INTERIM REVIEW

January 1 – September 30, 2015

Valmet

Valmet's Interim Review January 1 – September 30, 2015

Strong development in orders received in China – profitability in the targeted range in Q3/2015

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

July–September 2015: Orders received increased – solid performance in Automation

- Orders received increased to EUR 725 million (EUR 466 million).
  - Orders received increased in the Pulp and Energy, and Paper business lines and remained at the previous year's level in the Services business line.
  - Automation contributed to orders received with EUR 70 million.
  - Orders received more than doubled in China.
- Net sales increased to EUR 734 million (EUR 590 million).
  - Net sales increased in the Paper, and Services business lines and decreased in the Pulp and Energy business line.
  - Automation contributed to net sales with EUR 66 million.
- Earnings before interest, taxes and amortization (EBITA) and non-recurring items were EUR 47 million (EUR 32 million), and the corresponding EBITA margin was 6.4 percent (5.5%).
  - Profitability improved due to the higher level of net sales, improved gross profit, and the acquisition of Automation.
- Earnings per share were EUR 0.14 (EUR 0.11).
- Non-recurring items amounted to EUR -4 million (EUR -1 million).
- Cash flow provided by operating activities was EUR 16 million (EUR 117 million).

January–September 2015: EBITA more than doubled

- Orders received decreased to EUR 2,085 million (EUR 2,590 million).
  - Orders received increased in the Services business line and decreased in the Pulp and Energy, and Paper business lines.
  - Automation contributed to orders received with EUR 156 million.
  - Orders received increased in China and North America.
- Net sales increased to EUR 2,074 million (EUR 1,697 million).
  - Net sales increased in the Paper, and Services business lines and remained at the previous year's level in the Pulp and Energy business line.
  - Automation contributed to net sales with EUR 134 million.
- Earnings before interest, taxes and amortization (EBITA) and non-recurring items were EUR 120 million (EUR 58 million), and the corresponding EBITA margin was 5.8 percent (3.4%).
  - Profitability improved due to the higher level of net sales, improved gross profit, and the acquisition of Automation.
- Earnings per share were EUR 0.33 (EUR 0.14).
- Non-recurring items amounted to EUR -16 million (EUR -7 million), of which costs related to acquisition of Automation amounted to approximately EUR 12 million.
- Cash flow provided by operating activities was EUR 14 million (EUR 206 million).

Valmet reiterates its guidance for 2015

Valmet is reiterating its guidance presented on February 6, 2015 in which 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).

Short-term outlook

General economic outlook

Global growth for 2015 is projected at 3.1 percent, 0.3 percentage point lower than in 2014, and 0.2 percentage point below the forecasts in the July 2015 World Economic Outlook (WEO) Update. Prospects across the main countries and regions remain uneven. Relative to last year, the recovery in advanced economies is expected to pick up slightly, while activity in emerging market and developing economies is projected to slow for the fifth year in a row, primarily reflecting weaker prospects for some large emerging market economies and oil-exporting countries. (International Monetary Fund, September 28, 2015)

Short-term market outlook

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

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

President and CEO Pasi Laine: Profitability in the targeted range for the second consecutive quarter

We have been working hard to improve our profitability and to reach our EBITA margin target. In the third quarter of 2015, we reached this target – for the second consecutive quarter. During the last four quarters, we have been in the targeted range for three quarters.

The integration of the automation business has been a success. It has now been six months since the acquisition was completed, and I still get a lot of positive feedback from both customers and employees. By combining process know-how, services and automation, we can serve our customers even better than before. As a result of the acquisition, Valmet's stability and profitability have increased. The share of stable business, meaning Automation and Services, was about half of the net sales in the third quarter.

From a geographical point of view, Valmet's orders received developed especially well in China. In the third quarter, orders received increased also in North America and EMEA (Europe, Middle-East and Africa). A balanced geographical exposure increases stability of the overall business.

Going forward, Valmet continues to develop new advanced and competitive technologies and services. Good examples of the results of our research and development process are the OptiConcept M board and paper production machine, and the Advantage NTT tissue production machine. Both machines offer customers a cost-efficient, energy-efficient and flexible way to produce high-quality products, with significant raw material savings. The machines have been well received by the markets – in total, Valmet has so far sold ten OptiConcept M machines and five Advantage NTT tissue machines.

Key figures[1]

EUR million	Q3/2015	Q3/2014	Change	Q1–Q3/ 2015	Q1–Q3/ 2014	Change
Orders received	**725**	466	56%	**2,085**	2,590	-19%
Order backlog[2]	**2,117**	2,312	-8%	**2,117**	2,312	-8%
Net sales	**734**	590	25%	**2,074**	1,697	22%
Earnings before interest, taxes and amortization (EBITA) and non-recurring items	**47**	32	45%	**120**	58	>100%
% of net sales	**6.4%**	5.5%		**5.8%**	3.4%	
Earnings before interest, taxes and amortization (EBITA)	**43**	31	37%	**104**	51	>100%
% of net sales	**5.9%**	5.3%		**5.0%**	3.0%	
Operating profit (EBIT)	**33**	26	25%	**78**	35	>100%
% of net sales	**4.4%**	4.4%		**3.8%**	2.1%	
Profit before taxes	**29**	24	21%	**71**	31	>100%
Profit / loss	**21**	16	27%	**50**	21	>100%
Earnings per share, EUR	**0.14**	0.11	25%	**0.33**	0.14	>100%
Earnings per share, diluted, EUR	**0.14**	0.11	25%	**0.33**	0.14	>100%
Equity per share, EUR	**5.40**	5.32	2%	**5.40**	5.32	2%
Cash flow provided by operating activities	**16**	117	-86%	**14**	206	-93%
Cash flow after investments	**13**	107	-87%	**-338**	179	
Return on equity (ROE) (annualized)				**8%**	3%	
Return on capital employed (ROCE) before taxes (annualized)				**11%**	6%	

[1] The calculation of key figures is presented in the Tables section of the January–September 2015 Interim Review.

[2] At the end of period.

Equity to assets ratio and gearing	As at September 30, 2015	As at September 30, 2014	As at June 30, 2015
Equity to assets ratio at end of period	**35%**	41%	35%
Gearing at end of period	**28%**	-20%	29%

Orders received, EUR million	Q3/2015	Q3/2014	Change	Q1–Q3/ 2015	Q1–Q3/ 2014	Change
Services	**252**	242	4%	**852**	782	9%
Automation	**70**	-	-	**156**	-	-
Pulp and Energy	**206**	96	>100%	**603**	1,279	-53%
Paper	**197**	128	54%	**474**	530	-10%
Total	**725**	466	56%	**2,085**	2,590	-19%

Order backlog, EUR million	As at September 30, 2015	As at September 30, 2014	Change	As at June 30, 2015
Total	**2,117**	2,312	-8%	2,208

Net sales, EUR million	Q3/2015	Q3/2014	Change	Q1–Q3/ 2015	Q1–Q3/ 2014	Change
Services	**268**	235	14%	**814**	711	14%
Automation	**66**	-	-	**134**	-	-
Pulp and Energy	**215**	234	-8%	**668**	644	4%
Paper	**185**	120	54%	**459**	342	34%
Total	**734**	590	25%	**2,074**	1,697	22%

Webcast for analysts, investors and media

Valmet will arrange a news conference in English for investment analysts, investors, and media on Wednesday, October 28, 2015 at 2:00 p.m. Finnish time (EET). The news conference will be held at Valmet Head Office in Keilaniemi, Keilasatama 5, 02150 Espoo, Finland. The news conference can also be followed through a live webcast at www.valmet.com/webcasts.

It is also possible to take part in the news conference through a conference call. Conference call participants are requested to dial in at least five minutes prior to the start of the conference, at 1:55 p.m. (EET), at +44 1452 560304. The participants will be asked to provide the following conference ID: 53459057.

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

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

Valmet's Interim Review January 1 – September 30, 2015

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

Customer activity increased compared with Q3/2014

Although the customer activity increased in the third quarter of 2015 compared with the third quarter of 2014, the customer activity and orders received in the first three quarters of 2015 have decreased compared with the same period in 2014. In January–September 2015, orders received increased in China and North America, and decreased in other areas.

During the third quarter of 2015, the activity in the capital business increased in North America, EMEA and China. The stable business developed well in China and South America. In the energy business, customers' decision making is in many cases postponed due to uncertainty in the energy market.

Orders received increased especially in China, stable business orders received EUR 322 million

Orders received, EUR million	Q3/2015	Q3/2014	Change	Q1–Q3/ 2015	Q1–Q3/ 2014	Change
Services	**252**	242	4%	**852**	782	9%
Automation	**70**	-	-	**156**	-	-
Pulp and Energy	**206**	96	>100%	**603**	1,279	-53%
Paper	**197**	128	54%	**474**	530	-10%
Total	**725**	466	56%	**2,085**	2,590	-19%

Orders received, comparable foreign exchange rates, EUR million[1]	Q3/2015	Q3/2014	Change	Q1–Q3/ 2015	Q1–Q3/ 2014	Change
Services	**241**	242	-1%	**812**	782	4%
Automation	**69**	-	-	**151**	-	-
Pulp and Energy	**198**	96	>100%	**578**	1,279	-55%
Paper	**180**	128	41%	**444**	530	-16%
Total	**688**	466	48%	**1,985**	2,590	-23%

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

Orders received, EUR million	Q3/2015	Q3/2014	Change	Q1–Q3/ 2015	Q1–Q3/ 2014	Change
North America	**170**	135	26%	**555**	402	38%
South America	**22**	23	-1%	**110**	240	-54%
EMEA	**248**	189	31%	**893**	1,193	-25%
China	**224**	54	>100%	**324**	209	54%
Asia-Pacific	**61**	66	-7%	**204**	546	-63%
Total	**725**	466	56%	**2,085**	2,590	-19%

July–September 2015: Orders received increased in Pulp and Energy, and Paper

Orders received in July–September amounted to EUR 725 million, i.e. 56 percent more than in the comparison period (EUR 466 million). Automation business line contributed to orders received with EUR 70 million. The emerging markets accounted for 50 percent (35%) of orders received. Orders received increased in the Pulp and Energy, and Paper business lines and remained at the previous year's level in the Services business line. Orders received increased in China, EMEA and North America, remained stable in South America, and decreased in Asia-Pacific.

In July–September, changes in foreign exchange rates increased orders received by approximately EUR 37 million compared with the exchange rates for July–September 2014.

During July–September, Valmet received an order for the main equipment to a pulp mill project in China. The value of the order is about EUR 110 million. Other orders that Valmet received in July–September were, among others, an OptiConcept M containerboard production line to China, flue gas desulphurization and denitrification installation to Poland, automation to a new power plant in Finland, an Advantage NTT tissue production line to the USA, and two Advantage DCT tissue production lines to China. Valmet also signed a five-year agreement on the supply of paper machine and fiber line consumables to a customer in Sweden.

January–September 2015: Orders received increased in Services

Orders received in the first three quarters of the year amounted to EUR 2,085 million, i.e. 19 percent less than in the comparison period (EUR 2,590 million). Automation contributed to orders received with EUR 156 million. The emerging markets accounted for 36 percent (48%) of orders received. Orders received increased in the Services business line and decreased in the Pulp and Energy, and Paper business lines. Orders received increased in China and North America and decreased in other areas.

In the first three quarters of the year, changes in foreign exchange rates increased orders received by approximately EUR 100 million compared with the exchange rates for January–September 2014.

The most significant order received during January–September was key technology to a bioproduct mill in Finland. The estimated value of the delivery, which includes only the core equipment supplied by Valmet, is about EUR 125–150 million.

Order backlog decreased

Order backlog, EUR million	**As at September 30, 2015**	As at September 30, 2014	Change	As at June 30, 2015
Total	**2,117**	2,312	-8%	2,208

At the end of September, the order backlog was EUR 2,117 million, which was 4 percent lower than at the end of June 2015 (EUR 2,208 million at the end of June, 2015) and 8 percent lower than at the end of the comparison period (EUR 2,312 million). Approximately 30 percent of the order backlog relates to stable business (Services and Automation business lines). At the end of September 2014, approximately 20 percent of the order backlog related to the Services business line.

Net sales increased

Net sales, EUR million	Q3/2015	Q3/2014	Change	Q1–Q3/ 2015	Q1–Q3/ 2014	Change
Services	**268**	235	14%	**814**	711	14%
Automation	**66**	-	-	**134**	-	-
Pulp and Energy	**215**	234	-8%	**668**	644	4%
Paper	**185**	120	54%	**459**	342	34%
Total	**734**	590	25%	**2,074**	1,697	22%

Net sales, comparable foreign exchange rates, EUR million[1]	Q3/2015	Q3/2014	Change	Q1–Q3/ 2015	Q1–Q3/ 2014	Change
Services	**257**	235	9%	**771**	711	9%
Automation	**65**	-	-	**130**	-	-
Pulp and Energy	**220**	234	-6%	**676**	644	5%
Paper	**177**	120	48%	**435**	342	27%
Total	**720**	590	22%	**2,012**	1,697	19%

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

Net sales, EUR million	Q3/2015	Q3/2014	Change	Q1–Q3/ 2015	Q1–Q3/ 2014	Change
North America	**158**	115	38%	**448**	324	38%
South America	**50**	65	-23%	**222**	232	-4%
EMEA	**366**	270	35%	**916**	708	29%
China	**82**	56	47%	**202**	199	2%
Asia-Pacific	**79**	85	-7%	**287**	233	23%
Total	**734**	590	25%	**2,074**	1,697	22%

July–September 2015: Net sales increased in Paper and Services

Net sales in July–September increased 25 percent to EUR 734 million (EUR 590 million). Net sales increased in the Paper, and Services business lines and decreased in the Pulp and Energy business line. The stable business (Services and Automation business lines together) accounted for 46 percent of Valmet's net sales (Services business line accounted for 40% in the third quarter of 2014). Net sales decreased in South America and Asia-Pacific, and increased in other areas. Measured by net sales, the top three countries were the USA, Finland and Sweden, which together accounted for 47 percent of total net sales (the USA, Sweden and Brazil, which together accounted for 38%). Emerging markets accounted for 36 percent (43%) of net sales.

In July–September, changes in foreign exchange rates increased net sales by approximately EUR 14 million compared with the exchange rates for July–September 2014.

January–September 2015: Net sales increased in North America, EMEA and Asia-Pacific

Net sales in the first three quarters of the year increased 22 percent to EUR 2,074 million (EUR 1,697 million). Net sales increased in the Paper, and Services business lines and remained at the previous year's level in the Pulp and Energy business line. The stable business (Services and Automation business lines together) accounted for 46 percent of Valmet's net sales (Services business line accounted for 42% in the first three quarters of 2014). Net sales increased in North America, EMEA, and Asia-Pacific and remained stable at the previous year's level in China and South America.

In the first three quarters of the year, changes in foreign exchange rates increased net sales by approximately EUR 62 million compared with the exchange rates for January–September, 2014.

Profitability improved – EBITA margin in the targeted range in Q3/2015

In July–September, earnings before interest, taxes and amortization and non-recurring items (EBITA before non-recurring items) were EUR 47 million, i.e. 6.4 percent of net sales (EUR 32 million and 5.5%). Profitability improved due to the higher level of net sales, improved gross profit, and the acquisition of Automation.

In the first three quarters of the year, earnings before interest, taxes and amortization and non-recurring items (EBITA before non-recurring items) were EUR 120 million, i.e. 5.8 percent of net sales (EUR 58 million and 3.4%). Profitability improved due to the higher level of net sales, improved gross profit, and the acquisition of Automation.

Operating profit (EBIT) in July–September was EUR 33 million, i.e. 4.4 percent of net sales (EUR 26 million and 4.4%). Non-recurring items amounted to EUR -4 million (EUR -1 million).

Operating profit (EBIT) in the first three quarters of the year was EUR 78 million, i.e. 3.8 percent of net sales (EUR 35 million and 2.1%). Non-recurring items amounted to EUR -16 million (EUR -7 million), of which costs related to acquisition of Automation amounted to approximately EUR 12 million.

Net financial income and expenses

Net financial income and expenses in July–September were EUR -4 million (EUR -2 million), of which interest expenses amounted to EUR 4 million (EUR 4 million), interest income to EUR 1 million (EUR 1 million), other financial income and expenses to EUR 0 million (EUR 0 million), dividends received to EUR 0 million (EUR 0 million) and net foreign exchange gains to EUR 0 million (EUR 1 million).

Net financial income and expenses in the first three quarters of the year were EUR -7 million (EUR -4 million), of which interest expenses amounted to EUR 10 million (EUR 9 million), interest income to EUR 2 million (EUR 3 million), other financial income and expenses to EUR -1 million (EUR -1 million), dividends received to EUR 0 million (EUR 1 million) and net foreign exchange gains to EUR 1 million (EUR 2 million).

Profit before taxes and earnings per share

Profit before taxes for July–September was EUR 29 million (EUR 24 million). The profit attributable to owners of the parent in July–September was EUR 20 million (EUR 16 million), corresponding to earnings per share (EPS) of EUR 0.14 (EUR 0.11).

Profit before taxes for the first three quarters of the year was EUR 71 million (EUR 31 million). The profit attributable to owners of the parent in the first three quarters of the year was EUR 50 million (EUR 21 million), corresponding to earnings per share (EPS) of EUR 0.33 (EUR 0.14).

Return on capital employed (ROCE) increased

In the first three quarters of the year, the annualized return on capital employed (ROCE) before taxes was 11 percent (6%) and annualized return on equity (ROE) 8 percent (3%).

Business lines

Services – orders received remained stable and net sales increased in Q3/2015

Services business line	Q3/2015	Q3/2014	Change	Q1–Q3/ 2015	Q1–Q3/ 2014	Change
Orders received (EUR million)	**252**	242	4%	**852**	782	9%
Net sales (EUR million)	**268**	235	14%	**814**	711	14%
Personnel (end of period)				**5,337**	5,211	2%

In July–September, orders received by the Services business line remained stable at EUR 252 million (EUR 242 million) and accounted for 35 percent of all orders received (52%). Orders received increased in China, remained stable compared with the comparison period in North America, EMEA and Asia-Pacific, and decreased in South America. Orders received increased in Mill Improvements and Fabrics, remained stable compared with the comparison period in Performance Parts and decreased in Energy and Environmental, and Rolls.

During the first three quarters of the year, orders received by the Services business line increased 9 percent to EUR 852 million (EUR 782 million) and accounted for 41 percent of all orders received (30%). Orders received increased in China, South America, Asia-Pacific and North America and remained stable compared with the comparison period in EMEA.

In July–September, net sales for the Services business line totaled to EUR 268 million (EUR 235 million), corresponding to 36 percent of Valmet’s net sales (40%).

During the first three quarters of the year, net sales for the Services business line totaled to EUR 814 million (EUR 711 million), corresponding to 39 percent of Valmet’s net sales (42%).

Automation – orders received totaled EUR 70 million in Q3/2015

Automation business line	Q3/2015	Q3/2014	Change	Q1–Q3/ 2015	Q1–Q3/ 2014	Change
Orders received (EUR million)	**70**	-	-	**156**	-	-
Net sales (EUR million)	**66**	-	-	**134**	-	-
Personnel (end of period)				**1,627**	-	-

The acquisition of Process Automation Systems was completed on April 1, 2015 and the acquired business forms the Automation business line. In July–September, orders received by the Automation business line amounted to EUR 70 million and accounted for 10 percent of all orders received. EMEA accounted for approximately 50 percent and North America for approximately 30 percent of orders received. Pulp and Paper accounted for approximately 70 percent and Energy and Process for approximately 30 percent of orders received.

In April–September, orders received by the Automation business amounted to EUR 156 million and accounted for 7 percent of all orders received. EMEA accounted for approximately 60 percent and North America for approximately 20 percent of orders received.

In July–September, net sales for the Automation business line totaled to EUR 66 million, corresponding to 9 percent of Valmet’s net sales.

In April–September, net sales for the Automation business line totaled to EUR 134 million, corresponding to 6 percent of Valmet's net sales.

Pulp and Energy – orders received increased in Q3/2015

Pulp and Energy business line	Q3/2015	Q3/2014	Change	Q1–Q3/ 2015	Q1–Q3/ 2014	Change
Orders received (EUR million)	206	96	>100%	603	1,279	-53%
Net sales (EUR million)	215	234	-8%	668	644	4%
Personnel (end of period)				1,763	1,784	-1%

In July–September, orders received by the Pulp and Energy business line more than doubled to EUR 206 million (EUR 96 million) and accounted for 28 percent of all orders received (21%). Orders received increased in China and North America, remained stable in EMEA and decreased in Asia-Pacific and South America. Orders received increased in Pulp and remained stable compared with the comparison period in Energy.

During the first three quarters of the year, orders received by the Pulp and Energy business line decreased 53 percent to EUR 603 million (EUR 1,279 million) and accounted for 29 percent of all orders received (49%). Orders received increased in China and North America and decreased in other areas. Orders received decreased in both Pulp and Energy.

In July–September, net sales for the Pulp and Energy business line totaled to EUR 215 million (EUR 234 million), corresponding to 29 percent of Valmet's net sales (40%).

During the first three quarters of the year, net sales for the Pulp and Energy business line totaled to EUR 668 million (EUR 644 million), corresponding to 32 percent of Valmet's net sales (38%).

Paper – orders received and net sales increased in Q3/2015

Paper business line	Q3/2015	Q3/2014	Change	Q1–Q3/ 2015	Q1–Q3/ 2014	Change
Orders received (EUR million)	197	128	54%	474	530	-10%
Net sales (EUR million)	185	120	54%	459	342	34%
Personnel (end of period)				3,050	3,131	-3%

In July–September, orders received by the Paper business line increased to EUR 197 million (EUR 128 million) and accounted for 27 percent of all orders received (27%). Orders received increased in China, EMEA, Asia-Pacific and North America. Orders received increased in both Tissue, and Board and Paper.

During the first three quarters of the year, orders received by the Paper business line decreased 10 percent to EUR 474 million (EUR 530 million) and accounted for 23 percent of all orders received (20%). Orders received increased in South America, remained stable compared to the comparison period in North America and Asia-Pacific, and decreased in EMEA and China. Orders received decreased in both Board and Paper, and Tissue.

In July–September, net sales for the Paper business line totaled to EUR 185 million (EUR 120 million), corresponding to 25 percent of Valmet's net sales (20%).

During the first three quarters of the year, net sales for the Paper business line totaled to EUR 459 million (EUR 342 million), corresponding to 22 percent of Valmet's net sales (20%).

Cash flow and financing

Cash flow provided by operating activities amounted to EUR 16 million in July–September (EUR 117 million) and EUR 14 million (EUR 206 million) in the first three quarters of the year. Net working capital was EUR -244 million (EUR -345 million) at the end of September 2015. Change in net working capital, net of effect from business acquisitions and disposals in the condensed consolidated statement of cash flows was EUR -31 million (EUR 77 million) in July–September and EUR -110 million (EUR 136 million) in the first three quarters of the year. During the first three quarters of the year, the change in net working capital was mainly due to increase in trade and other receivables and decrease in trade and other payables. Cash flow after investments was EUR 13 million (EUR 107 million) in July–September and EUR -338 million (EUR 179 million) in the first three quarters of the year.

Gearing was 28 percent (-20%) at the end of September and equity to assets ratio was 35 percent (41%). Gearing increased and equity to assets ratio decreased mainly due to the acquisition of Automation. Interest-bearing liabilities were EUR 399 million (EUR 100 million) and net interest-bearing liabilities totaled to EUR 229 million (EUR -158 million) at the end of the reporting period. Interest-bearing liabilities increased due to bank loans to finance the acquisition of Automation. The average maturity for Valmet's non-current debt was 3.6 years.

Valmet's liquidity was strong at the end of the reporting period, with cash and cash equivalents totaling to EUR 139 million (EUR 210 million) and interest-bearing available-for-sale financial assets totaling to EUR 10 million (EUR 46 million). Valmet's liquidity was additionally secured by an unused revolving credit facility agreement worth EUR 200 million, that is committed by the banks and matures in 2018, and an uncommitted EUR 200 million commercial paper program, of which EUR 10 million was outstanding at the end of September.

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

Investments excluding business acquisitions increased in Q3/2015

Gross capital expenditure, excluding business acquisitions, in July–September was EUR -11 million (EUR -10 million). Maintenance investments were EUR -7 million (EUR -8 million).

Gross capital expenditure, excluding business acquisitions, in the first three quarters of the year was EUR -30 million (EUR -30 million). Maintenance investments were EUR -24 million (EUR -25 million).

Business combinations and disposals of businesses

Acquisitions

Acquisition of Process Automation Systems

On April 1, 2015, Valmet completed its acquisition of Process Automation Systems. The final purchase consideration was EUR 312 million in cash. Control in the acquiree was obtained through series of share deals financed through long-term borrowings. The provisional goodwill of EUR 160 million arising from the acquisition is attributable to the assembled workforce and synergies expected to arise subsequent to the acquisition.

Acquisition of MC Paper Machinery and Focus Rewinding business

On August 6, 2015, Valmet completed its acquisition of the MC Paper Machinery and Focus Rewinding business, through purchase of 100 percent of the share capital of Valmet Pescia S.r.l.. The purchase consideration paid and provisional goodwill arising from the transaction amounted to EUR 5 million and EUR 4 million, respectively. This acquisition had no material effect on Valmet's financial statements for the August–September 2015 period.

Disposals

Valmet made no disposals during the nine months ended September 30, 2015.

Number of personnel increased mainly due to the acquisition

Personnel by business line	**As at September 30, 2015**	As at September 30, 2014	Change	As at June 30, 2015
Services	**5,337**	5,211	2%	5,411
Automation	**1,627**	-	-	1,638
Pulp and Energy	**1,763**	1,784	-1%	1,827
Paper	**3,050**	3,131	-3%	3,119
Other	**519**	398	30%	529
Total (end of period)	**12,296**	10,524	17%	12,524

Personnel by area	**As at September 30, 2015**	As at September 30, 2014	Change	As at June 30, 2015
North America	**1,357**	1,127	20%	1,348
South America	**520**	428	21%	526
EMEA	**7,714**	6,442	20%	7,897
China	**1,999**	1,942	3%	2,043
Asia-Pacific	**706**	585	21%	710
Total (end of period)	**12,296**	10,524	17%	12,524

In January–September, Valmet employed an average of 11,623 people (11,125). The number of personnel at the end of September was 12,296 (10,524). The number of personnel increased mainly due to the acquisition of Automation. In January–September, personnel expenses totaled to EUR 541 million (EUR 443 million) of which wages, salaries and remuneration equaled to EUR 420 million (EUR 344 million).

Strategic goals and their implementation

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

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

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

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

Financial targets

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

Continued focus on improving profitability

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

In order to reduce quality costs and lead times Valmet is implementing Lean. Implementing Lean is expected to improve efficiency and reduce waste. A common quality development approach, together with different quality tools and processes help reduce quality costs and lead times. In order to affect quality costs and lead times, it is also important to highlight the importance of quality initiatives and accountability.

To improve profitability, Valmet also focuses on procurement savings. These can be achieved by increasing sourcing from cost-competitive countries, by increasing the use of sub-contracting and by consolidating the shipment and warehouse network. Valmet also aims to find savings by focusing on design-to-cost together with suppliers.

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

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

Activities and achievement in sustainability

Valmet's sustainability agenda focuses on five core areas with roadmaps for 2014–2016. The focus areas are supply chain, responsible operations (health, safety and environment), people, sustainable solutions and corporate citizenship.

In the third quarter of 2015 Valmet continued the implementation of its global Sustainable supply chain program. By the end of September 2015, the sustainability risk level of all Valmet's suppliers had been evaluated, almost 6,000 suppliers had been informed about Valmet's Sustainable Supply Chain policy, 24 supplier sustainability audits had been conducted in China, Mexico and India, and 95 percent of Valmet´s global procurement professionals had received sustainability training.

Good progress in safety continued in the third quarter of 2015. Valmet's lost time incident frequency rate (LTIF) remained below the 2015 target level of 4, which was achieved in June, and was at the level of 3.5 at the end of September (12 months rolling; 5.5 at the end of December 2014).

In August 2015, Valmet conducted its employee engagement survey called OurVoice with a global response rate of 81 percent (68%). The survey results showed a good progress in global employee engagement at Valmet and serves as a basis for annual development actions. Valmet also relayed an updated Code of Conduct document supported by an e-learning for all employees to secure standards of responsible behavior across the company.

In September 2015, Valmet was included in the Dow Jones Sustainability Index (DJSI) for the second consecutive year among the 317 most sustainable companies in the world. Valmet was listed both in the Dow Jones Sustainability World and Europe indices.

Valmet's local community programs continued in China where the company donated new water filters to the Keng Zhen primary school to secure availability of fresh water.

Lawsuits and claims

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

On February 20, Valmet issued a stock exchange release about Andritz Oy having filed a summons application with the Stockholm District Court against Valmet AB, a subsidiary of Valmet Corporation, regarding patent infringement. In the claim Andritz is asking that Valmet under a penalty ceases to utilize the patent allegedly infringing Andritz's patent and the Court to impose royalty and damages on Valmet AB. Valmet has denied the claims in its writ of response submitted to the Stockholm District Court. In June Andritz revised its claim, which subsequently changed their overall claim from EUR 52 million to EUR 54 million and interest for the alleged infringement. Consequently, Valmet filed a second response to the Stockholm District Court in September.

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

Corporate Governance Statement

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

Shares and shareholders

Share capital and number of shares

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

Treasury shares and Board authorizations

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

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

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

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

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

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

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

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

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

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

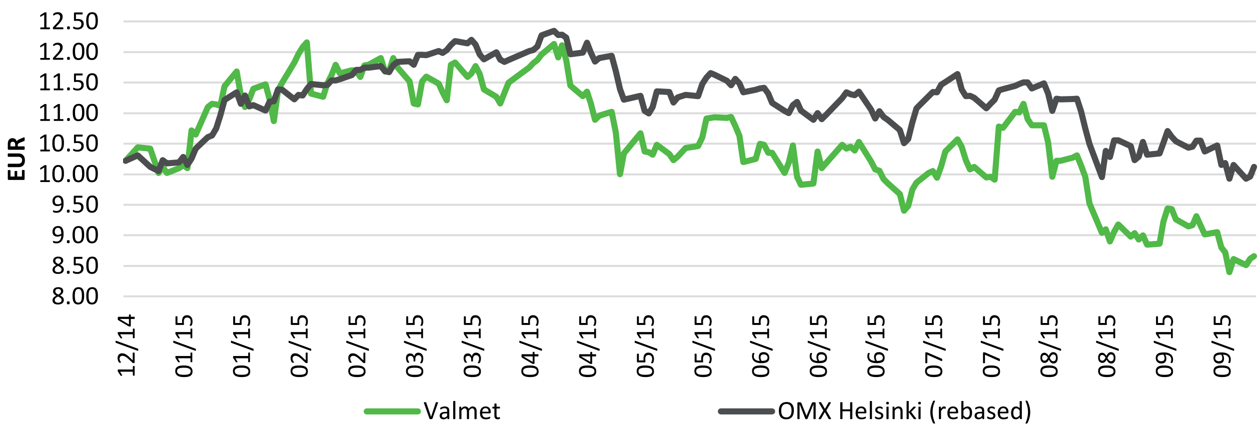
Trading in shares

The closing share price for Valmet's share on the last day of trading in 2014 (December 30, 2014) was EUR 10.22. The closing share price on the final day of trading for the reporting period, September 30, 2015, was EUR 8.66. The share price decreased by some 15 percent during the reporting period. The highest price for the share during the reporting period was EUR 12.47, the lowest was EUR 8.36 and the volume-weighted average price was EUR 10.66. The number of shares traded on NASDAQ OMX Helsinki during January–September was approximately 83 million. The value of trading was approximately EUR 882 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 15 million of Valmet Corporation's shares were traded on alternative marketplaces in January–September, which equals to approximately 15 percent of the share's total trade volume. Of the alternative exchanges, Valmet's shares were traded especially on Chi-X. (Source: VWD, Six)

Market capitalization (excluding treasury shares) stood at EUR 1,298 million at the end of the reporting period.

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



Number of shareholders

The number of registered shareholders at the end of September 2015 was 47,907 (51,782). Shares owned by nominee-registered parties and by non-Finnish parties equaled to 52.1 percent of the total number of shares at the end of September 2015 (52.0%).

Flagging notifications

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

Stock exchange release on June 11, 2015

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

Stock exchange release on February 13, 2015

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

Share-based incentive plans

Valmet's share 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 management a competitive reward plan based on long-term shareholding in Valmet.

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

Long-term incentive plan 2012–2014

In December 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 at the end of an approximately two-year vesting period in 2017, partly in company shares and partly in cash. 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 706,423 Valmet shares. The reward of the Plan may not exceed 120 percent of the key employee's annual total base salary.

During the first quarter of 2015, Valmet paid 166,383 shares on the basis of the 2012 performance period to the participants of the Plan.

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 key 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 27, 2015. The Annual General Meeting adopted the Financial Statements for 2014 and discharged the members of the Board of Directors and the President and CEO from liability for the 2014 financial year. The Annual General Meeting approved the Board of Directors' proposals, which concerned authorizing the Board to resolve on repurchasing company shares and to resolve on the issuance of shares and the issuance of special rights entitling to shares.

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

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

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

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

Changes in the Board composition

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

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

Risks and business uncertainties

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

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

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

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

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

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

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

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

Management of project business risks important

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

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

Availability of financing crucial

Securing the continuity of Valmet's operations requires that sufficient funding is available under all circumstances. Valmet estimates that its liquid cash assets and committed credit limits are sufficient to secure the company's immediate liquidity and to ensure the flexibility of financing. The average maturity for Valmet's non-current debt is 3.6 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 September 2015, Valmet had EUR 615 million (EUR 446 million) of goodwill on its statement of financial position. Valmet assesses the value of its goodwill for impairment annually or more frequently if facts and circumstances indicate that a risk of impairment exists. Valmet has not identified any indications of impairment during the reporting period. The principles used for impairment testing are presented in the Annual Report.

Events after the reporting period

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

Valmet reiterates its guidance for 2015

Valmet is reiterating its guidance presented on February 6, 2015 in which 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).

Short-term outlook

General economic outlook

Global growth for 2015 is projected at 3.1 percent, 0.3 percentage point lower than in 2014, and 0.2 percentage point below the forecasts in the July 2015 World Economic Outlook (WEO) Update. Prospects across the main countries and regions remain uneven. Relative to last year, the recovery in advanced economies is expected to pick up slightly, while activity in emerging market and developing economies is projected to slow for the fifth year in a row, primarily reflecting weaker prospects for some large emerging market economies and oil-exporting countries. (International Monetary Fund, September 28, 2015)

Short-term market outlook

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

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

In Espoo on October 28, 2015

Valmet Corporation's Board of Directors

Consolidated Statement of Income

EUR million	Q3/2015	Q3/2014	Q1–Q3/ 2015	Q1–Q3/ 2014
Net sales	**734**	590	**2,074**	1,697
Cost of goods sold	**-580**	-474	**-1,627**	-1,371
Gross profit	**154**	116	**447**	325
Selling, general and administrative expenses	**-120**	-92	**-360**	-292
Other operating income and expenses, net	**-2**	3	**-10**	2
Share in profits and losses of associated companies	**0**	0	**1**	0
Operating profit	**33**	26	**78**	35
Financial income and expenses, net	**-4**	-2	**-7**	-4
Profit before taxes	**29**	24	**71**	31
Income taxes	**-8**	-8	**-21**	-10
Profit / loss	**21**	16	**50**	21
Attributable to:				
Owners of the parent	**20**	16	**50**	21
Non-controlling interests	**0**	0	**0**	0
Profit / loss	**21**	16	**50**	21
Earnings per share attributable to owners of the parent:				
Earnings per share, EUR	**0.14**	0.11	**0.33**	0.14
Diluted earnings per share, EUR	**0.14**	0.11	**0.33**	0.14

Consolidated Statement of Comprehensive Income

EUR million	**Q3/2015**	Q3/2014	**Q1–Q3/ 2015**	Q1–Q3/ 2014
Profit / loss	**21**	16	**50**	21
Items that may be reclassified to profit or loss in subsequent periods:				
Cash flow hedges	**-5**	0	**-2**	-10
Available-for-sale equity investments	**0**	0	**0**	0
Currency translation on subsidiary net investments	**-12**	15	**3**	9
Income tax relating to items that may be reclassified	**1**	0	**0**	2
	-16	15	**1**	1
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	**-3**	-15	**-3**	-15
Income tax on items that will not be reclassified	**1**	3	**1**	3
	-2	-11	**-2**	-11
Other comprehensive income (+) / expense (-)	**-18**	3	**-1**	-10
Total comprehensive income (+) / expense (-)	**3**	19	**49**	11
Attributable to:				
Owners of the parent	**3**	19	**49**	11
Non-controlling interests	**0**	0	**0**	0
Total comprehensive income (+) / expense (-)	**3**	19	**49**	11

Consolidated Statement of Financial Position

Assets

EUR million	As at September 30, 2015	As at September 30, 2014	As at December 31, 2014
Non-current assets			
Intangible assets			
Goodwill	**615**	446	446
Other intangible assets	**242**	95	91
Total intangible assets	**857**	541	537
Property, plant and equipment			
Land and water areas	**23**	22	22
Buildings and structures	**146**	133	132
Machinery and equipment	**196**	197	202
Assets under construction	**24**	31	25
Total property, plant and equipment	**390**	382	381
Financial and other non-current assets			
Investments in associated companies	**13**	5	5
Available-for-sale financial assets	**9**	13	9
Loan and other receivables	**20**	2	7
Derivative financial instruments	**1**	1	0
Deferred tax asset	**97**	93	86
Other non-current assets	**20**	13	14
Total financial and other non-current assets	**160**	127	121
Total non-current assets	**1,407**	1,050	1,040
Current assets			
Inventories	**553**	508	474
Receivables			
Trade and other receivables	**549**	438	445
Cost and earnings of projects under construction in excess of advance billings	**201**	196	192
Loan and other receivables	**1**	0	0
Available-for-sale financial assets	**4**	36	28
Derivative financial instruments	**13**	18	20
Income tax receivables	**33**	22	22
Total receivables	**801**	710	706
Cash and cash equivalents	**139**	210	192
Total current assets	**1,493**	1,428	1,372
Total assets	**2,901**	2,478	2,412

Consolidated Statement of Financial Position

Equity and liabilities

EUR million	As at September 30, 2015	As at September 30, 2014	As at December 31, 2014
Equity			
Share capital	**100**	100	100
Reserve for invested unrestricted equity	**404**	403	403
Cumulative translation adjustments	**12**	11	9
Fair value and other reserves	**-4**	-2	-3
Treasury shares	**-7**	0	0
Retained earnings	**306**	286	296
Equity attributable to owners of the parent	**810**	797	804
Non-controlling interests	**5**	5	5
Total equity	**815**	802	809
Liabilities			
Non-current liabilities			
Non-current debt	**309**	35	16
Post-employment benefits	**153**	118	144
Provisions	**11**	10	10
Derivative financial instruments	**3**	3	3
Deferred tax liability	**78**	24	22
Other non-current liabilities	**0**	1	1
Total non-current liabilities	**555**	190	195
Current liabilities			
Current portion of non-current debt	**80**	58	51
Current debt	**10**	8	-
Trade and other payables	**705**	727	740
Provisions	**99**	102	98
Advances received	**245**	145	146
Billings in excess of cost and earnings of projects under construction	**348**	398	327
Derivative financial instruments	**18**	27	30
Income tax liabilities	**27**	21	16
Total current liabilities	**1,531**	1,486	1,408
Total liabilities	**2,086**	1,676	1,603
Total equity and liabilities	**2,901**	2,478	2,412

Condensed Consolidated Statement of Cash Flows

EUR million	Q3/2015	Q3/2014	Q1–Q3/ 2015	Q1–Q3/ 2014
Cash flows from operating activities				
Profit / loss	**21**	16	**50**	21
Adjustments				
Depreciation and amortization	**24**	18	**68**	54
Dividend income and net interests	**2**	2	**4**	2
Income taxes	**8**	8	**21**	10
Other non-cash items	**5**	4	**7**	7
Change in net working capital, net of effect from business acquisitions and disposals	**-31**	77	**-110**	136
Net interests and dividends received	**-2**	-1	**-3**	-1
Income taxes paid	**-10**	-7	**-23**	-22
Net cash provided by (+) / used in (-) operating activities	**16**	117	**14**	206
Cash flows from investing activities				
Capital expenditure on fixed assets	**-11**	-10	**-30**	-30
Proceeds from sale of fixed assets	**1**	0	**2**	4
Business acquisitions, net of cash acquired and loan repayments	**7**	-	**-323**	-
Proceeds from sale of businesses, net of cash sold	**-**	-	**-**	0
Other	**0**	-	**0**	0
Net cash provided by (+) / used in (-) investing activities	**-3**	-10	**-351**	-27
Cash flows from financing activities				
Redemption of own shares	**-**	-	**-7**	0
Dividends paid	**-**	-	**-37**	-22
Net borrowings (+) / payments (-) on current and non-current debt	**-29**	-92	**322**	-118
Net investments in available-for-sale financial assets	**0**	-8	**24**	-45
Other	**-2**	-	**-15**	-
Net cash provided by (+) / used in (-) financing activities	**-30**	-100	**286**	-185
Net increase (+) / decrease (-) in cash and cash equivalents	**-16**	7	**-52**	-6
Effect of changes in exchange rates on cash and cash equivalents	**-5**	4	**-2**	5
Cash and cash equivalents at beginning of period	**161**	199	**192**	211
Cash and cash equivalents at end of period	**139**	210	**139**	210

Consolidated Statement of Changes in Equity

EUR million	Share capital	Reserve for invested unrestricted equity	Cumulative translation adjustments	Fair value and other reserves	Treasury shares	Retained earnings	**Equity attributable to owners of the parent**	Non-controlling interests	**Total equity**
Balance at January 1, 2015	**100**	**403**	**9**	**-3**	**0**	**296**	**804**	**5**	**809**
Profit / loss	-	-	-	-	-	50	**50**	1	**50**
Other comprehensive income (+) / expense (-)	-	-	3	-2	-	-2	**-1**	0	**-1**
Total comprehensive income (+) / expense (-)	-	-	3	-2	-	48	**49**	1	**50**
Dividends	-	-	-	-	-	-37	**-37**	-	**-37**
Purchase of treasury shares	-	-	-	-	-7	-	**-7**	-	**-7**
Share-based payments, net of tax	-	2	-	-	-	-1	**1**	-	**1**
Other	-	-	-	0	-	0	**1**	-	**1**
Balance at September 30, 2015	**100**	**404**	**12**	**-4**	**-7**	**306**	**810**	**5**	**815**
Balance at January 1, 2014	100	402	2	5	-	299	808	5	813
Profit / loss	-	-	-	-	-	21	21	-	21
Other comprehensive income (+) / expense (-)	-	-	9	-7	-	-11	-10	0	-10
Total comprehensive income (+) / expense (-)	-	-	9	-7	-	10	11	0	11
Dividends	-	-	-	-	-	-22	-22	-	-22
Purchase of treasury shares	-	-	-	-	0	-	0	-	0
Share-based payments, net of tax	-	0	-	-	-	1	1	-	1
Other	-	-	-	-	-	0	0	-	0
Balance at September 30, 2014	100	403	11	-2	0	286	797	5	802

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.

These condensed consolidated interim financial statements were approved for issue on October 28, 2015.

Basis of preparation

These condensed consolidated interim financial statements for the nine months ended September 30, 2015 have been prepared in accordance with IAS 34, ‘Interim financial reporting’ and in conformity with IFRS as adopted by the European Union. The financial information presented in these condensed consolidated interim financial statements has not been audited. The condensed consolidated interim financial statements should be read in conjunction with the Group’s annual consolidated financial statements for the year ended December 31, 2014, which have been prepared in accordance with IFRS.

In the condensed consolidated interim financial statements the figures are presented in million euros subject to rounding, which may cause some rounding inaccuracies in column and total sums.

Accounting principles

The accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2014.

Business combinations and disposals of businesses

Acquisitions

Acquisition of Process Automation Systems

On April 1, 2015, the Group completed its acquisition of Process Automation Systems. The final purchase consideration was EUR 312 million in cash. Process Automation Systems supplies process automation and information management systems and related applications and services to the pulp, paper, energy and other process industries. Control in the acquiree was obtained through series of share deals financed through long-term borrowings. The provisional goodwill of EUR 160 million arising from the acquisition is attributable to the assembled workforce and synergies expected to arise subsequent to the acquisition. Majority of the goodwill recognized is not expected to be deductible for income tax purposes.

The following table summarizes the fair values of assets acquired and liabilities assumed at the date of acquisition. The amounts presented are provisional in nature while work to complete accounting for the acquisition still continues. The below amounts include EUR 2 million of net receivables from Valmet that were settled at closing.

EUR million	As at April 1, 2015
Non-current assets	
Goodwill	**160**
Other intangible assets	**166**
Property, plant and equipment	**26**
Financial and other non-current assets	**12**
Total non-current assets	**364**
Current assets	
Inventories	**51**
Trade receivables	**45**
Other current assets	**70**
Cash and cash equivalents	**48**
Total current assets	**213**
Non-current liabilities	
Deferred tax liability	**47**
Other non-current liabilities	**7**
Total non-current liabilities	**53**
Current liabilities	
Current debt	**65**
Trade and other payables	**51**
Advances received	**70**
Other current liabilities	**26**
Total current liabilities	**212**
Net assets acquired	**312**

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

From the date of acquisition, Process Automation Systems contributed EUR 134 million of revenue and EUR 13 million to profit of the Group. If the acquisition had occurred on January 1, 2015, management estimates that the combined statement of income would show net sales of EUR 2,129 million and profit of EUR 36 million. These amounts, include estimated interest expenses and income taxes as well as the fair value adjustments, determined provisionally as at September 30, 2015, for the January–March period.

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

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

Acquisition of MC Paper Machinery and Focus Rewinding business

On August 6, 2015, the Group completed its acquisition of the MC Paper Machinery and Focus Rewinding business, through purchase of 100 percent of the share capital of Valmet Pescia S.r.l.. The purchase consideration paid and provisional goodwill arising from the transaction amounted to EUR 5 million and EUR 4 million, respectively. This acquisition had no material effect on Valmet's financial statements for the August–September 2015 period.

Disposals

Valmet made no disposals during the nine months ended September 30, 2015.

Fair value estimation

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

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

Level 2 The fair value of financial instruments in Level 2 is determined using valuation techniques. These techniques utilize observable market data readily and regularly available from an exchange, dealer, broker, market information service system, pricing service or regulatory agency. Level 2 financial instruments include over-the-counter derivatives classified as financial assets/liabilities at fair value through profit and loss or qualified for hedge accounting.

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

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

	As at September 30, 2015		
EUR million	**Level 1**	**Level 2**	**Level 3**
Assets			
Derivatives at fair value through profit and loss	-	6	-
Derivatives qualified for hedge accounting	-	8	-
Available for sale financial assets	11	3	2
Total assets	**11**	**16**	**2**
Liabilities			
Derivatives at fair value through profit and loss	-	6	-
Derivatives qualified for hedge accounting	-	15	-
Total liabilities	**-**	**21**	**-**

	As at September 30, 2014		
EUR million	Level 1	Level 2	Level 3
Assets			
Derivatives at fair value through profit and loss	-	3	-
Derivatives qualified for hedge accounting	-	15	-
Available for sale financial assets	12	35	-
Total assets	12	53	-
Liabilities			
Derivatives at fair value through profit and loss	-	8	-
Derivatives qualified for hedge accounting	-	22	-
Total liabilities	-	30	-

The following table presents the changes in level 3 instruments for the nine months ended September 30, 2015 and 2014.

EUR million	**Q1–Q3/ 2015**	Q1–Q3/ 2014
Balance at beginning of year	**2**	-
Exchange rate differences	**0**	-
Additions	**-**	-
Acquisitions	**0**	-
Transfers into level 3	**-**	-
Disposals	**0**	-
Other changes	**-**	-
Balance at end of period	**2**	-

Assets pledged and contingent liabilities

EUR million	As at September 30, 2015	As at September 30, 2014
Guarantees on behalf of others	**4**	6
Lease commitments	**52**	42

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 1,005 million and EUR 1,222 million as at September 30, 2015 and 2014, respectively.

Nominal amounts of derivative financial instruments

	As at September 30, 2015	As at September 30, 2014
Forward exchange contracts, EUR million	**1,425**	1,448
Interest rate swaps, EUR million	**30**	-
Electricity forward contracts, GWh	**252**	322
Nickel swap contracts, tons	**-**	6

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

Related party information

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

There were no material transactions between Valmet and its related parties as at and for the nine months ended September 30, 2015 and 2014, respectively.

Reporting segment and geographic information

Valmet’s operations and profitability is reported as a single reportable segment and operative decisions have been made by the CEO of Valmet as Valmet's Chief Operating Decision Maker at Valmet Group level.

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	**Q3/2015**	Q3/2014	**Q1–Q3/2015**	Q1–Q3/2014
Net sales	**734**	590	**2,074**	1,697
EBITA before non-recurring items	**47**	32	**120**	58
% of net sales	**6.4%**	5.5%	**5.8%**	3.4%
Operating profit	**33**	26	**78**	35
% of net sales	**4.4%**	4.4%	**3.8%**	2.1%
Amortization	**-11**	-5	**-26**	-16
Depreciation	**-14**	-13	**-41**	-38
Non-recurring items:				
in cost of goods sold	**-3**	-1	**-6**	-2
in selling, general and administrative expenses	**-1**	0	**-4**	-2
in other operating income and expenses, net	**-**	0	**-6**	-3
Total non-recurring items	**-4**	-1	**-16**	-7
Gross capital expenditures (including acquisitions)	**-4**	-10	**-353**	-30
Non-cash write-downs	**-2**	-1	**-4**	-4
Capital employed, end of period			**1,214**	902
Orders received	**725**	466	**2,085**	2,590
Order backlog			**2,117**	2,312

Entity-wide information

Valmet's businesses are present in over 30 countries and on all continents. The main market areas are Europe and North America accounting for 64 percent of net sales in Q1–Q3/2015 and 59 percent in Q1–Q3/2014.

Net sales to unaffiliated customers by destination:

EUR million	North America	South America	EMEA	China	Asia-Pacific	Total
Q1–Q3/2015	**448**	**222**	**916**	**202**	**287**	**2,074**
Q1–Q3, 2014	324	232	708	199	233	1,697

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–Q3/2015	**110**	**76**	**332**	**87**	**170**	**774**
Q1–Q3/2014	50	77	316	78	131	652

Gross capital expenditure (excluding business acquisitions) by location:

EUR million	North America	South America	EMEA	China	Asia-Pacific	Total
Q1–Q3/2015	**3**	**1**	**18**	**4**	**3**	**30**
Q1–Q3/2014	3	1	21	4	1	30

Analysis of net sales by category:

EUR million	Q1–Q3/2015	Q1–Q3/2014
Sale of services and automation	**948**	711
Sale of projects, equipment and goods	**1,127**	986
Total	**2,074**	1,697

Net sales of the Automation business line, in Q2/2015 allocated between the two categories, has in the above table been fully included in 'Sale of services and automation' to align the nature of revenue streams within the two categories.

Events after the reporting period

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

Key ratios

	Q1–Q3/ 2015	Q1–Q3/ 2014	Q1–Q4/ 2014
Earnings per share, EUR	**0.33**	0.14	0.31
Diluted earnings per share, EUR	**0.33**	0.14	0.31
Equity per share at end of period, EUR	**5.40**	5.32	5.36
Return on equity (ROE), % (annualized)	**8%**	3%	6%
Return on capital employed (ROCE) before taxes, % (annualized)	**11%**	6%	9%
Equity to assets ratio at end of period, %	**35%**	41%	42%
Gearing at end of period, %	**28%**	-20%	-21%
Cash flow provided by operating activities, EUR million	**14**	206	236
Cash flow after investments, EUR million	**-338**	179	194
Gross capital expenditure (excl. business acquisitions), EUR million	**-30**	-30	-46
Business acquisitions, net of cash acquired, EUR million	**-323**	-	-
Depreciation and amortization, EUR million	**-68**	-54	-72
Number of outstanding shares at end of period	**149,864,220**	149,864,220	149,864,220
Average number of outstanding shares	**149,864,220**	149,862,926	149,863,252
Average number of diluted shares	**149,864,220**	149,862,926	149,863,252
Net interest-bearing liabilities at end of period, EUR million	**229**	-158	-166

Key exchange rates

		Average rates		Period-end rates	
		Q1–Q3/ 2015	Q1–Q3/ 2014	**Q3/2015**	Q3/2014
USD	(US dollar)	**1.1220**	1.3517	**1.1203**	1.2583
SEK	(Swedish krona)	**9.3656**	9.0380	**9.4083**	9.1465
CAD	(Canadian dollar)	**1.4130**	1.4789	**1.5034**	1.4058
BRL	(Brazilian real)	**3.5476**	3.1094	**4.4808**	3.0821
CNY	(Chinese yuan)	**7.0101**	8.3341	**7.1206**	7.7262

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	Q3/2015	Q2/2015	Q1/2015	Q4/2014	Q3/2014
Net sales	**734**	779	561	777	590
EBITA before non-recurring items	**47**	54	19	48	32
% of net sales	**6.4%**	6.9%	3.5%	6.1%	5.5%
Operating profit (loss)	**33**	32	13	38	26
% of net sales	**4.4%**	4.1%	2.4%	4.8%	4.4%
Profit before taxes	**29**	31	11	36	24
% of net sales	**4.0%**	3.9%	2.0%	4.6%	4.1%
Profit (loss)	**21**	21	8	25	16
% of net sales	**2.8%**	2.7%	1.4%	3.2%	2.8%
Earnings per share, EUR	**0.14**	0.14	0.05	0.17	0.11
Earnings per share, diluted, EUR	**0.14**	0.14	0.05	0.17	0.11
Amortization	**-11**	-10	-6	-5	-5
Depreciation	**-14**	-15	-13	-12	-13
Research and development expenses, net	**-13**	-17	-10	-12	-8
% of net sales	**-1.8%**	-2.2%	-1.8%	-1.5%	-1.4%
Non-recurring items:					
in cost of goods sold	**-3**	-3	-	-2	-1
in selling, general and administrative expenses	**-1**	-3	0	-2	0
in other operating income and expenses, net	**-**	-6	-	-1	0
Total non-recurring items	**-4**	-12	0	-5	-1
Gross capital expenditures (including acquisitions)	**-4**	-339	-10	-15	-10
Business acquisitions, net of cash acquired	**7**	-330	-	-	-
Non-cash write-downs	**-2**	-2	0	-2	-1
Capital employed, end of period	**1,214**	1,240	1,239	877	902
Orders received	**725**	781	580	480	466
Order backlog, end of period	**2,117**	2,208	2,064	1,998	2,312