Interim Review

January 1 – September 30, 2014

Services

Pulp and Energy

Paper

Valmet's Interim Review January 1 – September 30, 2014

Profitability continued to improve and is moving towards the targeted level

Valmet has formed a separate legal group as of December 31, 2013. The financial information presented in this Interim Review is based on actual figures as an independent group after the consummation of the demerger and carve-out figures prior to the consummation of the demerger. The carve-out financial information presented in this Interim Review reflects the performance and financial position of the entities that have historically formed the Pulp, Paper and Power segment within Metso Group. Figures in brackets, unless otherwise stated, refer to the comparison period, i.e. the same period of the previous year. The Interim Review is unaudited.

July–September 2014: Profitability continued to improve

- Orders received amounted to EUR 466 million (EUR 382 million).
  - Orders received increased in the Paper, and Pulp and Energy business lines, and remained on a par with Q3/2013 in the Services business line.
- Net sales remained on a par with Q3/2013 at EUR 590 million (EUR 601 million).
  - Net sales increased in the Pulp and Energy business line and decreased in the Services and Paper business lines.
- Earnings before interest, taxes and amortization (EBITA) and non-recurring items were EUR 32 million (EUR 31 million), and the corresponding EBITA margin was 5.5 percent (5.1%).
  - Profitability improved compared with Q3/2013 and Q2/2014.
  - Profitability improvement program, with the target to save EUR 100 million by the end of 2014, was finalized.
- Earnings per share were EUR 0.11 (EUR -0.10).
- Non-recurring items amounted to EUR -1 million (EUR -41 million).
- Cash flow provided by operating activities was EUR 117 million (EUR 12 million).

January–September 2014: More orders received than during the full year of 2013

- Orders received amounted to EUR 2,590 million (EUR 1,754 million).
  - Orders received increased in the Pulp and Energy, and Paper business lines, and remained at the previous year's level in the Services business line.
- Net sales declined 13 percent to EUR 1,697 million (EUR 1,946 million).
  - Net sales remained at the previous year's level in the Pulp and Energy business line, and decreased in the Services and Paper business lines.
- Earnings before interest, taxes and amortization (EBITA) and non-recurring items were EUR 58 million (EUR 79 million), and the corresponding EBITA margin was 3.4 percent (4.1%).
- Earnings per share were EUR 0.14 (EUR -0.01).
- Non-recurring items amounted to EUR -7 million (EUR -52 million).
- Cash flow provided by operating activities was EUR 206 million (EUR -5 million).

Valmet reiterates its guidance for 2014

Valmet is reiterating its guidance presented on February 6, 2014 in which 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

Despite setbacks, an uneven global recovery continues. Largely due to weaker-than-expected global activity in the first half of 2014, the growth forecast for the world economy has been revised downward to 3.3 percent for this year. The global growth projection for 2015 was lowered to 3.8 percent. Downside risks have increased since the spring. Short-term risks include a worsening of geopolitical tensions. Medium-term risks include stagnation and low potential growth in advanced economies and a decline in potential growth in emerging markets. (International Monetary Fund, October 7, 2014)

Short-term market outlook

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

President and CEO Pasi Laine: Success on many fronts, profitability improved

Valmet was successful on many fronts in the third quarter of the year. Even though the level of orders received was lower compared with the high level in the first half of the year, we have already, after three quarters of 2014, received more orders than during the full year of 2013. This is a clear indication of how customers perceive Valmet and trust us, and that we have the skills and technology to move our customers forward. This was proven again in the third quarter, as Valmet received the first OptiConcept M board production line and the first Advantage NTT tissue line orders to the USA. The orders received by the Services business line in the third quarter remained on the previous year's level.

Our profitability improved in the third quarter compared with the previous quarter. Since becoming an independent company, Valmet has been able to improve profitability every quarter and we are moving towards our targeted level. We have been able to steadily reduce our selling, general and administrative expenses, and increase our gross profit. Going forward, Valmet will continue to focus on improving profitability. After finalizing the savings program, we still have further profitability improvement potential through savings in procurement and quality, by actions to improve project and service margin, by continuing to improve cost competitiveness, and by improving product cost competitiveness to increase gross profit.

Valmet places considerable focus on developing sustainability, and on improving health and safety. During the third quarter, Valmet was included in the Dow Jones Sustainability Index, an index consisting of the world's leading companies in terms of economic, environmental and social criteria. The selection of Valmet illustrates our commitment to sustainability, and the transparency in our reporting.

Key figures[1]

EUR million	Q3/2014	Q3/2013 Carve-out	Change	Q1-Q3/ 2014	Q1-Q3/ 2013 Carve-out	Change
Orders received	**466**	382	22%	**2,590**	1,754	48%
Order backlog[2]	**2,312**	1,658	39%	**2,312**	1,658	39%
Net sales	**590**	601	-2%	**1,697**	1,946	-13%
Earnings before interest, taxes and amortization (EBITA) and non-recurring items	**32**	31	4%	**58**	79	-27%
% of net sales	**5.5%**	5.1%		**3.4%**	4.1%	
Earnings before interest, taxes and amortization (EBITA)	**31**	-10		**51**	27	87%
% of net sales	**5.3%**	-1.7%		**3.0%**	1.4%	
Operating profit (EBIT)	**26**	-17		**35**	7	>100%
% of net sales	**4.4%**	-2.8%		**2.1%**	0.4%	
Profit before taxes	**24**	-23		**31**	-1	
Profit / loss	**16**	-15		**21**	-1	
Earnings per share, EUR	**0.11**	-0.10[3]		**0.14**	-0.01[3]	
Earnings per share, diluted, EUR	**0.11**	-0.10[3]		**0.14**	-0.01[3]	
Equity per share, EUR	**5.32**	5.60[3]	-5%	**5.32**	5.60[3]	-5%
Cash flow provided by operating activities	**117**	12	>100%	**206**	-5	
Cash flow after investments	**107**	-5		**179**	-49	
Return on capital employed (ROCE) before taxes (annualized)				**6%**	1%	

[1] The calculation of key figures is presented in the Tables section of the Q1–Q3/2014 Interim Review.

[2] At the end of period.

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

Equity to assets ratio and gearing	As at September 30, 2014	As at September 30, 2013 Carve-out	As at June 30, 2014
Equity to assets ratio at end of period	**41%**	39%	40%
Gearing at end of period	**-20%**	0%	-7%

Orders received, EUR million	Q3/2014	Q3/2013 Carve-out	Change	Q1-Q3/ 2014	Q1-Q3/ 2013 Carve-out	Change
Services	**242**	237	2%	**782**	799	-2%
Pulp and Energy	**96**	66	46%	**1,279**	579	>100%
Paper	**128**	80	60%	**530**	376	41%
Total	**466**	382	22%	**2,590**	1,754	48%

Order backlog, EUR million	As at September 30, 2014	As at September 30, 2013 Carve-out	Change	As at June 30, 2014
Total	**2,312**	1,658	39%	2,406

Net sales, EUR million	Q3/2014	Q3/2013 Carve-out	Change	Q1-Q3/ 2014	Q1-Q3/ 2013 Carve-out	Change
Services	**235**	256	-8%	**711**	756	-6%
Pulp and Energy	**234**	206	14%	**644**	667	-3%
Paper	**120**	139	-14%	**342**	524	-35%
Total	**590**	601	-2%	**1,697**	1,946	-13%

News conference for analysts, investors and media

Valmet will arrange a news conference in English for investment analysts, investors, and media on October 24, 2014 at 2:00 p.m. Finnish time (EET). The news conference will be held at Valmet's Head Office in Keilaniemi, Keilasatama 5, 02150 Espoo, Finland. The conference can also be followed through a live webcast at www.valmet.com/webcasts.

It is also possible to take part in the news conference through a conference call. Conference call participants are requested to dial in at least five minutes prior to the start of the conference, at 1:55 p.m. (EET), at +44 2071 928000. The participants will be asked to provide the following conference ID: 2551611.

During the webcast and conference call, all questions should be presented in English.

Valmet's Interim Review January 1 – September 30, 2014

Customer activity declined from the high level in the first half of the year

Customer activity decreased in the third quarter of 2014 compared with the level in the first half of the year. Consequently, orders received were lower compared with the level in the first and second quarter of the year. Orders received increased, however, compared with Q3/2013, and Valmet's orders received have increased by 48 percent in the first three quarters of 2014. The orders received during the first three quarters of 2014 have already exceeded the level in the full year of 2013. During the first three quarters of the year, orders received have increased especially in Asia-Pacific and the EMEA area (Europe, Middle East and Africa).

The development of the Services business was stable during the first three quarters of 2014. Orders received in the Services business line remained at the previous year's level. During the first three quarters of the year, orders received declined in South America and North America and remained on a par with the comparison period in other areas.

Customer activity revived clearly in the pulp and energy market during the first half of the year, and declined from this high level during the third quarter. Orders received in Pulp and Energy business line more than doubled during the first three quarters of the year. Orders received increased in Asia-Pacific, EMEA and China and declined in South America.

During the first three quarters of the year, orders received increased in the Paper business line. The orders received increased in North America, China, EMEA, and Asia-Pacific and declined in South America.

Orders received exceeded EUR 2.5 billion in January–September

Orders received, EUR million	**Q3/2014**	Q3/2013 Carve-out	Change	**Q1-Q3/ 2014**	Q1-Q3/ 2013 Carve-out	Change
Services	**242**	237	2%	**782**	799	-2%
Pulp and Energy	**96**	66	46%	**1,279**	579	>100%
Paper	**128**	80	60%	**530**	376	41%
Total	**466**	382	22%	**2,590**	1,754	48%

Orders received, EUR million	**Q3/2014**	Q3/2013 Carve-out	Change	**Q1-Q3/ 2014**	Q1-Q3/ 2013 Carve-out	Change
North America	**135**	104	29%	**402**	319	26%
South America	**23**	20	14%	**240**	491	-51%
EMEA	**189**	201	-6%	**1,193**	626	90%
China	**53**	31	72%	**207**	167	24%
Asia-Pacific	**66**	27	>100%	**548**	150	>100%
Total	**466**	382	22%	**2,590**	1,754	48%

Orders received in July–September amounted to EUR 466 million, i.e. 22 percent more than in the comparison period (EUR 382 million). Emerging markets accounted for 35 percent (36%) of orders received. Orders received increased in the Paper, and Pulp and Energy business lines, and remained on a par with

Q3/2013 in the Services business line. During July–September, Valmet received an OptiConcept M board production line order and an Advantage NTT tissue production line order from the USA. The third quarter orders received also included a wood chipping plant to Sweden, a paper machine grade conversion rebuild in Thailand and a flue-gas cleaning system to Finland.

Orders received during the first three quarters of the year amounted to EUR 2,590 million, i.e. 48 percent more than in the comparison period (EUR 1,754 million). Emerging markets accounted for 48 percent (56%) of orders received.

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

Order backlog increased compared with September 30, 2013

Order backlog, EUR million	**As at September 30, 2014**	As at September 30, 2013 Carve-out	Change	As at June 30, 2014
Total	**2,312**	1,658	39%	2,406

At the end of September, the order backlog was EUR 2,312 million, which was 4 percent lower than at the end of June (EUR 2,406 million at the end of second quarter 2014) and 39 percent higher than in the comparison period (EUR 1,658 million).

Net sales at previous year's level in Q3/2014

Net sales, EUR million	**Q3/2014**	Q3/2013 Carve-out	Change	**Q1-Q3/ 2014**	Q1-Q3/ 2013 Carve-out	Change
Services	**235**	256	-8%	**711**	756	-6%
Pulp and Energy	**234**	206	14%	**644**	667	-3%
Paper	**120**	139	-14%	**342**	524	-35%
Total	**590**	601	-2%	**1,697**	1,946	-13%

Net sales, EUR million	**Q3/2014**	Q3/2013 Carve-out	Change	**Q1-Q3/ 2014**	Q1-Q3/ 2013 Carve-out	Change
North America	**115**	94	22%	**324**	314	3%
South America	**65**	96	-32%	**232**	285	-19%
EMEA	**270**	253	7%	**708**	829	-15%
China	**55**	93	-40%	**197**	317	-38%
Asia-Pacific	**85**	65	31%	**236**	201	17%
Total	**590**	601	-2%	**1,697**	1,946	-13%

Net sales in July–September was EUR 590 million and remained on the comparison period's level (EUR 601 million). Services business line's net sales declined compared with the comparison period, and accounted for 40 percent of Valmet's net sales (43%). Measured by net sales, the top three countries were the USA, Sweden and Brazil, which together accounted for 38 percent of total net sales. Emerging markets accounted for 43 percent (49%) of net sales.

In July–September, changes in foreign exchange rates reduced net sales by approximately EUR 12 million compared with the exchange rates at the end of 2013.

In the first three quarters of the year, net sales declined 13 percent to EUR 1,697 million (EUR 1,946 million). Services business line's net sales declined from the previous year's level, and accounted for 42 percent of Valmet's net sales (39%).

Changes in foreign exchange rates reduced net sales in the first three quarters of the year by approximately EUR 40 million compared with the exchange rates at the end of 2013.

Profitability improved compared with the comparison period and the second quarter of 2014

In July–September, earnings before interest, taxes and amortization and non-recurring items (EBITA before non-recurring items) were EUR 32 million, i.e. 5.5 percent of net sales (EUR 31 million and 5.1%).

In the first three quarters of the year, earnings before interest, taxes and amortization and non-recurring items (EBITA before non-recurring items) were EUR 58 million, i.e. 3.4 percent of net sales (EUR 79 million and 4.1%).

Operating profit (EBIT) in July–September was EUR 26 million, i.e. 4.4 percent of net sales (EUR -17 million and -2.8%). Non-recurring items totaled EUR -1 million (EUR -41 million).

Operating profit (EBIT) for the first three quarters of the year was EUR 35 million, i.e. 2.1 percent of net sales (EUR 7 million and 0.4%). Non-recurring items totaled EUR -7 million (EUR -52 million).

Net financial income and expenses

Net financial income and expenses in July–September were EUR -2 million (EUR -6 million), of which interest expenses amounted to EUR 4 million, interest income to EUR 1 million, other financial income and expenses to EUR 0 million, dividends received to EUR 0 million and net foreign exchange gains to EUR 1 million.

Net financial income and expenses in the first three quarters of the year were EUR -4 million (EUR -8 million), of which interest expenses amounted to EUR 9 million, interest income to EUR 3 million and other financial income and expenses to EUR -1 million, dividends received to EUR 1 million and net foreign exchange gains to EUR 2 million.

Profit before taxes and earnings per share

Profit before taxes for July–September was EUR 24 million (EUR -23 million). The profit attributable to owners of the parent in July–September was EUR 16 million (EUR -15 million), corresponding to earnings per share (EPS) of EUR 0.11 (EUR -0.10).

Profit before taxes in the first three quarters of the year was EUR 31 million (EUR -1 million). The profit attributable to owners of the parent in the first three quarters of the year was EUR 21 million (EUR -2 million), corresponding to earnings per share (EPS) of EUR 0.14 (EUR -0.01).

Return on capital employed (ROCE) increased

In the first three quarters of the year, annualized return on capital employed (ROCE) before taxes was 6 percent (1%) and annualized return on equity (ROE) 3 percent (0%).

Business lines

Services – stable development in orders received

Services business line	**Q3/2014**	Q3/2013 Carve-out	Change	**Q1-Q3/ 2014**	Q1-Q3/ 2013 Carve-out	Change
Orders received (EUR million)	**242**	237	2%	**782**	799	-2%
Net sales (EUR million)	**235**	256	-8%	**711**	756	-6%
Personnel (end of period)				**5,211**	5,433	-4%

In July–September, orders received by the Services business line remained on a par with the comparison period at EUR 242 million (EUR 237 million) and accounted for 52 percent of all orders received (62%). Orders received increased in South America, Asia-Pacific, and China, and remained on a par with the comparison period in other areas. Orders received increased in the Mill Improvements, and Rolls business units, and declined in the Fabrics business unit.

In the first three quarters of the year, orders received by the Services business line remained on a par with the comparison period at EUR 782 million (EUR 799 million) and accounted for 30 percent of all orders received (46%). Orders received declined in South America and North America and remained on a par with the comparison period in other areas. Orders received declined in the Energy and Environmental business unit, and remained on a par with the comparison period in other business units.

In July–September, net sales for the Services business line totaled EUR 235 million (EUR 256 million), corresponding to 40 percent of Valmet’s net sales (43%).

In the first three quarters of the year, net sales for the Services business line totaled EUR 711 million (EUR 756 million), corresponding to 42 percent of Valmet’s net sales (39%).

Pulp and Energy – orders received about EUR 1.3 billion in Q1-Q3/2014

Pulp and Energy business line	**Q3/2014**	Q3/2013 Carve-out	Change	**Q1-Q3/ 2014**	Q1-Q3/ 2013 Carve-out	Change
Orders received (EUR million)	**96**	66	46%	**1,279**	579	>100%
Net sales (EUR million)	**234**	206	14%	**644**	667	-3%
Personnel (end of period)				**1,784**	2,160	-17%

In July–September, orders received by the Pulp and Energy business line increased 46 percent to EUR 96 million (EUR 66 million) and accounted for 21 percent of all orders received (17%). Orders received increased in EMEA and Asia-Pacific and declined in North America. Orders received increased in the Pulp business and remained on a par with the comparison period in the Energy business.

In the first three quarters of the year, orders received by the Pulp and Energy business line more than doubled. Orders received in the first three quarters of the year totaled EUR 1,279 million (EUR 579 million) and accounted for 49 percent of all orders received (33%). Orders received increased in Asia-Pacific, EMEA and China and declined in South America. Orders received increased in both the Pulp and Energy businesses.

In July–September, net sales for the Pulp and Energy business line totaled EUR 234 million (EUR 206 million), corresponding to 40 percent (34%) of Valmet's net sales.

In the first three quarters of the year, net sales for the Pulp and Energy business line totaled EUR 644 million (EUR 667 million), corresponding to 38 percent of Valmet's net sales (34%).

Paper – orders received exceeded EUR 500 million in Q1-Q3/2014

Paper business line	**Q3/2014**	Q3/2013 Carve-out	Change	**Q1-Q3/ 2014**	Q1-Q3/ 2013 Carve-out	Change
Orders received (EUR million)	**128**	80	60%	**530**	376	41%
Net sales (EUR million)	**120**	139	-14%	**342**	524	-35%
Personnel (end of period)				**3,131**	3,990	-22%

In July–September, orders received by the Paper business line increased 60 percent to EUR 128 million (EUR 80 million) and accounted for 27 percent of all orders received (21%). Orders received increased in North America, Asia-Pacific and China, and declined in EMEA. Orders received increased in Board and Paper, and declined in Tissue.

In the first three quarters of the year, orders received by the Paper business line increased 41 percent to EUR 530 million (EUR 376 million) and accounted for 20 percent of all orders received (21%). Orders received increased in North America, China, EMEA, and Asia-Pacific, and declined in South America. Orders received increased in Board and Paper, and remained on a par with the comparison period in Tissue.

In July–September, net sales for the Paper business line decreased 14 percent to EUR 120 million (EUR 139 million), corresponding to 20 percent (23%) of Valmet's total net sales.

In the first three quarters of the year, net sales for the Paper business line totaled EUR 342 million (EUR 524 million), corresponding to 20 percent of Valmet's net sales (27%).

Profitability improvement measures

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

A third of the estimated savings are related to selling, general and administrative expenses and around two thirds to cost of goods sold.

The savings program has proceeded well and was finalized during the third quarter of 2014. Selling, general and administrative expenses have been reduced in all geographical areas. The majority of the savings has been focused on the EMEA region and North America, as well as on Paper, and Pulp and Energy business lines. In the first three quarters of 2014, selling, general and administrative expenses have decreased by EUR 51 million.

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

Profitability supported through improvements in processes

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

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

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

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

Valmet will continue to improve its cost competitiveness by finalizing the implementation of the existing savings program. Valmet will focus on cost competitiveness also after the savings program. Valmet will also improve product cost competitiveness to increase gross profit through modularity and standardization, and by focusing on cost efficient design.

Cash flow and financing

Cash flow provided by operating activities amounted to EUR 117 million in July–September (EUR 12 million) and EUR 206 million (EUR -5 million) in the first three quarters of the year. Net working capital was EUR -345 million (EUR -177 million) at the end of the third quarter of 2014. The change in net working capital was partly due to an increase in advances received from the capital business. Cash flow after investments was EUR 107 million (EUR -5 million) in July–September and EUR 179 million (EUR -49 million) in the first three quarters of the year.

Gearing was -20 percent (0%) at the end of the third quarter of 2014 and the equity ratio was 41 percent (39%). Net interest-bearing liabilities totaled EUR -158 million (EUR 0 million) at the end of the reporting period. In September, Valmet prepaid EUR 72 million term loan facility due to strong cash flow, which decreased interest-bearing liabilities to EUR 100 million. Interest-bearing liabilities consisted mainly of drawn down bank loans. The average maturity for Valmet's long-term debt was 2.8 years.

Valmet's liquidity was strong at the end of the reporting period, with cash and cash equivalents and available-for-sale financial assets totaling EUR 256 million. Valmet's liquidity was additionally secured by an unused revolving credit facility agreement worth EUR 200 million that is committed by the banks and matures in 2018, as well as a EUR 200 million commercial paper program.

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

Investments decreased

Gross capital expenditure, including business acquisitions, in July–September was EUR 10 million (EUR 16 million). Maintenance investments accounted for 82 percent, i.e. EUR 8 million (66% and EUR 11 million).

Gross capital expenditure, including business acquisitions, in the first three quarters of 2014 was EUR 30 million (EUR 44 million). Maintenance investments accounted for 81 percent, i.e. EUR 25 million (82% and EUR 33 million).

Business combinations and disposals of businesses

Acquisitions

Valmet made no acquisitions in January–September 2014.

Disposals

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

On December 17, 2013, 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 as of year-end 2013. These transactions had no material effect on Valmet's 2014 financial statements.

Number of personnel decreased during January–September

Personnel by business line	**As at September 30, 2014**	As at September 30, 2013	Change	As at June 30, 2014
Services	**5,211**	5,433	-4%	5,365
Pulp and Energy	**1,784**	2,160	-17%	1,815
Paper	**3,131**	3,990	-22%	3,220
Other	**398**	196	>100%	401
Total (end of period)	**10,524**	11,779	-11%	10,801

Personnel by area	**As at September 30, 2014**	As at September 30, 2013	Change	As at June 30, 2014
North America	**1,127**	1,083	4%	1,133
South America	**428**	429	0%	427
EMEA	**6,442**	7,570	-15%	6,670
China	**1,942**	2,069	-6%	1,974
Asia-Pacific	**585**	628	-7%	597
Total (end of period)	**10,524**	11,779	-11%	10,801

In January–September, Valmet employed an average of 11,125 people (12,335). The number of personnel at the end of September 2014 was 10,524 (11,779). In January–September personnel expenses totaled EUR 443 million (EUR 518 million) of which wages and salaries and remunerations equaled EUR 344 million (EUR 399 million).

Strategic goals and their implementation

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

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

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

Valmet's goal is to achieve its targets by focusing on customer excellence, on being a leader in technology and innovation, on excellence in processes and on 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

Sustainability is at the core of Valmet's strategy and business operations

Valmet has defined a sustainability agenda as part of the implementation of its business strategy. The agenda crystallizes the sustainability focus areas and targets, which create added value to Valmet and its stakeholders. Valmet's sustainability agenda has five focus areas, which create the basis for actions and targets. Valmet's sustainability focus areas are the following:

1. Sustainable supply chain
2. Responsible operations (health, safety and environment)
3. People and performance
4. Cost-effective sustainable solutions
5. Corporate citizenship

In September, Valmet was included in the world's leading Dow Jones Sustainability Index. Valmet was listed both in the Dow Jones Sustainability World and Europe indices for 2014/2015. The Dow Jones Sustainability index serves as a benchmark for investors who are committed to ethical investing and review companies' sustainability performance as part of overall analyses. Valmet's selection shows its "best-in-class" commitment to sustainability and transparency in its reporting.

Valmet was included in the Nordic Climate Disclosure Leadership Index in October. Valmet received a high score that shows comprehensive risks and opportunities management and transparent disclosure of actions and achievements to help mitigate climate change.

Legal proceedings and claims

Lawsuits and claims related to ordinary business operations have been filed against Valmet's 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.

To the best of its present estimate, Valmet's management does not foresee that the outcome of these lawsuits, claims and disputes will have a material negative impact on Valmet in view of the grounds presented for them.

Corporate Governance Statement

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

Shares and shareholders

Share capital and number of shares

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

Treasury shares and Board authorizations

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

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

Treasury shares may be repurchased and/or taken as pledge for reasons of developing the Company's capital structure, financing or carrying out acquisitions, investments or other business transactions, or for the shares to be used in an incentive scheme. The repurchased shares may be held for the time being, cancelled or reissued. The Board of Directors resolves on all other terms related to the repurchasing and/or taking as pledge of own shares. The authorization shall stay in force until June 30, 2015 and it cancels the previous authorization given to the Board of Directors of Valmet Corporation by the extraordinary general meeting of Metso Corporation convening on October 1, 2013.

Valmet Corporation’s Annual General Meeting authorized Valmet’s Board of Directors to resolve on the issuance of shares as well as the issuance of special rights entitling to shares. The Board is authorized to issue a maximum of 15,000,000 new shares and convey a maximum of 10,000,000 Valmet shares already held by the company. The authorization shall stay in force until June 30, 2015 and it cancels the previous authorization given to the Board of Directors of Valmet Corporation by the Extraordinary General Meeting of Metso Corporation convening on October 1, 2013.

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

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

Trading in shares

The closing share price for Valmet’s share on the first day of trading (January 2, 2014) was EUR 6.65. The closing share price on the final day of trading for the reporting period, September 30, 2014, was EUR 7.90. The share price rose by some 19 percent during the period between January 2, 2014 and September 30, 2014. The highest price for the share during the reporting period was EUR 9.15, the lowest was EUR 6.00 and the volume-weighted average price was EUR 7.31. The number of shares traded on NASDAQ OMX Helsinki during January–September was 115,724 thousand. The value of trading was EUR 849 million. (Source: NASDAQ OMX)

In addition to the Helsinki Stock Exchange, Valmet’s shares are also traded on other marketplaces, such as Chi-X and BATS. A total of 7,663 thousand of Valmet Corporation’s shares were traded on alternative marketplaces in January–September, which equals approximately 6 percent of the share’s total trade volume. Of the alternative exchanges, Valmet’s shares were traded especially on Chi-X. (Source: VWD, Six)

Market capitalization stood at EUR 1,183 million at the end of the reporting period.

Number of shareholders

The number of registered shareholders at the end of September 2014 was 51,782 (58,490 on Dec 31, 2013). Shares owned by nominee-registered parties and by non-Finnish parties equaled 52.0 percent of the total number of shares at the end of September 2014 (47.8% on Dec 31, 2013).

Flagging notifications

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

Stock exchange release on September 5, 2014
Valmet Corporation received a notification referred to in Securities Market Act from Nordea Funds Oy, stating that the company’s ownership and share of votes in Valmet Corporation has risen above the threshold of 5 percent (1/20). The previous flagging notification that Valmet Corporation received from Nordea Funds Oy, and that Valmet Corporation announced with a stock exchange release on August 18, 2014 has been incorrect. Nordea Funds Oy’s ownership of Valmet Corporation’s total number of shares and

share of votes did not at that time exceed the threshold of 5 percent. As a result of share transactions and the end of share lending on September 4, 2014, the holding of Nordea Funds Oy increased to 7,513,864 shares (previously, in accordance with the flagging notification on August 6, 2014, 7,445,447 shares), representing an ownership of 5.014 percent (previously, in accordance with the flagging notification on August 6, 2014, 4.968 percent) of Valmet Corporation's total number of shares and share of votes.

Stock exchange release on August 18, 2014

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

Stock exchange release on August 6, 2014

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

Stock exchange release on August 4, 2014

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

Stock exchange release on March 11, 2014

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

Share-based incentive plans

Valmet's share ownership plans are part of the remuneration and retention program for Valmet's management. 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 45 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 of the long-term incentive plan.

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

At Valmet, the potential rewards to be paid on the basis of the 2014 performance period will correspond to a maximum total of approximately 822,000 Valmet shares.

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

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

Resolutions of Valmet Corporation's Annual General Meeting

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

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

Valmet published stock exchange releases on March 26, 2014, concerning the resolutions of the Annual General Meeting and the composition of the Board of Directors. The stock exchange releases and a presentation of the Board's members can be viewed on Valmet's website at www.valmet.com/agm.

Risks and business uncertainties

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

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

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

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

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

Management of project business risks important

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

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

Availability of financing crucial

Securing the continuity of Valmet's operations requires that sufficient funding is available under all circumstances. Valmet estimates that its liquid cash assets and binding credit limits are sufficient to secure the company's immediate liquidity and to ensure the flexibility of financing. The average maturity for Valmet's long-term debt is 2.8 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 the third quarter of 2014, Valmet had EUR 446 million (EUR 441 million at the end of June 2014) of goodwill on its statement of financial position. The carrying value of goodwill is reviewed annually or more frequently for impairment, if the facts and circumstances suggest that its carrying value may not be recoverable. Valmet has not identified any indications of impairment during the reporting period. The principles used for impairment testing are presented in the Annual Report.

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.

Subsequent events after the review period

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

Valmet reiterates its guidance for 2014

Valmet is reiterating its guidance presented on February 6, 2014 in which 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

Despite setbacks, an uneven global recovery continues. Largely due to weaker-than-expected global activity in the first half of 2014, the growth forecast for the world economy has been revised downward to 3.3 percent for this year. The global growth projection for 2015 was lowered to 3.8 percent. Downside risks have increased since the spring. Short-term risks include a worsening of geopolitical tensions. Medium-term risks include stagnation and low potential growth in advanced economies and a decline in potential growth in emerging markets. (International Monetary Fund, October 7, 2014)

Short-term market outlook

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

In Espoo on October 24, 2014

Valmet Corporation’s Board of Directors

Consolidated Statement of Income

EUR million	**Q3/2014**	Q3/2013 Carve-out	**Q1-Q3/ 2014**	Q1-Q3/ 2013 Carve-out
Net sales	**590**	601	**1,697**	1,946
Cost of goods sold	**-474**	-494	**-1,371**	-1,580
Gross profit	**116**	107	**325**	366
Selling, general and administrative expenses	**-92**	-109	**-292**	-343
Other operating income and expenses, net	**3**	-15	**2**	-17
Share in profits and losses of associated companies	**0**	-	**0**	1
Operating profit	**26**	-17	**35**	7
Financial income and expenses, net	**-2**	-6	**-4**	-8
Profit before taxes	**24**	-23	**31**	-1
Income taxes	**-8**	7	**-10**	0
Profit / loss	**16**	-15	**21**	-1
Attributable to:				
Owners of the parent	**16**	-15	**21**	-2
Non-controlling interests	**0**	0	**0**	1
Profit / loss	**16**	-15	**21**	-1
Earnings per share attributable to owners of the parent				
Earnings per share, EUR	**0.11**	-0.10[1]	**0.14**	-0.01[1]
Diluted earnings per share, EUR	**0.11**	-0.10[1]	**0.14**	-0.01[1]

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

Consolidated Statement of Comprehensive Income

EUR million	**Q3/2014**	Q3/2013 Carve-out	**Q1-Q3/ 2014**	Q1-Q3/ 2013 Carve-out
Profit / loss	**16**	-15	**21**	-1
Items that may be reclassified to profit or loss in subsequent periods:				
Cash flow hedges	**0**	-4	**-10**	-3
Available-for-sale equity investments	**0**	0	**0**	0
Currency translation on subsidiary net investments	**15**	1	**9**	-14
Income tax relating to items that may be reclassified	**0**	1	**2**	1
	15	-2	**1**	-16
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	**-15**	-	**-15**	-
Income tax on items that will not be reclassified	**3**	-	**3**	-
	-11	-	**-11**	-
Other comprehensive income (+) / expense (-)	**3**	-2	**-10**	-16
Total comprehensive income (+) / expense (-)	**19**	-17	**11**	-17
Attributable to:				
Owners of the parent	**19**	-18	**11**	-18
Non-controlling interests	**0**	1	**0**	1
Total comprehensive income (+) / expense (-)	**19**	-17	**11**	-17

Consolidated Statement of Financial Position

Assets

EUR million	As at September 30, 2014	As at September 30, 2013 Carve-out	As at December 31, 2013
Non-current assets			
Intangible assets			
Goodwill	**446**	446	443
Other intangible assets	**95**	118	107
Total intangible assets	**541**	564	550
Property, plant and equipment			
Land and water areas	**22**	21	21
Buildings and structures	**133**	140	137
Machinery and equipment	**197**	225	210
Assets under construction	**31**	21	21
Total property, plant and equipment	**382**	407	389
Financial and other non-current assets			
Investments in associated companies	**5**	4	5
Available-for-sale equity investments	**3**	4	3
Available-for-sale financial assets	**10**	-	-
Loan and other interest-bearing receivables	**2**	1	1
Derivative financial instruments	**1**	-	-
Deferred tax asset	**93**	70	80
Other non-current assets	**13**	28	8
Total financial and other non-current assets	**127**	107	97
Total non-current assets	**1,050**	1,078	1,036
Current assets			
Inventories	**508**	472	431
Receivables			
Trade and other receivables	**438**	463	436
Cost and earnings of projects under construction in excess of advance billings	**196**	187	159
Loan and other interest-bearing receivables	**0**	109	-
Available-for-sale financial assets	**36**	1	1
Derivative financial instruments	**18**	7	18
Income tax receivables	**22**	34	21
Total receivables	**710**	801	635
Cash and cash equivalents	**210**	200	211
Total current assets	**1,428**	1,473	1,277
Total assets	**2,478**	2,551	2,313

Consolidated Statement of Financial Position

Equity and liabilities

EUR million	**As at September 30, 2014**	As at September 30, 2013 Carve-out	As at December 31, 2013
Equity			
Share capital	**100**	-	100
Reserve for invested unrestricted equity	**403**	-	402
Cumulative translation adjustments	**11**	10	2
Fair value and other reserves	**-2**	1	5
Retained earnings	**286**	-	299
Invested equity and retained earnings	**-**	829	-
Equity attributable to owners of the parent	**797**	840	808
Non-controlling interests	**5**	5	5
Total equity	**802**	845	813
Liabilities			
Non-current liabilities			
Long-term debt	**35**	92	140
Post-employment benefits	**118**	120	103
Provisions	**10**	31	32
Derivative financial instruments	**3**	1	2
Deferred tax liability	**24**	32	29
Other long-term liabilities	**1**	1	1
Total non-current liabilities	**190**	277	307
Current liabilities			
Current portion of long-term debt	**58**	63	63
Short-term debt	**8**	156	8
Trade and other payables	**727**	671	673
Provisions	**102**	102	105
Advances received	**145**	156	139
Billings in excess of cost and earnings of projects under construction	**398**	249	176
Derivative financial instruments	**27**	8	8
Income tax liabilities	**21**	25	21
Total current liabilities	**1,486**	1,429	1,193
Total liabilities	**1,676**	1,706	1,500
Total equity and liabilities	**2,478**	2,551	2,313

Condensed Consolidated Statement of Cash Flows

EUR million	Q3/2014	Q3/2013 Carve-out	Q1-Q3/ 2014	Q1-Q3/ 2013 Carve-out
Cash flows from operating activities				
Profit / loss	**16**	-15	**21**	-1
Adjustments				
Depreciation and amortization	**18**	20	**54**	63
Dividend income and net interests	**2**	3	**2**	6
Income taxes	**8**	-	**10**	7
Other non-cash items	**4**	21	**7**	22
Change in net working capital, net of effect from business acquisitions and disposals	**77**	-7	**136**	-54
Net interests and dividends received	**-1**	-4	**-1**	-15
Income taxes paid	**-7**	-6	**-22**	-33
Net cash provided by (+) / used in (-) operating activities	**117**	12	**206**	-5
Cash flows from investing activities				
Capital expenditure on fixed assets	**-10**	-16	**-30**	-41
Proceeds from sale of fixed assets	**0**	0	**4**	1
Business acquisitions, net of cash acquired	**-**	-	**-**	-3
Proceeds from sale of businesses, net of cash sold	**-**	-	**0**	-1
Other	**-**	0	**0**	0
Net cash provided by (+) / used in (-) investing activities	**-10**	-17	**-27**	-44
Cash flows from financing activities				
Redemption of own shares	**-**	-	**0**	-
Dividends paid	**-**	-	**-22**	-
Changes in ownership interests in subsidiaries	**-**	-	**-**	-5
Net borrowings (+) / payments (-) on short-term and long-term debt	**-92**	-2	**-118**	-360
Investments in available-for-sale financial assets	**-8**	-	**-45**	-
Equity financing	**-**	-	**-**	467
Other	**-**	0	**-**	0
Net cash provided by (+) / used in (-) financing activities	**-100**	-2	**-185**	102
Net increase (+) / decrease (-) in cash and cash equivalents	**7**	-7	**-6**	53
Effect of changes in exchange rates on cash and cash equivalents	**4**	-4	**5**	-11
Cash and cash equivalents at beginning of period	**199**	211	**211**	158
Cash and cash equivalents at end of period	**210**	200	**210**	200

Consolidated Statement of Changes in Equity

EUR million	Share capital	Reserve for invested unrestricted equity	Cumulative translation adjustments	Fair value and other reserves	Retained earnings	Invested equity and retained earnings	**Equity attributable to owners of the parent**	Non-controlling interests	**Total equity**
Balance at Jan 1, 2014	**100**	**402**	**2**	**5**	**299**	**-**	**808**	**5**	**813**
Profit / loss	-	-	-	-	21	-	**21**	-	**21**
Other comprehensive income (+) / expense (-)	-	-	9	-7	-11	-	**-10**	0	**-10**
Total comprehensive income (+) / expense (-)	-	-	9	-7	10	-	**11**	0	**11**
Dividends	-	-	-	-	-22	-	**-22**	-	**-22**
Other	-	-	-	-	0	-	**0**	-	**0**
Share-based payments, net of tax	-	0	-	-	1	-	**1**	-	**1**
Balance at September 30, 2014	**100**	**403**	**11**	**-2**	**286**	**-**	**797**	**5**	**802**
Balance at Jan 1, 2013[1]	-	-	24	3	-	389	416	7	423
Profit / loss[1]	-	-	-	-	-	-2	-2	1	-1
Other comprehensive income (+) / expense (-)[1]	-	-	-14	-2	-	-	-16	-	-16
Total comprehensive income (+) / expense (-)[1]	-	-	-14	-2	-	-2	-18	1	-17
Dividends[1]	-	-	-	-	-	0	0	-	0
Changes in non-controlling interests[1]	-	-	-	-	-	-4	-4	-3	-7
Share-based payments, net of tax[1]	-	-	-	-	-	-1	-1	-	-1
Changes in invested equity[1]	-	-	-	-	-	447	447	-	447
Other[1]	-	-	-	0	-	0	0	-	0
Balance at September 30, 2013[1]	-	-	10	1	-	829	840	5	845

[1] *Carve-out figures.*

Accounting principles

General information

Valmet Corporation (the “Company” or the “parent company”) and its subsidiaries (together “Valmet”, “Valmet Group” or the “Group”) form a global supplier of sustainable technology and services, which designs, develops and produces systems, automation solutions, machinery and equipment for process industries. The main customers of Valmet operate in pulp, paper and energy generation industries.

Valmet Corporation is domiciled in Helsinki, and its registered address is Keilasatama 5, 02150 Espoo, Finland. The Company’s shares are listed on the NASDAQ OMX Helsinki Ltd.

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

These condensed consolidated interim financial statements were approved for issue on 24 October 2014.

Basis of preparation

These condensed consolidated interim financial statements for the nine months ended September 30, 2014 have been prepared in accordance with IAS 34, ‘Interim financial reporting’ and in conformity with IFRS as adopted by the European Union. The financial information presented in this financial statements bulletin has not been audited. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2013, which have been prepared in accordance with IFRS.

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

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

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

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

Accounting principles

The accounting policies adopted are consistent with those of the previous financial year except as described below.

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

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

Business combinations and disposals of businesses

Acquisitions

Valmet made no acquisitions during the nine months ended September 30, 2014.

Disposals

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

On December 17, 2013 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 as of year-end 2013. These transactions had no material effect on Valmet's 2014 financial statements.

Fair value estimation

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

Level 1	Quoted unadjusted prices at the balance sheet date in active markets. The market prices are readily and regularly available from an exchange, dealer, broker, market information service system, pricing service or regulatory agency. The quoted market price used for financial assets is the current bid price. Level 1 financial instruments include debt and equity investments classified as financial instruments available-for-sale.
Level 2	The fair value of financial instruments in Level 2 is determined using valuation techniques. These techniques utilize observable market data readily and regularly available from an exchange, dealer, broker, market information service system, pricing service or regulatory agency. Level 2 financial instruments include 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 at the balance sheet date.

The tables below present Valmet's financial assets and liabilities that are measured at fair value. There have been no transfers between fair value levels during 2014.

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

EUR million	As at September 30, 2013 Carve-out Level 1	Level 2	Level 3
Assets			
Derivatives at fair value through profit and loss	-	1	-
Derivatives qualified for hedge accounting	-	6	-
Available for sale financial assets	2	-	-
Total assets	2	7	-
Liabilities			
Derivatives at fair value through profit and loss	-	8	-
Derivatives qualified for hedge accounting	-	1	-
Total liabilities	-	9	-

Assets pledged and contingent liabilities

EUR million	**As at September 30, 2014**	As at September 30, 2013 Carve-out
Guarantees on behalf of others	**6**	2
Lease commitments	**42**	41

Valmet Corporation, with its subsidiaries, and financial institutions have guaranteed commitments arising from the ordinary course of business of Valmet Group up to a maximum of EUR 1,222 million and EUR 1,282 million[1] as at September 30, 2014 and 2013, respectively.

[1] *Consists of obligations of Valmet Group that have been guaranteed by Metso Corporation.*

Notional amounts of derivative financial instruments

	As at September 30, 2014	As at September 30, 2013 Carve-out
Forward exchange contracts, EUR millions	**1,448**	1,100
Electricity forward contracts, GWh	**322**	348
Nickel swap contracts, tons	**6**	138

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

Related party information

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

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

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

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

The following table sets forth Valmet’s transactions with Metso as at and for the nine months ended September 30, 2013:

EUR million	As at and for the nine months ended September 30, 2013 Carve-out
Net sales	10
Cost of goods sold	-46
Interest income	1
Interest expenses	-3
Other receivables	20
Advances paid for inventories	3
Trade and other receivables	13
Cash pooling receivables	109
Cash pooling liabilities	156
Trade and other payables	24
Advances received	6

Reporting segment and geographic information

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

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

EUR million	**Q3/2014**	Q3/2013 Carve-out	**Q1-Q3/ 2014**	Q1-Q3/ 2013 Carve-out
Net sales	**590**	601	**1,697**	1,946
EBITA before non-recurring items	**32**	31	**58**	79
% of net sales	**5.5%**	5.1%	**3.4%**	4.1%
Operating profit (loss)	**26**	-17	**35**	7
% of net sales	**4.4%**	-2.8%	**2.1%**	0.4%
Amortization	**-5**	-7	**-16**	-20
Depreciation	**-13**	-14	**-38**	-43
Non-recurring items:				
Capacity adjustment expenses				
in cost of goods sold	**-1**	-17	**-2**	-22
in selling, general and administrative expenses	**0**	-6	**-2**	-9
in other operating income and expenses, net	**0**	-15	**-3**	-15
Cost related to demerger process				
in selling, general and administrative expenses	**-**	-3	**-**	-6
Total non-recurring items	**-1**	-41	**-7**	-52
Gross capital expenditures (including acquisitions)	**-10**	-16	**-30**	-44
Non-cash write-downs	**-1**	-22	**-4**	-27
Capital employed, end of period			**902**	1,155
Orders received	**466**	382	**2,590**	1,754
Order backlog, end of period			**2,312**	1,658

Entity-wide information

Valmet's businesses are present in over 30 countries and on all continents. The main market areas are Europe and North America accounting for 59 percent of net sales in Q1-Q3/2014 and 55 percent in Q1-Q3/2013.

Net sales to unaffiliated customers by destination:

EUR million	North America	South America	EMEA	China	Asia-Pacific	Total
Q1-Q3/2014	**324**	**232**	**708**	**197**	**236**	**1,697**
Q1-Q3/2013[1]	314	285	829	317	201	1,946

[1] *Carve-out figures*

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

EUR million	North America	South America	EMEA	China	Asia-Pacific	Total
Q1-Q3/2014	**50**	**77**	**316**	**77**	**132**	**652**
Q1-Q3/2013[1]	38	66	352	142	117	715

[1] *Carve-out figures*

Gross capital expenditure (excluding business acquisitions) by location:

EUR million	North America	South America	EMEA	China	Asia-Pacific	Total
Q1-Q3/2014	**3**	**1**	**21**	**4**	**1**	**30**
Q1-Q3/2013[1]	2	5	26	6	2	41

[1] *Carve-out figures*

Analysis of net sales by category:

EUR million	**Q1-Q3/ 2014**	Q1-Q3/ 2013 Carve-out
Sale of services	**711**	756
Sale of projects, equipment and goods	**986**	1,191
Total	**1,697**	1,946

Key ratios

	Q1-Q3/ 2014	Q1-Q3/ 2013 Carve-out	Q1-Q4/ 2013 Carve-out
Earnings per share, EUR	**0.14**	-0.01[1]	-0.42
Diluted earnings per share, EUR	**0.14**	-0.01[1]	-0.42
Equity per share at end of period, EUR	**5.32**	5.60	5.39
Return on equity (ROE), % (annualized)	**3%**	0%[2]	-7%[2]
Return on capital employed (ROCE) before taxes, % (annualized)	**6%**	1%	-4%
Equity to assets ratio at end of period, %	**41%**	39%	41%
Gearing at end of period, %	**-20%**	0%	0%
Cash flow provided by operating activities, EUR million	**206**	-5	-43
Cash flow after investments, EUR million	**179**	-49	-97
Gross capital expenditure (excl. business acquisitions), EUR million	**-30**	-41	-54
Business acquisitions, net of cash acquired, EUR million	**-**	-3	-3
Depreciation and amortization, EUR million	**-54**	-63	-82
Number of outstanding shares at end of period	**149,864,220**	149,864,619	149,864,619
Average number of outstanding shares	**149,862,926**	149,864,619	149,864,619
Average number of diluted shares	**149,862,926**	149,864,619	149,864,619
Net interest-bearing liabilities at end of period, EUR million	**-158**	0	-1

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

[2] *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:
Operating profit + amortization + goodwill impairment

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

Earnings per share:

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

Earnings per share, diluted:

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

Return on equity (ROE), %:

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

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

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

Equity to assets ratio, %:

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

Gearing, %:

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

Net interest-bearing liabilities:
Long-term interest-bearing debt + Short-term interest-bearing debt
- Cash and cash equivalents - Other interest-bearing assets

Key exchange rates

		Average rates		Period-end rates	
		Q1-Q3/ 2014	**Q1-Q3/ 2013**	**Q3/2014**	**Q3/2013**
USD	(US dollar)	**1.3517**	1.3185	**1.2583**	1.3505
SEK	(Swedish krona)	**9.0380**	8.6040	**9.1465**	8.6575
CAD	(Canadian dollar)	**1.4789**	1.3507	**1.4058**	1.3912
BRL	(Brazilian real)	**3.1094**	2.8016	**3.0821**	3.0406
CNY	(Chinese yuan)	**8.3341**	8.1345	**7.7262**	8.2645

Quarterly information

EUR million	**Q3/2014**	Q2/2014	Q1/2014	Q4/2013 Carve-out	Q3/2013 Carve-out
Net sales	**590**	588	519	666	601
EBITA before non-recurring items	**32**	22	4	-25	31
% of net sales	**5.5%**	3.7%	0.7%	-3.7%	5.1%
Operating profit	**26**	16	-8	-66	-17
% of net sales	**4.4%**	2.8%	-1.5%	-9.9%	-2.8%
Profit before taxes	**24**	16	-9	-63	-23
% of net sales	**4.1%**	2.7%	-1.8%	-9.5%	-3.8%
Profit / loss	**16**	11	-6	-61	-15
% of net sales	**2.8%**	1.8%	-1.2%	-9.2%	-2.6%
Earnings per share, EUR	**0.11**	0.07	-0.04	-0.41	-0.10[1]
Earnings per share, diluted, EUR	**0.11**	0.07	-0.04	-0.41	-0.10[1]
Amortization	**-5**	-5	-5	-7	-7
Depreciation	**-13**	-12	-13	-12	-14
Research and development expenses, net	**-8**	-10	-12	-16	-13
% of net sales	**-1.4%**	-1.7%	-2.2%	-2.5%	-2.2%
Non-recurring items:					
Capacity adjustment expenses					
in cost of goods sold	**-1**	0	-1	-9	-17
in selling, general and administrative expenses	**0**	0	-3	-7	-6
in other operating income and expenses, net	**0**	0	-3	-13	-15
Cost related to demerger process					
in selling, general and administrative expenses	**-**	-	-	-5	-3
Total non-recurring items	**-1**	0	-6	-34	-41
Gross capital expenditures (including acquisitions)	**-10**	-10	-11	-13	-16
Business acquisitions, net of cash acquired	**-**	-	-	-	-
Non-cash write-downs	**-1**	-1	-2	-13	-22
Capital employed, end of period	**902**	967	985	1,024	1,156
Orders received	**466**	1,023	1,101	428	382
Order backlog, end of period	**2,312**	2,406	1,972	1,398	1,658

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