Financial Statements Review 2013

Valmet

Valmet's Financial Statements Review January-December 2013

Solid performance in services - focus on profitability improvement

Metso Corporation's partial demerger was concluded on December 31, 2013.The financial carve-out data presented in these Financial Statements depicts the financial data of the companies that formerly made up Metso Corporation's Pulp, Paper and Power segment. The balance sheet as at December 31, 2013 is based on actual figures, while the income statement, cash flow and all comparison figures are based on financial carve-out data. Figures in brackets, unless otherwise stated, refer to the comparison period, i.e. the same period previous year.

October-December 2013: Challenging final quarter

- Orders received amounted to EUR 428 million (EUR 678 million).
  →Orders received remained on a par with the Services business line's 2012 level and declined in the Energy, and Board and Paper business units.
- Net sales declined by 28 percent to EUR 666 million (EUR 925 million).
  →Net sales for the service business remained on the previous year's level, while net sales for the capital business declined.
- Earnings before interest, taxes and amortization (EBITA) and non-recurring items were EUR -25 million (EUR 54 million), and the corresponding EBITA margin was -3.7 percent (5.8%).
  →Profitability decreased, mainly because of a delay linked to an individual, major pulp project delivery and the project's higher-than-estimated costs (about EUR 30 million). Capacity utilization in the Board and Paper, and Energy business units was also low.
- Earnings per share were EUR -0.41 (0.04).
- Non-recurring items related to the profitability improvement program amounted to EUR 29 million (EUR 24 million) and expenses related to the demerger totaled EUR 5 million.
- Operational cash flow was EUR -38 million (EUR -81 million).
- Cash flow after investments was EUR -48 million (EUR -98 million).

January-December 2013: A year of restructuring

- Orders received amounted to EUR 2,182 million (EUR 2,445 million).
  → Orders received remained on a par with the Services business line's 2012 level and declined in the Energy, and Board and Paper business units.
- Net sales declined by 13 percent to EUR 2,613 million (EUR 3,014 million).
  →Net sales for the service business remained on the previous year's level, while net sales for the capital business declined.
- Earnings before interest, taxes and amortization (EBITA) and non-recurring items declined 72 percent to EUR 54 million (EUR 192 million), and the corresponding EBITA margin declined to 2.1 percent (6.4%).
  → Profitability declined in the capital business and remained at the previous year's level in the services business.
- Non-recurring items related to the profitability improvement program amounted to EUR 76 million (EUR 24 million) and those related to the demerger totaled EUR 10 million.
- Earnings per share were EUR -0.42 (0.51).
- Operational cash flow was EUR -43 million (EUR -53 million).
- Cash flow after investments was EUR -97 million (EUR -106 million).

Dividend proposal

The Board proposes a dividend of EUR 0.15 per share.

Guidance for 2014

Valmet estimates that net sales in 2014 will decline from the 2013 level and EBITA before non-recurring items will increase in comparison with 2013.

Short-term outlook

General economic outlook

Global growth is projected to be slightly higher in 2014 compared to 2013, at around 3.7 percent. Downward revisions to growth forecasts in some economies highlight continued uncertainty. The risks for weaker than expected development remain significant. (International Monetary Fund, January 21, 2014)

Short-term market outlook

Valmet estimates that activity in the service, pulp, and tissue markets will remain satisfactory. Activity on board and paper market is assessed to have improved and to be on satisfactory level (previously on weak level). Valmet also assesses that market activity for power plants utilizing renewable energy sources has improved to satisfactory level (previously on weak level).

President and CEO Pasi Laine: Our focus is on improving profitability

2013 was a year of change: a new, independent Valmet was created as a result of the partial demerger of Metso. All in all, our operating environment in 2013 was challenging due to the transition of the paper industry and changes on the bioenergy market. Our net sales declined and our profitability weakened. Our services business remained stable and it will play an important role also in 2014.

The short-term outlook for our business lines presents a somewhat challenging overall picture. The short-term outlook for the services, pulp, and tissue businesses is satisfactory. The outlook for the energy and board and paper businesses has increased to satisfactory level. Our key focus in 2014 will be on improving profitability. We will continue to carry out the profitability improvement measures already underway, and we will adapt our offering to meet market demand. An excellent example of this is OptiConcept M board and paper machine, which has already received positive feedback from our customers for its great functionality and modularity.

Valmet is a unique combination of technology, capital business and services. Our target is to become the global champion in serving our customers. Together with our committed and skilled personnel, we are ready to bring success to Valmet and its shareholders and customers. Valmet is heading forward.

Key figures

Key figures[1], EUR million	Q4/2013 Carve-out	Q4/2012 Carve-out	Change	2013 Carve-out	2012 Carve-out	Change
Orders received	**428**	678	-37%	**2,182**	2,445	-11%
Order backlog				**1,398**	2,249[2]	-38%
Net sales	**666**	925	-28%	**2,613**	3,014	-13%
Earnings before interest, taxes and amortization (EBITA) and non-recurring items	**-25**	54		**54**	192	-72%
% of net sales	**-3.7%**	5.8%		**2.1%**	6.4%	
Earnings before interest, taxes and amortization (EBITA)	**-59**	30		**-32**	168	
% of net sales	**-8.9%**	3.3%		**-1.2%**	5.6%	
Operating profit	**-66**	22		**-59**	138	
% of net sales	**-9.9%**	2.4%		**-2.2%**	4.6%	
Earnings per share, EUR	**-0.41**	0.04		**-0.42**	0.51	
Equity per share, EUR				**5.39**	-	
Dividend per share, EUR				**0.15**[3]	-	
Operational cash flow	**-38**	-81		**-43**	-53	
Cash flow after investments	**-48**	-98		**-97**	-106	
Return on capital employed (ROCE) before taxes				**-4%**	12%[4]	

[1] *The calculation of key figures is presented in the Tables section of the Financial Statements Review 2013.*

[2] *Includes cancelled Fibria order (EUR 331 million).*

[3] *Board of Directors' proposal.*

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

The trading in Valmet shares commenced on January 2, 2014. Therefore it's not possible to calculate key figures that are based on market value for years 2013 and 2012. This applies to following key figures: dividend/earnings ratio, effective dividend yield percentage, price/earnings ratio, share price development, market capitalization of shares, trading volume of shares as number and percentage, weighted average adjusted number of shares during the financial period, adjusted number of shares at the end of the financial period. For the following, the key figures are calculated for 2013: dividend per share.

Equity ratio and gearing	31 Dec 2013	31 Dec 2012 Carve-out
Equity ratio at end of period	**41%**	38%[1]
Gearing at end of period	**0%**	6%[1]

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

Orders received, EUR million	Q4/2013 Carve-out	Q4/2012 Carve-out	Change	2013 Carve-out	2012 Carve-out	Change
Services	**233**	230	2%	**1,035**	1,055	-2%
Pulp and Energy	**102**	294	-65%	**680**	733	-7%
Paper	**93**	154	-39%	**467**	657	-29%
Total	**428**	678	-37%	**2,182**	2,445	-11%

Order backlog, EUR million	2013 Carve-out	2012 Carve-out	Change
Total	**1,398**	2,249[1]	-38%

[1] *Includes cancelled Fibria order (EUR 331 million)*

Net sales, EUR million	Q4/2013 Carve-out	Q4/2012 Carve-out	Change	2013 Carve-out	2012 Carve-out	Change
Services	**274**	293	-6%	**1,032**	1,011	2%
Pulp and Energy	**240**	360	-33%	**907**	1,198	-24%
Paper	**152**	272	-44%	**674**	805	-16%
Total	**666**	925	-28%	**2,613**	3,014	-13%

Press conference for analysts, investors and the media

Valmet will arrange a news conference in English for investment analysts, portfolio managers, and the media on Thursday, February 6, 2014 at 1:30 p.m. Finnish time (EET). The news conference will be held at Valmet Head Office in Keilaniemi, Keilasatama 5, 02150 Espoo, Finland. It is also possible to follow the conference through a live webcast at www.valmet.com/webcasts.

The news conference can be participated also through a conference call. Conference call participants are requested to dial in at least five minutes prior to the start of the conference, at 1:25 p.m. (EET), in +44 1452 555566. The participants will be asked to provide the following conference ID: 37061206.

During the webcast and conference call, all questions should be presented in English. At the end of the event the media has the possibility to ask questions also in Finnish.

Valmet's Financial Statements 2013

Challenging operating environment in 2013

Continued uncertainty in the global economy was reflected in our customer industries. The activity of the markets was low, especially in the board and paper, and energy markets, and customers postponed their decision making.

The development of the services business was satisfactory. Orders received increased slightly in North America and declined in the EMEA area (Europe, Middle East and Africa).

The pulp mill market remained satisfactory. Orders received grew in South America due to an individual major pulp mill investment. Demand for power plants utilizing renewable energy sources, as well as power plant services, was weak in 2013. Orders received declined in all the main market areas in the Energy business unit due to reduced prices for gas and coal based energy solutions. Additionally, uncertainty concerning European and North American energy policies weakened demand.

Demand for board and paper lines remained weak, and demand for tissue lines was satisfactory. Orders received grew in South America and declined in all other market areas, particularly in China. Orders received increased in the Tissue business unit and declined in the Board and Paper business unit.

Orders received declined

Orders received, EUR million	Q4/2013 Carve-out	Q4/2012 Carve-out	Change	2013 Carve-out	2012 Carve-out	Change
Services	**233**	230	2%	**1,035**	1,055	-2%
Pulp and Energy	**102**	294	-65%	**680**	733	-7%
Paper	**93**	154	-39%	**467**	657	-29%
Total	**428**	678	-37%	**2,182**	2,445	-11%

Orders received, EUR million	Q4/2013 Carve-out	Q4/2012 Carve-out	Change	2013 Carve-out	2012 Carve-out	Change
North America	**92**	69	34%	**377**	367	3%
South America	**45**	22	105%	**570**	103	453%
EMEA	**178**	263	-32%	**804**	1,223	-34%
China	**74**	98	-25%	**241**	358	-33%
Asia-Pacific	**39**	226	-83%	**190**	394	-52%
Total	**428**	678	-37%	**2,182**	2,445	-11%

Orders received in October-December totaled EUR 428 million, down 37 percent on the comparison period (EUR 678 million). Emerging markets accounted for 43 percent (44%) of new orders. The order intake for the Services business line remained similar to that seen during the previous year and accounted for 55 percent (34%) of all orders received. Valmet did not receive any significant orders during October-December.

Orders received during 2013 totaled EUR 2,182 million, which was 11 percent less than in 2012 (EUR 2,445 million). Orders declined especially in the Board and Paper, and Energy business units. Emerging markets accounted for 54 percent (38%) of new orders. Services business line's orders received, EUR 1,035 million, remained similar to that seen during the previous year (EUR 1,055 million) and accounted for 47 percent (43%) of all orders received. The three countries generating the largest total value of orders received were Brazil, the United States and China, which together accounted for 47 percent of all orders received.

The most significant order received in 2013 was announced in a stock exchange release on June 26, 2013. Valmet will supply the key technology for CMPC Celulose Riograndense S.A.'s pulp line in Brazil. The total value of the project is around EUR 800-900 million, of which around EUR 400 million consists of Valmet's own equipment and systems. The capacity of the new pulp line will be 1.3 million tonnes per year, and the line is scheduled to be commissioned during the first half of 2015.

During 2013, Valmet received two separate orders for the OptiConcept M containerboard production line from China and one from Thailand (reported in press releases on April 4, 2013, April 26, 2013, and June 27, 2013). The start-up of all three production lines will be in 2014. With these deliveries, Valmet will have already supplied four OptiConcept M lines to Asia. The OptiConcept M production line is based on a cost-efficient investment, personnel safety and machine usability as well as reduction of environmental load.

In 2013, Valmet also received two orders for Advantage NTT tissue lines. The Advantage NTT solution represents state-of-the-art tissue-making technology in the industry. The world's first Advantage NTT tissue line started up in Mexico in 2013. Valmet also received other tissue line orders during 2013.

Valmet published a press release on October 29, 2013 concerning an order for a LignoBoost lignin separation plant. The plant in question is Valmet's second commercial LignoBoost mill in the world. The first plant was started up in 2013 at Domtar Plymouth mill in North Carolina, USA.

Orders received in 2013 also included several biomass fired power plants for providing power and heat. Orders came from Russia, Sweden and Croatia. Valmet's biomass-fuelled modularized power plants are practical solutions for renewable energy supply with minimum environmental impact.

Mill maintenance agreements, conversion rebuilds and a power boiler upgrade were also included in Valmet's orders received in 2013.

Order backlog decreased in 2013

Order backlog, EUR million	**31 Dec 2013** Carve-out	31 Dec 2012 Carve-out	Change
Total	**1,398**	2,249[1]	-38%

[1]*Includes cancelled Fibria order (EUR 331 million)*

At the end of the year, the order backlog was EUR 1,398 million, which was 38 percent lower than at the end of 2012 (EUR 2,249 million). Approximately 80 percent of the order backlog, i.e. EUR 1.1 billion, is expected to be recognized as net sales in 2014. Approximately 25 percent of the order backlog consists of Services business line's orders (15%).

Net sales remained stable in the services business

Net sales, EUR million	Q4/2013 Carve-out	Q4/2012 Carve-out	Change	2013 Carve-out	2012 Carve-out	Change
Services	**274**	293	-6%	**1,032**	1,011	2%
Pulp and Energy	**240**	360	-33%	**907**	1,198	-24%
Paper	**152**	272	-44%	**674**	805	-16%
Total	**666**	925	-28%	**2,613**	3,014	-13%

Net sales, EUR million	Q4/2013 Carve-out	Q4/2012 Carve-out	Change	2013 Carve-out	2012 Carve-out	Change
North America	**102**	153	-33%	**401**	572	-30%
South America	**142**	195	-27%	**442**	512	-14%
EMEA	**265**	355	-25%	**1,096**	1,208	-9%
China	**73**	80	-9%	**389**	398	-2%
Asia-Pacific	**84**	142	-41%	**285**	324	-12%
Total	**666**	925	-28%	**2,613**	3,014	-13%

Net sales in October-December declined 28 percent on the comparison period to EUR 666 million (EUR 925 million). The Services business lines' net sales decreased 6 percent on the comparison period, and accounted for 41 percent of Valmet's net sales (32%).

Net sales for the entire year declined 13 percent from the previous year and totaled EUR 2,613 million (EUR 3,014 million). Net sales remained on a par with the previous year in the Services business line. In the Paper, and Pulp and Energy business lines, net sales decreased. Measured by net sales, the top three countries were China, Brazil and the US, which together accounted for 41 percent of total net sales. Net sales from emerging markets accounted for 49 percent (46%) of net sales.

Profitability declined

In the final quarter of 2013, earnings before interest, taxes and amortization and before non-recurring items (EBITA before non-recurring items) were EUR -25 million, i.e. -3.7 percent of net sales (EUR 54 million and 5.8%). Profitability decreased, mainly because of a delay linked to an individual, major pulp project delivery and the project's higher-than-estimated costs (about EUR 30 million). Capacity utilization in the Board and Paper, and Energy business units was also low.

Operating profit (EBIT) in October-December was EUR -66 million, i.e. -9.9 percent of net sales (EUR 22 million and 2.4%). Non-recurring costs related to the profitability improvement program and demerger totaled EUR 34 million (EUR 24 million).

Profitability declined in 2013, and earnings before interest, taxes, amortization, and non-recurring items (EBITA before non-recurring items), was EUR 54 million, i.e. 2.1 percent of net sales (EUR 192 million and 6.4% in 2012).

Operating profit (EBIT) for the entire year was EUR -59 million, i.e. -2.2 percent of net sales (EUR 138 million and 4.6%). During 2013, non-recurring costs related to the profitability improvement program and demerger totaled EUR 86 million (EUR 24 million).

Financial expenses

Net financial income and expenses in the final quarter of 2013 were EUR 3 million (EUR -13 million). Net financial income and expenses for the entire year 2013 were EUR -5 million (EUR -23 million). The average interest rate on financing at the end of 2013 was 2.8 percent.

Profit before taxes and earnings per share

Profit before taxes for October-December was EUR -63 million (EUR 9 million). Profit before taxes in 2013 was EUR -64 million (EUR 115 million). The profit attributable to owners of the parent in 2013 was EUR -63 million (EUR 76 million), corresponding to earnings per share (EPS) of EUR -0.42.

Return on capital employed (ROCE) declined

Between January and December, return on capital employed (ROCE) before taxes was -4 percent (12%) and return on equity (ROE) -7 percent (9%).

Business lines

Services – solid performance

Services business line	Q4/2013 Carve-out	Q4/2012 Carve-out	Change	2013 Carve-out	2012 Carve-out	Change
Orders received (EUR million)	**233**	230	2%	**1,035**	1,055	-2%
Net sales (EUR million)	**274**	293	-6%	**1,032**	1,011	2%
Personnel (end of period)				**5,295**	4,904	8%

In 2013, orders received by the Services business line remained similar to that seen during the previous year at EUR 1,035 million (EUR 1,055 million) and accounted for 48 percent of all orders received (43%). Orders received increased slightly in North America and declined in the EMEA area. Orders received increased in the Fabrics business unit, and decreased on the part of the Mill Improvements business unit.

Net sales for the Services business line totaled EUR 1,032 million (EUR 1,011 million), corresponding to 39 percent of Valmet's net sales (33%).

Seasonal fluctuations are visible in the Services business line, both in the order intake and in net sales, in that the volume of orders is typically higher in the first half of the year than in the second half. Net sales, in contrast, are typically higher in the second half of the year.

Profitability was satisfactory, remaining at the 2012 level.

The personnel reductions in the Services business line involved some 200 people in 2013.

Pulp and Energy – a challenging year for energy

Pulp and Energy business line	Q4/2013 Carve-out	Q4/2012 Carve-out	Change	2013 Carve-out	2012 Carve-out	Change
Orders received (EUR million)	**102**	294	-65%	**680**	733	-7%
Net sales (EUR million)	**240**	360	-33%	**907**	1,198	-24%
Personnel (end of period)				**2,233**	2,869	-22%

In 2013, orders received by the Pulp and Energy business line decreased 7 percent to EUR 680 million (EUR 733 million) and the proportion of orders received among all orders received was 31 percent (30%). Orders received grew in South America due to a major individual pulp mill investment. Orders received declined in all the main market areas in the energy business due to reduced prices for gas and coal based energy solutions. Additionally, uncertainty concerning European and North American energy policies weakened demand.

Net sales for the year declined 24 percent to EUR 907 million and were 35 percent (40%) of Valmet's total net sales.

Profitability was weak and declined compared with 2012.

In 2013, Valmet decided to divest its small-scale heating plant business and related services operations in Finland, Russia and Sweden.

The personnel reductions in the Pulp and Energy business line involved some 600 people in 2013.

Paper – decline in orders received

Paper business line	**Q4/2013** Carve-out	Q4/2012 Carve-out	Change	**2013** Carve-out	2012 Carve-out	Change
Orders received (EUR million)	**93**	154	-39%	**467**	657	-29%
Net sales (EUR million)	**152**	272	-44%	**674**	805	-16%
Personnel (end of period)				**3,906**	4,563	-14%

In 2013, orders received by the Paper business line declined 29 percent to EUR 467 million (EUR 657 million). Orders received grew in South America and declined in all other market areas, particularly in China. Orders received increased in the Tissue business unit and declined in the Board and Paper business unit. The share of orders received was 21 percent of Valmet's total order intake (27%).

Net sales for the Paper business line fell 16 percent to EUR 674 million and were 26 percent (27%) of Valmet's total net sales.

Profitability was weak and declined compared with 2012.

In 2013, production in Finland was decided to be centralized to Jyväskylä.

The personnel reductions in the Paper business line involved some 600 people in 2013.

Profitability improvement measures

On April 23, 2013, Valmet announced that it would initiate a savings program to improve its competitiveness. The timetable for the program was accelerated in October, and it will target annual cost savings of approximately EUR 100 million by the end of 2014. The savings program will affect all of the business lines, the Paper, and Pulp and Energy business lines in particular. A third of the estimated savings are related to selling, general and administration costs and around two thirds to cost of goods sold.

Measures begun in April progressed according to plan throughout 2013. Non-recurring costs connected to the savings program totaled EUR 29 million in the fourth quarter, and costs for the entire year amounted to EUR 76 million, respectively. As a consequence of the savings program, a decision to carry out personnel reductions involving 1,400 people was made in 2013. In addition, Valmet has increased its flexibility by preparing for temporary lay-offs in Finland.

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

Cash flow and financing

Operational cash flow amounted to EUR -43 million in 2013 (EUR -53 million). EUR -195 million (EUR -231 million) was tied up in net working capital at the end of 2013. The increase was due to a decline in advances received from the capital business compared with the comparison period. In 2013, cash flow after investments was EUR -97 million (EUR -106 million).

Gearing was 0 percent at the end of 2013 (6%) and the equity ratio was 41 percent (38%). Net interest-bearing liabilities totaled EUR -1 million at the end of the reporting period. Valmet’s interest-bearing liabilities are made up mainly of European Investment bank’s loan transferred as a result of the Metso partial demerger, and a bank loan of EUR 72 million. The average maturity for Valmet’s long-term debt is 3.0 years.

Valmet’s liquidity was strong at the end of the reporting period, with cash and cash equivalents totalling EUR 211 million. Valmet’s liquidity was additionally secured by an unused revolving credit facility agreement worth EUR 200 million that is committed by the banks and matures in 2018, as well as an unused EUR 200 million commercial paper program.

Investments remained on the same level

Gross capital expenditure, including business acquisitions, in the final quarter of 2013 was EUR 13 million (EUR 23 million). Gross capital expenditure in 2013, including business acquisitions, totaled EUR 57 million (EUR 64 million). Maintenance investments accounted for 76 percent, i.e. EUR 41 million (87% and EUR 52 million).

Acquisitions and divestments

Valmet made no material acquisitions or disposals in 2013 or 2012. More information on minor acquisitions and disposals is available in the Tables section of the Financial Statements Review 2013.

Research and development

Valmet’s research and development expenses for 2013 were EUR 60 million, i.e. EUR 2.3 percent of net sales (EUR 65 million and 2.2%). Research and development work is carried out predominantly in Finland and Sweden within the business lines’ technology and R&D organizations. In addition, research and development takes place together with a network made up of customers, research facilities and universities. In 2013, R&D employed 330 people (454 people).

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

Valmet has recorded all costs resulting from R&D activities as expenses in the income statement in 2012 and 2013.

Number of personnel decreased during the year

Personnel by business line	2013	2012	Change
Services	**5,295**	4,904	8%
Pulp and Energy	**2,233**	2,869	-22%
Paper	**3,906**	4,563	-14%
Others	**331**	211	57%
Total (end of period) [1]	**11,765**	12,547	-6%

Personnel by area	2013	2012	Change
North America	**1,147**	1,141	1%
South America	**418**	409	2%
EMEA	**7,514**	8,265	-9%
China	**2,061**	2,227	-7%
Asia-Pacific	**625**	505	24%
Total (end of period) [1]	**11,765**	12,547	-6%

[1]Includes 284 temporary and seasonal workers (394).

In 2013, the Group employed an average of 12,286 people (12,744). The number of personnel at the end of the period was 11,765 (12,547). In 2013, personnel expenses totaled EUR 697 million (EUR 721 million) of which wages and salaries and remunerations equaled EUR 540 million (EUR 559 million).

Strategic goals and their implementation

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

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

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

Valmet’s goal is to achieve its targets by focusing on customer excellence, on being a leader in technology and innovation, excellence in processes and on reinforcing a winning team.

Valmet has the following financial targets:

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

Sustainable development and responsible business

Sustainability is at the core of Valmet´s strategy and business operations and is defined in Valmet's sustainability strategy and management systems as well as in related policies such as Valmet's Health, Safety and Environmental (HSE) policy and Code of Conduct. Valmet supports selected, globally acknowledged guidelines and principles, e.g. the UN Global Compact, OECD Guidelines for Multinational Enterprises, and the International Labor Organization's (ILO) Declaration of Fundamental Principles and Rights at Work. Valmet also has Sustainability Criteria for Suppliers in place.

The safety and health of our people and our partners is the core of Valmet's services and operations. Valmet's long-term target is zero work-related incidents and Valmet works systematically throughout our organization to manage safety towards an incident-free workplace. In the short-term Valmet targets a lost-time incident frequency (LTIF, number of incidents resulting in an absence of at least one workday per million hours worked) of less than five (5) by 2015. In 2013 Valmet's LTIF was 6.5 and no work-related fatalities of Valmet's own employees occurred.

Valmet implemented a set of corporation-wide minimum safety standards during 2013 focusing on the control of seven key risk areas for our operations: lock-out / tag-out, working at height, lifting, confined spaces, operating tools and equipment, hazardous substances, usage of personal protective equipment, and good housekeeping. In addition, in 2013 Valmet introduced a corporate HSE assurance process with focus on best practice sharing and on ensuring compliance with corporation-wide procedures.

The greatest environmental impact in Valmet´s value chain arises from indirect emissions during the customers´ usage of Valmet´s technologies. In Valmet´s own operation the greatest impact relates to the use of energy, water and raw materials that produces carbon dioxide and waste. Valmet has a target to reduce 15 percent of its energy consumption by 2015. The target is based on percentage reduction in average yearly consumption compared to reference years 2005-2009.

Valmet has 91 percent of its operations covered by the ISO 9001 quality management system, 79 percent by the ISO 14001 environmental management system and 68 percent by the OHSAS 18001 health and safety management system.

Valmet sees that the best way to promote sustainability is to innovate in technologies and to continuously improve our current ways of operating in alignment with the principles of sustainability. In research and development activities Valmet focuses on technology solutions that enable our customers to improve their sustainability performance by increasing the energy and materials efficiency of their industrial processes and reducing emissions and water consumption. Valmet's services business helps extend the life span of our customers' production plants.

Valmet is reporting its sustainability performance annually. Valmet´s environmental, health and safety reporting system is based on GRI (Global Reporting Initiative) core indicators and is used in all of our production facilities. Valmet´s sustainability data is assured by third party, PricewaterhouseCoopers (PwC) since 2010. Valmet will report to most significant sustainability indices, e.g. to CDP (Carbon Disclosure Project) climate change index.

Legal proceedings and claims

Lawsuits and claims related to ordinary business operations have been filed against our business on various grounds; these include product liability, immaterial rights and asbestos trials, in addition to which, deliveries involve the usual risk of disagreements. Product liability lawsuits are typically based on personal injury. Valmet's products might also be used in locations where the customer's operations could harm the environment and thus place Valmet in a position of liability.

No official proceedings, trials or arbitration proceedings that could have had or have had a significant impact on the financial status of our business or profitability over the past 12 months have been brought against our business.

Corporate Governance Statement

Valmet has prepared a separate Corporate Governance Statement for 2013 which complies with the recommendations of the Finnish Corporate Governance Code for listed companies. It also covers other central areas of corporate governance. The statement will be published on Valmet's website, separately from the Board of Directors' Report, at www.valmet.com/governance.

Shares and shareholders

Valmet Corporation was created through the partial demerger of Metso Corporation on December 31, 2013 when Metso's Pulp, Paper and Power businesses were transferred to a separate company. Trading of Valmet shares commenced on the Helsinki Stock Exchange (NASDAQ OMX Helsinki Oy) on January 2, 2014. In connection with the partial demerger, Metso Corporation's shareholders received one (1) Valmet share for each of their Metso shares as a demerger consideration. Treasury shares held by Metso (483,637 shares on December 31, 2013) did not receive the demerger consideration. Thus, at the commencement of trading, Valmet had some 58,000 shareholders, 149,864,619 shares and EUR 100,000,000 in share capital.

Valmet is not aware of any shareholders' agreements regarding the ownership of Valmet shares and voting rights.

Flagging notifications

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

September 27, 2013
Cevian Capital II Master Fund L.P. announced that on August 29, 2013, its holdings of Metso's shares exceeded the 5 percent threshold. The holding amounted to 7,560,179 shares, which corresponds to 5.03 percent of the total amount of shares and votes in Metso Corporation. Total holding of Cevian funds (Cevian Capital II Master Fund L.P. and Cevian Capital Partners Ltd.) amounted to 20,068,239 shares on August 29, 2013, which corresponded to 13.35 percent of the total amount of shares and votes in Metso Corporation.

July 29, 2013
Cevian Capital II Master Fund L.P. and Cevian Capital Partners announced that on July 26, 2013 Cevian Capital II Master Fund L.P. and Cevian Capital Partners holdings in shares of Metso Corporation exceeded that 10 percent threshold. The holding amounted to 15,540,039 shares, which corresponds to 10.34 percent of the total amount of shares and votes in Metso Corporation.

Treasury shares and Board authorizations

Metso Corporation's Extraordinary General Meeting on October 1, 2013 authorized Valmet's Board of Directors to decide the purchase of Valmet shares. The authorization granted to Valmet's Board covers a maximum of 10,000,000 Valmet shares, which must be purchased using the company's unrestricted equity at a price formed in public trading on the date of the purchase. Shares can be purchased otherwise than in proportion to shareholders' holdings. The authorization will remain in force until June 30, 2014.

Metso Corporation’s Extraordinary General Meeting authorized Valmet's Board of Directors to make a share issue and give other authorities. The Board will be authorized to issue a maximum of 15,000,000 new shares and convey a maximum of 10,000,000 Valmet shares already held by the company. The authorization will remain in force until June 30, 2014.

Share-based incentive plans

Valmet’s share ownership plans are part of the remuneration and commitment program for Valmet’s management. In December 2013, Metso's Board of Directors decided to continue the share-based incentive plan approved in December 2011. The target group of the plan is the senior management of Valmet. The aim of the plan is to align the objectives of shareholders and management to increase the value of the company, commit management to the company, and offer managers a competitive reward plan based on a long-term shareholding in the company.

The plan approved in 2011 includes three performance periods, equivalent to the 2012, 2013, and 2014 calendar years. The Board of Directors is responsible for setting the performance criteria and targets used at the beginning of each performance period. A maximum of 60 key employees in Valmet will be covered by the plan for the 2014 performance period. Growth in Valmet's operating profit margin (EBITA %) and growth in services orders received will act as the 2014 performance criteria for Valmet personnel.

Payment will be made at the end of an approximately two-year vesting period, in 2017, partly in company shares and partly in cash. The proportion paid in cash is intended to cover the taxes and tax-related costs arising from payment incurred by participants.

In Valmet, the potential rewards to be paid on the basis of the 2014 performance period will correspond to a maximum total of approximately 197,000 Metso shares. The maximum total number, in the form of Valmet shares, will be decided in April 2014.

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

Decisions of the Extraordinary General Meeting of Metso Corporation

Metso Corporation's Extraordinary General Meeting held in Helsinki on October 1, 2013, approved the Board of Directors' proposed plan for partial demerger and decided to demerge Metso into two companies. Metso's Pulp, Paper and Power businesses were transferred to the new company, Valmet Corporation, and Mining and Construction and Automation business remained part of Metso. The decisions of the Extraordinary General Meeting became effective as of the registration date for the completion of the demerger, which was on December 31, 2013, when the terms of office of the new Boards of Directors also started.

As part of the demerger decision, the Extraordinary General Meeting approved Valmet's Articles of Association and decided to reduce Metso's share capital by an amount equivalent to Valmet's share capital, in other words by EUR 100,000,000, to EUR 140,982,843.80. The capital represented by the reduction in Metso's share capital will used to distribute funds to Valmet.

In accordance with the proposal, the Extraordinary General Meeting approved the election of the Chairman, Vice Chairman, and five other members of Valmet's Board of Directors. Jukka Viinanen was elected Chairman of the Board, Mikael von Frenckell as Vice Chairman, and the following as Board members: Erkki Pehu-Lehtonen, Pia Rudengren, Friederike Helfer, Pekka Lundmark, and Rogério Ziviani. The Board's term of office will last until Valmet's next Annual General Meeting.

The Extraordinary General Meeting elected Authorized Public Accountant Ernst & Young Oy as Valmet's auditor.

Metso published stock exchange releases on October 1, 2013, concerning the decisions of the Extraordinary General Meeting and the composition of the Board of Directors. The stock exchange releases and a presentation of the Board's members can be viewed on Valmet's website at www.valmet.com.

Risks and business uncertainties

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

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

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

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

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

Management of project business risks important

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

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

Availability of financing crucial

Securing the continuity of Valmet’s operations requires that sufficient funding is available under all circumstances. Valmet estimates that its liquid cash assets and binding credit limits are sufficient to secure the company’s immediate liquidity and to ensure the flexibility of financing. The average maturity for Valmet’s long-term debt is 3.0 years. Loan facilities include customary covenants and Valmet is in clear compliance with the covenants at the balance sheet date.

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

At the end of 2013, Valmet had EUR 443 million (EUR 445 million) of goodwill on its statement of financial position. Valmet conducts impairment tests regularly once a year and more frequently if needed, and has not detected any impairment. The principles used for impairment testing are presented in the Annual Report.

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 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.

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.

Events after the review period

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

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

The total annual revenue of the divested businesses has been approximately EUR 30 million, employing 114 employees.

Guidance

Valmet estimates that net sales in 2014 will decline from the 2013 level and EBITA before non-recurring items will increase in comparison with 2013.

Short-term outlook

General economic outlook

Global growth is projected to be slightly higher in 2014 compared to 2013, at around 3.7 percent. Downward revisions to growth forecasts in some economies highlight continued uncertainty. The risks for weaker than expected development remain significant. (International Monetary Fund, January 21, 2014)

Short-term market outlook

Valmet estimates that activity in the service, pulp, and tissue markets will remain satisfactory. Activity on board and paper market is assessed to have improved and to be on satisfactory level (previously on weak level). Valmet also assesses that market activity for power plants utilizing renewable energy sources has improved to satisfactory level (previously on weak level).

Board of Director's proposal for the distribution of profit

Valmet Corporation’s distributable funds totaled EUR 922,975,599.83 on December 31, 2013, of which the net profit for 2013 was EUR -5,232,145.15.

The Board of Directors proposes that a dividend of EUR 0.15 per share be paid based on the statement of financial position to be adopted for the financial year which ended December 31, 2013, and that the remaining part of the profit be retained and carried further in the Company’s unrestricted equity.

The dividend will be paid to shareholders who on the dividend record date March 31, 2014 are registered in the Company’s shareholders’ register held by Euroclear Finland Ltd. The dividend will be paid on April 12, 2014. All the shares in the company are entitled to a dividend with the exception of treasury shares held by the company on the dividend record date.

Espoo, February 6, 2014

Valmet Corporation’s Board of Directors

Consolidated Statement of Income

The Financial Statements Review is unaudited.

EUR million	Q4/2013	restated Q4/2012	2013	restated 2012
	Carve-out	Carve-out	**Carve-out**	Carve-out
Net sales	**663**	922	**2,600**	3,005
Net sales, Metso Group	**3**	3	**13**	9
Net sales, total	**666**	925	**2,613**	3,014
Cost of goods sold	**-578**	-748	**-2,113**	-2,345
Cost of goods sold, Metso Group	**-13**	-22	**-59**	-60
Cost of goods sold, total	**-591**	-770	**-2,172**	-2,405
Gross profit	**75**	155	**441**	609
Selling, general and administrative expenses	**-126**	-122	**-469**	-457
Other operating income and expenses, net	**-15**	-11	**-32**	-14
Share in profits of associated companies	**0**	0	**1**	0
Operating profit	**-66**	22	**-59**	138
Financial income and expenses, net	**3**	-7	**-3**	0
Financial income and expenses, Metso Group, net	**0**	-6	**-2**	-23
Financial income and expenses, net	**3**	-13	**-5**	-23
Profit before taxes	**-63**	9	**-64**	115
Income taxes	**2**	-3	**2**	-39
Profit	**-61**	**6**	**-62**	**76**
Attributable to:				
Owners of the parent	**-61**	6	**-63**	76
Non-controlling interests	**0**	0	**1**	0
Profit	**-61**	**6**	**-62**	**76**

Earnings per share attributable to owners of the parent[1]

Earnings per share, EUR	**-0.41**	0.04	**-0.42**	0.51
Diluted earnings per share, EUR[2]	**-**	-	**-**	-

[1] The earnings per share information for the periods presented were computed as if the shares issued in conjunction with the Demerger had been outstanding for all periods presented.

[2] The Board of Directors of Valmet has not by the date of approval of this financial statements bulletin decided on the conversion rate between Metso and Valmet shares.

Consolidated Statement of Comprehensive Income

EUR million	**Q4/2013**	restated Q4/2012	**2013**	restated 2012
	Carve-out	Carve-out	**Carve-out**	Carve-out
Profit	**-61**	6	**-62**	76
Items that may be reclassified to profit or loss in subsequent periods:				
Cash flow hedges, net of tax	**3**	-2	**1**	-3
Available-for-sale equity investments, net of tax	**0**	0	**0**	0
Currency translation on subsidiary net investments	**-8**	-6	**-22**	-2
Net investment hedge gains (+) / losses (-), net of tax	**-**	-	**-**	-
	-5	-8	**-21**	-5
Items that will not be reclassified to profit or loss:				
Defined benefit plan actuarial gains (+) / losses (-), net of tax	**12**	-	**12**	-7
Other comprehensive income (+) / expense (-)	**7**	**-8**	**-9**	**-12**
Total comprehensive income (+) / expense (-)	**-54**	**-2**	**-71**	**64**
Attributable to:				
Owners of the parent	**-54**	-2	**-72**	64
Non-controlling interests	**0**	0	**1**	0
Total comprehensive income (+) / expense (-)	**-54**	**-2**	**-71**	**64**

Consolidated Statement of Financial Position

ASSETS EUR million	Dec 31, 2013	Dec 31, 2012 Carve-out
Non-current assets		
Intangible assets		
Goodwill	**443**	445
Other intangible assets	**107**	133
	550	578
Property, plant and equipment		
Land and water areas	**21**	21
Buildings and structures	**137**	155
Machinery and equipment	**210**	246
Assets under construction	**21**	19
	389	441
Financial and other non-current assets		
Investments in associated companies	**5**	4
Available-for-sale equity investments	**3**	4
Loan and other interest bearing receivables	**1**	4
Other receivables, Metso Group	**-**	119
Deferred tax asset	**80**	70
Other non-current assets	**8**	12
	97	213
Total non-current assets	**1,036**	1,232
Current assets		
Inventories	**431**	554
Receivables		
Trade and other receivables	**433**	530
Trade and other receivables, Metso Group	**3**	42
Cost and earnings of projects under construction in excess of advance billings	**159**	170
Loan and other interest bearing receivables	**-**	0
Loan receivables, Metso Group	**-**	17
Cash pooling receivables, Metso Group	**-**	184
Available-for-sale financial assets	**1**	1
Derivative financial instruments	**18**	6
Income tax receivables	**21**	14
Receivables total	**635**	964
Cash and cash equivalents	**211**	158
Total current assets	**1,277**	1,676
TOTAL ASSETS	**2,313**	2,908

Consolidated Statement of Financial Position

EQUITY AND LIABILITIES EUR million	Dec 31, 2013	Dec 31, 2012 Carve-out
Equity		
Share capital	**100**	-
Reserve for invested unrestricted equity	**402**	-
Cumulative translation adjustments	**2**	24
Fair value and other reserves	**5**	4
Retained earnings	**299**	-
Invested equity and retained earnings	**0**	388
Equity attributable to owners of the parent	**808**	416
Non-controlling interests	**5**	7
Total equity	**813**	423
Liabilities		
Non-current liabilities		
Long-term debt	**140**	132
Long-term debt, Metso Group	**-**	550
Post employment benefit obligations	**103**	121
Provisions	**32**	30
Derivative financial instruments	**2**	1
Deferred tax liability	**29**	36
Other long-term liabilities	**1**	1
Total non-current liabilities	**307**	871
Current liabilities		
Current portion of long-term debt	**63**	64
Current portion of long-term debt, Metso Group	**-**	28
Short-term debt	**8**	-
Cash pooling liabilities, Metso Group	**-**	93
Trade and other payables	**641**	643
Trade and other payables,Metso Group	**32**	41
Provisions	**105**	117
Advances received	**139**	182
Advances received,Metso Group	**0**	3
Billings in excess of cost and earnings of projects under construction	**176**	402
Derivative financial instruments	**8**	6
Income tax liabilities	**21**	35
Total current liabilities	**1,193**	1,614
Total liabilities	**1,500**	2,485
TOTAL EQUITY AND LIABILITIES	**2,313**	2,908

Net interest bearing liabilities

EUR million	Dec 31, 2013	Dec 31, 2012 Carve-out
Long-term interest-bearing debt	140	682
Short-term interest-bearing debt	71	185
Cash and cash equivalents	-211	-158
Other interest-bearing assets	-1	-188
Net interest-bearing liabilities	**-1**	**521**

Condensed Consolidated Statement of Cash Flows

EUR million	Q4/2013	Q4/2012	2013	2012
	Carve-out	Carve-out	**Carve-out**	Carve-out
Cash flows from operating activities:				
Profit	**-61**	6	**-62**	76
Adjustments to reconcile profit to net cash provided by operating activities:				
Depreciation and amortization	**19**	23	**82**	90
Interests and dividend income	**1**	9	**7**	21
Income taxes	**-9**	4	**-2**	40
Other	**19**	13	**40**	14
Change in net working capital	**9**	-118	**-45**	-240
Cash flows from operations	**-22**	-63	**20**	1
Interest paid and interest and dividends received	**-2**	-8	**-17**	-22
Income taxes paid	**-14**	-10	**-46**	-32
Net cash provided by (+) / used in (-) operating activities	**-38**	-81	**-43**	-53
Cash flows from investing activities:				
Capital expenditures on fixed assets	**-13**	-18	**-54**	-59
Proceeds from sale of fixed assets	**3**	1	**4**	6
Business acquisitions, net of cash acquired	**-**	-	**-3**	-
Proceeds from sale of businesses, net of cash sold	**-**	-	**-1**	-
Other	**0**	0	**0**	0
Net cash provided by (+) / used in (-) investing activities	**-10**	-17	**-54**	-53
Cash flows from financing activities:				
Changes in ownership interests in subsidiaries	**-**	-	**-5**	-
Net borrowings (+)/ payments (-), on debt	**55**	-27	**15**	-86
Net borrowings (+) / payments (-), on Metso Group financing	**-9**	-7	**-329**	89
Dividends paid, Metso Group	**-**	-14	**-**	-70
Impact of demerger on Valmet's equity	**25**	37	**492**	37
Other	**-5**	-1	**-5**	-1
Net cash provided by (+) / used in (-) financing activities	**66**	-12	**168**	-31
Net increase (+) / decrease (-) in cash and cash equivalents	**18**	-110	**71**	-137
Effect from changes in exchange rates	**-7**	-4	**-18**	-13
Cash and cash equivalents at beginning of period	**200**	272	**158**	308
Cash and cash equivalents at end of period	**211**	158	**211**	158

Consolidated Statement of Changes in Equity

EUR million	Share capital	Reserve for invested un-restricted equity	Cumulative translation adjustments	Fair value and other reserves	Retained earnings	Invested equity and retained earnings	**Equity attributable to equity-holders of Valmet**	Non-controlling interests	**Total equity**
Balance at Jan 1, 2012 [1]	**-**	**-**	**26**	**5**	**-**	**370**	**401**	**8**	**409**
Profit[2]	-	-	-	-	-	76	76	0	76
Other comprehensive income (+) / expense (-)									
Cash flow hedges, net of tax	-	-	-	-3	-	-	-3	-	-3
Available-for-sale equity investments, net of tax	-	-	-	0	-	-	0	-	0
Currency translation on subsidiary net investments	-	-	-2	-	-	-	-2	-	-2
Net investment hedge gains (losses), net of tax	-	-	-	-	-	-	-	-	-
Remeasurement of defined benefit plans	-	-	-	-	-	-7	-7	-	-7
Total comprehensive income (+) / expense (-)	-	-	-2	-3	-	69	64	0	64
Dividends	-	-	-	-	-	-70	-70	-1	-71
Share-based payments, net of tax	-	-	-	-	-	-1	-1	-	-1
Changes in invested equity	-	-	-	-	-	-15	-15	-	-15
Other	-	-	-	1	-	0	1	-	1
Net change from winding up the consolidated tax groups	-	-	-	-	-	36	36		36
Changes in non-controlling interests	-	-	-	1	-	-1	0	-	0
Balance at Dec 31, 2012	**-**	**-**	**24**	**4**	**-**	**388**	**416**	**7**	**423**
Balance at Jan 1, 2013 [1]	**-**	**-**	**24**	**4**	**-**	**388**	**416**	**7**	**423**
Profit	-	-	-	-	-	-63	-63	1	-62
Other comprehensive income (+) / expense (-)									
Cash flow hedges, net of tax	-	-	-	1	-	-	1	-	1
Available-for-sale equity investments, net of tax	-	-	-	0	-	-	0	-	0
Currency translation on subsidiary net investments	-	-	-22	-	-	-	-22	-	-22
Net investment hedge gains (losses), net of tax	-	-	-	-	-	-	-	-	-
Remeasurement of defined benefit plans	-	-	-	-	-	12	12	-	12
Total comprehensive income (+) / expense (-)	-	-	-22	1	-	-51	-72	1	-71
Dividends	-	-	-	-	-	0	0	0	0
Share-based payments, net of tax	-	-	-	-	-	-2	-2	-	-2
Other	-	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-4	-4	-3	-7
Demerger[3]	100	407	-	-	299	-331	475	-	475
Demerger related capitalized costs	-	-5	-	-	-	-	-5	-	-5
Balance at Dec 31, 2013	**100**	**402**	**2**	**5**	**299**	**-**	**808**	**5**	**813**

[1] *Carve-out figures*

[2] *Restated due to IAS19R*

[3] *Includes EUR 468 million of Metso Svenska AB's long term debt EUR 468 million to Metso Group which was converted into equity in January 2013.*

Accounting principles

General

The partial demerger of the Pulp, Paper and Power businesses ("PPP") of Metso Corporation (the "Demerger") became effective on December 31, 2013. At this date, all of the assets and liabilities directly related to PPP were transferred to Valmet Corporation, a newly incorporated company established in the Demerger.

For the purposes of this financial statements bulletin "Valmet" or "Valmet Group" refers to Valmet Corporation and its subsidiaries in relation to consolidated legal group formed at the effective date of the demerger and to the PPP business of Metso Corporation and its subsidiaries ("Metso Group") prior to the consummation of the demerger.

Accounting principles applied in the preparation of the financial information included in the financial statements bulletin

Valmet Group's financial informationincluded in the bulletin for the period January 1 - December 31, 2013 has been prepared in accordance with IAS 34: Interim Financial Reporting and in conformity with IFRS as adopted by the European Union. The financial information presented in this financial statements bulletin has not been audited. Valmet has applied the same accounting principles in the preparation of this financial statements bulletin as in its 2013 consolidated financial statements and in the historical carve-out financial statements included in the Demerger Prospectus.

Basis of Preparation

Valmet formed a separate legal group as of December 31, 2013. The information presented in this financial statements bulletin is based on actual consolidated figures as an independent group after the consummation of the Demerger and on carve-out information for periods preceding the consummation of the Demerger. Accordingly, the consolidated statement of financial position and the related notes as of December 31, 2013 are based on actual figures as an independent group.

The carve-out financial information presented in this financial statements bulletin reflects the financial performance of the entities that have historically formed the Pulp, Paper and Power segment within Metso Group. The consolidated statement of financial position, consolidated statement of income, consolidated statement or comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows, and the related notes for the periods preceding the consummation of the Demerger and as at December 31, 2012 are based on audited carve-out financial information of the PPP business.

The consolidated financial information should be read in conjunction with the carve-out financial statements of Valmet Group as of and for the years ended December 31, 2012, 2011 and 2010 as included in the Demerger Prospectus dated September 20, 2013.

The earnings per share information for the periods presentedwere computed as if the shares issued in conjunction with the Demerger had beenoutstanding for all periods presented.

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

Accounting principles of carve-out financial information

The carve-out financial information of Valmet Group as of and for the year ended December 31, 2012 and for the year ended December 31, 2013 has been prepared on a combined basis from Metso's consolidated financial statements, which comply with IFRS as adopted by the EU, comprising the historical income and expenses, assets and liabilities and cash flows attributable to Pulp, Paper and Power businesses. The carve-out historical financial information includes allocations of income, expenses, assets, liabilities and cash-flows from predecessor parent company Metso Corporation. The Valmet Group carve-out financial information includes all those legal entities that have historically formed the reportable segment PPP and which were transferred to Valmet Corporation in the Demerger.

The carve-out financial information of Valmet Group has been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted and endorsed by the European Union under consideration of the principles for determining which assets and liabilities, income and expenses as well as cash flows are to be assigned to Valmet Group as described under "Basis of Preparation" in the notes to the audited carve-out financial statements as of and for the years ended December 31, 2012, 2011 and 2010.The carve-out financial statements have been prepared on a going concern basis and under the historical cost convention, except for the available-for-sale -investments, financial assets and liabilities at fair value through profit and loss and derivative instruments at fair value. Share-based payments are measured at fair value at the time of granting.

Refinancing relating to the Demerger was arranged and finalized before December 31, 2013, the effective date of the Demerger. The carve-out financial information for the periods prior to the consummation of the Demerger has not been adjusted to reflect the effects of the refinancing measures. Consequently, the statement of financial position as at December 31, 2013 is not comparable with the comparative period.

Adoption of Revised "IAS 19 – Employee Benefits"

Valmet adopted the revised "IAS 19 – Employee Benefits" standard on January 1, 2013. The standard includes changes to accounting of defined benefit plans. The amendment eliminates the possibility to use the corridor approach and all the actuarial gains and losses are recognized immediately in the statement of other comprehensive income. As Valmet has not historically applied the corridor approach in the recognition of actuarial gains and losses, this change did not have an impact on Valmet. However, the revised standard requires Valmet now to determine its net interest expense on the net defined benefit plan by applying the discount rate used to measure the defined benefit obligation, and the plan assets cannot anymore have a higher return in the calculations than the liability discount rate. The net interest is now booked into financial income and expenses in the income statement.

The revised IAS 19 standard requires that the amendments are applied retrospectively to all periods presented. The impact of the revised standard on Valmet's figures for the year ended December 31, 2012 has been presented in the demerger prospectus dated September 20, 2013 and in the consolidated financial statements for 2013.

Exchange rates used

		2013	2012	**Dec 31, 2013**	Dec 31, 2012
USD	(US dollar)	**1.3300**	1.2932	**1.3791**	1.3194
SEK	(Swedish krona)	**8.6625**	8.7015	**8.8591**	8.5820
GBP	(Pound sterling)	**0.8475**	0.8137	**0.8337**	0.8161
CAD	(Canadian dollar)	**1.3722**	1.2930	**1.4671**	1.3137
BRL	(Brazilian real)	**2.8791**	2.5220	**3.2576**	2.7036
CNY	(Chinese yuan)	**8.1769**	8.1462	**8.3491**	8.2207
AUD	(Australian dollar)	**1.3842**	1.2468	**1.5423**	1.2712

Business combinations and disposals of businesses

Acquisitions

2013

In August 2013 Valmet acquired 100 percent of the share capital of the Indian engineering company EPT Engineering Services Private Limited (new name 'Valmet Engineering Services Pvt. Ltd' registered after balance sheet date). The consideration transferred was immaterial from a Valmet Group perspective.

EPT Engineering Services provides design, detail engineering and value added services such as conceptual design and 3D modeling to the power, pulp and paper, oil, gas and petrochemical industries and it employs 90 persons. The acquisition follows Valmet's strategy and strengthens its position in the growing Asian market. The company was consolidated into Valmet from September 1, 2013 onwards. The net sales and the net income impact to Valmet were immaterial for the year ended December 31, 2013.

As a result of the transaction, Valmet also gained a 100 per cent ownership of Metso Power India Private Limited (new name 'Valmet Chennai Pvt. Ltd.' registered after balance sheet date), where EPT had been a minority owner. The consideration transferred was immaterial from a Valmet Group perspective.

2012

Valmet made no acquisitions during 2012.

Disposals

2013

In May, Valmet sold its 70-percent stake in Metso ND Engineering to the former minority owner. The company has around 250 employees and serves industries such as pulp and paper, mining, petrochemicals, and sugar, and has its offices and manufacturing facilities in Durban in South Africa. The transaction had no material effect on Valmet.

On January 1, Valmet divested all of its shares in Metso Husum AB to Pichano Holding AB as a result of a restructuring plan covering the pulp and paper service workshop network in Sweden. The company has a turnover of EUR 1.5 million and 12 employees, all of whom will remain with the company. The transaction had no material effect on Valmet.

2012

Valmet made no disposals of businesses in 2012.

Fair value estimation

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

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

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

Level 3 A financial instrument is categorized into Level 3 if the calculation of the fair value cannot be based on observable market data. Valmet had no such instruments.

The tables below present Valmet's financial assets and liabilities that are measured at fair value. There has been no transfers between fair value levels during 2013.

December 31, 2013

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

Assets pledged and Contingent liabilities

EUR million	Dec 31, 2013	Dec 31, 2012
On behalf of others		
Guarantees	**2**	2
Other commitments		
Repurchase commitments	**0**	0
Lease commitments	**38**	54

Notional amounts of Derivative financial instruments

	Dec 31, 2013	Dec 31, 2012
Forward exchange contracts, EUR millions	**1,153**	1,119
Electricity forward contracts, GWh	**359**	412
Nickel swap contracts, tons	**84**	198

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

Related party information

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

Valmet Corporation became the parent company of the Group at the balance sheet date. Following the consummation of the Demerger, Valmet's related parties include Valmet Group companies and associated companies as well as the members of Valmet's key management personnel.

As the date of consummation of the Demerger was the balance sheet date, related party transactions comprise transactions between Valmet and Metso for all periods presented for statement of income information. Even though the related party relationship between Metso and Valmet ceased to exist at the effective date of the Demerger, the remaining balance sheet items between Metso and Valmet as at December 31, 2013 have been disclosed as related party transactions for information purposes. The significant decrease in the reported balances as at December 31, 2013 compared to the previous balance sheet date is due to the settlements of account balances conducted among Valmet and Metso in conjunction with the Demerger.

Related party transactions and balances

Valmet Group's sales to Metso Group companies comprise of sales of filtration products and assembly services to Mining and Construction. Valmet's purchases from Metso Group companies in its ordinary course of business comprise of purchases of Process Automation Systems related to Valmet's project sales

EUR million	**2013**	2012
Net sales	**13**	9
Cost of goods sold	**-59**	-60
Interest income on cash and cash equivalents	**1**	4
Interest expenses on financial liabilities	**-3**	-27

In addition to the above, Metso had equity and financing transactions with Valmet which led to the recognition of receivables and payables among Valmet and Metso as presented in the table below. Receivables of short term nature include trade receivables and advances paid for inventories arising from the ordinary course of business as well as positive cash pool balances resulting from the centralized cash pool arrangements. Valmet's participation in Metso's centralized cash pool arrangements ceased on the effective date of the Demerger. Other receivables balances as at December 31, 2012 comprised non-interest bearing receivables from Metso corresponding to Valmet entities' ownerships in Metso entities, which have been settled at the balance sheet date pursuant to the Demerger plan.

Short-term and long-term interest bearing loans comprised loan balances owed by Valmet to Metso Group companies, arranged for Valmet to meet its financing needs prior to the Demerger date. Trade and other payables and advances received comprise of items arising from the ordinary course of business including group contribution payables. Cash pooling liabilities represented cash owed to Metso companies as part of Metso's centralized cash pool arrangements. Interest income relates to interest earned on positive cash pool balances and loan receivables and interest expenses comprise of interest on Metso's financing to Valmet and interest costs on cash owed through the cash pooling arrangements. Valmet entities have not had significant lease agreements between Metso group companies for the periods presented.

EUR million	**Dec 31, 2013**	Dec 31, 2012
Other receivables	**-**	119
Advances paid for inventories	**4**	6
Trade and other receivables	**3**	42
Loan receivables	**-**	17
Cash pooling receivables	**-**	184
Long-term debt	**-**	550
Current portion of long-term debt	**-**	28
Cash pooling liabilities	**-**	93
Trade and other payables	**32**	41
Advances received	**0**	3

Segment information

Valmet's operations and profitability is reported as a single reportable segment and operative decisions have been made by the Board of Directors of Valmet as Valmet's Chief Operating Decision Maker at Valmet Group level. Valmet has not aggregated operating segments and thus Valmet Group is the reportable operating segment.

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

EUR million	**As at and for the three months ended December 31, 2013**	As at and for the three months ended December 31, 2012	**As at and for the twelve months ended December 31, 2013**	As at and for the twelve months ended December 31, 2012
Net sales	**666**	925	**2,613**	3,014
EBITA before non-recurring items	**-25**	54	**54**	192
% of net sales	**-3.7**	5.8	**2.1**	6.4
Operating profit (loss)	**-66**	22	**-59**	138
% of net sales	**-9.9**	2.4	**-2.2**	4.6
Amortization	**-7**	-8	**-27**	-30
Depreciation	**-12**	-15	**-55**	-60
Non-recurring items:				
Capacity adjustment expenses				
in cost of goods sold	**-9**	-9	**-31**	-9
in selling, general and administrative expenses	**-7**	-2	**-16**	-2
in other operating income and expenses, net	**-13**	-13	**-29**	-13
Cost related to demerger process				
in selling, general and administrative expenses	**-5**	-	**-10**	-
Total non-recurring items	**-34**	-24	**-86**	-24
Gross capital expenditures (including acquisitions)	**-13**	-23	**-57**	-64
Non-cash write-downs	**-13**	-14	**-39**	-17
Capital employed			**1,024**	1,290
Orders received	**428**	678	**2,182**	2,445
Order backlog			**1,398**	2,249

Entity-wide information

Valmet's businesses are present in over 30 countries. The main market areas are Europe and North America accounting for 54 percent of net sales in 2013 and over 56 percent in 2012. Valmet has production units on all continents.

Net sales to unaffiliated customers by destination:

EUR million	Finland	Other Nordic countries	Other European countries	North America	South and Central America	China	Asia-Pacific	Africa and Middle East	**Total**
2013	**191**	**321**	**494**	**401**	**442**	**389**	**285**	**90**	**2,613**
2012	260	288	565	572	512	398	324	95	**3,014**

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

EUR million	Other Nordic countries	Other European countries	North America	South and Central America	China	Asia-Pacific	Africa and Middle East	**Total**
2013	**162**	**284**	**59**	**118**	**165**	**166**	**15**	**969**
2012	176	395	97	150	173	101	7	**1,099**

Long-term assets by location:

EUR million	Finland	Other Nordic countries	Other European countries	North America	South and Central America	China	Asia-Pacific	Africa and Middle East	Non-allocated	**Total**
2013	**215**	**50**	**25**	**61**	**28**	**99**	**9**	**0**	**469**	**956**
2012	267	47	25	67	30	106	12	2	483	**1,039**

Long-term assets comprise intangible assets, property, plant and equipment, investments in associated companies, available-for-sale equity investments and other non-interest bearing non-current assets. Non-allocated assets include mainly goodwill and other allocated assets arising from business acquisitions that have not been pushed down to the subsidiaries' books.

Gross capital expenditure (excluding business acquisitions) by location:

EUR million	Finland	Other Nordic countries	Other European countries	North America	South and Central America	China	Asia-Pacific	Africa and Middle East	**Total**
2013	**19**	**12**	**5**	**3**	**6**	**7**	**2**	**0**	**54**
2012	26	5	4	4	8	10	2	0	**59**

Analysis of net sales by category:

EUR million	2013	2012
Sale of services	**1,032**	1,011
Sale of projects, equipment and goods	**1,581**	2,003
Total	**2,613**	**3,014**

Classification of sales by category has been changed and therefore comparison figures differ from figures reported in prospectus.

Major customers

Valmet delivers large long-term construction contracts, which however rarely exceed 10 percent of its net revenue. In 2011, Valmet signed a delivery agreement with a single customer of which EUR 350 million was recognized in net sales in 2012. In 2013 there were no long-term construction contracts exceeding 10 percent of net revenue.

Key Ratios

	2013	2012
Earnings per share, EUR [1]	**-0.42**	0.51
Diluted earnings per share, EUR [2]	**-**	-
Equity/share at end of period, EUR	**5.39**	-
Return on equity (ROE), % [3]	**-7**	9
Return on capital employed (ROCE) before taxes, % [3]	**-4**	12
Equity to assets ratio at end of period, % [3]	**41**	38
Gearing at end of period, % [3]	**0**	6
Cash flow provided by operating activities	**-43**	-53
Cash flow after investments	**-97**	-106
Gross capital expenditure (excl. business acquisitions), EUR million	**-54**	-59
Business acquisitions, net of cash acquired, EUR million	**-3**	-
Depreciation and amortization, EUR million	**-82**	-90
Number of outstanding shares at end of period (thousands)	**149,865**	-
Average number of shares (thousands)	**149,865**	-
Average number of diluted shares (thousands) [1]	-	-

[1] The earnings per share information for the periods presented were computed as if the shares issued in conjunction with the Demerger had been outstanding for all periods presented.
[2] The Board of Directors of Valmet has not by the date of approval of this financial statements bulletin decided on the conversion rate between Metso and Valmet shares.
[3] In calculating these key ratios, an adjustment of EUR 468 million has been made from 'Long-term debt, Metso Group' to 'equity' in order to reflect the conversion of Metso Svenska AB's long term debt to Metso Group which took place in January 2013

Formulas for calculation of indicators

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

Earnings per share:

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

Earnings per share, diluted:

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

Return on equity (ROE), %:

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

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

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

Equity to assets ratio, %:

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

Gearing, %:

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

Annual General Meeting 2014

The Annual General Meeting of Valmet Corporation will be held at 3:00 p.m. on Wednesday, March 26, 2014 at the Helsinki Fair Centre, (Messuaukio 1, FI-00520 Helsinki).

Capital Markets Day 2014

Valmet's Capital Markets Day is planned for November 25, 2014.

Financials 2014

Valmet Corporation will publish three Interim Reports during 2014 as follows:

January-March 2014 Friday, April 25, 2014
January-June 2014 Thursday July 31, 2014
January-September 2014 Friday, October 24, 2014