Financial Statements Review

January 1 – December 31, 2019

Valmet

Valmet's Financial Statements Review January 1 – December 31, 2019

Orders received increased to EUR 4.0 billion and Comparable EBITA to EUR 316 million in 2019

Figures in brackets, unless otherwise stated, refer to the comparison period, i.e. the same period of the previous year. As of January 1, 2019, Valmet has adopted IFRS 16 without restating the figures for the comparison period.

October–December 2019: Orders received amounted to EUR 1.0 billion

- Orders received remained at the previous year's level at EUR 1,009 million (EUR 1,026 million).
  - Orders received increased in the Paper and Services business lines, remained at the previous year's level in Automation and decreased in the Pulp and Energy business line.
  - Orders received increased in North America and EMEA (Europe, Middle East and Africa), and decreased in South America, Asia-Pacific and China.
- Net sales increased 12 percent to EUR 1,103 million (EUR 984 million).
  - Net sales increased in the Pulp and Energy, Automation and Services business lines and remained at the previous year's level in the Paper business line.
- Comparable earnings before interest, taxes and amortization (Comparable EBITA) were EUR 118 million (EUR 113 million), and the corresponding Comparable EBITA margin was 10.7 percent (11.5%).
  - Profitability remained at the previous year's level.
- Earnings per share were EUR 0.54 (EUR 0.49).
- Items affecting comparability amounted to EUR 1 million (EUR -3 million).
- Cash flow provided by operating activities was EUR 182 million (EUR 143 million).

January–December 2019: Orders received increased and profitability improved

- Orders received increased 7 percent to EUR 3,986 million (EUR 3,722 million).
  - Orders received increased in the Pulp and Energy, Services and Automation business lines and remained at the previous year's level in the Paper business line.
  - Orders received increased in South America, Asia-Pacific, North America and EMEA and decreased in China.
- Net sales increased 7 percent to EUR 3,547 million (EUR 3,325 million).
  - Net sales increased in the Services, Automation, and Pulp and Energy business lines and remained at the previous year's level in the Paper business line.
- Comparable earnings before interest, taxes and amortization (Comparable EBITA) were EUR 316 million (EUR 257 million), and the corresponding Comparable EBITA margin was 8.9 percent (7.7%).
  - Profitability improved due to higher net sales and gross profit.
- Earnings per share were EUR 1.35 (EUR 1.01).
- Items affecting comparability amounted to EUR -1 million (EUR -16 million).
- Cash flow provided by operating activities was EUR 295 million (EUR 284 million).

Dividend proposal

The Board of Directors proposes for the Annual General Meeting that a dividend of EUR 0.80 per share be paid. The proposed dividend equals to 59 percent of the net result.

Guidance for 2020

Valmet estimates that net sales in 2020 will increase in comparison with 2019 (EUR 3,547 million) and Comparable EBITA in 2020 will increase in comparison with 2019 (EUR 316 million).

Short-term outlook

General economic outlook

Global growth is projected to rise from an estimated 2.9 percent in 2019 to 3.3 percent in 2020 and 3.4 percent for 2021. Market sentiment has been boosted by tentative signs that manufacturing activity and global trade are bottoming out, a broad-based shift toward accommodative monetary policy, intermittent favorable news on US-China trade negotiations, and diminished fears of a no-deal Brexit. Downside risks, however, remain prominent, including rising geopolitical tensions, notably between the United States and Iran, intensifying social unrest, further worsening of relations between the United States and its trading partners, and deepening economic frictions between other countries. A materialization of these risks could lead to rapidly deteriorating sentiment, causing global growth to fall below the projected baseline. (International Monetary Fund, January 2020)

Short-term market outlook

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

President and CEO Pasi Laine: Orders received increased and profitability improved in 2019

"In 2019, our orders received increased 7 percent to EUR 4.0 billion. Orders received in the stable business, i.e. the Services and Automation business lines, increased by 10 percent and accounted for 46 percent of total orders. Service orders were supported by the acquisitions of GL&V and J&L, which were finalized during the second quarter. The orders received in Automation increased as well. In the capital business, orders received increased in Pulp and Energy, and remained at last year's high level in the Paper business line.

Valmet's net sales increased 7 percent in 2019. Net sales increased in the stable business and remained at previous year's level in the capital business. Comparable EBITA increased 23 percent to EUR 316 million, representing 8.9 percent of net sales. This means that we have been able to improve our profitability six years in a row and every year since the demerger at the end of 2013.

Valmet is starting the year 2020 as a strong, continuously developing company. Our orders received, net sales and Comparable EBITA were at a record high level at the end of 2019. Valmet's technology is world leading, our brand is strong and a professional and highly engaged team of more than 13,000 Valmeteers serves our customers around the world. With the solid order backlog and improved profitability level, we can move into 2020 with confidence."

Key figures[1]

EUR million	Q4/2019	Q4/2018	Change	2019	2018	Change
Orders received	**1,009**	1,026	-2%	**3,986**	3,722	7%
Order backlog[2]	**3,333**	2,829	18%	**3,333**	2,829	18%
Net sales	**1,103**	984	12%	**3,547**	3,325	7%
Comparable earnings before interest, taxes and amortization (Comparable EBITA)	**118**	113	4%	**316**	257	23%
% of net sales	**10.7%**	11.5%		**8.9%**	7.7%	
Earnings before interest, taxes and amortization (EBITA)	**119**	110	8%	**315**	241	31%
% of net sales	**10.8%**	11.2%		**8.9%**	7.2%	
Operating profit (EBIT)	**110**	102	7%	**281**	211	33%
% of net sales	**9.9%**	10.4%		**7.9%**	6.4%	
Profit before taxes	**105**	100	6%	**269**	205	32%
Profit for the period	**81**	74	10%	**202**	152	33%
Earnings per share, EUR	**0.54**	0.49	10%	**1.35**	1.01	33%
Earnings per share, diluted, EUR	**0.54**	0.49	10%	**1.35**	1.01	33%
Equity per share, EUR[2]	**6.95**	6.31	10%	**6.95**	6.31	10%
Cash flow provided by operating activities	**182**	143	28%	**295**	284	4%
Cash flow after investments	**161**	119	35%	**58**	208	-72%
Return on equity (ROE) (annualized)				**20%**	16%	
Return on capital employed (ROCE) before taxes (annualized)				**23%**	19%	
Equity to assets ratio[2]				**41%**	43%	
Gearing[2]				**-9%**	-23%	

Valmet implemented IFRS 16 – Leases as of January 1, 2019 by applying the simplified transition method and therefore 2018 figures are not restated.

[1] *The calculation of key figures is presented on page 46.*

[2] *At the end of period.*

Orders received, EUR million	Q4/2019	Q4/2018	Change	2019	2018	Change
Services	**395**	325	21%	**1,459**	1,315	11%
Automation	**96**	94	1%	**359**	330	9%
Pulp and Energy	**320**	451	-29%	**1,125**	1,000	13%
Paper	**199**	156	28%	**1,043**	1,077	-3%
Total	**1,009**	1,026	-2%	**3,986**	3,722	7%

Order backlog, EUR million	As at Dec 31, 2019	As at Dec 31, 2018	Change	As at Sep 30, 2019
Total	**3,333**	2,829	18%	3,425

Net sales, EUR million	Q4/2019	Q4/2018	Change	2019	2018	Change
Services	**400**	366	9%	**1,374**	1,219	13%
Automation	**120**	106	13%	**341**	306	12%
Pulp and Energy	**315**	232	36%	**919**	863	7%
Paper	**267**	280	-5%	**913**	937	-3%
Total	**1,103**	984	12%	**3,547**	3,325	7%

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 5, 2020 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 +44 (0) 2071 928000. The participants will be asked to provide the following conference ID: 2158826.

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.

Valmet's Financial Statements Review January 1 – December 31, 2019

Orders received increased 7 percent in 2019

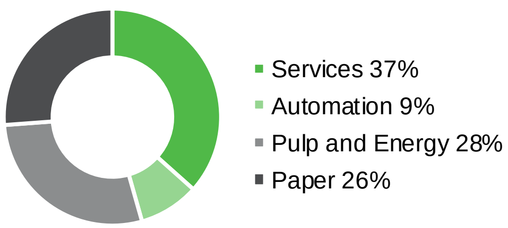
Orders received, EUR million	Q4/2019	Q4/2018	Change	2019	2018	Change
Services	**395**	325	21%	**1,459**	1,315	11%
Automation	**96**	94	1%	**359**	330	9%
Pulp and Energy	**320**	451	-29%	**1,125**	1,000	13%
Paper	**199**	156	28%	**1,043**	1,077	-3%
Total	**1,009**	1,026	-2%	**3,986**	3,722	7%

Orders received, comparable foreign exchange rates, EUR million[1]	Q4/2019	Q4/2018	Change	2019	2018	Change
Services	**393**	325	21%	**1,443**	1,315	10%
Automation	**95**	94	1%	**355**	330	8%
Pulp and Energy	**326**	451	-28%	**1,139**	1,000	14%
Paper	**196**	156	26%	**1,034**	1,077	-4%
Total	**1,010**	1,026	-2%	**3,971**	3,722	7%

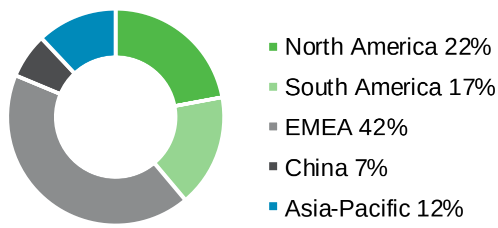
[1] *Indicative only. January to December 2019 orders received in euro calculated by applying January to December 2018 average exchange rates to the functional currency orders received values reported by entities.*

Orders received, EUR million	Q4/2019	Q4/2018	Change	2019	2018	Change
North America	**322**	131	>100%	**880**	730	20%
South America	**55**	316	-83%	**670**	480	40%
EMEA	**492**	409	20%	**1,690**	1,606	5%
China	**57**	67	-16%	**267**	523	-49%
Asia-Pacific	**84**	102	-18%	**479**	383	25%
Total	**1,009**	1,026	-2%	**3,986**	3,722	7%

Orders received by business line, 2019



Orders received by area, 2019



October–December 2019: Orders received increased in the Paper and Services business lines

Orders received remained at previous year's level and were EUR 1,009 million in October–December (EUR 1,026 million). The Services and Automation business lines together accounted for 49 percent (41%) of Valmet's orders received. Orders received increased in the Paper and Services business lines, remained at the previous year's level in Automation and decreased in the Pulp and Energy business line. The acquired businesses (GL&V and J&L Fiber Services) contributed EUR 47 million to orders received.

Orders received increased in North America and EMEA, and decreased in South America, Asia-Pacific and China. Measured by orders received, the top three countries were Sweden, the USA and Canada, which together accounted for 55 percent of orders received. The emerging markets accounted for 27 percent (59%) of orders received.

Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2018 did not have a material impact on orders received in October–December.

During October–December, Valmet received among others an order for a new recovery boiler and an evaporation upgrade to Sweden, typically valued in the range of EUR 100–150 million, an order for a new lime kiln and a fiberline upgrade to Sweden, typically valued at around EUR 50 million, an order for an Advantage ThruAir tissue production line to the USA, and an order for a tissue line to El Salvador. Marine scrubber orders amounted to EUR 15 million.

January–December 2019: Orders received increased in Pulp and Energy, Services and Automation business lines

Orders received increased 7 percent to EUR 3,986 million (EUR 3,722 million) in 2019. The Services and Automation business lines together accounted for 46 percent (44%) of Valmet's orders received. Orders received increased in the Pulp and Energy, Services and Automation business lines and remained at the previous year's level in the Paper business line. The acquired businesses contributed EUR 133 million to orders received.

Orders received increased in South America, Asia-Pacific, North America and EMEA and decreased in China. Measured by orders received, the top three countries were the USA, Brazil and Finland, which together accounted for 40 percent of orders received. The emerging markets accounted for 41 percent (45%) of orders received.

Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2018 increased orders received by approximately EUR 15 million in 2019.

In addition to the above-mentioned, in year 2019, Valmet received among others an order for a large pulp and paper technology delivery to Brazil, valued at a total of around EUR 260–290 million, an order for an evaporation plant and a white liquor plant to Brazil, typically valued at around EUR 200–250 million, and an order for a containerboard making line with an extensive scope to Germany, typically valued at around EUR 150–200 million. Marine scrubber orders amounted to EUR 127 million.

Order backlog at EUR 3.3 billion

Order backlog, EUR million	**As at Dec 31, 2019**	As at Dec 31, 2018	Change	As at Sep 30, 2019
Total	**3,333**	2,829	18%	3,425

Order backlog amounted to EUR 3,333 million at the end of the reporting period, at the same level as at the end of September 2019 and 18 percent higher than at the end of December 2018. Approximately 25 percent of the order backlog relates to stable business (Services and Automation business lines, approximately 25% at the end of December 2018). Approximately 70 percent of the order backlog is currently expected to be realized as net sales during 2020 (at the end of 2018, approximately 75% was expected to be realized as net sales during 2019).

Net sales increased 7 percent in 2019

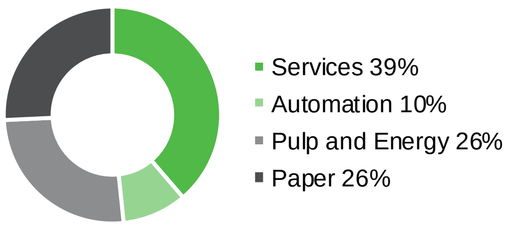
Net sales, EUR million	Q4/2019	Q4/2018	Change	2019	2018	Change
Services	**400**	366	9%	**1,374**	1,219	13%
Automation	**120**	106	13%	**341**	306	12%
Pulp and Energy	**315**	232	36%	**919**	863	7%
Paper	**267**	280	-5%	**913**	937	-3%
Total	**1,103**	984	12%	**3,547**	3,325	7%

Net sales, comparable foreign exchange rates, EUR million[1]	Q4/2019	Q4/2018	Change	2019	2018	Change
Services	**398**	366	9%	**1,356**	1,219	11%
Automation	**120**	106	12%	**338**	306	11%
Pulp and Energy	**318**	232	37%	**926**	863	7%
Paper	**267**	280	-5%	**905**	937	-3%
Total	**1,102**	984	12%	**3,525**	3,325	6%

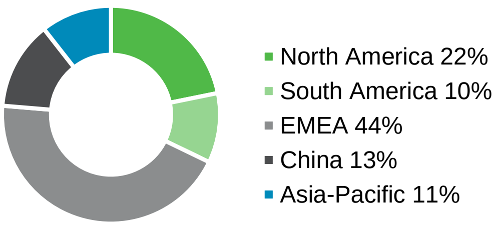
[1] *Indicative only. January to December 2019 net sales in euro calculated by applying January to December 2018 average exchange rates to the functional currency net sales values reported by entities.*

Net sales, EUR million	Q4/2019	Q4/2018	Change	2019	2018	Change
North America	**207**	231	-11%	**774**	679	14%
South America	**155**	58	>100%	**368**	169	>100%
EMEA	**490**	454	8%	**1,566**	1,545	1%
China	**122**	120	2%	**465**	535	-13%
Asia-Pacific	**129**	121	7%	**375**	396	-6%
Total	**1,103**	984	12%	**3,547**	3,325	7%

Net sales by business line, 2019



Net sales by area, 2019



October–December 2019: Net sales increased in Pulp and Energy, Automation and Services business lines

Net sales increased 12 percent to EUR 1,103 million in October–December (EUR 984 million). The Services and Automation business lines together accounted for 47 percent (48%) of Valmet’s net sales. Net sales increased in the Pulp and Energy, Automation and Services business lines and remained at the previous year’s level in the Paper business line. The acquired businesses contributed EUR 49 million to net sales.

Net sales increased in South America, EMEA and Asia-Pacific, remained at the previous year's level in China, and decreased in North America. Measured by net sales, the top three countries were the USA, China and Finland, which together accounted for 34 percent of net sales. Emerging markets accounted for 44 percent (35%) of net sales.

Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2018 increased net sales by approximately EUR 1 million in October–December.

January–December 2019: Net sales increased in the Services, Automation, and Pulp and Energy business lines

Net sales increased 7 percent to EUR 3,547 million (EUR 3,325 million) in 2019. The Services and Automation business lines together accounted for 48 percent (46%) of Valmet's net sales. Net sales increased in the Services, Automation, and Pulp and Energy business lines and remained at the previous year's level in the Paper business line. The acquired businesses contributed EUR 133 million to net sales.

Net sales increased in South America and North America, remained at the previous year's level in EMEA, and decreased in China and Asia-Pacific. Measured by net sales, the top three countries were the USA, China and Finland, which together accounted for 39 percent of net sales. Emerging markets accounted for 41 percent (42%) of net sales.

Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2018 increased net sales by approximately EUR 22 million in 2019.

Comparable EBITA and operating profit

In October–December, comparable earnings before interest, taxes and amortization (Comparable EBITA) were EUR 118 million, i.e. 10.7 percent of net sales (EUR 113 million and 11.5%). Profitability remained at the previous year's level. The impact arising from adoption of IFRS 16 was approximately EUR 1 million.

In 2019, comparable earnings before interest, taxes and amortization (Comparable EBITA) were EUR 316 million, i.e. 8.9 percent of net sales (EUR 257 million and 7.7%). Profitability improved due to higher net sales and gross profit. The impact arising from adoption of IFRS 16 was approximately EUR 2 million.

Operating profit (EBIT) in October–December was EUR 110 million, i.e. 9.9 percent of net sales (EUR 102 million and 10.4%). Items affecting comparability amounted to EUR 1 million (EUR -3 million).

Operating profit (EBIT) in 2019 was EUR 281 million, i.e. 7.9 percent of net sales (EUR 211 million and 6.4%). Items affecting comparability amounted to EUR -1 million (EUR -16 million).

Net financial income and expenses

Net financial income and expenses in October–December were EUR -3 million (EUR -3 million). The interest expense recognized on lease liabilities amounted to EUR 1 million.

Net financial income and expenses in 2019 were EUR -11 million (EUR -6 million). The interest expense recognized on lease liabilities amounted to EUR 2 million.

Profit before taxes and earnings per share

Profit before taxes for October–December was EUR 105 million (EUR 100 million). The profit attributable to owners of the parent in October–December was EUR 81 million (EUR 74 million), corresponding to earnings per share (EPS) of EUR 0.54 (EUR 0.49).

Profit before taxes in 2019 was EUR 269 million (EUR 205 million). The profit attributable to owners of the parent was EUR 201 million (EUR 151 million), corresponding to earnings per share (EPS) of EUR 1.35 (EUR 1.01).

Return on capital employed (ROCE) and return on equity (ROE)

In 2019, the return on capital employed (ROCE) before taxes was 23 percent (19%) and return on equity (ROE) 20 percent (16%). Recognition of leased assets following adoption of IFRS 16 increased capital employed, however only having a minor impact on ROCE for the reporting period.

Business lines

Services: Orders received and net sales increased in Q4/2019

Services business line	Q4/2019	Q4/2018	Change	2019	2018	Change
Orders received (EUR million)	**395**	325	21%	**1,459**	1,315	11%
Net sales (EUR million)	**400**	366	9%	**1,374**	1,219	13%
Personnel (end of period)				**6,461**	5,544	17%

In October–December, orders received by the Services business line increased 21 percent to EUR 395 million (EUR 325 million). Services accounted for 39 percent (32%) of all orders received. Orders received increased in North America and EMEA, and remained at the previous year's level in China, Asia-Pacific and South America. Orders received increased in Energy and Environmental and Performance Parts, remained at the previous year's level in Mill Improvements and Fabrics, and decreased in Rolls. The acquired businesses contributed EUR 41 million to Services' orders received. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2018 increased orders received by approximately EUR 2 million.

In 2019, orders received by the Services business line increased 11 percent to EUR 1,459 million (EUR 1,315 million). Services accounted for 37 percent (35%) of all orders received. Orders received increased in North America, South America, Asia-Pacific and EMEA, and remained at the previous year's level in China. Orders received increased in Energy and Environmental, and Performance Parts, remained at the previous year's level in Fabrics and Rolls, and decreased in Mill Improvements. The acquired businesses contributed EUR 117 million to Services' orders received. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2018 increased orders received by approximately EUR 16 million.

In October–December, net sales of the Services business line amounted to EUR 400 million (EUR 366 million), corresponding to 36 percent (37%) of Valmet's net sales. The acquired businesses contributed EUR 40 million to Services' net sales. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2018 increased net sales by approximately EUR 3 million.

In 2019, net sales for the Services business line amounted to EUR 1,374 million (EUR 1,219 million), corresponding to 39 percent (37%) of Valmet's net sales. The acquired businesses contributed EUR 115 million to Services' net sales. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2018 increased net sales by approximately EUR 17 million.

Automation: Orders received remained at the previous year's level and net sales increased in Q4/2019

Automation business line	Q4/2019	Q4/2018	Change	2019	2018	Change
Orders received (EUR million)	**96**	94	1%	**359**	330	9%
Net sales (EUR million)	**120**	106	13%	**341**	306	12%
Personnel (end of period)				**1,908**	1,802	6%

In October–December, orders received by the Automation business line remained at the previous year's level and were EUR 96 million (EUR 94 million). Automation business line accounted for 9 percent (9%) of Valmet's orders received. Orders received increased in Asia-Pacific, South America and EMEA, remained at the previous year's level in China and decreased in North America. Orders received increased in Pulp and Paper, and decreased in Energy and Process. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2018 increased orders received by approximately EUR 1 million.

In 2019, orders received by the Automation business line increased 9 percent to EUR 359 million (EUR 330 million) and accounted for 9 percent (9%) of Valmet's orders received. Orders received increased in South America, North America, Asia-Pacific and EMEA, and decreased in China. Orders received increased in Pulp and Paper, and decreased in Energy and Process. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2018 increased orders received by approximately EUR 3 million.

In October–December, net sales for the Automation business line amounted to EUR 120 million (EUR 106 million), corresponding to 11 percent (11%) of Valmet's net sales. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2018 increased net sales by approximately EUR 1 million.

In 2019, net sales for the Automation business line amounted to EUR 341 million (EUR 306 million), corresponding to 10 percent (9%) of Valmet's net sales. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2018 increased net sales by approximately EUR 3 million.

Pulp and Energy: Orders received decreased and net sales increased in Q4/2019

Pulp and Energy business line	Q4/2019	Q4/2018	Change	2019	2018	Change
Orders received (EUR million)	**320**	451	-29%	**1,125**	1,000	13%
Net sales (EUR million)	**315**	232	36%	**919**	863	7%
Personnel (end of period)				**1,788**	1,748	2%

In October–December, orders received by the Pulp and Energy business line decreased 29 percent to EUR 320 million (EUR 451 million). Pulp and Energy accounted for 32 percent (44%) of all orders received. Orders received increased in North America and EMEA, and decreased in South America, China and Asia-Pacific. Orders received increased in Pulp and decreased in Energy. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2018 decreased orders received by approximately EUR 6 million.

In 2019, orders received by the Pulp and Energy business line increased 13 percent to EUR 1,125 million (EUR 1,000 million). Pulp and Energy accounted for 28 percent of all orders received (27%). Orders received increased in North America, South America and EMEA, remained at the previous year's level in Asia-Pacific and decreased in China. Orders received increased in Pulp and decreased in Energy. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2018 decreased orders received by approximately EUR 14 million.

In October–December, net sales for the Pulp and Energy business line amounted to EUR 315 million (EUR 232 million), corresponding to 29 percent (24%) of Valmet’s net sales. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2018 decreased net sales by approximately EUR 3 million.

In 2019, net sales for the Pulp and Energy business line amounted to EUR 919 million (EUR 863 million), corresponding to 26 percent (26%) of Valmet’s net sales. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2018 decreased net sales by approximately EUR 7 million.

Paper: Orders received increased and net sales remained at the previous year’s level in Q4/2019

Paper business line	Q4/2019	Q4/2018	Change	2019	2018	Change
Orders received (EUR million)	**199**	156	28%	**1,043**	1,077	-3%
Net sales (EUR million)	**267**	280	-5%	**913**	937	-3%
Personnel (end of period)				**2,908**	2,904	0%

In October–December, orders received by the Paper business line increased 28 percent to EUR 199 million (EUR 156 million) and accounted for 20 percent of all orders received (15%). Orders received increased in South America and North America, and decreased in Asia-Pacific, China and EMEA. Orders received decreased in Board and Paper, and increased in Tissue. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2018 increased orders received by approximately EUR 3 million.

In 2019, orders received by the Paper business line remained at the previous year’s level and were EUR 1,043 million (EUR 1,077 million). Paper accounted for 26 percent (29%) of all orders received. Orders received increased in South America, Asia-Pacific and North America, and decreased in China and EMEA. Orders received remained at the previous year’s level in Board and Paper, and decreased in Tissue. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2018 increased orders received by approximately EUR 9 million.

In October–December, net sales for the Paper business line amounted to EUR 267 million (EUR 280 million), corresponding to 24 percent (28%) of Valmet’s net sales. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2018 increased net sales by approximately EUR 1 million.

In 2019, net sales for the Paper business line amounted to EUR 913 million (EUR 937 million), corresponding to 26 percent (28%) of Valmet’s net sales. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2018 increased net sales by approximately EUR 9 million.

Cash flow and financing

Cash flow provided by operating activities amounted to EUR 182 million (EUR 143 million) in October–December and EUR 295 million (EUR 284 million) in 2019. Net working capital totaled EUR -426 million (EUR -474 million) at the end of the reporting period. Change in net working capital in the statement of cash flows was EUR 0 million (EUR 51 million) in October–December and EUR -28 million (EUR 86 million) in January–December. Payment schedules of large capital projects have a significant impact on net working capital development.

Cash flow after investments totaled EUR 161 million (EUR 119 million) in October–December and EUR 58 million (EUR 208 million) in 2019. During the third quarter, the final adjustments to the consideration transferred for the acquisitions of GL&V and J&L Fiber Services Inc. were settled, resulting in total net cash outflow of EUR -163 million.

At the end of December, gearing was -9 percent (-23%) and equity to assets ratio was 41 percent (43%). Interest-bearing liabilities amounted to EUR 268 million (EUR 201 million), and net interest-bearing liabilities totaled EUR -90 million (EUR -219 million) at the end of the reporting period. The adoption of IFRS 16 increased interest-bearing liabilities by EUR 61 million, which had a negative impact on the above key performance indicators.

The average maturity of Valmet's non-current debt was 3.1 years, and average interest rate was 1.1 percent at the end of December. Lease liabilities, which are discussed in detail in the Condensed consolidated interim financial statements, have been excluded from calculation of these two key performance indicators.

Valmet's liquidity was strong at the end of the reporting period, with cash and cash equivalents amounting to EUR 316 million (EUR 376 million) and interest-bearing current financial assets totaling EUR 42 million (EUR 44 million). Valmet's liquidity was additionally secured by a committed revolving credit facility worth of EUR 200 million, which matures in 2024, and an uncommitted commercial paper program worth of EUR 200 million. In December 2019, Valmet signed a 10-year EUR 50 million loan agreement with the Nordic Investment Bank. All the above facilities were undrawn at the end of the reporting period.

On April 4, 2019, Valmet paid out dividends of EUR 97 million.

Capital expenditure

In October–December, gross capital expenditure (excluding business combinations and leased assets) totaled EUR 22 million (EUR 22 million). Maintenance investments were EUR 20 million (EUR 11 million).

In 2019, gross capital expenditure (excluding business combinations and leased assets) totaled EUR 79 million (EUR 79 million). Maintenance investments were EUR 61 million (EUR 47 million).

Acquisitions and disposals

Acquisitions

GL&V

On February 26, 2019, Valmet announced the acquisition of North American-based GL&V, a global provider of technologies and services to the pulp and paper industry. The enterprise value of the acquisition was approximately EUR 113 million on a cash and debt free basis, and final consideration transferred after ordinary post-closing adjustments was EUR 101 million. The acquisition was completed on April 1, 2019. GL&V supplies technologies, upgrades and optimization services, rebuilds and spare parts for the pulp and paper industry globally. Net sales of the acquired operations were approximately EUR 160 million and EBITA margin was around 11 percent in calendar year 2018. The acquired operations employ about 630 people, of whom approximately 65 percent are in North America and the rest mainly in Europe, South America and India. GL&V's washing, oxygen delignification and bleaching operations with Compact Press®, pumps and mixers technology for chemical pulping as well as the related Product Center in Karlstad, Sweden, were not included in the transaction scope. The integration has been effective, and the onboarding of the over 600 new professionals to our global organization has been completed successfully.

J&L Fiber Services Inc.

On May 2, 2019, Valmet announced that it has completed the acquisition of J&L Fiber Services Inc., a manufacturer and provider of refiner segments to the pulp, paper and fiberboard industry. The company is located in Wisconsin, USA. The final purchase price for the transaction was approximately EUR 51 million. J&L Fiber Services manufactures and supplies low-consistency refiner segments that are important wear parts used in pulp and paper production, complementing Valmet's offering in refiner segments. It also supplies high-consistency refiner segments that are used in thermomechanical pulping and medium density fiberboard (MDF) refining. In the twelve months preceding the completion of the acquisition, the company had net sales of approximately EUR 30 million with an EBITA margin of around 15 percent. The acquired operations employ about 100 people, most of whom are located in Wisconsin, USA. J&L Fiber Services operates globally through a sales representative and distribution network. Over 75 percent of its sales goes to North America. The acquired business became a part of Valmet's Services business line, as Waukesha Service Center.

Disposals

Valmet made no disposals during 2019.

Research and development

Valmet’s research and development (R&D) expenses in 2019 amounted to EUR 71 million, i.e. 2.0 percent of net sales (EUR 66 million and 2.0%). Research and development work is carried out predominantly in Finland and Sweden, within the business lines’ R&D organizations and pilot facilities. In addition, research and development takes place within a network of customers, suppliers, research institutes and universities. In the end of 2019, R&D employed 452 people (442 people, person-years).

Valmet’s R&D work is based on customers’ needs, such as improving production and resource efficiency, maximizing the value of raw materials, providing new revenue streams, and developing new innovations and technologies.

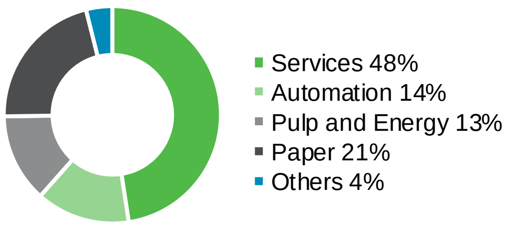
Valmet develops competitive, leading production and automation technologies and services. To enhance raw material, water and energy efficiency in its customers’ production processes, Valmet combines digitalization, process technology, automation and services. Valmet also develops solutions for replacing fossil materials with renewable ones and for producing new high-value end products.

Number of personnel increased mainly due to acquisitions

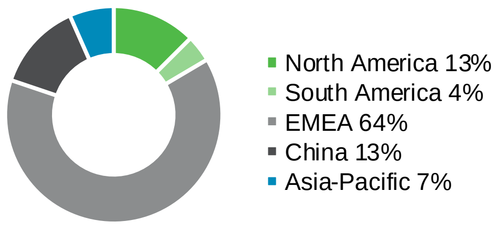
Personnel by business line	As at Dec 31, 2019	As at Dec 31, 2018	Change	As at Sep 30, 2019
Services	**6,461**	5,544	17%	6,444
Automation	**1,908**	1,802	6%	1,894
Pulp and Energy	**1,788**	1,748	2%	1,791
Paper	**2,908**	2,904	0%	2,887
Other	**533**	530	0%	530
Total	**13,598**	12,528	9%	13,546

Personnel by area	As at Dec 31, 2019	As at Dec 31, 2018	Change	As at Sep 30, 2019
North America	**1,700**	1,202	41%	1,697
South America	**548**	510	7%	539
EMEA	**8,654**	8,303	4%	8,625
China	**1,797**	1,752	3%	1,786
Asia-Pacific	**899**	761	18%	899
Total	**13,598**	12,528	9%	13,546

Personnel by business line as at December 31, 2019



Personnel by area as at December 31, 2019



In 2019, Valmet employed an average of 13,235 (12,461) people. The number of personnel at the end of December was 13,598 (12,528). Personnel expenses totaled EUR 897 million (EUR 812 million) in 2019, of which wages, salaries and remuneration amounted to EUR 708 million (EUR 638 million).

Changes in Valmet's Executive Team

Valmet announced on January 24, 2019 that Juha Lappalainen, Senior Vice President, Strategy and Operational Development (SOD) was to start in a new position in Valmet's Services business line on March 1, 2019. Due to this change, Valmet divided the Strategy and Operational Development function so that the Strategy function was integrated into Valmet's Finance corporate function lead by CFO Kari Saarinen. Julia Macharey, previously Senior Vice President, Human Resources, was appointed Senior Vice President, Human Resources and Operational Development. The changes took effect on March 1, 2019.

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 improve Valmet's operational capability through process harmonization and standardization, and 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. At the end of 2019, Valmet had the following financial targets:

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

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.

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' services concept – 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 continuous improvement of gross profit.

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

Valmet is constantly focusing on new technologies and R&D to improve product cost competitiveness and performance. The renewal of Valmet's ERP system will increase efficiency once implemented.

Progress in sustainability

In 2019, Valmet maintained its position among the world's sustainability leaders. Valmet was included in the Dow Jones Sustainability Index (DJSI) and Ethibel Sustainability Index (ESI) Excellence Europe and received the best A rating in CDP's climate program ranking. Valmet was also rated in the top 1 percent among all assessed companies in the latest Ecovadis sustainability assessment.

Valmet's Sustainability360° agenda covers all material aspects of its business and value chain and integrates sustainability work with the strategic targets and Must-Wins. The agenda focuses on five core areas: sustainable supply chain; health, safety and environment; people and performance; sustainable solutions; and corporate citizenship. The agenda is executed through three-year action plans. During the year, Valmet continued to implement the actions defined in the current action plan, which is ongoing for 2019–2021.

Enhancing the supply chain management and value chain's transparency

Valmet has integrated sustainability into its procurement and supply chain processes, and the target is to continuously enhance the supply chain management and value chain's transparency. In 2019, 99 percent of all new direct suppliers were automatically screened for sustainability. Valmet has a well-functioning global sustainability audit protocol to ensure that the audit process is consistent globally. Together with an independent, certified third-party auditor, Valmet conducted 46 sustainability audits in 16 countries.

Furthermore, Valmet initiated new actions targeting the reduction of CO2 emissions in direct and indirect purchasing. For example, Valmet has created new procurement guidelines that prioritize the more sustainable transportation and logistics services providers in purchasing decisions. Valmet has also developed ways to measure a supplier's progress in reducing emissions.

Systematic development as a responsible employer

Valmet uses the OurVoice employee survey to systematically develop engagement and performance levels across the company. In 2019, Valmet conducted its fourth survey, and the results showed good progress in all areas of the survey. Engagement improved slightly, performance excellence remained at a good level, and feedback, individual development and working together stood out. Particularly important was the continued improvement in the chosen focus areas, of which 24 out of 27 improved. In total, 88 percent of employees participated in the survey.

During the year, Valmet continued to work on its human rights compliance due diligence framework. As part of the framework Valmet conducted two local human rights impact assessments in its own operations in Indonesia and in China with an independent third party. The findings of these assessments were mainly related to employee engagement, health, safety and environmental management and sustainable supply chain management. In 2019 Valmet also launched human rights training, updated its Human Rights Statement and created Modern Slavery Statement.

Valmet's new social responsibility programs were initiated in late 2019, with execution to commence in 2020. The program consists of two different sub-programs that promote Valmet's long-term social responsibility themes of Towards the future with science, Protecting the planet for next generations and Equal opportunities for wellbeing.

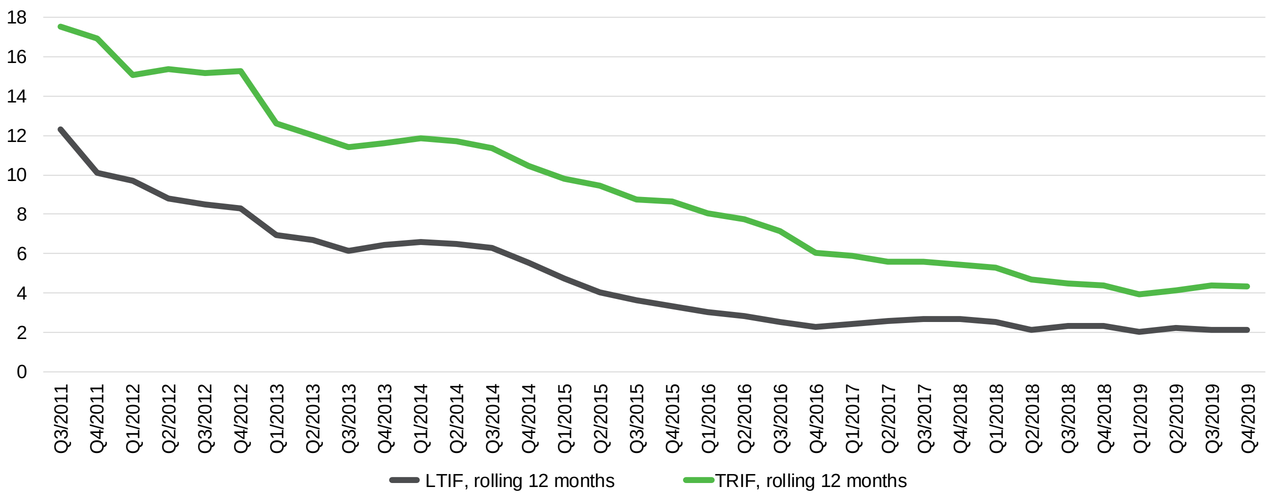
Aiming for zero harm to people and environment

Valmet constantly invests in safety culture, effective processes, and collaboration with customers and partners as it aims to achieve the goal of zero harm to people and environment. In 2019, Valmet's operations were fatality-free. The lost time incident frequency rate (LTIF) for own employees decreased 9 percent. About 2,000 safety walks were done by Valmet managers and more than 26,000 safety observations were made by employees in efforts to continuously promote the safety culture.

The continued implementation and evolution of certified global management system was a significant focus area in Valmet's HSE[1] operations in 2019. The system guides all Valmet's work and ensures that everyone contributes actively to achieving the HSE and quality objectives.

During 2019, Valmet focused on integrating the newly acquired locations into Valmet's HSE systems and engaging the new employees in Valmet's safety culture. In addition, Valmet also continued its local safety booster programs with coaching, training, communication and injury prevention activities to drive sustainable safety development.

Lost time incident frequency (LTIF)[2] and total recordable incident frequency (TRIF)[3], own employees



[2] *LTIF reflects the number of injuries resulting in an absence of at least one work day per million hours worked*
[3] *LTIF + medical treatment and restricted work cases*

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 is also a plaintiff in several lawsuits.

Valmet announced 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. During the first quarter 2017 Valmet paid additional taxes, late payment interests and penalties in total of EUR 19 million related to the reassessment decision. Valmet considers the Finnish tax authority's decision unfounded and has appealed of the decision.

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.

[1] HSE = Health, safety and environment

Corporate Governance and Remuneration Statements

Valmet has prepared a separate Corporate Governance Statement and a Remuneration Statement for 2018, which comply with the recommendations of the Finnish Corporate Governance Code for listed companies. The statements also cover other central areas of corporate governance. The statements have been published on Valmet's website, separately from the Report of the Board of Directors, at www.valmet.com/governance.

Shares and shareholders

Share capital, number of shares and shareholders

	As at December 31, 2019	As at December 31, 2018
Share capital, EUR	**100,000,000**	100,000,000
Number of shares	**149,864,619**	149,864,619
Treasury shares	**246,096**	246,799
Shares outstanding	**149,618,523**	149,617,820
Market capitalization, EUR million	**3,201**	2,690
Number of shareholders	**45,965**	43,692

Shareholder structure as at December 31, 2019

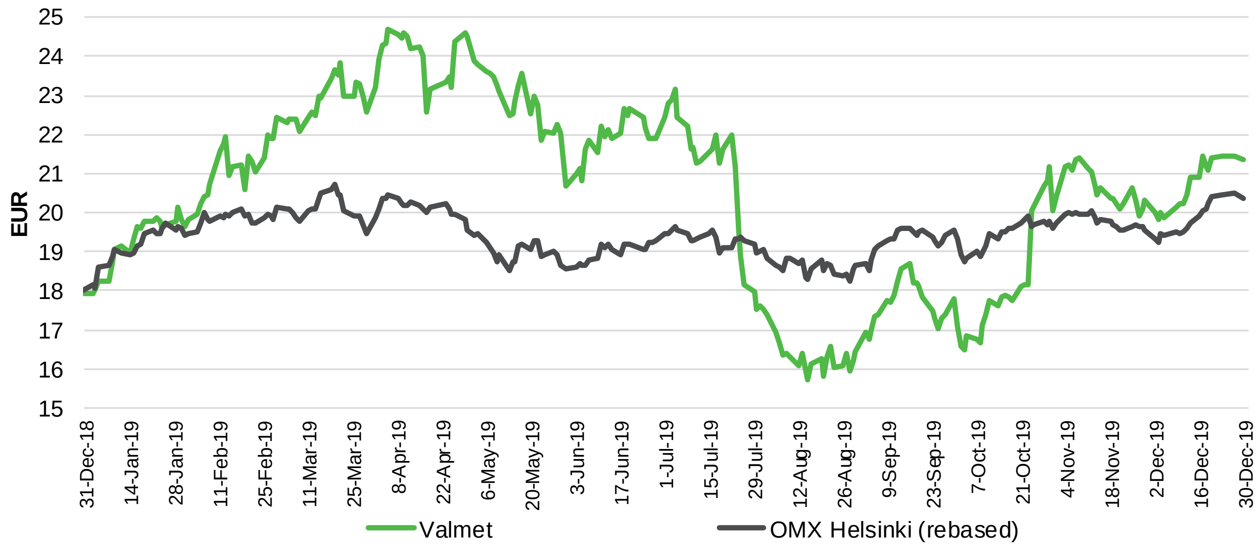
Trading of shares

Trading of Valmet shares on Nasdaq Helsinki	**January 1 – December 31, 2019**	January 1 – December 31, 2018
Number of shares traded	**152,595,590**	102,204,539
Total value, EUR	**3,104,265,131**	1,816,203,435
High, EUR	**25.14**	20.94
Low, EUR	**15.55**	15.50
Volume-weighted average price, EUR	**20.46**	17.77
Closing price on the final day of trading, EUR	**21.36**	17.95

The closing price of Valmet's share on the final day of trading for the reporting period, December 30, 2019, was EUR 21.36, i.e. 19 percent higher than the closing price on the last day of trading in 2018 (EUR 17.95 on December 28, 2018).

In addition to Nasdaq Helsinki Ltd, Valmet's shares are also traded on other marketplaces, such as Cboe CXE, Cboe BXE and Turquoise. A total of approximately 122 million of Valmet's shares were traded on alternative marketplaces in 2019, which equals to approximately 45 percent of the share's total trade volume (Bloomberg).

Development of Valmet's share price, December 31, 2018 – December 31, 2019



Flagging notifications

During the review period, Valmet received the following flagging notifications referred to in the Securities Market Act:

Transaction date	Shareholder	Threshold	Direct holding, %	Indirect holding, %	Total holding, %
January 16, 2019	BlackRock, Inc	Above 5%	4.33%	0.74%	5.08%
February 6, 2019	BlackRock, Inc	Above 5%	5.23%	0.82%	6.05%
March 21, 2019	BlackRock, Inc	Below 5%	4.96%	0.66%	5.62%
March 27, 2019	BlackRock, Inc	Above 5%	5.77%	0.69%	6.46%
August 9, 2019	The Goldman Sachs Group, Inc	Above 5%	2.82%	2.20%	5.02%
August 12, 2019	The Goldman Sachs Group, Inc	Below 5%	2.73%	2.12%	4.85%
August 28, 2019	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%
August 29, 2019	BlackRock, Inc	Above 5%	4.91%	0.24%	5.16%
August 30, 2019	BlackRock, Inc	Below 5%	Below 5%	Below 5%	Below 5%

More information on flagging notifications can be found at www.valmet.com/flagging-notifications.

Board authorizations regarding share repurchase and share issue

Valmet Oyj's Annual General Meeting on March 21, 2019 authorized Valmet's Board of Directors to decide on the repurchase of the 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.

The Company's own shares may be repurchased otherwise than in proportion to the shareholdings of the shareholders (directed repurchase). Company's own shares may be repurchased using the unrestricted equity of the Company at a price formed on a regulated market on the stock exchange main list upheld by Nasdaq Helsinki Ltd 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 decides 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 10.0 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 was also 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 decide 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 Board of Directors 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 authorizations granted in the Annual General Meeting of March 21, 2018.

In its meeting on December 19, 2019, the Board of Directors of Valmet decided to use the authorization granted by the General Meeting held on March 21, 2019 to acquire the Company's own shares. Based on the authorization, the Board decided to initiate a fixed-term share buy-back program for the purpose of acquiring the Company's own shares to meet part of the obligations arising from the LTI Plan and the Restricted Shares Pool incentive plans. The share acquisitions will begin at the earliest on February 6, 2020 and will end at the latest on February 28, 2020. The maximum number of shares to be acquired is 270,000. The shares will be acquired at market price in public trading on Nasdaq Helsinki Ltd.

As at December 31, 2019, Valmet's Board of Directors had not used the other authorizations given by the Annual General meeting on March 21, 2019.

Share-based incentive plans

Valmet's share-based incentive plans are part of the remuneration program for Valmet's key personnel. The purpose of the plans is to align the goals of shareholders and management to increase the value of the Company, to ensure management commitment, and to offer them a competitive, ownership-based reward scheme. Any shares to be potentially awarded are, or have been, acquired through public trading, and therefore the incentive plans have no diluting effect on the share value.

Long-term incentive plan 2018–2020

In December 2017, the Board of Directors of Valmet Oyj approved a long-term share-based incentive plan for Valmet's key employees. The plan includes three performance periods, which are the calendar years 2018, 2019 and 2020. Valmet's Board of Directors decided on the performance criteria and targets in the beginning of each discretionary period. The LTI Plan is directed to approximately 130 participants (including Executive Team members, key employees and management talents).

Performance period	2018	2019	2020
Incentive based on	Comparable EBITA % and orders received growth (%) of the stable business (Services and Automation business lines)	Comparable EBITA % and orders received growth (%) of the stable business (Services and Automation business lines)	Comparable EBITA % and orders received growth (%) of the stable business (Services and Automation business lines)
Potential reward payment	Was paid partly in Valmet shares and partly in cash in spring 2019	Will be paid partly in Valmet shares and partly in cash in spring 2020	Will be paid partly in Valmet shares and partly in cash in spring 2021
Total number of shares	356,624	As at December 31, 2019, a total of 276,648 shares were allotted to participants.	Approximate maximum of 440,000 shares

The Board of Directors of Valmet Oyj approved in December 2017 a share ownership recommendation for Valmet's Executive Team members. All members of the Executive Team are recommended to own and hold an amount of Company shares equaling to their gross annual base salary (100 percent ownership recommendation).

In its meeting on December 20, 2018, the Board of Directors of Valmet decided to use the authorization granted by the General Meeting held on March 21, 2018 to acquire the Company's own shares. Based on the authorization, the Board decided to initiate a fixed-term share buy-back program for the purpose of acquiring the Company's own shares to meet part of the obligations arising from the LTI Plan and the Restricted Pool incentive plans. The share acquisitions began on February 11, 2019 and ended on February 21, 2019. The number of shares acquired was 194,600. The shares were acquired at market price in public trading on Nasdaq Helsinki Ltd.

In the end of the reporting period, the Company held 246,096 treasury shares related to the share-based incentive programs.

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

Resolutions of Valmet's Annual General Meeting

The Annual General Meeting of Valmet Oyj was held in Helsinki on March 21, 2019. The Annual General Meeting adopted the Financial Statements for 2018 and discharged the members of the Board of Directors and the President and CEO from liability for the 2018 financial year. The Annual General Meeting approved the Board of Directors' proposals concerning 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 seven and appointed Mikael Mäkinen as Chairman of Valmet Oyj's Board and Aaro Cantell as Vice-Chairman. Pekka Kemppainen, Monika Maurer, Eriikka Söderström, Tarja Tyni 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 close of the Annual General Meeting 2020.

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

Valmet published a stock exchange release on March 21, 2019 concerning the resolutions of the Annual General Meeting and the organizing meeting of the Board of Directors. The stock exchange release and an introduction of the new Chairman can be viewed on Valmet's website at www.valmet.com/agm.

In compliance with the resolution of the Annual General Meeting, on April 4, 2019 Valmet paid out dividends of EUR 97 million for 2018, corresponding to EUR 0.65 per share.

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 advance payments are typically 10–30 percent of the value of the project, and customers make progress payments as the 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 down 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 have critical effects, especially on 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. This includes, for example, 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 can be 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 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 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 competition in the markets. Valmet can safeguard its market position by developing its products and services, and through good customer service and local presence.

Availability of financing crucial

Securing the continuity of Valmet’s operations requires sufficient available funding under all circumstances. Valmet estimates that its liquid cash assets and committed credit limits are sufficient to secure its immediate liquidity and to ensure the flexibility of financing. The average maturity of Valmet's non-current debt, excluding lease liabilities, is 3.1 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 Valmet's financing. Setting aside investments into the renewal of the ERP system, Valmet does not expect any significant increase in annual capital expenditure. Depreciation expense increased in 2019 following the adoption of the new lease accounting standard (IFRS 16).

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 2019, Valmet had EUR 687 million (EUR 617 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 Financial Statements.

Events after the reporting period

Valmet announced on January 21, 2020 that it is planning changes in the Fabrics Business Unit which is part of the Services Business Line in order to secure the unit's profitability and future competitiveness. The most important action in the preliminary plan is to move the dryer fabric and wide filter fabric production from Tampere in Finland to Valmet's unit in Portugal. As a consequence of the above, Valmet started co-determination negotiations in Fabrics' operations in Tampere on January 21, 2020. The co-determination negotiations can result in the reduction of 90 persons at maximum mainly during year 2021 by estimate, and in possible temporary lay-offs and part-time work during 2020.

Guidance for 2020

Valmet estimates that net sales in 2020 will increase in comparison with 2019 (EUR 3,547 million) and Comparable EBITA in 2020 will increase in comparison with 2019 (EUR 316 million).

Short-term outlook

General economic outlook

Global growth is projected to rise from an estimated 2.9 percent in 2019 to 3.3 percent in 2020 and 3.4 percent for 2021. Market sentiment has been boosted by tentative signs that manufacturing activity and global trade are bottoming out, a broad-based shift toward accommodative monetary policy, intermittent favorable news on US-China trade negotiations, and diminished fears of a no-deal Brexit. Downside risks, however, remain prominent, including rising geopolitical tensions, notably between the United States and Iran, intensifying social unrest, further worsening of relations between the United States and its trading partners, and deepening economic frictions between other countries. A materialization of these risks could lead to rapidly deteriorating sentiment, causing global growth to fall below the projected baseline. (International Monetary Fund, January 2020)

Short-term market outlook

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

Board of Director's proposal for the distribution of profit

Valmet Oyj's distributable funds on December 31, 2019 totaled EUR 1,165,761,301.98 of which the net profit for 2019 was EUR 196,078,447.45 (according to Finnish Generally Accepted Accounting Standards).

The Board of Directors proposes that a dividend of EUR 0.80 per share be paid based on the statement of financial position to be adopted for the financial year which ended December 31, 2019, 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 23, 2020 are registered in the Company's shareholders' register held by Euroclear Finland Ltd. The dividend will be paid on April 3, 2020. All the shares in the Company are entitled to a dividend except for treasury shares held by the Company on the dividend record date.

In Espoo on February 5, 2020

Valmet's Board of Directors

Consolidated statement of income

EUR million	Q4/2019	Q4/2018	2019	2018
Net sales	**1,103**	984	**3,547**	3,325
Cost of goods sold	**-840**	-736	**-2,688**	-2,561
Gross profit	**263**	249	**859**	764
Selling, general and administrative expenses	**-163**	-146	**-588**	-532
Other operating income and expenses, net	**9**	-	**10**	-22
Share in profits and losses of associated companies, operative investments	**1**	1	**-**	1
Operating profit	**110**	102	**281**	211
Financial income and expenses, net	**-3**	-3	**-11**	-6
Share in profits and losses of associated companies, financial investments	**-1**	-	**-1**	-1
Profit before taxes	**105**	100	**269**	205
Income taxes	**-24**	-26	**-67**	-53
Profit for the period	**81**	74	**202**	152
Attributable to:				
Owners of the parent	**81**	74	**201**	151
Non-controlling interests	**-**	-	**1**	-
Profit for the period	**81**	74	**202**	152
Earnings per share attributable to owners of the parent:				
Earnings per share, EUR	**0.54**	0.49	**1.35**	1.01
Diluted earnings per share, EUR	**0.54**	0.49	**1.35**	1.01

Valmet implemented IFRS 16 – Leases as of January 1, 2019 by applying the simplified transition method and therefore 2018 figures are not restated.

Consolidated statement of comprehensive income

EUR million	Q4/2019	Q4/2018	2019	2018
Profit for the period	**81**	74	**202**	152
Items that may be reclassified to profit or loss:				
Cash flow hedges	**11**	5	**8**	-16
Currency translation on subsidiary net investments	**-2**	2	**2**	-10
Income tax relating to items that may be reclassified	**-2**	-1	**-2**	4
Total items that may be reclassified to profit or loss	**6**	7	**8**	-23
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	**44**	-14	**-13**	-15
Income tax relating to items that will not be reclassified	**-10**	4	**3**	3
Total items that will not be reclassified to profit or loss	**34**	-11	**-10**	-12
Other comprehensive income for the period	**40**	-4	**-2**	-35
Total comprehensive income for the period	**121**	70	**200**	117
Attributable to:				
Owners of the parent	**121**	70	**200**	116
Non-controlling interests	**-**	-	**1**	-
Total comprehensive income for the period	**121**	70	**200**	117

Consolidated statement of financial position

Assets

EUR million	As at December 31, 2019	As at December 31, 2018
Non-current assets		
Intangible assets		
Goodwill	**687**	617
Other intangible assets	**253**	201
Total intangible assets	**941**	818
Property, plant and equipment		
Land and water areas	**25**	24
Buildings and structures	**115**	117
Machinery and equipment	**174**	170
Leased assets	**65**	-
Assets under construction	**51**	36
Total property, plant and equipment	**429**	348
Other non-current assets		
Investments in associated companies	**13**	14
Non-current financial assets	**8**	9
Deferred tax assets	**73**	69
Non-current income tax receivables	**30**	27
Other non-current assets	**17**	14
Total other non-current assets	**141**	133
Total non-current assets	**1,511**	1,299
Current assets		
Inventories		
Materials and supplies	**84**	85
Work in progress	**328**	265
Finished products	**101**	69
Total inventories	**514**	419
Receivables and other current assets		
Trade receivables	**656**	555
Amounts due from customers under revenue contracts	**262**	169
Other current financial assets	**59**	58
Income tax receivables	**27**	17
Other receivables	**108**	95
Cash and cash equivalents	**316**	376
Total receivables and other current assets	**1,428**	1,271
Total current assets	**1,942**	1,690
Total assets	**3,452**	2,988

Valmet implemented IFRS 16 – Leases as of January 1, 2019 by applying the simplified transition method and therefore 2018 figures are not restated.

Consolidated statement of financial position

Equity and liabilities

EUR million	As at December 31, 2019	As at December 31, 2018
Equity		
Share capital	**100**	100
Reserve for invested unrestricted equity	**421**	416
Cumulative translation adjustments	**-16**	-18
Hedge and other reserves	**1**	-5
Retained earnings	**534**	451
Equity attributable to owners of the parent	**1,040**	944
Non-controlling interests	**6**	5
Total equity	**1,046**	949
Liabilities		
Non-current liabilities		
Non-current debt	**159**	162
Non-current lease liabilities	**39**	-
Post-employment benefits	**190**	163
Provisions	**31**	30
Other non-current liabilities	**8**	7
Deferred tax liabilities	**66**	50
Total non-current liabilities	**492**	412
Current liabilities		
Current portion of non-current debt	**48**	39
Current lease liabilities	**22**	-
Trade payables	**354**	286
Provisions	**142**	119
Amounts due to customers under revenue contracts	**913**	771
Other current financial liabilities	**14**	25
Income tax liabilities	**66**	42
Other current liabilities	**356**	344
Total current liabilities	**1,915**	1,628
Total liabilities	**2,407**	2,039
Total equity and liabilities	**3,452**	2,988

Valmet implemented IFRS 16 – Leases as of January 1, 2019 by applying the simplified transition method and therefore 2018 figures are not restated.

Consolidated statement of cash flows

EUR million	**Q4/2019**	Q4/2018	**2019**	2018
Cash flows from operating activities				
Profit for the period	**81**	74	**202**	152
Adjustments				
Depreciation and amortization	**27**	19	**105**	76
Financial income and expenses	**3**	3	**11**	6
Income taxes	**24**	26	**67**	53
Other non-cash items	**60**	-21	**-4**	-39
Change in net working capital	**-**	51	**-28**	86
Net interests and dividends received	**2**	1	**-3**	-2
Income taxes paid	**-15**	-9	**-55**	-48
Net cash provided by (+) / used in (-) operating activities	**182**	143	**295**	284
Cash flows from investing activities				
Capital expenditure on fixed assets	**-22**	-22	**-79**	-79
Proceeds from sale of fixed assets	**1**	-	**6**	6
Business combinations, net of cash acquired, and loans repaid	**-**	-2	**-163**	-2
Net cash provided by (+) / used in (-) investing activities	**-21**	-24	**-237**	-75
Cash flows from financing activities				
Redemption of own shares	**-**	-	**-4**	-4
Dividends paid	**-**	-	**-97**	-82
Proceeds from non-current debt	**-**	-	**45**	-
Repayments of non-current debt	**-**	-	**-40**	-18
Repayments of lease liabilities	**-8**	-	**-25**	-
Change in current debt	**-50**	-	**-**	-
Financial investments	**2**	-26	**1**	-22
Net cash provided by (+) / used in (-) financing activities	**-56**	-27	**-120**	-127
Net increase (+) / decrease (-) in cash and cash equivalents	**105**	92	**-62**	82
Effect of changes in exchange rates on cash and cash equivalents	**-2**	1	**2**	-2
Cash and cash equivalents at beginning of period	**213**	282	**376**	296
Cash and cash equivalents at end of period	**316**	376	**316**	376

Valmet implemented IFRS 16 – Leases as of January 1, 2019 by applying the simplified transition method and therefore 2018 figures are not restated.

Consolidated statement of changes in equity

EUR million	Share capital	Reserve for invested unrestricted equity	Cumulative translation adjustments	Hedge and other reserves	Retained earnings	**Equity attributable to owners of the parent**	Non-controlling interests	**Total equity**
Balance at January 1, 2019	**100**	**416**	**-18**	**-5**	**451**	**944**	**5**	**949**
Change in accounting principles[1]	-	-	-	-	-4	**-4**	-	**-4**
Restated balance at January 1, 2019	**100**	**416**	**-18**	**-5**	**447**	**940**	**5**	**945**
Profit for the period	-	-	-	-	201	**201**	1	**202**
Other comprehensive income for the period	-	-	2	7	-10	**-2**	-	**-2**
Total comprehensive income for the period	-	-	2	7	192	**200**	1	**200**
Transactions with owners in their capacity as owners								
Dividends	-	-	-	-	-97	**-97**	-	**-97**
Purchase of treasury shares	-	-	-	-	-4	**-4**	-	**-4**
Share-based payments, net of tax	-	5	-	-	-3	**2**	-	**2**
Balance at December 31, 2019	**100**	**421**	**-16**	**1**	**534**	**1,040**	**6**	**1,046**
Balance at January 1, 2018	100	413	-8	7	400	913	5	918
Change in accounting principles[2]	-	-	-	-	-2	-2	-	-2
Restated balance at January 1, 2018	100	413	-8	7	398	911	5	916
Profit for the period	-	-	-	-	151	151	-	152
Other comprehensive income for the period	-	-	-10	-13	-12	-35	-	-35
Total comprehensive income for the period	-	-	-10	-13	139	116	-	117
Transactions with owners in their capacity as owners								
Dividends	-	-	-	-	-82	-82	-	-82
Purchase of treasury shares	-	-	-	-	-4	-4	-	-4
Share-based payments, net of tax	-	3	-	-	-1	3	-	3
Balance at December 31, 2018	100	416	-18	-5	451	944	5	949

[1] *Net impact arising from the adoption of IFRS 16, EUR -3 million, and IFRIC 23, EUR -1 million, as of January 1, 2019.*

[2] *Net impact arising from the adoption of IFRS 9, EUR -5 million, and amendments to IFRS 2, EUR 3 million, as of January 1, 2018.*

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 developer and supplier of process technologies, automation and services for the pulp, paper and energy industries.

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

These condensed consolidated interim financial statements were approved for issue on February 5, 2020.

Basis of presentation

These condensed consolidated interim financial statements for the twelve months ended December 31, 2019 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. These condensed consolidated interim financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2018, which have been prepared in accordance with IFRS.

IFRS 16 – Leases has become applicable for the current reporting period as a new accounting standard. Description and quantification of the impact as well as the changes in accounting policies arising from adoption of the IFRS 16 are presented in subsequent pages.

In addition, IFRIC 23 – Uncertainty over Income Tax Treatments became effective as of January 1, 2019. The interpretation provides guidance on recognition and measurement of deferred and current income tax assets and liabilities under circumstances when there is uncertainty over a tax treatment. Valmet has elected to apply the interpretation retrospectively with the cumulative impact of initial application recognized as an adjustment to the opening balance of retained earnings as of January 1, 2019. Adoption of the interpretation did not have a material impact on deferred or current tax asset or tax liabilities.

Except for the above, the accounting policies applied 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, 2018.

In these 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.

Key exchange rates

		Average rates		Period-end rates	
		2019	2018	**2019**	2018
USD	(US dollar)	**1.1214**	1.1809	**1.1234**	1.1450
SEK	(Swedish krona)	**10.5572**	10.2591	**10.4468**	10.2548
CNY	(Chinese yuan)	**7.7353**	7.8148	**7.8205**	7.8751

Business combinations

Acquisition of GL&V

The acquisition of North American-based GL&V Group (GL&V), announced on February 26, 2019, was completed on April 1, 2019. Control on the acquiree was obtained through the purchase of 100 percent equity interest in GL&V Canada Inc. and in a new company established in Sweden. The enterprise value of the acquisition was approximately EUR 113 million on a cash and debt free basis, and final consideration transferred after ordinary post-closing adjustments was EUR 101 million.

GL&V supplies technologies, upgrades and optimization services, rebuilds, and spare parts for the pulp and paper industry globally. The acquisition strengthens Valmet's global services business further and complements the Group's technology offering for the pulp and paper industry customers.

Net sales and EBITA margin of the acquired operations in calendar year 2018 were approximately EUR 160 million and 11 percent, respectively. The acquired operations employ about 630 people of whom approximately 65 percent are in North America and the rest mainly in Europe, South America and India. GL&V's washing, oxygen delignification and bleaching businesses were not included in the transaction scope.

Acquisition of J&L Fiber Services Inc.

On May 2, 2019, Valmet announced that it has completed the acquisition of J&L Fiber Services Inc. (J&L Fiber Services) on May 1, 2019 through purchase of 100 percent of outstanding equity of the company. The final purchase price for the transaction was approximately EUR 51 million.

J&L Fiber services, based in Wisconsin, USA, manufactures and supplies low-consistency refiner segments that are important wear parts used in pulp and paper production. It also supplies high-consistency refiner segments that are used in thermomechanical pulping and medium density fiberboard (MDF) refining. The acquisition of J&L Fiber Services complements Valmet's offering in refiner segments and further strengthens the Group's presence especially in North America.

In the twelve months preceding the completion of the acquisition, the company had net sales of approximately EUR 30 million with an EBITA margin of around 15 percent. The acquired operations employ about 100 people, most of whom are located in Wisconsin, USA. J&L Fiber Services operates globally through a sales representative and distribution network. Over 75 percent of the revenue of the company arises from North America.

Impact of acquisitions in 2019

Fair values of assets acquired, liabilities assumed, and goodwill recognized at the date of acquisition, together with net cash flow impact for both acquisitions is summarized in the following tables. The net assets acquired for both business combinations are denominated in USD. For both acquisitions the amount of consideration transferred is final and does not carry any contingent consideration arrangements.

Goodwill arising from the business combinations is attributable to the assembled workforce and synergies expected to be derived from the combined businesses. Majority of the goodwill arising from the acquisition of GL&V is not expected to be tax-deductible, whereas the goodwill from acquisition of J&L Fiber Services is expected to be deductible for income tax purposes in the USA.

The two acquired businesses have been consolidated into the Group financials from the acquisition dates onwards.

Fair values of assets acquired and liabilities assumed at the date of acquisition

EUR million	GL&V as at April 1, 2019[1]	J&L Fiber Services Inc. as at May 1, 2019[1]	Total
Non-current assets			
Goodwill	49	20	**69**
Other intangible assets	53	22	**75**
Property, plant and equipment	4	5	**10**
Leased assets	7	1	**7**
Deferred tax assets	5	-	**5**
Total non-current assets	119	48	**167**
Current assets			
Inventories	27	3	**30**
Trade receivables	27	4	**31**
Amounts due from customers under revenue contracts	8	-	**8**
Other current assets	5	-	**5**
Cash and cash equivalents	7	-	**8**
Total current assets	74	8	**82**
Non-current liabilities			
Non-current lease liabilities	5	-	**5**
Other non-current liabilities	7	-	**7**
Deferred tax liabilities	12	-	**12**
Total non-current liabilities	24	1	**25**
Current liabilities			
Current debt	18	-	**18**
Current lease liabilities	2	-	**2**
Trade payables	15	2	**17**
Amounts due to customers under revenue contracts	13	-	**13**
Other current liabilities	19	1	**21**
Total current liabilities	67	4	**71**
Net assets acquired	102	51	**153**

[1] *EUR values have been translated using foreign exchange rates prevailing at the date of the acquisition.*

Cash flows associated with the acquisitions

EUR million	GL&V as at April 1, 2019	J&L Fiber Services Inc. as at May 1, 2019	Total
Consideration transferred[1]	-101	-51	**-152**
Cash and cash equivalents acquired	7	-	**8**
Loan repayment at closing	-18	-	**-18**
Net cash outflow	-112	-51	**-163**

[1] *In the Consolidated statement of cash flows, the consideration transferred for GL&V includes gain from foreign exchange hedging amounting to EUR 1 million.*

From the date of acquisition, the two acquired businesses have contributed EUR 133 million of revenue and EUR 4 million of profit to the Group, including EUR 7 million amortization of intangibles and inventory fair-value step-up recognized at acquisition.

If both acquisitions had occurred on January 1, 2019, management estimates that the combined statement of income would show net sales of EUR 3,611 million and profit for the period amounting to EUR 208 million. These pro forma amounts include income tax expenses as well as the fair value adjustments, determined as at December 31, 2019, for the January–March period for GL&V and January–April period for J&L Fiber Services.

Acquisition related costs of EUR 1 million have been charged to Selling, general and administrative expenses in the Consolidated statement of income in January–December 2019.

Acquisition of Enertechnix Process Sensors, Inc.

As of October 1, 2018, Valmet acquired 100 percent ownership in Enertechnix Process sensors, Inc. (Enertechnix), a high-tech combustion diagnostics and monitoring technology company based in Washington, USA. Purchase price paid at closing on cash and debt free basis was EUR 2 million and final goodwill recognized EUR 3 million. The acquisition had no material effect on Valmet's financial statements for 2018.

Reporting segment and geographic information

The Group's Chief Operating Decision Maker (CODM) is the President and CEO of Valmet. Valmet's four business lines are highly integrated through complementing product and service offerings and joint customer projects. Thus, the operations and profitability of Valmet is reported as a single reportable segment with the key operative decisions being made by the CODM at the Valmet Group level.

One key indicator of performance reviewed is Earnings before interest, taxes and amortization (EBITA). Performance is also assessed through Comparable EBITA, i.e. with EBITA excluding certain items of income and expense that reduce the comparability of the Group's performance from one period to another. The alternative performance measures of EBITA and Comparable EBITA are published by Valmet as part of regulated financial information to enable users of the financial information to prepare more meaningful analysis on Valmet's performance. Items affecting comparability consist of income and expenses arising from activities that amend the capacity of Valmet's operations, such as restructuring costs and gains or losses on sale of businesses or non-current assets, income and expenses incurred outside Valmet's normal course of business, such as impairment charges and gains or losses recorded as a result of settlement payments to/from third parties (e.g. penalties incurred as a result of tax audits or settlements to closed lawsuits) as well as expenses arising from changes in legislation expected to affect Valmet temporarily only (e.g. customs or other tariffs imposed by authorities on Valmet's products).

EUR million	Q4/2019	Q4/2018	2019	2018
Net sales	**1,103**	984	**3,547**	3,325
Comparable EBITA	**118**	113	**316**	257
% of net sales	**10.7%**	11.5%	**8.9%**	7.7%
Operating profit	**110**	102	**281**	211
% of net sales	**9.9%**	10.4%	**7.9%**	6.4%
Amortization	**-9**	-8	**-34**	-30
Depreciation, property, plant and equipment (excl. leased assets)	**-12**	-11	**-48**	-46
Depreciation, leased assets	**-6**	-	**-23**	-
Gross capital expenditure (excl. business combinations and leased assets)	**-22**	-22	**-79**	-79
Additions to leased assets	**-9**	-	**-27**	-
Business combinations, net of cash acquired and loans repaid	**-**	-2	**-163**	-2
Capital employed, end of period			**1,314**	1,150
Orders received	**1,009**	1,026	**3,986**	3,722
Order backlog, end of period			**3,333**	2,829

Valmet implemented IFRS 16 – Leases as of January 1, 2019 by applying the simplified transition method and therefore 2018 figures are not restated.

Reconciliation between Comparable EBITA, EBITA and Operating profit

EUR million	2019	2018
Comparable EBITA	**316**	257
Items affecting comparability in cost of sales		
Expenses related to capacity adjustments	**-3**	-
Expensing of fair value adjustments recognized in business combinations	**-2**	-
Other items affecting comparability[1]	**-8**	-1
Items affecting comparability in selling, general and administrative expenses		
Expenses related to acquisitions	**-1**	-
Other items affecting comparability	**-**	-1
Items affecting comparability in other operating income and expenses		
Income and expenses arising from unused facilities	**-**	-5
Other items affecting comparability[1]	**13**	-9
EBITA	**315**	241
Amortization included in cost of sales		
Other intangibles	**-1**	-1
Amortization included in selling, general and administrative expenses		
Intangibles recognized in business combinations	**-21**	-18
Other intangibles	**-12**	-10
Operating profit	**281**	211

[1] *Includes insurance income and expenses relating to fire at Valmet's mill in Ovar, Portugal in 2019, income and expenses arising from settlements of lawsuits, and indirect taxes.*

Entity-wide information

Valmet has operations globally in over 35 countries. Measured by net sales, the top three countries in 2019 and 2018 were the USA, China and Finland, which together accounted for 39 percent of total net sales in 2019 (42%). Net sales for Finland (the country of domicile) amounted EUR 298 million in 2019 (EUR 285 million).

Net sales by destination:

2019: EUR 3,547 million

2018: EUR 3,325 million

Gross capital expenditure (excl. business combinations and leased assets) by location:

EUR million	North America	South America	EMEA	China	Asia-Pacific	Total
2019	**5**	**4**	**55**	**13**	**2**	**79**
2018	5	3	61	6	4	79

Revenue

Valmet's revenue is reported on and monitored by management in both business line and area dimension. Paper, and Pulp and Energy business lines' revenue is derived from large long-term capital projects, for which revenue is mostly recognized over time based on the cost-to-cost method. Service business line's revenue arises from large volume of short-term contracts with relatively low individual value, for which revenue is mainly recognized at a point in time. Automation business line's revenue consists of long-term contracts and short-term service contracts. The nature of long-term contracts, and therefore also the revenue recognition method, is similar to capital projects although with average contract values being lower. Revenue for short-term service contracts is recognized at a point in time. Nature of revenue in each area in any given reporting period is driven by volume and size of ongoing capital projects.

Net sales by business lines:

EUR million	Q4/2019	Q4/2018	2019	2018
Services	**400**	366	**1,374**	1,219
Automation	**120**	106	**341**	306
Pulp and Energy	**315**	232	**919**	863
Paper	**267**	280	**913**	937
Total	**1,103**	984	**3,547**	3,325

Timing of revenue recognition:

EUR million	Q4/2019	Q4/2018	2019	2018
Performance obligations satisfied at a point in time	**501**	450	**1,576**	1,503
Performance obligations satisfied over time	**602**	534	**1,971**	1,822
Total	**1,103**	984	**3,547**	3,325

In order to mitigate credit risk and compensate for contract costs incurred upfront, Valmet regularly requires advance payments from its customers. During the reporting period Valmet had not entered into any material contracts where the period between when Valmet transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or more. Neither were there any ongoing projects from previous reporting periods for which the former would apply.

The creditworthiness of a customer is verified before entering into a contract. However, if a risk of non-payment arises after contract inception, the probability of collection of consideration is re-evaluated and if assessed improbable, recognition of revenue is discontinued. An allowance for non-collectability of open receivables and contract assets is established as concluded appropriate.

Valmet receives payments from customers based on invoicing schedules as set out in the customer contracts. Changes in contract assets and liabilities are due to Valmet's performance under the contracts. Amounts due from customers under revenue contracts primarily relate to Valmet's right to consideration for work completed but not yet invoiced at the reporting date. These assets are transferred to trade receivables when right to consideration becomes unconditional, which is typically at the time when Valmet has contractual right to issue an invoice. Significant part of amounts due to customers relate to advance consideration received from customer in long-term capital contracts for which revenue is recognized over time. These amounts are recognized as revenue as (or when) Valmet performs under the contracts.

Following tables provide specification of movements in amounts due from customers under revenue contracts and amounts due to customers under revenue contracts over the reporting period. Revenue recognized in the period also includes revenue recognized related to performance obligations satisfied in previous periods, the amount of which however is insignificant.

Amounts due from customers under revenue contracts:

EUR million	**2019**	2018
Balance at the beginning of the period	**169**	164
Translation differences	**2**	-4
Acquired in business combinations	**7**	-
Revenue recognized in the period	**875**	594
Transfers to trade receivables	**-790**	-585
Balance at the end of period	**263**	169

Amounts due to customers under revenue contracts:

EUR million	**2019**	2018
Balance at the beginning of the period	**771**	716
Translation differences	**-5**	-4
Acquired in business combinations	**13**	-
Revenue recognized in the period	**-1,541**	-1,680
Consideration invoiced and/or received	**1,675**	1,739
Balance at the end of period	**913**	771

EUR million	As at December 31, 2019	As at December 31, 2018
Amounts due to customers under revenue contracts for which revenue is recognized		
Point in time	**262**	219
Over time	**651**	552
Carrying value at the end of period	**913**	771

Valmet typically issues contractual product warranties under which it guarantees the mechanical functioning of equipment delivered during the agreed warranty period. Valmet does not issue service-type warranties.

As at December 31, 2019, Valmet had no costs to obtain or fulfill contracts capitalized under IFRS 15.

The aggregate amount of transaction price allocated to unsatisfied or partially satisfied performance obligations as at December 31, 2019 is EUR 3,333 million.

Net working capital

Valmet's net working capital is typically negative due to advance payments received from customers related to long-term capital projects. Calculation of net working capital does not include non-operative items such as taxes, interest-bearing assets and liabilities, or other items related to funding of the Group's operations.

EUR million	As at December 31, 2019	As at December 31, 2018	Q1–Q4/2019 impact
Assets included in net working capital			
Other non-current assets	**17**	14	**-4**
Inventories	**514**	419	**-95**
Trade receivables	**656**	555	**-101**
Amounts due from customers under revenue contracts	**262**	169	**-93**
Derivative financial instruments (assets)	**21**	19	**-2**
Other receivables	**108**	95	**-13**
Liabilities included in net working capital			
Post-employment benefits	**-190**	-163	**26**
Provisions	**-173**	-149	**23**
Other non-current non-interest-bearing liabilities	**-3**	-3	**-**
Trade payables	**-354**	-286	**68**
Amounts due to customers under revenue contracts	**-913**	-771	**142**
Derivative financial instruments (liabilities)	**-19**	-29	**-10**
Other current liabilities	**-355**	-343	**12**
Total net working capital	**-426**	-474	**-47**
Effect of foreign exchange rates			**2**
Change in allowance for doubtful receivables and inventory obsolescence provision			**-**
Acquired in business combinations			**18**
Change in net working capital in the Consolidated statement of cash flows			**-28**

Intangible assets and property, plant and equipment

Intangible assets

EUR million	2019	2018
Carrying value at beginning of the period	**818**	814
Capital expenditure	**23**	26
Acquired in business combinations	**144**	4
Amortization	**-34**	-30
Impairment losses	**-**	-1
Translation differences and other changes[1]	**-9**	4
Carrying value at end of the period	**941**	818

[1] *Includes reclassification of land areas in the amount of EUR 8 million to leased assets.*

Property, plant and equipment (excl. leased assets)

EUR million	2019	2018
Carrying value at beginning of the period	**348**	354
Capital expenditure	**57**	53
Acquired in business combinations	**10**	-
Depreciation	**-48**	-46
Impairment losses	**-2**	-1
Translation differences and other changes	**1**	-12
Carrying value at end of the period	**365**	348

Leases

Transition to IFRS 16 – Leases

Valmet adopted IFRS 16 – Leases as of January 1, 2019. IFRS 16 replaced IAS 17 – Leases and related interpretations concerning the principles for the recognition, measurement, presentation and disclosure of leases. Under IFRS 16 – Leases, a right-of-use asset and a corresponding lease liability is recognized for all identified leases, except for short-term leases with a lease term of 12 months or less and leases of low-value assets.

On adoption Valmet applied the simplified retrospective approach with the practical expedients provided by IFRS 16 as described below. The cumulative effect of adopting IFRS 16 was recognized in the opening balance of retained earnings as at January 1, 2019, and prior periods were not restated. Valmet recognized lease liabilities in relation to leases which had under the principles of IAS 17 been classified as operating leases. Valmet used hindsight when assessing lease term for lease contracts that contained options to extend or terminate the lease. Further, the likely lease terms for open-ended contracts were revised at transition. Exemptions provided for recognition of right-of-use asset and corresponding liability for leases of low-value assets and short-term leases were also applied at transition.

Right-of-use asset was measured as if IFRS 16 had been applied from lease commencement. Lease liabilities were measured at the present value of the future unpaid lease payments discounted using incremental borrowing rates at the date of initial application. The weighted average discount rate at transition was 3.3 percent. The recognized right-of-use asset and lease liability are presented under property, plant and equipment and non-current and current liabilities, respectively. Valmet's operating lease commitments under the principles of IAS 17 – Leases amounted to EUR 57 million as at December 31, 2018, and adoption of IFRS 16 has not had a significant effect in the scope of contracts identified as leases. Below table presents the cumulative effect to the Consolidated statement of financial position from the initial application of IFRS 16.

EUR million	**As at Jan 1, 2019**
Recognition of right-of-use assets to property, plant and equipment[1]	**55**
Recognition of lease liabilities	**-53**
Increase in deferred tax assets	**1**
Transition adjustment to retained earnings	**-3**

[1] *Includes reclassification of leased land areas in the amount of EUR 8 million from intangible assets.*

Impact of adoption of IFRS 16 to key ratios:

As at December 31, 2019	Excluding IFRS 16 impact	**Including IFRS 16 impact**
Capital employed, EUR million	1,257	**1,314**
Interest-bearing liabilities, EUR million	207	**268**
Net interest-bearing liabilities, EUR million	-151	**-90**
Gearing, %	-14%	**-9%**
Equity to assets ratio, %	42%	**41%**

Accounting policies

Under IFRS 16 – Leases, Valmet assesses at the inception of a contract whether it is or contains a lease. Contract is considered to contain a lease if it conveys a right to use an either explicitly or implicitly identified asset for a period of time in exchange for consideration. In lease contracts where Valmet is the lessee, a right-of-use asset and a lease liability is recognized at lease commencement date to reflect Valmet's right to use the underlying asset and unpaid future lease payments respectively. These are presented under property, plant and equipment and non-current and current liabilities.

Lease liability is initially measured at an amount equal to the present value of the future lease payments that are not yet paid at the commencement date. As interest rate implicit in the contract is not commonly readily available, incremental borrowing rates reflecting entity-specific factors and lease term are applied to all lease contracts at Valmet when calculating the present value of lease liability and interest expense. Incremental borrowing rates are estimated based on market prices adjusted with calculated margins representing the entity-specific factors such as credit and country risk.

In subsequent periods the lease liability is measured using the effective interest rate method, and the carrying amount of lease liability is increased with the interest on the lease liability, reduced with the amount of lease payments made, and adjusted to reflect any reassessments or lease modifications made. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset. Variable lease payments not based on index or rate are not included in the liability but are expensed as incurred.

A right-of-use asset is initially measured at cost comprising of the amount of the initial measurement of the lease liability and any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs incurred by Valmet, and restoration costs. Subsequently the right-of-use asset is depreciated on a straight-line basis over the shorter of lease term or the useful life of the asset.

Valmet applies exemptions provided by the standard not to recognize a right-of-use asset and corresponding lease liability for leases with a contract term of 12 months or less, and for leases of low-value assets. The payments for these leases are recognized as an expense on a straight-line basis over the lease term. Further, Valmet separates non-lease components from lease components only for asset classes in which the amount of non-lease components is significant.

Critical accounting estimates and judgments

Valmet has a significant volume of open-ended real estate lease contracts which carry a short notice period only, or which have an initial fixed term but carry extension or termination options. Estimating the likely lease term for these contracts and assessing if the options will be exercised requires significant judgement. When assessing the lease term for these contracts, management considers the relevant facts and circumstances. The likely lease term is typically assessed following the three-year financial forecasts established by management. In case there are specific circumstances in place, such as beneficial market rates, significant leasehold improvements, or other significant direct or indirect costs associated with exiting the lease, lease term can be above three years. Considering other than real estate leases, the need for assets leased under open-ended contracts is commonly short-term in nature, and as such open-ended contracts where the notice period is 12 months or less are accounted for as short-term leases. Significant amount of judgment needs to be exercised in estimating likely lease term.

Valmet's leasing activities

Majority of Valmet's lease arrangements concern real estate, vehicles, and machinery and equipment located primarily on Valmet's premises. The length of these lease arrangement is typically 3 to 5 years and contracts may include options to extend the lease. Before adoption of IFRS 16 these arrangements were mainly classified as operating leases, and lease expenses were recognized to profit or loss on a straight-line basis over the period of use.

The below tables present the right-of-use assets recognized in the Consolidated statement of financial position and the movements during the period and the future minimum lease payments as at December 31, 2019.

EUR million	Land and water areas[1]	Buildings and structures	Machinery and equipment	**Total**
Carrying value at transition	9	34	12	**55**
Additions	-	16	10	**27**
Acquired in business combinations	-	6	1	**7**
Depreciation	-	-15	-8	**-23**
Translation differences and other changes	-	-1	-	**-1**
Carrying value at end of period	8	41	16	**65**

[1] *Includes reclassification of leased land areas in the amount of EUR 8 million from intangible assets at transition.*

EUR million	**As at December 31, 2019**
Not later than 1 year	**23**
Later than 1 year and not later than 2 years	**17**
Later than 2 years and not later than 3 years	**11**
Later than 3 years and not later than 4 years	**6**
Later than 4 years and not later than 5 years	**3**
Later than 5 years	**9**
Total future lease payments	**68**

Lease payments related to short-term leases and leases of low-value assets, as well as variable lease payments that are not based on index or rate, are not included in the lease liability but are recognized as an expense as incurred in either cost of goods sold or selling, general and administrative expenses. The below table presents lease payments for such leases. Interest expense on lease liabilities was EUR 2 million.

EUR million	**2019**
Expenses related to short-term leases	**-4**
Expenses related to leases of low-value assets	**-5**
Expenses related to variable lease payments not included in lease liabilities	**-1**
Total lease related expenses	**-9**

Financial instruments

Derivative financial instruments

As at December 31, 2019	**Notional amount**	**Fair value, assets**	**Fair value, liabilities**	**Fair value, net**
Forward exchange contracts[1]	**2,909**	**21**	**-17**	**4**
Interest rate swaps[1]	**30**	**-**	**-2**	**-2**
Electricity forward contracts[2]	**175**	**-**	**-**	**-**
Nickel forward contracts[3]	**54**	**-**	**-**	**-**

As at December 31, 2018	Notional amount	Fair value, assets	Fair value, liabilities	Fair value, net
Forward exchange contracts[1]	2,371	17	-28	-11
Interest rate swaps[1]	30	-	-1	-1
Electricity forward contracts[2]	158	2	-	2

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

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

[3] *Notional amount in metric tons 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, 2019	As at December 31, 2018
Non-current financial assets		
Interest-bearing	**-**	-
Non-interest-bearing	**8**	8
Total	**8**	9

EUR million	As at December 31, 2019	As at December 31, 2018
Other current financial assets		
Interest-bearing	**42**	44
Non-interest-bearing	**18**	14
Total	**59**	58

Valmet's interest-bearing liabilities consist of debt and lease liabilities.

Provisions

EUR million	2019	2018
Balance at beginning of period	**149**	137
Translation differences	**-**	-2
Addition charged to profit or loss	**100**	114
Acquired in business combinations	**12**	-
Used reserve	**-54**	-83
Reversal of reserve	**-34**	-17
Balance at end of period	**173**	149
Non-current	**31**	30
Current	**142**	119

Contingencies and commitments

EUR million	As at December 31, 2019	As at December 31, 2018
Guarantees on behalf of Valmet Group	**998**	876

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

Events after the reporting period

Valmet is planning changes in the Fabrics Business Unit which is part of the Services Business Line in order to secure the unit's profitability and future competitiveness. The most important action in the preliminary plan is to move the dryer fabric and wide filter fabric production from Tampere in Finland to Valmet's unit in Portugal. The possible actions will have employee impacts. The functions under consideration are part of Valmet Technologies Oy.

As a consequence of the above, Valmet starts co-determination negotiations in Fabrics' operations in Tampere on January 21, 2020. The co-determination negotiations are estimated to last six weeks and they include Fabrics' personnel in Tampere. The co-determination negotiations can result in the reduction of 90 persons at maximum mainly during year 2021 by estimate, and in possible temporary lay-offs and part-time work during 2020. Fabrics Business Unit employs altogether approximately 500 persons in its Tampere operations.

Fabrics Business Unit develops and manufactures press felts, shoe press belts, dryer fabrics and wide filter fabrics in Tampere. Valmet's location in Portugal, to which the dryer fabric and wide filter fabric production possibly is relocated, develops and manufactures filter fabrics and other industrial textiles.

Key ratios

	2019	2018
Earnings per share, EUR	**1.35**	1.01
Diluted earnings per share, EUR	**1.35**	1.01
Equity per share at end of period, EUR	**6.95**	6.31
Return on equity (ROE), % (annualized)	**20%**	16%
Return on capital employed (ROCE) before taxes, % (annualized)	**23%**	19%
Equity to assets ratio at end of period, %	**41%**	43%
Gearing at end of period, %	**-9%**	-23%
Cash flow provided by operating activities, EUR million	**295**	284
Cash flow after investments, EUR million	**58**	208
Gross capital expenditure (excl. business combinations and leased assets), EUR million	**-79**	-79
Additions to leased assets, EUR million	**-27**	-
Business combinations, net of cash acquired and loans repaid, EUR million	**-163**	-2
Depreciation and amortization, EUR million	**-105**	-76
Amortization	**-34**	-30
Depreciation, property, plant and equipment (excl. leased assets)	**-48**	-46
Depreciation, leased assets	**-23**	-
Number of outstanding shares at end of period	**149,618,523**	149,617,820
Average number of outstanding shares	**149,604,375**	149,649,501
Average number of diluted outstanding shares	**149,604,375**	149,649,501
Interest-bearing liabilities at end of period, EUR million	**268**	201
Net interest-bearing liabilities at end of period, EUR million	**-90**	-219

Valmet implemented IFRS 16 – Leases as of January 1, 2019 by applying the simplified transition method and therefore 2018 figures are not restated.

Formulas for calculation of indicators

In addition to financial performance indicators as defined by IFRS, Valmet publishes certain other widely used measures of performance that can be derived from figures in the Consolidated statement of income and Consolidated statement of financial position, as well as notes thereto. The formulas for calculation of these alternative performance measures are presented below.

EBITA:
Operating profit + amortization

Comparable EBITA[1]:
Operating profit + amortization +/- items affecting comparability
[1]*Measure of performance also calculated on a rolling 12-month basis.*

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), %:

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

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

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

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

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

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

Equity to assets ratio, %:

$$\frac{\text{Total equity}}{\text{Balance sheet total - amounts due to customers under revenue contracts}} \times 100$$

Gearing, %:

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

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

Quarterly information

EUR million	Q4/2019	Q3/2019	Q2/2019	Q1/2019	Q4/2018
Net sales	**1,103**	857	901	686	984
Comparable EBITA	**118**	81	69	47	113
% of net sales	**10.7%**	9.5%	7.7%	6.9%	11.5%
Operating profit	**110**	73	56	43	102
% of net sales	**9.9%**	8.5%	6.2%	6.2%	10.4%
Profit before taxes	**105**	70	52	41	100
% of net sales	**9.5%**	8.2%	5.8%	6.0%	10.1%
Profit for the period	**81**	51	39	31	74
% of net sales	**7.3%**	5.9%	4.3%	4.6%	7.5%
Earnings per share, EUR	**0.54**	0.34	0.26	0.21	0.49
Earnings per share, diluted, EUR	**0.54**	0.34	0.26	0.21	0.49
Amortization	**-9**	-10	-8	-6	-8
Depreciation, property, plant and equipment (excl. leased assets)	**-12**	-12	-12	-12	-11
Depreciation, leased assets	**-6**	-6	-6	-5	-
Research and development expenses, net	**-21**	-15	-18	-17	-21
% of net sales	**-1.9%**	-1.7%	-2.0%	-2.5%	-2.1%
Items affecting comparability:					
in cost of goods sold	**-6**	-1	-4	-	-
in selling, general and administrative expenses	**1**	-	-1	-1	-
in other operating income and expenses, net	**7**	3	-	3	-2
Total items affecting comparability	**1**	1	-5	2	-3
Gross capital expenditure (excl. business combinations and leased assets)	**-22**	-19	-19	-18	-22
Additions to leased assets	**-9**	-10	-4	-4	-
Business combinations, net of cash acquired and loans repaid	**-**	-9	-154	-	-2
Capital employed, end of period	**1,314**	1,239	1,195	1,237	1,150
Orders received	**1,009**	1,058	1,083	835	1,026
Order backlog, end of period	**3,333**	3,425	3,216	3,001	2,829

Valmet implemented IFRS 16 – Leases as of January 1, 2019 by applying the simplified transition method and therefore 2018 figures are not restated.

Valmet's financial reporting in 2020

February 5, 2020 - Financial Statements Review 2019
April 23, 2020 - Interim Review for January-March 2020
July 23, 2020 - Half Year Financial Review for January-June 2020
October 27, 2020 - Interim Review for January-September 2020

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