location around the world. When meeting with Valmet employees around the world, I have been amazed by the determination and energy everyone has shown to reach this target. That is why I want to thank all Valmet employees for all the efforts made during the course of 2014. Our work on profitability does not, of course, end here. We still have further profitability improvement potential through savings in procurement and quality, by actions to improve project and service margin, by continuing to improve cost competitiveness, and by improving product cost competitiveness to increase gross profit.

After a good first year as an independent company, I am excited to go into 2015. We have a better starting point going into 2015 compared to a year ago, while also the acquisition of Process Automation Systems helps making Valmet even stronger than before. Through the acquisition, Valmet will become a technology and services company with full automation offering and the acquisition will help Valmet in increasing business stability and profitability.

Key figures[1]

EUR million	**Q4/2014**	Q4/2013 Carve-out	Change	**2014**	2013 Carve-out	Change
Orders received	**480**	428	12%	**3,071**	2,182	41%
Order backlog[2]	**1,998**	1,398	43%	**1,998**	1,398	43%
Net sales	**777**	666	17%	**2,473**	2,613	-5%
Earnings before interest, taxes and amortization (EBITA) and non-recurring items	**48**	-25		**106**	54	94%
% of net sales	**6.1%**	-3.7%		**4.3%**	2.1%	
Earnings before interest, taxes and amortization (EBITA)	**43**	-59		**94**	-32	
% of net sales	**5.5%**	-8.9%		**3.8%**	-1.2%	
Operating profit (EBIT)	**38**	-66		**72**	-59	
% of net sales	**4.8%**	-9.9%		**2.9%**	-2.2%	
Profit before taxes	**36**	-63		**67**	-64	
Profit / loss	**25**	-61		**46**	-62	
Earnings per share, EUR	**0.17**	-0.41[3]		**0.31**	-0.42[3]	
Earnings per share, diluted, EUR	**0.17**	-0.41[3]		**0.31**	-0.42[3]	
Equity per share, EUR	**5.36**	5.39		**5.36**	5.39	-1%
Dividend per share, EUR				**0.25[4]**	0.15	67%
Cash flow provided by operating activities	**30**	-38		**236**	-43	
Cash flow after investments	**15**	-48		**194**	-97	
Return on equity (ROE)				**6%**	-7%[5]	
Return on capital employed (ROCE) before taxes				**9%**	-4%	

[1] Group figures: the formulas for calculation of key figures are presented in the Tables section of the Financial Statements Review 2014.

[2] At the end of period.

[3] The earnings per share information was computed as if the shares issued in conjunction with the Demerger had been outstanding for the entire comparison period.

[4] Board of Directors' proposal.

[5] In calculating these key ratios, an adjustment of EUR 468 million has been made from 'Non-current debt, Metso Group' to 'equity' in order to reflect the conversion of Metso Svenska AB's non-current debt to Metso Group which took place in January 2013.

Equity ratio and gearing	**As at December 31, 2014**	As at December 31, 2013
Equity ratio at end of period	**42%**	41%
Gearing at end of period	**-21%**	0%

Orders received, EUR million	Q4/2014	Q4/2013 Carve-out	Change	2014	2013 Carve-out	Change
Services	**273**	233	17%	**1,055**	1,035	2%
Pulp and Energy	**66**	102	-35%	**1,344**	680	98%
Paper	**142**	93	52%	**671**	467	43%
Total	**480**	428	12%	**3,071**	2,182	41%

Order backlog, EUR million	As at December 31, 2014	As at December 31, 2013 Carve-out	Change
Total	**1,998**	1,398	43%

Net sales, EUR million	Q4/2014	Q4/2013 Carve-out	Change	2014	2013 Carve-out	Change
Services	**278**	274	2%	**989**	1,032	-4%
Pulp and Energy	**312**	240	30%	**956**	907	5%
Paper	**186**	152	22%	**528**	674	-22%
Total	**777**	666	17%	**2,473**	2,613	-5%

News conference for analysts, investors and media

Valmet will arrange a news conference in English for investment analysts, investors, and media on February 6, 2015 at 2:00 p.m. Finnish time (EET). The news conference will be held at Valmet’s Head Office in Keilaniemi, Keilasatama 5, 02150 Espoo, Finland. The 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: 70698278.

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

Valmet's Financial Statements Review 2014

Customer activity increased in 2014

Customer activity increased in 2014 compared with the previous year. Orders received increased especially in the first half of the year. Orders received exceeded EUR 3 billion in the full year of 2014, which corresponds to an increase of 41 percent compared with 2013. In 2014, orders received more than doubled in Asia-Pacific and increased especially in the EMEA area (Europe, Middle East and Africa).

The development of the Services business was stable during 2014 and orders received in the Services business line remained at the previous year's level. In 2014, orders received in the Services business line increased in Asia-Pacific and remained on a par with the comparison period in other areas. Orders received in the Services business line increased in the last quarter of the year.

Customer activity revived clearly in the pulp and energy market during the first half of the year, and decreased from this high level during the second half of the year. Orders received in the Pulp and Energy business line almost doubled during 2014. Orders received more than doubled in Asia-Pacific and EMEA, increased in China and decreased in South America and North America.

Orders received in the Paper business line increased in 2014. Orders received more than doubled in North America, increased in EMEA and Asia-Pacific and decreased in South America and China.

Orders received exceeded EUR 3 billion in 2014

Orders received, EUR million	Q4/2014	Q4/2013 Carve-out	Change	2014	2013 Carve-out	Change
Services	**273**	233	17%	**1,055**	1,035	2%
Pulp and Energy	**66**	102	-35%	**1,344**	680	98%
Paper	**142**	93	52%	**671**	467	43%
Total	**480**	428	12%	**3,071**	2,182	41%

Orders received, EUR million	Q4/2014	Q4/2013 Carve-out	Change	2014	2013 Carve-out	Change
North America	**88**	95	-8%	**490**	414	18%
South America	**40**	42	-3%	**281**	533	-47%
EMEA	**277**	178	55%	**1,470**	804	83%
China	**34**	74	-54%	**241**	241	0%
Asia-Pacific	**41**	39	6%	**589**	190	>100%
Total	**480**	428	12%	**3,071**	2,182	41%

Orders received in October–December amounted to EUR 480 million, i.e. 12 percent more than in the comparison period (EUR 428 million). Emerging markets accounted for 33 percent (43%) of orders received. Orders received increased in the Paper and Services business lines, and decreased in the Pulp and Energy business line.

The largest order during October–December was a board machine to Sweden. The new machine will produce high-quality folding boxboard, with an annual capacity of 400,000 tons, and the value of an order of this size is typically around EUR 60–70 million. Other orders received during the last quarter of 2014 include an Advantage DCT tissue machine to Poland and flue gas scrubber, a winder and auxiliaries, and flue-gas cleaning and condensation plant to Finland.

Orders received during 2014 amounted to EUR 3,071 million, i.e. 41 percent more than in the comparison period (EUR 2,182 million). Emerging markets accounted for 45 percent (54%) of orders received.

The most significant orders received in 2014 include key technology to a pulp mill project in Indonesia, with a value of approximately EUR 340 million, a major pulp mill upgrade in Sweden, with a value of approximately EUR 200 million, and two pulp drying lines to Brazil, typically valued at EUR 150–200 million. During 2014, Valmet has received among others a total of three large-sized pulp project orders, two OptiConcept M board production line orders, nine tissue line orders, three paper machine rebuilds and four complete boiler plant orders.

Order backlog approximately EUR 2 billion

Order backlog, EUR million	**As at December 31, 2014**	As at December 31, 2013 Carve-out	Change
Total	**1,998**	1,398	43%

At the end of the year, the order backlog was EUR 1,998 million, which was 43 percent higher than at the end of 2013 (EUR 1,398 million). Approximately 80 percent of the order backlog, i.e. EUR 1.6 billion, is expected to be recognized as net sales in 2015. Approximately 20 percent of the order backlog consists of Services business line’s orders (25%).

Net sales decreased in 2014, but increased in Q4/2014

Net sales, EUR million	**Q4/2014**	Q4/2013 Carve-out	Change	**2014**	2013 Carve-out	Change
Services	**278**	274	2%	**989**	1,032	-4%
Pulp and Energy	**312**	240	30%	**956**	907	5%
Paper	**186**	152	22%	**528**	674	-22%
Total	**777**	666	17%	**2,473**	2,613	-5%

Net sales, EUR million	**Q4/2014**	Q4/2013 Carve-out	Change	**2014**	2013 Carve-out	Change
North America	**125**	109	15%	**449**	422	6%
South America	**93**	136	-31%	**325**	421	-23%
EMEA	**344**	265	30%	**1,053**	1,096	-4%
China	**69**	73	-5%	**266**	389	-32%
Asia-Pacific	**145**	84	73%	**381**	285	34%
Total	**777**	666	17%	**2,473**	2,613	-5%

Net sales in October–December increased by 17 percent to EUR 777 million (EUR 666 million). Services business line’s net sales remained on a par with the comparison period, and accounted for 36 percent of Valmet’s net sales (41%). Measured by net sales, the top three countries were Sweden, the USA and

Indonesia, which together accounted for 39 percent of total net sales. Emerging markets accounted for 49 percent (51%) of net sales.

In October–December, changes in foreign exchange rates reduced net sales by approximately EUR 10 million compared with the exchange rates at the end of 2013.

In 2014, net sales decreased 5 percent to EUR 2,473 million (EUR 2,613 million). Services business line's net sales remained on a par with the comparison period, and accounted for 40 percent of Valmet's net sales (39%). Measured by net sales, the top three countries were the USA, Sweden and Brazil, which together accounted for 38 percent of total net sales. Emerging markets accounted for 48 percent (49%) of net sales.

Changes in foreign exchange rates reduced net sales in 2014 by approximately EUR 50 million compared with the exchange rates at the end of 2013.

Profitability improved and was in the targeted range in Q4/2014

In October–December, earnings before interest, taxes and amortization and non-recurring items (EBITA before non-recurring items) were EUR 48 million, i.e. 6.1 percent of net sales (EUR -25 million and -3.7%).

In 2014, earnings before interest, taxes and amortization and non-recurring items (EBITA before non-recurring items) were EUR 106 million, i.e. 4.3 percent of net sales (EUR 54 million and 2.1%).

Operating profit (EBIT) in October–December was EUR 38 million, i.e. 4.8 percent of net sales (EUR -66 million and -9.9%). Non-recurring items totaled to EUR -5 million (EUR -34 million).

Operating profit (EBIT) for 2014 was EUR 72 million, i.e. 2.9 percent of net sales (EUR -59 million and -2.2%). Non-recurring items totaled to EUR -12 million (EUR -86 million).

Net financial income and expenses

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

Net financial income and expenses in 2014 were EUR -5 million (EUR -5 million), of which interest expenses amounted to EUR -12 million, interest income to EUR 5 million and other financial income and expenses to EUR -2 million, dividends received to EUR 1 million and net foreign exchange gains to EUR 3 million.

Profit before taxes and earnings per share increased

Profit before taxes for October–December was EUR 36 million (EUR -63 million). The profit attributable to owners of the parent in October–December was EUR 25 million (EUR -61 million), corresponding to earnings per share (EPS) of EUR 0.17 (EUR -0.41).

Profit before taxes in 2014 was EUR 67 million (EUR -64 million). The profit attributable to owners of the parent in 2014 was EUR 46 million (EUR -63 million), corresponding to earnings per share (EPS) of EUR 0.31 (EUR -0.42).

Return on capital employed (ROCE) increased

In 2014, return on capital employed (ROCE) before taxes was 9 percent (-4%) and return on equity (ROE) 6 percent (-7%).

Business lines

Services – orders received increased towards the end of the year

Services business line	Q4/2014	Q4/2013 Carve-out	Change	2014	2013 Carve-out	Change
Orders received (EUR million)	**273**	233	17%	**1,055**	1,035	2%
Net sales (EUR million)	**278**	274	2%	**989**	1,032	-4%
Personnel (end of period)				**5,230**	5,295	-1%

In October–December, orders received by the Services business line increased 17 percent to EUR 273 million (EUR 233 million) and accounted for 57 percent of all orders received (54%). Orders received increased in all geographical areas, especially in North America. Orders received increased in the Energy and Environmental, Mill Improvements, and Performance Parts business units, and remained on a par with the comparison period in Rolls, and Fabrics business units.

In 2014, orders received by the Services business line remained on a par with the comparison period at EUR 1,055 million (EUR 1,035 million) and accounted for 34 percent of all orders received (47%). Orders received increased in Asia-Pacific and remained on a par with the comparison period in other geographical areas. Orders received increased in Energy and Environmental, and Mill Improvements business units and remained on a par with the comparison period in other business units.

In October–December, net sales for the Services business line totaled to EUR 278 million (EUR 274 million), corresponding to 36 percent of Valmet's net sales (41%).

In 2014, net sales for the Services business line totaled to EUR 989 million (EUR 1,032 million), corresponding to 40 percent of Valmet's net sales (39%).

Pulp and Energy – orders received almost doubled in 2014

Pulp and Energy business line	Q4/2014	Q4/2013 Carve-out	Change	2014	2013 Carve-out	Change
Orders received (EUR million)	**66**	102	-35%	**1,344**	680	98%
Net sales (EUR million)	**312**	240	30%	**956**	907	5%
Personnel (end of period)				**1,737**	2,233	-22%

In October–December, orders received by the Pulp and Energy business line decreased 35 percent to EUR 66 million (EUR 102 million) and accounted for 14 percent of all orders received (24%). Orders received decreased in all geographical areas. Orders received increased in the Energy business and decreased in the Pulp business.

In 2014, orders received by the Pulp and Energy business line almost doubled. Orders received in 2014 totaled to EUR 1,344 million (EUR 680 million) and accounted for 44 percent of all orders received (31%). Orders received more than doubled in Asia-Pacific and EMEA, increased in China and decreased in South America and North America. Orders received increased in both the Pulp and Energy businesses.

In October–December, net sales for the Pulp and Energy business line totaled to EUR 312 million (EUR 240 million), corresponding to 40 percent (36%) of Valmet's net sales.

In 2014, net sales for the Pulp and Energy business line totaled to EUR 956 million (EUR 907 million), corresponding to 39 percent of Valmet's net sales (35%).

Paper – growth in orders received in 2014

Paper business line	Q4/2014	Q4/2013 Carve-out	Change	2014	2013 Carve-out	Change
Orders received (EUR million)	**142**	93	52%	**671**	467	43%
Net sales (EUR million)	**186**	152	22%	**528**	674	-22%
Personnel (end of period)				**3,098**	3,906	-21%

In October–December, orders received by the Paper business line increased 52 percent to EUR 142 million (EUR 93 million) and accounted for 30 percent of all orders received (22%). Orders received increased in EMEA and decreased in China, North America and Asia-Pacific. Orders received increased in Board and Paper, and remained on a par with the comparison period in Tissue.

In 2014, orders received by the Paper business line increased 43 percent to EUR 671 million (EUR 467 million) and accounted for 22 percent of all orders received (21%). Orders received more than doubled in North America, increased in EMEA and Asia-Pacific and decreased in South America and China. Orders received increased in Board and Paper, and remained on a par with the comparison period in Tissue.

In October–December, net sales for the Paper business line increased 22 percent to EUR 186 million (EUR 152 million), corresponding to 24 percent (23%) of Valmet's net sales.

In 2014, net sales for the Paper business line totaled to EUR 528 million (EUR 674 million), corresponding to 21 percent of Valmet's net sales (26%).

Profitability improvement measures

On April 23, 2013, Valmet announced that it would initiate a savings program to improve its competitiveness. The timetable for the program was accelerated in October 2013, and it targeted annual cost savings of approximately EUR 100 million by the end of 2014.

The savings program proceeded well and was finalized during the third quarter of 2014. Selling, general and administrative expenses were reduced in all geographical areas. The majority of the savings were focused on the EMEA region and North America, as well as on Paper, and Pulp and Energy business lines. In 2014, selling, general and administrative expenses decreased by EUR 68 million.

Valmet provides comprehensive support to persons in Finland who have been affected by the reduction measures through the "Polku" employment support program. The program includes measures that support entrepreneurship, studies and re-employment such as job-to-job coaching and relocation support.

Profitability supported through improvements in processes

In addition to the savings program, Valmet intends to improve profitability by improving its internal processes.

Valmet aims to improve the project and service margin through the harmonization of processes between business lines, and through the localization of competencies. Better selection of sales cases and development in project management will also contribute to improving the margin.

In order to reduce quality costs and lead times, Valmet develops a common quality development approach. Valmet will continue to highlight the importance of quality initiatives and accountability. Additionally, further development of quality tools and processes is important.

To reach savings in procurement, Valmet will increase sourcing from cost competitive countries. Procurement savings can also be reached by increasing the use of sub-contracting and by consolidating the shipment and warehouse network.

Valmet will focus on cost competitiveness also after the savings program, which has been finalized. Valmet will also improve product cost competitiveness to increase gross profit through modularity and standardization, and by focusing on cost efficient design.

Cash flow and financing

Cash flow provided by operating activities amounted to EUR 30 million in October–December (EUR -38 million) and EUR 236 million (EUR -43 million) in 2014. Net working capital was EUR -353 million (EUR -186 million) at the end of 2014. The change in net working capital was partly due to an increase in advances received from the capital business. Cash flow after investments was EUR 15 million (EUR -48 million) in October–December and EUR 194 million (EUR -97 million) in 2014.

Gearing was -21 percent (0%) at the end of 2014 and the equity ratio was 42 percent (41%). Net interest-bearing liabilities totaled to EUR -166 million (EUR -1 million) at the end of the reporting period. Interest-bearing liabilities of EUR 68 million consisted mainly of drawn down bank loans. The average maturity for Valmet's non-current debt was 3.2 years.

Valmet's liquidity was strong at the end of the reporting period, with cash and cash equivalents totaling to EUR 192 million and interest-bearing available-for-sale financial assets totaling 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, as well as a EUR 200 million commercial paper program.

In compliance with the resolution of the Annual General Meeting on March 26, 2014, Valmet Corporation paid out dividends of EUR 22 million for 2013, corresponding to EUR 0.15 per share, on April 11, 2014.

Investments decreased in 2014

Gross capital expenditure, including business acquisitions, in October–December was EUR 15 million (EUR 13 million). Maintenance investments accounted for EUR 12 million (EUR 8 million).

Gross capital expenditure, including business acquisitions, in 2014 was EUR 46 million (EUR 57 million). Maintenance investments accounted for EUR 37 million (EUR 41 million).

Business combinations and disposals of businesses

Acquisitions

Valmet made no acquisitions during the twelve months ended December 31, 2014.

Disposals

On December 17, 2013, MW Power Oy signed a contract to sell its small-scale heating plant business in Finland and related services operations in Russia to KPA Unicon. The closing of the transaction covering the business in Finland took place on January 31, 2014. The closing of the transaction covering the Russian service business took place on June 27, 2014.

On December 17, 2013, Valmet signed a contract to sell its small-scale heating plant business in Sweden to a part of its current management. The closing of the transaction covering the business in Sweden took place on January 2, 2014.

The total annual revenue of the divested businesses has been approximately EUR 30 million, employing 114 employees as of year-end 2013. These transactions had no material effect on Valmet's 2014 financial statements.

Research and development

Valmet's research and development expenses for 2014 were EUR 42 million, i.e. EUR 1.7 percent of net sales (EUR 60 million and 2.3%). 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 2014, R&D employed 298 people (330 people).

R&D work is currently focused on cost-efficient, modular and standardized solutions. Its other focus area is biomass conversion technology. Valmet's comprehensive intellectual property portfolio covers some 1,800 protected innovations. Valmet has several testing facilities that are used in demonstration testing, customer-specific projects and Valmet's own R&D activities.

In 2014 Valmet has continued joint development of waste gasification in Finland, made an collaboration agreement in bio coal commercialization in USA, started up a pilot plant for hydrolysis of biomass in Sweden, started a joint bio-oil project in Finland, and continued good process in intellectual property rights.

During 2014, Valmet has launched for example iRoll Technology, intelligent roll technology and analysis service for improved paper quality and machine runnability, PressPolar board machine covers and eServices. Valmet has also during the course of 2014 continued its development work on modularized and standardized products and solutions.

Valmet has successfully commercialized its techological innovations. In 2014, Valmet received the first OptiConcept M board machine order and first First Advantage NTT tissue machine order to the USA. Valmet also received several flue gas heat recovery orders in Finland and delivered a prehydrolysis pilot system to the Netherlands. In addition, world's largest recovered fuel fired boiler to combined heat and powerplant (CHP) plant started up in Sweden.

Valmet has recorded all costs resulting from R&D activities as expenses in the income statement in 2013 and 2014.

Number of personnel decreased during the year

Personnel by business line	As at December 31, 2014	As at December 31, 2013	Change
Services	**5,230**	5,295	-1%
Pulp and Energy	**1,737**	2,233	-22%
Paper	**3,098**	3,906	-21%
Other	**399**	331	21%
Total (end of period)	**10,464**	11,765	-11%

Personnel by area	As at December 31, 2014	As at December 31, 2013	Change
North America	**1,141**	1,147	-1%
South America	**432**	418	3%
EMEA	**6,376**	7,514	-15%
China	**1,927**	2,061	-7%
Asia-Pacific	**588**	625	-6%
Total (end of period)	**10,464**	11,765	-11%

In 2014, Valmet employed an average of 10,853 people (12,286). The number of personnel at the end of December 2014 was 10,464 (11,765). In 2014, personnel expenses totaled to EUR 609 million (EUR 697 million) of which wages, salaries and remuneration equaled to EUR 472 million (EUR 540 million).

Strategic goals and their implementation

As stated in its strategy, Valmet will focus on developing and delivering technology and services globally to industries that use bio-based raw materials. Valmet's vision is to become the global champion in serving its customers, and its mission is to convert renewable resources into sustainable results.

Valmet's main customer industries are pulp, paper, and energy. All of these are major global industries that offer growth potential for the future. Valmet complements its core business by applying its service and technology expertise also to industries beyond those that use bio-based raw materials, especially the energy sector.

Valmet's product and service portfolio consists of productivity-enhancing services, 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 goal is to achieve its targets by focusing on customer excellence, on being a leader in technology and innovation, on excellence in processes and on building a winning team.

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

Sustainable development and responsible business

Sustainability is at the core of Valmet's business strategy and operations and is defined in Valmet's sustainability agenda and management systems as well as in related policies such as Valmet's Sustainable supply chain policy, Health, Safety and Environmental (HSE) policy and Code of Conduct and related policies. Valmet is a signatory of the UN Global Compact as of January 13, 2014, and the company's operating principles and sustainability work are founded on the ten principles of the initiative. Valmet also supports and respects selected, globally acknowledged guidelines and principles, e.g. UN Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, and the International Labor Organization's (ILO) Declaration of Fundamental Principles and Rights at Work.

In 2014, Valmet was included in the Dow Jones Sustainability World (DJSI World) and Europe (DJSI Europe) indices and ranked among the leaders in CDP's Nordic Climate Disclosure Leadership Index (CDLI) with a score of 98/100.

Valmet is committed to moving health, safety and environmental performance forward in its operations and in the industries it serves. Valmet wants to provide a safe working environment and minimize the environmental impact of its operations. Valmet has established both a strategic plan for safety improvement focusing on safety culture development and global standards and procedures, as well as a dedicated environmental efficiency program. Valmet's goal is zero harm and Valmet has defined long-term targets for reducing its environmental impacts and minimizing workplace injuries.

According to Valmet's HSE policy, compliance with applicable laws and regulations is only a minimum requirement. In addition to this, Valmet has defined minimum requirements for safety at work for high risk activities to ensure a common safety platform across all its operations. In 2014, Valmet extended the minimum safety standards to cover five additional critical activities – safeguarding of machines, hazardous manual handling, hot work, driving safety and emergency action planning. Since the introduction of the standards in 2012 serious incidents leading to one to more days of absence have decreased by 35 percent. In 2014, no fatal accidents occurred in Valmet's operations, (Valmet's own and supervised employees and independent contractors) and the lost time incident frequency rate (LTIF) of our own personnel fell by 15 percent to 5.5.

The greatest environmental impact in Valmet´s value chain arises from the use of Valmet's solutions for production at our customer sites. Valmet sees that the best way to promote sustainability is to innovate in technologies and to continuously improve our current ways of operating in alignment with the principles of sustainability. In research and development activities Valmet focuses on technology solutions that enable its customers to improve their sustainability performance by increasing the energy and materials efficiency of their industrial processes and reducing emissions and water consumption. Valmet's services business helps to maximize the environmental efficiency of the technologies, to ensure operational safety and to extend the life span of our customers' production plants.

Valmet's operations with most environmental impact are our foundries, technology centers as well as our assembly, manufacturing and service workshops. Valmet's environmental-efficiency program promotes continuous improvement of the environmental performance of our own operations and set's group-wide targets for the most significant aspects; energy and water consumption, CO2 emissons and waste. Environmental permits are maintained for all operations and Valmet constantly develops its environmental reporting to ensure it can accurately monitor its performance. Valmet also continues the process of calculating the entire value chain's greenhouse gas (GHG) emissions.

A majority of Valmet’s operations is covered by the ISO 9001 quality management system, the ISO 14001 environmental management system and by the OHSAS 18001 health and safety management system.

As Valmet has an extensive supply chain including around 10,000 active suppliers in over 50 countries, Valmet created in 2014 a comprehensive approach for achieving a more sustainable system of supply chain management in order to improve its procurement processes and enhance transparency in its supply chain. In 2014 Valmet launched a Sustainable Supply Chain Policy, which applies to all suppliers globally. The policy will be incorporated into new contracts and purchase orders, and communicated to all active suppliers. The policy addresses Valmet´s requirements for its suppliers regarding business ethics, compliance, human rights and labor rights, occupational health and safety, environmental management and sustainability in products and services. Valmet expects all its suppliers to comply with the principles defined in the policy.

Valmet’s sustainability reporting in 2014 follows the Global Reporting Initiative’s (GRI) G4 “in accordance” core option. Standard disclosures for 2014 in English with a reference to external assurance in the GRI content index have been externally assured by PricewaterhouseCoopers Oy.

In order to enable continuous stakeholder dialogue, Valmet launched a comprehensive web-based brainstorming tool for collecting and analyzing stakeholder opinions in 2014. The process allows our stakeholders to express their views on Valmet’s sustainability performance and propose ideas for further development. The web-based tool is open for all stakeholders and utilized in annual and one-off meetings with our stakeholders to gather feedback from all stakeholder groups. The brainstorming results are reviewed on a regular basis. All information received is gathered together and analyzed for the annual strategy review process to assess and evaluate potential new topics of concern and to update Valmet’s sustainability agenda accordingly.

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. However, 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 2013 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. The Corporate Governance Statement for 2014 will be published together with the Annual Report 2014.

Shares and shareholders

Share capital and number of shares

At the end of December 2014, Valmet Corporation’s share capital totaled to EUR 100,000,000 and the number of shares was 149,864,619. The number of outstanding shares at the end of December was 149,864,220.

Treasury shares and Board authorizations

Valmet Corporation’s Annual General Meeting on March 26, 2014 authorized Valmet’s Board of Directors to resolve on repurchasing the Company’s shares and/or taking the shares as pledge. The maximum number of treasury shares to be repurchased and/or taken as pledge shall be 10,000,000 shares, which corresponds to approximately 6.7 percent of all of the shares in the Company.

Treasury shares may be repurchased otherwise than in proportion to the shareholdings of the shareholders (directed repurchase). Treasury shares may be repurchased using the unrestricted equity of the Company at a price formed on the regulated market in the Helsinki Stock Exchange’s stock exchange list on the date of the repurchase or at a price otherwise determined on the market.

Treasury shares may be repurchased and/or taken as pledge 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 repurchased shares may be held for the time being, cancelled or reissued. The Board of Directors resolves on all other terms related to the repurchasing and/or taking as pledge 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. The Board is authorized to issue a maximum of 15,000,000 new shares and convey a maximum of 10,000,000 Valmet shares already held by the company. 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.

The authorizations shall stay in force until June 30, 2015 and they cancel the previous authorizations given to the Board of Directors of Valmet Corporation by the Extraordinary General Meeting of Metso Corporation convening on October 1, 2013.

In accordance with a resolution by Valmet Corporation's Board of Directors, Valmet Corporation has conveyed a total of 13,911 Valmet shares held by the company to 25 key Valmet employees included in the group's share-based incentive program 2011–2013. The handover date for the shares was April 30, 2014, after which the remaining number of shares in the company held by Valmet Corporation is 399. The handover was announced in a stock exchange release on May 2, 2014.

Metso Corporation's Board of Directors resolved on the terms and conditions of the share-based incentive program 2011–2013 in September 2010. The terms and conditions of the program are described in greater detail in Valmet's Corporate Governance Statement for 2013.

Trading in shares

The closing share price for Valmet’s share on the first day of trading (January 2, 2014) was EUR 6.65. The closing share price on the final day of trading for the reporting period, December 30, 2014, was EUR 10.22. The share price rose by some 54 percent during the period between January 2, 2014 and December 30, 2014. The highest price for the share during the reporting period was EUR 10.37, the lowest was EUR 6.00 and the volume-weighted average price was EUR 7.54. The number of shares traded on NASDAQ OMX Helsinki during January–December was approximately 138 million. The value of trading was EUR 1,042 million. (Source: NASDAQ OMX)

In addition to NASDAQ OMX Helsinki, Valmet's shares are also traded on other marketplaces, such as Chi-X and BATS. A total of approximately 10 million of Valmet Corporation's shares were traded on alternative marketplaces in January–December, which equals to approximately 7 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 stood at EUR 1,532 million at the end of the reporting period.

Number of shareholders

The number of registered shareholders at the end of December 2014 was 49,294 (58,490 on December 31, 2013). Shares owned by nominee-registered parties and by non-Finnish parties equaled to 54.7 percent of the total number of shares at the end of December 2014 (47.8% on December 31, 2013).

Flagging notifications

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

Stock exchange release on November 6, 2014

Valmet Corporation received a notification referred to in Securities Market Act from Nordea Funds Oy, stating that the company's ownership and share of votes in Valmet Corporation has fallen below the threshold of 5 percent (1/20). As a result of share transactions on November 5, 2014, the holding of Nordea Funds Oy decreased to 7,240,716 shares (previously 7,513,864 shares), representing an ownership of 4.832 percent (previously 5.014 percent) of Valmet Corporation's total number of shares and share of votes.

Stock exchange release on October 17, 2014

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 exceeded the threshold of 5 percent (1/20). As a result of share transactions on October 15, 2014, the holding of Franklin Templeton Institutional, LLC increased to 7,517,629 shares, representing an ownership of 5.02 percent of Valmet Corporation's total number of shares and share of votes. Previously, the holding of Franklin Templeton Institutional, LLC was below 5 percent.

Stock exchange release on September 5, 2014

Valmet Corporation received a notification referred to in Securities Market Act from Nordea Funds Oy, stating that the company's ownership and share of votes in Valmet Corporation has risen above the threshold of 5 percent (1/20). The previous flagging notification that Valmet Corporation received from Nordea Funds Oy, and that Valmet Corporation announced with a stock exchange release on August 18, 2014 has been incorrect. Nordea Funds Oy's ownership of Valmet Corporation's total number of shares and share of votes did not at that time exceed the threshold of 5 percent. As a result of share transactions and the end of share lending on September 4, 2014, the holding of Nordea Funds Oy increased to 7,513,864 shares (previously, in accordance with the flagging notification on August 6, 2014, 7,445,447 shares), representing an ownership of 5.014 percent (previously, in accordance with the flagging notification on August 6, 2014, 4.968 percent) of Valmet Corporation's total number of shares and share of votes.

Stock exchange release on August 18, 2014

Valmet Corporation received a notification referred to in Securities Market Act from Nordea Funds Oy, stating that the company's ownership and share of votes in Valmet Corporation has risen above the threshold of 5 percent (1/20). As a result of share transactions on August 15, 2014, the holding of Nordea Funds Oy increased to 7,502,743 shares (previously 7,445,447 shares), representing an ownership of 5.006 percent (previously 4.968 percent) of Valmet Corporation's total number of shares and share of votes.

Stock exchange release on August 6, 2014

Valmet Corporation received a notification referred to in Securities Market Act from Nordea Funds Oy, stating that the company's ownership and share of votes in Valmet Corporation has fallen below the threshold of 5 percent (1/20). As a result of share transactions on August 5, 2014, the holding of Nordea Funds Oy decreased to 7,445,447 shares (previously 7,495,447 shares), representing an ownership of 4.968 percent (previously 5.001 percent) of Valmet Corporation's total number of shares and share of votes.

Stock exchange release on August 4, 2014

Valmet Corporation received a notification referred to in Securities Market Act from Nordea Funds Oy, stating that the company's ownership and share of votes in Valmet Corporation has risen above the threshold of 5 percent (1/20). As a result of share transactions on August 1, 2014, the holding of Nordea Funds Oy increased to 7,495,447 shares, representing an ownership of 5.001 percent of Valmet Corporation's total number of shares and share of votes. Previously, the holding of Nordea Funds Oy was below 5 percent.

Stock exchange release on March 11, 2014

Valmet Corporation received a notification according to the Securities Markets Act on a change in the holdings of Cevian's funds. Cevian Capital II Master Fund L.P. has transferred all of the 8,305,654 Valmet shares it owns to its wholly-owned subsidiary Cevian Capital Partners Ltd. The transfer was completed on March 10, 2014 after which Cevian Capital Partners Ltd. owns altogether 20,813,714 Valmet shares, which corresponds to 13.89 percent of Valmet's entire share stock and votes. The transfer of shares does not affect the total number of shares owned by Cevian's funds.

Share-based incentive plans

Valmet's share ownership 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 managers a competitive reward plan based on long-term shareholding in the company.

Long-term incentive plan 2012-2014

In December 2013, Metso's Board of Directors decided to continue the share-based incentive plan approved in December 2011. The target group of the plan is the senior management of Valmet. The plan approved in 2011 includes three performance periods, equivalent to the 2012, 2013, and 2014 calendar years. The Board of Directors is responsible for setting the performance criteria and targets used at the beginning of each performance period. 40 key employees in Valmet were covered by the plan for the 2014 performance period. Growth in Valmet's EBITA-% and growth in Services orders received were the 2014 performance criteria of the long-term incentive plan.

The potential reward from the 2014 performance period will be paid in April 2015, partly in company shares and partly in cash. Any shares earned are restricted and must be held for approximately 2 years after reward payment. The proportion paid in cash is intended to cover taxes and tax-related costs arising from the payment.

The potential rewards to be paid on the basis of the 2014 performance period will correspond to a maximum total of 744,125 Valmet shares. The reward of the Plan may not exceed 120 percent of the key employee's annual total base salary.

Long-term incentive plan 2015-2017

In December 2014, The Board of Directors approved a new share based incentive plan for Valmet's key employees. The plan has three discretionary periods, which are the calendar years 2015, 2016 and 2017. The Board of Directors shall decide on the performance criteria and participants in the beginning of each performance period. The Plan is directed to approximately 80 people. The potential reward of the Plan from the discretionary period 2015 is based on EBITA-% improvement 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 shares paid as reward may not be transferred during the restriction period, which will end two years after the end of the discretionary period. 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 Plan are in total an approximate maximum of 616,000 shares in Valmet Corporation and a cash payment needed for taxes and tax-related costs arising from the shares. The reward of the Plan may not exceed 120 percent of the key employee's annual total base salary.

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 26, 2014. The Annual General Meeting adopted the Financial Statements for 2013 and discharged the members of the Board and the CEO from liability for the 2013 financial year. The Annual General Meeting approved the Board of Directors' proposals, which concerned authorizing the Board to resolve on repurchasing treasury shares and/or taking treasury shares as pledge, to resolve on the issuance of shares and the issuance of special rights entitling to shares and to establish a shareholders' nomination board.

The Annual General Meeting confirmed the number of Board members as seven and appointed Jukka Viinanen as Chairman of Valmet Corporation's Board and Mikael von Frenckell as Vice Chairman. Lone Fønss Schrøder was appointed as a new member of the Board. 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.

Valmet published stock exchange releases on March 26, 2014, 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.

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 services and emerging markets 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 in official regulations 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.

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 binding 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 3.2 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 2014, Valmet had EUR 446 million (EUR 443 million) of goodwill on its statement of financial position. The carrying value of goodwill is reviewed annually or more frequently for impairment, if the facts and circumstances suggest that its carrying value may not be recoverable. 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

Valmet Corporation and Metso Corporation signed an agreement on the sale of Metso's Process Automation Systems business to Valmet on January 15, 2015. The enterprise value of the acquisition is EUR 340 million. The acquisition will be financed with committed long-term financing. It is estimated that the acquisition will be completed by April 1, 2015. The completion of the transaction is subject to approval by the competition authorities.

The acquired operations supply process automation and information management systems and related applications and services to the pulp, paper, energy and other process industries. The purchased operations employ about 1,600 people. Net sales of the Process Automation Systems business is approximately EUR 300 million, of which Valmet has accounted for approximately 10 percent.

As a result of the acquisition, Valmet will become a stronger and unique technology and services company in its field, with a full automation offering. The business being acquired is a strong business, with established customer relations and a high level of technology and know-how.

Guidance for 2015

Valmet estimates that, including the acquisition of Process Automation Systems, net sales in 2015 will increase in comparison with 2014 (EUR 2,473 million) and EBITA before non-recurring items in 2015 will increase in comparison with 2014 (EUR 106 million).

The completion of the acquisition of Process Automation Systems is subject to approval by the competition authorities.

Short-term outlook

General economic outlook

Global growth in 2015–16 is projected at 3.5 and 3.7 percent, downward revisions of 0.3 percent relative to the October 2014 World Economic Outlook. The revisions reflect a reassessment of prospects in China, Russia, the euro area, and Japan as well as weaker activity in some major oil exporters because of the sharp drop in oil prices. The United States is the only major economy for which growth projections have been raised. The distribution of risks to global growth is more balanced than in October. The main upside risk is a greater boost from lower oil prices, although there is uncertainty about the persistence of the oil supply shock. Downside risks relate to shifts in sentiment and volatility in global financial markets, especially in emerging market economies, where lower oil prices have introduced external and balance sheet vulnerabilities in oil exporters. Stagnation and low inflation are still concerns in the euro area and in Japan. (International Monetary Fund, January 20, 2015)

Short-term market outlook

Valmet is reiterating its short-term market outlook presented on July 31, 2014. Valmet estimates that activity in board and paper markets will remain on a good level. The activity in the services, pulp, energy, and tissue markets is estimated to remain satisfactory.

Board of Director's proposal for the distribution of profit

Valmet Corporation’s distributable funds totaled to EUR 904,322,050.83 on December 31, 2014, of which the net profit for 2014 was EUR 3,818,389.61.

The Board of Directors proposes that a dividend of EUR 0.25 per share be paid based on the statement of financial position to be adopted for the financial year which ended December 31, 2014, 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 31, 2015 are registered in the Company’s shareholders’ register held by Euroclear Finland Ltd. The dividend will be paid on April 10, 2015. 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.

Espoo, February 6, 2015

Valmet Corporation’s Board of Directors

Consolidated Statement of Income

EUR million	**Q4/2014**	Q4/2013 Carve-out	**Q1-Q4/ 2014**	Q1-Q4/ 2013 Carve-out
Net sales	**777**	666	**2,473**	2,613
Cost of goods sold	**-633**	-591	**-2,004**	-2,172
Gross profit	**144**	75	**469**	441
Selling, general and administrative expenses	**-109**	-126	**-401**	-469
Other operating income and expenses, net	**3**	-15	**4**	-32
Share in profits and losses of associated companies	**0**	0	**0**	1
Operating profit	**38**	-66	**72**	-59
Financial income and expenses, net	**-1**	3	**-5**	-5
Profit before taxes	**36**	-63	**67**	-64
Income taxes	**-11**	2	**-21**	2
Profit / loss	**25**	-61	**46**	-62
Attributable to:				
Owners of the parent	**25**	-61	**46**	-63
Non-controlling interests	**0**	0	**0**	1
Profit / loss	**25**	-61	**46**	-62
Earnings per share attributable to owners of the parent				
Earnings per share, EUR	**0.17**	-0.41[1]	**0.31**	-0.42[1]
Diluted earnings per share, EUR	**0.17**	-0.41[1]	**0.31**	-0.42[1]

[1] *The earnings per share information was computed as if the shares issued in conjunction with the Demerger had been outstanding for the entire comparison period.*

Consolidated Statement of Comprehensive Income

EUR million	**Q4/2014**	Q4/2013 Carve-out	**Q1-Q4/ 2014**	Q1-Q4/ 2013 Carve-out
Profit / loss	**25**	-61	**46**	-62
Items that may be reclassified to profit or loss in subsequent periods:				
Cash flow hedges	**-1**	6	**-11**	3
Available-for-sale equity investments	**0**	0	**0**	0
Currency translation on subsidiary net investments	**-2**	-8	**7**	-22
Income tax relating to items that may be reclassified	**1**	-2	**3**	-1
	-2	-4	**-1**	-20
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	**-25**	16	**-40**	16
Income tax on items that will not be reclassified	**10**	-6	**13**	-6
	-16	10	**-27**	10
Other comprehensive income (+) / expense (-)	**-18**	6	**-28**	-10
Total comprehensive income (+) / expense (-)	**7**	-55	**18**	-72
Attributable to:				
Owners of the parent	**7**	-55	**18**	-73
Non-controlling interests	**0**	0	**0**	1
Total comprehensive income (+) / expense (-)	**7**	-55	**18**	-72

Consolidated Statement of Financial Position

Assets

EUR million	As at December 31, 2014	As at December 31, 2013
Non-current assets		
Intangible assets		
Goodwill	**446**	443
Other intangible assets	**91**	107
Total intangible assets	**537**	550
Property, plant and equipment		
Land and water areas	**22**	21
Buildings and structures	**132**	137
Machinery and equipment	**202**	210
Assets under construction	**25**	21
Total property, plant and equipment	**381**	389
Financial and other non-current assets		
Investments in associated companies	**5**	5
Available-for-sale financial assets	**9**	3
Loan and other receivables	**7**	1
Derivative financial instruments	**0**	-
Deferred tax asset	**86**	80
Other non-current assets	**14**	8
Total financial and other non-current assets	**121**	97
Total non-current assets	**1,040**	1,036
Current assets		
Inventories	**474**	431
Receivables		
Trade and other receivables	**445**	436
Cost and earnings of projects under construction in excess of advance billings	**192**	159
Loan and other receivables	**0**	-
Available-for-sale financial assets	**28**	1
Derivative financial instruments	**20**	18
Income tax receivables	**22**	21
Total receivables	**706**	635
Cash and cash equivalents	**192**	211
Total current assets	**1,372**	1,277
Total assets	**2,412**	2,313

Consolidated Statement of Financial Position

Equity and liabilities

EUR million	As at December 31, 2014	As at December 31, 2013
Equity		
Share capital	**100**	100
Reserve for invested unrestricted equity	**403**	402
Cumulative translation adjustments	**9**	2
Fair value and other reserves	**-3**	5
Retained earnings	**296**	299
Equity attributable to owners of the parent	**804**	808
Non-controlling interests	**5**	5
Total equity	**809**	813
Liabilities		
Non-current liabilities		
Non-current debt	**16**	140
Post-employment benefits	**144**	103
Provisions	**10**	32
Derivative financial instruments	**3**	2
Deferred tax liability	**22**	29
Other non-current liabilities	**1**	1
Total non-current liabilities	**195**	307
Current liabilities		
Current portion of non-current debt	**51**	63
Current debt	**-**	8
Trade and other payables	**740**	673
Provisions	**98**	105
Advances received	**146**	139
Billings in excess of cost and earnings of projects under construction	**327**	176
Derivative financial instruments	**30**	8
Income tax liabilities	**16**	21
Total current liabilities	**1,408**	1,193
Total liabilities	**1,603**	1,500
Total equity and liabilities	**2,412**	2,313

Condensed Consolidated Statement of Cash Flows

EUR million	**Q4/2014**	Q4/2013 Carve-out	**Q1-Q4/ 2014**	Q1-Q4/ 2013 Carve-out
Cash flows from operating activities				
Profit / loss	**25**	-61	**46**	-62
Adjustments				
Depreciation and amortization	**18**	19	**72**	82
Dividend income and net interests	**0**	1	**2**	7
Income taxes	**11**	-9	**21**	-2
Other non-cash items	**11**	19	**18**	40
Change in net working capital, net of effect from business acquisitions and disposals	**-32**	9	**103**	-45
Net interests and dividends received	**-1**	-2	**-2**	-17
Income taxes paid	**-2**	-14	**-24**	-46
Net cash provided by (+) / used in (-) operating activities	**30**	-38	**236**	-43
Cash flows from investing activities				
Capital expenditure on fixed assets	**-15**	-13	**-46**	-54
Proceeds from sale of fixed assets	**1**	3	**4**	4
Business acquisitions, net of cash acquired	**-**	-	**-**	-3
Proceeds from sale of businesses, net of cash sold	**-**	-	**0**	-1
Other	**-**	0	**0**	0
Net cash provided by (+) / used in (-) investing activities	**-14**	-10	**-42**	-54
Cash flows from financing activities				
Redemption of own shares	**-**	-	**0**	-
Dividends paid	**-**	-	**-22**	-
Changes in ownership interests in subsidiaries	**-**	-	**-**	-5
Net borrowings (+) / payments (-) on current and non-current debt	**-25**	46	**-142**	-314
Net investments in available-for-sale financial assets	**13**	-	**-33**	-
Equity financing	**-**	25	**-**	492
Other	**-7**	-5	**-7**	-5
Net cash provided by (+) / used in (-) financing activities	**-19**	66	**-204**	168
Net increase (+) / decrease (-) in cash and cash equivalents	**-4**	18	**-10**	71
Effect of changes in exchange rates on cash and cash equivalents	**-14**	-7	**-9**	-18
Cash and cash equivalents at beginning of period	**210**	200	**211**	158
Cash and cash equivalents at end of period	**192**	211	**192**	211

Consolidated Statement of Changes in Equity

EUR million	Share capital	Reserve for invested unrestricted equity	Cumulative translation adjustments	Fair value and other reserves	Retained earnings	Invested equity and retained earnings	**Equity attributable to owners of the parent**	Non-controlling interests	**Total equity**
Balance at Jan 1, 2013[1]	-	-	24	3	-	389	416	7	423
Profit / loss[1]	-	-	-	-	-	-63	-63	1	-62
Other comprehensive income (+) / expense (-)[1]	-	-	-22	2	-	10	-10	-	-10
Total comprehensive income (+) / expense (-)[1]	-	-	-22	2	-	-53	-73	1	-72
Dividends[1]	-	-	-	-	-	0	0	0	0
Changes in non-controlling interests[1]	-	-	-	-	-	-4	-4	-3	-7
Demerger[1]	100	407	-	-	299	-331	475	-	475
Demerger related capitalized costs[1]	-	-5	-	-	-	-	-5	-	-5
Other[1]	-	-	-	-	-	-1	-1	-	-1
Balance at December 31, 2013	100	402	2	5	299	-	808	5	813
Balance at Jan 1, 2014	**100**	**402**	**2**	**5**	**299**	**-**	**808**	**5**	**813**
Profit / loss	-	-	-	-	46	-	**46**	0	**46**
Other comprehensive income (+) / expense (-)	-	-	7	-8	-27	-	**-28**	0	**-28**
Total comprehensive income (+) / expense (-)	-	-	7	-8	19	-	**18**	**0**	**18**
Dividends	-	-	-	-	-22	-	**-22**	0	**-23**
Other	-	-	-	0	-1	-	**-1**	-	**-1**
Share-based payments, net of tax	-	0	-	-	2	-	**2**	-	**2**
Balance at December 31, 2014	**100**	**403**	**9**	**-3**	**296**	**-**	**804**	**5**	**809**

[1] *Carve-out figures.*

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 OMX Helsinki Ltd.

Valmet was formed through the partial demerger of the Pulp, Paper and Power businesses (“PPP”) of Metso Corporation (the “Demerger”), which became effective on December 31, 2013.

These condensed consolidated interim financial statements were approved for issue on February 6, 2015.

Basis of preparation

These condensed consolidated interim financial statements for the twelve months ended December 31, 2014 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 this financial statements bulletin has not been audited. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2013, which have been prepared in accordance with IFRS.

Valmet formed a separate legal group as of December 31, 2013. The information presented in these condensed consolidated interim financial statements is based on actual consolidated figures as an independent group after the consummation of the Demerger and on carve-out information for periods preceding the consummation of the Demerger.

The carve-out financial information presented in the financial statements reflects the financial performance of the entities that have historically formed the Pulp, Paper and Power segment within Metso Group. The carve-out historical financial information includes allocations of income, expenses, assets, liabilities and cash-flows from predecessor parent company Metso Corporation. The Valmet Group carve-out financial information includes all those legal entities that have historically formed the reportable segment PPP and which were transferred to Valmet Corporation in the Demerger.

The earnings per share information for the comparison period presented was computed as if the shares issued in conjunction with the Demerger had been outstanding for the period presented.

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 are consistent with those of the previous financial year except as described below.

- Valmet adopted the IFRS 10 ‘Consolidated Financial Statements’ standard on January 1, 2014. The standard did not have a material impact on Valmet’s financial statements.

- Valmet adopted the IFRS 11 'Joint Arrangements' standard on January 1, 2014. The standard did not have a material impact on Valmet's financial statements.
- Valmet adopted the IFRS 12 'Disclosure of Interests in Other Entities' standard on January 1, 2014. The standard did not have a material impact on Valmet's financial statements.

Business combinations and disposals of businesses

Acquisitions

Valmet made no acquisitions during the twelve months ended December 31, 2014.

Disposals

On December 17, 2013 MW Power Oy signed a contract to sell its small-scale heating plant business in Finland and related services operations in Russia to KPA Unicon. The closing of the transaction covering the business in Finland took place on January 31, 2014. The closing of the transaction covering the Russian service business took place on June 27, 2014.

On December 17, 2013 Valmet signed a contract to sell its small-scale heating plant business in Sweden to a part of its current management. The closing of the transaction covering the business in Sweden took place on January 2, 2014.

The total annual revenue of the divested businesses has been approximately EUR 30 million, employing 114 employees as of year-end 2013. These transactions had no material effect on Valmet's 2014 financial statements.

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 debt instruments and 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 2014.

EUR million	As at December 31, 2014 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**	**-**

EUR million	As at December 31, 2013 Level 1	Level 2	Level 3
Assets			
Derivatives at fair value through profit and loss	-	6	-
Derivatives qualified for hedge accounting	-	12	-
Available-for-sale financial assets	1	-	-
Total assets	1	18	-
Liabilities			
Derivatives at fair value through profit and loss	-	2	-
Derivatives qualified for hedge accounting	-	7	-
Total liabilities	-	9	-

The following table presents the changes in level 3 instruments for the year ended December 31, 2014 and 2013.

EUR million	Q1-Q4/ 2014	Q1-Q4/ 2013 Carve-out
Balance at beginning of year	**-**	-
Exchange rate differences	**0**	-
Additions	**0**	-
Transfers into level 3	**-**	-
Disposals	**-**	-
Other changes	**2**	-
Balance at end of year	**2**	-

Assets pledged and contingent liabilities

EUR million	As at December 31, 2014	As at December 31, 2013
Guarantees on behalf of others	**5**	2
Lease commitments	**48**	38

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 1,170 million and EUR 1,206 million as at December 31, 2014 and 2013, respectively.

Notional amounts of derivative financial instruments

	As at December 31, 2014	As at December 31, 2013
Forward exchange contracts, EUR millions	**1,290**	1,153
Electricity forward contracts, GWh	**327**	359
Nickel swap contracts, tons	**-**	84

The notional 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 until the effective date of the Demerger (December 31, 2013) Valmet's preceding parent company Metso Corporation, Metso Group companies other than Valmet Group companies (together "Metso"), associated companies and joint ventures of Valmet and members of Metso's key management personnel.

Following the consummation of the Demerger, Valmet's related parties include Valmet Group companies and associated companies and joint ventures as well as the members of Valmet's key management personnel.

Valmet's sales to Metso comprise of sales of filtration products and assembly services to Metso's Mining and Construction business. Valmet's purchases from Metso in the ordinary course of business comprise of purchases of process automation systems related to Valmet's project sales. In addition, Metso has had equity and financing transactions with Valmet, which have led to the recognition of receivables and payables with Metso.

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

The following table sets forth Valmet's transactions with Metso as at and for the twelve months ended December 31, 2013:

EUR million	**As at and for the twelve months ended December 31, 2013** Carve-out
Net sales	13
Cost of goods sold	-59
Interest income	1
Interest expenses	-3
Advances paid for inventories	4
Trade and other receivables	3
Trade and other payables	32
Advances received	0

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 Board of Directors of Valmet as Valmet's Chief Operating Decision Maker at Valmet Group level.

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, gains and losses on business disposals, and other infrequent events, as these reduce the comparability of the Group's performance from one period to another.

EUR million	**Q4/2014**	Q4/2013 Carve-out	**Q1-Q4/ 2014**	Q1-Q4/ 2013 Carve-out
Net sales	**777**	666	**2,473**	2,613
EBITA before non-recurring items	**48**	-25	**106**	54
% of net sales	**6.1%**	-3.7%	**4.3%**	2.1%
Operating profit	**38**	-66	**72**	-59
% of net sales	**4.8%**	-9.9%	**2.9%**	-2.2%
Amortization	**-5**	-7	**-22**	-27
Depreciation	**-12**	-12	**-51**	-55
Non-recurring items:				
Capacity adjustment expenses				
in cost of goods sold	**-2**	-9	**-4**	-31
in selling, general and administrative expenses	**-2**	-7	**-4**	-16
in other operating income and expenses, net	**-1**	-13	**-4**	-29
Cost related to demerger process				
in selling, general and administrative expenses	**-**	-5	**-**	-10
Total non-recurring items	**-5**	-34	**-12**	-86
Gross capital expenditures (including acquisitions)	**-15**	-13	**-46**	-57
Non-cash write-downs	**-2**	-13	**-6**	-39
Capital employed, end of period			**877**	1,024
Orders received	**480**	428	**3,071**	2,182
Order backlog, end of period			**1,998**	1,398

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 59 percent of net sales in Q1-Q4/2014 and 54 percent in Q1-Q4/2013.

Net sales to unaffiliated customers by destination:

EUR million	North America	South America	EMEA	China	Asia-Pacific	Total
Q1-Q4/2014	**449**	**325**	**1,053**	**266**	**381**	**2,473**
Q1-Q4/2013[1]	422	421	1,096	389	285	2,613

[1] *Carve-out figures*

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-Q4/2014	**75**	**111**	**409**	**111**	**222**	**928**
Q1-Q4/2013[1]	59	118	461	165	166	969

[1] *Carve-out figures*

Gross capital expenditure (excluding business acquisitions) by location:

EUR million	North America	South America	EMEA	China	Asia-Pacific	Total
Q1-Q4/2014	**4**	**2**	**31**	**8**	**1**	**46**
Q1-Q4/2013[1]	3	6	36	7	2	54

[1] *Carve-out figures*

Analysis of net sales by category:

EUR million	Q1-Q4/ 2014	Q1-Q4/ 2013 Carve-out
Sale of services	**989**	1,032
Sale of projects, equipment and goods	**1,484**	1,581
Total	**2,473**	2,613

Events after the reporting period

Valmet Corporation and Metso Corporation signed an agreement on the sale of Metso's Process Automation Systems business to Valmet on January 15, 2015. The enterprise value of the acquisition is EUR 340 million. The acquisition will be financed with committed long-term financing. It is estimated that the acquisition will be completed by April 1, 2015. The completion of the transaction is subject to approval by the competition authorities.

The acquired operations supply process automation and information management systems and related applications and services to the pulp, paper, energy and other process industries. The purchased operations employ about 1,600 people. Net sales of the Process Automation Systems business is approximately EUR 300 million, of which Valmet has accounted for approximately 10 percent.

As a result of the acquisition, Valmet will become a stronger and unique technology and services company in its field, with a full automation offering. The business being acquired is a strong business, with established customer relations and a high level of technology and know-how.

Key ratios

	Q1-Q4/ 2014	Q1-Q4/ 2013 Carve-out
Earnings per share, EUR	**0.31**	-0.42[1]
Diluted earnings per share, EUR	**0.31**	-0.42[1]
Equity per share at end of period, EUR	**5.36**	5.39
Return on equity (ROE), % (annualized)	**6%**	-7%[2]
Return on capital employed (ROCE) before taxes, % (annualized)	**9%**	-4%
Equity to assets ratio at end of period, %	**42%**	41%
Gearing at end of period, %	**-21%**	0%
Cash flow provided by operating activities, EUR million	**236**	-43
Cash flow after investments, EUR million	**194**	-97
Gross capital expenditure (excl. business acquisitions), EUR million	**-46**	-54
Business acquisitions, net of cash acquired, EUR million	**-**	-3
Depreciation and amortization, EUR million	**-72**	-82
Number of outstanding shares at end of period	**149,864,220**	149,864,619
Average number of outstanding shares	**149,863,252**	149,864,619
Average number of diluted shares	**149,863,252**	149,864,619
Net interest-bearing liabilities at end of period, EUR million	**-166**	-1

[1] The earnings per share information was computed as if the shares issued in conjunction with the Demerger had been outstanding for the entire comparison period.

[2] In calculating this key ratio, an adjustment of EUR 468 million has been made from 'Non-current debt, Metso Group' to 'equity' in order to reflect the conversion of Metso Svenska AB's non-current debt to Metso Group which took place in January 2013.

Key exchange rates

		Average rates		Period-end rates	
		Q1-Q4/ 2014	**Q1-Q4/ 2013**	**Q4/2014**	**Q4/2013**
USD	(US dollar)	**1.3256**	1.3300	**1.2141**	1.3791
SEK	(Swedish krona)	**9.1004**	8.6625	**9.3930**	8.8591
CAD	(Canadian dollar)	**1.4639**	1.3722	**1.4063**	1.4671
BRL	(Brazilian real)	**3.1207**	2.8791	**3.2207**	3.2576
CNY	(Chinese yuan)	**8.1693**	8.1769	**7.5358**	8.3491

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
+ Cost and earnings of projects under construction in excess of advance billings
+ Derivative financial instruments (assets)
- Post-employment benefits - Provisions - Trade and other payables - Advances received
- Billings in excess of cost and earnings of projects under construction - Derivative financial instruments (liabilities)

Quarterly information

EUR million	**Q4/2014**	Q3/2014	Q2/2014	Q1/2014	Q4/2013 Carve-out
Net sales	**777**	590	588	519	666
EBITA before non-recurring items	**48**	32	22	4	-25
% of net sales	**6.1%**	5.5%	3.7%	0.7%	-3.7%
Operating profit	**38**	26	16	-8	-66
% of net sales	**4.8%**	4.4%	2.8%	-1.5%	-9.9%
Profit before taxes	**36**	24	16	-9	-63
% of net sales	**4.6%**	4.1%	2.7%	-1.8%	-9.5%
Profit / loss	**25**	16	11	-6	-61
% of net sales	**3.2%**	2.8%	1.8%	-1.2%	-9.2%
Earnings per share, EUR	**0.17**	0.11	0.07	-0.04	-0.41[1]
Earnings per share, diluted, EUR	**0.17**	0.11	0.07	-0.04	-0.41[1]
Amortization	**-5**	-5	-5	-5	-7
Depreciation	**-12**	-13	-12	-13	-12
Research and development expenses, net	**-12**	-8	-10	-12	-16
% of net sales	**-1.5%**	-1.4%	-1.7%	-2.2%	-2.5%
Non-recurring items:					
Capacity adjustment expenses					
in cost of goods sold	**-2**	-1	0	-1	-9
in selling, general and administrative expenses	**-2**	0	0	-3	-7
in other operating income and expenses, net	**-1**	0	0	-3	-13
Cost related to demerger process					
in selling, general and administrative expenses	**-**	-	-	-	-5
Total non-recurring items	**-5**	-1	0	-6	-34
Gross capital expenditures (including acquisitions)	**-15**	-10	-10	-11	-13
Business acquisitions, net of cash acquired	**-**	-	-	-	-
Non-cash write-downs	**-2**	-1	-1	-2	-13
Capital employed, end of period	**877**	902	967	985	1,024
Orders received	**480**	466	1,023	1,101	428
Order backlog, end of period	**1,998**	2,312	2,406	1,972	1,398

[1] The earnings per share information was computed as if the shares issued in conjunction with the Demerger had been outstanding for the entire comparison period.