Financial Statements Review

January 1 – December 31, 2016

Valmet

Valmet's Financial Statements Review January 1 – December 31, 2016

Orders received increased to EUR 3.1 billion and Comparable EBITA to EUR 196 million in 2016

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 2016: Orders received increased in the Paper, Automation and Services business lines

- Orders received increased to EUR 857 million (EUR 793 million).
    - Orders received increased in the Paper, Automation and Services business lines and decreased in the Pulp and Energy business line.
    - Orders received increased in Asia-Pacific, China and North America, remained at the previous year's level in South America and decreased in EMEA (Europe, Middle East and Africa).
- Net sales decreased to EUR 785 million (EUR 854 million).
    - Net sales remained at the previous year's level in the Services and Automation business lines and decreased in the Pulp and Energy and Paper business lines.
- Comparable earnings before interest, taxes and amortization (Comparable EBITA) were EUR 56 million (EUR 63 million) and the corresponding Comparable EBITA margin was 7.2 percent (7.3%).
    - Profitability decreased due to a loss of EUR 17 million incurred in a pulp mill rebuild project.
- Earnings per share were EUR 0.10 (EUR 0.18).
- Items affecting comparability amounted to EUR -8 million (EUR -10 million).
- Cash flow provided by operating activities was EUR 88 million (EUR 64 million).

January–December 2016: Orders received increased and profitability improved

- Orders received increased to EUR 3,139 million (EUR 2,878 million).
    - Orders received increased in the Pulp and Energy, Paper and Services business lines.
    - The Automation business line contributed to orders received with EUR 299 million.
    - Orders received increased in Asia-Pacific, South America and EMEA and decreased in China and North America.
- Net sales remained at the previous year's level at EUR 2,926 million (EUR 2,928 million).
    - Net sales remained at the previous year's level in the Services and Paper business lines and decreased in the Pulp and Energy business line.
    - The Automation business line contributed to net sales with EUR 290 million.
- Comparable earnings before interest, taxes and amortization (Comparable EBITA) were EUR 196 million (EUR 182 million) and the corresponding Comparable EBITA margin was 6.7 percent (6.2%).
    - Profitability improved due to improved gross profit and the acquisition of Automation and decreased due to a loss of EUR 17 million incurred in a pulp mill rebuild project.
- Earnings per share were EUR 0.55 (EUR 0.51).
- Items affecting comparability amounted to EUR -13 million (EUR -26 million).
- Cash flow provided by operating activities was EUR 246 million (EUR 78 million).

Dividend proposal

The Board of Directors proposes for the Annual General Meeting that a dividend of EUR 0.42 per share be paid. The proposed dividend equals to 76 percent of the net result.

Guidance for 2017

Valmet estimates that net sales in 2017 will remain at the same level as in 2016 (EUR 2,926 million) and Comparable EBITA in 2017 will increase in comparison with 2016 (EUR 196 million).

Short-term outlook

General economic outlook

After a lackluster outturn in 2016, economic activity is projected to pick up pace in 2017 and 2018, especially in emerging market and developing economies. However, there is a wide dispersion of possible outcomes around the projections, given uncertainty surrounding the policy stance of the incoming U.S. administration and its global ramifications. (International Monetary Fund, January 16, 2017)

Short-term market outlook

Valmet estimates that the short-term market outlook has increased to a good level in board and paper (previously satisfactory level).

Valmet reiterates the good short-term market outlook in tissue and energy as well as the satisfactory short-term market outlook for services, automation and pulp.

President and CEO Pasi Laine: Increase in orders received and higher order backlog enable further improvement

Orders received increased 9 percent in 2016 supported by all business lines. Stable business, i.e. the Services and Automation business lines, accounted for about EUR 1.5 billion or 47 percent of all orders. During 2016, we were able to increase orders received in both stable and capital business. In capital business, the development was strong especially in Energy and Tissue. Our order backlog developed well during the year, which gives us a good starting point when moving into 2017.

In 2016, we also made good progress in improving profitability: Comparable EBITA margin increased to 6.7 percent from 6.2 percent in 2015. Although we reached our target range of 6–9 percent, our objective is to improve profitability even further. The long-term margin target from 2017 onwards is 8–10 percent, so there is still a lot of work to be done to reach our new goal.

During the last couple of years, we have put a lot of focus on our stable business. In 2016 we introduced the new Valmet Way to Serve -concept, and we have been able to grow both the Services and Automation businesses. Our new financial targets make sure that the development of stable business will be given emphasis also going forward.

Key figures[1]

EUR million	Q4/2016	Q4/2015	Change	2016	2015	Change
Orders received	**857**	793	8%	**3,139**	2,878	9%
Order backlog[2]	**2,283**	2,074	10%	**2,283**	2,074	10%
Net sales	**785**	854	-8%	**2,926**	2,928	0%
Comparable earnings before interest, taxes and amortization (Comparable EBITA)	**56**	63	-10%	**196**	182	7%
% of net sales	**7.2%**	7.3%		**6.7%**	6.2%	
Earnings before interest, taxes and amortization (EBITA)	**48**	52	-8%	**183**	157	17%
% of net sales	**6.1%**	6.1%		**6.2%**	5.3%	
Operating profit (EBIT)	**40**	41	-3%	**147**	120	23%
% of net sales	**5.1%**	4.9%		**5.0%**	4.1%	
Profit before taxes	**38**	37	3%	**136**	108	26%
Profit / loss	**14**	28	-50%	**82**	78	6%
Earnings per share, EUR	**0.10**	0.18	-48%	**0.55**	0.51	7%
Earnings per share, diluted, EUR	**0.10**	0.18	-48%	**0.55**	0.51	7%
Equity per share, EUR	**5.88**	5.70	3%	**5.88**	5.70	3%
Cash flow provided by operating activities	**88**	64	38%	**246**	78	>100%
Cash flow after investments	**72**	51	42%	**188**	-287	
Return on equity (ROE) (annualized)				**9%**	9%	
Return on capital employed (ROCE) before taxes (annualized)				**12%**	12%	

[1] The calculation of key figures is presented on page 39.

[2] At the end of period.

Equity to assets ratio and gearing	As at December 31, 2016	As at December 31, 2015	As at September 30, 2016
Equity to assets ratio at end of period	**37%**	36%	38%
Gearing at end of period	**6%**	21%	15%

Orders received, EUR million	Q4/2016	Q4/2015	Change	2016	2015	Change
Services	**284**	267	6%	**1,182**	1,119	6%
Automation	**78**	67	18%	**299**	222	-
Pulp and Energy	**247**	261	-5%	**939**	864	9%
Paper	**246**	199	24%	**718**	673	7%
Total	**857**	793	8%	**3,139**	2,878	9%

Order backlog, EUR million	As at December 31, 2016	As at December 31, 2015	Change	As at September 30, 2016
Total	**2,283**	2,074	10%	2,192

Net sales, EUR million	Q4/2016	Q4/2015	Change	2016	2015	Change
Services	**316**	314	1%	**1,163**	1,128	3%
Automation	**94**	95	-1%	**290**	229	-
Pulp and Energy	**187**	245	-24%	**826**	913	-9%
Paper	**188**	200	-6%	**647**	659	-2%
Total	**785**	854	-8%	**2,926**	2,928	0%

News conference and webcast for analysts, investors and media

Valmet will arrange a news conference in English for analysts, investors and media on Wednesday, February 8, 2017 at 3:00 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 2:55 p.m. (EET), at +44 1452 560304. The participants will be asked to provide the following conference ID: 52842476.

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 on Twitter at www.twitter.com/valmetir.

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

Valmet has implemented regulatory changes related to alternative performance measures

With reference to guidelines issued under Article 16 of the European Securities and Markets Authority (ESMA) Regulation on alternative performance measures, the following is to clarify the alternative performance measures (APMs) published by Valmet, their components and the basis of calculation thereof.

As part of regulated financial information published by Valmet, management has utilized earnings before interest, taxes and amortization (EBITA) and EBITA excluding items referred to as 'non-recurring' as measures of performance. These key indicators of performance, also reviewed by Valmet's management on a regular basis, have been published to enable users of the financial information to analyze Valmet's performance without items of income and expenses, including non-cash items, that reduce the comparability of financial results between periods.

Management sees that continuation of providing users of the financial information with these additional measures of performance is useful. To further improve transparency, Valmet has adopted certain changes (as detailed below) for the reporting of alternative performance measures for the first time in its January–March 2016 Interim Review.

Going forward, the measure of performance previously known as 'EBITA before non-recurring items' will be referred to as 'Comparable EBITA'. The content of items affecting comparability, i.e. items previously disclosed as non-recurring, remain unchanged consisting of following items:

1. Income and expenses arising from activities that amend the capacity of Valmet's operations, such as:
    - Costs incurred in connection with acquisitions
    - Gains and losses on sale of businesses or non-current assets
    - Restructuring costs (costs arising from closure of locations or discontinuation of operations or adjustment of workforce)
2. Items affecting comparability incurred outside Valmet's normal course of business
    - Income and expenses arising from settlement payments to/from third parties (other than customers), such as penalties incurred as a result of tax audits or settlements to close law suits
    - Impairments

Valmet will continue publishing EBITA as a measure of performance as well as providing analysis of return on capital employed (ROCE), on an annualized and rolling 12 month basis, calculated without items affecting comparability. Refer to page 39 for formula for calculating these performance indicators.

The reconciliation between Comparable EBITA, EBITA and operating profit as reported in the Financial Statements and Interim Financial Statements of Valmet is disclosed on page 33.

Orders received increased in Q4/2016

Orders received, EUR million	Q4/2016	Q4/2015	Change	2016	2015	Change
Services	**284**	267	6%	**1,182**	1,119	6%
Automation	**78**	67	18%	**299**	222	-
Pulp and Energy	**247**	261	-5%	**939**	864	9%
Paper	**246**	199	24%	**718**	673	7%
Total	**857**	793	8%	**3,139**	2,878	9%

Orders received, comparable foreign exchange rates, EUR million[1]	Q4/2016	Q4/2015	Change	2016	2015	Change
Services	**283**	267	6%	**1,189**	1,119	6%
Automation	**79**	67	18%	**302**	222	-
Pulp and Energy	**249**	261	-5%	**945**	864	9%
Paper	**250**	199	26%	**722**	673	7%
Total	**860**	793	8%	**3,159**	2,878	10%

[1] Indicative only. 2016 orders received in euro calculated by applying 2015 average exchange rates to the functional currency orders received values reported by entities.

Orders received, EUR million	Q4/2016	Q4/2015	Change	2016	2015	Change
North America	**177**	162	9%	**588**	717	-18%
South America	**58**	56	4%	**235**	166	42%
EMEA	**298**	427	-30%	**1,594**	1,320	21%
China	**155**	104	48%	**342**	428	-20%
Asia-Pacific	**169**	43	>100%	**381**	247	54%
Total	**857**	793	8%	**3,139**	2,878	9%

October–December 2016: Orders received increased in the Paper, Automation and Services business lines

Orders received in October–December amounted to EUR 857 million, i.e. 8 percent more than in the comparison period (EUR 793 million). Stable business (Services and Automation business lines) accounted for 42 percent of Valmet's orders received (42%). Orders received increased in the Paper, Automation and Services business lines and decreased in the Pulp and Energy business line. Orders received increased in Asia-Pacific, China and North America, remained at the previous year's level in South America and decreased in EMEA. Measured by orders received, the top three countries were the USA, China and Japan, which together accounted for 45 percent of total orders received (Sweden, the USA and China, which together accounted for 50%). The emerging markets accounted for 44 percent (38%) of orders received.

Changes in foreign exchange rates compared with the exchange rates for the corresponding period in 2015 decreased orders received by approximately EUR 3 million in October–December.

During October–December, Valmet received, among others, an order for a multifuel power boiler and flue gas cleaning system to Japan, valued at about EUR 40 million, an order for a new evaporation plant, a combustion plant and related automation systems in Russia, typically valued at around EUR 40 million, three board machine rebuilds in North America, typically valued at total EUR 20–30 million, and an order for key technology for a new green field dissolving pulp mill to Laos, valued at around EUR 20 million. Valmet also received one of its most extensive service agreements for automation in Finland to date, for a paper and board mill.

January–December 2016: Orders received increased in Pulp and Energy, Paper and Services business lines

In 2016, orders received amounted to EUR 3,139 million, i.e. 9 percent more than in the comparison period (EUR 2,878 million). Stable business (Services and Automation business lines) accounted for 47 percent of Valmet's orders received (47%). Orders received increased in the Pulp and Energy, Paper, and Services business lines. The Automation business line contributed to orders received with EUR 299 million. Orders received increased in Asia-Pacific, South America and EMEA and decreased in China and North America. Measured by orders received, the top three countries were the USA, Finland and China, which together accounted for 38 percent of total orders received (the USA, Finland and China, which together accounted for 49%). The emerging markets accounted for 37 percent (36%) of orders received.

Changes in foreign exchange rates compared with the exchange rates for year 2015 decreased orders received for the year by approximately EUR 20 million.

During 2016, Valmet has, in addition to the above-mentioned, received among others an order for a biomass-fired boiler plant and related biofuel storage and conveyor systems to Denmark, valued at over EUR 150 million, an order in Finland for three boiler plants and automation system, valued at around EUR 100 million, an order in Chile for a white liquor plant, usually valued at EUR 70–80 million, an order in Italy for an OptiConcept M boardmaking line and the related mill-wide automation system, typically valued at EUR 60–80 million, and an order for a biofuel boiler and related environmental systems to Sweden, valued at about EUR 60 million.

Order backlog EUR 92 million higher than at the end of September 2016

Order backlog, EUR million	**As at December 31, 2016**	As at December 31, 2015	Change	As at September 30, 2016
Total	**2,283**	2,074	10%	2,192

At the end of the year, the order backlog totaled to EUR 2,283 million, which was 4 percent higher than at the end of September 2016 when the order backlog was EUR 2,192 million, and 10 percent higher than at the end of the comparison period (EUR 2,074 million). Approximately 25 percent of the order backlog relates to stable business (Services and Automation business lines, approximately 25% at the end of 2015).

Net sales remained at the previous year's level in 2016

Net sales, EUR million	Q4/2016	Q4/2015	Change	2016	2015	Change
Services	**316**	314	1%	**1,163**	1,128	3%
Automation	**94**	95	-1%	**290**	229	-
Pulp and Energy	**187**	245	-24%	**826**	913	-9%
Paper	**188**	200	-6%	**647**	659	-2%
Total	**785**	854	-8%	**2,926**	2,928	0%

Net sales, comparable foreign exchange rates, EUR million[1]	Q4/2016	Q4/2015	Change	2016	2015	Change
Services	**316**	314	0%	**1,169**	1,128	4%
Automation	**95**	95	0%	**294**	229	-
Pulp and Energy	**187**	245	-24%	**831**	913	-9%
Paper	**188**	200	-6%	**649**	659	-2%
Total	**786**	854	-8%	**2,943**	2,928	1%

[1] *Indicative only. 2016 net sales in euro calculated by applying 2015 average exchange rates to the functional currency net sales values reported by entities.*

Net sales, EUR million	Q4/2016	Q4/2015	Change	2016	2015	Change
North America	**167**	167	0%	**644**	615	5%
South America	**47**	114	-59%	**205**	335	-39%
EMEA	**407**	388	5%	**1,369**	1,304	5%
China	**83**	101	-18%	**362**	303	19%
Asia-Pacific	**81**	85	-4%	**346**	372	-7%
Total	**785**	854	-8%	**2,926**	2,928	0%

October–December 2016: Net sales remained at the previous year's level in Services and Automation business lines

Net sales in October–December amounted to EUR 785 million, i.e. 8 percent less than in the comparison period (EUR 854 million). Stable business (Services and Automation business lines) accounted for 52 percent of Valmet's net sales (48%). Net sales remained at the previous year's level in the Services and Automation business lines and decreased in the Pulp and Energy, and Paper business lines. Net sales remained at the previous year's level in EMEA, North America and Asia-Pacific and decreased in South America and China. Measured by net sales, the top three countries were the USA, Finland and China, which together accounted for 37 percent of total net sales (the USA, Finland and Sweden, which together accounted for 44%). Emerging markets accounted for 38 percent (42%) of net sales.

Changes in foreign exchange rates compared with the exchange rates for the corresponding period in 2015 decreased net sales by approximately EUR 1 million in October–December.

January–December 2016: Net sales remained at the previous year's level

Net sales in 2016 remained at the previous year's level and amounted to EUR 2,926 million (EUR 2,928 million). Stable business (Services and Automation business lines) accounted for 50 percent of Valmet's net sales (46%). Net sales remained at the previous year's level in the Services and Paper business lines and decreased in the Pulp and Energy business line. The Automation business line contributed to net sales with EUR 290 million. Net sales increased in China and EMEA, remained at the previous year's level in North America and decreased in South America and Asia-Pacific. Measured by net sales, the top three countries were the USA, Finland and China, which together accounted for 44 percent of total net sales (the USA, Finland and Sweden, which together accounted for 43%). Emerging markets accounted for 38 percent (42%) of net sales.

Changes in foreign exchange rates compared with the exchange rates for 2015 decreased net sales by approximately EUR 18 million in 2016.

Comparable EBITA and operating profit

In October–December, comparable earnings before interest, taxes and amortization (Comparable EBITA) were EUR 56 million, i.e. 7.2 percent of net sales (EUR 63 million and 7.3%). Profitability decreased due to a loss of EUR 17 million incurred in a pulp mill rebuild project.

In 2016, comparable earnings before interest, taxes and amortization (Comparable EBITA) were EUR 196 million, i.e. 6.7 percent of net sales (EUR 182 million and 6.2%). Profitability improved due to improved gross profit and the acquisition of Automation and decreased due to a loss of EUR 17 million incurred in a pulp mill rebuild project.

Operating profit (EBIT) in October–December was EUR 40 million, i.e. 5.1 percent of net sales (EUR 41 million and 4.9%). Items affecting comparability amounted to EUR -8 million (EUR -10 million).

Operating profit (EBIT) in 2016 was EUR 147 million, i.e. 5.0 percent of net sales (EUR 120 million and 4.1%). Items affecting comparability amounted to EUR -13 million (EUR -26 million).

Net financial income and expenses

Net financial income and expenses in October–December were EUR -2 million (EUR -3 million).

Net financial income and expenses in 2016 were EUR -12 million (EUR -10 million).

Profit before taxes and earnings per share

Profit before taxes for October–December amounted to EUR 38 million (EUR 37 million). The profit attributable to owners of the parent in October–December totaled to EUR 14 million (EUR 28 million), corresponding to earnings per share (EPS) of EUR 0.10 (EUR 0.18).

Profit before taxes for 2016 totaled to EUR 136 million (EUR 108 million). The profit attributable to owners of the parent in 2016 amounted to EUR 83 million (EUR 77 million), corresponding to earnings per share (EPS) of EUR 0.55 (EUR 0.51).

The reassessment decision from the Finnish tax authority, received in December 2016, had a negative impact of EUR 8 million into profit and loss and EUR 0.06 into earnings per share (EPS) for the year, the amount consisting of prior year tax expense recorded in Finland netted-off with impact of tax receivable recognized arising from several different tax jurisdictions.

Return on capital employed (ROCE)

In 2016, the return on capital employed (ROCE) before taxes was 12 percent (12%) and return on equity (ROE) was 9 percent (9%).

Business lines

Services – orders received EUR 1,182 million in 2016

Services business line	Q4/2016	Q4/2015	Change	2016	2015	Change
Orders received (EUR million)	**284**	267	6%	**1,182**	1,119	6%
Net sales (EUR million)	**316**	314	1%	**1,163**	1,128	3%
Personnel (end of period)				**5,339**	5,363	0%

In October–December, orders received by the Services business line increased to EUR 284 million (EUR 267 million) and accounted for 33 percent of all orders received (34%). Orders received increased in EMEA, China and Asia-Pacific and decreased in North America and South America. Orders received increased in Mill Improvements, Fabrics and Rolls and remained at the previous year's level in Performance Parts, and Energy and Environmental.

In 2016, orders received by the Services business line increased 6 percent to EUR 1,182 million (EUR 1,119 million) and accounted for 38 percent of all orders received (39%). Orders received increased in South America, Asia-Pacific, China and EMEA and remained at the previous year's level in North America. Orders received increased in Energy and Environmental, Mill Improvements and Rolls and remained at the previous year's level in Fabrics and Performance Parts.

In October–December, net sales for the Services business line amounted to EUR 316 million (EUR 314 million), corresponding to 40 percent of Valmet's net sales (37%).

In 2016, net sales for the Services business line amounted to EUR 1,163 million (EUR 1,128 million), corresponding to 40 percent of Valmet's net sales (39%).

Automation – orders received EUR 299 million in 2016

Automation business line	Q4/2016	Q4/2015	Change	2016	2015	Change
Orders received (EUR million)	**78**	67	18%	**299**	222	-
Net sales (EUR million)	**94**	95	-1%	**290**	229	-
Personnel (end of period)				**1,636**	1,637	0%

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 in the Automation business line increased to EUR 78 million (EUR 67 million) and accounted for 9 percent of all orders received (8%). Orders received increased in Asia-Pacific, North America and China and remained at the previous year's level in South America and EMEA. Orders received increased in both Pulp and Paper, and Energy and Process.

In 2016, orders received by the Automation business line amounted to EUR 299 million and accounted for 10 percent of all orders received. EMEA accounted for approximately 60 percent and North America for approximately 25 percent of orders received. Pulp and Paper accounted for approximately 70 percent and Energy and Process for approximately 30 percent of orders received.

In October–December, net sales for the Automation business line amounted to EUR 94 million (EUR 95 million), corresponding to 12 percent of Valmet's net sales (11%).

In 2016, net sales for the Automation business line amounted to EUR 290 million, corresponding to 10 percent of Valmet's net sales.

Pulp and Energy – orders received EUR 939 million in 2016

Pulp and Energy business line	Q4/2016	Q4/2015	Change	2016	2015	Change
Orders received (EUR million)	**247**	261	-5%	**939**	864	9%
Net sales (EUR million)	**187**	245	-24%	**826**	913	-9%
Personnel (end of period)				**1,689**	1,750	-3%

In October–December, orders received by the Pulp and Energy business line decreased 5 percent to EUR 247 million (EUR 261 million) and accounted for 29 percent of all orders received (33%). Orders received increased in Asia-Pacific, China and South America and decreased in North America and EMEA. Orders received increased in Energy and decreased in Pulp.

In 2016, orders received by the Pulp and Energy business line increased 9 percent to EUR 939 million (EUR 864 million) and accounted for 30 percent of all orders received (30%). Orders received increased in Asia-Pacific, South America and EMEA and decreased in North America and China. Orders received increased in Energy and decreased in Pulp.

In October–December, net sales for the Pulp and Energy business line amounted to EUR 187 million (EUR 245 million), corresponding to 24 percent (29%) of Valmet's net sales.

In 2016, net sales for the Pulp and Energy business line amounted to EUR 826 million (EUR 913 million), corresponding to 28 percent (31%) of Valmet's net sales.

Paper – orders received EUR 718 million in 2016

Paper business line	Q4/2016	Q4/2015	Change	2016	2015	Change
Orders received (EUR million)	**246**	199	24%	**718**	673	7%
Net sales (EUR million)	**188**	200	-6%	**647**	659	-2%
Personnel (end of period)				**2,774**	3,036	-9%

In October–December, orders received by the Paper business line increased 24 percent to EUR 246 million (EUR 199 million) and accounted for 29 percent of all orders received (25%). Orders received increased in North America, China, Asia-Pacific and South America and decreased in EMEA. Orders received increased in both Board and Paper, and Tissue.

In 2016, orders received by the Paper business line increased to EUR 718 million (EUR 673 million) and accounted for 23 percent of all orders received (23%). Orders received increased in EMEA, remained at the previous year's level in North America and decreased in South America, Asia-Pacific and China. Orders received increased in Tissue and remained at the previous year's level in Board and Paper.

In October–December, net sales for the Paper business line amounted to EUR 188 million (EUR 200 million), corresponding to 24 percent (23%) of Valmet's net sales.

In 2016, net sales for the Paper business line amounted to EUR 647 million (EUR 659 million), corresponding to 22 percent (23%) of Valmet's net sales.

Cash flow and financing

Cash flow provided by operating activities amounted to EUR 88 million (EUR 64 million) in October–December and EUR 246 million (EUR 78 million) in 2016. Net working capital amounted to EUR -294 million (EUR -238 million) at the end of December 2016. Change in net working capital, net of effect from business combinations and disposals in the statement of cash flows was EUR 31 million (EUR -11 million) in October–December and EUR 55 million (EUR -121 million) in 2016. Payment schedules of large capital projects have significant impact on net working capital development. Cash flow after investments amounted to EUR 72 million (EUR 51 million) in October–December and EUR 188 million (EUR -287 million) in 2016.

At the end of December, gearing was 6 percent (21%) and equity to assets ratio was 37 percent (36%). Interest-bearing liabilities amounted to EUR 310 million (EUR 371 million) and net interest-bearing liabilities totaled to EUR 52 million (EUR 178 million) at the end of the reporting period. The average maturity for Valmet’s non-current debt was 3.9 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 amounting to EUR 240 million (EUR 165 million) and interest-bearing available-for-sale financial assets totaling to EUR 1 million (EUR 7 million).

On October 20, 2016 Valmet announced by stock exchange release that it has signed a new EUR 200 million syndicated revolving credit facility agreement. The new facility matures on January 14, 2022 with two 1-year extension options dependent on the approval of the banks concerned. The new facility refinances the previous EUR 200 million credit facility. Valmet’s liquidity was additionally secured by an uncommitted EUR 200 million commercial paper program. Both of the facilities were undrawn at the end of December.

On April 6, 2016, Valmet paid out dividends of EUR 52 million.

Investments excluding acquisitions

Gross capital expenditure excluding acquisitions in October–December was EUR -17 million (EUR -15 million). Maintenance investments were EUR -9 million (EUR -12 million).

Gross capital expenditure excluding acquisitions in 2016 amounted to EUR -60 million (EUR -44 million). Maintenance investments amounted to EUR -40 million (EUR -36 million).

Acquisitions and disposals

Acquisitions

Valmet made no acquisitions in 2016.

Disposals

Valmet made no material disposals in 2016.

Research and development

Valmet’s research and development (R&D) expenses for 2016 amounted to EUR 64 million, i.e. 2.2 percent of net sales (EUR 59 million and 2.0%). Research and development work is carried out predominantly in Finland and Sweden, within the business lines’ R&D organizations and R&D Centers. In addition, research and development takes place within a network of customers, suppliers, research institutes and universities. In 2016, R&D employed 447 people (456 people).

Valmet’s R&D work is based on customers’ needs, such as increasing production efficiency, improving competitiveness, maximizing value of raw materials, widening the raw material base, providing 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 increase resource efficiency in its customers’ production processes. To promote renewable materials, Valmet develops solutions to replace fossil materials with renewable ones and to produce new high-value end products.

Valmet has recorded all costs resulting from R&D activities as expenses in the income statement in 2015 and 2016.

Number of personnel remained at the previous year’s level

Personnel by business line	As at December 31, 2016	As at December 31, 2015	Change	As at September 30, 2016
Services	**5,339**	5,363	0%	5,373
Automation	**1,636**	1,637	0%	1,637
Pulp and Energy	**1,689**	1,750	-3%	1,687
Paper	**2,774**	3,036	-9%	2,876
Other	**574**	520	10%	565
Total (end of period)	**12,012**	12,306	-2%	12,138

Personnel by area	As at December 31, 2016	As at December 31, 2015	Change	As at September 30, 2016
North America	**1,274**	1,367	-7%	1,294
South America	**542**	531	2%	536
EMEA	**7,806**	7,747	1%	7,819
China	**1,697**	1,955	-13%	1,799
Asia-Pacific	**693**	706	-2%	690
Total (end of period)	**12,012**	12,306	-2%	12,138

In 2016, Valmet employed an average of 12,261 people (11,781). The number of personnel at the end of December was 12,012 (12,306). In 2016, personnel expenses totaled to EUR 795 million (EUR 748 million) of which wages, salaries and remuneration amounted to EUR 619 million (EUR 583 million).

Strategic goals and their implementation

Valmet is the leading global developer and supplier of technologies, automation and services for the pulp, paper and energy industries. Valmet focuses on delivering technology and services globally to industries that use bio-based raw materials. Valmet's main customer industries are pulp, paper and energy. These are all major global industries that offer growth potential for the future. Valmet is committed to moving its customers' performance forward. 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 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 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 our customers' end products.

In order to improve its operational excellence, Valmet is in the process of renewing its ERP system. The aim is to renew and improve Valmet's operational capability through process harmonization and standardization as well as through renewal and modernization of the ERP platform.

Valmet has an annual strategy process, where, among others, Valmet's strategy, Must-Wins and financial targets are reviewed. Valmet's strategy and higher financial targets were confirmed by the Board of Directors in June 2016 (Stock exchange release on June 21, 2016). Valmet has the following financial targets from 2017 onwards:

Financial targets

- Net sales for stable business to grow over two times the market growth
- Net sales for capital business to exceed market growth
- Comparable EBITA: 8–10%
- Comparable return on capital employed (pre-tax), ROCE: 15–20%
- Dividend payout at least 50% of net profit

Stable business means Services and Automation business lines. Capital business means Paper, and Pulp and Energy business lines.

Continued focus on improving profitability

Valmet continues to focus on improving profitability through various actions, in e.g. sales process management, project management and project execution, in procurement and quality, as well as in technology and R&D. Also, the modernization of the ERP platform will, once finalized, contribute to profitability improvement.

To improve sales process management, Valmet is focusing on key account management and analyzing the customers' share of wallet. Valmet is targeting market share improvement at key customers and adding focus on sales training. Valmet has also launched 'Valmet Way to Serve' – a shift towards more unified and customer oriented services.

Valmet is continuously improving its project management and project execution by training personnel and implementing a Valmet-wide project execution model. By focusing on improving project management and execution, Valmet is targeting to continuously improve gross profit.

Valmet has set a new long-term savings target for procurement. In order to decrease procurement costs, Valmet is increasingly focusing on design-to-cost and adding supplier involvement through supplier relationship management. Valmet has also set a new target for quality cost savings and is adding focus on root cause analysis of quality deviations. Valmet is continuing to adopt the Lean principles and methodology.

Valmet is constantly focusing on new technologies and R&D in order to improve product cost competitiveness and performance. Additionally, Valmet is currently modernizing its ERP system, which will, once implemented, increase efficiency.

Progress in sustainability

In 2016, Valmet maintained its position among the world's sustainability leaders. In September, Valmet was included in the Dow Jones Sustainability Index (DJSI) for the third consecutive year among the 316 most sustainable companies in the world. In October, as a recognition for its actions and strategy to mitigate climate change, Valmet was also awarded a top position on the 2016 Climate A List by CDP, the international not-for-profit organization that promotes sustainability. 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.

Valmet's Sustainability360° agenda covers all aspects of the business and value chain, and integrates Valmet's sustainability work with the strategic targets and Must-Wins. The sustainability agenda focuses on five core areas: sustainable supply chain; health, safety and environment; people and performance; sustainable solutions and corporate citizenship. In 2016, Valmet carried out an extensive review of the agenda and introduced a new three-year action plan for 2016–2018. Valmet's sustainability work, with special focus on globally sustainable supply chain and continuous improvement of the HSE culture, progressed according to plan.

Supply chain process strengthened

Valmet has continued to implement a global supplier sustainability management process. A global Valmet-level supplier evaluation process is automated, including sustainability gates as an integral part of the tool. In 2016, Valmet together with an independent third party, conducted 54 sustainability audits planned for this year in Brazil, China, Croatia, India, Indonesia, Lithuania, Mexico, Poland and Thailand. Based on the audits, 700 corrective actions were taken and Valmet follows up the status constantly. Furthermore, 200 Valmet procurement professionals in risk areas received further training on responsible procurement practices.

An unrelenting focus on health, safety and environment (HSE)

Valmet constantly emphasizes risk management, prevention, leadership, and learning as we strive towards the goal of zero harm. Valmet's lost time incident frequency rate (LTIF) for own employees at the end of 2016 was at the level of 2.3 (3.3 at the end of December 2015). Tragically, Valmet did not achieve its goal of zero fatalities, as two external workers died on project sites at customer mills in 2016. Valmet engages in an active and open dialog on HSE with its customers, suppliers and other partners. Valmet believes that effective collaboration, common rules and good co-ordination are fundamental to achieving safety on shared worksites.

Progress with people and performance

Of Valmet's employees, a total of 99.8 percent have completed a Code of Conduct training following the update of Valmet's Code in 2015. In 2016, Valmet renewed its internal mobility guidelines with the aim of building a diverse, engaged and flexible workforce. The renewed guidelines for internal mobility will make it easier for the personnel to gain new and different types of experience within the company.

During the year, Valmet continued to execute the actions defined by each business line, area and Valmet as a whole as a result of the 2015 employee engagement survey. Completion of these actions was at 92 percent at the end of 2016.

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.

Valmet announced by stock exchange release on February 20, 2015, that Andritz Oy had filed a summons application with the Stockholm District Court against Valmet AB, a subsidiary of Valmet Oyj, regarding patent infringement. The Swedish Court of Patent Appeals decided on March 23, 2016 to revoke Andritz's patent and the Swedish Supreme Administrative Court has in a decision of August 30, 2016, refused leave to appeal. The decision to revoke Andritz's patent is thus upheld and patent in question is permanently invalidated. On September 13, 2016, Andritz informed the Stockholm District Court it will withdraw its infringement action. This entails legally that the patent is deemed to never have existed and consequently there is no infringement or dispute.

Valmet announced by stock exchange release on September 16, 2016, that Suzano Papel e Celulose S.A. has filed a request for arbitration against Valmet Celulose, Papel é Energia Ltda, Valmet AB and Valmet Technologies Oy, subsidiaries of Valmet Oyj, claiming approximately EUR 80 million. The arbitration relates to separate Equipment Sales Agreements for the Suzano Imperatriz pulp mill project in Brazil. Valmet disputes the claims brought by Suzano and has also actively pursued claims of its own against Suzano for breach by Suzano of its obligations under the Agreements.

Valmet announced by stock exchange release on December 22, 2016, that it has received a reassessment decision from the Finnish tax authority for Valmet Technologies Inc. The reassessment decision is a result of a tax audit carried out in the company, concerning tax years 2010–2012. The Finnish tax authority has requested Valmet to pay additional taxes, late payment interest and penalties in total of EUR 19 million. Valmet considers the Finnish tax authority's decision unfounded and will appeal the decision to Board of Adjustment of the Finnish tax authority.

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 currently 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 2015 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 Report by Board of Directors, at www.valmet.com/governance.

Shares and shareholders

Share capital and number of shares

At the end of December 2016, Valmet'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 Oyj’s Annual General Meeting on March 22, 2016 authorized Valmet’s Board of Directors to decide on the repurchase of company's own shares in one or several 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's own shares may be repurchased otherwise than in proportion to the shareholdings of the shareholders (directed repurchase). The Company's own shares may be repurchased using the unrestricted equity of the Company at a price formed on a regulated market on the main list of Nasdaq Helsinki's stock exchange on the date of the repurchase.

Company's own 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 the Company's own shares.

Valmet Oyj’s Annual General Meeting authorized Valmet’s Board of Directors to decide 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 several tranches. The issuance of shares may be carried out by offering new shares or by transferring treasury shares held by Valmet Oyj. Based on this authorization, the Board of Directors may decide on a directed share issue in deviation from the shareholders' pre-emptive rights and on the granting of special rights subject to the conditions mentioned in the Finnish Limited Liability Companies Act.

The maximum number of new shares which may be issued by the Board of Directors based on this authorization shall be 15,000,000 shares, which corresponds to approximately 10 percent of all the shares in Valmet Oyj. 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 authorized 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 Oyj shall also be authorized to resolve on issuing treasury shares to the Company without consideration. The maximum number of shares which may be issued to Valmet Oyj shall be 10,000,000 shares when combined with the number of shares repurchased based on an authorization. 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 set out in the preceding paragraphs.

The Board of Directors may resolve on all other terms of the issuance of shares and special rights entitling to shares pursuant to Chapter 10(1) of the Finnish Limited Liability Companies Act. The Company may use this authorization, 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 incentive schemes.

The authorizations shall remain in force until the next Annual General Meeting, and they cancel the Annual General Meeting's authorizations of March 27, 2015.

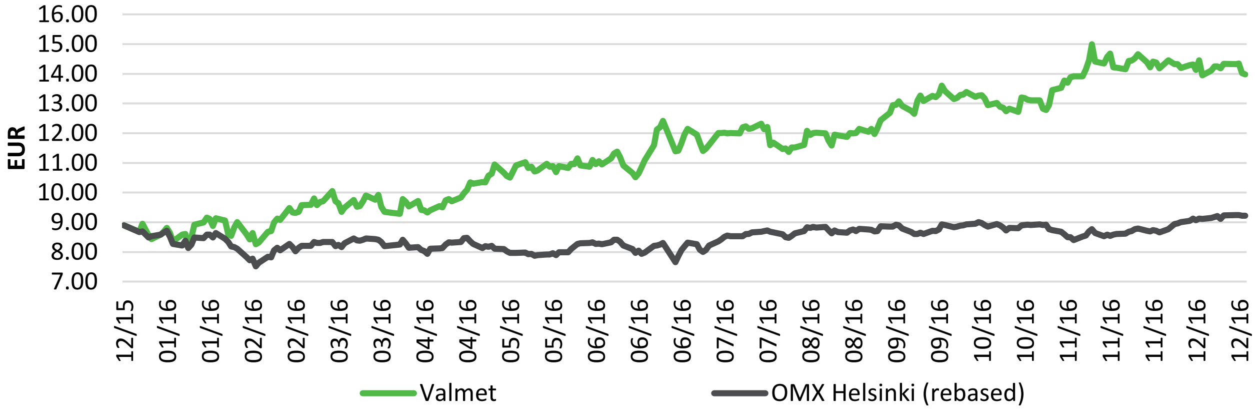
Trading in shares

The closing price of Valmet's share on the final day of trading for the reporting period, December 30, 2016, was EUR 13.98. The closing share price on the last day of trading in 2015 (December 31, 2015) was EUR 8.90. The share price increased by approximately 57 percent during the reporting period. The highest price for the share during the reporting period was EUR 15.06, the lowest EUR 8.08 and the volume-weighted average price was EUR 11.52. The number of shares traded on Nasdaq Helsinki Ltd during the year 2016 was approximately 103 million. The value of trading was approximately EUR 1,170 million. (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 26 million of Valmet's shares were traded on alternative marketplaces in January–December, which equals to approximately 20 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 2,095 million at the end of the reporting period.

Development of Valmet's share price, December 31, 2015 – December 31, 2016



Number of shareholders

The number of registered shareholders at the end of December 2016 was 45,573 (47,952). Shares owned by nominee-registered and non-Finnish parties equaled to 49.4 percent of the total number of shares at the end of December 2016 (51.3%).

Flagging notifications

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

Stock exchange release on March 7, 2016

Valmet Oyj 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 Oyj has decreased below the threshold of 5 percent (1/20). As a result of share transactions on March 4, 2016, the holding of Cevian Capital Partners Ltd. decreased to 0 shares (10,323,191 shares in the previous flagging notification), representing an ownership of 0.00 percent (6.89 percent in the previous flagging notification) of Valmet Oyj'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 467,258.

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. The reward for the 2012 performance period was paid during 2015 and for the 2013 performance period, the performance criteria were not met and therefore no rewards were paid for the 2013 performance period. From the performance period 2014 a gross number of 262,980 shares were earned. The reward will be paid partly as company shares and partly in cash in 2017.

Long-term incentive plan 2015–2017

The Board of Directors of Valmet Oyj 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 from the discretionary period 2015 was based on EBITA % and Services orders received growth %. The reward was paid partly as company shares and partly in cash in 2016. As part of the plan, members of Valmet’s Executive Team had the possibility to receive a matching share reward for the discretionary period 2015 provided that the Executive Team Member owned or acquired Valmet shares up to a number determined by the Board of Directors by December 31, 2015. The reward paid on the basis of the discretionary period 2015 corresponded to a total of 540,035 shares, including the matching share rewards.

The potential reward of the program from the discretionary period 2016 is based on Comparable 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. As part of the share-based incentive program members of the Valmet Executive Team have the possibility to receive a matching share reward for the discretionary period 2016 provided that the Executive Team member owns or acquires Valmet shares up to a number determined by the Board of Directors by December 31, 2016. A gross number of 582,675 shares, including the matching share reward, have been allotted to participants on the basis of discretionary period 2016.

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

The Board of Directors of Valmet decided in December 2016 to continue the share based incentive program approved in December 2014 for Valmet's key employees. The potential reward of the program from the discretionary period 2017 is based on Comparable 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 2017 will be paid partly as Valmet shares and partly in cash in 2018. The rewards to be paid on the basis of the plan are in total an approximate maximum of 550,000 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 2017 provided that the Executive Team member owns or acquires Valmet shares up to a number determined by the Board of Directors by December 31, 2017.

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 Oyj's Annual General Meeting

The Annual General Meeting of Valmet Oyj was held in Helsinki on March 22, 2016. The Annual General Meeting adopted the Financial Statements for 2015 and discharged the members of the Board of Directors and the President and CEO from liability for the 2015 financial year. The Annual General Meeting approved the Board of Directors' proposals, which concerned authorizing the Board to decide 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 eight and appointed Bo Risberg as Chairman of Oyj's Board and Mikael von Frenckell as Vice Chairman. Aaro Cantell, Jouko Karvinen and Tarja Tyni were appointed as new members of the Board. Lone Fønss Schrøder, Friederike Helfer 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 22, 2016, 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 22, 2016, Valmet Oyj paid out dividends of EUR 52 million for 2015, corresponding to EUR 0.35 per share, on April 6, 2016.

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 an important 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.

To ensure a high level of quality in both production and services, it is important to sustain a high level of competence and talent availability. That is not limited to maintaining efficient recruitment programs, utilization of existing talent and sharing knowledge globally.

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 project cost estimation, scheduling, project risk management, quality and performance risks, and materials management risks. Risk analysis is taking place, as a minimum, 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 evaluation.

Project risks are managed by improving and continuously developing project management processes and the related systems.

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 3.9 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.

Changes in legislation and the way authorities interpret regulation, for example regarding taxation, can also have an impact on Valmet's financials.

At the end of December 2016, Valmet had EUR 624 million (EUR 624 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 2017

Valmet estimates that net sales in 2017 will remain at the same level as in 2016 (EUR 2,926 million) and Comparable EBITA in 2017 will increase in comparison with 2016 (EUR 196 million).

Short-term outlook

General economic outlook

After a lackluster outturn in 2016, economic activity is projected to pick up pace in 2017 and 2018, especially in emerging market and developing economies. However, there is a wide dispersion of possible outcomes around the projections, given uncertainty surrounding the policy stance of the incoming U.S. administration and its global ramifications. (International Monetary Fund, January 16, 2017)

Short-term market outlook

Valmet estimates that the short-term market outlook has increased to a good level in board and paper (previously satisfactory level).

Valmet reiterates the good short-term market outlook in tissue and energy as well as the satisfactory short-term market outlook for services, automation and pulp.

Board of Director's proposal for the distribution of profit

Valmet Oyj’s distributable funds totaled to EUR 944,614,474.21 on December 31, 2016, of which the net profit for 2016 was EUR 113,648,799.98 (according to Finnish Generally Accepted Accounting Standards).

The Board of Directors proposes that a dividend of EUR 0.42 per share be paid based on the statement of financial position to be adopted for the financial year which ended December 31, 2016, 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 27, 2017 are registered in the Company’s shareholders’ register held by Euroclear Finland Ltd. The dividend will be paid on April 6, 2017. 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 8, 2017

Valmet’s Board of Directors

Consolidated Statement of Income

EUR million	**Q4/2016**	Q4/2015	**2016**	2015
Net sales	**785**	854	**2,926**	2,928
Cost of goods sold	**-607**	-664	**-2,259**	-2,291
Gross profit	**178**	190	**667**	637
Selling, general and administrative expenses	**-139**	-141	**-518**	-501
Other operating income and expenses, net	**1**	-8	**-2**	-18
Share in profits and losses of associated companies, operative investments	**1**	1	**1**	2
Operating profit	**40**	41	**147**	120
Financial income and expenses, net	**-2**	-3	**-12**	-10
Share in profits and losses of associated companies, financial investments	**-**	-2	**-**	-2
Profit before taxes	**38**	37	**136**	108
Income taxes	**-24**	-9	**-54**	-30
Profit / loss	**14**	28	**82**	78
Attributable to:				
Owners of the parent	**14**	28	**83**	77
Non-controlling interests	**-1**	-	**-**	-
Profit / loss	**14**	28	**82**	78
Earnings per share attributable to owners of the parent:				
Earnings per share, EUR	**0.10**	0.18	**0.55**	0.51
Diluted earnings per share, EUR	**0.10**	0.18	**0.55**	0.51

Consolidated Statement of Comprehensive Income

EUR million	**Q4/2016**	Q4/2015	**2016**	2015
Profit / loss	**14**	28	**82**	78
Items that may be reclassified to profit or loss in subsequent periods:				
Cash flow hedges	**-2**	-	**1**	-2
Currency translation on subsidiary net investments	**9**	7	**-7**	10
Income tax relating to items that may be reclassified	**-**	-	**-**	-
	8	7	**-6**	8
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	**12**	11	**-5**	8
Income tax on items that will not be reclassified	**-6**	-2	**7**	-1
	5	9	**2**	7
Other comprehensive income / expense	**13**	16	**-5**	15
Total comprehensive income / expense	**27**	43	**78**	93
Attributable to:				
Owners of the parent	**28**	43	**78**	92
Non-controlling interests	**-**	1	**-1**	1
Total comprehensive income / expense	**27**	43	**78**	93

Consolidated Statement of Financial Position

Assets

EUR million	As at December 31, 2016	As at December 31, 2015
Non-current assets		
Intangible assets		
Goodwill	**624**	624
Other intangible assets	**213**	235
Total intangible assets	**837**	859
Property, plant and equipment		
Land and water areas	**26**	26
Buildings and structures	**133**	138
Machinery and equipment	**183**	196
Assets under construction	**32**	25
Total property, plant and equipment	**374**	385
Financial and other non-current assets		
Investments in associated companies	**12**	12
Non-current financial assets	**22**	25
Deferred tax asset	**80**	85
Non-current income tax receivables	**24**	-
Other non-current assets	**12**	13
Total financial and other non-current assets	**151**	134
Total non-current assets	**1,362**	1,378
Current assets		
Inventories		
Materials and supplies	**66**	82
Work in progress	**322**	350
Finished products	**83**	76
Total inventories	**471**	508
Receivables		
Trade and other receivables	**646**	575
Amounts due from customers under construction contracts	**197**	216
Other current financial assets	**17**	21
Income tax receivables	**25**	31
Total receivables	**885**	842
Cash and cash equivalents	**240**	165
Total current assets	**1,596**	1,516
Total assets	**2,958**	2,894

Consolidated Statement of Financial Position

Equity and liabilities

EUR million	As at December 31, 2016	As at December 31, 2015
Equity		
Share capital	**100**	100
Reserve for invested unrestricted equity	**407**	404
Cumulative translation adjustments	**11**	18
Fair value and other reserves	**-3**	-4
Retained earnings	**366**	336
Equity attributable to owners of the parent	**881**	855
Non-controlling interests	**5**	6
Total equity	**886**	860
Liabilities		
Non-current liabilities		
Non-current debt	**262**	309
Post-employment benefits	**151**	149
Provisions	**20**	10
Other non-current financial liabilities	**6**	3
Deferred tax liability	**62**	70
Total non-current liabilities	**501**	542
Current liabilities		
Current portion of non-current debt	**48**	62
Trade and other payables	**754**	767
Provisions	**108**	98
Advances received	**245**	248
Amounts due to customers under construction contracts	**332**	276
Other current financial liabilities	**23**	13
Income tax liabilities	**61**	27
Total current liabilities	**1,572**	1,491
Total liabilities	**2,073**	2,033
Total equity and liabilities	**2,958**	2,894

Condensed Consolidated Statement of Cash Flows

EUR million	Q4/2016	Q4/2015	2016	2015
Cash flows from operating activities				
Profit / loss	**14**	28	**82**	78
Adjustments				
Depreciation and amortization	**21**	25	**87**	92
Financial income and expenses	**2**	2	**12**	6
Income taxes	**24**	9	**54**	30
Other non-cash items	**6**	15	**4**	22
Change in net working capital, net of effect from business combinations and disposals	**31**	-11	**55**	-121
Net interests and dividends received	**-1**	-1	**-8**	-4
Income taxes paid	**-8**	-2	**-40**	-25
Net cash provided by (+) / used in (-) operating activities	**88**	64	**246**	78
Cash flows from investing activities				
Capital expenditure on fixed assets	**-17**	-15	**-60**	-44
Proceeds from sale of fixed assets	**1**	1	**2**	3
Business combinations, net of cash acquired and loan repayments	**-**	-	**-**	-323
Net cash provided by (+) / used in (-) investing activities	**-16**	-13	**-58**	-365
Cash flows from financing activities				
Redemption of own shares	**-**	-	**-2**	-7
Dividends paid	**-**	-	**-52**	-37
Net borrowings (+) / payments (-) on current and non-current debt	**-1**	-28	**-62**	294
Net investments in available-for-sale financial assets	**-**	-	**9**	24
Other	**-**	1	**-**	-13
Net cash provided by (+) / used in (-) financing activities	**-1**	-27	**-108**	259
Net increase (+) / decrease (-) in cash and cash equivalents	**71**	24	**80**	-28
Effect of changes in exchange rates on cash and cash equivalents	**3**	2	**-5**	1
Cash and cash equivalents at beginning of period	**166**	139	**165**	192
Cash and cash equivalents at end of period	**240**	165	**240**	165

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	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance at January 1, 2016	**100**	**404**	**18**	**-4**	**336**	**855**	**6**	**860**
Profit / loss	-	-	-	-	83	**83**	-	**82**
Other comprehensive income / expense	-	-	-7	1	2	**-4**	-	**-5**
Total comprehensive income / expense	-	-	-7	1	84	**78**	-1	**78**
Dividends	-	-	-	-	-52	**-52**	-	**-52**
Purchase of treasury shares	-	-	-	-	-2	**-2**	-	**-2**
Share-based payments, net of tax	-	3	-	-	-1	**2**	-	**2**
Balance at December 31, 2016	**100**	**407**	**11**	**-3**	**366**	**881**	**5**	**886**
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	336	855	6	860

Accounting principles

General information

Valmet Oyj (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 Oyj 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 8, 2017.

Basis of preparation

These Condensed Consolidated Interim Financial Statements for the twelve months ended December 31, 2016 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, 2015, 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 aggregate column and row totals.

Accounting principles

Since the beginning of 2016 the Group has applied the amended IAS 1 ‘Presentation of financial statements’ standard to its interim reporting. The amendments clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statement and the disclosure of accounting principles. The presentation of primary statements and notes in these Interim Financial Statements has therefore been revised in order to improve disclosure. All other 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, 2015.

Reporting segment and geographic information

Valmet’s operations and profitability is reported as a single reportable segment as operative decisions have been made by the President and CEO of Valmet as Valmet's Chief Operating Decision Maker at Valmet Group level. One key indicator of performance reviewed is EBITA (Earnings before interest, taxes and amortization). The performance is also monitored with Comparable EBITA, i.e. with EBITA excluding items, 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	**Q4/2016**	Q4/2015	**2016**	2015
Net sales	**785**	854	**2,926**	2,928
Comparable EBITA	**56**	63	**196**	182
% of net sales	**7.2%**	7.3%	**6.7%**	6.2%
Operating profit	**40**	41	**147**	120
% of net sales	**5.1%**	4.9%	**5.0%**	4.1%
Amortization	**-8**	-11	**-35**	-37
Depreciation	**-13**	-14	**-51**	-55
Gross capital expenditures (including business combinations)	**-17**	-15	**-60**	-368
Non-cash write-downs	**-2**	-12	**-6**	-16
Capital employed, end of period			**1,195**	1,231
Orders received	**857**	793	**3,139**	2,878
Order backlog, end of period			**2,283**	2,074

Reconciliation between Comparable EBITA, EBITA and operating profit

EUR million	2016	2015	2014
Comparable EBITA	**196**	182	106
Items affecting comparability in cost of sales			
Expensing of fair value adjustments recognized in business combinations	**-**	-7	-
Expenses related to capacity adjustments	**-8**	-3	-4
Other items affecting comparability	**-**	-1	-
Items affecting comparability in selling, general and administrative expenses			
Expenses related to capacity adjustments	**-1**	-2	-3
Costs related to acquisitions	**-**	-3	-1
Items affecting comparability in other operating income and expenses			
Impairments	**-**	-5	-
Expenses related to capacity adjustments	**-4**	-5	-2
Other items affecting comparability	**-**	-	-2
EBITA	**183**	157	94
Amortization included in cost of sales			
Other intangibles	**-2**	-1	-2
Amortization included in selling, general and administrative expenses			
Intangibles recognized in business combinations	**-26**	-28	-13
Other intangibles	**-8**	-7	-6
Operating profit	**147**	120	72

Entity-wide information

Valmet's businesses are present in over 35 countries and on all continents. The main market areas are Europe and North America accounting for 66 percent of net sales in 2016 and 64 percent in 2015.

Net sales to unaffiliated customers by destination:

EUR million	North America	South America	EMEA	China	Asia-Pacific	Total
2016	**644**	**205**	**1,369**	**362**	**346**	**2,926**
2015	615	335	1,304	303	372	2,928

Gross capital expenditure (excluding business combinations) by location:

EUR million	North America	South America	EMEA	China	Asia-Pacific	Total
2016	**3**	**4**	**39**	**8**	**7**	**60**
2015	4	2	28	6	5	44

Analysis of net sales by category:

EUR million	2016	2015
Sale of services and automation	1,453	1,357
Sale of projects, equipment and goods	1,473	1,572
Total	**2,926**	2,928

Intangible assets and property, plant and equipment

Intangible assets

EUR million	2016	2015
Carrying value at beginning of period	859	537
Capital expenditure	15	7
Acquired in business combinations	1	342
Amortization	-35	-37
Impairment losses	-1	-1
Translation differences and other changes	-2	11
Book value at end of period	**837**	859

Property, plant and equipment

EUR million	2016	2015
Carrying value at beginning of period	385	381
Capital expenditure	45	37
Acquired in business combinations	-	26
Depreciation	-51	-55
Impairment losses	-2	-5
Translation differences and other changes	-3	2
Book value at end of period	**374**	385

Financial instruments

Derivative financial instruments

As at December 31, 2016	**Notional amount**	**Fair value, assets**	**Fair value, liabilities**	**Fair value, net**
Forward exchange contracts, EUR million	**1,699**	**18**	**26**	**-8**
Interest rate swaps, EUR million	**30**	**-**	**2**	**-2**
Electricity forward contracts[1]	**121**	**-**	**1**	**-1**

As at December 31, 2015	Notional amount	Fair value, assets	Fair value, liabilities	Fair value, net
Forward exchange contracts, EUR million	1,591	15	12	2
Interest rate swaps, EUR million	30	-	1	-1
Electricity forward contracts[1]	216	-	3	-3

[1] *Notional amount in GWh and fair values in EUR million*

The notional amounts give an indication of the volume of derivative contracts entered into but do not provide an indication of the exposure to risk.

Interest bearing and non-interest bearing financial instruments

EUR million	**As at December 31, 2016**	As at December 31, 2015
Non-current financial assets		
Interest bearing	**17**	20
Non-interest bearing	**5**	6
Total	**22**	25

EUR million	**As at December 31, 2016**	As at December 31, 2015
Other current financial assets		
Interest bearing	**1**	8
Non-interest bearing	**16**	13
Total	**17**	21

Setting aside non-current debt, current portion of non-current debt and current debt, the Group does not carry other interest bearing liabilities.

Provisions

EUR million	2016	2015
Balance at beginning of period	108	107
Effect of change in classification	35	-
Translation differences	1	1
Addition charged to profit / loss	96	87
Acquired in business combinations	-	9
Used reserve	-86	-57
Reversal of reserve / other changes	-25	-40
Balance at end of period	**128**	108
Non-current	20	10
Current	108	98

Movements in provisions include opening balance adjustment of EUR 35 million consisting of reclassification of warranty and guarantee provisions for ongoing projects previously presented as part of accrued project costs into provision.

Income taxes

EUR million	2016	2015
Income before taxes	**136**	108
Taxes calculated according to tax rate in Finland	-27	-22
Impact of changes in tax rates	1	-
Income tax for prior years	-12	4
Effect of different tax rates in foreign subsidiaries	-4	-4
Utilization of tax losses carried forward	1	2
Non-recoverable foreign taxes	-5	-3
Effect of tax free income and non-deductible expenses	-3	-5
Other	-4	-2
Income tax expense	**-54**	-30
Effective tax rate, (%)	39.4%	28.0%
Effective tax rate, (%) excluding income tax for prior years	30.4%	31.4%

Valmet received a reassessment decision from the Finnish tax authority for Valmet Technologies Inc. The reassessment decision was a result of a tax audit carried out in the company, concerning tax years 2010–2012. The Finnish tax authority has requested Valmet to pay additional taxes, late payment interest and penalties in total of EUR 19 million. The decision concerns compensation charged by Valmet Technologies Inc. from its foreign subsidiaries. In this context Valmet has recognized an income tax liability in the full amount of EUR 19 million and an income tax receivable of EUR 14 million, with net income tax expense impact of EUR 5 million in Q4/2016. The receivable arises from several different tax jurisdictions. Additionally, a prior year tax expense of EUR 4 million was recognized arising from tax loss carry forwards utilized in reassessment period.

As at December 31, 2016 Valmet entities are subject to tax audits in several jurisdictions. Liabilities and assets are recognized with respect to income tax amounts management is expecting to pay and recover, respectively. No liability is recognized when it is considered probable that items reported to tax authorities can be sustained on examination. Complex and constantly changing regulations in multiple jurisdictions where Valmet operates create uncertainties relating to tax obligations towards authorities. Changes in the tax authorities' interpretations could have unfavourable impact on Valmet's financials.

Contingencies and commitments

EUR million	**As at December 31, 2016**	As at December 31, 2015
Guarantees on behalf of Valmet Group	**853**	771
Lease commitments	**51**	56

On September 16, 2016 Valmet announced by stock exchange release of arbitration proceedings initiated by Suzano Papel e Celulose S.A. (Suzano) against three Valmet legal entities related to the construction of a green field pulp mill in Imperatriz, Brazil. Valmet management disputes the claims brought on by Suzano and is of the opinion that as at December 31, 2016, it is more likely that no present obligation exists than that it would exist, and therefore, no provision has been recognized related to the arbitration in these interim financial statements. Valmet is actively pursuing claims of its own against Suzano for breach by Suzano of its obligations under the agreement.

The most significant commitments and contingencies of Valmet relate to guarantees provided by Valmet Oyj, its subsidiaries and financial institutions to customer and suppliers in the ordinary course of business, as disclosed in the above table.

Key ratios

	2016	2015
Earnings per share, EUR	**0.55**	0.51
Diluted earnings per share, EUR	**0.55**	0.51
Equity per share at end of period, EUR	**5.88**	5.70
Return on equity (ROE), % (annualized)	**9%**	9%
Return on capital employed (ROCE) before taxes, % (annualized)	**12%**	12%
Equity to assets ratio at end of period, %	**37%**	36%
Gearing at end of period, %	**6%**	21%
Cash flow provided by operating activities, EUR million	**246**	78
Cash flow after investments, EUR million	**188**	-287
Gross capital expenditure (excl. business combinations), EUR million	**-60**	-44
Gross capital expenditure (incl. business combinations), EUR million	**-60**	-368
Depreciation and amortization, EUR million	**-87**	-92
Number of outstanding shares at end of period	**149,864,220**	149,864,220
Average number of outstanding shares	**149,864,220**	149,864,220
Average number of diluted shares	**149,864,220**	149,864,220
Net interest-bearing liabilities at end of period, EUR million	**52**	178

Key exchange rates

		Average rates		Period-end rates	
		2016	2015	**Q4/2016**	Q4/2015
USD	(US dollar)	**1.1021**	1.1130	**1.0541**	1.0887
SEK	(Swedish krona)	**9.4496**	9.3414	**9.5525**	9.1895
BRL	(Brazilian real)	**3.8571**	3.7024	**3.4305**	4.3117
CNY	(Chinese yuan)	**7.3199**	6.9924	**7.3202**	7.0608

Formulas for Calculation of Indicators

EBITA:
Operating profit + amortization

Comparable EBITA:
Operating profit + amortization - items affecting comparability

Earnings per share:

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

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), % (annualized):

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

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

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

Comparable return on capital employed (ROCE) before taxes, % (annualized)[1]:

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

[1] *Measure of performance also calculated on a rolling 12-month basis.*

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	Q4/2016	Q3/2016	Q2/2016	Q1/2016	Q4/2015
Net sales	**785**	685	804	652	854
Comparable EBITA	**56**	52	57	31	63
% of net sales	**7.2%**	7.5%	7.1%	4.8%	7.3%
Operating profit / loss	**40**	41	47	19	41
% of net sales	**5.1%**	6.0%	5.8%	2.9%	4.9%
Profit before taxes	**38**	38	44	17	37
% of net sales	**4.8%**	5.5%	5.5%	2.5%	4.3%
Profit / loss	**14**	26	31	12	28
% of net sales	**1.8%**	3.8%	3.9%	1.8%	3.2%
Earnings per share, EUR	**0.10**	0.17	0.21	0.08	0.18
Earnings per share, diluted, EUR	**0.10**	0.17	0.21	0.08	0.18
Amortization	**-8**	-8	-9	-11	-11
Depreciation	**-13**	-13	-13	-13	-14
Research and development expenses, net	**-18**	-14	-16	-16	-19
% of net sales	**-2.3%**	-2.0%	-2.0%	-2.4%	-2.2%
Items affecting comparability:					
in cost of goods sold	**-5**	-2	-	-1	-4
in selling, general and administrative expenses	**-**	-	-	-1	-1
in other operating income and expenses, net	**-3**	-	-1	-	-5
Total items affecting comparability	**-8**	-2	-1	-2	-10
Gross capital expenditures	**-17**	-14	-18	-11	-15
Non-cash write-downs	**-2**	-2	-	-2	-12
Capital employed, end of period	**1,195**	1,167	1,194	1,184	1,231
Orders received	**857**	788	692	803	793
Order backlog, end of period	**2,283**	2,192	2,106	2,207	2,074