DEMERGER PROSPECTUS

VALMET CORPORATION

The Board of Directors of Metso Corporation (the "Demerging Company" or "Metso") has on May 31, 2013 unanimously approved a demerger plan (the "Demerger Plan") pursuant to which all of the assets, debts and liabilities relating to Metso's Pulp, Paper and Power businesses (together, the "PPP Business") will transfer, without liquidation, from Metso to Valmet Corporation (the "Receiving Company" or "Valmet") (the "Demerger"), a company to be incorporated in connection with the Demerger. The Board of Directors of Metso has on August 15, 2013 unanimously proposed the approval of the Demerger and the Demerger Plan to the Extraordinary General Meeting of shareholders of Metso scheduled to be held on October 1, 2013 (the "EGM"). The Demerger will become effective if the EGM approves the Demerger and the Demerger Plan and if the completion of the Demerger is subsequently registered in the Trade Register maintained by the National Board of Patents and Registration of Finland (the "Finnish Trade Register"). The completion of the Demerger is expected to be registered in the Finnish Trade Register on or about December 31, 2013 (the "Effective Date"). On the Effective Date, the incorporation of Valmet will become effective.

Metso's shareholders will receive as demerger consideration one (1) share in Valmet for each share in Metso owned (the "Demerger Consideration"); that is, the Demerger Consideration will be issued to Metso's shareholders in proportion to their existing shareholdings with a ratio of 1:1. The Valmet shares to be issued as Demerger Consideration will be recorded on the book entry accounts of Metso's shareholders on or about the Effective Date or as soon as possible thereafter in accordance with the practices applied by Euroclear Finland Ltd ("Euroclear Finland"). No Demerger Consideration will be issued in respect of own shares held by Metso. The aggregate number of shares in Valmet to be issued as Demerger Consideration is expected to be 149,864,619 shares (based on the number of shares in Metso (excluding own shares held by Metso) as at the date of this demerger prospectus (this "Prospectus")). The aggregate number of shares in Valmet to be issued as Demerger Consideration will be determined on the basis of the number of shares in Metso (excluding own shares held by Metso) on the Effective Date. After the EGM has approved the Demerger and the Demerger Plan, Metso's shareholders will not need to take any action in order to receive the Demerger Consideration. This Prospectus has been prepared and published by Metso on behalf of Valmet in order to carry out the Demerger and to apply for the listing of the shares in Valmet on the official list of NASDAQ OMX Helsinki Ltd (the "Helsinki Stock Exchange") (the "Listing"). See "Important Information" for information on Metso's obligation to supplement this Prospectus prior to the EGM and to make announcements on matters that could have a material effect on the value of shares in Valmet following the EGM and prior to the Listing.

As at the date of this Prospectus, there is no public trading market for shares in Valmet. Application will be made for the Listing prior to the Effective Date. The trading of shares in Valmet on the official list of the Helsinki Stock Exchange is expected to commence on or about January 2, 2014. Neither the Demerger nor the Listing will affect the listing of shares in Metso on the official list of the Helsinki Stock Exchange.

The distribution of this Prospectus may, in certain jurisdictions, be restricted by law. The information contained herein shall not constitute an offer to sell or the solicitation of an offer to buy any shares in Valmet in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, exemption from registration or qualification under the securities laws of any such jurisdiction. In particular, no shares in Valmet are being offered or sold, directly or indirectly, in or into the United States pursuant to this Prospectus and no shares in Valmet have been, or will be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or under the securities laws of any state of the United States and, accordingly, may not be offered or sold, directly or indirectly, in or into the United States (as defined in Regulation S under the Securities Act), unless registered under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act and in compliance with any applicable state securities laws of the United States. See "Important Information."

Financial Adviser to Metso

The date of this Prospectus is September 20, 2013.

IMPORTANT INFORMATION

In this Prospectus, any reference to the "Demerging Company" or "Metso" means Metso Corporation and its consolidated subsidiaries prior to the Effective Date, except where it is clear from the context that the term means Metso Corporation or a particular subsidiary or group of subsidiaries only. "Metso" may refer to Metso prior to the Effective Date, in which case Metso also includes Valmet, or after the Effective Date, in which case Metso does not include Valmet. Any reference to the "Receiving Company" or "Valmet" means Valmet Corporation and its consolidated subsidiaries after the Effective Date, except where it is clear from the context that the term means Valmet Corporation or a particular subsidiary or group of subsidiaries only. "Valmet" may also refer to the PPP Business prior to the Effective Date.

Metso has prepared a Finnish language demerger prospectus (the "Finnish Prospectus") in accordance with the Finnish Securities Markets Act (746/2012, as amended, the "Finnish Securities Markets Act"), Commission Regulation (EC) No. 809/2004 of April 29, 2004, as amended, (Annexes I, II, III and XXII) implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, the Finnish Ministry of Finance Decree on prospectuses referred to in Chapters 3 to 5 of the Finnish Securities Markets Act (1019/2012) and the regulations and guidelines issued by the Finnish Financial Supervisory Authority (the "FFSA"). The FFSA has approved the Finnish Prospectus; however, it is not responsible for the accuracy of the information presented therein or herein. The register number of the FFSA's approval of the Finnish Prospectus is 78/02.05.04/2013. The FFSA has granted Metso an exemption from publishing separate listing particulars for the Listing (the decision number of the related exemption is 79/02.05.04/2013) (the "Exemption").

No person is or has been authorized to give any information or to make any representation in connection with the Demerger or the Listing other than those contained in this Prospectus and, if given or made, such information or representation must not be considered as having been so authorized. Information given or representations made in connection with the Demerger or the Listing that are inconsistent with those contained in this Prospectus are invalid.

The information contained herein is current as at the date of this Prospectus. Neither the delivery of this Prospectus nor the Listing means that no adverse changes have occurred or that no events have happened that may or could have an adverse effect on Valmet's business, financial condition and results of operations. However, prior to the EGM, if a fault or omission in this Prospectus or material new information is discovered that may be of material importance to investors, this Prospectus will be supplemented in accordance with the Finnish Securities Markets Act. In addition, according to the terms of the Exemption and the Finnish Securities Markets Act, Metso will publish stock exchange releases through the Helsinki Stock Exchange regarding decisions and circumstances that could have a material effect on the value of shares in Valmet following the EGM and prior to the Listing. Nothing contained in this Prospectus constitutes, or shall be relied upon as, a promise or representation by Metso as to the future.

The distribution of this Prospectus may, in certain jurisdictions, be restricted by law. No actions have been taken to register or qualify the shares in Valmet for public offer in any jurisdiction. In particular, no shares in Valmet are being offered or sold, directly or indirectly, in or into the United States pursuant to this Prospectus and no shares in Valmet have been, or will be, registered under the Securities Act, or under the securities laws of any state of the United States and, accordingly, may not be offered or sold, directly or indirectly, in or into the United States (as defined in Regulation S under the Securities Act), unless registered under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act and in compliance with any applicable state securities laws of the United States. Metso requires persons into whose possession this Prospectus comes to inform themselves of and observe all such restrictions. Metso does not accept any legal responsibility for any violation by any person, whether or not a shareholder of Metso, of any such restrictions. Accordingly, neither this Prospectus nor any advertisement or any other materials relating to the Demerger or the Listing may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

Any disputes arising in connection with this Prospectus or the Finnish Prospectus will be settled exclusively by a court of competent jurisdiction in Finland.

TABLE OF CONTENTS

SUMMARY ... 1
RISK FACTORS ... 18
Risks Related to the Demerger ... 18
Risks Related to Valmet ... 21
Risks Related to Shares in Valmet ... 28
SPECIAL CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS ... 30
PRESENTATION OF FINANCIAL INFORMATION ... 31
NO INCORPORATION OF WEBSITE INFORMATION ... 33
RESPONSIBILITY FOR THE INFORMATION IN THIS PROSPECTUS ... 33
AVAILABLE INFORMATION ... 33
MARKET AND INDUSTRY INFORMATION ... 33
DIVIDENDS AND DIVIDEND POLICY ... 35
CAPITALIZATION AND INDEBTEDNESS OF VALMET ... 36
EXCHANGE RATES ... 38
SUMMARY OF THE DEMERGER ... 39
IMPORTANT DATES RELATED TO THE DEMERGER ... 42
INFORMATION ON THE DEMERGING COMPANY ... 43
MARKET AND INDUSTRY OVERVIEW ... 45
BUSINESS OF VALMET ... 53
General ... 53
Organizational Structure ... 53
Key Strengths ... 55
Business Strategy ... 56
Business Lines ... 58
Areas ... 64
Project Management ... 65
Procurement Network ... 65
Research and Development ... 65
Intellectual Property Rights ... 66
Properties and Leased Properties ... 66
Employees ... 66
Group Legal Structure and Significant Subsidiaries ... 67
Sustainability and Health, Safety and Environment ... 67
Governmental Regulation and Environmental Matters ... 67
Insurance ... 68
Legal Proceedings ... 68
Material Contracts ... 68
SELECTED CARVE-OUT FINANCIAL INFORMATION ... 70
PRO FORMA FINANCIAL INFORMATION ... 73
OPERATING AND FINANCIAL REVIEW AND PROSPECTS ... 79
Overview ... 79
Factors Affecting Valmet's Results of Operations ... 79
Order Backlog ... 82
Operating Environment ... 82
Recent Developments ... 83
Short-term Outlook ... 83
Presentation of Carve-out Financial Information and Factors Affecting Comparability ... 83
Non-IFRS Measures ... 89
Results of Operations ... 90
Liquidity and Capital Resources ... 93
Balance Sheet Data ... 94
Contractual Commitments and Contingent Liabilities ... 96
Investments ... 96
Working Capital Statement ... 97
Risk Management ... 97
Critical Accounting Policies ... 97

BOARD OF DIRECTORS, MANAGEMENT AND AUDITORS 100
OWNERSHIP STRUCTURE 110
RELATED PARTY TRANSACTIONS 111
DESCRIPTION OF THE SHARES AND SHARE CAPITAL 113
FINNISH SECURITIES MARKETS 118
TAXATION 121
LEGAL MATTERS 127
DOCUMENTS ON DISPLAY 127
FINANCIAL STATEMENTS F-1
ANNEX A: AUDITOR'S STATEMENT ON PRO FORMA FINANCIAL INFORMATION A-1
ANNEX B: THE DEMERGER PLAN B-1

SUMMARY

Summaries are made up of disclosure requirements known as "Elements." These elements are numbered in Sections A–E (A.1–E.7).

This summary contains all the Elements required to be included in the summary for this type of securities and the issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and the issuer, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary with the mention of "not applicable."

Section A – Introduction and warnings

Element	Disclosure requirement	Disclosure
A.1	Introduction	*This summary should be read as an introduction to this Prospectus. Any decision to invest in the securities should be based on a consideration of this Prospectus as a whole by prospective investors. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled this summary including any translation hereof, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or if it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in the securities.*
A.2	Consent for subsequent resale or final placement of securities/offer period/conditions of the consent	Not applicable.

Section B – Issuer

Element	Disclosure requirement	Disclosure
B.1	Legal and commercial name	The name of the Receiving Company to be incorporated on the Effective Date is Valmet Corporation.
B.2	Domicile/legal form/legislation/country of incorporation	Valmet will be domiciled in Helsinki, Finland. Valmet will be a public limited liability company incorporated in Finland and organized under the laws of Finland.
B.3	Current operations and principal activities	*Since Valmet will not be incorporated until the Effective Date, the following description of Valmet's business reflects a number of assumptions and expectations regarding Valmet's operations based on, among others, the Demerger being completed in the manner and in the timeframe contemplated in this Prospectus and the operations of Valmet being organized as anticipated as at the date of this Prospectus.* Valmet is a leading global developer and supplier of services and technologies especially for industries that use bio-based raw materials, primarily the pulp, paper and energy industries as well as selected process industries. Valmet's service and product offerings cover the entire life cycle of industrial processes, including new machines and plants, rebuilds, process control and services. Valmet has extensive technological know-how and a broad process understanding in solutions related to the pulp, paper and energy industries and other biomass conversion technologies. Valmet complements its core business by applying its services and technological know-how to other areas and industries, particularly within the energy sector. Valmet possesses significant experience in comprehensive life cycle services, particularly related to the pulp,

Element	Disclosure requirement	Disclosure
		paper and energy industries, managing projects of all sizes from engineering to project management and commissioning, and after sales support. As at June 30, 2013, Valmet had a total of 12,078 employees on a carve-out basis in 30 countries. Over the years, Valmet has strengthened and expanded its services offerings through organic growth and acquisitions, which has allowed Valmet to assist its customers with optimizing their asset bases. In recent years, Valmet's services business has benefitted from both the service and maintenance outsourcing trend among its customer industries and from the growing installed base, especially in South America, China and Asia Pacific. A focus area for Valmet has been the research and product development of technologies using biomass for energy production and as a raw material for end products in order to create new revenue streams for its customers and to create environmentally sustainable solutions. As of October 1, 2013, Valmet's operations will be organized in the following three business lines and five areas based on geographic region: ● ***The Services business line*** will provide services and solutions to the pulp, paper, energy and certain other process industries. Services and solutions provided include spare, wear and replacement parts and equipment, paper machine clothing, filter fabrics, paper machine roll services, plant improvements, upgrades and technical modifications and expert services to improve plant efficiency and operational effectiveness, as well as plant maintenance outsourcing. ● ***The Pulp and Energy business line*** will supply pulp mills, process islands (*i.e.*, the equipment for the different stages of the production line), such as fiber lines and recovery islands, and process equipment for customers using chemical and mechanical pulping technologies; as well as bio-power plants, power boiler islands and related environmental systems, such as flue gas cleaning solutions; and biomass conversion technology-based solutions, such as gasification of biomass and waste, lignin separation technology and pyrolysis, primarily for the pulp, paper and energy industries. ● ***The Paper business line*** will supply board, tissue and paper machinery and equipment and machine rebuilds for the board, tissue and paper industries. ● ***The areas*** are North America, South America, EMEA, Asia Pacific, and China and they are responsible for sales, providing services that meet customers' needs and support of project deliveries in their respective regions. For the six months ended June 30, 2013, Valmet's net sales on a carve-out basis were EUR 1,345 million and operating profit on a carve-out basis was EUR 24 million. For the six months ended June 30, 2013, 42.8 percent of Valmet's net sales on a carve-out basis came from Europe, the Middle East and Africa ("EMEA"), 15.7 percent from North America, 14.7 percent from South and Central America, 10.1 percent from Asia Pacific and 16.6 percent from China.
B.4a	Significant recent trends of the issuer and its industry	In the Pulp and Energy business line, Metso's management ("Management") expects the demand for pulp mills and rebuilds to remain satisfactory while demand for power plants based on renewable energy sources is expected by Management to remain weak. In the Paper business line, Management believes that structural changes in the paper industry are likely to continue and expects demand for papermaking lines to remain weak. In the Services business line,

Section B – Issuer

Element	Disclosure requirement	Disclosure
		Management expects demand to be satisfactory.
B.5	Group structure	Following the Effective Date, Valmet Corporation will be the parent company of the Valmet group. The most significant subsidiaries of Valmet Corporation will be Metso Paper Oy, Metso Power Oy, Metso Fabrics Oy, Metso Paper Sweden AB, Metso Power AB, Metso Paper USA Inc., Metso Paper South America Ltda and Metso Paper Technology (Shanghai) Co Ltd. There will be 58 subsidiaries of Valmet Corporation that will be part of Valmet.
B.6	Notifiable interests	The shareholders of Metso will receive as demerger consideration one (1) share in Valmet for each share in Metso owned; that is, the Demerger Consideration will be issued to the shareholders of Metso in proportion to their existing shareholdings with a ratio of 1:1. No Demerger Consideration will be issued in respect of own shares held by Metso (483,637 as at September 13, 2013).

The following table sets forth the 10 largest shareholders of Metso that appear on the shareholder register maintained by Euroclear Finland as at September 13, 2013. Assuming that there are no changes in the ownership of the largest shareholders of Metso between September 13, 2013 and the Effective Date, the following table also sets forth Valmet's largest shareholders and their share ownership as at the Effective Date:

	Number of Shares in Metso	Percent of Shares and Votes in Metso	Number of Shares in Valmet[(1)]	Percent of Shares and Votes in Valmet[(1)]
Solidium Oy[(2)]	16,695,287	11.10	16,695,287	11.14
Cevian Capital Partners Ltd	12,508,060	8.32	12,508,060	8.35
Cevian Capital II Master Fund L.P.	8,305,654	5.52	8,305,654	5.54
Ilmarinen Mutual Pension Insurance Company	4,030,126	2.68	4,030,126	2.69
Varma Mutual Pension Insurance Company	2,908,465	1.93	2,908,465	1.94
The State Pension Fund	1,950,000	1.30	1,950,000	1.30
Mandatum Life Insurance Company Ltd.	1,727,000	1.15	1,727,000	1.15
Keva	1,543,015	1.03	1,543,015	1.03
Svenska litteratursällskapet i Finland r.f.	1,188,076	0.79	1,188,076	0.79
Nordea Nordenfonden	1,138,081	0.76	1,138,081	0.76
Other shareholders	98,354,492	65.42	97,870,855	65.31
Total	150,348,256	100.00	149,864,619	100.00

(1) As adjusted as no Demerger Consideration will be issued in respect of own shares held by Metso (483,637 as at September 13, 2013).
(2) A holding company that is wholly owned by the Finnish State.

Element	Disclosure requirement	Disclosure
	Different voting rights	Not applicable. Valmet will have one class of shares with equal voting rights.
	Controlling interests	Not applicable. To the extent known to Metso, Metso is not directly or indirectly owned or controlled by any person as at the date of this Prospectus. Accordingly, as shareholders of Metso will receive new shares in Valmet in proportion to their existing shareholdings, Metso does not expect Valmet to be directly or indirectly owned or controlled by any person on the Effective Date (assuming that changes in Metso's ownership between the date of this Prospectus and the Effective Date do not result in such ownership or control).
B.7	Selected historical key financial information	**Carve-out Financial Information of Valmet**

The following tables present selected carve-out financial information of Valmet as at and for the years ended December 31, 2012, 2011, 2010 and as at and for the six months ended June 30, 2013 and 2012. The selected carve-out financial information presented below has been derived from the audited carve-out financial statements of Valmet as at and for the years ended December 31, 2012, 2011, 2010 and the unaudited interim carve-out financial information of Valmet as at and for the six months ended June 30, 2013, including unaudited comparative interim carve-out financial information as at and for the six months

Element	Disclosure requirement	Disclosure

ended June 30, 2012.

Valmet is not comprised of a group of entities under the control of a parent as defined by "*IAS 27 – Consolidated and Separate Financial Statements*" and, accordingly, has historically not prepared consolidated financial information for internal or external reporting purposes. The carve-out financial information of Valmet included in this Prospectus has been prepared on a basis that combines statements of income, statements of comprehensive income, balance sheets and cash flows of the legal entities and operating units attributable to the PPP Business in Metso's historical consolidated financial statements and that will be carved out from Metso to form Valmet, including certain of Metso Corporation's and Metso's foreign holding companies' income and expenses, assets and liabilities and cash flows that will either be transferred to Valmet or that have been allocated to Valmet for the purpose of the preparation of the carve-out financial information. Accordingly, the carve-out financial information of Valmet does not necessarily reflect what Valmet's results of operations, financial position or cash flows would have been had Valmet operated as an independent company and had it presented stand-alone financial information during the periods presented. Also, the carve-out financial information of Valmet does not take into account any transactions that have been made, or will be made in connection with the Demerger or otherwise, to the extent such transactions have been entered into after the periods covered in the carve-out financial information. Moreover, the carve-out financial information of Valmet may not be indicative of Valmet's future results of operations, financial position or cash flows.

Valmet adopted the revised "*IAS 19 – Employee Benefits*" standard as of January 1, 2013. Where indicated, the historical financial information of Valmet as at and for the year ended December 31, 2012 and for the six months ended June 30, 2012 presented in the tables below have been restated to correspond the new accounting principles, and due to the restatement, is unaudited.

	For the six months ended June 30,		For the year ended December 31,			
	2013	2012	2012	2012	2011	2010
		(restated)[1]	(restated)[1]	(not restated)		
	(unaudited)		(unaudited)		(audited)	
			(EUR in millions)			
COMBINED STATEMENT OF INCOME						
Net sales	1,339	1,449	3,005	3,005	2,692	2,450
Net sales, Metso Group	6	4	9	9	11	3
Net sales, total	1,345	1,453	3,014	3,014	2,703	2,453
Cost of goods sold	(1,058)	(1,118)	(2,345)	(2,345)	(2,029)	(1,877)
Cost of goods sold, Metso Group	(29)	(21)	(60)	(60)	(58)	(46)
Cost of goods sold, total	(1,087)	(1,139)	(2,405)	(2,405)	(2,087)	(1,923)
Gross profit	258	314	609	609	616	530
Selling, general and administrative expenses	(234)	(231)	(457)	(460)	(451)	(426)
Other operating income and expenses, net	(1)	(3)	(14)	(14)	9	2
Share in profits of associated companies	1	0	0	0	0	0
Operating profit	24	80	138	135	174	106
Financial income and expenses, net	(1)	1	0	5	5	(8)
Financial income and expenses, Metso Group, net	(2)	(11)	(23)	(23)	(24)	(29)
Financial income and expenses, net	(3)	(10)	(23)	(18)	(19)	(37)
Profit before taxes	21	70	115	117	155	69
Income taxes	(7)	(24)	(39)	(40)	(46)	(22)
Profit	14	46	76	77	109	47
Attributable to:						
Equityholders of Valmet Group	14	46	76	77	108	46
Non-controlling interests	0	0	0	0	1	1
Profit	14	46	76	77	109	47

	For the six months ended June 30,		For the year ended December 31,			
	2013	2012	2012	2012	2011	2010
		(restated)[1]	(restated)[1]	(not restated)		
	(unaudited)		(unaudited)		(audited)	
	(EUR in millions)					
COMBINED STATEMENT OF COMPREHENSIVE INCOME						
Profit	14	46	76	77	109	47
Items that may be reclassified to profit or loss in subsequent periods:						
Cash flow hedges, net of tax	1	(4)	(3)	(3)	(9)	14
Available-for-sale equity investments, net of tax	0	0	0	0	0	0
Currency translation on subsidiary net investments	(15)	1	(2)	(2)	(4)	36
Net investment hedge gains (+) / losses (–), net of tax	–	–	–	–	2	3
Items that may be reclassified to profit or loss in subsequent periods, total	(14)	(3)	(5)	(5)	(11)	53
Items that will not be reclassified to profit or loss:						
Defined benefit plan actuarial gains (+) / losses (–), net of tax	–	–	(7)	(7)	(15)	(3)
Other comprehensive income (+) / expense (–)	(14)	(3)	(12)	(12)	(26)	50
Total comprehensive income (+) / expense (–)	0	43	64	65	83	97
Attributable to:						
Equityholders of Valmet Group	0	43	64	65	82	96
Non-controlling interests	0	0	0	0	1	1
Total comprehensive income (+) / expense (–)	0	43	64	65	83	97

	As at June 30, 2013	As at December 31,		
		2012[1]	2011	2010
	(unaudited)		(audited)	
	(EUR in millions)			
COMBINED BALANCE SHEET				
ASSETS				
Non-current assets				
Intangible assets				
Goodwill	446	445	443	441
Other intangible assets	124	133	155	178
Intangible assets, total	570	578	598	619
Property, plant and equipment				
Land and water areas	21	21	20	20
Buildings and structures	149	155	159	154
Machinery and equipment	242	246	255	260
Assets under construction	14	19	33	21
Property, plant and equipment, total	426	441	467	455
Financial and other non-current assets				
Investments in associated companies	5	4	4	5
Available-for-sale equity investments	4	4	4	4
Loan and other interest-bearing receivables	1	4	5	5
Other receivables, Metso Group	89	119	132	132
Available-for-sale financial investments	–	–	–	0
Derivative financial instruments	–	–	–	2
Deferred tax asset	67	70	63	74
Other non-current assets	21	12	14	11
Financial and other non-current assets, total	187	213	222	233
Total non-current assets	1,183	1,232	1,287	1,307
Current assets				
Inventories	514	554	616	451
Receivables				
Trade and other receivables	437	530	557	467
Trade and other receivables, Metso Group	13	42	39	37
Cost and earnings of projects under construction in excess of advance billings	171	170	198	164
Loan and other interest-bearing receivables	0	0	0	5
Loan receivables, Metso Group	–	17	–	–
Cash pooling receivables, Metso Group	97	184	271	188
Available-for-sale financial assets	1	1	1	–
Derivative financial instruments	1	6	12	19
Income tax receivables	35	14	7	12
Receivables, total	755	964	1,085	892
Cash and cash equivalents	211	158	308	158
Total current assets	1,480	1,676	2,009	1,501
Total assets	2,663	2,908	3,296	2,808

	As at June 30, 2013	As at December 31, 2012[1]	2011	2010
	(unaudited)	(audited)		
		(EUR in millions)		
EQUITY AND LIABILITIES				
Equity				
Cumulative translation adjustments	9	24	26	28
Fair value and other reserves	4	3	5	14
Invested equity and retained earnings	834	389	370	269
Equity attributable to equityholders of Valmet Group	847	416	401	311
Non-controlling interests	5	7	8	8
Total equity	852	423	409	319
Liabilities				
Non-current liabilities				
Long-term debt	100	132	196	270
Long-term debt, Metso Group	62	550	558	565
Post-employment benefit obligations	120	121	114	91
Provisions	27	30	39	26
Derivative financial instruments	2	1	1	–
Deferred tax liability	33	36	39	51
Other long-term liabilities	1	1	2	2
Total non-current liabilities	345	871	949	1,005
Current liabilities				
Current portion of long-term debt	63	64	84	46
Current portion of long-term debt, Metso Group	30	28	8	8
Short-term debt	–	–	2	0
Cash pooling liabilities, Metso Group	126	93	78	70
Trade and other payables	644	643	808	722
Trade and other payables, Metso Group	24	41	33	37
Provisions	91	117	161	154
Advances received	199	182	272	221
Advances received, Metso Group	6	3	7	5
Billings in excess of cost and earnings of projects under construction	249	402	463	214
Derivative financial instruments	3	6	4	0
Income tax liabilities	31	35	18	7
Total current liabilities	1,466	1,614	1,938	1,484
Total liabilities	1,811	2,485	2,887	2,489
Total equity and liabilities	2,663	2,908	3,296	2,808

	As at and for the six months ended June 30, 2013	2012[1]	As at and for the year ended December 31, 2012[1]	2011	2010
	(unaudited)		(audited)		
			(EUR in millions)		
COMBINED CASH FLOW STATEMENT DATA					
Net cash provided by (+) / used in (–) operating activities	(17)	37	(53)	339	246
Net cash provided by (+) / used in (–) investing activities	(27)	(25)	(53)	(64)	(69)
Net cash provided by (+) / used in (–) financing activities	104	0	(31)	(124)	(242)
Cash and cash equivalents at beginning of period	158	308	308	158	208
Cash and cash equivalents at end of period	211	313	158	308	158

	As at and for the six months ended June 30, 2013	2012	As at and for the year ended December 31, 2012	2012	2011	2010
		(restated)[1]	(restated)[1]	(not restated)		
	(unaudited)		(unaudited)	(audited, unless otherwise indicated)		
			(EUR in millions)			
KEY DATA						
Operating profit	24.0	79.7	138.3	134.7	174.2	106.5
EBITA[2] (unaudited)	37.5	94.2	168.3	164.7	207.1	148.0
EBITA before non-recurring items[3] (unaudited)	48.2	94.2	192.0	188.4	204.5	159.3
Orders received (unaudited)	1,372	1,263	n/a	2,445	3,225	2,584
Order backlog (unaudited)	1,883	2,663	n/a	2,249	2,863	2,347

(1) Restated due to the adoption of the revised "*IAS 19 – Employee Benefits*" on January 1, 2013. The restatement did not have an impact to the combined balance sheet or the combined cash flow statement.
(2) EBITA = operating profit + amortization
(3) EBITA before non-recurring items = operating profit + amortization + non-recurring items

Section B – Issuer

Element	Disclosure requirement	Disclosure
B.8	Selected key pro forma financial information	**Selected Pro Forma Financial Information of Valmet**

The following unaudited pro forma financial information is presented to illustrate the financial impacts of the Demerger and certain Valmet formation related transactions on Valmet's results of operations and financial position had the Demerger consummated at an earlier point in time. This unaudited pro forma financial information is presented for illustrative purposes only. Because of its nature, the unaudited pro forma financial information illustrates what the hypothetical impact would have been if the Demerger and certain Valmet formation related transactions had been consummated at the dates assumed in the pro forma financial information and therefore, does not represent the actual results of operations or financial position of Valmet. The unaudited pro forma financial information is not intended to project the results of operations or financial position of Valmet for any future period or as at any future date and does not represent the results of operations or financial position had Valmet been an independent publicly traded company during the periods presented. In addition, it should be noted that the corporate headquarter costs allocated to Valmet for the purpose of presenting the historical carve-out financial information may not necessarily represent what these costs would have been if Valmet had operated as an independent legal entity. Accordingly, additional costs may be incurred by Valmet following the Effective Date in order for it to operate as an independent listed company, as well as from reorganizing both administrative and headquarter functions.

The pro forma adjustments are based upon available information and assumptions. There can be no assurance that the assumptions used in the preparation of the unaudited pro forma financial information will prove to be correct.

The pro forma adjustments made herein to reflect the effects of the Demerger and certain Valmet formation related transactions are based on Valmet's unaudited interim carve-out financial information as at and for the six months ended June 30, 2013 and unaudited carve-out financial information as at and for the year ended December 31, 2012 and Management's estimate of the transactions that have been completed or are to be completed to effect the Demerger and form Valmet in accordance with the Demerger Plan. The final amounts of assets and liabilities transferred to Valmet in the Demerger may materially differ from those presented in the pro forma financial information as such balances will be determined on the Effective Date. This could result in a significant variation to the results of operations and financial position of Valmet presented in the pro forma financial information.

	For the year ended December 31, 2012					
	Valmet restated[(1)] carve-out	Pro forma adjustment I	Pro forma adjustment II	Pro forma adjustment III	Pro forma adjustment IV	Pro forma
	(unaudited)					(unaudited)
	(EUR in millions)					
PRO FORMA STATEMENT OF INCOME						
Net sales	3,014	–	–	–	–	3,014
Cost of goods sold	(2,405)	–	–	–	–	(2,405)
Gross profit	609	–	–	–	–	609
Selling, general and administrative expenses	(457)	–	–	(11)	–	(468)
Other operating income and expenses, net	(14)	–	–	–	–	(14)
Share in profits and losses of associated companies	0	–	–	–	–	0
Operating profit	138	–	–	(11)	–	127
Financial income and expenses, net	(23)	–	23	(4)	–	(4)
Profit before taxes	115	–	23	(15)	–	123
Income taxes	(39)	–	(6)	4	–	(41)
Profit	76	–	17	(11)	–	82

Section B – Issuer

	For the year ended December 31, 2012					
	Valmet restated[1] carve-out	Pro forma adjustment I	Pro forma adjustment II	Pro forma adjustment III	Pro forma adjustment IV	Pro forma
	(unaudited)					(unaudited)
	(EUR in millions)					
PRO FORMA STATEMENT OF COMPREHENSIVE INCOME						
Profit	76	–	17	(11)	–	82
Items that may be later transferred to profit or loss:						
Cash flow hedges, net of tax	(3)	–	–	–	–	(3)
Available-for-sale equity investments, net of tax	0	–	–	–	–	0
Currency translation on subsidiary net investments	(2)	–	–	–	–	(2)
Net investment hedge gains (+) / losses (–), net of tax	–	–	–	–	–	–
Total items that may be later transferred to profit or loss	(5)	–	–	–	–	(5)
Items that will not be transferred to profit or loss:						
Defined benefit plan actuarial gains (+) / losses (–), net of tax	(7)	–	–	–	–	(7)
Other comprehensive income (+) / expense (–)	(12)	–	–	–	–	(12)
Total comprehensive income (+) / expense (–)	64	–	17	(11)	–	70

	For the six months ended June 30, 2013					
	Valmet carve-out	Pro forma adjustment I	Pro forma adjustment II	Pro forma adjustment III	Pro forma adjustment IV	Pro forma
	(unaudited)					(unaudited)
	(EUR in millions)					
PRO FORMA STATEMENT OF INCOME						
Net sales	1,345	–	–	–	–	1,345
Cost of goods sold	(1,087)	–	–	–	–	(1,087)
Gross profit	258	–	–	–	–	258
Selling, general and administrative expenses	(234)	–	–	3	–	(231)
Other operating income and expenses, net	(1)	–	–	–	–	(1)
Share in profits and losses of associated companies	1	–	–	–	–	1
Operating profit	24	–	–	3	–	27
Financial income and expenses, net	(3)	–	1	1	–	(1)
Profit before taxes	21	–	1	4	–	26
Income taxes	(7)	–	0	(1)	–	(8)
Profit	14	–	1	3	–	18

	For the six months ended June 30, 2013					
	Valmet carve-out	Pro forma adjustment I	Pro forma adjustment II	Pro forma adjustment III	Pro forma adjustment IV	Pro forma
	(unaudited)					(unaudited)
	(EUR in millions)					
PRO FORMA STATEMENT OF COMPREHENSIVE INCOME						
Profit	14	–	1	3	–	18
Items that may be later transferred to profit or loss:					–	
Cash flow hedges, net of tax	1	–	–	–	–	1
Available-for-sale equity investments, net of tax	0	–	–	–	–	0
Currency translation on subsidiary net investments	(15)	–	–	–	–	(15)
Net investment hedge gains (+) / losses (–), net of tax	–	–	–	–	–	–
Total items that may be reclassified as profit or loss in subsequent periods	(14)	–	–	–	–	(14)
Items that will not be transferred to profit or loss:						
Defined benefit plan actuarial gains (+) / losses (–), net of tax	–	–	–	–	–	–
Other comprehensive income (+) / expense (–)	(14)	–	–	–	–	(14)
Total comprehensive income (+) / expense (–)	0	–	1	3	–	4

	As at June 30, 2013					
	Valmet carve-out	Pro forma adjustment I	Pro forma adjustment II	Pro forma adjustment III	Pro forma adjustment IV	Pro forma
	(unaudited)					(unaudited)
	(EUR in millions)					
PRO FORMA BALANCE SHEET						
ASSETS						
Non-current assets						
Intangible assets						
Goodwill	446	–	–	–	–	446
Other intangible assets	124	–	–	–	–	124
Intangible assets, total	570	–	–	–	–	570
Property, plant and equipment						
Land and water areas	21	–	–	–	–	21
Buildings and structures	149	–	–	–	–	149
Machinery and equipment	242	–	–	–	–	242
Assets under construction	14	–	–	–	–	14
Property, plant and equipment, total	426	–	–	–	–	426
Financial and other non-current assets						
Investments in associated companies	5	–	–	–	–	5
Available-for-sale equity investments	4	–	–	–	–	4
Loan and other interest-bearing receivables	1	–	–	–	–	1
Other receivables, Metso Group	89	(89)	–	–	–	–
Deferred tax asset	67	–	–	4	–	71
Other non-current assets	21	–	–	–	–	21
Financial and other non-current assets, total	187	(89)	–	4	–	102
Total non-current assets	1,183	(89)	–	4	–	1,098
Current assets				–	–	
Inventories	514	–	–	–	–	514
Receivables				–	–	
Trade and other receivables	437	–	–	–	–	437
Trade and other receivables, Metso Group	13	–	(5)	–	–	8
Cost and earnings of projects under construction in excess of advance billings	171	–	–	–	–	171
Loan and other interest-bearing receivables	0	–	–	–	–	0
Loan receivables, Metso Group	–	129	(129)	–	–	–
Cash pooling receivables, Metso Group	97	–	(97)	–	–	–
Available-for-sale financial assets	1	–	–	–	–	1
Derivative financial instruments	1	–	–	–	–	1
Income tax receivables	35	–	–	–	–	35
Receivables, total	755	129	(231)	–	–	653
Cash and cash equivalents	211	–	33	(16)	–	228
Total current assets	1,480	129	(198)	(16)	–	1,395
Total assets	2,663	40	(198)	(12)	–	2,493

	As at June 30, 2013					
	Valmet carve-out	Pro forma adjustment I	Pro forma adjustment II	Pro forma adjustment III	Pro forma adjustment IV	Pro forma
	(unaudited)					(unaudited)
	(EUR in millions)					
EQUITY AND LIABILITIES						
Equity						
Share capital	–	–	–	–	100	100
Reserve for invested unrestricted equity	–	–	–	–	295	295
Cumulative translation adjustments	9	–	–	–	–	9
Fair value and other reserves	4	–	–	–	–	4
Retained earnings	–	–	–	–	434	434
Invested equity and retained earnings	834	7	–	(12)	(829)	–
Equity attributable to equityholders of Valmet Group	847	7	–	(12)	–	842
Non-controlling interests	5	–	–	–	–	5
Total equity	852	7	–	(12)	–	847
Liabilities						
Non-current liabilities						
Long-term debt	100	–	52	–	–	152
Long-term debt, Metso Group	62	–	(62)	–	–	–
Post-employment benefit obligations	120	–	–	–	–	120
Provisions	27	–	–	–	–	27
Derivative financial instruments	2	–	–	–	–	2
Deferred tax liability	33	–	–	–	–	33
Other long-term liabilities	1	–	–	–	–	1
Total non-current liabilities	345	–	(10)	–	–	335
Current liabilities				–	–	
Current portion of long-term debt	63	–	–	–	–	63
Current portion of long-term debt, Metso Group	30	–	(30)	–	–	–
Short-term debt, Metso Group	–	32	(32)	–	–	–
Cash pooling liabilities, Metso Group	126	–	(126)	–	–	–
Trade and other payables	644	–	–	–	–	644
Trade and other payables, Metso Group	24	–	–	–	–	24
Provisions	91	–	–	–	–	91
Advances received	199	–	–	–	–	199
Advances received, Metso Group	6	–	–	–	–	6
Billings in excess of cost and earnings of projects under construction	249	–	–	–	–	249
Derivative financial instruments	3	–	–	–	–	3
Income tax liabilities	31	1	–	–	–	32
Total current liabilities	1,466	33	(188)	–	–	1,311
Total liabilities	1,811	33	(198)	–	–	1,646
Total equity and liabilities	2,663	40	(198)	(12)	–	2,493

(1) Restated due to the adoption of the revised "*IAS 19 – Employee Benefits*" on January 1, 2013.

Section B – Issuer

	As at and for the six months ended June 30, 2013	As at and for the year ended December 31, 2012
	(unaudited) (EUR in millions, unless otherwise indicated)	
KEY PRO FORMA DATA		
Net sales, total	1,345	3,014
Operating profit	27	128
Profit before taxes	26	124
Amortization of intangible assets	(14)	(30)
Depreciation of tangible assets	(28)	(60)
Non-recurring items:		
Capacity adjustment expenses	(8)	(24)
Costs related to the Demerger	0	(11)
EBITA[(1)]	40	157
EBITA before non-recurring items[(2)]	48	192
percent of net sales	3.6	6.4
Earnings per share,[(3)] EUR	0.12	0.55
Shares (outstanding shares in Metso as at June 30, 2013)	149,864,206	149,864,206
Balance sheet total	2,493	n/a
Equity	847	n/a
Interest-bearing liabilities	215	n/a
Net debt	(15)	n/a
Gearing,[(4)] percent	(1.7)	n/a
ROCE before taxes,[(5)] percent	6.5	n/a
ROCE after taxes,[(6)] percent	4.9	n/a
Equity to asset ratio,[(7)] percent	37.0	n/a

(1) EBITA = operating profit + amortization

(2) EBITA before non-recurring items = operating profit + amortization + non-recurring items

(3) Earnings per share = $\frac{\text{Profit}}{\text{Number of outstanding shares in Metso}}$

(4) Gearing = $\frac{\text{Net interest-bearing liabilities}}{\text{Total equity}} \times 100$

(5) Return on capital employed (ROCE) before taxes = $\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Balance sheet total – non-interest-bearing liabilities}} \times 100$

(6) Return on capital employed (ROCE) after taxes = $\frac{\text{Profit + interest and other financial expenses}}{\text{Balance sheet total – non-interest-bearing liabilities}} \times 100$

(7) Equity to asset ratio = $\frac{\text{Total equity}}{\text{Balance sheet total – advances received}} \times 100$

Section B – Issuer

Element	Disclosure requirement	Disclosure
B.9	Profit forecast	Not applicable.
B.10	Nature of any qualifications in the audit report on the historical financial information	The independent auditors' reports on the audit for the carve-out financial statements of Valmet as at and for the years ended December 31, 2012, 2011 and 2010 include an emphasis of matter paragraph, where the auditors, without qualifying their opinion, draw attention to the fact that, as described in the note 1 to the carve-out financial statements, Valmet has not formed a separate legal group of entities. The carve-out financial statements are, therefore, not necessarily indicative of results of operations, financial position or cash flows that would have occurred if Valmet had operated as a separate stand-alone group of entities during the years presented or of Valmet's future performance.
B.11	Working capital	Management believes that the working capital available to Valmet is sufficient for at least the 12 months following the date of this Prospectus.

Section C – Securities

Element	Disclosure requirement	Disclosure
C.1	Type and class of the securities being admitted to trading	Valmet will have one class of shares. As at the date of this Prospectus, there is no public trading market for shares in Valmet. Application will be made for the Listing prior to the Effective Date.

Element	Disclosure requirement	Disclosure
		Trading of shares in Valmet on the official list of the Helsinki Stock Exchange is expected to commence on or about January 2, 2014.
C.2	Currency of the securities issue	Shares in Valmet will be denominated in euro.
C.3	Number of shares issued/par value per share	The aggregate number of shares in Valmet to be issued as Demerger Consideration is expected to be 149,864,619 shares (based on the number of shares in Metso (excluding own shares held by Metso) as at the date of this Prospectus). The aggregate number of shares in Valmet to be issued as Demerger Consideration will be determined on the basis of the number of shares in Metso (excluding own shares held by Metso) on the Effective Date. Shares in Valmet will have no nominal value.
C.4	Rights attached to the securities	**Pre-emptive Rights** Pursuant to the Finnish Companies Act (624/2006, as amended, the "Finnish Companies Act"), shareholders in a Finnish company have the pre-emptive right, in proportion to their shareholdings, to subscribe for new shares in such company as well as for issues of stock options or convertible bonds, unless the resolution of the general meeting of shareholders approving such issue provides otherwise. **General Meetings of Shareholders** Pursuant to the Finnish Companies Act, shareholders exercise their power to resolve on matters at general meetings of shareholders. **Voting Rights** A shareholder may attend and vote at a general meeting of shareholders in person or through an authorized representative. Under the Finnish Companies Act, each share entitles the holder to one vote at the general meeting of shareholders, unless the articles of association of the company provide otherwise. At a general meeting of shareholders, resolutions are generally passed with the majority of the votes cast. However, certain resolutions, such as any deviations from shareholders' pre-emptive rights in respect of share offerings and repurchases of own shares, amendments to the articles of association and resolutions regarding mergers, demergers or liquidation of a company, require at least two-thirds of the votes cast and the shares represented at the general meeting of shareholders. In addition, certain resolutions, such as amendments to the articles of association that change the respective rights of shareholders holding the same class of shares or increase the redemption rights of a company or its shareholders, require the consent of all shareholders, or where only certain shareholders are affected, require the consent of all shareholders affected by the amendment in addition to the applicable majority requirement. **Dividends and Other Distributions of Funds** In accordance with the prevailing practice in Finland, dividends on shares in a Finnish limited liability company, if any, are generally declared once a year. Dividends may be paid and unrestricted equity may be otherwise distributed after the general meeting of shareholders has adopted the company's financial statements and resolved on the amount of the dividend or other distribution of unrestricted equity based on the proposal by the board of directors of the company. Pursuant to the Finnish Companies Act, the payment of a dividend or other distribution of unrestricted equity may also be based on financial statements other than those for the preceding financial year, provided that such

Element	Disclosure requirement	Disclosure
		financial statements have been adopted by the general meeting of shareholders. If the company has an obligation to elect an auditor pursuant to law or its articles of association, such financial statements must be audited. The payment of a dividend or other distribution of unrestricted equity requires the approval of the majority of the votes cast at a general meeting of shareholders of the company. Pursuant to the Finnish Companies Act, the general meeting of shareholders may also authorize the board of directors to resolve upon payment of dividends and other distributions of unrestricted equity. The amount of dividend or other distribution of unrestricted equity cannot exceed the amount stipulated by the general meeting of shareholders. The amount of any dividend or other distribution of unrestricted equity is limited to the amount of distributable funds of the company stated in the financial statements upon which the decision to pay dividends or otherwise distribute unrestricted equity is based, subject to any material changes in the financial condition of the company since the financial statements were prepared. Distribution of funds, whether by way of dividend or other distribution of unrestricted equity, is prohibited if it is known, or it should be known, at the time such decision is made that the company is insolvent or that such distribution would cause the company to become insolvent. The dividend may not exceed the amount proposed or otherwise accepted by the board of directors, unless so requested at the general meeting by shareholders representing at least one-tenth of all of the issued and outstanding shares in the company, in which case, the dividend can be no more than the lesser of (i) at least one-half of the profit for the preceding financial year less the amount that the articles of association of the company require to be left undistributed (if any) and (ii) the amount of distributable funds as described above. However, in such case, the dividend cannot exceed 8 percent of the total shareholders' equity of the company and the distributable amount must be adjusted for any dividends paid during the accounting period before the annual general meeting of shareholders. Dividends and other distributions of funds are paid to shareholders or their nominees entered in the register of shareholders on the relevant record date. Such register is maintained by Euroclear Finland through the relevant book-entry account operators. Under the Finnish book-entry securities system, dividends are paid by account transfers to the accounts of the shareholders appearing in the register. All of the shares carry equal rights to dividends and other distributions of funds by Valmet (including distributions of assets in the event of the liquidation of Valmet). After they are registered in the Finnish Trade Register, shares in Valmet will entitle the holder to dividends and other distributions of funds by Valmet as well as other shareholder rights. The right to dividends will expire three years from the dividend payment date.
C.5	Restrictions on the free transferability of the securities	Not applicable. Shares in Valmet will be freely transferable.
C.6	Admission/regulated markets where the securities are traded	Valmet intends to file an application for the Listing prior to the Effective Date. The shares in Valmet are expected to be listed on the Helsinki Stock Exchange on or about January 2, 2014.
C.7	Dividend policy	On September 3, 2013, the Board of Directors of Metso resolved on Valmet's dividend policy. According to the dividend policy, Valmet aims to distribute at least 40 percent of its annual net profit in annual dividends or other forms of repatriation of capital to its shareholders. Any dividends to be paid in future years, the amount thereof and the time of payment will depend on Valmet's results of operations, financial condition, capital expenditure needs and debt

Section C – Securities

Element	Disclosure requirement	Disclosure
		service obligations, among other factors. The dividends paid by Metso in the past are not an indication of the dividends that Valmet will pay, if any in the future. There can be no assurance that any dividend will be paid, nor can there be any assurance as to the amounts potentially to be paid in any given year.

Section D – Risks

Element	Disclosure requirement	Disclosure
D.1	Key risks that are specific to the issuer or its industry	**Risks related to the Demerger include, but are not limited to, the following:** ● there is no certainty that the Demerger will be completed, or the completion may be delayed; ● Valmet may be liable for certain obligations of Metso following the Effective Date; ● Valmet may not be able to implement its business organization and its independent strategy in the manner and timeframe currently anticipated and it may not be able to realize any or all of the anticipated benefits of the Demerger; ● following the Effective Date, Valmet may not have all independent corporate functions in place and, as a result, it may not be able to operate its business effectively or at costs comparable to those of its competitors; ● certain agreements entered into by Metso that relate to Valmet may be terminated by Metso's counterparties as a result of the Demerger; ● the Demerger may negatively affect Valmet's brand awareness and negotiating position; ● Valmet's carve-out financial information and pro forma financial information may not give a true and fair view of Valmet's business, result of operations and/or financial position; and ● the results of operations of Valmet as an independent company following the Effective Date may be more volatile than those of Metso. **Risks related to Valmet include, but are not limited to, the following:** ● demand for Valmet's products and services is subject to risks relating to its customer industries, which, in turn, are affected by global economic conditions; ● Valmet operates in highly competitive markets and it may not be successful in responding to changes in its operating environment and developing products and services that allow it to maintain its market position; ● failure to protect or enforce intellectual property rights could have a material adverse effect on Valmet's competitiveness as well as on its business, financial condition and results of operations; ● Valmet operates in emerging markets, where political, economic and legal developments, among others, could have a material adverse

Element	Disclosure requirement	Disclosure
		effect on Valmet's business, financial condition and results of operations; ● changes in environmental laws and regulations as well as permits may have a material adverse effect on Valmet's business, financial condition and results of operations; ● failure to successfully complete potential future acquisitions and other investments could have a material adverse effect on Valmet's business, financial condition and results of operations; ● Valmet's operations are largely based on contracts for projects, which exposes Valmet to risks relating to project completion and may result in cost overruns; ● Valmet's operations may be interrupted due to problems associated with raw materials, subcontractor and supplier network, and customer relationship management; ● Valmet is dependent on functioning logistics and any problems in its logistics chain could have a material adverse effect on Valmet's business, financial condition and results of operations; ● nonpayment by a large customer could have a material adverse effect on Valmet's business, financial condition and results of operations; ● Valmet is subject to risks relating to human resources and organizational structure management and a failure to manage these risks effectively could have a material adverse effect on Valmet's business, financial condition and results of operations; ● Valmet may be subject to product liability claims that, if not covered by insurance, could have a material adverse effect on Valmet's business, financial condition and results of operations; ● any significant problems with the separation of information systems and their functioning could have a material adverse effect on Valmet's business, financial condition and results of operations; ● Valmet's operations are subject to risks related to compliance and crimes, which could result administrative sanctions and fines and harm Valmet's reputation; ● hazard risks, if materialized, could have a material adverse effect on Valmet's business, financial condition and results of operations; ● following the Effective Date, Valmet will have to secure its financing independently, and there can be no assurance that any future financing arrangements will have terms similar to those of financing obtained prior to the Effective Date; ● should the market conditions deteriorate, Valmet could encounter difficulties in refinancing its debt and financing its operations; ● fluctuations in interest rates could have a material adverse effect on Valmet's business, financial condition and results of operations; ● fluctuations in foreign exchange rates could have a material adverse effect on Valmet's business, financial condition and results of

Section D – Risks

Element	Disclosure requirement	Disclosure
		operations; ● fluctuations in the prices of raw materials and supplies, including energy, could have a material adverse effect on Valmet's business, financial condition and results of operations; ● failure to effectively manage credit and counterparty risk could have a material adverse effect on Valmet's business, financial condition and results of operations; and ● changes in assumptions underlying the carrying value of certain assets, including as a result of adverse market conditions, could result in impairment of such assets, including intangible assets such as goodwill.
D.3	Key risks that are specific to the securities	**Risks related to shares in Valmet include, but are not limited to, the following:** ● the Listing may not occur; ● Valmet's largest shareholders can have significant influence on matters to be resolved by shareholders; ● an active public market for shares in Valmet may not develop, which may lead to a lack of liquidity and price volatility; ● holders of shares in Valmet registered in custodial nominee accounts may not be able to exercise their voting rights; and ● the amount of dividends, if any, distributed to shareholders is uncertain.

Section E – Offer

Element	Disclosure requirement	Disclosure
E.1	Net proceeds/estimate of expenses	Not applicable. There will be no net proceeds as securities will be given as Demerger Consideration. All of the costs related to the Demerger will be divided between Metso and Valmet so that Metso is responsible for the costs and remuneration relating to the Demerger process and its completion and Valmet for the costs relating to the Listing, creation of the shares in Valmet in the book-entry securities system and costs related to the commencement of Valmet's operations. In practice, Metso will pay all of the costs until the Effective Date and will invoice Valmet after the Effective Date the costs relating to the Listing. After the Effective Date, both Metso and Valmet will be responsible for their own costs. The non-recurring fees and expenses payable by Valmet related to the Demerger are estimated to amount to approximately EUR 20 million.
E.2a	Reasons for the offer/use of proceeds/estimated net amount of the proceeds	The Board of Directors of Metso has on May 31, 2013 unanimously approved the Demerger Plan. The shares in Valmet constitute the Demerger Consideration.
E.3	Terms and conditions of the offer	The Board of Directors of Metso has on May 31, 2013 unanimously approved the Demerger Plan pursuant to which the PPP Business will transfer, without liquidation, from Metso to Valmet. The Board of Directors of Metso has on August 15, 2013 unanimously proposed the approval of the Demerger and the

Section E – Offer

Element	Disclosure requirement	Disclosure
		Demerger Plan to the EGM scheduled to be held on October 1, 2013. The Demerger will become effective if the EGM approves the Demerger and the Demerger Plan and if the completion of the Demerger is subsequently registered in the Finnish Trade Register. The completion of the Demerger is expected to be registered in the Finnish Trade Register on or about December 31, 2013 (*i.e.*, the Effective Date). On the Effective Date, the incorporation of Valmet will become effective. Metso's shareholders will receive as demerger consideration one (1) share in Valmet for each share in Metso owned; that is, the Demerger Consideration will be issued to Metso's shareholders in proportion to their existing shareholdings with a ratio of 1:1. No Demerger Consideration will be issued in respect of own shares held by Metso. The aggregate number of shares in Valmet to be issued as Demerger Consideration is expected to be 149,864,619 shares (based on the number of shares in Metso (excluding own shares held by Metso) as at the date of this Prospectus). The aggregate number of shares in Valmet to be issued as Demerger Consideration will be determined on the basis of the number of shares in Metso (excluding own shares held by Metso) on the Effective Date. The Valmet shares to be issued as Demerger Consideration will be recorded on the book entry accounts of Metso's shareholders on or about the Effective Date or as soon as possible thereafter in accordance with the practices applied by Euroclear Finland. After the EGM has approved the Demerger and the Demerger Plan, Metso's shareholders will not need to take any action in order to receive the Demerger Consideration. Application will be made for the Listing prior to the Effective Date. Trading of shares in Valmet on the official list of the Helsinki Stock Exchange is expected to commence on or about January 2, 2014.
E.4	Interests material to the issue/conflicting interests	Not applicable. There are no known interests that are material to the Demerger or the Listing that are conflicting.
E.5	Name of the offeror/Lock-up agreements	Not applicable. No entity is offering to sell securities. There are no lock-up agreements.
E.6	Dilution	Not applicable. The ownership base of Valmet will be formed in connection with the incorporation of Valmet.
E.7	Estimated expenses charged to the investor	Not applicable. No expenses will be charged to investors by Valmet. Custodians, account operators and brokers may charge normal commissions for trading shares. Each custodian and account operator will charge fees in accordance with its own price list for maintaining a book-entry account and for entries on the account.

RISK FACTORS

Potential investors should carefully review the information contained in this Prospectus, and in particular, the risk factors described below. The following description of risk factors is based on information known and assessed on the date of this Prospectus and, therefore, is not necessarily exhaustive. Should one or more of the risk factors described herein materialize, it could have a material adverse effect on Valmet's business, financial condition and results of operations and investors could lose a part or all of their investment. Valmet also faces many additional risks not currently known or not currently deemed material that could also impair its business, financial condition and results of operations. Potential investors should note that the order in which the risk factors are presented does not reflect the probability of their realization or order of importance. This Prospectus also contains forward-looking statements, which involve risks and uncertainties. Valmet's actual results of operations could materially differ from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Prospectus.

Risks Related to the Demerger

There is no certainty that the Demerger will be completed, or the completion may be delayed.

The Demerger will become effective if the EGM approves the Demerger and the Demerger Plan and if the completion of the Demerger is subsequently registered in the Finnish Trade Register. The completion of the Demerger is expected to be registered in the Finnish Trade Register on or about December 31, 2013 (*i.e.*, the Effective Date). The Board of Directors of Metso has on August 15, 2013 unanimously proposed the approval of the Demerger and the Demerger Plan to the EGM scheduled to be held on October 1, 2013. The Demerger and the Demerger Plan must be approved by shareholders representing at least two-thirds of the votes cast and shares represented at the EGM. The Demerger Plan must be approved in the form proposed by the Board of Directors of Metso. There can be no assurance that the EGM will approve the Demerger and the Demerger Plan, which would result in the lapse of the Demerger.

A demerger pursuant to the Finnish Companies Act includes a creditor hearing process during which creditors of the demerging company may object to the demerger until the due date of the creditor hearing process. In the Demerger, such due date is September 23, 2013. If any of Metso's creditors object to the Demerger in the creditor hearing process and do not revoke such objection, the Finnish Trade Register would register the completion of the Demerger only after a competent district court has issued a confirmatory judgment stating that the opposing creditor has received payment for its receivables or that Metso has posted security for the payment of the creditor's receivables. While Metso has obtained consents and waivers from certain of its lenders covering financial facilities totaling approximately EUR 2,700 million as well as from the holders of bonds issued under its EMTN program (see "Summary of the Demerger—Creditor Consents and Waivers"), there can be no assurance that other of Metso's creditors will not object to the Demerger in the creditor hearing process, which could delay or prevent the completion of the Demerger.

Valmet may be liable for certain obligations of Metso following the Effective Date.

Pursuant to the Finnish Companies Act, all companies participating in a demerger are jointly liable for the debts of the demerging company that have arisen prior to the registration of the completion of the demerger. The liability of a participating company for debts that have in the demerger plan been allocated to another participating company is limited to a total amount equal to the value of the net assets received or retained by the first mentioned participating company in the demerger ("Secondary Demerger Liability"). A demand for payment based on Secondary Demerger Liability can be made only after it has been established that payment will not be received from the participating company to which such debt was allocated in the demerger plan or out of the proceeds of security posted for the relevant liability.

In the Demerger, all of the assets, debts and liabilities of Metso relating to the PPP Business will transfer, without liquidation, from Metso to Valmet. All of the assets, debts and liabilities relating to Metso's Mining and Construction and Automation businesses (together, the "MCA Business") will remain with Metso. Following the Effective Date, Valmet may be liable for any debts that arose prior to the Effective Date and that have been allocated to Metso in the Demerger Plan if it has been established that payment will not be received from Metso or out of the proceeds of security posted for the relevant liability, if any. Such liability could have a material adverse effect on Valmet's business, financial condition and results of operations.

Valmet may not be able to implement its business organization and its independent strategy in the manner and timeframe currently anticipated and it may not be able to realize any or all of the anticipated benefits of the Demerger.

One of the main reasons for the Demerger is to allow the different businesses of Metso to accelerate the implementation of their independent strategies, which Management expects to create the potential for increased value for Metso's shareholders and other stakeholders. See "Summary of the Demerger—General Description." Valmet's ability to achieve

the anticipated benefits of the Demerger will depend on its ability to organize its business and effectively implement its independent strategy in a timely manner. The implementation of Valmet's strategy involves certain risks and uncertainties, some of which are outside of Valmet's control, and there can be no assurance that Valmet will be able to implement its strategy as currently expected or to realize any or all of the anticipated benefits of the Demerger.

Risks and challenges for Valmet relating to the Demerger and implementation of Valmet's independent strategy include, but are not limited to, the following:

- the implementation of the new organizational model for Valmet;
- the ability to secure necessary financing facilities for Valmet;
- the renegotiation and separation of shared procurement contracts for indirect materials and services;
- the separation of corporate, financial, control and administrative functions, including cash management, internal and other financing, hedging of market risks, insurance, financial control and reporting, information technology infrastructure, shared information technology systems, communications, compliance and other administrative functions;
- the separation of raw material and energy sourcing and shared logistics and transportation relating to service centers and customer deliveries; and
- the retention of key senior management and/or key employees and the ability to hire new qualified personnel.

In addition, the anticipated benefits of the Demerger and implementation of Valmet's independent strategy depend in part on the successful implementation of Valmet's cost efficiency program, which targets an annual cost reduction of approximately EUR 100 million. For more information on Valmet's cost efficiency program, see "Operating and Financial Review and Prospects—Factors Affecting Valmet's Results of Operations—Valmet's Cost Efficiency Program." The full anticipated benefits of this program or other initiatives that Valmet takes in the future may not be realized. Furthermore, there can be no assurance that adverse developments in general economic conditions will not limit, eliminate or delay Valmet's ability to realize anticipated benefits, which could have a material adverse effect on Valmet's business, financial condition and results of operations.

Should Valmet not be able to organize its business or implement its independent strategy as currently anticipated and in a timely manner and realize the anticipated benefits of the Demerger in the manner or within the timeframe currently anticipated, it could have a material adverse effect on Valmet's business, financial condition and results of operations.

Following the Effective Date, Valmet may not have all independent corporate functions in place and, as a result, it may not be able to operate its business effectively or at costs comparable to those of its competitors.

Effective internal controls and other corporate functions are necessary for Valmet to provide reliable financial reports and to prevent fraud. If Valmet cannot provide reliable financial reports or prevent fraud, its financial results, reputation, access to financing and its share price could be negatively affected. Although Valmet aims to organize independent corporate functions necessary for a publicly listed company by the Effective Date, it may not be able to complete the organization of all independent functions separate from Metso or to obtain related services from third parties. For more information regarding certain transition arrangements with Metso, see "Summary of the Demerger—Related Arrangements." As a result, Valmet may incur additional costs due to the ongoing work to finalize an integrated governance, control and risk management framework, and until such integrated framework is in place, Valmet may be affected by risks arising in relation to its internal controls and risk management, which could have a material adverse effect on Valmet's business, financial condition and results of operations. Further, inadequate internal controls could cause investors to lose confidence in the financial information included in Valmet's reports. See also "—Risks Related to Shares in Valmet—The Listing May Not Occur" below.

Certain agreements entered into by Metso that relate to Valmet may be terminated by Metso's counterparties as a result of the Demerger.

As is customary, a number of Metso's agreements entered into with third parties include clauses that prevent or impose limitations on transferring the rights and obligations arising from such agreements without the consent of the other party, and may give the other party a right to terminate the agreement in the event of a reorganization or change of control. The applicability of these clauses in a demerger context is often subject to interpretation and uncertainty. Notwithstanding Metso's notifications and consent requests sent to a number of its counterparties in relation to the Demerger process, there can be no assurance that one or more of Metso's agreements that relate to Valmet will not be prematurely

terminated due to the Demerger. Further, there can be no assurance that the risks related to the premature termination, if realized, would not have a material adverse effect on Valmet's business, financial condition and results of operations.

The Demerger may negatively affect Valmet's brand awareness and negotiating position.

Brand awareness is important to Valmet in maintaining and growing its market position. As an independent company, Valmet may not be able to maintain the market position that it enjoyed as part of the internationally known Metso group. The Demerger may adversely affect Valmet's relationships with its customers and its ability to attract new customers, which could have a material adverse effect on Valmet's business, financial condition and results of operations. Further, as an independent company, Valmet may not have the same negotiating power regarding the procurement of certain services that it had through Metso. In addition, Valmet may not be able to obtain terms or prices similar to those obtained prior to the Effective Date, which could have a material adverse effect on Valmet's business, financial condition and results of operations.

Valmet's carve-out financial information and pro forma financial information may not give a true and fair view of Valmet's business, result of operations and/or financial position.

Valmet's historical carve-out financial information and unaudited pro forma financial information included in this Prospectus may not accurately reflect what Valmet's actual operations, financial position and result of operations would have been had Valmet and its subsidiaries operated as an independent group and had it presented stand-alone financial statements during the periods presented or had the Demerger been consummated on the dates presented, and they may not be indicative of Valmet's future operations, financial position and/or result of operations.

Valmet has not in the past formed a separate legal group, but the financial result of its operations has been consolidated with the result of operations, financial position and cash flows of Metso. The carve-out financial information for Valmet included in this Prospectus has been prepared on a "carve-out" basis from Metso's consolidated financial statements using the historical results of operations, assets, liabilities and cash flows attributable to Valmet and certain assumptions and estimates were made which affected the recognition and the amount of the assets, liabilities, income and expenses. Additional information is presented in Valmet's carve-out financial information included in the F-pages to this Prospectus. See also "Presentation of Financial Information" and "Operating and Financial Review and Prospects—Presentation of Carve-out Financial Information and Factors Affecting Comparability."

Valmet's unaudited pro forma financial information included in this Prospectus has been prepared for illustrative purposes only and, because of its nature, it addresses a hypothetical situation. The unaudited pro forma financial information illustrates what the hypothetical impact would have been if the Demerger and certain Valmet formation related transactions had been consummated at the dates assumed in the pro forma financial information and, therefore, does not represent the actual results of operations or financial position of Valmet. The unaudited pro forma financial information is not intended to project the results of operations or financial position of Valmet for any future period or as at any future date. The pro forma financial information is based on Valmet's carve-out financial information and certain Demerger and Valmet formation related adjustments have been made to it as presented in more detail in "Pro Forma Financial Information." The pro forma adjustments are based on available information and assumptions, and their factual effects may differ from what has been presented in this Prospectus, and consequently the result of operations and/or financial position presented in the unaudited pro forma financial information may differ from Valmet's actual result of operations and/or financial position.

The results of operations of Valmet as an independent company following the Effective Date may be more volatile than those of Metso.

Prior to the Effective Date, Metso's financial condition and results of operations are affected by diversification resulting from operating various business segments in different customer industries. Following the Effective Date, the level of diversification will be reduced and Valmet as an independent company may demonstrate increased volatility in terms of its operations and/or results of operations. The past performance and cycles of Metso's business should not be considered as an indication of future performance and cycles of Valmet's business as an independent company.

Risks Related to Valmet

Strategic Risks

Demand for Valmet's products and services is subject to risks relating to its customer industries, which, in turn, are affected by global economic conditions.

Business cycles in the global economy and in Valmet's customer industries, mainly the pulp, paper and energy industries, will continue to influence the demand for its products and services. New equipment sales tend to be more affected by business cycles and customers' capital expenditure than sales of services, which are largely linked to the utilization rates of customers' assets. Although Metso has actively sought to reduce the risks presented by business cycles, and Management expects Valmet to continue to do so in the future, business cycles are expected to continue to affect the demand for Valmet's products as well as Valmet's business, financial condition and results of operations. Continued financial uncertainties in many markets, coupled with fluctuations in exchange rates as well as tightening financial market regulations, may also have an adverse effect on the availability of financing from banks and capital markets, and could reduce customers' investment activity level. Following the Effective Date, the business of Valmet will be more concentrated than the business of Metso currently is and, accordingly, Valmet will be more exposed to the business cycles of its customer industries. A prolonged period of recession in Valmet's primary segments or a decline in Valmet's order book could have a material adverse effect on Valmet's business, financial condition and results of operations.

Turbulence in terms of global economic growth in emerging markets, particularly in China, may also cause new projects under negotiation or projects in Valmet's order backlog to be postponed, suspended or discontinued. Deliveries of large turn-key projects are typical for Valmet's businesses. These projects usually commence against advance payments, which reduce Valmet's need for capital employed and exposure to financial difficulties of its customers. However, Valmet may not receive project payments as expected if projects are discontinued. If any of these risks materialize, it could have a material adverse effect on Valmet's business, financial condition and results of operations.

Valmet operates in highly competitive markets and it may not be successful in responding to changes in its operating environment and developing products and services that allow it to maintain its market position.

Valmet operates in highly competitive markets in which only a few large suppliers bid for larger orders. In addition, there are many small companies competing locally that have a comparatively low cost base. Valmet's strategy has been to differentiate itself from its competitors by offering technological know-how that supports sustainability, through local presence and a comprehensive services offering, as well as through long-term commitment to its customers. Although Valmet's main competitors are still European and North American companies, certain Asian suppliers are providing solutions that are able to compete due to their low prices. Consolidation in customer industries may also result in tightened competition.

Structural changes in Valmet's operating environment may also affect its operations and impact its competitiveness and profitability. Such changes may result from the introduction of new technologies, shift in use of certain technology and end-user behavior. For example, ongoing structural changes in the paper market driven by the decrease in demand for printed media have taken place in the market and have resulted in paper production overcapacity in Europe and North America. This has weakened demand for writing and printing paper machines and caused a shift in demand to lower-cost solutions and mid-sized machines and rebuilds. In addition, the power generation sector is experiencing a slower investment cycle in Europe and a significant decrease in demand in North America due to low energy prices resulting from the increased use of shale gas. As a result, Metso announced a plan to initiate a global cost efficiency program for Valmet in order to adapt to changes in the marketplace and to improve Valmet's profitability. For more information on Valmet's cost efficiency program, see "Operating and Financial Review and Prospects—Factors Affecting Valmet's Results of Operations—Valmet's Cost Efficiency Program." However, there can be no assurance that Valmet will be able to realize the anticipated cost savings from its cost efficiency program. If the current market trends continue, Valmet may be required to take further cost efficiency or other measures.

The markets in which Valmet operates are also characterized by continuously evolving technologies. In planning and implementing its operations, Valmet must consider the development potential, new products and services, technological solutions and the different life cycle stages of its products and production plants and those of its customers. As tendering for new projects often is partly based on references to earlier projects, a failure to respond to changes in the marketplace could result in dilution of the Valmet brand and reputation as a technological leader, which could have an adverse effect on Valmet's ability to win new projects. Further, if Valmet is not successful in developing new technology or if demand for a new technology that Valmet develops does not materialize, it may be required to write off its investment in such technology and receive no benefit for its investment, which could have a material adverse effect on Valmet's business, financial condition and results of operations.

There can be no assurance that Valmet will be able to effectively respond to changes in the marketplace or that new or enhanced products and technologies developed by current or future competitors will not reduce the competitiveness of Valmet's products and services, which could have a material adverse effect on Valmet's business, financial condition and results of operations.

Failure to protect or enforce intellectual property rights could have a material adverse effect on Valmet's competitiveness as well as on its business, financial condition and results of operations.

Metso has taken measures to protect the products and intellectual property rights related to Valmet through patents, utility models and trademarks, among others, and Management expects Valmet to continue to do so in the future. The protection of intellectual property rights is important for Valmet. The importance of the protection and enforcement of the intellectual property rights has increased due to certain products having been copied, especially in emerging markets. Metso monitors, and Management expects Valmet to continue to monitor in the future, intellectual property rights protected by third parties in order to avoid infringement on such rights. However, there can be no assurance that the measures Metso has taken, and that Management expects Valmet to take, will effectively deter competitors from improper use of intellectual property rights or prevent claims of infringement on third-party intellectual property rights. Any failure to protect or enforce intellectual property rights or resulting claims of infringement on third-party intellectual property rights could have a material adverse effect on Valmet's competitiveness as well as on its business, financial condition and results of operations.

Valmet operates in emerging markets, where political, economic and legal developments, among others, could have a material adverse effect on Valmet's business, financial condition and results of operations.

An important part of Metso's business development has been its presence in emerging markets. Following the Effective Date, Valmet will have a global presence through its service network. In developing countries, the political, economic and legal systems are less predictable than in countries with more developed institutional structures. Various external stakeholders, such as authorities, industrial organizations, research institutes and non-governmental organizations on a national and international level, affect the business environment and the markets in which Valmet operates. Operating in emerging countries also includes risks associated with the protection of intellectual property and reputation as an ethical corporation, among others. Further, political and social unrest, terrorism and armed conflicts in different parts of the world may represent risks to Valmet's operations. Political or economic upheaval, changes in laws or other factors could have a material adverse effect on Valmet's operations in emerging markets as well as on Valmet's business, financial condition and results of operations.

Changes in environmental laws and regulations as well as permits may have a material adverse effect on Valmet's business, financial condition and results of operations.

Stricter energy and environmental legislation around the world requires, for example, the reduction of greenhouse gases, more efficient use of energy and raw materials as well as increases in recycling and in the use of renewable energy sources. The changes in environmental legislation have a significant impact on the business and cost structures of industrial companies, including Valmet. As laws and regulations are amended or as their application or enforcement is changed, significant costs in complying with new and more stringent regulations may be imposed on Valmet. Further, the operations of Valmet require environmental and other regulatory permits and licenses that are subject to modification, renewal or, subject to certain conditions, revocation by the issuing authorities. In certain countries, the procedures for obtaining these permits and licenses are often long and complex and there can be no assurance that the requested permit or license will be granted or renewed. In addition, violations of applicable environmental laws and regulations could result in civil and criminal penalties, revocation of permits and licenses, the curtailment or cessation of operations, third-party claims or any combination thereof.

Valmet has developed new biomass conversion technology applications that Management believes provide new market opportunities. The market for these biomass conversion technology applications is emerging as the first plants for some of these applications are technically and commercially fully proven and as the EU as well as several countries, including the United States and Brazil, have set targets and developed plans, which include the use of mandates, incentives and other support mechanisms, to significantly increase the production and consumption of bioenergy. However, governments may not implement such mandates, incentives and other support mechanisms as a result of prevailing economic conditions, changes in government policies or other reasons beyond Valmet's control, which could reduce demand for Valmet's biomass conversion technology applications and have a material adverse effect on Valmet's business, financial condition and results of operations.

When planning its energy needs, Metso has sought to take into account the risks related to climate change by, among other sustainability initiatives, developing more energy efficient products and solutions, and Management expects Valmet to continue to do so in the future. However, as environmental requirements are becoming stricter both in emerging and

developed markets, it may increase the costs of Valmet and its customers and suppliers and may reduce its customers' interest in a product that is no longer considered environmentally friendly.

Although Management is not aware of any current environmental matters that could reasonably be expected to have a material adverse effect on Valmet's business, financial condition and results of operations, there can be no assurance that continued compliance with the existing or future environmental laws, and the costs associated therewith, will not have a material adverse effect on Valmet's business, financial condition and results of operations.

Failure to successfully complete potential future acquisitions and other investments could have a material adverse effect on Valmet's business, financial condition and results of operations.

Although Management expects Valmet to continue to utilize defined processes for any future mergers and acquisitions, such transactions are subject to a number of risks relating to the assessment of the acquired business, including its value, strengths, weaknesses, potential profitability, assets and liabilities. Accordingly, even a detailed review may fail to identify and discover potential liabilities and deficiencies, including legal claims; claims for breach of contract; employment related claims; environmental liabilities, conditions and contamination; the presence of or liability for hazardous materials; tax liabilities; and other liabilities (whether or not contingent), which could result in significant additional costs and liabilities. The success of any potential merger or acquisition will also be dependent on management's ability to successfully integrate the acquired business into Valmet's existing operations. Any of these risks, if materialized, could have a material adverse effect on Valmet's business, financial condition and results of operations.

Operational Risks

Valmet's operations are largely based on contracts for projects, which exposes Valmet to risks relating to project completion and may result in cost overruns.

Approximately one-half of Valmet's net sales on a carve-out basis during the past three years were derived from orders related to projects that typically take many months or even years to complete. The majority of these projects are based on fixed price contracts. These orders can present project-specific risks related to, for example, delivery schedules, equipment start-up, production capacity and end-product quality. In some projects, risks may also arise from new technology included in the deliveries. Contract awards are also affected by events outside Valmet's control, such as events affecting the delivery site, prices, demand, general economic conditions, granting of governmental approvals, and securing of project financing. This uncertainty can cause difficulties in matching Valmet's fixed costs and predicted order volume. The sales and operating margins realized in a fixed price contract may vary from original estimates as a result of changes in costs, especially fluctuating material costs, and productivity over the term of the contract. In addition, since certain items that Valmet supplies are outsourced, Valmet may be forced to quote at a fixed price to customers without knowing the costs of the purchased parts. While estimates are made using empirical data and quotes from potential suppliers, these may not always be accurate. While Valmet has a long history in executing and delivering projects and procedures to mitigate such risks, there can be no assurance that these risks, if materialized, would not have a material adverse effect on Valmet's business, financial condition and results of operations.

Valmet's ability to perform according to the estimates it used when preparing its bid and its ability to execute the project affect the profitability of the project. If Valmet is unable to perform the contract in accordance with the estimates it used in preparing its bid, it could have a material adverse effect on Valmet's business, financial condition and results of operations.

Valmet's operations may be interrupted due to problems associated with raw materials, subcontractor and supplier network, and customer relationship management.

The risks associated with raw materials, subcontractor and supplier network, and customer relationship management are significant for Valmet's operations. Valmet is dependent on functioning information communication systems (ICT) and enterprise resource planning (ERP). In particular, Valmet's business needs a synchronized and timely flow of goods to its sites in large projects, where the availability risks of parts from different geographical areas are interconnected in terms of the project's business continuation. For the supply network, in particular in relation to new suppliers, availability, price, quality and delivery schedule risks are critical for Valmet's operations. Metso has been utilizing its production capacity in an inter-segmental manner during critical periods of high business cycles and also for balancing the cost efficient production of some of its reporting segments during the low business cycles. Following the Effective Date, this inter-segment production capacity and balancing the cost efficient production between different reporting segments cannot be utilized by Valmet. This may have an adverse effect on Valmet's profitability.

In addition, Valmet has historically procured certain equipment, including automation equipment, from entities within Metso that are not part of the PPP Business. After the Effective Date, Valmet will no longer be able to obtain this equipment internally. While Metso and Valmet have entered into an agreement regarding the supply of automation equipment (see "Summary of the Demerger—Agreement with Metso Automation"), there can be no assurance that Valmet will continue to be able to acquire automation equipment from Metso on favorable terms or at all.

For the six months ended June 30, 2013, Metso's suppliers in its traditional markets in Finland, the United States, Sweden and Germany accounted for a majority of its total procurement by value. During the past years, the largest increase in Metso's procurement volumes has been in South America and Asia as Metso's deliveries to its customers in those areas have increased. It is expected that the significance of South America and Asia will continue to grow for Valmet due to the focused investments in these areas by its customers. Supply problems faced by Valmet's suppliers can influence the price and availability of the raw materials used in their products. Therefore, raw material procurement costs may increase and delivery lead times lengthen. The slowing of global economic growth has improved the availability of subcontractors' resources. On the other hand, the weakened economic situation could drive smaller subcontractors into financial difficulties. Some of Valmet's current customers are also raw material producers whose ability to operate and invest may be hampered by declining raw material prices. The price and availability of steel and scrap iron, which are among the most important raw materials for Valmet, can fluctuate and, therefore, adversely affect Valmet's operations. Changes in raw material and component prices may also affect the value of inventories and result in inventory write-downs. Although Metso has continued to build a global supplier network, has signed long-term supply contracts and hedges prices when possible in an attempt to limit the purchasing risks related to the availability and pricing of raw materials and components, and Management expects Valmet to continue to do so in the future, there can be no assurance that such risks, if materialized, would not have a material adverse effect on Valmet's business, financial condition and results of operations.

The direct risks associated with raw materials procurement have decreased in recent years because Metso's operations, including the PPP Business, have increasingly focused on manufacturing and assembling core components. On the other hand, outsourcing has increased the importance of, and the risks related to, suppliers and subcontractors. Valmet has no control over these suppliers and any problems encountered by the suppliers or subcontractors may adversely affect Valmet's operations. Further, Valmet may not be able to find alternative suppliers for some of its subcontractors without a delay. Disruptions in the deliveries by subcontractors could have a material adverse effect on Valmet's customer relationships and, accordingly, on Valmet's business, financial condition and results of operations.

Valmet is dependent on functioning logistics and any problems in its logistics chain could have a material adverse effect on Valmet's business, financial condition and results of operations.

Valmet is dependent on functioning logistics and transportation. Problems in Valmet's logistics chain, for example delays in delivery schedules or damage to cargo, may result in production delays and increase costs. The impact of the long transportation times (up to 60 days) can severely impact the time schedule of Valmet's projects and expose Valmet to liability to pay liquidated damages due to delay in case of any failure of Valmet's logistics management or logistics chain. Valmet can also face significant losses if cargo damage or other shipping losses are not accurately reported to the insurer due to currency conversions or other reasons.

Nonpayment by a large customer could have a material adverse effect on Valmet's business, financial condition and results of operations.

Certain of Valmet's customers have experienced financial and operational challenges during the recent financial downturn and may continue to do so in the future. As Valmet's operations are largely based on contracts for projects, if a customer fails to meet its payment obligations for a large project, it may have a material adverse effect on Valmet's business, financial condition and results of operations. While Valmet typically attempts to reduce the risk of nonpayment by requiring advance payments throughout the development of projects, there can be no assurance that this or any similar measures that Valmet takes will be effective.

Valmet is subject to risks relating to human resources and organizational structure management and a failure to manage these risks effectively could have a material adverse effect on Valmet's business, financial condition and results of operations.

Metso has continuously assessed the human resources and organizational structures of its businesses, including the PPP Business. By doing so, it has aimed to ensure organizational efficiency and competence and to avoid related risks, such as misguided recruiting, imbalance in the age structure of its personnel and a high personnel turnover rate. Regarding human resources and organizational structures, the transfer of competence from developed markets to emerging markets, where Metso's operations and resources have grown in recent years, is seen as important in securing operational continuity. Metso aims to anticipate these issues in its successor and recruitment planning and has enhanced awareness of

Metso among potential recruits in recent years. The continued development of human resources and organizational structures as well as the utilization of personnel potential will be critical for the development of Valmet's independent business operations and for securing its competitiveness. Valmet especially needs to focus on emerging markets in which its customer base and operations are growing. The Demerger or Valmet's cost efficiency program (see "Operating and Financial Review and Prospects—Key Factors Affecting Valmet's Results of Operations—Valmet's Cost Efficiency Program") could increase the difficulty of retaining current employees or attracting new employees. In addition, Valmet's cost efficiency program could adversely affect Valmet's relationship with its employees and result in strikes or other actions or operational disruptions, any of which could adversely affect Valmet's ability to deliver products to customers or have other adverse effects and, therefore, have a material adverse effect on Valmet's business, financial condition and results of operations. If Valmet is unable to attract, retain and motivate qualified employees at all levels, it could have a material adverse effect on Valmet's business, financial condition and results of operations.

Valmet may be subject to product liability claims that, if not covered by insurance, could have a material adverse effect on Valmet's business, financial condition and results of operations.

Metso has, from time to time, been involved in product liability claims that are typical for companies operating in its industry and Valmet will continue to face such potential risk in the future. Most of the product liability claims have historically originated from businesses other than the PPP Business. Product liability claims typically include claims based on personal injury. Valmet's products may also be used in locations where customers' activities can endanger the environment and result in liability for Valmet. The possible risks related to any claims for compensation based on product liability are covered by an insurance policy, subject to applicable insurance terms and conditions. In an attempt to reduce the risk of product liability claims, Metso has generally taken various measures, including providing start-up training for customers, providing comprehensive instruction manuals, investing in product safety development and automation and including provisions limiting its liability in sales contracts (subject to applicable laws). Although Management expects Valmet to continue to take such preventative actions in the future, it may be liable for damages beyond those covered by its insurance, which could have a material adverse effect on Valmet's business, financial condition and results of operations.

Any significant problems with the separation of information systems and their functioning could have a material adverse effect on Valmet's business, financial condition and results of operations.

Valmet's operations will be dependent on external, internal and embedded information technology services and solutions. Valmet's information technology services and solutions are planned to be separated from those of Metso during 2013 mainly by using the same service providers and solutions as are currently being used by Metso. It is further expected that existing shared resources will be divided between Valmet and Metso. After the Effective Date, it is expected that Metso will provide certain information technology services and solutions to Valmet pursuant to the terms of transitional services agreements to be entered into between Metso and Valmet and that the provision of such services and solutions is planned to end, in whole or in part, by September 30, 2014. For a more detailed description of the transitional services agreements, see "Summary of the Demerger—Related Arrangements—Transitional Services Agreements." Accordingly, although Valmet will aim to continue to use reliable information technology solutions and information security management to avoid interruptions in service, information security risks, exposure to data loss or compromising the reliability or usability of information, significant interruptions in the global availability of services or compromising the confidentiality of business-critical information could have a material adverse effect on Valmet's business, financial condition and results of operations. Furthermore, separation of Valmet's information technology systems from Metso's may be time consuming and costly and there can be no assurance that such separation can be realized in the manner or within the timeframe currently anticipated or that the systems will operate as currently expected.

Valmet's operations are subject to risks related to compliance and crimes, which could result in administrative sanctions and fines and harm Valmet's reputation.

Metso has aimed to operate in compliance with applicable laws and regulations, and Management expects Valmet to continue to do so in the future. However, illegal activities such as fraud, misconduct or criminal acts, present a potential risk for Valmet. Even though the potential risk of illegal activity is considered to be relatively limited, this type of activity could undermine Valmet's reputation and have a material adverse effect on Valmet's business, financial condition and results of operations. Although Management expects Valmet to seek to comply with all applicable laws and regulations, Valmet could unknowingly breach such laws and regulations due to erroneous interpretations or other reasons. Any non-compliance could increase Valmet's costs or lead to fines, administrative sanctions or other penalties and have a material adverse effect on Valmet's business, financial condition and results of operations.

Hazard risks, if materialized, could have a material adverse effect on Valmet's business, financial condition and results of operations.

Hazard risks include occupational health and safety-related risks, personnel security risks, environmental, fire and other catastrophe risks, natural phenomenon risks and premise security risks. Metso has taken, and Management expects Valmet to take in the future, precautions against hazard risks through occupational health and safety standards, guidelines, certification principles, travel safety guidelines, emergency planning, information management security instructions as well as continuous monitoring and risk assessment work on all levels of operations. Metso has also sought to prepare for the materialization of hazard risks in its insurance coverage, and Management expects Valmet to continue to do so in the future. The occurrence of any of these risks could delay production, increase production costs and result in death or injury to employees, damage to property and liability for Valmet as well as substantially harm Valmet's reputation. Accordingly, there can be no assurance these risks, if materialized, would not have a material adverse effect on Valmet's business, financial condition and results of operations.

Financial Risks

Following the Effective Date, Valmet will have to secure its financing independently, and there can be no assurance that any future financing arrangements will have terms similar to those of financing obtained prior to the Effective Date.

Prior to the Effective Date, the businesses of Metso, including the PPP Business, have been financed and their liquidity has been managed centrally by Metso. Accordingly, historical cash flows of Metso in respect of its businesses are not indicative of the cash flows to be expected from independent entities or their financing needs. Management expects Valmet's principal source of liquidity to continue to be cash generated from operations. In addition, Management expects Valmet to finance its operations with debt financing as required to meet its financing and liquidity needs. In connection with the Demerger process, Metso has entered into the EUR 200 million Multicurrency Revolving Loan Facility (as defined herein), which will transfer to Valmet on the Effective Date, as well as the EUR 200 million Term Loan Facility (as defined herein), which will transfer to Valmet on the Effective Date subject to adjustment to the amount available under the facility. For information on these loan facilities and certain other financing agreements that will transfer to Valmet on the Effective Date, see "Operating and Financial Review and Prospects—Liquidity and Capital Resources—Borrowings." However, there can be no assurance that Valmet's future financing arrangements will have terms similar to those of financing obtained prior to the Effective Date. There can be no assurance that Valmet will be able to obtain, on a timely basis, sufficient funds on acceptable terms to provide adequate liquidity and to finance the operating and capital expenditures necessary to support its strategy if cash flows from operations and cash on hand prove to be insufficient. Failure to generate additional funds, whether from operations or additional debt or equity financings, may require Valmet to delay or abandon some or all of its anticipated strategy initiatives or to modify its business strategy, which could have a material adverse effect on Valmet's business, financial condition and results of operations. Furthermore, the potential ability of competitors to raise capital more easily and on more favorable terms could place Valmet at a competitive disadvantage.

Should the market conditions deteriorate, Valmet could encounter difficulties in refinancing its debt and financing its operations.

On a pro forma basis, Valmet's interest-bearing liabilities were EUR 215 million as at June 30, 2013. There can be no assurance that Valmet will be able to obtain additional financing and/or refinance its existing debt when it matures. In addition, any adverse developments in the credit markets, as well as other future adverse developments, such as the further deterioration of the overall financial markets or a worsening of general economic conditions, could have a material adverse effect on Valmet's ability to borrow additional funds as well as on the cost and other terms of funding. The failure to obtain sufficient financing for Valmet's operations or increased costs or unfavorable terms of financing could have a material adverse effect on Valmet's business, financial condition and results of operations.

Fluctuations in interest rates could have a material adverse effect on Valmet's business, financial condition and results of operations.

Changes in market interest rates and interest margins may affect Valmet's financing costs, returns on financial investments and market valuation of interest-bearing balance sheet items. Although Management expects Valmet to manage its interest rate risks as Metso has done in the past, there can be no assurance that interest rate fluctuations will not have a material adverse effect on Valmet's business, financial condition and results of operations.

Fluctuations in foreign exchange rates could have a material adverse effect on Valmet's business, financial condition and results of operations.

Valmet is exposed to foreign exchange risk in several currencies. For the six months ended June 30, 2013, 61 percent of Valmet's net sales on a carve-out basis originated from entities outside of the euro area. Valmet's main currencies for sales are the euro, the U.S. dollar, the Canadian dollar, the Brazilian real, the Swedish krona and the Chinese renminbi. For the same period, 41 percent of Valmet's costs were incurred in currencies other than the euro. Valmet's main currencies for costs are the euro, the U.S. dollar, the Brazilian real, the Swedish krona and the Chinese renminbi.

The principal forms of risks associated with exchange rate fluctuations include transaction exposure and translation (equity) exposure. Foreign exchange transaction exposure arises when a business unit of Valmet engages in commercial or financial transactions and makes payments in currencies other than its own functional currency, and when related cash inflow and outflow amounts are not equal or concurrent. In accordance with Metso's existing treasury policy, its business units are required to hedge in full the foreign currency exposures on balance sheet and other firm commitments. Future cash flows denominated in a currency other than the functional currency of the business unit are hedged with internal foreign exchange contracts with Metso's group treasury for periods that generally do not exceed two years. Business units also hedge directly with banks in jurisdictions in which regulation does not allow intra-group cross border contracts. Management expects Valmet to follow a similar approach in the future.

Foreign exchange translation exposure, on the other hand, arises when the equity of a subsidiary is denominated in a currency other than the functional currency of its respective parent company. This exposure may lead to translation differences in Valmet's consolidated equity. Metso has in the past hedged these risks by way of using foreign currency loans and forward exchange contracts as hedging instruments, and Management expects Valmet to follow a similar approach in the future.

Although Management believes that the measures it has taken, and the measures it expects Valmet to take, to hedge its exposure to exchange rate fluctuations are currently adequate, there can be no assurance that exchange rate fluctuations will not have a material adverse effect on Valmet's business, financial condition and results of operations.

Uncertainty in the economy is likely to increase exchange rate fluctuations. Exchange rate fluctuations may also weaken the cost competitiveness of Valmet's products as compared to its competitors' products that are manufactured in other currency areas. In addition, any change in the exchange rate between the euro and a non-euro investor's functional currency may affect the investor's return on an investment in shares in Valmet. The value of dividends and other distributions paid in euro and the value of shares in Valmet quoted on the Helsinki Stock Exchange in euro could increase or decline as a result.

Fluctuations in the prices of raw materials and supplies, including energy, could have a material adverse effect on Valmet's business, financial condition and results of operations.

Following the Effective Date, Valmet's business will continue to be exposed to variations in the prices of raw materials and supplies, including energy. Currently, Metso's business units identify their commodity price hedging needs and Metso's group treasury executes hedges using approved counterparties and instruments. Metso has defined and approved separate hedging limits for commodity risks. Metso conducts hedging on a rolling basis with a declining hedging level over time. Management expects Valmet to take a similar approach in the future.

Metso has hedged the electricity exposure in its business units in Finland and Sweden with electricity forwards and fixed price physical contracts, which are designated as hedges of highly probable future electricity purchases. Hedging is focused on the estimated energy consumption for the following two years with some contracts extended to approximately five years. Metso has entered into average-price swap agreements for nickel to reduce its exposure to the volatility caused by the surcharge for certain metal alloys (the "Alloy Adjustment Factor") comprised in the price of stainless steel charged by its suppliers. The Alloy Adjustment Factor is based on monthly average prices of its components, of which nickel is the most significant. Management expects Valmet to take a similar approach in the future.

Although Management expects Valmet to take measures similar to those taken by Metso in the past, there can be no assurance that commodity price fluctuations will not have a material adverse effect on Valmet's business, financial condition and results of operations.

Failure to effectively manage credit and counterparty risk could have a material adverse effect on Valmet's business, financial condition and results of operations.

According to Metso's current practice, Metso's business units are primarily responsible for controlling credit risks related to their sales activities. The business units assess the credit quality of their customers, taking into account their financial

condition, Metso's past experience with them and other relevant factors. Metso's group treasury provides centralized services related to customers' financing needs and seeks to ensure compliance with the principles of its treasury policy with respect to terms of payment and the required collateral. Management expects Valmet to follow same principles in its credit risk management in the future.

Valmet's ability to manage its trade receivables exposure, customer financing, risk concentrations and financial counterparty-related risks will depend on a number of factors, including its capital structure, market conditions affecting its counterparties, and its ability to mitigate exposure on acceptable terms. Counterparty risk also arises from financial transactions agreed upon with banks, financial institutions and corporations. Currently, Metso manages this risk through careful selection of banks and other counterparties, by setting counterparty-specific limits and through entering into netting agreements. Management expects Valmet to follow similar principles in its counterparty risk management in the future.

However, there can be no assurance that Valmet will be successful in managing the risks related to its trade receivables exposure, customer financing, risk concentrations or financial counterparties, and a failure to do so could have a material adverse effect on Valmet's business, financial condition and results of operations.

Changes in assumptions underlying the carrying value of certain assets, including as a result of adverse market conditions, could result in impairment of such assets, including intangible assets such as goodwill.

On a carve-out basis, Valmet had EUR 446 million of goodwill as at June 30, 2013. The carrying value of identifiable intangible assets with indefinite economic life such as goodwill is tested annually or more frequently if events or changes in circumstances indicate that such carrying value may not be recoverable. The carrying values of property, plant and equipment and intangible assets subject to depreciation and amortization are reviewed for impairment whenever there are indications that their carrying values could exceed their value in use or disposal value if disposal is considered as a possible option.

Impairment testing is based on a number of estimates. The valuation of goodwill is subject to management's judgment and is highly susceptible to change from period to period because it requires management to make assumptions regarding future supply and demand related to its individual businesses, future sales prices and achievable cost savings. For example, Management currently expects the demand for power plants based on renewable energy sources and paper lines to remain weak. Valmet is addressing the problem through a restructuring program and development of new solutions and products. If the market for Valmet's power generation solutions and paper lines would further deteriorate, Valmet may have to record impairments in the value of goodwill. Accordingly, there can be no assurance that Valmet will not be required to record impairments in the value of goodwill in the future, which could have a material adverse effect on Valmet's business, financial condition and results of operations.

Risks Related to Shares in Valmet

The Listing may not occur.

As at the date of this Prospectus, there can be no assurance that Valmet will fulfill all requirements of the Listing following the Effective Date or that the Listing will occur. Application will be made for the Listing prior to the Effective Date. If the Listing does not occur and shares in Valmet are not publicly traded, the price formation of shares in Valmet may not necessarily be reliable and investors may not be able to sell shares in Valmet when desired or at all. If the shares in Valmet are not publicly listed, Valmet is under no disclosure obligation according to the Finnish Securities Markets Act or the rules of the Helsinki Stock Exchange. This could have a material adverse effect on the value of shares in Valmet and the position of Valmet's shareholders.

Valmet's largest shareholders can have significant influence on matters to be resolved by shareholders.

Valmet's largest shareholders can have significant influence on matters resolved in its general meetings of shareholders. According to the shareholder register maintained by Euroclear Finland as at September 13, 2013, the persons or entities owning more than five percent of the shares in Metso were Solidium Oy ("Solidium"), a holding company that is wholly owned by the Finnish State, (11.10 percent) and Cevian Capital II Master Fund L.P. and its wholly-owned subsidiary Cevian Capital Partners Ltd (aggregate holdings of 13.84 percent). On the Effective Date, the ownership structure of Valmet will be identical to that of Metso (except for any trades of shares in Metso that have not been cleared on the Effective Date and own shares held by Metso). The interests of Valmet's largest shareholders may not necessarily be aligned with the interests of the other shareholders. Significant matters to be resolved in general meetings of shareholders of Valmet include, among others, approval of the financial statements, discharging management from liability, deciding on the use of distributable funds and payment of dividends, electing members of the boards of directors and electing the auditors.

An active public market for shares in Valmet may not develop, which may lead to a lack of liquidity and price volatility.

Prior to the Listing, there is and has been no public trading market for shares in Valmet and there can be no assurance that an active market will emerge or can be sustained after the Listing. Accordingly, there can be no assurance as to the liquidity of shares in Valmet. The market price of shares in Valmet subsequent to the Listing could be subject to fluctuations in response to factors such as actual or anticipated variations in Valmet's operating results, announcements of innovations, introductions of new products or services by Valmet or its competitors, changes in estimates by financial analysts, conditions and trends in the pulp, paper or energy markets, currency exchange rates, regulatory developments, general market conditions or other factors. In addition, international financial markets have from time to time experienced price and volume fluctuations that were unrelated to the operating performance or prospects of individual companies. Consequently, the trading market for and the liquidity of shares in Valmet may be materially adversely affected by general declines in the market or by declines in the market for similar securities.

Holders of shares in Valmet registered in custodial nominee accounts may not be able to exercise their voting rights.

Beneficial owners of shares in Valmet that are registered in a custodial nominee account will not be able to vote such shares unless their ownership is re-registered in their names with Euroclear Finland prior to the general meeting of shareholders of Valmet. There can be no assurance that beneficial owners of shares in Valmet will receive the notice for a general meeting of shareholders in time to instruct their nominees to either effect a re-registration of their shares or otherwise vote their shares in the manner desired by such beneficial owners. See "Finnish Securities Markets—Finnish Book-entry Securities System."

The amount of dividends, if any, distributed to shareholders is uncertain.

Under the provisions of the Finnish Companies Act, the amount of any dividend that Valmet will be permitted to distribute is limited to the amount of distributable funds shown on its latest unconsolidated parent company audited financial statements adopted by the general meeting of shareholders. Valmet's ability to pay dividends in the future will be affected by a number of factors, including its future earnings, cash flows, debt service obligations, investments, solvency, terms of outstanding indebtedness, ability to receive sufficient dividends from its subsidiaries and local laws and regulatory requirements. On September 3, 2013, the Board of Directors of Metso resolved on Valmet's dividend policy. According to the dividend policy, Valmet aims to distribute at least 40 percent of its annual net profit in annual dividends or other forms of repatriation of capital to its shareholders. However, there can be no assurance that distributable funds will be available in any financial year. Further, shareholders of Valmet should not consider past dividends paid by Metso to be an indication of any dividends to be paid by Valmet in the future.

SPECIAL CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. These statements may not be based on historical facts, but are statements about future expectations. When used in this Prospectus, the words "aims," "anticipates," "assumes," "believes," "estimates," "expects," "will," "intends," "may," "plans," "should" and similar expressions as they relate to Metso, Valmet, the Demerger or the Listing identify certain of these forward-looking statements. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements are set forth in a number of places in this Prospectus, including in "Risk Factors," "Summary of the Demerger," "Market and Industry Overview," "Business of Valmet" and wherever this Prospectus include information on the future results, plans and expectations with regard to Valmet's business, including its strategic plans and plans on growth and profitability, and the general economic conditions.

These forward-looking statements are based on present plans, estimates, projections and expectations. They are based on certain expectations, which, even though they seem to be reasonable at present, may turn out to be incorrect. Such forward-looking statements are based on assumptions and are subject to various risks and uncertainties. Shareholders should not rely on these forward-looking statements. Numerous factors may cause the actual results of operations or financial condition of Valmet to differ materially from those expressed or implied in the forward-looking statements.

The absence or the occurrence of these factors may cause Valmet's actual results of operation and financial condition to differ significantly from the results stated or described, expressly or implicitly, in the sections containing such forward-looking statements. In light of the risks, uncertainties, assumptions and other factors referred to in this Prospectus, events described in the forward-looking statements may not occur or may fail to materialize. Consequently, there can be no guarantee regarding the accuracy and completeness of any of the forward-looking statements contained in this Prospectus or the actual materialization of predicted developments.

See "Important Information" for information on Metso's obligation to supplement this Prospectus prior to the EGM and to make announcements on matters that could have a material effect on the value of shares in Valmet following the EGM and prior to the Listing.

PRESENTATION OF FINANCIAL INFORMATION

Carve-out Financial Information of Valmet

The historical financial information of Valmet consists of the audited carve-out financial statements as at and for the years ended December 31, 2012, 2011 and 2010 and the unaudited interim carve-out financial information as at and for the six months ended June 30, 2013, including unaudited comparative interim carve-out financial information as at and for the six months ended June 30, 2012. The historical carve-out financial information of Valmet has been included in the F-pages to this Prospectus.

The carve-out financial information of Valmet has been derived from Metso's audited consolidated financial statements as at and for the years ended December 31, 2012, 2011 and 2010 and unaudited consolidated interim reports as at and for the six months ended June 30, 2013 and 2012. The audited carve-out financial statements of Valmet as at and for the years ended December 31, 2012, 2011 and 2010 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (the "EU") 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 as described in the notes to the carve-out financial statements. The unaudited interim carve-out financial information of Valmet as at and for the six months ended June 30, 2013, including unaudited comparative interim carve-out financial information as at and for the six months ended June 30, 2012, has been prepared in accordance with "*IAS 34 – Interim Financial Reporting*" under the same considerations as described above.

The carve-out financial statements of Valmet as at and for the year ended December 31, 2012 have been audited by Ernst & Young Oy, Authorized Public Accountants (with a registered address at Elielinaukio 5 B, FI-00100 Helsinki, Finland), with Authorized Public Accountant Roger Rejström as the responsible auditor. The carve-out financial statements of Valmet as at and for the years ended December 31, 2011 and 2010 have been audited by PricewaterhouseCoopers Oy, Authorized Public Accountants (with a registered address at Itämerentori 2, FI-00100 Helsinki, Finland), with Authorized Public Accountant Heikki Lassila as the responsible auditor. The authorized public accountants signing the auditor's reports are members of the Institute of Finnish Authorised Public Accountants.

Valmet is not comprised of a group of entities under the control of a parent as defined by "*IAS 27 – Consolidated and Separate Financial Statements*" and, accordingly, has historically not prepared consolidated financial information for internal or external reporting purposes. The carve-out financial information of Valmet included in this Prospectus has been prepared on a basis that combines statements of income, statements of comprehensive income, balance sheets and cash flows of the legal entities and operating units attributable to the PPP Business in Metso's historical consolidated financial statements and that will be carved out from Metso to form Valmet, including certain of Metso Corporation's and Metso's foreign holding companies' income and expenses, assets and liabilities and cash flows that will either be transferred to Valmet or that have been allocated to Valmet for the purpose of the preparation of the carve-out financial information. Accordingly, the carve-out financial information of Valmet does not necessarily reflect what Valmet's results of operations, financial position or cash flows would have been had Valmet operated as an independent company and had it presented stand-alone financial information during the periods presented. Also, the carve-out financial information of Valmet does not take into account any transactions that have been made, or will be made in connection with the Demerger or otherwise, to the extent such transactions have been entered into after the periods covered in the carve-out financial information. Moreover, the carve-out financial information of Valmet may not be indicative of Valmet's future results of operations, financial position or cash flows. See "Operating and Financial Review and Prospects—Presentation of Carve-out Financial Information and Factors Affecting Comparability."

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.

Revised "*IAS 19 – Employee Benefits*" requires retrospective application and, accordingly, affects the carve-out financial information of Valmet presented herein. The carve-out financial information as at and for the year ended December 31, 2012 and as at and for the six months ended June 30, 2012 has been restated. The restated financial information presented herein is unaudited. The carve-out financial statements as at and for the years ended December 31, 2011 and 2010 have not been restated. For more information on the effects of the restatement, see note 1 to the carve-out interim financial

information of Valmet as at and for the six months ended June 30, 2013, including unaudited comparative interim carve-out financial information as at and for the six months ended June 30, 2012.

Pro Forma Financial Information of Valmet

This Prospectus includes unaudited pro forma financial information illustrating the effects of the Demerger and certain Valmet formation related transactions on Valmet's result of operations and financial position. The pro forma financial information has been presented as if the Demerger and the Valmet formation related transactions had been executed on (i) January 1, 2012, for the pro forma statements of income and pro forma statements of comprehensive income and (ii) June 30, 2013, for the pro forma balance sheet.

The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its nature, it addresses a hypothetical situation. The unaudited pro forma financial information illustrates what the hypothetical impact would have been if the Demerger and certain Valmet formation related transactions had been consummated at the dates assumed in the pro forma financial information and, therefore, does not represent the actual results of operations or financial position of Valmet. The unaudited pro forma financial information is not intended to project the results of operations or financial position of Valmet for any future period or as at any future date.

The pro forma financial information has been compiled on a basis consistent with the IFRS standards applied by Valmet in the audited carve-out financial statements as at and for the years ended December 31, 2012, 2011 and 2010, and the unaudited carve-out financial information as at and for the six months ended June 30, 2013. The pro forma financial information is based on Valmet's unaudited carve-out financial information as at and for the six months ended June 30, 2013, and the audited carve-out financial statements as at and for the year ended December 31, 2012, restated for the effects of the revised "*IAS 19 – Employee Benefits*" standard adopted on January 1, 2013. Furthermore, certain Demerger and Valmet formation related adjustments have been made to the pro forma financial information as described in more detail in "Pro Forma Financial Information." The pro forma adjustments are based on available information and assumptions, and their factual effects may differ from what has been presented in this Prospectus, and consequently the results of operations and/or financial position presented in the unaudited pro forma financial information may differ from Valmet's actual result of operations and/or financial position. In addition, it should be noted that the corporate headquarter costs allocated to Valmet for the purpose of presenting the historical carve-out financial information may not necessarily represent what these costs would have been if Valmet had operated as an independent legal entity. Accordingly, additional costs may be incurred by Valmet following the Effective Date in order for it to operate as an independent listed company, as well as from reorganizing both administrative and headquarter functions.

The pro forma adjustments made herein to reflect the effects of the Demerger and certain Valmet formation related transactions are based on Valmet's unaudited interim carve-out financial information as at and for the six months ended June 30, 2013 and unaudited carve-out financial information as at and for the year ended December 31, 2012 and Management's estimate of the transactions that have been completed or are to be completed to effect the Demerger and form Valmet in accordance with the Demerger Plan. The final amounts of assets and liabilities transferred to Valmet in the Demerger may materially differ from those presented in the pro forma financial information as such balances will be determined on the Effective Date. This could result in a significant variation to the results of operations and financial position of Valmet presented in the pro forma financial information.

The unaudited pro forma financial information does not include all of the information required for financial statements under IFRS, and should be read in conjunction with Valmet's historical carve-out financial statements and interim carve-out financial information included elsewhere in this Prospectus.

For more information, see "Pro Forma Financial Information."

Non-IFRS Measures

Valmet has included in this Prospectus certain non-IFRS financial measures that exclude certain items for all periods reported. Management believes that these non-IFRS financial measures provide meaningful supplemental information to both management and investors regarding their performance by excluding items that may not be indicative of the operating results of the underlying business. These non-IFRS financial measures should not be viewed in isolation or as substitutes to the equivalent IFRS measures, but should be used in conjunction with the most directly comparable IFRS measures in the reported results. For a reconciliation of the non-IFRS measures of Valmet to reported IFRS financial measures for periods presented, see "Operating and Financial Review and Prospects—Non-IFRS Measures."

Valmet has included in this Prospectus certain key ratios, including operating profit before amortization ("EBITA"), EBITA before non-recurring items and EBITA margin before non-recurring items, which are not accounting measures defined under IFRS. EBITA, EBITA before non-recurring items and EBITA margin before non-recurring items should

not be considered as an alternative to Valmet's (i) operating profit or profit/loss for the period as a measure of operating performance; (ii) cash flows from operating, investing, acquisitions and financing activities as a measure of their abilities to meet their cash needs; or (iii) any other measures of performance under IFRS. Management believes that EBITA, EBITA before non-recurring items and EBITA margin before non-recurring items are useful indicators of an entity's ability to obtain financing and service its debt and can assist certain investors, security analysts and other interested parties in evaluating the business.

Because all companies do not calculate EBITA, EBITA before non-recurring items and EBITA margin before non-recurring items on a consistent basis, the presentation of EBITA, EBITA before non-recurring items and EBITA margin before non-recurring items in this Prospectus may not be comparable to measures under the same or similar names used by other companies. Accordingly, undue reliance should not be placed on EBITA, EBITA before non-recurring items and EBITA margin before non-recurring items included in this Prospectus.

Certain Other Information

The figures presented in this Prospectus, including the financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or row in tables may not conform exactly to the total figure given for that column or row. In addition, certain percentages presented in this Prospectus reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

All references in this Prospectus to "U.S. dollar" and "USD" refer to the currency of the United States of America, those to "Canadian dollar" to the currency of Canada, those to "Swedish krona" and "SEK" to the currency of Sweden, those to "Brazilian real" to the currency of Brazil, "Chinese renminbi" to the currency of the People's Republic of China and those to "euro" and "EUR" refer to the currency of the Economic and Monetary Union of the EU.

NO INCORPORATION OF WEBSITE INFORMATION

The Finnish Prospectus will be published on Metso's website at www.metso.com/investors on or about September 23, 2013. In addition, the Finnish Prospectus will be available at the Helsinki Stock Exchange, located at Fabianinkatu 14, FI-00100 Helsinki, Finland, on or about September 24, 2013. However, the contents of Metso's website or any other website do not form a part of this Prospectus.

RESPONSIBILITY FOR THE INFORMATION IN THIS PROSPECTUS

Metso accepts responsibility for the completeness and accuracy of the information contained in this Prospectus. Having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of knowledge of Metso, in accordance with the facts and contains no omission likely to affect the import of such information.

Metso has prepared this Prospectus on behalf of Valmet as Valmet will only be incorporated in connection with the registration of the completion of the Demerger in the Finnish Trade Register, which is expected to occur after the date of this Prospectus. To the extent that this Prospectus relates to Valmet, Valmet will be responsible for this Prospectus following its incorporation pursuant to the provisions of the Demerger Plan.

AVAILABLE INFORMATION

Valmet intends to publish annual reports, including its audited consolidated financial statements, commencing from the financial year 2013, and interim reports, including unaudited interim consolidated financial statements, commencing from the three-month period ending March 31, 2014. Valmet intends to publish its interim reports, including unaudited interim consolidated financial statements, for the first quarter, second quarter and third quarter of each year. All annual reports, interim reports and stock exchange releases will be published in Finnish and English and in accordance with the rules of the Helsinki Stock Exchange.

MARKET AND INDUSTRY INFORMATION

This Prospectus contains information about the markets and industries in which Valmet will operate and Valmet's competitive position therein. Where such information contained in this Prospectus has been derived from third-party sources, the name of the source is given herein.

While Metso has accurately reproduced such third-party information, Metso has not verified the accuracy of such information, market data or other information on which third parties have based their studies. As far as Metso is aware

and is able to ascertain from information published by these third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Moreover, market studies are frequently based on information and assumptions that may not be exact or appropriate, and their methodology is by nature forward-looking and speculative.

Certain information included in this Prospectus has been prepared by Pöyry Management Consulting Oy ("Pöyry"). Such information has not been originally prepared for use in this Prospectus and, therefore, may not address specific requirements or interests relevant in the context of the Demerger. The estimates and conclusions given in the information are based partly on information not within Pöyry's control. As a result, Pöyry cannot guarantee its accuracy, correctness or completeness. Pöyry is not responsible for any actions (or lack thereof) taken by any investors or other third parties as a result of relying on or in any way using the information and, to the extent permitted by applicable law, in no event shall Pöyry be liable for any damages of whatsoever nature or type resulting from reliance on or use of the information whether such liability is asserted to arise in contract, negligence, strict liability or other theory of law.

This Prospectus also contains estimates regarding the market position of Valmet that cannot be gathered from publicly available sources. These estimates are based on information available to Metso from non-public sources and Management's knowledge of the industries and markets involved. Metso believes that the estimates of market data and information included in this Prospectus are helpful in order to provide a better understanding of the industry in which Valmet operates as well as Valmet's position within this industry. Although Metso believes that its internal market observations are fair estimates, they have not been reviewed or verified by any external experts and Metso cannot guarantee that a third-party expert using different methods would obtain or generate the same results.

DIVIDENDS AND DIVIDEND POLICY

On September 3, 2013, the Board of Directors of Metso resolved on Valmet's dividend policy. According to the dividend policy, Valmet aims to distribute at least 40 percent of its annual net profit in annual dividends or other forms of repatriation of capital to its shareholders. Any dividends to be paid in future years, the amount thereof and the time of payment will depend on Valmet's results of operations, financial condition, capital expenditure needs and debt service obligations, among other factors. The dividends paid by Metso in the past are not an indication of the dividends that Valmet will pay, if any, in the future. There can be no assurance that any dividend will be paid, nor can there be any assurance as to the amounts potentially to be paid in any given year.

In accordance with the prevailing practice in Finland, dividends on shares in a Finnish limited liability company, if any, are generally declared once per year. Dividends may be paid and unrestricted equity may be otherwise distributed after the general meeting of shareholders has adopted the company's financial statements and resolved on the amount of dividend or other distribution of unrestricted equity based on the proposal by the board of directors of the company. Pursuant to the Finnish Companies Act, the payment of a dividend or other distribution of unrestricted equity may also be based on financial statements other than those for the preceding financial year, provided that such financial statements have been adopted by the general meeting of shareholders. If the company has an obligation to elect an auditor pursuant to law or its articles of association, such financial statements must be audited. The payment of a dividend or other distribution of unrestricted equity requires the approval of the majority of the votes cast at a general meeting of shareholders of the company. Pursuant to the Finnish Companies Act, the general meeting of shareholders may also authorize the board of directors to resolve upon payment of dividends and other distribution of unrestricted equity. The amount of dividend or other distribution of unrestricted equity cannot exceed the amount resolved by the general meeting of shareholders. The amount of any dividend or other distribution of unrestricted equity is limited to the amount of distributable funds of the parent company stated in the financial statements upon which the decision to pay dividends or otherwise distribute unrestricted equity are based, subject to any material changes in the financial condition of the company since the financial statements were prepared. Distribution of funds, whether by way of dividend or other distribution of unrestricted equity, is prohibited if it is known, or it should be known, at the time such decision is made that the company is insolvent or that such distribution would cause the company to become insolvent. See "Description of the Shares and Share Capital—Shareholder Rights—Dividends and Other Distributions of Funds."

Dividends paid to holders of Valmet shares who are non-residents of Finland will generally be subject to Finnish withholding tax. Currently, the withholding tax rate is 24.5 percent of the dividend paid to non-resident corporate entities and 30 percent for all other non-residents. The amount of withholding tax may be reduced pursuant to an applicable tax treaty to which Finland is a party. For a summary of certain tax consequences for shareholders, see "Taxation."

CAPITALIZATION AND INDEBTEDNESS OF VALMET

The following table sets forth Valmet's capitalization and indebtedness as at June 30, 2013 (i) on a carve-out basis and (ii) on a pro forma basis illustrating the effects of the Demerger and certain Valmet formation related transactions as if the Demerger and Valmet formation had been completed on June 30, 2013. The following information is based on the unaudited interim carve-out financial information of Valmet as at and for the six months ended June 30, 2013 and the unaudited pro forma balance sheet information of Valmet as at June 30, 2013.

This table should be read in conjunction with "Presentation of Financial Information," "Selected Carve-out Financial Information," "Pro Forma Financial Information" and the pro forma financial information and the carve-out financial information included elsewhere in this Prospectus.

	As at June 30, 2013	
	Carve-out	**Pro forma**
	(unaudited)	
	(EUR in millions)	
CAPITALIZATION		
Current debt:		
Current portion of long-term debt, Secured	14	14
Current portion of long-term debt, Unguaranteed/unsecured	49	49
Current portion of long-term debt, Metso Group, Unguaranteed/unsecured	30	–
Cash pooling liabilities, Metso Group, Unguaranteed/unsecured	126	–
Total current debt	219	63
Non-current debt (excluding current portion):		
Long-term debt, Secured	36	36
Long-term debt, Unguaranteed/unsecured	64	116
Long-term debt, Metso Group, Unguaranteed/unsecured	62	–
Total non-current debt	162	152
Total debt	381	215
Total equity:		
Share capital	–	100
Reserve for invested unrestricted equity	–	295
Cumulative translation adjustment	9	9
Fair value and other reserves	4	4
Retained earnings	–	434
Invested equity and retained earnings	834	–
Equity attributable to equity holders of Valmet Group	847	842
Non-controlling interest	5	5
Total equity	852	847
Total equity and financial debt	1,233	1,062
NET INDEBTEDNESS		
Cash and cash equivalents	211	228
Liquidity	211	228
Financial receivables	2	2
Cash pooling receivables, Metso Group	97	–
Total financial receivables	99	2
Current debt	63	63
Current debt, Metso Group	156	–
Total current financial debt	219	63
Net current financial indebtedness[(1)]	(91)	(167)
Non-current debt	100	152
Non-current debt, Metso Group	62	–
Total long-term financial debt	162	152
Net financial indebtedness	71	(15)

(1) Net current financial indebtedness = current financial debt – (liquidity + financial receivables).

For further information on the pro forma financial information, see "Pro Forma Financial Information". The unaudited pro forma financial information has been prepared for illustrative purposes only, and because of its nature it addresses a hypothetical situation. The unaudited pro forma financial information illustrates what the hypothetical impact would have been if the Demerger and certain Valmet formation related transactions had been consummated at the dates assumed in the pro forma financial information and, therefore, does not represent the actual results of operations or financial position of Valmet. The unaudited pro forma financial information is not intended to project the results of operations or financial position of Valmet for any future period or as at any future date.

Further information on the contingent and certain other off balance sheet liabilities has been set forth under "Operating and Financial Review and Prospects—Contractual Commitments and Contingent Liabilities" and in the notes 26 and 27 to the audited carve-out financial statements of Valmet as at and for the years ended December 31, 2012, 2011 and 2010

included in the F-pages to this Prospectus, as well as in the notes to the unaudited interim carve-out financial information of Valmet as at and for the six months ended June 30, 2013 included in the F-pages to this Prospectus.

EXCHANGE RATES

The following tables set forth the average, high, low, and period-end euro foreign exchange reference rates as published by the European Central Bank for the U.S. dollar and Swedish krona as at the dates and for the periods indicated:

	Reference rates of USD per euro			
	Average	**High**	**Low**	**Period-End**
2010	1.3257	1.4563	1.1942	1.3362
2011	1.3920	1.4882	1.2889	1.2939
2012	1.2848	1.3454	1.2089	1.3194
2013 (until September 13)	1.3153	1.3644	1.2768	1.3295

	Reference rates of SEK per euro			
	Average	**High**	**Low**	**Period-End**
2010	9.5373	10.2723	8.9630	8.9655
2011	9.0298	9.3127	8.7090	8.9120
2012	8.7041	9.1356	8.2077	8.5820
2013 (until September 13)	8.5790	8.8884	8.2931	8.7048

The above rates are provided solely for the convenience of the reader and are not necessarily the rates used in the preparation of Valmet's carve-out financial information. No representation is made that euros could have been converted into the U.S. dollars or Swedish kronor at the rates shown or at any other rate on such dates or during such periods.

SUMMARY OF THE DEMERGER

General Description

The Board of Directors of Metso has on May 31, 2013 unanimously approved the Demerger Plan pursuant to which all of the assets, debts and liabilities relating to the PPP Business will transfer, without liquidation, from Metso to Valmet. The purpose of the Demerger is to execute the separation of Metso's businesses to the effect that the PPP Business is separated to Valmet, and Metso's other businesses will remain with Metso.

The purpose of the Demerger is to offer the best preconditions for Valmet and Metso to efficiently utilize their respective strengths in their respective customer industries. Metso has developed its businesses actively during the past decade through investing in the development of their global service capabilities, broadening their technology offering through research and development and building their market positions through acquisitions. Both companies would be globally leading companies in their respective markets and Management believes that the next steps in their strategic development would be taken most efficiently as two separate companies, enabling more focused strategies and operations. The increased focus of their respective management and Boards of Directors should also help each of the two independent companies to achieve stronger growth and improved profitability. Management expects the Demerger to improve the potential for increased value for shareholders as both companies would have their own distinct characteristics and would offer different investment profiles.

The Demerger and the Demerger Plan will be presented for approval to the EGM scheduled to be held on October 1, 2013. The Demerger will become effective if the EGM approves the Demerger and the Demerger Plan and if the completion of the Demerger is subsequently registered in the Finnish Trade Register. The completion of the Demerger is expected to be registered in the Finnish Trade Register on or about December 31, 2013 (*i.e.*, the Effective Date). On the Effective Date, the incorporation of Valmet will become effective.

The shareholders of Metso will receive as demerger consideration one (1) share in Valmet for each share in Metso owned; that is, the Demerger Consideration will be issued to the shareholders of Metso in proportion to their existing shareholdings with a ratio of 1:1. There will be only one class of shares in Valmet, and shares in Valmet will not have a nominal value. No Demerger Consideration will be issued in respect of own shares held by Metso. The aggregate number of shares in Valmet to be issued as Demerger Consideration is expected to be 149,864,619 (based on the number of shares in Metso (excluding own shares held by Metso) as at the date of this Prospectus). The aggregate number of shares in Valmet to be issued as Demerger Consideration will be determined on the basis of the number of shares in Metso (excluding own shares held by Metso) on the Effective Date. After the EGM has approved the Demerger and the Demerger Plan, Metso's shareholders will not need to take any action in order to receive the Demerger Consideration.

Application will be made for the Listing prior to the Effective Date. Trading of shares in Valmet on the official list of the Helsinki Stock Exchange is expected to commence on or about January 2, 2014. Neither the Demerger nor the Listing will affect the listing of shares in Metso on the official list of the Helsinki Stock Exchange.

If a Metso shareholder sells its shares prior to the Effective Date, but the trade has not been cleared prior to the Effective Date, the purchaser of those Metso shares has the right to the Demerger Consideration according to the prevailing market practice, and the Demerger Consideration will be recorded in the purchaser's book-entry account when the trade is cleared. Excluding the trades of shares in Metso that have not been cleared on the Effective Date and the own shares held by Metso, Valmet's ownership structure will correspond to Metso's ownership structure on the Effective Date. For a more detailed description concerning trading of shares and the book-entry system, see "Finnish Securities Markets."

A joint book-entry account has been opened at Euroclear Finland, with Metso as registered holder, for the shareholders of Metso who have not transferred their shares into book-entries. The number of Metso shares on such joint book-entry account was 9,480 as at September 13, 2013. A joint book-entry account will be opened at Euroclear Finland, with Valmet as registered holder, for the shares in Valmet that represent the Demerger Consideration for those shares in Metso that have not been transferred into book-entries. Metso's shareholders are advised to contact the relevant account operator well in advance prior to the Effective Date if they want to transfer their shares into book-entries prior to the Effective Date. The shares in Valmet to be issued as Demerger Consideration will be recorded on such joint book-entry account on or about the Effective Date or as soon as possible thereafter in accordance with the practices applied by Euroclear Finland. After the Effective Date, those shareholders of Metso who have not transferred their shares into book-entries must deliver their share certificates of Metso to the appropriate account operator in order to have their shares in Metso and the shares in Valmet issued as Demerger Consideration recorded on their book-entry accounts.

Demerger Plan

The Demerger Plan will be presented for approval to the EGM scheduled to be held on October 1, 2013. The Demerger Plan is attached to this Prospectus as Annex B. The Demerger Plan with its appendices is available for inspection on Metso's website, www.metso.com, and at Metso's headquarters located at Fabianinkatu 9 A, FI-00130 Helsinki, Finland, on weekdays during normal business hours.

Creditor Consents and Waivers

In preparation for the Demerger, Metso has obtained consents and waivers from the lenders under its EUR 500 million revolving credit facility and also from a majority of the lenders under its bilateral loan arrangements, which consents and waivers, in the aggregate, cover financial facilities totaling approximately EUR 2,700 million. In addition, Metso solicited consents and waivers from the holders of the outstanding notes of certain series of notes issued pursuant to its EMTN program to pass an extraordinary resolution at a separate meeting of noteholders of each such series to sanction (a) the waiver and authorization of any breach or any alleged breach of certain of the terms and conditions of the notes and (b) waivers in respect of certain statutory rights that such noteholders may have under Finnish law, in each case, as may be caused by, or arise in respect of, the Demerger. On June 25, 2013, Metso announced that an extraordinary resolution was duly passed at each meeting of noteholders in respect of each such series of notes. Accordingly, the waivers and authorizations referred to in the extraordinary resolutions took effect on and with effect from June 25, 2013. The aggregate nominal amount of these bonds is approximately EUR 900 million and they will, in accordance with the Demerger Plan, remain obligations of Metso.

Related Arrangements

The Demerger will affect Metso's administrative, accounting and other functions as some of the personnel in these functions and the functions of Metso's subsidiaries will transfer to Valmet or its subsidiaries on the Effective Date.

The Demerger does not involve any lock-up arrangements concerning shares in Metso or Valmet.

Transitional Services Agreements

Prior to the Effective Date, Management expects that Valmet and Metso will enter into transitional services agreements covering certain areas such as information technology, human resources, treasury and finance as well as other areas that are in the process of being identified. Valmet and Metso aim to minimize the number of transitional services agreements and to have them in force for no more than 12 months following the Effective Date where possible. Management expects that some of the services to be covered by the transitional services agreements will be services provided by third parties.

Agreement with Metso Automation

On September 18, 2013, Metso Automation Oy ("Metso Automation") and Valmet entered into a Strategic Co-operation Agreement (the "Co-operation Agreement") aimed at maintaining and further developing the well-established business relationship between the parties in order to ensure the competitiveness of their respective products. Pursuant to the Co-operation Agreement, Metso and Valmet will enter into ancillary agreements covering supply, technology and marketing prior to the Effective Date. The Co-operation Agreement and the ancillary agreements will enter into force on the Effective Date.

Metso will, within the framework set by the Co-operation Agreement, supply to Valmet automation products and Valmet will sell Metso Automation's products as its distributor. The Co-operation Agreement also includes a reciprocal non-compete undertaking by Metso Automation and Valmet for a period of three years starting from the entry into force of the Co-operation Agreement. In respect of certain automation products, the Co-operation Agreement includes an undertaking by Metso Automation to transfer to Valmet certain patents, know-how and the product rights relating to certain automation products of Metso Automation in return for a fee based on an agreed calculation, should Metso decide to exit businesses that include these automation products. Management believes that the Co-operation Agreement will not have material effect on the business of either Metso Automation or Valmet.

Right to Use the Name "Metso"

According to the Demerger Plan, Valmet will procure that none of its directly or indirectly owned subsidiaries will use any trade name, trademark or other intellectual property right, which includes the word "Metso" or which may otherwise be confused with Metso Corporation's trade name, trademark or other intellectual property right and that its subsidiaries will cause the removal of such elements immediately and in any event no later than within six (6) months from the Effective Date.

Right to Use the Name "Valmet"

Metso has agreed that, subject to the exception below and certain other customary exceptions, Metso will refrain from using Valmet's brand rights, including the trademark "Valmet". Metso Paper Oy, which will transfer to Valmet on the Effective Date, and Valmet Automotive Inc. have agreed that Valmet Automotive Inc. and its subsidiaries will have exclusive rights to certain Valmet Automotive brand rights, including the trade name and trademark "Valmet Automotive," subject to certain restrictions.

Fees and Costs Related to the Demerger

All of the costs related to the Demerger will be divided between Metso and Valmet so that Metso is responsible for the costs and remuneration relating to the Demerger process and its completion and Valmet for the costs relating to the Listing, creation of the shares in Valmet in the book-entry securities system and costs related to the commencement of Valmet's operations. In practice, Metso will pay all of the costs until the Effective Date and will invoice Valmet after the Effective Date the costs relating to the Listing. After the Effective Date, both Metso and Valmet will be responsible for their own costs.

The non-recurring fees and expenses payable by Valmet related to the Demerger are estimated to amount to approximately EUR 20 million.

Applicable Law

The Demerger is governed by the laws of Finland.

IMPORTANT DATES RELATED TO THE DEMERGER

Event	Date
Approval of the Demerger Plan by the Board of Directors of Metso	May 31, 2013
Notice to the EGM	August 15, 2013
Record date for the EGM	September 19, 2013
Prospectus available	September 23, 2013
Last date for the notice of participation in the EGM, last date for the holders of nominee registered shares to be temporarily entered to the shareholders' register held by Euroclear Finland in order to gain the right to participate in the EGM	10:00 a.m. (Finnish time) on September 26, 2013
EGM	October 1, 2013
Planned Effective Date	December 31, 2013
Demerger Consideration registered on the book-entry accounts of the shareholders of Metso	on or about December 31, 2013
Trading in shares in Valmet commences on the Helsinki Stock Exchange, provided that Valmet's application for the Listing is accepted	on or about January 2, 2014

INFORMATION ON THE DEMERGING COMPANY

Overview

Metso forms a global supplier of sustainable technology and services that designs, develops, manufactures and delivers process equipment, systems, solutions and a wide range of services for process industries. Currently, Metso employs approximately 30,000 employees worldwide who serve customers in more than 100 countries. Most of Metso's customers are major industrial companies, such as mining companies, oil companies, power utilities and pulp and paper companies. The majority of Metso's customers operate in process industries and use natural raw materials or recycled materials to manufacture products.

Metso's businesses are currently organized under the following three reporting segments consisting of a total of 10 business lines:

- ***Mining and Construction.*** In the Mining and Construction segment, Metso supplies technology, processes, machinery and services for aggregates production, construction, mining and minerals processing. The Mining and Construction segment consists of the Minerals Processing Systems, Crushing and Screening Equipment and Services business lines.

- ***Automation.*** In the Automation segment, Metso supplies process industry flow control solutions, automation and information management systems and applications and services. The Automation segment consists of the Flow Control, Process Automation Systems and Services business lines.

- ***Pulp, Paper and Power.*** In the Pulp, Paper and Power segment, Metso supplies processes, machinery, equipment and services for the pulp, paper and power generation industries. The Pulp, Paper and Power segment consists of the Paper, Fiber, Power and Services business lines.

Metso Corporation is public limited liability company organized under the laws of Finland, with business identity code 1538032-5. Metso's registered office is located at Fabianinkatu 9 A, FI-00130 Helsinki, Finland; telephone +358-20-484-100. In the Demerger Plan, the Board of Directors of Metso has proposed that Metso will demerge to the effect that all of the assets, debts and liabilities relating to the PPP Business will transfer, without liquidation, from Metso to Valmet. See "Summary of the Demerger." According to the Demerger Plan, the MCA Business will remain with Metso. Neither the Demerger nor the Listing will affect the listing of shares in Metso on the official list of the Helsinki Stock Exchange.

History

Metso was created as a result of the merger of Valmet Corporation and Rauma Corporation ("Rauma") in July 1999. The new combined company was initially given the name Valmet-Rauma Corporation. The name was changed to Metso Corporation in August 1999. Shares in Metso were listed on the Helsinki Stock Exchange, which replaced the listings of its predecessor companies. Metso assumed the listing of Valmet Corporation's American Depositary Shares on the New York Stock Exchange under the new company name.

Valmet Corporation traced its origins back to the industrial plants established in the 1920s and 1930s to meet the needs of the Finnish Armed Forces. These industrial plants were joined to form a conglomerate, which was formally incorporated as a limited liability company in 1950. During the 1950s, Valmet Corporation began to broaden its product range to accommodate the demands of a market economy. Valmet Corporation delivered its first paper machine in 1953. From its establishment in 1950 until its initial public offering in 1988, Valmet Corporation was wholly owned by the Finnish State and other Finnish State entities. As at September 13, 2013, Solidium, a holding company that is wholly-owned by the Finnish State, owned 11.10 percent of the shares in Metso.

Rauma's business groups were formed from a number of companies with long operating histories brought together as a result of a series of strategic acquisitions by a Finnish engineering group Rauma-Repola Oy. In 1990, Rauma-Repola Oy merged with United Paper Mills, a Finnish forest products company. The new company was called Repola Corporation and it was one of the largest industrial conglomerates in Finland at the time. Its engineering division was organized as Rauma and its forest products division was organized as UPM. In 1996, Repola Corporation and Kymmene Corporation, a Finnish forest products company, merged to create a new company called UPM-Kymmene Corporation ("UPM-Kymmene"). As a result, Rauma became a majority owned subsidiary of UPM-Kymmene. In 1997, following a secondary offering of shares in Rauma, a distribution of shares as dividends and the redemption of shares by Rauma, UPM-Kymmene's ownership in Rauma was reduced to 34.5 percent. As a result of the merger of Valmet Corporation and Rauma in 1999, UPM-Kymmene's ownership in Metso was 14.7 percent. In March 2005, UPM-Kymmene sold the remainder of its shares in Metso.

In 2000, Metso acquired Beloit Corporation's tissue and paper making technology as well as its service operations in the United States and France. In September 2001, Metso acquired Svedala Industri AB ("Svedala"), a global supplier of products and services for the rock and mineral processing industry based in Sweden. Svedala was integrated into Metso's current Mining and Construction segment.

In December 2006, Metso completed the acquisition of the Pulping and Power businesses from Aker Kvaerner ASA of Norway to improve Metso's capabilities as a full-scope supplier to the pulp and paper industry. Metso also envisaged promising business opportunities in the power industry and biomass technology. The acquired Pulping and Power businesses were originally integrated into the Metso Paper business area and are currently part of the PPP Business.

In September 2007, Metso filed a Form 15F with the U.S. Securities and Exchange Commission to terminate its Section 12(g) registration and Section 13(a) and Section 15(d) reporting obligations under the U.S. Securities Exchange Act of 1934. Metso maintained its American Depositary Receipt ("ADR") facility with the Bank of New York Mellon and its ADRs are traded over-the-counter (OTC) under the symbol "MXCYY" in the United States.

At the end of 2009, Metso acquired Tamfelt Corporation, one of the world's leading suppliers of technical textiles. Tamfelt Corporation's operations are currently a part of the PPP Business.

On May 31, 2013, Metso's Board of Directors unanimously approved the Demerger Plan pursuant to which all of the assets, debts and liabilities relating to the PPP Business will transfer, without liquidation, from Metso to Valmet.

MARKET AND INDUSTRY OVERVIEW

The following discussion contains market and industry information derived from third-party sources and Management's internal estimates. Where such information has been derived from third-party sources, the name of the source is given herein. The following discussion also contains estimates regarding the market position of Valmet that cannot be gathered from publicly available sources. These estimates are based on information available to Metso from non-public sources and Management's knowledge of the industries and markets involved. For further information on the sources for the market and industry information, see "Market and Industry Information."

General

Valmet develops and supplies services and technologies, including new machines and plants, rebuilds, process control and services, especially for industries that use bio-based raw materials, primarily the pulp, paper and power generation industries.

Services

Overview

Services are an important part of promoting reliability, cost-efficiency, capacity and quality of the operations of pulp, paper and power generation companies. Services also include offerings aimed at increasing energy, water and raw material efficiency, reducing emissions and promoting operational safety and reliability.

The type, scope and duration of services activities are broad and range from spare part deliveries to long-term full maintenance outsourcing solutions. Services products and solutions generally include mill and plant improvements, upgrades, technical modifications and expert services to improve plant efficiency and operational effectiveness, plant maintenance outsourcing, paper machine roll services, boiler component services, paper machinery clothing, filter fabrics, and spare, wear and replacement parts and equipment. Other services include inspections, process studies, operation optimization and troubleshooting, training programs, preventive maintenance, outage planning, outage management supervision and spare parts management. Services also include agreement and performance based long-term contracts, including technical support contracts.

Customers of the Services business line include companies mainly in the pulp, paper and power generation industries. The most important markets for the Services business line are the EMEA region and North America, where there is a large installed base to be serviced. In addition, Management believes that Asia Pacific and China are significant and growing markets for the Services business line due to the increasing installed base. Installed base refers to the number of machines and plants in use in the target industries that Valmet or another company has delivered (*i.e.*, machines that are available to be serviced). Together with the age of the machines and the utilization rate, the size of the installed base defines the size of the potential market.

Valmet has over 2,000 pulp and paper customer mills globally. Of the approximately 3,800 pulp and paper mills in operation in the world as at August 5, 2013, over one-half purchase services from Valmet annually. For the energy sector, Valmet has provided more than 390 power boilers and more than 400 environmental systems, such as flue gas cleaning solutions, to its customers. Customer needs for services in the energy segment are similar to those in the pulp and paper segment. The scope of the services varies from inspections to spare parts and boiler components to repairs to longer-term maintenance contracts. As compared to paper machines, power plants contain less rotating machinery and, therefore, there is less demand for replacement wear parts. Services work is typically performed during other planned shutdowns in order to avoid additional production interruptions.

Key Industry Drivers and Market Trends

Management believes that the current industry drivers and market trends for the services sector include the following:

Outsourcing of Non-core Operations

Companies are increasingly focusing on their core businesses and outsourcing part or all of their service and maintenance operations. The majority of pulp, paper and power generation companies still have in-house services organizations and Management expects the outsourcing trend to provide continued growth in demand for services.

Demand for Process Improvements and Maintenance Services

Process optimization, together with the right wear and spare parts and maintenance services, helps customers to minimize the usage of energy, water and raw materials and the environmental impact of products throughout their life cycles while securing reliable operations. Improvements of existing capacity include, for example, increasing production, improving end product quality, and converting an existing paper machine to produce a more profitable paper grade. For energy customers, process optimization and maintenance services are important as customers look to optimize the fuel mix based on the availability of fuel and business economics. This creates the need for process modifications and drive services business. Management expects these trends to drive demand for process improvements and maintenance services.

Capacity Increases and High Utilization Rates

Increased capacity and production volumes and high utilization rates result in a higher demand for spare parts and consumables as well as maintenance in order to ensure the stability of processes and quality of end products. Management believes that demand for services will increase due to significant pulp and paper capacity increases during the last ten years, especially in Asia Pacific, China and South America, combined with the aging of the installed base.

Customer Cost Pressure and Machine Closures in EMEA and North America

Increased cost pressure in customer industries increases demand for solutions that decrease costs, net working capital, and raw material and energy consumption. The closure of graphic paper machines reduces demand for spare parts and process consumables, but at the same time increases demand for expert and outsourcing services as well as increases demand for process improvements and debottlenecking of the remaining machines.

Market Overview

Management estimates that the total market size for Valmet’s services offering was approximately EUR 7.0 billion in 2013, pulp and paper services market being approximately EUR 6.0 billion and energy services market being approximately EUR 1.0 billion. Management estimates that the total market for Valmet’s services offering will grow to EUR 7.7 billion by the end of 2016, corresponding to an annual global growth rate of approximately 2 percent. Management estimates the size of Valmet’s services markets by using an average services cost per volume produced based on Valmet’s existing customers and estimates of current and forecasted growth in total production volumes.

Currently, the largest markets for Valmet’s Services business line are the EMEA and North America areas, where the majority of the installed base is located. Despite mill closures, the forecasted increase in demand for containerboard, demand for more competitive processes and decreasing in-house customer competencies are expected by Management to provide growth in demand for services. The services market in China, the Asia Pacific region and South America are expected by Management to grow by approximately 5 percent annually between 2012 and 2016 as significant amounts of new capacity have been installed in these areas during the last ten years and the installed base is aging.

Pulp and Energy

Overview

Pulp

The scope of Valmet’s pulp projects ranges from delivery of equipment to complete pulp plant deliveries, including design, engineering, manufacturing, procurement, erection and project management. The pulp industry is characterized by large-scope greenfield projects, but also includes rebuilds and upgrades.

Pulp is produced through a chemical, semi-mechanical or mechanical process aimed at separating cellulose fibers from wood or fiber crops. Pulp is a key raw material in the production of board, tissue and paper and is also used in a number of other industries, such as the textile and hygiene products industries. The first step in the pulping process is processing the raw material, including handling, debarking, chipping and screening, in order to prepare the raw material for further processing. In the chemical pulping process, a combination of high temperature and chemicals is used to separate the cellulose fibers. The process is carried out by combining the raw material with chemicals in a cooking vessel. Pulp mills also typically include equipment and processes for the recovery of cooking chemicals from the chemical pulping process as well as pulp drying machines, mainly for non-integrated pulp mills or paper and board machines in integrated mills. Chemical pulp is typically used for end uses that require greater strength. In the mechanical pulping process, the raw material is ground to make pulp. Mechanical pulp is mainly used for products that require less strength, for example newsprint grade paper and paperboard.

Depending on the end use, the pulp produced can be bleached through the use of chemicals-based bleaching systems to increase the whiteness of the end product. Wood residue, such as bark and unusable material, produced as a by-product of the pulping process is often converted to steam and energy at integrated biomass-based power plants.

Biomass-based Power Boilers

Valmet's energy offering consists of complete biomass based heat and power boiler islands and rebuilds, including fuel handling, boiler, boiler auxiliary equipment, automation and air quality control as well as erection. Valmet also supplies small scale, complete heat and power plants. Valmet's boiler technology consists of fluidized bed boilers as well as grate technology for small scale applications.

Fluidized bed boiler technology is suitable for the combustion of different types of biomass, sorted waste and coal, especially low quality coal, either as a single fuel or co-fired with another fuel. Bubbling fluidized bed boilers (BFB) are typical in the size range of 5 to 100 MWe, while the capacity for circulating fluidized bed boilers (CFB) ranges from 50 to 500 MWe.

New Biomass Conversion Technologies

Valmet has developed new biomass conversion technology applications that Management believes provide new market opportunities. The market for these biomass conversion technology applications is emerging as the first plants for some of these applications are technically and commercially fully proven. The new technologies provide customers with new end products or new revenue streams from biomass while responding to the need for regulations, government mandates and market demand for replacement of fossil fuels. Valmet is currently in the process of developing the following technologies:

- Gasification of biomass and waste produces gas that can be co-fired in a gas boiler or pulverized coal boiler. These solutions enable the substitution of fossil fuel, mainly coal, with renewable fuel at high efficiency rates or increased electricity generation from waste as compared to traditional mass burning of waste. In 2012, Valmet supplied full scale gasification plants to the city of Lahti and to Vaskiluodon Voima's power plant, both in Finland.

- Fast pyrolysis of biomass produces bio-oil from forest residue or other biomass. The bio-oil can replace heavy fuel oil in heat and power generation and subject to further technology development, be further refined to transportation fuel, thus potentially opening up a large market. Valmet entered into an agreement to supply the first pilot scale pyrolysis plant to Fortum's power plant in Joensuu, Finland, in 2013.

- Lignin separation technology recovers lignin from black liquor in the pulping process and, therefore, debottlenecks the recovery boilers in a pulp mill. The recovered lignin can be utilized as a renewable fuel to replace fossil fuels and also as a new bio-based raw material for many industries. Potential new products include, for example, biofuels, activated carbon, low cost carbon fibers and resins. Valmet entered into an agreement to supply the first commercial scale lignin separation plant to the pulp and paper company Domtar in Plymouth, North Carolina, United States, in 2012.

- Cellulosic ethanol (second generation bioethanol) is expected by Management to be increasingly used as a fuel component in gasoline and thereby to reduce carbon dioxide emissions and increase fuel security. The EU as well as several countries, including the United States and Brazil, have mandates and incentives to significantly increase production and consumption of bioethanol. Valmet is applying its existing biomass conversion technology to the pre-treatment of biomass in cellulosic ethanol plants and has supplied several units to demonstration and pilot plants.

- In addition, Valmet is developing other new biomass conversion technology based solutions yet to be commercialized.

Key Industry Drivers and Market Trends

Pulp

Management believes that the current industry drivers and market trends for the pulp sector include the following:

Increased Demand for Fiber due to Growth of Paper, Board and Tissue Consumption, Primarily in Asia

The increasing standard of living in Asia, and subsequent increase in demand for paper, board and tissue based products, is expected by Management to increase the demand for fiber to be used as raw material in manufacturing processes. This, in turn, is expected by Management to create demand for rebuilds and new pulp process equipment.

Continued Demand for Virgin Wood Pulp due to Growth in Tissue and Limitations of Recovered Paper Growth

Demand for paper, board and tissue is growing fastest in Asia, especially China and India, which do not have sufficient indigenous fiber resources (source: Pöyry, 2012). The consumption of recovered paper is expected to grow somewhat faster than the paper industry on average between 2010 and 2025 (source: Pöyry, 2012). Rising marginal costs and decreasing quality of collected recovered paper will eventually curb the growth rates, particularly toward the end of the forecast period through 2025 (source: Pöyry, 2012). The increasing demand for virgin fibers is expected to be met primarily by an increase in new hardwood pulp production capacity, especially in South America and Asia (source: Pöyry, 2012). Management expects demand for pulp to grow strongly driven primarily by growth in tissue production.

Increased Size of Pulp Lines and Mills

Management estimates that the typical greenfield pulp mill size has increased from an average capacity of approximately 0.7 to 1.0 million metric tons of pulp per year between 2000 and 2007 to approximately 1.3 to 1.5 million metric tons of pulp per year between 2007 and 2013. Management expects this trend to benefit technology providers, such as Valmet and Andritz Corporation ("Andritz") with good references of large project deliveries and a comprehensive product offering covering complete plant solutions. Management considers the barriers to entry into this market to be high due to the size and investment levels needed for a greenfield project. Customers typically prefer suppliers with strong references and sufficient resources.

Biomass-based Energy Production

Management believes that the current industry drivers and market trends for the biomass-based energy sector include the following:

Growth in Energy Consumption and Demand for Sustainable Energy

Global electricity demand is forecast to grow 2.2 percent annually from 18,443 TWh in 2010 to 31,859 TWh in 2035 (source: IEA, 2012). Fossil fuels are expected to continue to be the predominant fuel used for energy production, but the share of fossil fuels in energy production is expected to decrease from 68 percent in 2010 to 58 percent in 2035 (source: IEA, 2012).

Biomass provides an attractive long-term alternative to fossil fuel-based energy production due to the renewability of biomass and because it is carbon dioxide neutral. Compared to other renewable energy sources, such as wind and solar power, which are intermittent energy sources, biomass-based power generation provides continuous base load power. Baseload power plants are production facilities typically used to meet a given region's continuous energy demand, and produce energy at a constant rate, usually at a low cost relative to other production facilities available to the system. In 2011, biomass-based electricity generation represented approximately 1.6 percent of global generation, but is forecast to grow 6.9 percent annually between 2011 and 2018 (source: IEA, 2013) (which Management estimates is more than twice as fast as growth in total electricity production based on IEA forecasts).

In Europe, the economic downturn and political uncertainty have slowed investments in biomass-based energy production; however, Management expects investments to recover in the medium term. In North America, the emergence of shale gas has contributed to a decrease in the price of natural gas and, subsequently, improved the competitiveness of natural gas-based power generation as compared to other energy sources, including biomass. This has decreased investments in new biomass-based power generation in North America. In Asia and South America, the market is forecast to grow significantly, especially in agro biomass boilers.

Incentives and Regulation Supporting Biomass and New Biomass Conversion Technology-based Solutions

The aim to reduce emissions and mitigate climate change has resulted in targeted reductions of carbon dioxide emissions and use of fossil fuel-based energy production in many countries. Policy decisions are also impacted by governments' objectives to increase the energy security and decrease dependence on imported energy.

Various countries have introduced subsidies to promote the use of renewable energy solutions, such as bioenergy. For example, the EU has, in its Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC, set a target of a 20 percent share of energy from renewable sources in overall EU energy consumption by 2020. Continued economic uncertainty in the EU and the inability to finance further carbon dioxide reductions have, however, resulted in uncertainty regarding the enforcement of this directive. This uncertainty combined with the economic slowdown has led to a significant decline in the price of carbon dioxide emission allowances and an oversupply of allowance. These trends currently favor fossil fuel-based energy generation over renewable alternatives.

Certain Asian countries have also taken actions to reduce the carbon dioxide emissions. For example, China's current five-year plan targets 13,000 MW of biomass power production capacity by 2015, a substantial increase from the 5,500 MW installed biomass-based power production capacity in 2010.

Potential from New Biomass Conversion Technologies

Management believes that there are significant market opportunities for new biomass conversion technologies based on government and consumer support for renewable energy and biomass-based renewable products, such as bio-plastic, activated carbon, low cost carbon fibers and resins. The growth of the market will be dependent on several factors, including the speed of maturity and development of the technology, cost of new technology, cost of biomass, value of end products and government incentives and regulation.

Valmet has experienced increasing commercial interest from companies around the world for its new biomass conversion technology solutions. The primary target markets for these products are Europe and North America as well as Brazil in the mid term. The development of biomass conversion technologies is being supported by government mandates and regulations, including in the EU, the United States and Brazil.

Market Overview

Pulp

The total market size for Valmet's pulp production technology offering is estimated by Management to be approximately EUR 1.4 billion based on historical and projected pulp capacity increases. Virgin pulp consumption is estimated to grow 1.0 percent annually on average between 2010 and 2025, whereas the corresponding growth in consumption of recovered paper is estimated to be greater than 2 percent annually (source: Pöyry, 2012).

The main markets for larger pulp plant deliveries are South America and the Asia Pacific region, whereas demand in Europe and North America is mainly focused on upgrades and conversions. Management also expects growth in the market segment for mid-sized plants in Asia.

Chemical pulp accounted for approximately 70 percent of the total volume of virgin papermaking fiber raw materials in 2011, where virgin papermaking fiber raw materials include chemical wood pulp, mechanical and semi-chemical wood pulp and non-wood pulp (source: Pöyry, 2012). The production of chemical pulp is forecast to grow by approximately 1 percent annually between 2010 and 2020 in the EMEA region and to decline by approximately 0.2 percent annually in North America (source: Pöyry, 2012). The production of chemical pulp in China and the rest of Asia-Pacific is forecast to increase annually by approximately 6 percent and 3 percent, respectively, between 2010 and 2020 (source: Pöyry, 2012). The production of chemical wood pulp is forecast to grow approximately 2.4 percent annually in Asia and by approximately 3.4 percent annually in Latin America between 2011 and 2025 (source: Pöyry, 2012).

Power

The total biomass and waste power plant global market is estimated by Management to be approximately EUR 4.5 billion on average between 2013 and 2015, a decline from an average of EUR 5.0 billion between 2010 and 2012. The market is forecast to recuperate and reach an average of EUR 6.2 billion between 2016 and 2018.

The market in the EMEA region and North America, representing approximately 50 percent of the global market, is forecast to be EUR 2.3 billion between 2013 and 2015 on average and to grow to an average of EUR 2.6 billion in the

following three years (source: Pöyry, 2013). The market in North America is impacted by the low price of gas while the market in the EMEA region is impacted by the slow economy and political uncertainty around renewable energy support schemes. In Asia-Pacific, China and South America, the market is forecast to grow from EUR 2.1 billion between 2013 and 2015 to EUR 3.6 billion in the following three-year period (source: Pöyry, 2013). Management estimates that the boiler market represents approximately 45 percent of the total market size for power plants.

Biomass Conversion Technologies

The market for gasification and lignin separation applications is emerging as the first plants are technically and commercially fully proven. In addition, Management expects that a market will develop for pyrolysis when the technology is fully proven. Overall, Management estimates that the market for its biomass conversion technology solutions will exceed EUR 1.5 billion in 2020.

The use of new biomass conversion technologies, such as cellulosic bioethanol, are growing globally with pilot plants to be used to prove the technologies on a commercial scale being commissioned in the United States, Brazil, the EMEA region and China. In general, industry analysts estimate that a significant number of new plants will be built, albeit fewer than the government mandates would imply. Management believes that the new biomass conversion technologies markets will provide important growth opportunities in the medium to long term.

Paper

Overview

Board, tissue and paper are used in a wide variety of end uses, including packaging applications, hygiene products, such as facial tissue, bathroom tissue and paper towels, and writing and printing papers. Board, tissue and paper are produced on paper machines from virgin wood pulp or recycled pulp. The papermaking process includes several stages in which the pulp slurry is converted into board, tissue or paper through forming, pressing and drying. In addition, a paper mill includes technology and equipment, among others, for stock preparation and paper finishing such as reeling, slitting and roll handling.

The lifetime of a paper machine can be several decades. In addition to new machines, there is also a market for machine rebuilds and improvements to increase production and improve its quality, convert an existing paper machine to produce a different paper grade or relocate a paper machine to a new geography. Current paper machines are often built to be flexible and allow for the production of various paper grades.

Key Industry Drivers and Market Trends

Management believes that the current industry drivers and market trends for the board, tissue and paper sectors include the following:

General

<u>Demand for Increased Energy, Water and Raw Material Efficiency</u>

The increased focus on environmental responsibilities and increasingly strict energy and environmental regulations have increased demand for machines that use less energy, water and raw materials, as well as demand for increased use of renewable energy sources. Resource lean paper production requires new technologies that use lower quality raw materials as well as enable paper mills to increase the recycling and reuse of process waters. In addition, efficiency is increased by using simpler processes and by using equipment that is more energy efficient.

Board

<u>Increased Demand for Board due to Growth in Packaging and Emerging Markets</u>

Growth in GDP and industrial manufacturing has increased the consumption of containerboard. Emerging markets with high GDP and industrial manufacturing growth, such as China, are, accordingly, expected to drive the growth of the containerboard market.

Growth in demand for carton board is driven by increased retail sales, consumer packaging and urbanization in Management’s view. Emerging markets are forecast to account for the largest share of capacity growth for carton board (source: RISI, 2012). In addition, changes in consumer demographics and shopping behavior are also expected to create additional demand in developed countries (source: McKinsey & Company (“McKinsey”), 2012).

The increased demand for board is expected to create additional demand for board production capacity, especially in emerging markets and particularly in China, but also to a certain extent in North America and Europe (source: RISI, 2011).

Tissue

Increased Demand due to Increasing Standard of Living and Tissue Consumption

The use of tissue-based hygiene products, such as toilet tissue, paper towels and facial tissue, is generally correlated with economic growth, population growth and standard of living. Further drivers for tissue consumption in China are increased product penetration from improved product quality (source: RISI, 2013). Demand for tissue products tends not to fluctuate with economic cycles (source: RISI, 2013).

As tissue products are not conducive to long-distance transportation due to their bulky nature, Management expects that the size of tissue mills will continue to be relatively small and that the number of mills will increase.

Newsprint and Writing and Printing Papers

Decreased Demand for Newsprint and Writing and Printing Papers due to Increasing Digital Media

Ongoing structural changes driven by the decrease in demand for printed media have taken place in the market and have resulted in production overcapacity in Europe and North America. This has weakened demand for writing and printing paper machines and caused a shift in demand to lower-cost solutions and mid-sized machines and machine rebuilds.

Increased Demand from Emerging Markets

Although the demand for newsprint and writing and printing papers is decreasing in the EMEA region and North America, the market in China and other emerging markets is still growing marginally (source: Pöyry, 2012). However, production capacity exceeds demand in China and the demand for new writing and printing paper machines is expected to be low in the short term.

Management expects that the average size of orders from the paper industry will decrease and that, in the future, paper machines will need to be more flexible in terms of the paper grade produced and will also need to meet more stringent environmental regulations.

Market Overview

During the last five years, investments in new machinery and equipment have mainly been concentrated in China, the Asia Pacific region and other emerging markets. Management expects this trend to continue in the future. The market in North America and Europe is expected by Management to be mainly related to rebuilds of existing installed capacity.

The total market size for Valmet's board production technology offering is estimated by Management to be approximately EUR 1.0 billion based on current board machine demand. The consumption of containerboard is estimated to grow approximately 2.7 percent annually between 2010 and 2025, whereas the consumption of carton board is expected to grow approximately 2.4 percent annually in the same period (source: Pöyry, 2012).

For Valmet's tissue production technology offering, Management estimates the market size to be approximately EUR 0.6 billion based on current tissue machine demand. Global consumption of tissue paper is estimated to grow approximately 3 percent annually through 2025 (source: Pöyry, 2012). Regionally, demand in North America, which had a comparatively high tissue consumption of approximately 24 kilograms per capita in 2011, the annual market growth rate is forecast to be 1.4 percent between 2010 and 2021 (source: RISI, 2013). In China, Latin America and Eastern Europe, which had tissue consumption of approximately 4 to 6 kilograms per capita in 2011, the annual growth rate of consumption is forecast to be between 5 and 9 percent between 2010 and 2021 (source: RISI, 2013). In Western Europe, which had tissue consumption of approximately 15.6 kilograms per capita in 2011, the annual growth rate of consumption is forecast to be 3.5 percent between 2010 and 2021 (source: RISI, 2013). Historically, growth in tissue demand has been linked to growth in GDP in most regions and Management expects this trend to continue in the future, with the largest growth in demand expected to be in China and South America.

The total market size for Valmet's newsprint and writing and printing papers production technology offering is estimated by Management to be approximately EUR 0.6 billion based on current machine demand. The consumption of printing and writing papers is expected to grow marginally from 2010 to 2025 due to the expected growth in emerging markets,

while the global consumption of newsprint is forecast to decline by approximately 1 to 2 percent annually in the same period (source: Pöyry, 2012).

BUSINESS OF VALMET

Since Valmet will not be incorporated until the Effective Date, the following information is based on the Demerger Plan and information available as at the date of this Prospectus regarding the PPP Business, including the businesses, assets and liabilities to be transferred to Valmet as a result of the Demerger. The following information reflects a number of assumptions and expectations regarding Valmet's operations based on, among others, the Demerger being completed in the manner and in the timeframe contemplated in this Prospectus and the operations of Valmet being organized as anticipated as at the date of this Prospectus. However, there can be no assurance that the Demerger will be completed in the manner or in the timeframe contemplated in this Prospectus, or at all, or that Valmet's operations will be organized as anticipated as at the date of this Prospectus, any of which may cause any of the statements below to not materialize. The Demerger Plan is attached to this Prospectus as Annex B.

General

Valmet is a leading global developer and supplier of services and technologies especially for industries that use bio-based raw materials, primarily the pulp, paper and energy industries as well as selected process industries. Valmet's service and product offerings cover the entire life cycle of industrial processes, including new machines and plants, rebuilds, process control and services. Valmet has extensive technological know-how and a broad process understanding in solutions related to the pulp, paper and energy industries and other biomass conversion technologies. Valmet complements its core business by applying its services and technological know-how to other areas and industries, particularly within the energy sector. Valmet possesses significant experience in comprehensive life cycle services, particularly related to the pulp, paper and energy industries, managing projects of all sizes from engineering to project management and commissioning, and after sales support. As at June 30, 2013, Valmet had a total of 12,078 employees on a carve-out basis in 30 countries.

Over the years, Valmet has strengthened and expanded its services offerings through organic growth and acquisitions, which has allowed Valmet to assist its customers with optimizing their asset bases. In recent years, Valmet's services business has benefitted from both the service and maintenance outsourcing trend among its customer industries and from the growing installed base, especially in South America, China and Asia Pacific. A focus area for Valmet has been the research and product development of technologies using biomass for energy production and as a raw material for end products in order to create new revenue streams for its customers and to create environmentally sustainable solutions.

For the six months ended June 30, 2013, Valmet's net sales on a carve-out basis were EUR 1,345 million and operating profit on a carve-out basis was EUR 24 million. For the six months ended June 30, 2013, 42.8 percent of Valmet's net sales on a carve-out basis came from EMEA, 15.7 percent from North America, 14.7 percent from South and Central America, 10.1 percent from Asia Pacific and 16.6 percent from China.

The following table sets forth certain financial information of Valmet on a carve-out basis for the periods indicated:

	For the six months ended June 30,		For the year ended December 31,			
	2013	2012	2012	2012	2011	2010
		(restated)[1]	(restated)[1]	(not restated)		
	(unaudited)		(unaudited)	(audited, unless otherwise indicated)		
			(EUR in millions)			
Net sales	1,345	1,453	3,014	3,014	2,703	2,453
Operating profit	24.0	79.7	138.3	134.7	174.2	106.5
EBITA[2] (unaudited)	37.5	94.2	168.3	164.7	207.1	148.0
EBITA before non-recurring items[3] (unaudited)	48.2	94.2	192.0	188.4	204.5	159.3

(1) Restated due to the adoption of the revised "*IAS 19 – Employee Benefits*" standard on January 1, 2013. For more information, see "Presentation of Financial Information—Adoption of Revised '*IAS 19 – Employee Benefits*.'"

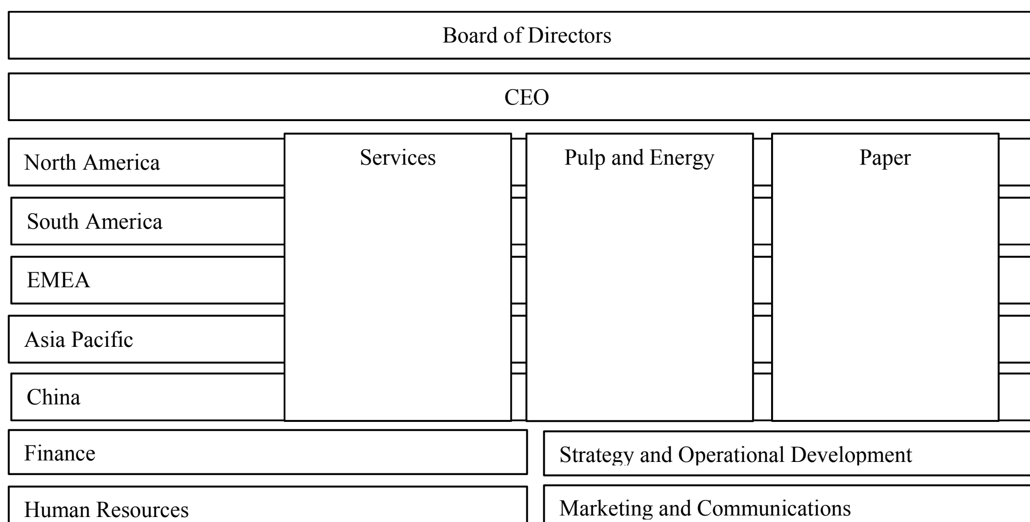
(2) EBITA = operating profit + amortization. For a reconciliation of EBITA to Valmet's operating profit, see "Operating and Financial Review and Prospects—Non-IFRS Measures."

(3) EBITA before non-recurring items = operating profit + amortization + non-recurring items. For a reconciliation of EBITA before non-recurring items to Valmet's operating profit, see "Operating and Financial Review and Prospects—Non-IFRS Measures."

Organizational Structure

On July 25, 2013, Metso announced that as of October 1, 2013, Valmet's organization and operational model will be adjusted with the aim of further improving its competitiveness and profitability in a changing business environment. Valmet will be organized around three business lines, five geographical areas and four corporate functions represented in the Executive Team. On September 3, 2013, Metso announced that Valmet will continue its organizational and operational model after the Effective Date.

The following sets forth Valmet's expected organizational structure as of October 1, 2013:



- ***The Services business line*** will provide services and solutions to the pulp, paper, energy and certain other process industries. Services and solutions provided include spare, wear and replacement parts and equipment, paper machine clothing, filter fabrics, paper machine roll services, plant improvements, upgrades and technical modifications and expert services to improve plant efficiency and operational effectiveness, as well as plant maintenance outsourcing.

- ***The Pulp and Energy business line*** will supply pulp mills, process islands (*i.e.*, the equipment for the different stages of the production line), such as fiber lines and recovery islands, and process equipment for customers using chemical and mechanical pulping technologies; as well as bio-power plants, power boiler islands and related environmental systems, such as flue gas cleaning solutions; and biomass conversion technology-based solutions, such as gasification of biomass and waste, lignin separation technology and pyrolysis, primarily for the pulp, paper and energy industries.

- ***The Paper business line*** will supply board, tissue and paper machinery and equipment and machine rebuilds for the board, tissue and paper industries.

- ***The areas*** are North America, South America, EMEA, Asia Pacific, and China and they are responsible for sales, providing services that meet customers' needs and support of project deliveries in their respective regions.

Valmet's Services, Pulp and Energy, and Paper business lines operate in matrix with the area organizations. In general, the responsibilities between the business lines and the areas have been divided as follows:

Business Lines	Areas
● Global project sales and support of services sales	● Customer relationships
● Global project and services execution	● Sales and marketing
● Product and solution development	● Services delivery and local project execution
● Global sourcing and production	

The combination of the current Fiber and Power business lines into the Pulp and Energy business line is expected by Management to create synergies as the two business lines have similar business models and the combination is expected to help balance the business lines' volatile capital sales. In addition, Management expects the combination to strengthen Valmet's competence as a supplier of complete pulp mills, led by one team taking overall responsibility.

The transfer of the current Power services (excluding the rebuild business) to the Services business line is expected by Management to provide growth opportunities for Power services by enabling it to use the Services business line's existing operations network. In EMEA and North America, the activities of the current Power business line will be

integrated into Valmet's area structure. Management expects that this will allow Valmet to provide customers with its entire offering worldwide based on a common way of working supported by all business lines equally.

Valmet's operations and profitability has historically been reported as a single reportable segment and the carve-out financial information included in this Prospectus has been prepared based on the historical reporting model.

Key Strengths

Management believes that the following are among Valmet's key strengths:

A leading global developer and supplier of services and technologies especially for selected process industries using bio-based raw materials

Valmet is a leading developer and supplier of services and technologies especially for industries that use bio-based raw materials, primarily the pulp, paper and energy industries as well as selected process industries. Valmet's service and product offerings cover the entire life cycle of industrial processes, including new machines and plants, rebuilds, process control and services. Over the years, Valmet has deepened and broadened its offering through continuous research and development work as well as through various acquisitions, including the acquisition of Tamfelt Corporation, a leading supplier of paper machine clothing, in 2009, and the Pulping and Power businesses of Aker Kvaerner ASA in 2006. Valmet has also focused on broadening its geographic reach and, in particular, sought growth from emerging markets. Management believes that Valmet is well positioned to benefit from the anticipated growth of Valmet's target industries in emerging markets.

Valmet possesses significant experience in comprehensive life cycle services and in managing projects of all sizes from engineering to project management and commissioning, then leading to after sales support. Management believes that Valmet's long-term customer relationships, technology and process know how combined with its comprehensive services and product offering provides Valmet with a competitive advantage and an established platform to further capitalize on its market presence and well-recognized brand.

Comprehensive services offering with a broad service network and large installed base

Valmet has a long history of developing and supplying equipment and technology for its customer industries and Valmet has long-term relationships with many of its service customers. Over the years, Valmet has strengthened and expanded its services offerings through organic growth and acquisitions, which has allowed Valmet to assist its customers with optimizing their asset bases by promoting reliability, cost efficiency, capacity and quality of operations as well as assisting customers with their sustainability needs and efforts through improved energy, water and raw material efficiency, reducing emissions and increasing operational safety. Valmet has a global network of 70 service units and 5,280 employees (Services business line and area employees on a carve-out basis as at June 30, 2013) enabling close customer contacts and providing a comprehensive services offering. The Services business line represented 37 percent of Valmet's net sales on a carve-out basis for the six months ended June 30, 2013.

Valmet has experienced increased demand for services from customers and Valmet has focused on expanding its presence in regions with the highest market growth expectations. China, South America and the Asia Pacific region are expected by Management to generate the highest growth in demand for Valmet's pulp and paper services offering with an average annual growth rate of 5 percent between 2012 and 2016 based on estimates of total production volumes. Valmet had more than 3,100 employees in these regions on a carve-out basis as at June 30, 2013, which reflects Valmet's long-term commitment to strengthen its presence in growth markets. In 2013, Valmet opened a new service center in Tianjin, China, to expand its offering of filter fabrics. In Brazil, Valmet opened its new premises in Araucária in 2012, and Valmet expects to open a new service center in 2013 in Imperatriz adjacent to a new pulp mill that Valmet is building for the Brazilian pulp and paper producer Suzano Papel e Celulose S.A. In North America and EMEA, the Services business line's sales have grown steadily due to the increase in Valmet's customer service agreements largely built on long-term relationships within the industry. Valmet's presence at customer sites has also increased due to customer outsourcing of maintenance and repair services. Management believes that Valmet is well positioned to benefit from the estimated growth in demand for services due to its comprehensive services offering and proximity to customers worldwide.

Significant technological know-how demonstrated by a strong history of bringing technical innovations to the market

Valmet has a long history of innovation for the pulp, paper and energy industries. On average, Valmet has introduced more than 70 new products to the market annually, ranging from improvements bringing significant customer benefits to the existing installed base to new innovations in new areas. Recently introduced products and technology applications include gasification of biomass and waste, lignin separation technology, modular paper machines and energy saving pulp refining technology. Valmet's extensive intellectual property portfolio has been developed through consistent investment

in research and development, which amounted to approximately 2.2 percent Valmet's net sales on a carve-out basis for the year ended December 31, 2012.

Large target markets with services market growth

Valmet's target markets are large and characterized by a large services market with stable and predictable growth and a more cyclical new equipment market.

Management estimates that the total market size for Valmet's services offering is approximately EUR 7.0 billion in 2013. Management estimates the size of Valmet's services markets by using an average services cost per volume produced based on Valmet's existing customers and estimates of total production volumes. China, South America and the Asia Pacific region are expected by Management to have the highest growth with an average annual growth rate of 5 percent between 2012 and 2016. Growth in the EMEA region and North America is expected by Management to be moderate in the same period. The services market is largely driven by size and age of the installed base and utilization rates, both of which Management believes will continue to support a predictable and stable market for services.

Management estimates that Valmet's new equipment target market is currently approximately EUR 5.5 billion, and Management expects it to grow in the long term. However, investment cycles and other market drivers can have an important impact on the size of the market in the short term. Recently, the market for new paper machines has diminished due to the continued decline in demand for graphic paper and the biomass-based power generation industry has suffered from a low level of investment due to low energy prices in North America and uncertainty in the EU regarding incentives to meet carbon dioxide reduction targets.

In addition to the expected growth in the services business, Management expects further growth opportunities for Valmet from the pulp business, mainly in new pulp mills being built in South America and Asia, from the energy business as the economy picks up and governments implement policies supporting renewable energy, and from new biomass conversion technologies. Management believes that Valmet is well positioned to benefit from these market trends with its strong project delivery capabilities, demonstrated by its track record of successfully delivering large projects, and an offering that provides its customers with sustainable and energy efficient solutions and services.

Large global customer base supports stable earnings development in Services

The Services business line has a broad global customer base with over 2,000 mills purchasing services from Valmet annually. Valmet's large customer base and long-term customer relationships with many of its customers support earnings predictability in the Services business line. Earnings predictability is further increased by the growing share of the services business that is based on long-term agreements, which are increasingly revolving or multi-year.

The projects of the Pulp and Energy business line and the Paper business line are generally long, taking between 12 and 24 months to complete, which enables Valmet to better estimate its future sales in the near term and plan its funding needs accordingly. As Valmet typically collects advance payments from customers in its new equipment business, the amount of incoming project orders affects Valmet's cash flows. As at June 30, 2013, Valmet's order backlog was EUR 1,883 million, the large majority of which Management expects to be recognized as revenue within the next 24 months.

Business Strategy

The purpose of the Demerger is to offer the best preconditions for Valmet and Metso to efficiently utilize their respective strengths in their respective customer industries. Management believes that the next steps in Valmet's strategic development would be taken most efficiently as an independent company, enabling Valmet to have a more focused strategy and operations promoting a high-performance culture. Management expects the Demerger to improve the potential for increased value for shareholders as Valmet and Metso would have their own distinct characteristics and would offer different investment profiles.

Valmet aims to be the world's leading technology and services provider especially for industries that use bio-based raw materials, primarily the pulp, paper and energy industries as well as selected process industries. Valmet aims to complement its core business by applying its technology know-how beyond biomass, particularly within energy. Valmet will seek to achieve its strategic goals by pursuing the following key strategic initiatives:

Focus on understanding customers' needs and business priorities and ensuring a comprehensive offering

Valmet aims to leverage its global presence in order to further improve its understanding of the business priorities of its customers in all of its markets. Valmet will focus on finding the right combination of technology and service elements for

each of its customers in a particular situation in order to maximize its customers' return on their assets and assisting them with their sustainability needs and efforts. In order to achieve this, Valmet plans to continue to offer:

- Services aimed at improving customers' results of operations. Optimizing end product quality, reducing raw material, energy and water consumption, and increasing the availability, throughput and efficiency of customers' production processes.

- Asset upgrades and rebuilds. Modifying existing machines and equipment to meet evolving customer and market demands and to incorporate latest technological advancements.

- New technology and solutions. Delivering new technology and solutions to customers ranging from individual equipment to large scope deliveries, typically optimizing for energy, raw material and cost efficiency as well as to change the product mix and increase the value of customers' end products.

In particular, Valmet intends to continue to focus on expanding its services offerings and growing the Services business line. Valmet seeks to focus on providing services based on long-term agreements and to expand its customer base. In the Pulp and Energy business line and Paper business line, Valmet intends to continue to focus on the expected growth in pulp, tissue paper and packaging board production as well as on the biomass-based heat and power market. For more information on market forecasts for Valmet's markets, see "Market and Industry Overview."

Further strengthen capabilities close to customers with a focus on growth markets

Valmet aims to add to its already strong foothold in North America and Europe by further strengthening its presence in growing and emerging markets such as China, South America and Asia Pacific. For example, in China, Valmet aims to further strengthen its current local capabilities of two major engineering and manufacturing sites and five smaller sites. These expansions are continuations of the strategy to strengthen local capabilities and presence in growth countries and support Valmet's capability to serve its customers in growth markets.

Develop product portfolios to be more modular, standardized and cost efficient

Valmet's focus on research and development work is currently on cost-efficient, modularized and standardized solutions with the right technology scope designed to improve the profitability and sustainability of the pulp, paper and energy industries through improved energy, water and raw material efficiency. Valmet continuously strives to apply its technology capabilities to create products that offer a lower specific investment cost for customers, such as the modular OptiConcept M paper and board machine. For more information on OptiConcept M, see "—Business Lines—Paper Business Line—Products" below. The development of the technology includes both new products for the mid-market as well as modular and standardized products that can be configured to customer needs with reduced additional engineering.

Valmet has the know-how and an extensive set of pilot facilities as well as an established cooperation network, which Management believe enable Valmet to continuously introduce new products and services to meet its customers' needs through the entire life cycle of their investments.

Accelerate the commercialization of new technologies

Another focus area for Valmet's research and development has been the use of biomass in energy production and as a raw material for end products in order to create new revenue streams for its customers and to create environmentally sustainable solutions.

During the last three years, Valmet has introduced several new technologies to the market, including LignoBoost for lignin separation, a pyrolysis solution for bio-oil production, and a gasifier for solid biomass and waste. All of these technologies are being demonstrated in full-size industrial or pilot customer plants. In addition, Valmet has been able to apply its existing technology to second generation ethanol production. The primary target markets for these products are Europe, North America and Brazil. Valmet intends to invest in full-scale commercialization of these and other more emerging technologies as Management believes that this provides an opportunity for revenue growth in the future.

Focus on profitability and increased operational flexibility

Valmet actively and continuously evaluates opportunities to improve the flexibility of its business model in order to better react to changes in market conditions and promote excellence in its processes, including improving health and safety, reducing quality costs and increasing savings from procurement initiatives. In the Pulp and Energy business line, a significant portion of the total cost of production is based on subcontracting and external service providers, which has allowed Valmet to better react to changes in demand. In the Paper business line, the proportion of fixed costs have

historically been higher than in the Pulp and Energy business line due to the higher share of proprietary components manufactured in-house. This has resulted in Valmet not being able to respond to changes as rapidly as the market conditions have changed. However, Valmet has taken measures to improve the flexibility of its business model. For example, Valmet has developed modularized and standardized solutions, which allows Valmet to use more standardized components and subcontractors and which, in turn, allows Valmet to reduce its costs in times of low demand.

In April 2013, Metso announced a plan to initiate a global cost efficiency program for Valmet in order to adapt to changes in the marketplace and to improve Valmet's profitability. Structural changes in Valmet's operating environment have affected its operations and undermined its competitiveness and profitability. Management believes that the underlying reasons for this change are in the continuing downturn in demand for paper machinery and the growing trend towards solutions based on cheaper technology. In addition, the power generation sector is experiencing a slower investment cycle in Europe and a significant decrease in demand in North America due to low energy prices resulting from the increased use of shale gas. The program targets the full savings of EUR 100 million to be achieved by 2016. Management estimates that approximately one-third of the savings will come from reductions in selling, general and administration costs.

The first and second phase of the program are being implemented mainly in the Paper, Power and Service businesses and as a result will lead to the reduction of more than 900 employees. Management estimates that these reductions will result in annual cost savings of approximately EUR 75 million and that the savings will be fully realized in 2014. A non-recurring restructuring cost of EUR 8 million related to the first phase of the program was incurred and booked in the second quarter of 2013. Following the Effective Date, Management expects Valmet to continue the implementation of the cost efficiency program.

In addition to the above measures, Valmet continuously evaluates and implements measures aimed at reducing its costs. Examples of these include increasing the share of cost competitive country content in its products, both by increasing share of purchases and by transferring Valmet's engineering and manufacturing to these countries.

Financial Targets

On September 3, 2013, Metso announced that the Board of Directors of Metso had set the following financial targets for Valmet:

- Net sales growth to exceed market growth;
- EBITA margin before non-recurring items: 6 to 9 percent; and
- Return on capital employed ("ROCE") (pre-tax): minimum of 15 percent.

In its business operations, Management expects Valmet to also apply the financial targets set forth above as well as other financial targets and performance indicators. Valmet's ability to attain its financial targets is subject to a variety of risks and uncertainties, including those described in "Risk Factors." There can be no assurance that Valmet will be able to achieve its financial targets or to maintain such financial targets if they are achieved. See "Special Cautionary Notice Regarding Forward-looking Statements."

For information on the short-term prospects of Valmet, see "Operating and Financial Review and Prospects—Short-term Outlook."

Business Lines

Overview

Effective as of October 1, 2013, Valmet will be organized in three business lines: Services, Pulp and Energy, and Paper; and into five areas based on geographic regions: North America, South America, EMEA, Asia Pacific and China. As at June 30, 2013, Valmet had a total of 12,078 employees on a carve-out basis in 30 countries. Most of Valmet's customers operate in the pulp, paper and energy industries and a large share of Valmet's revenue is expected by Management to be derived from servicing existing and new customer equipment. For the six months ended June 30, 2013, the Services business line represented approximately 37 percent of Valmet's total net sales on a carve-out basis. Services has also historically accounted for a large share of Valmet's revenue growth. Historically, services operations have typically been more profitable and less cyclical than the new equipment business.

For the six months ended June 30, 2012, 42.8 percent of Valmet's net sales on a carve-out basis came from EMEA, 15.7 percent from North America, 14.7 percent from South and Central America, 10.1 percent from Asia Pacific and 16.6 percent from China.

The following table sets forth Valmet's net sales by business line on a carve-out basis for the periods indicated:

	For the six months ended June 30,		For the year ended December 31,		
	2013	2012	2012	2011	2010
			(unaudited) (EUR in millions)		
Services	498	483	1,011	974	877
Pulp and Energy	458	564	1,189	975	698
Paper	383	402	805	743	875
Net sales, Metso Group	6	4	9	11	3
Total	1,345	1,453	3,014	2,703	2,453

The following table sets forth the geographic breakdown of Valmet's net sales on a carve-out basis for the periods indicated:

	For the six months ended June 30,		For the year ended December 31,		
	2013	2012	2012	2011	2010
	(unaudited)			(audited)	
			(EUR in millions)		
North America	212	288	572	475	356
South and Central America	198	196	512	358	182
EMEA	576	602	1,208	1,075	1,020
Asia Pacific	136	113	324	283	213
China	224	254	398	512	682
Total	1,345	1,453	3,014	2,703	2,453

Services Business Line

Over the past two decades, Valmet has increased its focus on the service business in support of its customers and the demand for life-cycle services. In recent years, Valmet's customers have become increasingly focused on their core businesses and have outsourced service and maintenance related activities. Demand for services in the industries that Valmet serves has grown in North America and Europe, and especially in South America, China and Asia Pacific. Services are offered globally through 70 service units owned by Valmet and 5,280 employees in the Services business line and the areas on a carve-out basis (as at June 30, 2013). Of the approximately 3,800 pulp and paper mills in operation in the world as at August 5, 2013, over one-half purchase services from Valmet annually.

Offering

The Services business line's offering is divided into four main categories: mill and plant improvements, roll and workshop services, spare and wear parts and fabrics.

Mill and plant improvements consist of plant upgrades, modifications and environmental improvements as well as troubleshooting and maintenance outsourcing for the entire customer plant irrespective of the original manufacturer, capacity or age of the machinery.

Roll and workshop services consist of maintenance services on rotating equipment, including roll covers, spare rolls and roll upgrades and rebuilds for all manufacturers' board, tissue, pulp and paper machines, at Valmet's specialized roll service centers. An average paper or board machine contains approximately 150-200 rolls that serve various functions, from transporting the paper web to dewatering, drying and coating. Workshop services consist of pressure part manufacturing and boiler component services, as well as parts to protect and enhance boiler performance. Workshop services also include fiber equipment refurbishing.

Spare and wear parts consist of all original equipment manufacturer (OEM) spare parts, standard parts in Valmet deliveries, inventory management services and process parts, such as consumables and auxiliary products needed for pulp and paper production and pulping chemical recovery processes.

The fabrics produced by Valmet consist of paper machinery clothing and filter fabrics. Paper machinery clothing is used in paper and board machines for dewatering and transferring the paper web inside the machine. Filter fabrics are used in

the pulp and paper, mining and chemical industries and power plants for various filtration purposes as well as in commercial laundries.

Customers

The Services business line's customers include companies mainly in the pulp, paper and energy industries. The most important geographic markets for the Services business line are EMEA and North America. The Services business line's top 20 customer corporations represent approximately 50 percent of its net sales volume. The Services business line's top 20 customer corporations during January – July 2013 represented approximately 27 percent of worldwide paper and board production capacity based on Management estimates. Business is handled primarily on a transactional basis, but also increasingly through long-term corporate or mill agreements.

Competition

Competition in the services business is more fragmented than in Valmet's other businesses. For services in the pulp and paper industry, there are few global operators with a similar scope of products and services as Valmet offers, such as Voith and Andritz. There are also some global competitors with a limited scope of products and services, such as Xerium Technologies, AstenJohnson, Kadant and Albany International, as well as a large number of regional and local companies with limited cross-regional presence or limited scope of products and services.

For recovery boiler island rebuilds and services, the main competitor is Andritz and there are also many regional and local competitors. For rebuild and services relating to power generation boilers, Valmet has a number of large competitors, including Andritz, Foster Wheeler, Alstom, Babcock & Wilcox, Babcock Power, Bilfinger Power Services, and a significant number of regional or local companies. Management believes that Valmet has the number one or two position in the services market.

Pulp and Energy Business Line

The Pulp and Energy business line will combine Metso's Fiber and Power business lines (except for the current Power services business of Metso (excluding the rebuild business) which is transferred to the Services business line). The business line's products can be divided into three main categories:

- Pulp production;
- Energy generation; and
- Biomass conversion technologies.

As at June 30, 2013, the Pulp and Energy business line had 2,531 employees on a carve-out basis (including area employees).

Products

<u>Pulp Production</u>

Valmet supplies solutions ranging from entire processes to individual core production machines and equipment for chemical and mechanical pulp production. Pulp is mainly used as a raw material to manufacture various paper grades, including board, tissue and printing paper. It is also used for other applications such as viscose and hygiene products. The machinery used in the pulping process can generally be divided into separate process islands (*i.e.*, the equipment for the different stages of the production line). Valmet serves all stages of the process. The Pulp and Energy business line's offerings range from supplying or rebuilding a single piece of equipment or process island to supplying an entire plant. The sales process typically begins with the customer providing specifications regarding the quantity and quality of the end product and the raw materials. Valmet then plans and delivers the solution according to the specifications.

Chemical pulping is the process of converting wood into fibers by chemically disintegrating wood chips. The process islands in a chemical pulping plant are generally wood handling, cooking, fiber line, pulp drying, recovery boiler, evaporation, white liquor plant and power boiler. For the chemical pulp industry, Valmet supplies complete fiber processing lines, recovery boilers and evaporation islands as well as equipment for each stage of the pulping process.

Mechanical pulping is the process of converting wood into fibers for paper manufacturing by using electrically-powered refiners with grinding discs comprised of refiner segments to disintegrate wood chips. For the mechanical pulp industry, Valmet supplies complete fiber lines as well as equipment for each stage of the mechanical pulping process.

Energy Generation

Valmet is a leading global supplier of biomass-based heat and power generation solutions and is a forerunner in fluidized bed boilers for power plants, primarily for the combustion of biomass and also selectively, coal and other fuels. Valmet also supplies small scale, complete heat and power plants. Management believes that Valmet's combustion know-how and comprehensive understanding of the many fuel properties, such as bed behavior, corrosion, plugging and fouling, benefits Valmet's customers' processes.

Valmet's products include boilers (fluidized bed boilers and boiler plants for combustion of biomass, sorted waste, recycled fuel and coal, modularized power and heating plants, oil and gas boilers), environmental protection systems (air quality control systems for the pulp, paper and power generation industries) and rebuilds. The total biomass and waste power plant global market is estimated by Management to be approximately EUR 4.5 billion on average between 2013 and 2015. In power generation, Valmet's solutions utilize various fuels such as biomass (*e.g.*, wood, agricultural and municipal waste) and fossil fuel alternatives, possibly in combination. Valmet's core competence also includes the control of technically demanding combustion processes that use multiple fuels simultaneously, as well as odor and flue-gas cleaning technologies. Valmet has also developed new solutions based on gasification technologies. Gasification of biomass and waste produces gas that can be co-fired in a gas boiler or pulverized coal boiler. These solutions enable the substitution of fossil fuel, mainly coal, with renewable fuel at high efficiency rates or increased electricity generation from waste as compared to traditional mass burning of waste. For example, Valmet supplied the Vaskiluoto biomass gasification plant in Finland, the largest gasification plant in the world, which was completed in late 2012 and uses a broad range of local fuels such as wood, peat and straw. Valmet also supplied the Lahti Energia gasification plant in Finland, which was inaugurated in May 2012 and uses sorted recycled waste as fuel.

Biomass Conversion Technologies

Management expects biomass to become increasingly important as a raw material across industry sectors. For more information on the industry drivers for biomass conversion technologies, see "Market and Industry Overview—Pulp and Energy—Key Industry Drivers and Market Trends—Biomass-based Energy Production." Valmet has a long track record in converting biomass into renewable energy and recyclable products such as paper, pulp, board and tissue. The development and commercialization of new biomass conversion technologies are expected to offer Valmet new growth opportunities. Management estimates that the market for its biomass conversion technology solutions will exceed EUR 1.5 billion in 2020. Valmet's goal in research and product development is to expand the use of biomass as a raw material for energy, fuels, chemicals and materials through developing new solutions.

Valmet has already taken significant steps in commercializing new biomass conversion technologies in recent years. Valmet is building an indirect gasification demonstration plant for Göteborg Energi in Sweden. In the Göteborg Energi's demonstration plant, biomass will be converted into biomethane that can be used as a replacement for natural gas. Valmet has also delivered lignin recovery technology, LignoBoost, to Domtar in the United States. The plant was commissioned in March 2013 and it is the first commercial use of the technology, which separates lignin from black liquor (*i.e.*, the used cooking liquid) at the pulp mill, thereby de-bottlenecking the recovery boiler and boosting production efficiency. The recovered lignin can be used as a fuel or a raw material for further refinement to high value added products. Valmet is also demonstrating its proprietary fast pyrolysis technology together with Fortum in its Joensuu power plant in Finland. The product, renewable bio-oil, can replace heavy fuel oil in heat and power generation and may in the future be further refined into transportation fuel components. Valmet is also developing technology for the globally emerging second generation bioethanol and bio-based chemical industry. Valmet has supplied several pilot and demonstration scale pre-hydrolysis equipment and process front end solutions.

Customers

The customers of the Pulp and Energy business line's pulp business include mechanical and chemical pulp producers (global pulp and paper producers, major regional companies, and smaller, local companies) as well as companies in the panelboard industry. The Pulp and Energy business line's deliveries are typically project based. In recent years, most of the new projects have been in South America or Asia (China in particular). Valmet typically enters into a bidding process for new projects. A typical pulp mill project lasts between 12 and 24 months and includes project management, engineering, manufacturing, delivery and start-up of equipment and a responsibility for achieving agreed process parameters. The scope of contracts varies from equipment supply only to the delivery of full EPC scope (Engineering, Procurement and Construction, excluding civil works). Sales are typically under fixed price contracts.

The following table sets forth publicly announced orders booked in 2012 and during the six months ended June 30, 2013 for the pulp business:

	Location	Content	Commissioning
Hyogo Pulp	Japan	Pulp drying line	Fourth quarter of 2014
Estonian Cell	Estonia	Baling line rebuild	July 2013
BillerudKorsnäs Gruvön	Sweden	Cooking and fiber line rebuild	May 2014 and 2015 (two projects)
CMPC Celulose Riograndese	Brazil	Pulp mill	2015
Billerud Skärblacka	Sweden	Evaporation plant and recovery boiler	End of 2013

The customers of the Pulp and Energy business line's energy business include municipalities, utilities and companies in the energy, process, pulp and paper industries. The main markets currently include the Nordic Countries as well as rest of EMEA. The energy business has also entered into contracts selectively in other areas. A typical power plant project lasts between 12 and 24 months and includes project management, engineering, manufacturing, delivery and start-up of equipment and potential responsibility for achieving agreed process parameters. The contract scope varies from feasibility studies to engineering supply to the supply of complete power islands. In small scale combined heat and power projects, Valmet may be selectively involved in projects with EPC scope. The sales are typically under fixed price contracts.

The following table sets forth publicly announced orders booked in 2012 and during the six months ended June 30, 2013 for the power business:

	Location	Content	Commissioning
Mälarenergi	Sweden	Recovered fuel-fired boiler	July 2014
Cikarang Listrindo	Indonesia	Power boilers (2)	June 2016
Värnamo Energi	Sweden	Biomass-fired combined heat and power plant	December 2014
Fortum Power and Heat	Finland	Bio-oil production plant	November 2013
Kuopion Energia	Finland	Combustion technology	December 2013
Jönköping Energi	Sweden	Combined heat and power (CHP) plant	December 2014

The following table sets forth publicly announced orders booked in 2012 and during the six months ended June 30, 2013 for the biomass conversion technology business:

	Location	Content	Commissioning
Fortum Power and Heat	Finland	Bio-oil production plant	November 2013

Competition

In the pulp business, Valmet's main competitor is Andritz. There are also a number of smaller companies competing regionally or in certain technical niches such as GLV, Demuth and Raumaster. The competition in the sector is largely based on price and references. Management believes that Valmet has the number one or two position in the pulp market.

In the power business, there are only a few significant global competitors in the fluidized bed boiler technology market in which Valmet operates, but Valmet's solutions also compete with other energy technologies, including other renewable energy solutions such as wind and solar energy. The main competitors of Valmet's energy business include Andritz and Foster Wheeler. In addition, there are several small, local suppliers that typically specialize in a limited product offering. The competition in the sector is based on price and references. Management believes that Valmet has the number one or two position in the bioenergy generation market.

Competition in the broad and emerging field of biomass conversion technologies is highly fragmented and is subject to rapid development as new technologies emerge and are proven. Valmet's main global competitor, Andritz, has a biomass conversion technologies offering similar to Valmet's in terms of breadth of product portfolio, complete plant delivery scope, and services offering. In gasification and pyrolysis technologies, Valmet's main global competitors with similar scope and services offering also include, in addition to Andritz, Foster Wheeler, ThyssenKrupp Uhde, Honeywell Corporation Envergent, Air Liquide Group Lurgi and Siemens Energy. Valmet's global competitors also include, among others, Dedini S/A Industrias de Base and Praj Industries Ltd. which offer technologies, process solutions and plant deliveries for the conventional sugar and ethanol industry, and are participating also in the development of lignocellulosic

ethanol. In addition, specific technology companies and developers can also be competitors of Valmet, for example Biomass Technology Group B.V. in pyrolysis, Nexterra in gasification and syngas conditioning technologies and FPInnovations in lignin recovery. There are also numerous regional competitors.

Paper Business Line

The Paper business line supplies new board, tissue and paper production lines, process sections and equipment as well as machine rebuilds for the paper industry. The Paper business line had 4,079 employees on a carve-out basis as at June 30, 2013 (including area employees).

Products

Board, tissue and paper production lines comprise various process sections and related equipment. Depending on the raw material, the process begins with either recycled fiber cleaning and preparation or virgin pulp treatment. Stock preparation is followed by the paper machine approach system and the head box, a key technology from paper quality point of view. After the head box is a wire section followed by the press section, where the vast majority of the water is mechanically removed from the paper web. The press section is followed by the dryer section. The dryer is typically comprised of several steam heated drying cylinders in board and paper machines or a large Yankee cylinder in tissue machines. In the drying section, the paper will reach final product dryness. After the dryer section, the paper passes through several various finishing stages depending on the quality and end use. All paper grades are rewound and cut to smaller customer rolls. Some grades are further treated for specific properties (*e.g.*, paper can be coated with mineral coatings for better printability and tissue can be treated to have better softness and absorption properties). Finally, the final products are packed for shipment to customers.

The abovementioned process sections are combined from several products and components. Paper machines typically have robust frame structures, many different rolls and specific components and technologies for various purposes. The vast majority of these technologies are part of Valmet's product portfolio. Suitable technology promotes reliability and efficiency in a paper machine line. The design of process sections varies for different paper grades (*e.g.*, tissue machines are small and compact as compared to coated board machine lines). A small production line can be less than 100 meters long and a large coated board machine line can approach 500 meters in length.

Valmet supplies fit-for-purpose, high-efficiency machines paying particular attention to flexibility that allow customers to alter production quickly and focus on producing the products with the highest demand and prices. Valmet has a long history of technical innovations and it works closely with its customers to meet their needs. One recent example is the OptiConcept M paper and board machine concept platform launched by Valmet for the midsize machines market in 2012. OptiConcept M represents Valmet's new and modular way to design, build and operate board and paper machines. It optimizes machine investment according to a mill's capacity needs and is specifically designed for energy, raw material and chemicals efficiency. It provides improved flexibility in changes of grades produced, and enables efficient operation and maintenance-friendly design that maximizes productivity and minimizes downtime. In contrast to previous generations of machines, which were typically custom built to each customer's specifications, machines in the OptiConcept M are more standardized, which tends to reduce planning and installation time and costs.

Customers

Customers of the Paper business line mainly consist of paper companies as well as board and tissue producers. Customers for new board and paper machines are mostly located in China and Asia Pacific, and to a lesser extent, in Europe and North America. For rebuilds, Europe and North America are the most important markets.

The Paper business line's deliveries are typically project based. Valmet typically enters into a bidding process for new projects and the project contracts are typically for a fixed amount. After the contract is signed, projects typically take between 12 and 24 months to complete.

As orders for new paper machines have decreased in recent years due to reduced demand especially for printing and writing paper grades, board and tissue machines have represented a larger percentage of Valmet's order book. However, the demand for paper machine rebuilds has remained stronger. For more information on trends in Valmet's markets, see "Market and Industry Overview."

The following table sets forth publicly announced new orders booked in 2012 and during the six months ended June 30, 2013 for paper, board and tissue machines:

	Location	Content	Commissioning
Paper			
–			
Board			
Kipas Kagit	Turkey	Containerboard machine	November 2013
Siam Kraft Industry	Thailand	Containerboard line	August 2014
Lee & Man Paper Manufacturing	China	Containerboard line	2014
Zhejiang Jingxing Paper Joint Stock Co., Ltd.	China	Containerboard line	2014
Tissue			
Forestal y Papelera Concepción	Chile	Tissue line	November 2014
Syktyvkar Tissue Group	Russia	Tissue line	July 2014
Hayat Kimya Sanayi	Turkey; Russia	Tissue line (2)	September 2014 / March 2015
Shandong HengAn Group	China	Tissue line (4)	August 2014 / October 2015
Fabrica De Papel San Francisco	Mexico	Tissue machine	July 2013
Yunnan Yun-Jing Forestry & Pulp Mill	China	Tissue line	July 2014
Suparma Tbk	Indonesia	Tissue line	August 2014

The following table sets forth publicly announced new orders booked in 2012 and during the six months ended June 30, 2013 for paper, board and tissue machine rebuilds:

	Location	Content	Commissioning
Paper			
Norske Skog	Australia	Paper machine rebuild	March 2014
SCA Packaging	Sweden	Kraftliner machine rebuild	September 2013
Hansol Paper	South Korea	Off-machine coater rebuild	April 2013
Shandong Chenming Paper Holdings	China	Paper machine rebuild	January 2014
Board			
Obeikan Paper	Saudi Arabia	Containerboard machine rebuild	October 2013
Tissue			
–			

Competition

The competition in the paper machine business is mainly based on technology, references and price. For large machines, Valmet's main competitor is Voith Group as well as Andritz to a lesser extent and Bellmer for rebuilds only. In addition, Chinese suppliers have increased their presence in the mid-market, especially for rebuilds. Management believes that Valmet has the number one position in the tissue machines market and the number one or two position in the paper machines and board machines markets.

Areas

The area organizations are responsible for maintaining and developing customer relationships, sales and delivery of services as well as supporting global projects delivered by the business lines. The business lines support regional sales and services personnel in the areas with technology and process know-how. The sales cycle for typical new builds and major service orders can vary from several months to several years, with multiple negotiations with the customer combined with competitive bidding, while small services orders generally have shorter sales cycles. For additional information on Valmet's project management, see "—Project Management" below. There are five areas: North America, South America, EMEA, Asia Pacific and China.

Valmet's local sales and services personnel stay in close contact with customers and can also be located on the customer premises based on services agreements. Customer relationships are often established via the tendering process or via early engagement in feasibility studies. For services, customer relationships are often established through the delivery of new machines or rebuilds and then followed on with services throughout the life cycle of the machine. Service and component sales are made on a continuous basis by local sales and service centers.

The majority of Valmet's business is based on established customer relationships. The areas are in charge of the global key account management and each area has defined major customer mills and corporations. Valmet has an extensive

network of sales offices, service units and sales representatives globally that covers all of its major target markets. Agents are primarily used in small and remote markets.

Valmet primarily engages in direct marketing with customers. Valmet also selectively participates in industry trade shows and organizes customer events to promote its brand and products.

Project Management

A typical project delivery combines Valmet's global operation network into an efficient delivery chain for fulfilling customer orders. Projects can start, for example, with a feasibility study or engineering phase, sometimes with customer specific trials and development work in Valmet's pilot plants. The engineering phase is followed by procurement, manufacturing and shipment of products to the customer's installation site. An important part of efficient project implementation is installation supervision and assisting customers in the start-up phase of the project. Depending on the scope and location of the project, employees in multiple countries are often involved. While performing installation and commissioning activities, Valmet uses subcontractors and external contractors extensively. Management believes that Valmet's global project delivery capability, continuously demonstrated in projects executions of all sizes and on all continents, is one of its core competencies. The delivery network enables smooth deliveries and promotes cost efficiency with the aim of ensuring customer satisfaction and profitability of Valmet's operations. See also "Risk Factors—Risks Relating to Valmet—Operational Risks—Valmet's operations are largely based on contracts for projects, which exposes Valmet to risks relating to project completion and may result in cost overruns."

Procurement Network

Historically, individual business lines within Valmet have been responsible for their own procurement, with coordination occurring at the PPP Business group level in order to secure volume discounts where possible. As such, Management does not expect significant changes to Valmet's procurement organization following the Effective Date. Procurement items and suppliers management system, sourcing of new cost competitive suppliers and local knowledge of available suppliers are cornerstones of the continued development of Valmet's procurement network and increasing efficiency.

Although most of the product engineering work is performed by Valmet, it uses subcontractors for manufacturing various components and parts. Valmet is increasing its use of subcontractors in order to increase the flexibility of its business. Valmet uses a number of local and global suppliers for raw materials, steel structures and components and is not dependent on any single provider. Valmet's procurement mainly relates to mild and stainless steel, castings, forgings, tanks and pressure vessels and various components such as pumps, power transmission and bearings. Valmet produces most of the large castings in its own foundries, but Valmet also purchases castings and forgings from third parties. The most important raw materials for Valmet's production include mild and stainless steel materials and scrap iron for the foundries.

Research and Development

Valmet has a long history of innovations for the pulp, paper and energy industries. Valmet's focus on research and development work is currently on cost-efficient, modularized and standardized solutions with the right technology scope designed to improve the profitability and sustainability of the pulp, paper and energy industries through improved raw material and energy efficiency. The other focus area is biomass conversion technologies. Management believes that Valmet has the know-how and an extensive set of pilot facilities as well as an established cooperation network with external research institutes, customers and universities enabling it to continuously introduce new products and services to meet its customers' needs through the entire life cycle of their investments. Valmet's pilot facilities are used for demonstration trials and for specific projects with customers as well as for proprietary development work.

Valmet's research and development work is carried out mainly in Finland and Sweden by the technology and research and development organizations of the business lines. Additionally, a portion of the research and development work is carried out with a network of customers, research institutions and universities. Research and development projects are closely linked to Valmet's strategy and business plans. Management does not expect the Demerger to require any significant changes in Valmet's research and development organization. As at June 30, 2013, approximately 350 persons were working on research and development, with the main locations being in Finland and Sweden.

Valmet has active research and development in all of its business lines. Within the Services business line, Valmet continuously seeks to develop new technical solutions as well as service and maintenance offerings to improve the performance and competitiveness of its customers' existing production lines through their life cycle. Development activities in the Pulp and Energy business line have focused on cost-efficient and environmentally friendly solutions for large and mid-size pulp mills as well as for growth areas such as dissolving pulp production. In boiler technology, the targets are to reduce environmental impact, improve efficiency, lower costs and extend the fuel portfolio. Within the

Paper business line, Valmet's development activities have focused on cost-efficient, modularized machine designs and processes that are energy and raw material efficient. One recent example is the OptiConcept M, a modular paper and board machine concept for mid markets that Valmet launched in 2012.

Developing and commercializing new biomass conversion technologies is expected to offer Valmet new growth opportunities. Accordingly, Valmet is placing increasing efforts to develop new biomass conversion technologies and processes for efficient use of various biomass raw materials. Recently delivered technologies for lignin separation, pyrolysis and gasification are examples of Valmet's new solutions to reduce the use of fossil fuels and to increase the value of biomass.

Intellectual Property Rights

Metso has sought to protect innovations and create value through intellectual property rights, which include patents, utility models, design protections, trademarks, copyrights and domain names, and Management expects Valmet to continue to apply the same approach in the future. The protection of intellectual property rights is important for Valmet and the majority of Metso's intellectual property rights portfolio relates to Valmet. Valmet will continue to emphasize systematic management of its intellectual property rights, and when necessary, to enforce them in order to support both competitiveness and technology leadership in its businesses.

Intellectual property rights relating to Valmet are generally owned by legal entities operating the business. Valmet has an extensive portfolio of registered intellectual property rights, which will transfer from Metso to Valmet on the Effective Date. As at June 30, 2013, there were approximately 1,800 protected inventions related to Valmet. See also "Summary of the Demerger—Related Arrangements—Agreement with Metso Automation."

Properties and Leased Properties

Valmet primarily operates both leased and owned premises. As at June 30, 2013, the carrying amount of the properties owned by Valmet on a carve-out basis was EUR 149 million. The properties are located mainly in Finland, China, Sweden, Brazil and the United States.

Employees

On a carve-out basis, Valmet had 12,078 employees as at June 30, 2013, 12,547 employees as at December 31, 2012, 12,637 employees as at December 31, 2011 and 12,207 employees as at December 31, 2010.

The following table sets forth the breakdown of Valmet's employees by business line (including area employees) on a carve-out basis as at June 30, 2013:

	As at June 30, 2013
Services	5,280
Pulp and Energy	2,531
Paper	4,079
Other	188
Total	12,078

The following table sets forth the breakdown of Valmet's employees by geographical region on a carve-out basis as at June 30, 2013:

	As at June 30, 2013
North America	1,112
South America	419
EMEA	7,850
Asia Pacific	613
China	2,084
Total	12,078

The number of Valmet's employees presented above and elsewhere in this Prospectus is based on the business line and area structure of Metso as at June 30, 2013, adjusted to reflect certain carve-out employee reallocations.

Management believes that Valmet's relationships with its employees and labor unions are good. Applicable legislation in certain key countries in which Valmet operates restricts keeping records of union participation. The majority of Valmet's employees in Finland, Sweden and elsewhere are represented by labor unions.

Group Legal Structure and Significant Subsidiaries

Following the Effective Date, Valmet Corporation will be the parent company of the Valmet group. There will be 58 subsidiaries of Valmet Corporation that will be part of Valmet. The following table sets forth the expected significant subsidiaries of Valmet Corporation as at the Effective Date:

	Country of Incorporation	Holding
		(percent)
Metso Paper Oy	Finland	100.0
Metso Power Oy	Finland	100.0
Metso Fabrics Oy	Finland	100.0
Metso Paper Sweden AB	Sweden	100.0
Metso Power AB	Sweden	100.0
Metso Paper USA Inc.	United States	100.0
Metso Paper South America Ltda	Brazil	100.0
Metso Paper Technology (Shanghai) Co Ltd	China	100.0

For more information, see "Operating and Financial Review and Prospects—Presentation of Carve-out Financial Information and Factors Affecting Comparability—Overview" and note 30 to the audited carve-out financial statements of Valmet as at and for the years ended December 31, 2012, 2011 and 2010 included in the F-pages to this Prospectus.

Sustainability and Health, Safety and Environment

Metso's sustainability strategy was approved by the Metso Executive Team in November 2012. Management expects Valmet to implement a sustainability strategy largely in line with that of Metso.

Metso's sustainability principles are:

- ***People.*** Metso prioritizes the wellbeing, health and safety of the individuals in all of its operations. Metso actively promotes equal opportunities and diversity, and trains its leaders to promote sustainability thinking and to link individual objectives to sustainability.
- ***Environment.*** Metso constantly strives for improvements in its energy and materials efficiency and in reducing water consumption, emissions to water, soil and air, and the amount of waste in its operation. Metso has also identified environmental risks related to its operations and practice precautionary procedures to avoid any environmental accidents.
- ***Society.*** Metso strives to act as a responsible corporate citizen and to support sustainable development in the communities in which it operates by forming partnerships with customers and other stakeholders. By sponsoring and donating to local projects in science, research and education, environmental protection and nature conservation, and youth activities, Metso attempts to promote a more sustainable world.
- ***Marketplace.*** Metso assists customers with improving the sustainability of their operations by using its technology and solutions, and develops a transparent and responsible supply chain management to support its own sustainability efforts.
- ***Safety***. Management believes that health, safety and wellbeing of Metso's employees, customers and partners is a priority. Metso organizes regular health, safety and environment ("HSE") trainings and is in the process of implementing minimum safety standards throughout its organization. Metso also has a HSE reporting system that covers most of its employees.

Governmental Regulation and Environmental Matters

The business operations of Valmet, including the operation of production facilities, are subject to various environmental laws and regulations. All countries in which Valmet operates have adopted laws, regulations, technical instructions and rules, and standards concerning environmental protection, which tend to become more stringent over time. They regulate, among other things, air pollution and set limit values for various air emissions. Furthermore, they regulate, among other

things, equipment and plant safety, noise and vibrations, and soil and water pollution and remediation. The PPP Business has been required to obtain and maintain various permits from governmental authorities for its business operations.

Valmet's products are designed to meet all the relevant standards, norms and directives in the respective delivery countries. Valmet's products are delivered with the appropriate information and instructions to ensure safe operation, service and maintenance. In addition, Valmet offers a wide range of life cycle services to ensure that all the products in use will continue to meet existing and future requirements throughout their life cycle.

Insurance

Management believes that Valmet's business premises are insured adequately and in a manner consistent with market practice. Management expects that Valmet's insurance policies will comprise, among others, property damage, business interruption, marine cargo and inland transit, general and product liability, directors and officers liability, business travel and expatriate and worker's compensation insurance in all relevant countries. Depending on the territory of Valmet's activities, Management expects that the insurance coverage will be provided either on an admitted or non-admitted basis. Management expects that Valmet's insurance policies will be subject to standard limitations and, for example, in the case of business interruption insurance, limitations may apply with respect to the length of the interruption covered and the maximum amount that can be claimed, and, in the case of insurance for financial losses, limitations may also apply in the form of deductibles and the maximum amount that can be claimed, and, as a result, insurance may not necessarily cover all losses in sales incurred by Valmet.

Legal Proceedings

In the ordinary course of business, the PPP Business is subject to various lawsuits and claims based on various grounds, including product liability, IPR and asbestos litigation, as well as ordinary risks of legal disputes concerning deliveries. Product liability claims are typically based on personal injury. Valmet's products may also be used in locations where customers' activities can endanger the environment and result in liability for Valmet.

The PPP Business has no pending governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Metso is aware) which may have, or have had in the past 12 months, a significant effect on the financial position or profitability of the PPP Business (or Valmet or its subsidiaries, as a whole after the Effective Date).

Material Contracts

There are no contracts (other than contracts described below and those entered into in the ordinary course of business) that are, or may be, material and which have been entered into by any company of the PPP Business during the two years immediately preceding the date of this Prospectus or that contain any provision under which any company of the PPP Business has any obligation or entitlement that is material to the companies of the PPP Business as at the date of this Prospectus.

Agreements Related to the Demerger

For a description of certain agreements of Valmet related to the Demerger, see "Summary of the Demerger—Related Arrangements."

Pulp Line for CMPC Celulose Riograndese

On June 20, 2013, certain PPP Business companies and CMPC Celulose Riograndese LTDA entered into certain agreements according to which Metso will supply the key technology to a pulp line to be constructed in Guaíba, Brazil. Of the total project value of approximately USD 2.1 billion, Valmet's portion of the project is approximately USD 1.1 billion, of which approximately EUR 400 million consists of Valmet's own equipment and systems. The new pulp line is an expansion to the existing Guaíba pulp mill and is planned to have a capacity of 1.3 million metric tons per year. The new pulp mill is scheduled to be commissioned in the first half of 2015.

Valmet's delivery will include the main parts of the pulp line, including the cooking plant and fiber line, pulp drying and baling, evaporation, a recovery boiler, causticizing and lime kiln, and an integrated automation solution as well as an operator training simulator for all mill process areas. Metso has provided a parent company guarantee covering all financial obligations of the Valmet entities. Provided that certain financial conditions are met, all of the liabilities under the guarantee will transfer from Metso to Valmet on the Effective Date.

Financing Agreements

For a description of certain of Valmet's financing agreements, see "Operating and Financial Review and Prospects—Liquidity and Capital Resources—Borrowings."

SELECTED CARVE-OUT FINANCIAL INFORMATION

The following tables present selected carve-out financial information of Valmet as at and for the years ended December 31, 2012, 2011, 2010 and as at and for the six months ended June 30, 2013 and 2012. The selected carve-out financial information presented below has been derived from the audited carve-out financial statements of Valmet as at and for the years ended December 31, 2012, 2011, 2010 and the unaudited interim carve-out financial information of Valmet as at and for the six months ended June 30, 2013, including unaudited comparative interim carve-out financial information as at and for the six months ended June 30, 2012. The carve-out financial information of Valmet has been prepared in accordance with the IFRS standards, under consideration of the principles for determining which assets and liabilities, income and expenses and cash flows are to be assigned to Valmet as described in note 1 to the audited carve-out financial statements of Valmet as at and for the years ended December 31, 2012, 2011 and 2010 included in the F-pages to this Prospectus. See also "Operating and Financial Review and Prospects—Presentation of Carve-out Financial Information and Factors Affecting Comparability."

The independent auditors' reports on the audit for the carve-out financial statements of Valmet as at and for the years ended December 31, 2012, 2011 and 2010 include an emphasis of matter paragraph, where the auditors, without qualifying their opinion, draw attention to the fact that, as described in the note 1 to the carve-out financial statements, Valmet has not formed a separate legal group of entities. The carve-out financial statements are, therefore, not necessarily indicative of results of operations, financial position or cash flows that would have occurred if Valmet had operated as a separate stand-alone group of entities during the years presented or of Valmet's future performance.

Valmet adopted the revised "*IAS 19 – Employee Benefits*" standard as of January 1, 2013. Where indicated, the historical financial information of Valmet as at and for the year ended December 31, 2012 and for the six months ended June 30, 2012 presented in the tables below have been restated to correspond the new accounting principles, and due to the restatement, is unaudited.

The selected carve-out financial information provided herein should be read in conjunction with "Presentation of Financial Information" and Valmet's historical carve-out financial information included in the F-pages to this Prospectus.

	For the six months ended June 30,		For the year ended December 31,			
	2013	**2012**	**2012**	**2012**	**2011**	**2010**
		(restated)[1]	(restated)[1]	(not restated)		
	(unaudited)		(unaudited)		(audited)	
			(EUR in millions)			
COMBINED STATEMENT OF INCOME						
Net sales	1,339	1,449	3,005	3,005	2,692	2,450
Net sales, Metso Group	6	4	9	9	11	3
Net sales, total	1,345	1,453	3,014	3,014	2,703	2,453
Cost of goods sold	(1,058)	(1,118)	(2,345)	(2,345)	(2,029)	(1,877)
Cost of goods sold, Metso Group	(29)	(21)	(60)	(60)	(58)	(46)
Cost of goods sold, total	(1,087)	(1,139)	(2,405)	(2,405)	(2,087)	(1,923)
Gross profit	258	314	609	609	616	530
Selling, general and administrative expenses	(234)	(231)	(457)	(460)	(451)	(426)
Other operating income and expenses, net	(1)	(3)	(14)	(14)	9	2
Share in profits of associated companies	1	0	0	0	0	0
Operating profit	24	80	138	135	174	106
Financial income and expenses, net	(1)	1	0	5	5	(8)
Financial income and expenses, Metso Group, net	(2)	(11)	(23)	(23)	(24)	(29)
Financial income and expenses, net	(3)	(10)	(23)	(18)	(19)	(37)
Profit before taxes	21	70	115	117	155	69
Income taxes	(7)	(24)	(39)	(40)	(46)	(22)
Profit	14	46	76	77	109	47
Attributable to:						
Equityholders of Valmet Group	14	46	76	77	108	46
Non-controlling interests	0	0	0	0	1	1
Profit	14	46	76	77	109	47

	For the six months ended June 30,		For the year ended December 31,			
	2013	2012	2012	2012	2011	2010
		(restated)[1]	(restated)[1]	(not restated)		
	(unaudited)		(unaudited)		(audited)	
	(EUR in millions)					
COMBINED STATEMENT OF COMPREHENSIVE INCOME						
Profit	14	46	76	77	109	47
Items that may be reclassified to profit or loss in subsequent periods:						
Cash flow hedges, net of tax	1	(4)	(3)	(3)	(9)	14
Available-for-sale equity investments, net of tax	0	0	0	0	0	0
Currency translation on subsidiary net investments	(15)	1	(2)	(2)	(4)	36
Net investment hedge gains (+) / losses (–), net of tax	–	–	–	–	2	3
Items that may be reclassified to profit or loss in subsequent periods, total	(14)	(3)	(5)	(5)	(11)	53
Items that will not be reclassified to profit or loss:						
Defined benefit plan actuarial gains (+) / losses (–), net of tax	–	–	(7)	(7)	(15)	(3)
Other comprehensive income (+) / expense (–)	(14)	(3)	(12)	(12)	(26)	50
Total comprehensive income (+) / expense (–)	0	43	64	65	83	97
Attributable to:						
Equityholders of Valmet Group	0	43	64	65	82	96
Non-controlling interests	0	0	0	0	1	1
Total comprehensive income (+) / expense (–)	0	43	64	65	83	97

	As at June 30, 2013	As at December 31,		
		2012[1]	2011	2010
	(unaudited)		(audited)	
	(EUR in millions)			
COMBINED BALANCE SHEET				
ASSETS				
Non-current assets				
Intangible assets				
Goodwill	446	445	443	441
Other intangible assets	124	133	155	178
Intangible assets, total	570	578	598	619
Property, plant and equipment				
Land and water areas	21	21	20	20
Buildings and structures	149	155	159	154
Machinery and equipment	242	246	255	260
Assets under construction	14	19	33	21
Property, plant and equipment, total	426	441	467	455
Financial and other non-current assets				
Investments in associated companies	5	4	4	5
Available-for-sale equity investments	4	4	4	4
Loan and other interest-bearing receivables	1	4	5	5
Other receivables, Metso Group	89	119	132	132
Available-for-sale financial investments	–	–	–	0
Derivative financial instruments	–	–	–	2
Deferred tax asset	67	70	63	74
Other non-current assets	21	12	14	11
Financial and other non-current assets, total	187	213	222	233
Total non-current assets	1,183	1,232	1,287	1,307
Current assets				
Inventories	514	554	616	451
Receivables				
Trade and other receivables	437	530	557	467
Trade and other receivables, Metso Group	13	42	39	37
Cost and earnings of projects under construction in excess of advance billings	171	170	198	164
Loan and other interest-bearing receivables	0	0	0	5
Loan receivables, Metso Group	–	17	–	–
Cash pooling receivables, Metso Group	97	184	271	188
Available-for-sale financial assets	1	1	1	–
Derivative financial instruments	1	6	12	19
Income tax receivables	35	14	7	12
Receivables, total	755	964	1,085	892
Cash and cash equivalents	211	158	308	158
Total current assets	1,480	1,676	2,009	1,501
Total assets	2,663	2,908	3,296	2,808

	As at June 30, 2013	As at December 31, 2012[(1)]	2011	2010
	(unaudited)		(audited)	
		(EUR in millions)		
EQUITY AND LIABILITIES				
Equity				
Cumulative translation adjustments	9	24	26	28
Fair value and other reserves	4	3	5	14
Invested equity and retained earnings	834	389	370	269
Equity attributable to equityholders of Valmet Group	847	416	401	311
Non-controlling interests	5	7	8	8
Total equity	852	423	409	319
Liabilities				
Non-current liabilities				
Long-term debt	100	132	196	270
Long-term debt, Metso Group	62	550	558	565
Post-employment benefit obligations	120	121	114	91
Provisions	27	30	39	26
Derivative financial instruments	2	1	1	–
Deferred tax liability	33	36	39	51
Other long-term liabilities	1	1	2	2
Total non-current liabilities	345	871	949	1,005
Current liabilities				
Current portion of long-term debt	63	64	84	46
Current portion of long-term debt, Metso Group	30	28	8	8
Short-term debt	–	–	2	0
Cash pooling liabilities, Metso Group	126	93	78	70
Trade and other payables	644	643	808	722
Trade and other payables, Metso Group	24	41	33	37
Provisions	91	117	161	154
Advances received	199	182	272	221
Advances received, Metso Group	6	3	7	5
Billings in excess of cost and earnings of projects under construction	249	402	463	214
Derivative financial instruments	3	6	4	0
Income tax liabilities	31	35	18	7
Total current liabilities	1,466	1,614	1,938	1,484
Total liabilities	1,811	2,485	2,887	2,489
Total equity and liabilities	2,663	2,908	3,296	2,808

	As at and for the six months ended June 30, 2013	2012[(1)]	As at and for the year ended December 31, 2012[(1)]	2011	2010
	(unaudited)			(audited)	
			(EUR in millions)		
COMBINED CASH FLOW STATEMENT DATA					
Net cash provided by (+) / used in (–) operating activities	(17)	37	(53)	339	246
Net cash provided by (+) / used in (–) investing activities	(27)	(25)	(53)	(64)	(69)
Net cash provided by (+) / used in (–) financing activities	104	0	(31)	(124)	(242)
Cash and cash equivalents at beginning of period	158	308	308	158	208
Cash and cash equivalents at end of period	211	313	158	308	158

	As at and for the six months ended June 30, 2013	2012	As at and for the year ended December 31, 2012	2012	2011	2010
		(restated)[(1)]	(restated)[(1)]	(not restated)		
	(unaudited)		(unaudited)	(audited, unless otherwise indicated)		
			(EUR in millions)			
KEY DATA						
Operating profit	24.0	79.7	138.3	134.7	174.2	106.5
EBITA[(2)] (unaudited)	37.5	94.2	168.3	164.7	207.1	148.0
EBITA before non-recurring items[(3)] (unaudited)	48.2	94.2	192.0	188.4	204.5	159.3
Orders received (unaudited)	1,372	1,263	n/a	2,445	3,225	2,584
Order backlog (unaudited)	1,883	2,663	n/a	2,249	2,863	2,347

(1) Restated due to the adoption of the revised "*IAS 19 – Employee Benefits*" on January 1, 2013. The restatement did not have an impact to the combined balance sheet or the combined cash flow statement. For more information, see "Presentation of Financial Information—Adoption of Revised '*IAS 19 – Employee Benefits*.'"

(2) EBITA = operating profit + amortization. For a reconciliation of EBITA to Valmet's operating profit, see "Operating and Financial Review and Prospects—Non-IFRS Measures."

(3) EBITA before non-recurring items = operating profit + amortization + non-recurring items. For a reconciliation of EBITA before non-recurring items to Valmet's operating profit, see "Operating and Financial Review and Prospects—Non-IFRS Measures."

PRO FORMA FINANCIAL INFORMATION

Basis of Compilation of Unaudited Pro Forma Financial Information

The following unaudited pro forma financial information is presented to illustrate the financial impacts of the Demerger and certain Valmet formation related transactions on Valmet's results of operations and financial position had the Demerger consummated at an earlier point in time. This unaudited pro forma financial information is presented for illustrative purposes only. Because of its nature, the unaudited pro forma financial information illustrates what the hypothetical impact would have been if the Demerger and certain Valmet formation related transactions had been consummated at the dates assumed in the pro forma financial information and, therefore, does not represent the actual results of operations or financial position of Valmet. The unaudited pro forma financial information is not intended to project the results of operations or financial position of Valmet for any future period or as at any future date and does not represent the results of operations or financial position had Valmet been an independent publicly traded company during the periods presented. In addition, it should be noted that the corporate headquarter costs allocated to Valmet for the purpose of presenting the historical carve-out financial information may not necessarily represent what these costs would have been if Valmet had operated as an independent legal entity. Accordingly, additional costs may be incurred by Valmet following the Effective Date in order for it to operate as an independent listed company, as well as from reorganizing both administrative and headquarter functions.

The pro forma adjustments are based upon available information and assumptions, which are described in the accompanying unaudited pro forma notes. There can be no assurance that the assumptions used in the preparation of the unaudited pro forma financial information will prove to be correct.

The pro forma adjustments made herein to reflect the effects of the Demerger and certain Valmet formation related transactions are based on Valmet's unaudited interim carve-out financial information as at and for the six months ended June 30, 2013 and unaudited carve-out financial information as at and for the year ended December 31, 2012 and Management's estimate of the transactions that have been completed or are to be completed to effect the Demerger and form Valmet in accordance with the Demerger Plan. The final amounts of assets and liabilities transferred to Valmet in the Demerger may materially differ from those presented in the pro forma financial information as such balances will be determined on the Effective Date. This could result in a significant variation to the results of operations and financial position of Valmet presented in the pro forma financial information.

Pro Forma Periods

The pro forma statement of income and pro forma statement of comprehensive income for the year ended December 31, 2012 and for the six months ended June 30, 2013 have been compiled assuming that the Demerger and certain Valmet formation related transactions had been completed on January 1, 2012 and the pro forma balance sheet as at June 30, 2013 has been compiled assuming that the Demerger and certain Valmet formation related transactions had been completed on June 30, 2013.

Effects of the Demerger and Certain Valmet Formation Related Transactions

As Valmet's business operations will be separated to form an independent separate group only at the Effective Date, the historical financial information of Valmet has been presented in this Prospectus as carve-out financial information extracted from Metso's consolidated financial statements. The pro forma financial information has been compiled to illustrate the impacts of the Demerger, which are not included in the historical carve-out financial information.

The pro forma financial information takes into account the effects of certain intra-group arrangements that have been or will be undertaken by Metso prior to the Demerger in order to achieve the planned legal group structure of Valmet and the effects of certain refinancing measures including a settlement of intra-group net debt items between Valmet and Metso that are planned to take place prior to the Demerger. This pro forma financial information also includes adjustments made to equity to reflect the contemplated equity structure of Valmet Corporation as described in the Demerger Plan.

The pro forma financial information also takes into account the estimated direct costs related to the Demerger and the Listing.

Historical Financial Information

The pro forma financial information has been compiled on a basis consistent with the IFRS accounting policies of Valmet. The pro forma financial information is based on the unaudited carve-out financial information as at and for the six months ended June 30, 2013 and the audited carve-out financial statements as at and for the year ended December 31,

2012. Valmet adopted the revised "*IAS 19 – Employee Benefits*" standard on January 1, 2013. Accordingly, Valmet's audited carve-out financial information for the year ended December 31, 2012 has been restated to correspond to the accounting principles of the revised "*IAS 19 – Employee Benefits*" standard and due to the restatement is unaudited. More information on the impact of the revised "*IAS 19 – Employee Benefits*" standard on the carve-out financial information for the year ended December 31, 2012 is presented in the notes to the unaudited interim carve-out financial information as at and for the six months ended June 30, 2013, which are included in the F-pages to this Prospectus. See also "Presentation of Financial Information—Adoption of Revised '*IAS 19 – Employee Benefits.*'"

The pro forma financial information presented herein should be read in conjunction with the historical carve-out financial information of Valmet and other information included in this Prospectus.

The unofficial translation of the auditors' report on this unaudited pro forma financial information is included in Appendix A of this Prospectus.

	For the year ended December 31, 2012					
	Valmet restated[(1)] carve-out	**Pro forma adjustment I**	**Pro forma adjustment II**	**Pro forma adjustment III**	**Pro forma adjustment IV**	**Pro forma**
	(unaudited)					**(unaudited)**
	(EUR in millions)					
PRO FORMA STATEMENT OF INCOME						
Net sales	3,014	–	–	–	–	3,014
Cost of goods sold	(2,405)	–	–	–	–	(2,405)
Gross profit	609	–	–	–	–	609
Selling, general and administrative expenses	(457)	–	–	(11)	–	(468)
Other operating income and expenses, net	(14)	–	–	–	–	(14)
Share in profits and losses of associated companies	0	–	–	–	–	0
Operating profit	138	–	–	(11)	–	127
Financial income and expenses, net	(23)	–	23	(4)	–	(4)
Profit before taxes	115	–	23	(15)	–	123
Income taxes	(39)	–	(6)	4	–	(41)
Profit	76	–	17	(11)	–	82

	For the year ended December 31, 2012					
	Valmet restated[(1)] carve-out	**Pro forma adjustment I**	**Pro forma adjustment II**	**Pro forma adjustment III**	**Pro forma adjustment IV**	**Pro forma**
	(unaudited)					**(unaudited)**
	(EUR in millions)					
PRO FORMA STATEMENT OF COMPREHENSIVE INCOME						
Profit	76	–	17	(11)	–	82
Items that may be later transferred to profit or loss:						
Cash flow hedges, net of tax	(3)	–	–	–	–	(3)
Available-for-sale equity investments, net of tax	0	–	–	–	–	0
Currency translation on subsidiary net investments	(2)	–	–	–	–	(2)
Net investment hedge gains (+) / losses (–), net of tax	–	–	–	–	–	–
Total items that may be later transferred to profit or loss	(5)	–	–	–	–	(5)
Items that will not be transferred to profit or loss:						
Defined benefit plan actuarial gains (+) / losses (–), net of tax	(7)	–	–	–	–	(7)
Other comprehensive income (+) / expense (–)	(12)	–	–	–	–	(12)
Total comprehensive income (+) / expense (–)	64	–	17	(11)	–	70

	For the six months ended June 30, 2013					
	Valmet carve-out	**Pro forma adjustment I**	**Pro forma adjustment II**	**Pro forma adjustment III**	**Pro forma adjustment IV**	**Pro forma**
	(unaudited)					**(unaudited)**
	(EUR in millions)					
PRO FORMA STATEMENT OF INCOME						
Net sales	1,345	–	–	–	–	1,345
Cost of goods sold	(1,087)	–	–	–	–	(1,087)
Gross profit	258	–	–	–	–	258
Selling, general and administrative expenses	(234)	–	–	3	–	(231)
Other operating income and expenses, net	(1)	–	–	–	–	(1)
Share in profits and losses of associated companies	1	–	–	–	–	1
Operating profit	24	–	–	3	–	27
Financial income and expenses, net	(3)	–	1	1	–	(1)
Profit before taxes	21	–	1	4	–	26
Income taxes	(7)	–	0	(1)	–	(8)
Profit	14	–	1	3	–	18

	For the six months ended June 30, 2013					
	Valmet carve-out	**Pro forma adjustment I**	**Pro forma adjustment II**	**Pro forma adjustment III**	**Pro forma adjustment IV**	**Pro forma**
	(unaudited)					**(unaudited)**
	(EUR in millions)					
PRO FORMA STATEMENT OF COMPREHENSIVE INCOME						
Profit	14	–	1	3	–	18
Items that may be later transferred to profit or loss:					–	
Cash flow hedges, net of tax	1	–	–	–	–	1
Available-for-sale equity investments, net of tax	0	–	–	–	–	0
Currency translation on subsidiary net investments	(15)	–	–	–	–	(15)
Net investment hedge gains (+) / losses (–), net of tax	–	–	–	–	–	–
Total items that may be reclassified as profit or loss in subsequent periods	(14)	–	–	–	–	(14)
Items that will not be transferred to profit or loss:						
Defined benefit plan actuarial gains (+) / losses (–), net of tax	–	–	–	–	–	–
Other comprehensive income (+) / expense (–)	(14)	–	–	–	–	(14)
Total comprehensive income (+) / expense (–)	0	–	1	3	–	4

	As at June 30, 2013					
	Valmet carve-out	**Pro forma adjustment I**	**Pro forma adjustment II**	**Pro forma adjustment III**	**Pro forma adjustment IV**	**Pro forma**
	(unaudited)					**(unaudited)**
	(EUR in millions)					
PRO FORMA BALANCE SHEET						
ASSETS						
Non-current assets						
Intangible assets						
Goodwill	446	–	–	–	–	446
Other intangible assets	124	–	–	–	–	124
Intangible assets, total	570	–	–	–	–	570
Property, plant and equipment						
Land and water areas	21	–	–	–	–	21
Buildings and structures	149	–	–	–	–	149
Machinery and equipment	242	–	–	–	–	242
Assets under construction	14	–	–	–	–	14
Property, plant and equipment, total	426	–	–	–	–	426
Financial and other non-current assets						
Investments in associated companies	5	–	–	–	–	5
Available-for-sale equity investments	4	–	–	–	–	4
Loan and other interest-bearing receivables	1	–	–	–	–	1
Other receivables, Metso Group	89	(89)	–	–	–	–
Deferred tax asset	67	–	–	4	–	71
Other non-current assets	21	–	–	–	–	21
Financial and other non-current assets, total	187	(89)	–	4	–	102
Total non-current assets	1,183	(89)	–	4	–	1,098
Current assets				–	–	
Inventories	514	–	–	–	–	514
Receivables				–	–	
Trade and other receivables	437	–	–	–	–	437
Trade and other receivables, Metso Group	13	–	(5)	–	–	8
Cost and earnings of projects under construction in excess of advance billings	171	–	–	–	–	171
Loan and other interest-bearing receivables	0	–	–	–	–	0
Loan receivables, Metso Group	–	129	(129)	–	–	–
Cash pooling receivables, Metso Group	97	–	(97)	–	–	–
Available-for-sale financial assets	1	–	–	–	–	1
Derivative financial instruments	1	–	–	–	–	1
Income tax receivables	35	–	–	–	–	35
Receivables, total	755	129	(231)	–	–	653
Cash and cash equivalents	211	–	33	(16)	–	228
Total current assets	1,480	129	(198)	(16)	–	1,395
Total assets	2,663	40	(198)	(12)	–	2,493

	As at June 30, 2013					
	Valmet carve-out	Pro forma adjustment I	Pro forma adjustment II	Pro forma adjustment III	Pro forma adjustment IV	Pro forma
	(unaudited)					(unaudited)
	(EUR in millions)					
EQUITY AND LIABILITIES						
Equity						
Share capital	–	–	–	–	100	100
Reserve for invested unrestricted equity	–	–	–	–	295	295
Cumulative translation adjustments	9	–	–	–	–	9
Fair value and other reserves	4	–	–	–	–	4
Retained earnings	–	–	–	–	434	434
Invested equity and retained earnings	834	7	–	(12)	(829)	–
Equity attributable to equityholders of Valmet Group	847	7	–	(12)	–	842
Non-controlling interests	5	–	–	–	–	5
Total equity	852	7	–	(12)	–	847
Liabilities						
Non-current liabilities						
Long-term debt	100	–	52	–	–	152
Long-term debt, Metso Group	62	–	(62)	–	–	–
Post-employment benefit obligations	120	–	–	–	–	120
Provisions	27	–	–	–	–	27
Derivative financial instruments	2	–	–	–	–	2
Deferred tax liability	33	–	–	–	–	33
Other long-term liabilities	1	–	–	–	–	1
Total non-current liabilities	345	–	(10)	–	–	335
Current liabilities				–	–	
Current portion of long-term debt	63	–	–	–	–	63
Current portion of long-term debt, Metso Group	30	–	(30)	–	–	–
Short-term debt, Metso Group	–	32	(32)	–	–	–
Cash pooling liabilities, Metso Group	126	–	(126)	–	–	–
Trade and other payables	644	–	–	–	–	644
Trade and other payables, Metso Group	24	–	–	–	–	24
Provisions	91	–	–	–	–	91
Advances received	199	–	–	–	–	199
Advances received, Metso Group	6	–	–	–	–	6
Billings in excess of cost and earnings of projects under construction	249	–	–	–	–	249
Derivative financial instruments	3	–	–	–	–	3
Income tax liabilities	31	1	–	–	–	32
Total current liabilities	1,466	33	(188)	–	–	1,311
Total liabilities	1,811	33	(198)	–	–	1,646
Total equity and liabilities	2,663	40	(198)	(12)	–	2,493

(1) Restated due to the adoption of the revised "*IAS 19 – Employee Benefits*" on January 1, 2013. For more information, see "Presentation of Financial Information—Adoption of Revised '*IAS 19 – Employee Benefits*.'"

Unaudited pro forma notes

Pro forma adjustments

The following adjustments have been made to the carve-out financial information to reflect the effects of the Demerger and certain Valmet formation related transactions.

Pro forma adjustment I

Metso will undertake certain intra-group arrangements related to the Demerger before the Effective Date. The purpose of these arrangements is to align the legal group structures of both Valmet and Metso to reflect the contemplated legal structures of both Valmet and Metso after the Demerger.

The impacts of these intra-group arrangements on the pro forma balance sheet as at June 30, 2013 have been reflected under pro forma adjustment I. This adjustment does not have an impact on the pro forma statement of income for the six months ended June 30, 2013 or for the year ended December 31, 2012.

Pro forma adjustment II

The existing interest-bearing intra-group receivables and liabilities among Valmet and Metso are planned to be settled on the Effective Date. These intra-group balances consist of non-current and current receivables and liabilities, including debt balances to Metso as well as cash pool receivable and liability balances. In the pro forma balance sheet as at June 30, 2013, the net settlement of these intra-group balances results in an increase to cash and cash equivalents of EUR 33 million, reflecting the cash amount to be paid by Metso to Valmet to settle the balances.

The pro forma financial information assumes that an intra-group debt balance of EUR 52 million granted by Metso's subsidiary Metso Belgium NV to Valmet has been repaid by Valmet to Metso and financed by drawing funds from the EUR 200 million Term Loan Facility (as defined herein) with SEB. For more information on the Term Loan Facility, see "Operating and Financial Review and Prospects—Liquidity and Capital resources—Borrowings—New Credit Facilities."

The impact on Valmet’s interest expenses and the related tax impact are reflected in the pro forma statements of income for the six months ended June 30, 2013 and for the year ended December 31, 2012.

EUR 468 million of the EUR 482 million long-term debt from Metso to Metso Svenska AB (Valmet entity) was converted into equity in January 2013. The interest expenses (EUR 22 million) and the related tax impact (negative EUR 6 million) related to this intra-group long-term debt balance included in the combined statement of income for the year ended December 31, 2012 have been eliminated from the pro forma statement of income for that period.

Pro forma adjustment III

The estimated direct costs to be incurred by Valmet in connection with the Demerger and the Listing related to establishing the new company and listing the shares in Valmet on the Helsinki Stock Exchange have been accounted for under pro forma adjustment III.

Of these estimated direct costs related to the Demerger, EUR 11 million have been recorded as selling, general and administrative expenses, EUR 4 million as financial expenses and EUR 4 million as the related income tax impact in the pro forma statement of income for the year ended December 31, 2012. The direct costs related to the Demerger of EUR 4 million already recognized in Valmet’s combined statement of income for the six months ended June 30, 2013 are eliminated in the pro forma statement of income for that period.

In the pro forma balance sheet, the direct costs related to the Demerger to be expensed, EUR 8 million net of tax, have been deducted from the invested equity and retained earnings. The estimate for the total share issuance and listing costs deducted from invested equity and retained earnings in the pro forma balance sheet as at June 30, 2013 amounted to EUR 5 million, net of taxes EUR 4 million.

Cash and cash equivalents have been reduced by the amount of EUR 16 million, reflecting the unpaid portion of the before-mentioned estimated direct costs related to the Demerger and the Listing.

The direct costs related to the Demerger and the Listing are considered to be non-recurring costs and as such, they do not have a continuing impact on Valmet’s results of operations.

Pro forma adjustment IV

The formation of Valmet’s equity structure in accordance with the Demerger Plan has been treated as an adjustment in the pro forma balance sheet as at June 30, 2013. The presentation of equity in the carve-out balance sheet as at June 30, 2013 has been adjusted under pro forma adjustment IV by splitting the line item “Invested equity and retained earnings” into the line items “Share capital,” “Reserve for invested unrestricted equity” and “Retained earnings” in the pro forma presentation of equity.

The final amounts of assets and liabilities transferred to and the composition of equity items of Valmet in the Demerger may materially differ from those presented in this pro forma financial information as such asset and liability balances and the equity structure will be determined as at the Effective Date.

	As at and for the six months ended June 30, 2013	As at and for the year ended December 31, 2012
	(unaudited) (EUR in millions, unless otherwise indicated)	
KEY PRO FORMA DATA		
Net sales, total	1,345	3,014
Operating profit	27	128
Profit before taxes	26	124
Amortization of intangible assets	(14)	(30)
Depreciation of tangible assets	(28)	(60)
Non-recurring items:		
Capacity adjustment expenses	(8)	(24)
Costs related to the Demerger	0	(11)
EBITA[(1)]	40	157
EBITA before non-recurring items[(2)]	48	192
percent of net sales	3.6	6.4
Earnings per share,[(3)] EUR	0.12	0.55
Shares (outstanding shares in Metso as at June 30, 2013)	149,864,206	149,864,206
Balance sheet total	2,493	n/a
Equity	847	n/a
Interest-bearing liabilities	215	n/a
Net debt	(15)	n/a
Gearing,[(4)] percent	(1.7)	n/a
ROCE before taxes,[(5)] percent	6.5	n/a
ROCE after taxes,[(6)] percent	4.9	n/a
Equity to asset ratio,[(7)] percent	37.0	n/a

(1) EBITA = operating profit + amortization

(2) EBITA before non-recurring items = operating profit + amortization + non-recurring items

(3) Earnings per share = $\frac{\text{Profit}}{\text{Number of outstanding shares in Metso}}$

(4) Gearing = $\frac{\text{Net interest-bearing liabilities}}{\text{Total equity}} \times 100$

(5) Return on capital employed (ROCE) before taxes = $\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Balance sheet total – non-interest-bearing liabilities}} \times 100$

(6) Return on capital employed (ROCE) after taxes = $\frac{\text{Profit + interest and other financial expenses}}{\text{Balance sheet total – non-interest-bearing liabilities}} \times 100$

(7) Equity to asset ratio = $\frac{\text{Total equity}}{\text{Balance sheet total – advances received}} \times 100$

Non-IFRS measures on a pro forma basis

Valmet has included in this pro forma financial information certain non-IFRS financial measures on a pro forma basis. Such non-IFRS financial measures are pro forma EBITA, pro forma EBITA before non-recurring items and pro forma EBITA-margin before non-recurring items and such measures are not accounting measures defined under IFRS or applicable pro forma guidance. These pro forma based non-IFRS measures are compiled based on the pro forma financial information presented in this section and non-IFRS financial measures of Valmet presented elsewhere in these Prospectus. For more information related to non-IFRS measures of Valmet, see “Presentation of Financial Information—Non-IFRS Measures” and “Operating and Financial Review and Prospects—Non-IFRS Measures.”

The following tables reconcile the operating profit to EBITA and EBITA before non-recurring items on a pro forma basis for the periods indicated:

	For the six months ended June 30, 2013[(1)]			For the year ended December 31, 2012[(1)]		
	Carve-out	Pro forma adjustments	Pro forma	Carve-out (restated)[(2)]	Pro forma adjustments	Pro forma
	(unaudited) (EUR in million)					
Operating profit	24	3	27	138	(11)	127
Total amortization	14	–	14	30	–	30
EBITA	38	3	41	168	(11)	157
Capacity adjustment expenses	8	–	8	24	–	24
Costs related to the Demerger	3	(3)	–	–	11	11
EBITA before non-recurring items	48	–	48	192	–	192

(1) The figures presented have been rounded and, therefore, the sum of individual figures may differ from the presented sum total.

(2) Restated due to the adoption of the revised “*IAS 19 – Employee Benefits*” on January 1, 2013. For more information, see “Presentation of Financial Information—Adoption of Revised ‘*IAS 19 – Employee Benefits.*’”

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following information should be read together with the unaudited carve-out financial information of Valmet as at and for the six months ended June 30, 2013, including unaudited comparative interim carve-out financial information as at and for the six months ended June 30, 2012, and the audited carve-out financial statements of Valmet as at and for the years ended December 31, 2012, 2011 and 2010 included in the F-pages to this Prospectus. Except where explicitly otherwise mentioned, the financial information presented below represents the historical results of operations and the financial position of Valmet as a separate entity during the periods discussed without taking into consideration any arrangements made in relation to the Demerger. For pro forma financial information giving effect to the Demerger, see "Pro Forma Financial Information." The following information includes forward-looking statements and involves inherent risks and uncertainties. The actual results of operations of Valmet could differ materially from those contained in such forward-looking statements as a result of factors discussed below and elsewhere in this Prospectus, particularly in "Risk Factors."

Overview

Valmet is a leading global developer and supplier of services and technologies especially for industries that use bio-based raw materials, primarily the pulp, paper and energy industries as well as selected process industries. Valmet's service and product offerings cover the entire life cycle of industrial processes, including new machines and plants, rebuilds, process control and services. Valmet has extensive technological know-how and a broad process understanding in solutions related to the pulp, paper and energy industries and other biomass conversion technologies. Valmet complements its core business by applying its services and technological know-how to other areas and industries, particularly within the energy sector. Valmet possesses significant experience in comprehensive life cycle services, particularly related to the pulp, paper and energy industries, managing projects of all sizes from engineering to project management and commissioning, and after sales support. As at June 30, 2013, Valmet had a total of 12,078 employees on a carve-out basis in 30 countries.

Over the years, Valmet has strengthened and expanded its services offerings through organic growth and acquisitions, which has allowed Valmet to assist its customers with optimizing their asset bases. In recent years, Valmet's services business has benefitted from both the service and maintenance outsourcing trend among its customer industries and from the growing installed base, especially in South America, China and Asia Pacific. A focus area for Valmet has been the research and product development of technologies using biomass for energy production and as a raw material for end products in order to create new revenue streams for its customers and to create environmentally sustainable solutions.

As of October 1, 2013, Valmet's operations will be organized in the following three business lines and five areas based on geographic region:

- ***The Services business line*** will provide services and solutions to the pulp, paper, energy and certain other process industries. Services and solutions provided include spare, wear and replacement parts and equipment, paper machine clothing, filter fabrics, paper machine roll services, plant improvements, upgrades and technical modifications and expert services to improve plant efficiency and operational effectiveness, as well as plant maintenance outsourcing.

- ***The Pulp and Energy business line*** will supply pulp mills, process islands (*i.e.*, the equipment for the different stages of the production line), such as fiber lines and recovery islands, and process equipment for customers using chemical and mechanical pulping technologies; as well as bio-power plants, power boiler islands and related environmental systems, such as flue gas cleaning solutions; and biomass conversion technology based-solutions, such as gasification of biomass and waste, lignin separation technology and pyrolysis, primarily for the pulp, paper and energy industries.

- ***The Paper business line*** will supply board, tissue and paper machinery and equipment and machine rebuilds for the board, tissue and paper industries.

- ***The areas*** are North America, South America, EMEA, Asia Pacific, and China and they are responsible for sales, providing services that meet customers' needs and support of project deliveries in their respective regions.

Factors Affecting Valmet's Results of Operations

Introduction

Pursuant to the Demerger Plan, all of the assets, debts and liabilities relating to the PPP Business will transfer, without liquidation, from Metso to Valmet. The results of operations of Valmet have been affected, and are expected to continue

to be affected, by a number of factors, some of which are beyond Valmet's control. The key factors affecting Valmet's results of operations include, but are not limited to, the following:

- demand for Valmet's products and services;
- cyclicality;
- prices of raw materials, other supplies and energy;
- exchange rate fluctuations;
- Valmet's cost efficiency program;
- Valmet's ability to perform and execute projects; and
- revenue recognition for large projects.

Demand for Valmet's Products and Services

Demand for Valmet's products and services is affected by changes in demand from its customer industries, which, in turn, are affected by general economic conditions, changes in end-user behavior and technological developments. The main industry trends that Management believes affect Valmet's customers are described under "Market and Industry Overview—Services—Key Industry Drivers and Market Trends" for the Services business line, under "Market and Industry Overview—Pulp and Energy—Key Industry Drivers and Market Trends" for the Pulp and Energy business line and under "Market and Industry Overview—Paper—Key Industry Drivers and Market Trends" for the Paper business line.

Cyclicality

Valmet operates in industry segments that are sensitive to business cycles. Generally, business cycles in the global economy and in Valmet's customer industries influence the demand for its products and services. As machine and equipment sales tend to be more affected by business cycles and customers' capital expenditure than the demand for the services business, which is largely linked to the utilization rates of customers' assets, Valmet has actively sought to increase its service business in order to reduce the effects of cyclicality on business revenues and/or increase stability of revenue through the business cycles. For the six months ended June 30, 2013, the Services business line represented approximately 37 percent of Valmet's net sales. The effects of cyclical fluctuations are also partly offset by the geographical scope of Valmet's operations as economic cycles tend to vary in the different geographies in which Valmet operates.

The following table sets forth the geographic breakdown of Valmet's net sales on a carve-out basis for the periods indicated:

	For the six months ended June 30,		For the year ended December 31,		
	2013	2012	2012	2011	2010
	(unaudited)		(audited)		
	(EUR in millions)				
North America	212	288	572	475	356
South and Central America	198	196	512	358	182
EMEA	576	602	1,208	1,075	1,020
Asia Pacific	136	113	324	283	213
China	224	254	398	512	682
Total	1,345	1,453	3,014	2,703	2,453

Prices of Raw Materials, Other Supplies and Energy

Valmet's results of operations are affected by variations in prices of raw materials and supplies, including energy. The primary raw materials that Valmet uses are steel and scrap iron. The price and availability of steel and scrap iron can fluctuate based on supply and demand, producers' capacity and environmental regulations, among other factors, and, therefore, adversely affect results of operations of Valmet. Changes in raw material and component prices may also affect the value of inventories. Metso seeks to decrease commodity price risks by hedging. Currently, Metso's business units identify their commodity price hedging needs and Metso's group treasury executes hedges using approved counterparties and instruments. Metso has defined and approved separate hedging limits for commodity risks. Following the Effective

Date, Valmet will formulate its own hedging policy, but Management expects Valmet to continue to use hedging in order to mitigate its commodity risk. Metso has also hedged the electricity exposure in its business units in Finland and Sweden with electricity forwards and fixed price physical contracts, which are designated as hedges of highly probable future electricity purchases. Following the Effective Date, Management expects Valmet to continue to hedge its electricity price exposure.

Exchange Rate Fluctuations

The principal forms of risks associated with exchange rate fluctuations include transaction exposure and translation (equity) exposure. Foreign exchange transaction exposure arises when a business unit of Valmet engages in commercial or financial transactions and makes payments in currencies other than its own functional currency and when related cash inflow and outflow amounts are not equal or concurrent. Foreign exchange translation exposure, on the other hand, arises when the equity of a subsidiary is denominated in a currency other than the functional currency of its parent company. This exposure may lead to translation differences in Valmet's consolidated equity.

Valmet is exposed to foreign exchange risk in several currencies. For the six months ended June 30, 2013, 61 percent of Valmet's net sales on a carve-out basis originated from entities outside of the euro area. Valmet's main currencies for net sales are the euro, the U.S. dollar, the Canadian dollar, the Brazilian real, the Swedish krona and the Chinese renminbi. For the same period, 41 percent of Valmet's costs were incurred in currencies other than the euro. Valmet's main currencies for costs are the euro, the U.S. dollar, the Brazilian real, the Swedish krona and the Chinese renminbi.

Metso has used hedging in order to mitigate its exchange rate risks. Following the Effective Date, Valmet will formulate its own hedging policy, but Management expects Valmet to continue to use hedging in order to mitigate its exchange rate risk.

Valmet's Cost Efficiency Program

In April 2013, Metso announced a plan to initiate a global cost efficiency program for Valmet in order to adapt to changes in the marketplace and to improve Valmet's profitability. Structural changes in Valmet's operating environment have affected its operations and undermined its competitiveness and profitability. Management believes that the underlying reasons for this change are in the continuing downturn in demand for paper machinery and the growing trend towards solutions based on cheaper technology. In addition, the power generation sector is experiencing a slower investment cycle in Europe and a significant decrease in demand in North America due to low energy prices resulting from the increased use of shale gas. The program targets the full savings of EUR 100 million to be achieved by 2016. Management estimates that approximately one-third of the savings will come from reductions in selling, general and administration costs.

The first and second phase of the program are being implemented mainly in the Paper, Power and Service businesses and as a result will lead to the reduction of more than 900 employees. Management estimates that these reductions will result in annual cost savings of approximately EUR 75 million and that the savings will be fully realized in 2014. A non-recurring restructuring cost of EUR 8 million related to the first phase of the program was incurred and booked in the second quarter of 2013. Following the Effective Date, Management expects Valmet to continue the implementation of the cost efficiency program.

Valmet's Ability to Perform and Execute Projects

Valmet's operations are largely based on orders related to large projects that typically take many months or even years to complete. The majority of these projects are based on fixed price contracts. These orders can present project-specific risks related to, for example, delivery schedules, equipment start-up, production capacity and end-product quality. In some projects, risks may also arise from new technology included in the deliveries. Contract awards are also affected by events outside Valmet's control, such as events affecting the delivery site, prices, demand, general economic conditions, the granting of governmental approvals, and the securing of project financing. This uncertainty can cause difficulties in matching Valmet's fixed costs and predicted order volume. The sales and operating margins realized in a fixed price contract may vary from original estimates as a result of changes in costs, especially fluctuating material costs, and productivity over the term of the contract. In addition, since certain items that Valmet supplies are outsourced, Valmet may be forced to quote at a fixed price to customers without knowing the costs of the purchased parts. While estimates are made using empirical data and quotes from potential suppliers, these may not always be completely accurate. Valmet's ability to perform according to the estimates it used when preparing its bid and its ability to execute the project affect the profitability of the project.

Revenue Recognition from Large Projects

A significant amount of Valmet's revenues are derived from major, long-term contracts to build or rebuild pulp, paper and power generation machinery and solutions for its customers. In accordance with its accounting principles, Valmet applies the percentage of completion ("POC") method for recognizing long-term delivery contracts where the signing of a sales contract (firm commitment) and the final acceptance of a delivery by the customer may take place in different financial periods. For the year ended December 31, 2012, approximately 59 percent of Valmet's net sales on a carve-out basis were recognized mainly under the POC method, which is based on predetermined milestones and where the revenue is recognized based on the estimated realized value-added. A projected loss on a firm commitment is recognized through profit and loss when it becomes known. The estimated revenue, the costs and profit, together with the planned delivery schedule of the projects are subject to regular revisions as the contract progresses towards completion. Revisions in profit estimates are charged through profit and loss in the period in which the facts that give rise to the revision become known. Accordingly, such revisions, if material, may increase or decrease Valmet's project revenue and related costs between financial periods.

Order Backlog

According to the principles applied by Valmet in preparing its carve-out financial information, a contract is included in Valmet's order backlog after the related project contract becomes effective and sufficient preconditions have been met to implement the project. Typical preconditions for a contract to become effective are the following: advance payment has been received, parties have provided agreed bank guarantees, arrangement by parties of agreed payment guarantees and granting of the required regulatory permits. In addition, Valmet may require that for certain projects a separate risk assessment has been carried out before such a project can be booked in the order backlog.

The following table sets forth Valmet's orders received and order backlog as at the dates and for the periods indicated:

	As at and for the six months ended June 30,		As at and for the year ended December 31,		
	2013	2012	2012	2011	2010
	(unaudited)				
	(EUR in millions)				
Services business orders received	556	561	1,046	1,043	927
Equipment, product and project business orders received	807	698	1,389	2,171	1,654
Orders received, Metso Group	9	4	10	11	3
Total orders received	1,372	1,263	2,445	3,225	2,584
Order backlog at the end of the period	1,883	2,663	2,249	2,863	2,347

As at June 30, 2013, Valmet's order backlog was EUR 1,883 million, a decrease of EUR 366 million, or 16.3 percent, as compared to an order backlog of EUR 2,249 million as at December 31, 2012. Management estimates that approximately 58 percent of the order backlog will be realized into sales during the year ended December 31, 2013, of which approximately 27 percent is estimated to relate to the Services business line.

Operating Environment

During the six months ended June 30, 2013, the pulp mill market remained satisfactory, but decision-making relating to many orders under negotiation was further delayed. Demand for rebuilds and services was good as a result of more stable pulp prices and good capacity utilization rates. Structural changes in the paper industry continued and the demand for paper and board remained weak, whereas demand for tissue lines continued to be good. Valmet saw limited recovery in customer activity in China. Stable capacity utilization rates in the paper, board and tissue industry kept demand for Valmet's services for these industries at a good level. Demand for recovery boilers for the pulping industry remained unchanged. The increase in shale gas investments has negatively impacted demand for renewable energy solutions, especially in North America.

In 2012, demand for rebuilds and services from pulp, board and paper industries remained at a good level, mainly due to more stable pulp prices and good capacity utilization rates at customer sites. Demand for power plants utilizing renewable energy sources, as well as power plant services, was satisfactory in 2012; however, a number of customers postponed decisions on larger projects. Demand from pulp and paper customers decreased in 2012 as compared to 2011 mainly due to weak demand in China. The pulp mill market remained satisfactory in 2012, but customers postponed their decision making relating to orders under negotiation. Demand for paper and board lines was also weak in 2012. Overall, the activity in the Chinese market remained low, partly due to general economic uncertainty. The market in the Asia Pacific region was satisfactory despite certain project decisions being postponed. In EMEA, the demand for services remained satisfactory. The North American market weakened for board and paper and the South American market was volatile, with no agreements for large mill projects being signed.

In 2011, high commodity prices kept capacity utilization rates in Valmet's customer industries at a good level and demand for Valmet's services business remained good throughout the year. Demand from the pulp and paper industries also developed favorably and was good during the first half of 2011 for board, tissue and paper lines, and the high pulp price and customers' high capacity utilization rates increased demand for pulp plant rebuilds and pulp mill services. However, the market slowed down during the second half of 2011 affecting mainly the paper, board and tissue industry and, to a lesser extent, the pulp industry. This was seen as delays in decision making in some projects under negotiations. Valmet's operating environment was strong in the emerging markets especially in the early part of the year, but weakened slightly towards the end of 2011, especially in China, India and Brazil. Activity in Valmet's main market for paper machines, China, slowed down in the latter half of the year as financing became more difficult and caused delays in Valmet's customers' decision making. Demand for power plants utilizing renewable energy was satisfactory in Europe and North America.

In 2010, the improved capacity utilization rates in the paper, board and tissue industry kept the demand for Valmet's services business good. Demand for power plants utilizing renewable fuels was also good in Europe and North America; however, uncertainty in the financial markets and pending policies on support mechanisms for renewable energy delayed final decisions on orders in several projects. Demand for new fiber lines, rebuilds and pulp mill services recovered during the year from the low levels of the past few years. Some large pulp mill projects in South America became active during the second half of the year, but competition remained tight. Demand for tissue lines was strong both in the emerging as well as in the developed markets. Demand for board and paper lines was at the previous year's satisfactory level with demand coming primarily from China and smaller size board machines.

Recent Developments

Other than the items discussed below and planning of the Demerger, there has not been any significant change in the financial or trading position of Valmet between June 30, 2013 and the date of this Prospectus.

Cost Efficiency Program

On September 18, 2013, Metso announced that its Pulp, Paper and Power segment has completed statutory negotiations in most of units serving the paper industry as part of the cost efficiency program that Metso launched for Valmet in April 2013. For more information on Valmet's cost efficiency program, see "—Factors Affecting Valmet's Results of Operations—Valmet's Cost Efficiency Program" above. As a result of the negotiations, the Pulp, Paper and Power segment's workforce in Finland will be reduced by a total of 660 positions. On August 5, 2013, Metso had announced that the estimated amount of necessary headcount reductions was 750 positions, primarily in Finland. The aim of the personnel reductions at this stage is to achieve savings of approximately EUR 50 million in annual costs. Management estimates that the cost savings for 2013 will be EUR 5 million.

The reduction will take place through redundancies, retirement options and terminations of temporary contracts. Internal transfers will also take place. On September 18, 2013, Metso also announced that statutory negotiations covering the Finnish operations of the Pulp, Paper and Power segment in Metso's EMEA area organization are continuing.

Metso also announced that in addition to the announced personnel reductions, temporary layoffs may be implemented if required by the business' workload or financial situation. The option to implement temporary layoffs will remain in force until the end of 2014, by which time the situation will have been reviewed. The possibility of temporary layoffs affects all of Metso's units serving the paper industry.

Short-term Outlook

In the Pulp and Energy business line, Management expects the demand for pulp mills and rebuilds to remain satisfactory while demand for power plants based on renewable energy sources is expected by Management to remain weak. In the Paper business line, Management believes that structural changes in the paper industry are likely to continue and expects demand for papermaking lines to remain weak. In the Services business line, Management expects demand to be satisfactory.

Presentation of Carve-out Financial Information and Factors Affecting Comparability

Overview

The audited carve-out financial statements of Valmet as at and for the years ended December 31, 2012, 2011 and 2010 and the unaudited carve-out financial information of Valmet as at and for the six months ended June 30, 2013, including unaudited comparative interim carve-out financial information as at and for the six months ended June 30, 2012, have been prepared on a basis that combines statements of income, statements of comprehensive income, balance sheets and

cash flows of the legal entities and operating units attributable to the PPP Business in Metso's historical consolidated financial statements and that, as a result of the Demerger, will be carved out from Metso to form Valmet, including certain of Metso Corporation's and Metso's foreign holding companies' income and expenses, assets and liabilities and cash flows that will either be transferred from Metso to Valmet or have been allocated to Valmet for the purpose of the preparation of the carve-out financial information.

The following table sets forth the legal entities and associated companies included in the carve-out financial information of Valmet:

	Country of Incorporation	**Holding**
		(percent)
Valmet entities		
Metso Paper Oy	Finland	100.0
Metso Fabrics Oy	Finland	100.0
Metso Foundries Jyväskylä Oy.	Finland	100.0
Metso Mill Service Kauttua Oy	Finland	100.0
Metso Power Oy	Finland	100.0
MW Power Oy	Finland	100.0
Tampereen Verkatehdas Oy	Finland	100.0
Avantone Oy[(1)]	Finland	100.0
Metso Svenska AB	Sweden	100.0
Metso Paper Sweden AB	Sweden	100.0
Metso Paper Karlstad AB[(2)]	Sweden	100.0
Metso Mill Service AB	Sweden	100.0
Metso Mill Service Husum AB[(3)]	Sweden	100.0
Metso Power AB	Sweden	100.0
MW Power AB	Sweden	100.0
Lignoboost AB	Sweden	100.0
Metso Mill Service A/S	Norway	100.0
Metso Paper GesmbH	Austria	100.0
Metso Paper CR s.r.o.	Czech Republic	100.0
Metso Paper Steti s.r.o.	Czech Republic	100.0
Metso Paper France SAS[(4)]	France	100.0
Metso Deutschland GmbH	Germany	100.0
Metso Paper GmbH	Germany	100.0
Metso Mill Service Plattling GmbH	Germany	100.0
Metso Panelboard GmbH	Germany	100.0
Metso Paper Ltd	United Kingdom	100.0
Metso Paper Italy SpA[(4)]	Italy	100.0
Metso Paper Como Srl[(4)]	Italy	100.0
Metso Fabrics Sp zoo[(5)]	Poland	94.0
Metso Fabrics Portugal Lda	Portugal	100.0
Metso Paper SA	Spain	100.0
Metso Mill Service SL	Spain	81.0
Metso Paper USA Inc.[(4)]	United States	100.0
Metso Fabrics USA Inc.[(4)]	United States	100.0
Metso Fabrics PMC USA LLC[(4)]	United States	100.0
Metso Wyesco Service Center Inc.[(4)]	United States	100.0
Metso Paper Ltd	Canada	100.0
Enerdry Constructors Ltd	Canada	100.0
Metso Paper South America Ltda	Brazil	100.0
Metso Paper Sulamericana Ltda	Brazil	100.0
Metso Fabrics Brasil Tecidos Técnicos Ltda.	Brazil	100.0
Metso Paper SA	Chile	100.0
Metso Paper (ANZ) Pty Ltd	Australia	100.0
Metso Paper (China) Co. Ltd	China	100.0
Metso Paper (Guangzhou) Co. Ltd	China	100.0
Metso Paper (Shanghai) Co. Ltd[(4)]	China	100.0
Metso Paper Technology (Shanghai) Co. Ltd	China	100.0
Metso Paper Technology (Xian) Co. Ltd.	China	75.0
Metso (Shanghai) Surface Treatment Co. Ltd[(4)]	China	100.0
Metso Fabrics (Shanghai) Co. Ltd[(4)]	China	100.0
Metso Fabrics (Tianjin) Co. Ltd[(4)]	China	100.0
Metso Paper India Private Ltd	India	100.0
Metso Power India Private Ltd[(6)]	India	74.0
EPT Engineering Services Private Ltd[(7)]	India	100.0
PT Metso Paper Indonesia	Indonesia	100.0

	Country of Incorporation	Holding
		(percent)
Metso Paper Japan Co. Ltd	Japan	100.0
Metso Paper (Asia-Pacific) Pte Ltd	Singapore	100.0
Metso Paper Korea Inc.	South Korea	100.0
Metso Paper (Thailand) Co. Ltd	Thailand	100.0
Metso ND Engineering (Pty) Ltd(8)	South Africa	70.0
Metso Paper South Africa (Pty) Ltd	South Africa	100.0
Metso Vietnam Co. Ltd	Vietnam	100.0
Noviter Eesti	Estonia	100.0
Metso Paper ZAO	Russia	100.0
Valmet associated companies		
Allimand S.A.	France	35.8
NoviterBel	Belarus	45.0

(1) Avantone Oy was merged into Metso Paper Oy on April 12, 2013.
(2) Metso Paper Karlstad AB was merged into Metso Paper Sweden AB on January 1, 2013.
(3) Metso Mill Service Husum AB was sold on January 1, 2013.
(4) Metso will undertake certain intra-group arrangements related to the Demerger before the Effective Date. As a part of these intra-group arrangements, the ownership of certain direct or indirect subsidiaries of Metso included in the carve-out financial information of Valmet will be transferred to Valmet pursuant to the Demerger Plan.
(5) Metso increased its ownership in Metso Fabrics Sp zoo to 100 percent on June 13, 2013.
(6) Metso increased its ownership in Metso Power India Private Ltd to 100 percent on June 11, 2013.
(7) EPT Engineering Services Private Ltd was acquired on June 11, 2013.
(8) Metso ND Engineering (Pty) Ltd was sold on May 31, 2013.

The carve-out financial statements of Valmet as at and for the years ended December 31, 2012, 2011 and 2010 have been prepared in accordance with IFRS as adopted by the EU. As IFRS does not provide guidance for the preparation of carve-out financial statements, certain conventions commonly used for the preparation of historical financial information have been applied in preparing the carve-out financial statements for inclusion in this Prospectus. The application of these carve-out conventions has been described below. In addition to the application of the specific carve-out conventions affecting the presentation of the carve-out financial statements, the areas involving a high degree of judgment or where estimates and assumptions are significant to the carve-out financial statements are discussed in note 1.4 to the carve-out financial statements as at and for the years ended December 31, 2012, 2011 and 2010. The unaudited interim carve-out financial statements information of Valmet as at and for the six months ended June 30, 2013 , including unaudited comparative interim carve-out financial information as at and for the six months ended June 30, 2012, has been prepared in accordance with "*IAS 34 – Interim Financial Reporting*" under the same considerations as described above.

The carve-out financial information has been prepared on a going concern basis under the historical cost convention, except for available-for-sale investments and derivative financial instruments, which are recognized at fair value.

The carve-out financial information does not necessarily reflect what the combined results of operations and financial position would have been had Valmet existed as a separate legal group from January 1, 2010 and had it, therefore, presented stand-alone consolidated financial information during the periods presented. Further, the carve-out financial information may not be indicative of Valmet's future performance, financial position or cash flows. In addition, the effects of the Demerger have not been reflected in the carve-out financial information. See "Pro Forma Financial Information."

Carve-out Accounting Principles

Overview

Valmet was comprised of 63 legal entities as at December 31, 2012 (60 as at June 30, 2013), which, as a result of the clear assignment of legal entities to segments and Metso's organizational and financial reporting structure since Metso's internal business reorganization in 2010, have historically exclusively conducted their activities on behalf of Valmet.

Valmet has been managed as a single economic entity since 2011 after the internal reorganization that resulted in the transfer of Power business unit from the Energy and Environment Technology segment to the new Pulp, Paper and Power segment. Accordingly, for such legal entities, historical financial information with regards to assets and liabilities, as well as sales and expenses and cash flows directly attributable to Valmet could be derived from stand-alone financial statements utilized in the preparation of the consolidated historical financial statements of Metso.

Valmet does not have significant recurring interbusiness relationships other than financing, treasury and insurance, utilization of shared service functions, corporate headquarters, certain subcontracting relationships and common facilities with other Metso legal entities that are not part of Valmet. Accordingly, Management considers that the carve-out

allocations have been made on a reasonable basis, but are not necessarily indicative of the revenues and expenses that would have been incurred if Valmet had been a stand-alone entity preparing consolidated financial statements.

Basis of Combination

The carve-out financial information includes Valmet's operations, which have been combined as if they had been managed together for all periods presented. These include legal entities in which Valmet owns, directly or indirectly through subsidiaries, more than 50 percent of the voting rights or in which it is in a position to govern the financial and operating policies of the entity as well as Valmet financial accounting units and certain legal entities on a carve-out basis historically comprising both Metso and Valmet operations. The companies acquired during the financial period have been combined from the date Valmet acquired control. Subsidiaries sold have been included up to their date of disposal.

All intercompany transactions, balances and gains or losses on transactions within the combined Valmet entities have been eliminated in the carve-out financial information. Trading balances and transactions with Metso and its other subsidiaries have been recorded as related party transactions as further discussed in "Related Party Transactions."

Investments in associates are accounted for using the equity method of accounting. An associate is an investment over which Valmet has ability to exercise significant influence over the operating and financial policies of the investee company. Such influence is presumed to exist for investments in companies in which Valmet's direct or indirect ownership is between 20 and 50 percent of the voting rights. Investments in associated companies are initially recognized at cost after which Valmet's share of their post-acquisition retained profits and losses is included as part of investments in associated companies in the carve-out balance sheets. The share of profits and losses of associated companies is presented separately in the carve-out statements of income.

Goodwill arising from consolidation represents the excess of the consideration over Valmet's interest in the identifiable assets, liabilities and contingent liabilities measured at fair value of a subsidiary or an associate at the date of acquisition. Goodwill is recognized as an asset and is tested for impairment annually or whenever events or changes in circumstances indicate that it might be impaired.

Goodwill arising from the acquisition of an associate is included within the carrying amount of the associate. Goodwill that has arisen from the acquisition of subsidiaries is presented separately on the carve-out balance sheet.

Non-controlling interests are presented in the carve-out balance sheets within equity, separate from the equity attributable to Valmet's shareholders. Non-controlling interests are separately disclosed in the carve-out statements of income.

On a disposal of a subsidiary or an associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intercompany and Related Party Transactions

Intercompany transactions and assets and liabilities between entities included in the carve-out financial information have been eliminated. The carve-out financial information includes Valmet's transactions and balance sheet items. Intercompany transactions and balance sheet items with other Metso companies previously considered as intercompany transactions in Metso's consolidated reporting have been treated as transactions with related parties. Internal profit on inventories between Metso companies and Valmet entities has not been eliminated in the carve-out financial information.

Metso Corporation's intercompany receivables and liabilities due to or due from to a Valmet entity have been allocated to Valmet, including the financial income and expenses relating to these receivables and liabilities.

Carrying values for subsidiary shares of Valmet subsidiaries previously owned by Metso's parent company have been allocated to Valmet's parent company. The acquisition cost method has been used to eliminate the acquisition cost of subsidiaries.

Equity Components

Valmet has not in the past formed a separate legal group nor presented stand-alone consolidated financial statements, and accordingly, it is not possible to present share capital separately from other equity balances including reserves. Valmet's net assets for each balance sheet date represented by capital invested in Valmet and shown in the carve-out financial information as "equity" comprise cumulative translation account, fair value and other reserves as well as invested equity and retained earnings. Fair value and other reserves comprise of hedge and fair value reserve and legal reserve. Invested equity and retained earnings comprise equity items allocated from Metso's parent company and other Valmet companies in accordance with the Demerger Plan and the historical retained earnings balances of Valmet entities.

All cash and other movements in capital amounts, being shares issued or cancelled or dividends and other distributions made from/to Valmet companies from/to Metso's parent company or changes resulting from the internal reorganization have been reflected in the combined statement of cash flows under "Dividends paid, Metso Group" and "Equity financing, Metso Group" and in the combined statements of changes in equity under ''Dividends,'' "Changes in invested equity" and "Net change from winding up the consolidated tax groups."

The carve-out financial information is presented in euro, which will be Valmet's parent company's functional and reporting currency. Valmet's operating units have also other functional currencies. Translation differences arising from translating the net results for the period and equity are recognized in equity and their changes are presented in the separate cumulative translation account within equity.

Corporate, Shared Service Unit and Foreign Holding Company Expenses

Metso's parent company has been responsible for the management and general administration of Metso. For the purposes of the preparation of the carve-out financial information, a portion of Metso's parent company's shared income and expense items including all administrative and personnel expenses for each of the corporate headquarter functions attributable to Valmet has been allocated to Valmet. Shared functions include group management, human resource, information technology, investor relations, finance, treasury, legal, strategy and property services. Allocations of the income and expense items are based mainly on the number of employees, which Management believes is appropriate.

Metso's shared service units and foreign holding companies have historically recharged Metso companies for costs that have arisen from services conducted on behalf of the Metso companies. Such services consist of human resources, information technology, finance and accounting, general corporate services and tax services. The majority of the costs are included in the carve-out financial information based on the historically recharged amounts. Valmet's share of the previously unallocated costs has been allocated proportionately for each foreign holding company separately in each jurisdiction.

These allocated income and expense items were affected by the arrangements that existed in Metso and are not necessarily representative of the position that may prevail in the future for Valmet.

Pensions

Pensions and other post-employment benefit plans and their respective portion of the plan liabilities, plan assets, interest and service costs are included in the carve-out financial information in accordance with each Valmet subsidiary's separate benefit plans. In addition, a portion of the costs for the supplementary pension plan subscribed by Metso for the members of the Metso Executive Team has been allocated to the carve-out financial information.

Share-based Payments

Valmet key personnel have historically participated in Metso's share-based incentive plans. The carve-out financial information includes employee cost allocations related to these participations based on the actual number of Valmet employees over the cost recorded at Metso. The historical cost allocations may not be indicative of the future expenses that will be incurred through incentive schemes that will be established for Valmet's key personnel following the Effective Date.

Cash Management and Financing

Cash management is centralized so that Metso manages its liquidity needs mainly through cash pool arrangements. Cash pools cover all major geographical areas and Metso Corporation participates in the pools whenever allowed by the local regulation.

Valmet's cash and cash equivalents comprise cash held by legal entities and the cash pool balances held by cash pool masters. In addition, the carve-out financial information includes those cash pool receivable and liability balances that will be settled on the Effective Date. These receivable and payable cash pool balances have been presented as short-term receivables and liabilities from related parties.

Metso's external financing is centralized mainly to Metso's parent company. Subsidiaries' working capital needs have been funded in addition to cash pool arrangements mainly by intercompany loans. In addition, a limited number of Metso companies have funded their operations directly with external banks.

The external debt financing of Metso's parent company and the related interest expenses that are directly attributable to Valmet's operations are included in the carve-out financial information in accordance with the Demerger Plan. In

addition, the carve-out financial information includes existing external funding arrangements and the related interest expenses of Valmet entities.

Metso has obtained waivers and consents from its financing counterparties for its credit and guarantee facilities for the demerging businesses. See "Summary of the Demerger—Creditor Consents and Waivers." Metso arranged the EUR 200 million Term Loan Facility (as defined below) for Valmet, which has a maturity of three years and may be used for the repayment, partial repayment or replacement of Metso's other loans or other liabilities that benefit Valmet. These loans consist of, among others, the debts to the Nordic Investment Bank and/or to the European Investment Bank that will transfer to Valmet in the Demerger and that have been included in the carve-out financial information. Metso has also arranged the EUR 200 million Multicurrency Revolving Loan Facility (as defined below), which has a maturity five years from the Effective Date. For information on these loan facilities and certain other financing agreements that will transfer to Valmet on the Effective Date, see "Operating and Financial Review and Prospects—Liquidity and Capital resources—Borrowings."

Following the Demerger, Valmet will make its own cash pool arrangements to fund its working capital needs. In addition, financing costs included in the carve-out financial information are not necessarily indicative of what the financing costs would have been if Valmet had historically obtained financing on a stand-alone basis. These costs may not be indicative of the cost of financing that will arise for Valmet in the future.

Derivative Financial Instruments

The carve-out financial information includes allocated external derivative financial instruments entered into by Metso's parent company, that correspond to the internal derivative contracts entered into by Valmet entities with the parent company. These derivative financial instruments comprise foreign exchange forwards and nickel and electricity forward contracts. As Metso has not hedged the interest rate risk of the debt arrangements that will transfer to Valmet in the Demerger, interest derivatives have not been allocated to the carve-out financial information.

In addition, the carve-out financial information includes an allocation of the derivative financial contracts that Metso has used to hedge its currency denominated financial items such as loans, receivables and bank account balances at the parent company level. The allocation has been made proportionately to correspond to Valmet's share of the hedged exposure including Valmet entities' cash, receivable and loan balances.

Income Taxes

During the periods presented in the carve-out financial information, some of the legal entities in Valmet have operated as separate taxpayers. For these entities the tax charges and the tax liabilities and receivables in the carve-out financial information are based on actual taxation.

A number of Valmet entities have historically been included in Metso legal entities including operations other than operations of Valmet or in tax groups consolidated for income tax purposes, where the taxpaying entity was another Metso entity outside of Valmet. During the periods presented, these Valmet entities did not file separate tax returns. Tax charges in the carve-out financial information have been determined based on the separate return method, as if the Valmet entities were separate taxpayers in the jurisdiction of their primary operations. The current tax provision is the amount of tax payable or refundable based on the Valmet entity's hypothetical, current-year separate return and has been recorded as current income tax expense and as a shareholder transaction through invested equity in the carve-out financial information. After computing its current tax payable or refund, the Valmet entity has provided deferred taxes on its temporary differences and on any carry forwards that it could claim on its hypothetical return. Deferred taxes on temporary differences are recognized where such temporary differences exist.

The tax charges recorded in the combined income statement are not necessarily representative of the tax charges that may arise in the future.

Guarantees and Contingent Liabilities

Metso's parent company has given guarantees on behalf of its subsidiaries in the ordinary course of business. The guarantee obligations of Metso's parent company relating to Valmet have been allocated to the carve-out financial information.

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.

Revised "*IAS 19 – Employee Benefits*" requires retrospective application and, accordingly, affects the carve-out financial information of Valmet presented herein. The carve-out financial information as at and for the year ended December 31, 2012 and as at and for the six months ended June 30, 2012 has been restated. The restated financial information presented herein is unaudited. The carve-out financial statements as at and for the years ended December 31, 2011 and 2010 have not been restated. For more information on the effects of the restatement, see note 1 to the carve-out interim financial information of Valmet as at and for the six months ended June 30, 2013, including unaudited comparative interim carve-out financial information as at and for the six months ended June 30, 2012. The discussion of Valmet's results of operations and cash flows for the year ended December 31, 2012 presented herein is based on the audited carve-out financial information.

Non-IFRS Measures

Metso has included certain non-IFRS measures in this Prospectus to enhance the understanding of Valmet's results of operations. These include EBITA, EBITA before non-recurring items and EBITA margin before non-recurring items, which Metso believes are commonly reported and widely used by investors in comparing performance on a consistent basis. Metso believes that these measures permit a more complete and comprehensive analysis of Valmet's results of operations relative to other companies. An investor should not, however, consider these non-IFRS measures in isolation or as a substitute for operating profit as defined by Valmet, nor as an indicator of Valmet's operating performance or cash flows from operating activities as determined in accordance with IFRS. An investor should not use these non-IFRS measures as a substitute for the analysis provided in Valmet's carve-out statement of comprehensive income or cash flow statement. The non-IFRS measures disclosed in this Prospectus are not comparable to those disclosed by other companies because they are not uniformly defined. See "Presentation of Financial Information—Non-IFRS Measures."

The following table sets forth a reconciliation of EBITA and EBITA before non-recurring items to Valmet's operating profit for the periods indicated:

	For the six months ended June 30,		For the year ended December 31,			
	2013	2012	2012	2012	2011	2010
		(restated)[1]	(restated)[1]	(not restated)		
	(unaudited)		(unaudited)	(audited, except where otherwise indicated)		
	(EUR in millions, unless otherwise indicated)					
Net sales	1,345	1,453	3,014	3,014	2,703	2,453
Operating profit	24.0	79.7	138.3	134.7	174.2	106.5
Total amortization	13.5	14.5	30.0	30.0	32.9	41.5
EBITA[2] (unaudited)	37.5	94.2	168.3	164.7	207.1	148.0
Non-recurring items (unaudited)	10.7	–	23.7	23.7	(2.6)	11.3
EBITA before non-recurring items[3] (unaudited)	48.2	94.2	192.0	188.4	204.5	159.3
EBITA margin before non-recurring items,[4] percent (unaudited)	3.6	6.5	6.4	6.3	7.6	6.5

(1) Restated due to the adoption of the revised "*IAS 19 – Employee Benefits*" on January 1, 2013. For more information, see "Presentation of Financial Information—Adoption of Revised '*IAS 19 – Employee Benefits.*'"

(2) EBITA = operating profit + amortization

(3) EBITA before non-recurring items = operating profit + amortization + non-recurring items

(4) EBITA margin before non-recurring items $= \frac{\text{EBITA before non-recurring items}}{\text{Net sales}} \times 100$

Results of Operations

Overview

Valmet's operations and profitability has historically been reported as a single reportable segment and the carve-out financial information included in this Prospectus has been prepared based on the historical reporting model. The following table sets forth Valmet's results of operations on a carve-out basis for the periods indicated:

	For the six months ended June 30,		For the year ended December 31,			
	2013	2012	2012	2012	2011	2010
		(restated)[1]	(restated)[1]	(not restated)		
	(unaudited)		(unaudited)		(audited)	
			(EUR in millions)			
COMBINED STATEMENT OF INCOME						
Net sales	1,339	1,449	3,005	3,005	2,692	2,450
Net sales, Metso Group	6	4	9	9	11	3
Net sales, total	1,345	1,453	3,014	3,014	2,703	2,453
Cost of goods sold	(1,058)	(1,118)	(2,345)	(2,345)	(2,029)	(1,877)
Cost of goods sold, Metso Group	(29)	(21)	(60)	(60)	(58)	(46)
Cost of goods sold, total	(1,087)	(1,139)	(2,405)	(2,405)	(2,087)	(1,923)
Gross profit	258	314	609	609	616	530
Selling, general and administrative expenses	(234)	(231)	(457)	(460)	(451)	(426)
Other operating income and expenses, net	(1)	(3)	(14)	(14)	9	2
Share in profits of associated companies	1	0	0	0	0	0
Operating profit	24	80	138	135	174	106
Financial income and expenses, net	(1)	1	0	5	5	(8)
Financial income and expenses, Metso Group, net	(2)	(11)	(23)	(23)	(24)	(29)
Financial income and expenses, net	(3)	(10)	(23)	(18)	(19)	(37)
Profit before taxes	21	70	115	117	155	69
Income taxes	(7)	(24)	(39)	(40)	(46)	(22)
Profit	14	46	76	77	109	47
Attributable to:						
Equityholders of Valmet Group	14	46	76	77	108	46
Non-controlling interests	0	0	0	0	1	1
Profit	14	46	76	77	109	47

(1) Restated due to the adoption of the revised "*IAS 19 – Employee Benefits*" on January 1, 2013. For more information, see "Presentation of Financial Information—Adoption of Revised '*IAS 19 – Employee Benefits.*'"

Six Months ended June 30, 2013 as Compared to the Six Months ended June 30, 2012

Net Sales

Valmet's net sales for the six months ended June 30, 2013 were EUR 1,345 million, a decrease of EUR 108 million, or 7.4 percent, as compared to EUR 1,453 million for the six months ended June 30, 2012. The decrease was mainly attributable to lower revenue recognized in the Paper business line and the Pulp and Energy business line due to lower order intake in 2012. Measured by net sales, the largest countries were China, the United States, Brazil, Sweden and Finland, which together accounted for approximately 60 percent of Valmet's total net sales for the six months ended June 30, 2013.

Cost of Goods Sold

Valmet's cost of goods sold for the six months ended June 30, 2013 was EUR 1,087 million, a decrease of EUR 52 million, or 4.6 percent, as compared to EUR 1,139 million for the six months ended June 30, 2012. The decrease was mainly attributable to lower business volumes in the Paper business line and the Pulp and Energy business line. However, project margins for the six months ended June 30, 2013 were not as high as in the six months ended June 30, 2012; therefore, the decrease in cost of goods sold was not as high as the decrease in net sales.

Selling, General and Administrative Expenses

Valmet's selling, general and administrative expenses for the six months ended June 30, 2013 were EUR 234 million, an increase of EUR 3 million, or 1.3 percent, as compared to EUR 231 million for the six months ended June 30, 2012. The increase was mainly attributable to restructuring costs of EUR 4 million booked in the six months ended June 30, 2013.

Other Operating Income and Expenses, Net

Valmet's other operating income and expenses, net for the six months ended June 30, 2013 was negative EUR 1 million, a change of EUR 2 million as compared to negative EUR 3 million for the six months ended June 30, 2012.

Operating Profit/Loss

Valmet's operating profit for the six months ended June 30, 2013 was EUR 24 million, a decrease of EUR 56 million, or 70.0 percent, as compared to EUR 80 million for the six months ended June 30, 2012. The decrease was mainly attributable to lower sales and lower project margins. Valmet recorded a non-recurring cost of EUR 8 million in the six months ended June 30, 2013 related to its cost efficiency program and EUR 3 million of expenses related to the Demerger. See "—Factors Affecting Valmet's Results of Operations—Valmet's Cost Efficiency Program" above.

Income Taxes

Valmet's income taxes for the six months ended June 30, 2013 were EUR 7 million, a decrease of EUR 17 million, or 70.8 percent, as compared to EUR 24 million for the six months ended June 30, 2012. Valmet's effective tax rate for the six months ended June 30, 2013 was 33 percent and 34 percent for the six months ended June 30, 2012.

Profit

Valmet's profit for the six months ended June 30, 2013 was EUR 14 million, a decrease of EUR 32 million, or 69.6 percent, as compared to EUR 46 million for the six months ended June 30, 2012.

Year ended December 31, 2012 as Compared to the Year Ended December 31, 2011

Net Sales

Valmet's net sales for the year ended December 31, 2012 were EUR 3,014 million, an increase of EUR 311 million, or 11.5 percent, as compared to EUR 2,703 million for the year ended December 31, 2011. The increase was mainly attributable to increased sales related to the Brazilian projects of the Pulp and Energy business line as well as increased sales related to North American and Asian projects of the Paper business line. Measured by net sales, the largest countries were the United States, Brazil, China, Sweden and Finland, which together accounted for approximately 60 percent of Valmet's total net sales for the year ended December 31, 2012. Net sales to all areas increased except China, where market conditions were challenging during the year ended December 31, 2012.

Cost of Goods Sold

Valmet's cost of goods sold for the year ended December 31, 2012 was EUR 2,405 million, an increase of EUR 318 million, or 15.2 percent, as compared to EUR 2,087 million for the year ended December 31, 2011. The increase was primarily due to increases in business volumes and deliveries as well as higher than anticipated costs in certain Paper business line projects. In addition, Valmet recorded non-recurring restructuring costs of EUR 8 million as cost of goods sold for the year ended December 31, 2012.

Selling, General and Administrative Expenses

Valmet's selling, general and administrative expenses for the year ended December 31, 2012 were EUR 460 million, an increase of EUR 9 million, or 2.0 percent, as compared to EUR 451 million for the year ended December 31, 2011. The increase was mainly attributable to an increased focus on sales and marketing, resulting in increased sales and marketing costs and in increase in the number of sales and marketing personnel.

Other Operating Income and Expenses, Net

Valmet's other operating income and expenses, net for the year ended December 31, 2012 was negative EUR 14 million, a change of EUR 23 million as compared to a positive EUR 9 million for the year ended December 31, 2011. The change was mainly attributable to the write-down of fixed assets, mainly the Jyväskylä foundry, and foreign exchange valuations.

Operating Profit/Loss

Valmet's operating profit for the year ended December 31, 2012 was EUR 135 million, a decrease of EUR 39 million, or 22.4 percent, as compared to EUR 174 million for the year ended December 31, 2011. The decrease was mainly related

to non-recurring restructuring costs in Finland and China totaling EUR 23 million, of which approximately 10 million related to personnel and more than EUR 10 million was related to write downs of fixed assets; higher selling, general and administrative expenses; and higher than anticipated costs in certain Paper business line projects.

Income Taxes

Valmet's income taxes for the year ended December 31, 2012 were EUR 40 million, a decrease of EUR 6 million, or 13.0 percent, as compared to EUR 46 million for the year ended December 31, 2011. Valmet's effective tax rate for the year ended December 31, 2012 was 34 percent and 30 percent for the year ended December 31, 2011.

Profit

Valmet's profit for the year ended December 31, 2012 was EUR 77 million, a decrease of EUR 32 million, or 29.4 percent, as compared to EUR 109 million for the year ended December 31, 2011.

Year ended December 31, 2011 as Compared to the Year Ended December 31, 2010

Net Sales

Valmet's net sales for the year ended December 31, 2011 were EUR 2,703 million, an increase of EUR 250 million, or 10.2 percent, as compared to EUR 2,453 million for the year ended December 31, 2010. The increase was mainly attributable to increased sales related to the Pulp and Energy business line's projects in China and Russia as well as increased sales in the Services business line. Measured by net sales, the largest countries were China, the United States, Brazil, Finland and Sweden, which together accounted for approximately 60 percent of Valmet's total net sales for the year ended December 31, 2011.

Cost of Goods Sold

Valmet's cost of goods sold for the year ended December 31, 2011 was EUR 2,087 million, an increase of EUR 164 million, or 8.5 percent, as compared to EUR 1,923 million for the year ended December 31, 2010. The increase was mainly attributable to increased net sales resulting from increased sales related to the Pulp and Energy business line's projects in China and Russia as well as increased sales in the Services business line.

Selling, General and Administrative Expenses

Valmet's selling, general and administrative expenses for the year ended December 31, 2011 were EUR 451 million, an increase of EUR 25 million, or 5.9 percent, as compared to EUR 426 million for the year ended December 31, 2010. The increase was mainly attributable to an increase in sales and marketing costs and inflation in certain of Valmet's focus countries.

Other Operating Income and Expenses, Net

Valmet's other operating income and expenses, net for the year ended December 31, 2011 was EUR 9 million, an increase of EUR 7 million as compared to EUR 2 million for the year ended December 31, 2010. The increase was mainly attributable to higher gain on sale of fixed assets.

Operating Profit/Loss

Valmet's operating profit for the year ended December 31, 2011 was EUR 174 million, an increase of EUR 68 million, or 64.2 percent, as compared to EUR 106 million for the year ended December 31, 2010. The increase was primarily due to improved margins in certain significant projects and increased sales volumes.

Income Taxes

Valmet's income taxes for the year ended December 31, 2011 were EUR 46 million, an increase of EUR 24 million as compared to EUR 22 million for the year ended December 31, 2010. The increase was primarily due to a similar increase in Valmet's profit before taxes. Valmet's effective tax rate for the year ended December 31, 2011 was 30 percent and 32 percent for the year ended December 31, 2010.

Profit

Valmet's profit for the year ended December 31, 2011 was EUR 109 million, an increase of EUR 62 million as compared to EUR 47 million for the year ended December 31, 2010.

Liquidity and Capital Resources

General

Prior to the Effective Date, Valmet has not operated as an independent company and, consequently, has not been capitalized or financed as such. Metso has managed its cash resources centrally and cash generated by Valmet has been returned to Metso either as distributions, repayments of indebtedness or transfers of cash via Metso's cash pools or internal deposits. Valmet's historical cash flows described below are, therefore, not indicative of the cash flows to be expected from an independent entity following the Effective Date. As at the date of this Prospectus, the financing of Valmet is being arranged through Metso's group treasury.

Following the Effective Date, Valmet's operations are expected to be financed with cash flow from operating activities and, as required, external debt financing. Its principal liquidity requirements are expected to arise from capital expenditures and working capital. In connection with the Demerger process, Metso has entered into two new credit facilities that will transfer to Valmet as discussed under "—Borrowings—New Credit Facilities" below. In addition, a number of other external financing agreements will transfer to Valmet on the Effective Date as discussed under "—Borrowings—Other Borrowings" below.

On a pro forma basis, Valmet's interest-bearing liabilities amounted to EUR 215 million as at June 30, 2013 and cash and cash equivalents amounted to EUR 228 million. For more information on Valmet's financial position on a pro forma basis as at June 30, 2013, see "Pro Forma Financial Information."

Cash Flows

The following table sets forth the cash flow statement data of Valmet on a carve-out basis as at the dates and for the periods indicated:

	As at and for the six months ended June 30,		As at and for the year ended December 31,		
	2013	2012	2012	2011	2010
	(unaudited)		(audited)		
	(EUR in millions)				
Net cash provided by (+) / used in (–) operating activities	(17)	37	(53)	339	246
Net cash provided by (+) / used in (–) investing activities	(27)	(25)	(53)	(64)	(69)
Net cash provided by (+) / used in (–) financing activities	104	0	(31)	(124)	(242)
Cash and cash equivalents at beginning of period	158	308	308	158	208
Cash and cash equivalents at end of period	211	313	158	308	158

Valmet's net cash used in operating activities for the six months ended June 30, 2013 was EUR 17 million, a change of EUR 54 million as compared to net cash provided by operating activities of EUR 37 million for the six months ended June 30, 2012. The change was primarily due to lower operating profit. Valmet's net cash used in operating activities for the year ended December 31, 2012 was EUR 53 million, a change of EUR 392 million as compared to net cash provided by operating activities of EUR 339 million for the year ended December 31, 2011. The change was primarily due to a change in net working capital. Valmet's net cash provided by operating activities for the year ended December 31, 2011 was EUR 339 million, a change of EUR 93 million as compared to net cash provided by operating activities of EUR 246 million for the year ended December 31, 2010. The change was primarily due to higher operating profit and a positive change in net working capital.

Valmet's net cash used in investing activities for the six months ended June 30, 2013 was EUR 27 million, a change of EUR 2 million as compared to net cash used in investing activities of EUR 25 million for the six months ended June 30, 2012. Valmet's net cash used in investing activities for the year ended December 31, 2012 was EUR 53 million, a change of EUR 11 million as compared to net cash used in investing activities of EUR 64 million for the year ended December 31, 2011. The change was primarily due to lower capital expenditures on fixed assets. Valmet's net cash used in investing activities for the year ended December 31, 2011 was EUR 64 million, a change of EUR 5 million as compared to net cash used in investing activities of EUR 69 million for the year ended December 31, 2010. The change was primarily due to business acquisitions in 2010.

Valmet's net cash provided by financing activities for the six months ended June 30, 2013 was EUR 104 million, a change of EUR 104 million as compared to net cash provided by financing activities of EUR 0 million for the six months ended June 30, 2012. The change was primarily due to a positive change in cash pooling receivables within Metso. Valmet's net cash used in financing activities for the year ended December 31, 2012 was EUR 31 million, a change of EUR 93 million as compared to net cash used in financing activities of EUR 124 million for the year ended December 31, 2011. The change was primarily due to net borrowings on Metso financing. Valmet's net cash used in financing activities for the year ended December 31, 2011 was EUR 124 million, a change of EUR 118 million as compared to net cash used in financing activities of EUR 242 million for the year ended December 31, 2010. The change was primarily due to lower payments on Metso financing.

Borrowings

New Credit Facilities

On May 30, 2013, Metso has entered into a EUR 200,000,000 multicurrency revolving loan facility (the "Multicurrency Revolving Loan Facility") with a bank syndicate consisting of Nordea Bank Finland Plc, Banc of America Securities Limited, Commerzbank Aktiengesellschaft, Danske Bank A/S, Helsinki Branch, HSBC Bank plc, Pohjola Bank plc, Skandinaviska Enskilda Banken AB and Standard Chartered Bank. The Multicurrency Revolving Loan Facility includes customary covenants, event of default provisions as well as representations and warranties. The Multicurrency Revolving Loan Facility will transfer from Metso to Valmet on the Effective Date. The Multicurrency Revolving Loan Facility will be available to Valmet after the Effective Date.

On May 30, 2013, Metso entered into an up to EUR 200,000,000 term loan facility (the "Term Loan Facility") with SEB that can be used for the repayment, partial repayment or replacement of Metso's loans or other liabilities that relate to Valmet. The available amount under the Term Loan Facility will decrease in proportion to the amount of the loans granted by the Nordic Investment Bank and/or the European Investment Bank that will transfer to Valmet. For a description of the loans granted by the Nordic Investment Bank and the European Investment Bank, see "—Other Borrowings" below. The Term Loan Facility has been available since the signing of the Demerger Plan and drawings will be permitted until the day before the Effective Date. On the Effective Date, the Term Loan Facility will transfer to Valmet. The Term Loan Facility includes customary covenants, event of default provisions as well as representations and warranties. The repayment date of the Term Loan Facility is March 25, 2016.

Other Borrowings

On May 29, 2004, Metso entered into the Metso Technology R&D (i2i) (Finland) Finance Contract in the amount of EUR 135 million with the European Investment Bank. The contract concerns a project loan for technology R&D (i2i) focusing specifically on Metso's Paper and Automation businesses. As at June 30, 2013, the amount outstanding under the Metso Technology R&D (i2i) (Finland) Finance Contract was EUR 50 million. On the Effective Date, the loan agreement will transfer to Valmet.

On November 21, 2008, Metso entered into the Metso Environmental Technology R&D Finance Contract in the amount of EUR 160 million with the European Investment Bank. The contract concerns a project loan for environmental products and services and strategic product development programs of Metso's Paper, Minerals and Automation businesses. As at June 30, 2013, the amount outstanding under the Metso Environmental Technology R&D Finance Contract was EUR 89 million. On the Effective Date, the loan agreement will transfer to Valmet.

On December 5, 2007, Metso entered into a loan agreement with the Nordic Investment Bank in the amount of USD 85 million. The loan agreement concerns a loan relating to the acquisition of Aker Kvaerner Pulping & Power. As at June 30, 2013, the amount outstanding under the loan agreement was USD 23 million. On the Effective Date, the loan agreement will transfer to Valmet.

Balance Sheet Data

The balance sheet information presented below represents the financial position of Valmet as a separate entity as at the dates discussed. The external debt financing of the demerging Metso parent company that are directly attributable to Valmet's operations are included in the carve-out financial information in accordance with the Demerger Plan. In addition, the carve-out financial information includes existing external funding arrangements of the Valmet entities. For pro forma financial information giving effect to the Demerger, see "Pro Forma Financial Information."

General

The following table sets forth balance sheet data on a carve-out basis as at the dates indicated:

	As at June 30, 2013	As at December 31,		
		2012	2011	2010
	(unaudited)	(audited)		
	(EUR in millions)			
Assets				
Total non-current assets	1,183	1,232	1,287	1,307
Total current assets	1,480	1,676	2,009	1,501
Total assets	2,663	2,908	3,296	2,808
Equity and Liabilities				
Total equity	852	423	409	319
Total non-current liabilities	345	871	949	1,005
Total current liabilities	1,466	1,614	1,938	1,484
Total liabilities	1,811	2,485	2,887	2,489
Total equity and liabilities	2,663	2,908	3,296	2,808

Assets

Valmet's non-current assets primarily consist of goodwill; other intangible assets; property, plant and equipment; other receivables from Metso Group; and long-term deferred tax assets. Valmet's current assets primarily consist of inventories, trade and other receivables, POC receivables, interest-bearing receivables, and cash and cash equivalents.

As at June 30, 2013, Valmet's non-current assets were EUR 1,183 million, a decrease of EUR 49 million, or 4.0 percent, as compared to EUR 1,232 million as at December 31, 2012. As at December 31, 2012, Valmet's non-current assets were EUR 1,232 million, a decrease of EUR 55 million, or 4.3 percent, as compared to EUR 1,287 million as at December 31, 2011. The decrease was primarily due to higher amortizations of intangible assets and higher depreciations of property, plant and equipment, as compared to investments made. As at December 31, 2011, Valmet's non-current assets were EUR 1,287 million, a decrease of EUR 20 million, or 1.5 percent, as compared to EUR 1,307 million as at December 31, 2010. The decrease was primarily due to higher amortizations of intangible assets and higher depreciations of property, plant and equipment, as compared to investments made.

As at June 30, 2013, Valmet's current assets were EUR 1,480 million, a decrease of EUR 196 million, or 11.7 percent, as compared to EUR 1,676 million as at December 31, 2012. The decrease was primarily due to decreases in inventories and trade and other receivables. As at December 31, 2012, Valmet's current assets were EUR 1,676 million, a decrease of EUR 333 million, or 16.6 percent, as compared to EUR 2,009 million as at December 31, 2011. The decrease was primarily due to decreases in cash and cash equivalents and cash pooling receivables from Metso Group as well as inventories. As at December 31, 2011, Valmet's current assets were EUR 2,009 million, an increase of EUR 508 million, or 33.8 percent, as compared to EUR 1,501 million as at December 31, 2010. The increase was primarily due to increases in cash and cash equivalents, trade and other receivables and cash pooling receivables from Metso Group as well as inventory.

Liabilities

Valmet's non-current liabilities primarily consist of long-term debt, long-term employee benefit liabilities and long-term tax liabilities. Valmet's current liabilities primarily consist of current portion of long-term debt, short-term debt, trade and other payables, short-term provisions, advances received and POC liabilities.

As at June 30, 2013, Valmet's non-current liabilities were EUR 345 million, a decrease of EUR 526 million, or 60.4 percent, as compared to EUR 871 million as at December 31, 2012. EUR 468 million of the EUR 482 million long-term debt from Metso to Metso Svenska AB (Valmet entity) was converted into equity and EUR 14 million was repaid in January 2013. The decrease was primarily due to a decrease in long-term debt. As at December 31, 2012, Valmet's non-current liabilities were EUR 871 million, a decrease of EUR 78 million, or 8.2 percent, as compared to EUR 949 million as at December 31, 2011. The decrease was primarily due to a decrease in long-term debt. As at December 31, 2011, Valmet's non-current liabilities were EUR 949 million, a decrease of EUR 56 million, or 5.6 percent, as compared to EUR 1,005 million as at December 31, 2010. The decrease was primarily due to a decrease in long-term debt.

As at June 30, 2013, Valmet's current liabilities were EUR 1,466 million, a decrease of EUR 148 million, or 9.2 percent, as compared to EUR 1,614 million as at December 31, 2012. The decrease was primarily due to a decrease in POC liabilities. As at December 31, 2012, Valmet's current liabilities were EUR 1,614 million, a decrease of EUR 324 million, or 16.7 percent, as compared to EUR 1,938 million as at December 31, 2011. The decrease was primarily due to decreases in trade and other payables and advances received as well as in POC liabilities. As at December 31, 2011,

Valmet's current liabilities were EUR 1,938 million, an increase of EUR 454 million, or 30.6 percent, as compared to EUR 1,484 million as at December 31, 2010. The increase was primarily due to increases in POC liabilities, trade and other payables and advances received.

Contractual Commitments and Contingent Liabilities

In the Demerger, all of the assets, debts and liabilities relating to the PPP Business existing on the Effective Date will be transferred from Metso to Valmet and the MCA Business will remain with Metso. Pursuant to the Finnish Companies Act, all companies participating in a demerger are jointly liable for the debts of the demerging company that have arisen prior to the registration of the completion of the demerger. The liability of a participating company for debts that have in the demerger plan been allocated to another participating company is limited to a total amount equal to the value of the net assets received or retained by the first mentioned participating company in the demerger. A demand for payment based on this Secondary Demerger Liability can be made only after it has been established that payment will not be received from the participating company to which such debt was allocated in the demerger plan or out of the proceeds of security posted for the relevant liability. Following the Effective Date, Valmet may be liable for any debts that arose prior to the Effective Date and that have been allocated to Metso in the Demerger Plan if it has been established that payment will not be received from Metso or out of the proceeds of security posted for the relevant liability, if any.

The following table sets forth Valmet's commitments and contingent liabilities on a carve-out basis as at the dates indicated:

	As at June 30, 2013	As at December 31,		
		2012	2011	2010
	(unaudited)		(audited)	
	(EUR in millions)			
On own behalf				
Mortgages on corporate debt	–	–	–	2
On behalf of others				
Guarantees	3	2	5	3
Other commitments				
Repurchase commitments	0	0	0	–
Total	2	2	5	5

Metso Corporation's guarantees that are directly related to Valmet will transfer from Metso to Valmet on the Effective Date. The total amount on a carve-out basis of such guarantee obligations and liabilities arising from counterindemnities given to the guarantors related to Valmet amounted to EUR 1,323 million as at June 30, 2013 and EUR 1,102 million, EUR 1,356 million and EUR 956 million as at December 31, 2012, 2011 and 2010, respectively.

Investments

Valmet's investments for the six months ended June 30, 2013 were EUR 24 million, a decrease of EUR 4 million, or 14.3 percent, as compared to EUR 28 million for the six months ended June 30, 2012. The main investment was the acquisition of a lime kiln and causticizing technology, which accounted for EUR 5 million in the six months ended June 30, 2013. There were no other single major investments (over EUR 5 million). The majority of the investments were related to the Services business line, which accounted for approximately 35 percent of all investments for the six months ended June 30, 2013. By area, investments were made as follows: EMEA, EUR 16 million; North America, EUR 1 million; South America, EUR 1 million; China, EUR 3 million; and Asia Pacific, EUR 1 million.

Valmet's investments for the year ended December 31, 2012 were EUR 59 million, a decrease of EUR 17 million, or 22.4 percent, as compared to EUR 76 million for the year ended December 31, 2011. There were no single major investments (over EUR 5 million). The majority of the investments were related to the Services business line, which accounted for approximately 45 percent of all investments for the year ended December 31, 2012. By area, investments were made as follows: EMEA, EUR 35 million; North America, EUR 4 million; South America, EUR 8 million; China, EUR 10 million; and Asia Pacific, EUR 2 million.

Valmet's investments for the year ended December 31, 2011 were EUR 76 million, an increase of EUR 4 million, or 5.5 percent, as compared to EUR 72 million for the year ended December 31, 2010. The main investment was the new premises in Brazil for Valmet's South American business, which accounted for EUR 11 million in 2011, out of total premises investment of EUR 14 million. There were no other single major investments (over EUR 5 million). The majority of the investments, including the above-mentioned Brazilian premises investment, were related to Services business line, which accounted for approximately 45 percent of all investments for the year ended December 31, 2011. By area, investments were made as follows: EMEA, EUR 45 million; North America, EUR 2 million; South America, EUR 17 million; China, EUR 8 million; and Asia Pacific, EUR 2 million.

Valmet's investments for the year ended December 31, 2010 were EUR 72 million. The main investment was in the service workshop in Northern China, which totaled EUR 7 million in 2010 out of total premises investment of EUR 11 million. There were no other single major investments (over EUR 5 million). The majority of the investments were related to the paper machines business including the services business of paper machines (which was not a separate business line in 2010), which accounted for approximately 50 percent of all investments for the year ended December 31, 2010. By area, investments were made as follows: EMEA, EUR 50 million; North America, EUR 2 million; South America, EUR 1 million; China, EUR 18 million; and Asia Pacific, EUR 1 million.

Working Capital Statement

Management believes that the working capital available to Valmet is sufficient for at least the 12 months following the date of this Prospectus.

Risk Management

Prior to the Effective Date, Valmet has operated as part of Metso and its risk management has been formulated and performed at the Metso level. In connection with the Demerger, Management expects Valmet to adopt its own risk management policy.

Critical Accounting Policies

General

The critical accounting policies used when preparing Valmet's carve-out financial information are more fully described in note 1.4 to the audited carve-out financial statements of Valmet as at and for the years ended December 31, 2012, 2011 and 2010 included in the F-pages to this Prospectus. Some of the accounting policies require the application of significant judgments and estimates that can affect the amounts reported in the financial information. These estimates and judgments are continually evaluated and are based on historical experience and on various other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Carve-out Principles

The carve-out financial information includes allocations of revenues and expenses, assets and liabilities and cash flows as described above under "—Presentation of Carve-out Financial Information and Factors Affecting Comparability—Carve-out Accounting Principles" above and in note 1.2 to the audited carve-out financial statements of Valmet as at and for the years ended December 31, 2012, 2011 and 2010 included in the F-pages to this Prospectus. The most significant estimates, judgments and assumptions relate to the allocation of costs of certain corporate functions, the determination of current and deferred income taxes, uncertain tax positions and the composition of equity.

Trade Receivables

Valmet's policy is to calculate an impairment loss based on the best estimate of the amounts that are potentially uncollectable at the balance sheet date. The estimates are based on a systematic, on-going review and evaluation performed as part of the credit-risk evaluation process. As part of this evaluation, Valmet takes into account the history of collections, the size and compositions of the receivable balances, current economic events and conditions.

Inventory

Valmet's policy is to maintain a provision for slow-moving and obsolete inventory based on the best estimate of such amounts at the balance sheet date. The estimates are based on a systematic, on-going review and evaluation of inventory balances. As part of this evaluation, Valmet also considers the composition and age of the inventory compared to anticipated future needs.

Revenue Recognition

Valmet delivers complete installations to its customers, where the moment of signing a sales contract (firm commitment) and the final acceptance of a delivery by the customer may take place in different financial periods. In accordance with its accounting principles, Valmet applies the POC method for recognizing such long-term delivery contracts. In the years 2012, 2011 and 2010, approximately 59 percent, 50 percent and 57 percent, respectively, of Valmet's net sales on a carve-out basis were recognized mainly under the POC method, which is based on predetermined milestones and where the revenue is recognized based on the estimated realized value added. A projected loss on a firm commitment is recognized through profit and loss when it becomes known. The estimated revenue, the costs and profit, together with the

planned delivery schedule of the projects are subject to regular revisions as the contract progresses to completion. Revisions in profit estimates are charged through profit and loss in the period in which the facts that give rise to the revision become known. Although Valmet has significant experience using the POC method, the total costs estimated to be incurred on projects may change over time due to changes in the underlying project cost structures, which may ultimately affect the revenue recognized. Therefore, the POC method is not applied for recognizing sales commitments where the final outcome of the project and related cost structure cannot be pre-established reliably.

Hedging of Foreign Currency Denominated Firm Commitments

Under the Metso hedging policy, all Valmet entities have had to hedge their foreign currency risk when they have become engaged in a firm commitment denominated in a currency different of their functional currency. The commitment can be between Valmet and Metso entities or external to Valmet. When a firm commitment qualifies for recognition under the percentage of completion method, the entity applies cash flow hedge accounting and recognizes the effect of the hedging instruments in other comprehensive income until the commitment is recognized. Though the characteristics triggering a firm commitment have been defined, the final realization of the unrecognized commitment depends also on factors beyond management control, which cannot be foreseen when initiating the hedge relationship. Such a factor can be a change in the market environment causing the other party to postpone or cancel the commitment. Management tries to the extent possible to include in the contracts clauses reducing the impact of such adverse events to the result.

Allocation of Purchase Price to Acquired Assets in Connection with Business Combinations

In accordance with Valmet's accounting principles, the purchase price is allocated to the acquired assets and assumed liabilities the excess being recognized as goodwill in the balance sheet. Whenever feasible, Valmet has used as a basis for such allocations readily available market values to determine the fair value to be recognized. However, when this has not been possible, as often is the case with non-current intangible assets and certain assets with no active markets or available price quotations, the valuation has been based on past performance of such asset and expected future cash generating capacity. The appraisals, which have been based on current replacement costs, discounted cash flows and estimated selling prices depending on the underlying asset, require management to make estimates and assumptions of the future performance and use of these assets and their impact on the financial position. Any change in Valmet's future business priorities and orientations may affect the planned outcome of initial appraisals.

Impairment Testing

The carrying value of identifiable intangible assets with indefinite economic life, such as goodwill, is tested annually or more frequently if events or changes in circumstances indicate that such carrying value may not be recoverable. The carrying values of property, plant and equipment and intangible assets, subject to depreciation and amortization are reviewed for impairment whenever there are indications that their carrying values could exceed their value in use or disposal value if disposal is considered as a possible option. In 2012, Valmet recognized an impairment of EUR 15 million on fixed assets as compared to EUR 2 million in 2011 and EUR 6 million in 2010.

Triggering events for impairment reviews include the following:

- material permanent deterioration in the economic or political environment of the customers' or of own activity;
- business' or asset's significant under-performance relative to historical or projected future performance; and
- significant changes in Valmet's strategic orientations affecting the business plans and previous investment policies.

The policy related to the impairment tests is based on numerous estimates. The valuation is inherently judgmental and highly susceptible to change from period to period, because it requires management to make assumptions about future supply and demand related to its individual business units, future sales prices and achievable cost savings. The value of the benefits and savings expected from the efficiency improvement programs are inherently subjective. The fair value of the cash generating unit is determined using a derived weighted average cost of capital as the rate to discount estimated future cash flows. This rate may not be indicative of actual rates obtained in the market. Note 10 to the audited carve-out financial statements of Valmet as at and for the years ended December 31, 2012, 2011 and 2010 discloses the sensitivity analyses for goodwill impairment testing for each of Valmet's significant cash generating units and for each period presented in the carve-out financial information.

Reserves for Restructuring Costs

Reserves for capacity adjustments and restructuring costs are recognized when the requirements for recognition are satisfied. For reason beyond the control of management the final costs may differ from the initial amount reserved. The amount of reserves for restructuring costs amounted to EUR 12 million, EUR 9 million and EUR 16 million as at December 31, 2012, 2011 and 2010, respectively.

Reserves for Warranty and Guarantee Costs

The warranty and guarantee reserve is based on the history of past warranty costs and claims on machines and equipment under warranty. The typical warranty period is 12 months from the date of customer acceptance of the delivered equipment. For larger projects, the average warranty period is two years. For sales involving new technology and long-term delivery contracts, additional warranty reserves can be established on a case-by-case basis to take into account the potentially increased risk.

Pensions

In accordance with "*IAS 19 – Employee Benefits*," the benefit expense for defined benefit arrangements is based on assumptions that include the following:

- a weighted average expected return assessed in the beginning of the financial year on plan assets. Actual return on plan assets may differ significantly based on market activity;
- an assumed discount rate based on rates observed in the beginning of the financial year to be used in the calculation of the current year pension expense and pension liability balance. This rate may not be indicative of actual rates realized in the market; and
- estimated rates of future pay increases. Actual increases may not reflect estimated future increases. Due to the significant change in the group's structure and the uncertainty of the global market place, these estimates are difficult to project.

The actuarial experience that differs from the assumptions and changes in the assumptions results in gains and losses, which are recognized in other comprehensive income.

Financial Instruments

In accordance with the disclosure requirements on financial instruments, management is obliged to make certain assumptions of the future cash in- and outflows arising from such instruments. Management also has to assume that the fair values of derivatives, especially foreign currency denominated derivatives at balance sheet date materially reflect the future realized cash in- or outflow of such instruments.

BOARD OF DIRECTORS, MANAGEMENT AND AUDITORS

General

Pursuant to the provisions of the Finnish Companies Act and the articles of association of Valmet, responsibility for the control and management of Valmet is divided between the general meeting of shareholders, the Board of Directors and the President and Chief Executive Officer ("CEO"). Shareholders participate in the control and management of Valmet through resolutions passed at general meetings of shareholders. General meetings of shareholders are generally convened upon notice given by the Board of Directors. In addition, general meetings of shareholders will be convened when requested in writing by Valmet's auditor or by shareholders representing at least one-tenth of all issued and outstanding shares. Valmet's Board of Directors and the President and CEO will be responsible for the management of Valmet. Other executives will have an assisting and supporting role. Valmet's Board of Directors will seek to ensure that good corporate governance practice is applied within Valmet.

The business address of the members of the Board of Directors, the President and CEO and the members of the Executive Team of Valmet is expected to initially be c/o Metso Corporation, Fabianinkatu 9 A, FI-00130 Helsinki, Finland.

Decision Making Prior to the Effective Date

Since Valmet will not be incorporated until the Effective Date, Metso's Board of Directors has the right to make certain decisions on behalf of Valmet in accordance with the Demerger Plan prior to the Effective Date.

In accordance with the Demerger Plan, Metso's Board of Directors has submitted proposals to the EGM regarding the election and remuneration of the Board of Directors and the auditor for Valmet. These proposals have been made following consultation with Solidium, Cevian Capital, Varma Mutual Pension Insurance Company and Ilmarinen Mutual Pension Insurance Company, the representatives of which formed the shareholders' nomination board of Metso that prepared the proposals on the composition and remuneration of the Board of Directors of Metso for the general meeting of shareholders of Metso held on March 28, 2013. A general meeting of shareholders of Metso, which may be convened as necessary after the EGM, may resolve to supplement or amend the composition of the Board of Directors of Valmet or replace the auditor of Valmet prior to the Effective Date.

In accordance with the Demerger Plan, Metso's Board of Directors has also appointed a President and CEO for Valmet. Provided that the EGM approves the Demerger and the Demerger Plan, the appointment of the President and CEO of Valmet will take effect on the Effective Date. In the event that the President and CEO of Valmet resigns or otherwise must be replaced by another person prior to the Effective Date, the Board of Directors of Metso will have the right to appoint a new President and CEO of Valmet until the Effective Date. Thereafter, the Board of Directors of Valmet shall have the right to appoint the President and CEO of Valmet.

In addition, the Board of Directors or the President and CEO of Metso may, prior to the Effective Date, take such decisions, enter into agreements and take other actions that are specified in the Demerger Plan. The rights and obligations of Valmet based on all such decisions, agreements and other actions shall transfer to Valmet on the Effective Date.

Prior to the Effective Date, the Board of Directors or the President and CEO of Valmet may only take such decisions that are separately assigned in the Demerger Plan to be made by them, or such decisions as the Board of Directors of Metso may designate. Prior to the Effective Date, the Board of Directors of Valmet may, however, take, without separate direction from the Board of Directors of Metso, such decisions, which concern the rights to represent Valmet (authorizations to sign for the company, rights of representation per procuram and other authorizations), bank accounts and the necessary agreements and documents relating to the administration of a listed company, such as the charter of the Board of Directors of Valmet and Valmet's insider guidelines and similar policies. The Board of Directors of Metso may also take these decisions prior to the Effective Date. The rights and obligations under these decisions will transfer to Valmet on the Effective Date.

Board of Directors of Valmet

Valmet's Board of Directors will be composed of no less than five and no more than eight members. The members of the Board of Directors of Valmet will be elected for a term expiring at the closing of the following annual general meeting of shareholders. The members of the Board of Directors may be appointed or removed only by a shareholders' resolution at a general meeting of shareholders.

The number of members of Valmet's Board of Directors will be resolved on and the members elected by the EGM, which is scheduled to be held on October 1, 2013. Following consultation Solidium, Cevian Capital, Varma Mutual Pension Insurance Company and Ilmarinen Mutual Pension Insurance Company, the representatives of which formed the

shareholders' nomination board of Metso that prepared the proposals on the composition and remuneration of the Board of Directors of Metso for the general meeting of shareholders of Metso held on March 28, 2013, Metso's Board of Directors has proposed to the EGM that the number of members of Valmet's Board of Directors be seven. The Board of Directors of Metso has proposed that the following current members of the Board of Directors of Metso be elected as members of the Board of Directors of Valmet: Jukka Viinanen, Mikael von Frenckell, Erkki Pehu-Lehtonen and Pia Rudengren. On the Effective Date, the directorship in Metso of such current members of the Board of Directors of Metso would end. Furthermore, the Board of Directors of Metso has proposed that Friederike Helfer, Pekka Lundmark and Rogério Ziviani be elected as members of the Board of Directors of Valmet in addition to the above-mentioned current members of the Board of Directors of Metso. Jukka Viinanen is proposed to be elected as Chairman of the Board of Directors of Valmet and Mikael von Frenckell as Vice-Chairman of the Board of Directors of Valmet.

The term of office of the members of the Board of Directors of Valmet will commence on the Effective Date and will expire, according to Valmet's articles of association, at the end of the first annual general meeting of shareholders of Valmet following the election.

The Board of Directors of Valmet will meet when a meeting is convened by the Chairman or, if the Chairman is unavailable, the Vice Chairman. The Board of Directors constitutes a quorum when more than one-half of its members are present and one of them is the Chairman or the Vice Chairman. A resolution of the Board of Directors will be the opinion which is supported by more than one-half of the members present or, in case of a tie vote, the opinion with which the chairman of the meeting concurs.

The following table sets forth the proposed members of the Board of Directors of Valmet:

	Position	Citizenship	Year of birth
Jukka Viinanen	Chairman	Finland	1948
Mikael von Frenckell	Vice Chairman	Finland	1947
Erkki Pehu-Lehtonen	Member	Finland	1950
Pia Rudengren	Member	Sweden	1965
Friederike Helfer	Member	Austria	1976
Pekka Lundmark	Member	Finland	1963
Rogério Ziviani	Member	Brazil	1956

Jukka Viinanen has been a member of the Board of Directors of Metso since 2008 and the Chairman of the Board of Directors of Metso since 2009. Mr. Viinanen is the Chairman of the Board of Directors of Kemira Oyj. He was the President and CEO of Orion Corporation between 2000 and 2007. Mr. Viinanen held various positions at Neste Corporation, including the President, CEO and Vice Chairman of the Board of Directors between 1997 and 1999. He was the Executive Vice President of Neste Oy, Chemicals between 1988 and 1990 and he also held various positions at Pekema Oy between 1973 and 1979. Additionally, he has been a member of the Supervisory Board of the Finnish Medical Foundation between 2005 and 2010, the Chairman of the Board of Directors of Rautaruukki Corporation between 2001 and 2009, a member of the Board of Directors of Huhtamäki Oyj between 1999 and 2005, the Chairman of the Board of Directors of State Research Institute between 1994 and 2002, a member of the Board of Directors of Uponor Oy between 1993 and 2001 and a member of the Board of Directors of Neste Oyj between 1990 and 1996. Mr. Viinanen holds a Master of Science degree in Engineering.

Mikael von Frenckell has been a member of the Board of Directors of Metso since 2010 and the Vice Chairman of the Board of Directors of Metso since 2012. Mr. von Frenckell is also the Chairman on the Board of Directors of Waldemar von Frenckell Foundation, a member of the Boards of Directors of Antti Ahlströmin Perilliset Oy, Sponsor Capital Oy and Sponsor Capital Partners Oy. He held various positions in the Union Bank of Finland between 1990 and 1995, including the Executive Vice President and a member of the Executive Committee. Mr. von Frenckell was a branch director and the Executive Vice President of Sponsor Oy between 1985 and 1990 and the President of Oy Ekström Ab between 1983 and 1985 and Pierre Robert/Suomen Unilever Oy between 1981 and 1983. He has also served as a member of the Boards of Directors of Maanpuolustuksen Tuki between 1993 and 2004, Vattenfall Oy between 1998 and 2001, Hämeen Sähkö Oy between 1995 and 1998, Industri Kapital 1994 Ltd between 1994 and 1997 and Rosenlew W. Oy Ab between 1983 and 1987. He has been the Vice Chairman of the Board of Directors of Fiskars Oyj Abp between 2000 and 2006 and a member and the Vice Chairman of the Boards of Directors of Neste Oil Oyj between 2005 and 2011, Helsinki Stock Exchange between 1992 and 1996 and Kaukomarkkinat Oy between 1988 and 1990. He was the Vice Chairman and the Chairman of the Board of Directors of SYP-Invest Oy between 1990 and 1996. Additionally, he was the Chairman of the Board of Directors of Tamro Oyj between 1999 and 2001 and a member of the Board of Directors of Tamro Oyj between 1995 and 1999 and between 2001 and 2011, the Chairman of the Board of Directors of Tamfelt Corporation between 1995 and 2010, the Vice Chairman of the Board of Directors of Tamfelt Corporation between 1990 and 1995 and a member of the Board of Directors Tamfelt Corporation between 1979 and 1990, a member and the Chairman of the Board of Directors of Suomen Pörssisäätiö between 1991 and 2003, the Chairman of the Boards of

Directors of Lappset Group Oy between 1995 and 1999 as well as 1986 and 1990 and Wulff Oy Ab between 1988 and 1990. Mr. von Frenckell holds a Master of Science degree in Social Sciences.

Erkki Pehu-Lehtonen has been a member of Board of Directors of Metso since 2010. Mr. Pehu-Lehtonen is also the Chairman of the Board of Directors of Raute Corporation. He was the President and CEO of Pöyry Plc between 1999 and 2008, the President of Jaakko Pöyry Oy between 1996 and 1999 and Executive Vice President of Jaakko Pöyry Oy between 1994 and 1996. Prior to that, he held various management positions at, among other companies, Neles-Jamesbury Inc and Valmet Paper Machinery Inc. Additionally, he has served as a member of the Board of Directors of Tekla Corporation between 2006 and 2012, Senior Adviser to the Board of Directors of Pöyry Plc between 2008 and 2010, a member of the Board of Directors of Confederation of Finnish Industry and Employers between 1998 and 2002, a member of the Supervisory Board of Finnish Foreign Trade Association (Finpro) between 1999 and 2001 and a member of the Supervisory Board of Sampo Insurance Company between 1999 and 2000. Mr. Pehu-Lehtonen holds a Master of Science degree in Mechanical Engineering.

Pia Rudengren has been a member of the Board of Directors of Metso since 2009. Ms. Rudengren is the Chairman of the Board of Directors of Social Initiative AB and a member of the Boards of Directors of Duni AB, Tikkurila Oyj, Swedbank AB and WeMind Digital Psykologi AB. She has held various positions serving on the Boards of Directors of several companies since 2006, including Q-MED AB where she was the Chairman of the Board of Directors between 2006 and 2009. She was the Executive Vice President of W Capital Management AB between 2001 and 2005 and a member of the management board of Investor AB between 1998 and 2001. Additionally, she was a member of the Boards of Directors of RusForest AB between 2006 and 2010 and Biophausia AB between 2006 and 2010. Ms. Rudengren holds a Master of Science degree in Business Administration and Economics.

Friederike Helfer is a Partner at Cevian Capital, which she joined in 2008. Prior to that, Ms. Helfer served as Engagement Manager at McKinsey between 2004 and 2008. Ms. Helfer holds a Master of Science degree in Real Estate Development as well as a Diplom-Ingenieur degree in Urban Planning. She is a CFA charterholder.

Pekka Lundmark is the President and the CEO of Konecranes Plc, the Chairman of the Board of Directors of Marimekko Corporation and the Vice Chairman of the Board of Directors of the Federation of Finnish Technology Industries. Mr. Lundmark was the Chairman of the Board of Directors of the Federation of Finnish Technology Industries between 2011 and 2012, the Vice Chairman of the Board of Directors of the Confederation of Finnish Industries between 2011 and 2012, the Group Executive Vice President of KCI Konecranes between 2004 and 2005, the CEO of Hackman Abp between 2002 and 2004 and the Managing Partner of Startupfactory between 2000 and 2002. He has also held various executive positions at Nokia Corporation between 1990 and 2000, including Senior Vice President Marketing of Nokia Internet Communications, USA between 1999 and 2000. Mr. Lundmark holds a Master of Science degree in Engineering.

Rogério Ziviani is a member of the Board of Directors of Contax Participações S.A., a member of the Board of Directors of HSBC – SRI – FI – Sustainability Fund and a member of the Brazilian Institute of Corporate Governance (Instituto Brasileiro de Covernança Corporativa, IBGC). Mr. Ziviani was a member of the Boards of Directors of São Carlos Empreendimentos e Participações S.A. between 2011 and 2013, Marcopolo S.A. between 2009 and 2012 and Duratex S.A. between 2009 and 2011. Additionally, he served as the Head of Pulp Business Unit of Suzano Papel e Celulose S.A. between 2004 and 2008, the International Business & Logistic Executive Director of Suzano Papel e Celulose S.A. between 2001 and 2004 and the Executive Director of BahiaSul Celulose S.A. between 1990 and 2001. Mr. Ziviani holds a Bachelor of Science degree in Business Management and a Master of Science degree in Business Administration.

President and CEO and the Executive Team of Valmet

The President and CEO appointed by the Board of Directors of Valmet is responsible for the management and supervision of Valmet's day-to-day business pursuant to the Finnish Companies Act and the authorities and guidelines issued by the Board of Directors of Valmet.

Until the Effective Date, Valmet's President and CEO will be appointed by Metso's Board of Directors. Following the Effective Date, the Board of Directors of Valmet will have the right to appoint the President and CEO. On June 5, 2013, Metso's Board of Directors appointed Mr. Pasi Laine as President and CEO of Valmet. The appointment will take effect on the Effective Date. Mr. Laine is currently President of Metso's Pulp, Paper and Power business line, and he will continue in this position until assuming the duties of the President and CEO of Valmet. He has been a member of the Metso Executive Team since 2006.

The following table sets forth the proposed members of the Executive Team of Valmet:

	Position	Citizenship	Year of birth
Pasi Laine	President and CEO	Finland	1963
Jukka Tiitinen	Head of Services business line	Finland and United States	1965
Jyrki Holmala	Head of Pulp & Energy business line	Finland	1965
Jari Vähäpesola	Head of Paper business line	Finland	1959
William Bohn	Head of North America area	United States	1954
Celso Tacla	Head of South America area	Brazil	1964
Hannu Mälkiä	Head of EMEA area	Finland	1952
Aki Niemi	Head of China area	Finland	1969
Hannu Pietilä	Head of Asia Pacific area	Finland	1962
Markku Honkasalo	Chief Financial Officer	Finland	1964
Kari Saarinen	Head of Strategy and Operational Development	Finland	1961
Julia Macharey	Head of Human Resources	Finland	1977
Anu Salonsaari-Posti	Head of Marketing & Communications	Finland	1968

Pasi Laine has been appointed the President and CEO of Valmet as of the Effective Date. Until then, Mr. Laine will continue in his position as Metso's Executive Vice President, Deputy to the CEO and the President of Metso Pulp, Paper and Power. Mr. Laine has been a member of the Executive Team of Metso since 2006. He was the President of Paper and Fiber Technology in 2011, the President of Energy and Environmental Technology segment between 2008 and 2011, the President of Metso Automation between 2006 and 2011 and the President of Metso Automation's Field Systems business line between 2003 and 2006. Mr. Laine has also served as the Senior Vice President of Metso Automation's Pulp and Paper Automation Solutions business unit between 2002 and 2003 and the Vice President of the Process & Energy business unit between 1998 and 2002. Mr. Laine acted as the Managing Director of Elsag Bailey Hartmann & Braun Oy between 1996 and 1998 and held various positions at Valmet Automation in Finland, Canada, Germany and the United Kingdom between 1988 and 1996. Mr. Laine holds a Master of Science degree in Engineering.

Jukka Tiitinen has been appointed the Head of Valmet's Services business line as of the Effective Date. Until then, Mr. Tiitinen will continue in his position as the President of the Services business line of Metso Pulp, Paper and Power. Mr. Tiitinen was the President of Metso Paper, Inc. North America between 2004 and 2011 and the President of Metso Paper, Inc.'s Service business line between 2001 and 2004. Prior to that, Mr. Tiitinen was the Vice President of Roll Services of North America business unit at Metso Paper USA Inc./Valmet Inc. between 2000 and 2001. He has held various positions in the Paper Service organizations of Valmet Corporation and Metso in North America and Finland including Vice President and General Manager of the Hudson Falls Division of Valmet Inc. Mr. Tiitinen holds a Master of Science degree in Engineering.

Jyrki Holmala has been appointed the Head of Valmet's Pulp and Energy business line as of the Effective Date. Until then, Mr. Holmala will continue in his position as the President of the Pulp and Energy business line of Metso Pulp, Paper and Power. Mr. Holmala was the Head of Corporate Partners and Alliances and the Head of several global business units at Nokia Siemens Networks Oy between 2007 and 2011. Mr. Holmala served in various positions at Nokia Networks Oy, including the Vice President of the Services Software business line and the Vice President and the General Manager of the Operations Solutions business unit between 2003 and 2007. Mr. Holmala has held various positions in sales management, product management, research and development as well as quality management in Nokia. Mr. Holmala holds a Master of Science degree in Engineering and a Master of Science degree in Economics and Business Administration.

Jari Vähäpesola has been appointed the Head of Valmet's Paper business line as of the Effective Date. Until then, Mr. Vähäpesola will continue in his position as the President of Paper business line of Metso Pulp, Paper and Power. Mr. Vähäpesola was the Senior Vice President of Paper Machines and Finishing business units in 2011, the Senior Vice President of Paper Machines business unit between 2008 and 2011 and the Senior Vice President of Service business unit between 2007 and 2008. Mr. Vähäpesola acted as the President of Service business line between 2006 and 2007 as well as the Senior Vice President of Services between 2004 and 2005 and the Senior Vice President of Sales and Marketing between 2002 and 2004. Mr. Vähäpesola was the Managing Director of Metso Paper Limited, UK between 2000 and 2001. He was also Product Development Engineer at Metso between 1987 and 1993 and Product Development Engineer at Fiskars Oy Ab between 1984 and 1987. Mr. Vähäpesola holds a Master of Science degree in Engineering and a Diploma in International Marketing Management.

William Bohn has been appointed Valmet's Head of North America area as of the Effective Date. Until then, Mr. Bohn will continue in his position as the Area President of North America of Metso Pulp, Paper and Power. Mr. Bohn was the

Area Vice President of North America of Metso's Fiber Technology business line between 2004 and 2011, the Vice President of Metso's U.S. South Service Sales between 2003 and 2004 and the Vice President of Metso's Mechanical Pulping Sales between 2002 and 2003. Mr. Bohn was the General Sales Manager of North America Stock Preparation and Recycled Fiber of Valmet Corporation between 1993 and 2002. Mr. Bohn has held various sales and technology positions at Andritz companies between 1982 and 1993. Mr. Bohn was a Research Associate at Scott Paper Company between 1980 and 1982 and worked with Research and Development matters at CE-Bauer between 1976 and 1980. Mr. Bohn is the President of the Board of Directors and a member of the Executive Committee of Syracuse Pulp and Paper Foundation. Mr. Bohn holds Bachelor of Science degrees in Pulp and Paper and Forestry.

Celso Tacla has been appointed Valmet's Head of South America area as of the Effective Date. Until then, Mr. Tacla will continue in his position as the Area President of South America of Metso's Pulp Paper and Power. Mr. Tacla was the President of Metso Paper South America responsible for Pulp, Paper and Power businesses in South America between 2008 and 2011 and the Director of the Power business line of Metso Paper Sulamericana, in Brazil, between 2007 and 2008. Mr. Tacla has also served as the Director for Power business line at Kvaerner do Brazil between 2004 and 2007, Commercial Manager at Kvaerner Pulping between 2000 and 2004 and Sales Manager at Kvaerner Pulping between 1994 and 2000. In addition, Mr. Tacla was Sales Manager at Gotaverken Energy do Brazil between 1992 and 1994. Mr. Tacla has held various positions at Coselpa Cia de Celulose e Papel do Paraná between 1986 and 1992. Mr. Tacla is an Executive Board Member of Brazilian Technical Association of Pulp and Paper (Associação Brasileira Técnica de Celulose e Papel, ABTCP) and a member of the Board of Directors of Brazilian Association for the Machinery and Equipment Industry, PR Regional Office (Associação Brasileira da Indústria de Máquinas e Equipamentos, ABIMAQ/SRPR). Mr. Tacla holds a Master of Business Administration degree and is a Production engineer and a Chemical engineer.

Hannu Mälkiä has been appointed Valmet's Head of EMEA area as of the Effective Date. Until then, Mr. Mälkiä will continue in his position as the Area President of EMEA of Metso Pulp Paper and Power. Mr. Mälkiä was the President of Paper business line between 2007 and 2011, the President of the Finishing business line between 2006 and 2007, the President of Paper business line between 2003 and 2006, the President of the Mechanical Pulping business line between 2000 and 2003 and the Vice President and General Manager of Winders and Coaters and Reels business units between 1999 and 2000. Prior to that, Mr. Mälkiä was the Manager of Business Development and Calendars Product Department at Valmet Paper Machinery, Inc. between 1987 and 1990. Mr. Mälkiä was Product Manager at Wärtsilä-Appleton, USA between 1983 and 1987. Mr. Mälkiä held various positions at Oy Wärtsilä Ab and A. Ahlström Corporation between 1975 and 1983. Mr. Mälkiä holds a Master of Science degree in Engineering.

Aki Niemi has been appointed Valmet's Head of China area as of the Effective Date. Until then, Mr. Niemi will continue in his position as the Area President of China of Metso Pulp, Paper and Power. Mr. Niemi was the Vice President of Operations of China of Metso Pulp, Paper and Power between 2011 and 2013. Prior to that, he was the General Manager of Onsite operations of Metso's Paper and Board Machine business unit between 2007 and 2011 and the Manager of Process Start-ups of Metso's Paper and Board business line between 2003 and 2007. Mr. Niemi acted as the Senior Manager of Metso's Paper Technology between 1998 and 2003 and as the Manager of Metso's Paper Technology between 1997 and 1998. He was Customer Service Engineer at Valmet Corporation between 1994 and 1997. Mr. Niemi holds a Master of Science degree in Engineering.

Hannu Pietilä has been appointed Valmet's Head of Asia Pacific area as of the Effective Date. Until then, Mr. Pietilä will continue in his position as the Area President of Asia Pacific of Metso Pulp, Paper and Power. He was the Head of Sales and Marketing of Metso's Paper Mills business unit between 2011 and 2012. Prior to that, Mr. Pietilä was the Vice President of Capital Sales of Metso's Paper business line between 2009 and 2011, the Vice President of Sales of Metso's Paper business line between 2007 and 2009 as well as the Senior Vice President of Sales and Marketing of Metso's Paper business line between 2006 and 2007, the Vice President of Sales of Metso's Board business line between 2004 and 2006 and the Vice President of Sales of North America of Metso's Board business line in 2003. Mr. Pietilä was the Senior Sales Manager of China and Asia Pacific of Metso between 2000 and 2003. He acted as the President of Valmet Indonesia of Valmet Corporation between 1997 and 2000. Prior to that, he held various positions in Sales and Engineering at Valmet Corporation between 1986 and 1997. Mr. Pietilä holds a Bachelor of Science degree in Mechanical Engineering.

Markku Honkasalo has been appointed Valmet's Chief Financial Officer ("CFO") as of the Effective Date. Mr. Honkasalo was the CFO of Rautaruukki Corporation between 2010 and 2013, a corporate treasurer of Rautaruukki Corporation between 2009 and 2010 and the Director of Administration, Legal and HR of Myllykoski Corporation between 2003 and 2009. Prior to that, he held various positions in the banking sector. Mr. Honkasalo holds a Master of Laws degree and an Executive Master of Business Administration degree.

Kari Saarinen has been appointed Valmet's Head of Strategy and Operational Development as of the Effective Date. Until then, Mr. Saarinen will continue in his position as the Senior Vice President of Finance of Metso Pulp, Paper and

Power. He was the Area CFO of Middle East and Africa Region of Nokia Siemens Networks Oy between 2009 and 2011 and the Area CFO of Greater China Region of Nokia Siemens Networks Oy between 2007 and 2009. Prior to that, Mr. Saarinen served as the Director of Business Control and Finance of Greater China Region of Nokia Networks Oy between 2003 and 2007 and the Director of Business Control of Nokia Networks Oy between 1997 and 2003. Mr. Saarinen has held multiple positions at Marimekko Oy, including the General Manager and CFO between 1995 and 1997, the CFO between 1991 and 1995 and Controller between 1989 and 1991. Mr. Saarinen was Manager of Finance at Baltic Data Oy between 1987 and 1989 and Management Accountant at Cultor Oy between 1985 and 1987. Mr. Saarinen holds a Master of Science degree in Accounting and Finance.

Julia Macharey has been appointed Valmet's Head of Human Resources as of the Effective Date. Until then, Ms. Macharey will continue in her position as Senior Vice President of Human Resources of Metso Pulp, Paper and Power. Ms. Macharey was the Vice President of Human Resources of Pöyry Plc's Industry Business Group between 2007 and 2012. Prior to that, she was the Senior Manager of Business HR of Nokia Corporation's Manufacturing Solutions between 2006 and 2007 and the Senior Manager of Business HR of Nokia Corporation's Sourcing and Procurement between 2004 and 2006. Ms. Macharey served as a HR Manager of Team-based work systems at SCA Hygiene Products Ltd between 2002 and 2004, a HR Manager at SCA Hygiene Products GmbH between 2001 and 2002 and a HR Trainee at SCA Hygiene Products GmbH between 2000 and 2001. Ms. Macharey holds a Master of Science degree in Economics and a Bachelor of Arts degree in Intercultural Communication.

Anu Salonsaari-Posti has been appointed Valmet's Head of Marketing and Communications as of the Effective Date. Until then, Ms. Salonsaari-Posti will continue in her position as the Senior Vice President of Marketing and Communications of Metso Pulp, Paper and Power. Ms. Salonsaari-Posti was the Vice President of Group Communications of Metsä Group between 2010 and 2013. Prior to that, she was the Head of Communications and Sustainability of Heat Division of Fortum Corporation between 2009 and 2010 and the Vice President of Communications and Marketing of Fortum Power and Heat Oy between 1999 and 2009. Ms. Salonsaari-Posti held various positions at Imatran Voima Oy, including Marketing and Communications Manager between 1997 and 1998, Marketing Manager between 1995 and 1997 and Marketing Planner between 1994 and 1995. Ms. Salonsaari-Posti holds a Master of Science degree in Economics and in Business Administration and a Master of Science degree in Business Administration.

Corporate Governance

Valmet's decision making and administration will be governed by the Finnish Companies Act, the Finnish Securities Markets Act, the rules issued by the Helsinki Stock Exchange, Valmet's articles of association, the Finnish Corporate Governance Code and the "Recommendation regarding the procedures to be complied with in takeover bids" issued by the Panel on Takeovers and Mergers at the Finland Chamber of Commerce. If Valmet deviates from the recommendation of the Finnish Corporate Governance Code, it would specify and explain the deviation.

The election of the proposed board members would satisfy the criteria on independence of board members as set out in the Finnish Corporate Governance Code.

Board Committees

It is expected that the committees of Valmet's Board of Directors will be organized after the EGM.

Information on the Members of the Board of Directors and the Executive Team

As at the date of this Prospectus, none of the proposed members of the Board of Directors or the Executive Team of Valmet have during the previous five years:

- had any convictions in relation to fraudulent offences;
- been in a managerial position, such as a member of the administrative or management or supervisory bodies or belonged to the senior management, of any company at the time of its bankruptcy, receivership or liquidation (excluding liquidation that has been carried out in order to dissolve the company due to tax reasons or reasons related to the simplification of group structure); or
- been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) and been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any company or from managing the affairs of any company.

Conflicts of Interest

Provisions regarding the conflicts of interest of the management of a Finnish company are set forth in the Finnish Companies Act. Pursuant to Chapter 6, Section 4 of the Finnish Companies Act, a member of the board of directors of a company may not participate in the handling of a contract between himself or herself and the company, nor may he or she participate in the handling of a contract between the company and a third party if he or she may thereby receive a material benefit which may be in contradiction with the interests of the company. This provision also applies to any other legal act, legal proceeding or other similar matter. This provision also applies to the President and CEO. Except for their legal and/or beneficial interest in shares as disclosed in "—Management Ownership" below, there are no potential conflicts of interest between any duties to Valmet of any proposed member of the Board of Directors or the Executive Team of Valmet and their private interests and/or other duties.

Remuneration

Board of Directors

A resolution on the remuneration of the members of the Board of Directors of Valmet will be passed in the EGM. Valmet will be solely responsible for paying the remuneration of the members of the Board of Directors of Valmet and all other costs and liabilities related thereto, including the remuneration, costs or liability that may potentially pertain wholly or partially to the time period preceding the Effective Date.

The Board of Directors of Metso has proposed to the EGM that the members of the Board of Directors of Valmet to be elected for a term of office ending at the end of the next annual general meeting of shareholders of Valmet be paid the following remuneration: to the Chairman of the Board of Directors EUR 25,000; to the Vice-Chairman of the Board of Directors and the Chairman of the Audit Committee EUR 15,000; and to the other members of the Board of Directors EUR 12,000 each. The Board of Directors of Metso has proposed that no remuneration for the above-mentioned term would be paid by Valmet in respect of the directorship in Valmet to those current members of the Board of Directors of Metso who are proposed to be elected to the Board of Directors of Valmet since the remuneration of the current members of the Board of Directors of Metso has already been paid in full for their current term.

The Board of Directors of Metso has also proposed that for each meeting of the Board of Directors of Valmet or the committees of the Board of Directors of Valmet, (i) a fee of EUR 700 is paid to the members of the Board that reside in the Nordic countries, (ii) a fee of EUR 1,400 is paid to the members of the Board that reside in other European countries and (iii) a fee of EUR 2,800 is paid to the members of the Board that reside outside Europe.

President and CEO

Pursuant to the executive contract with Pasi Laine, Mr. Laine's remuneration will be EUR 491,400 per year. In addition, Mr. Laine will also be entitled to fringe benefits, including a company car. Mr. Laine participates in the remuneration programs for management described under "—Remuneration Programs" below. Mr. Laine is eligible to retire at the age of 63. Mr. Laine's executive contract is valid until further notice and may be terminated by either party with six months' notice. If Mr. Laine's executive contract is terminated by Valmet without cause, the termination period is six months after which Mr. Laine is entitled to compensation equivalent to 18 months' salary. Mr. Laine is also entitled to a supplementary pension plan.

Executive Team

The employment contracts of the members of the Executive Team are valid until further notice and may be terminated by either party with six months' notice. If such employment contracts are terminated by Valmet without cause, the termination period is six months after which the members of the Executive Team are entitled to an agreed additional compensation.

Remuneration Programs

Overview

Metso has two share-based incentive plans, the Share Ownership Plan 2011-2013 and the Long Term Incentive Plan 2012-2014, that will be affected by the Demerger. On June 18, 2013, the Board of Directors of Metso resolved upon certain amendments to such share-based incentive plans in accordance with the terms and conditions of such plans as a result of the Demerger.

Share Ownership Plan 2011-2013

In September 2010, the Board of Directors of Metso approved a share-based incentive plan for Management for the years 2011-2013. The plan includes one three-year earnings period. Participants in the plan were required to invest in shares in Metso at the beginning of the earnings period. Twenty-six key persons of Valmet are participating in the plan and their initial aggregate investment was 12,115 shares in Metso. The shares must be owned until the end of the earnings period. The earnings criteria are based on Metso's total shareholder return during three years' time and on earnings per share ("EPS") in the years 2011-2013. The reward to be paid from the plan to the participants belonging to the management of Valmet corresponds to a maximum of 80,348 shares.

Pursuant to the amended plan, the reward will be paid by Metso and Valmet to their respective employees participating in the plan. For employees of both Metso and Valmet, the reward will be paid in shares in Metso, an equal number of shares in Valmet and partly in cash. The cash-settled portion of the award is dedicated to cover taxes and tax-related payments. The maximum share reward is capped to each participant's taxable annual basic salary, excluding performance bonuses and share-based payments, multiplied by 1.5.

Long-term Incentive Plan for 2012-2014

In December 2011, the Board of Directors of Metso approved a share-based incentive plan for Management. The plan includes three performance periods, which are the calendar years 2012, 2013 and 2014. Pursuant to the plan, the Board of Directors of Metso will resolve in October 2013 to continue the long-term incentive plan for 2012-2014 for the year 2014 for both Metso and Valmet. The performance criteria, targets and participants for the 2014 performance period will be determined by the Board of Directors of Metso for Metso employees and the Board of Directors of Valmet for Valmet employees. Each company may target the plan to a maximum of 60 participants for the 2014 performance period.

For the 2012 performance period, the Board of Directors of Metso targeted the plan to 31 persons in the management of Valmet. The earnings criteria of the 2012 performance period were based on the net sales growth of the services business, ROCE before taxes and EPS. The reward to be paid from the plan to the participants belonging to the management of Valmet corresponds to a maximum of 134,654 shares. For the 2013 performance period, the Board of Directors of Metso targeted the plan to approximately 34 persons in the management of Valmet. The earning criteria for the 2013 performance period will be calculated based on the same rules as for the 2012 performance period. The reward to be paid from the plan to the participants belonging to the management of Valmet corresponds to a maximum of 129,145 shares.

Pursuant to the amended plan, the reward for each performance period will be paid by Metso to its employees participating in the plan in shares in Metso and cash and by Valmet to its employees participating in the plan in shares in Valmet and cash. The cash-settled portion of the award is dedicated to cover taxes and tax-related payments. The reward for each performance period of plan may not exceed 120 percent of a participant's total annual base salary.

Annual Bonus Plans 2014

On June 18, 2013, the Board of Directors of Metso approved the 2014 Annual Bonus Plans for Metso and Valmet. Both companies will continue with the existing bonus framework for the first operative financial year as separate companies. The framework consists of different types of bonus plans depending on business and country in question. For senior management and separately identified key professionals (excluding the CEO and the CFO), both companies will have a Global Bonus Plan. The Global Bonus Plan 2014 aims to reward the best performance in achieving the company's strategic, financial and operational goals globally. No more than 15 percent of the personnel within Metso and Valmet, respectively, can belong to the Global Bonus Plan 2014. The number of participants in the plan will depend on the diversity and organization structure of the segment or business line in question. The respective CEOs of Metso and Valmet will confirm the final participants in the plan. There will be a separate plan for the respective CEOs and the CFOs of Metso and Valmet.

Employee Benefit Obligations

The companies within Valmet have various pension schemes pursuant to local conditions and practices of the countries in which they operate. Some of these programs are defined benefit schemes with retirement, healthcare, death and termination income benefits. The benefits are generally a function of years of employment and salary in Valmet. The schemes are mostly funded through payments to insurance companies or to trustee-administered funds as determined by periodic actuarial calculations. As at June 30, 2013, Valmet's obligations related to pension arrangements and other similar benefits for its employees recorded in the combined balance sheet were EUR 120 million.

Management Ownership

The following table sets forth the number of shares in Metso owned by the proposed members of the Board of Directors and the Executive Team of Valmet as at September 13, 2013:

	Shares
Proposed Members of the Board of Directors	
Jukka Viinanen	6,017
Mikael von Frenckell	102,996[(1)]
Erkki Pehu-Lehtonen	3,179
Pia Rudengren	2,864
Friederike Helfer[(2)]	–
Pekka Lundmark	4[(3)]
Rogério Ziviani	–
Proposed Members of the Executive Team	
Pasi Laine	17,616
Jukka Tiitinen	3,030[(4)]
Jyrki Holmala	800
Jari Vähäpesola	4,785
William Bohn	–
Celso Tacla	4,027
Hannu Mälkiä	9,415
Aki Niemi	–
Hannu Pietilä	1,000
Markku Honkasalo	–
Kari Saarinen	–
Julia Macharey	–
Anu Salonsaari-Posti	100[(5)]

(1) Includes 242 shares in Metso owned by Mr. von Frenckell's family members.
(2) Ms. Helfer is employed by Cevian Capital. Cevian Capital II Master Fund L.P. owns 8,305,654 shares in Metso and its wholly-owned subsidiary Cevian Capital Partners Ltd owns 12,508,060 shares in Metso.
(3) Includes 4 shares in Metso owned by Mr. Lundmark's family members.
(4) Includes 30 shares in Metso owned by Mr. Tiitinen's family members.
(5) Includes 100 shares in Metso owned by Ms. Salonsaari-Posti's family members.

Auditors

Valmet will have one auditor, which must be an auditing firm approved by the Finland Chamber of Commerce. The auditor of Valmet will be elected by the EGM.

Metso's Board of Directors has proposed that Ernst & Young Oy, Authorized Public Accountants, be elected as the auditor of Valmet. Ernst & Young Oy has informed Metso that Mikko Järventausta, Authorized Public Accountant, would act as the responsible auditor.

Directorships and/or Partnerships

The proposed members of the Board of Directors and the Executive Team of Valmet currently hold or have held the following memberships in administrative, management or supervisory bodies and/or have been a partner in the following partnerships in the five years prior to the date of this Prospectus:

	Current Directorships/Partnerships	Former Directorships/Partnerships
Proposed Members of the Board of Directors		
Jukka Viinanen	Kemira Oyj	Rautaruukki Corporation The Supervisory Board of the Finnish Medical Foundation
Mikael von Frenckell	Antti Ahlströmin Perilliset Oy Sponsor Capital Oy Sponsor Capital Partners Oy Waldemar von Frenckell Foundation	Neste Oil Oyj Tamro Oyj
Erkki Pehu-Lehtonen	Raute Corporation	Pöyry Plc Tekla Corporation

	Current Directorships/Partnerships	Former Directorships/Partnerships
Pia Rudengren	Duni AB Social Initiative AB Swedbank AB Tikkurila Oyj Ulla Litzen AB WeMind Digital Psykologi AB	Biophausia AB Q-MED AB RusForest AB
Friederike Helfer	–	–
Pekka Lundmark	East Office of Finnish Industries Oy Konecranes Plc Marimekko Corporation Stiftelsen Arcada Technology Academy Foundation The Federation of Finnish Technology Industries	The Confederation of Finnish Industries
Rogério Ziviani	Contax Participações S.A. HSBC – SRI – FI – Sustainability Fund The Brazilian Institute of Corporate Governance (Instituto Brasileiro de Covernança Corporativa, IBGC)	Duratex S.A. Marcopolo S.A. São Carlos Empreendimentos e Participações S.A. Suzano Papel e Celulose S.A.
Proposed Members of the Executive Team		
Pasi Laine	–	HKScan Corporation Tamfelt Corporation
Jukka Tiitinen	–	–
Jyrki Holmala	–	–
Jari Vähäpesola	–	Elomatic Paper & Mechanical Oy Valmet Dura Oy Valmet Dura USA, Inc.
William Bohn	Syracuse Pulp and Paper Foundation	–
Celso Tacla	Brazilian Technical Association of Pulp and Paper (Associação Brasileira Técnica de Celulose e Papel, ABTCP) Brazilian Association for the Machinery and Equipment Industry (Associação Brasileira da Indústria de Máquinas e Equipamentos, ABIMAQ)	–
Hannu Mälkiä	–	Metso Automation Oy
Aki Niemi	–	–
Hannu Pietilä	–	–
Markku Honkasalo	–	Various subsidiaries of Rautaruukki Corporation
Kari Saarinen	–	–
Julia Macharey	–	–
Anu Salonsaari-Posti	–	–

OWNERSHIP STRUCTURE

As at September 13, 2013, Metso had 150,348,256 shares. The shareholders of Metso will receive as demerger consideration one (1) share in Valmet for each share in Metso owned; that is, the Demerger Consideration will be issued to the shareholders of Metso in proportion to their existing shareholding with a ratio of 1:1. No Demerger Consideration will be issued in respect of own shares held by Metso (483,637 as at September 13, 2013).

The following table sets forth the 10 largest shareholders of Metso that appear on the shareholder register maintained by Euroclear Finland as at September 13, 2013. Assuming that there are no changes in the ownership of the largest shareholders of Metso between September 13, 2013 and the Effective Date, the following table also sets forth Valmet's largest shareholders and their share ownership as at the Effective Date:

	Number of Shares in Metso	Percent of Shares and Votes in Metso	Number of Shares in Valmet[1]	Percent of Shares and Votes in Valmet[1]
Solidium Oy[2]	16,695,287	11.10	16,695,287	11.14
Cevian Capital Partners Ltd	12,508,060	8.32	12,508,060	8.35
Cevian Capital II Master Fund L.P.	8,305,654	5.52	8,305,654	5.54
Ilmarinen Mutual Pension Insurance Company	4,030,126	2.68	4,030,126	2.69
Varma Mutual Pension Insurance Company	2,908,465	1.93	2,908,465	1.94
The State Pension Fund	1,950,000	1.30	1,950,000	1.30
Mandatum Life Insurance Company Ltd.	1,727,000	1.15	1,727,000	1.15
Keva	1,543,015	1.03	1,543,015	1.03
Svenska litteratursällskapet i Finland r.f.	1,188,076	0.79	1,188,076	0.79
Nordea Nordenfonden	1,138,081	0.76	1,138,081	0.76
Other shareholders	98,354,492	65.42	97,870,855	65.31
Total	150,348,256	100.00	149,864,619	100.00

(1) As adjusted as no Demerger Consideration will be issued in respect of own shares held by Metso (483,637 as at September 13, 2013).
(2) A holding company that is wholly owned by the Finnish State.

A non-Finnish shareholder may appoint an account operator (or certain other Finnish or non-Finnish organizations approved by Euroclear Finland) to act as a nominee on its behalf. Therefore, the above table does not include individual beneficial shareholders that own shares in Metso through nominees. However, each shareholder is required, without undue delay, to notify a Finnish listed company and the FFSA when its voting interest in, or its percentage ownership of, the total number of shares in such Finnish listed company reaches, exceeds or falls below 5 percent, 10 percent, 15 percent, 20 percent, 25 percent, 30 percent, 50 percent, 66.67 percent (⅔) or 90 percent, calculated in accordance with the Finnish Securities Markets Act, or when it enters into an agreement or other arrangement that, when effective, would lead to it reaching, exceeding or falling below any such threshold.

RELATED PARTY TRANSACTIONS

Valmet's related parties include Metso Corporation, Metso companies other than Valmet companies and associated companies as well as key members of Valmet's management. For a list of Valmet's associated companies, see note 11 to the audited carve-out financial statements of Valmet as at and for the years ended December 31, 2012, 2011 and 2010. For information on the remuneration and salaries paid to the management of Valmet, see note 5 to the audited carve-out financial statements of Valmet as at and for the years ended December 31, 2012, 2011 and 2010. Following the Effective Date, business transactions between Valmet and Metso will not be related party transactions according to the "*IAS 24 – Related Party Disclosures*" standard.

In the historical carve-out financial information of Valmet, previous business transactions between Valmet and other Metso companies have been presented as related party transactions. 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 equity and financing transactions with Valmet, which have led to the recognition of receivables and payables with Metso. Receivables of a short-term nature include trade receivables and advances paid for inventories arising in the ordinary course of business as well as positive cash pool balances resulting from the centralized cash pool arrangements. Other receivables comprise non-interest-bearing receivables from Metso Corporation corresponding to Valmet's ownership in Metso entities, which are subject to contemplated internal reorganizations pursuant to the Demerger Plan.

Short-term and long-term interest-bearing loans represent loan balances owed by Valmet to Metso that have been arranged for Valmet to meet its financing needs. Trade and other payables and advances received comprise of items arising in the ordinary course of business including group contribution payables. Cash pooling liabilities represent cash owed to Metso as part of the centralized cash pool arrangements. Interest income relates to interest earned on positive cash pool accounts 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.

The following table sets forth Valmet's transactions with Metso on a carve-out basis for the periods indicated:

	For the six months ended June 30,		For the year ended December 31,		
	2013	2012	2012	2011	2010
	(unaudited)			(audited)	
			(EUR in millions)		
Net sales	6	4	9	11	3
Cost of goods sold	(29)	(21)	(60)	(58)	(46)
Interest income	1	2	4	2	1
Interest expenses	(2)	(13)	(27)	(26)	(30)

The following table sets forth Valmet's outstanding balances with Metso on a carve-out basis as at the dates indicated:

	As at June 30, 2013	As at December 31,		
		2012	2011	2010
	(unaudited)		(audited)	
		(EUR in millions)		
Other receivables	89	119	132	132
Advances paid for inventories	2	6	1	0
Trade and other receivables	13	42	39	37
Loan and other receivables	–	17	–	–
Cash pooling receivables	97	184	271	188
Long-term debt	62	550	558	565
Current portion of long-term debt	30	28	8	8
Cash pooling liabilities	126	93	78	70
Trade and other payables	24	41	33	37
Advances received	6	3	7	5

The following table sets forth Valmet's transactions with associated companies and balances on a carve-out basis as at the dates and for the years indicated:

	As at and for the year ended December 31,		
	2012	2011	2010
	(audited) (EUR in millions)		
Net sales	2	1	1
Purchases	–	–	–
Receivables	0	0	1
Payables	0	–	–

DESCRIPTION OF THE SHARES AND SHARE CAPITAL

Since the incorporation of Valmet will only become effective on the Effective Date, the following information is based on the Demerger Plan. See "Annex B."

General Information on Valmet

The name of the company to which all of the assets, debts and liabilities relating to the PPP Business will transfer in the Demerger is Valmet Corporation, which will be domiciled in Helsinki, Finland. Valmet will be a public limited liability company incorporated in Finland and organized under the laws of Finland. The address of Valmet is expected to initially be c/o Metso Corporation, P.O. Box 1220, FI-00101 Helsinki, Finland, and its telephone number is expected to be +358 20 484 100. The incorporation of Valmet is expected to be registered in the Finnish Trade Register on the Effective Date.

According to the articles of association of Valmet, Valmet's field of business is, either directly or through its subsidiaries or affiliated companies, to engage globally in designing, developing, manufacturing, building and trading machines, instruments, equipment, production plants and spare parts in the field of technology industry, mainly pulp, paper and power industries, producing and selling services related to this field of business and other industrial or commercial activities related to this field of business. As the parent company, Valmet may also attend to the group's organization, financing, purchases and other similar joint tasks as well as own real estate, shares and interests, carry out securities trading and other investment operations.

Shares and Share Capital of Valmet

Valmet's share capital will amount to EUR 100,000,000. The shareholders of Metso will receive as demerger consideration one (1) share in Valmet for each share in Metso owned; that is, the Demerger Consideration will be issued to the shareholders of Metso in proportion to their existing shareholdings with a ratio of 1:1. No Demerger Consideration will be issued in respect of own shares held by Metso (483,637 as at September 13, 2013). Assuming that no changes in the aggregate number of issued and outstanding shares in Metso occur between September 13, 2013 and the Effective Date, the aggregate number of Valmet shares as at the Effective Date will be 149,864,619. Valmet will have one class of shares and that its shares will have no nominal value. Each share will carry one vote at the general meeting of shareholders. Shares in Valmet will be entered into the book-entry securities system maintained by Euroclear Finland. Neither Valmet Corporation nor its subsidiaries will own any shares in Valmet on the Effective Date.

Listing of the Shares in Valmet

Application will be made for the Listing prior to the Effective Date. Shares in Valmet will be quoted in euro on the Helsinki Stock Exchange. The trading of shares in Valmet on the official list of the Helsinki Stock Exchange is expected to commence on or about January 2, 2014.

Authorizations Proposed by the Board of Directors of Metso

Authorization to Repurchase and/or Accept as Pledge of Own Shares Held by Valmet

On August 15, 2013, the Board of Directors of Metso proposed to the EGM scheduled for October 1, 2013 that the Board of Directors of Valmet would be authorized to resolve on the repurchase and/or on the acceptance as pledge of up to 10,000,000 shares in Valmet.

Pursuant to the proposal, shares in Valmet may be repurchased only by using its unrestricted equity. The price payable for the shares must be based on the price of the shares in public trading on the day of the repurchase or otherwise at a price determined by the markets. Shares in Valmet may be repurchased and/or accepted as pledge in order to develop Valmet's capital structure, to develop or carry out acquisitions, investments or other business transactions, or in order to use the shares as part of Valmet's incentive schemes. The Board of Directors of Valmet is not required to repurchase shares from all shareholders of Valmet in proportion to their shareholdings (*i.e.*, a directed repurchase is permissible).

The Board of Directors of Valmet is authorized to resolve on all other matters related to the repurchase and/or on the acceptance as pledge of shares in Valmet. Pursuant to the proposal, the repurchase and/or acceptance as pledge authorization is valid until June 30, 2014.

Authorization to Resolve on the Issuance of Shares as well as Special Rights to Shares

On August 15, 2013, the Board of Directors of Metso proposed to the EGM scheduled for October 1, 2013 that the Board of Directors of Valmet would be authorized to resolve on the issuance of new shares in Valmet, transfer of own shares held by Valmet and the issuance of special rights to shares in Valmet.

Pursuant to the proposal, up to 15,000,000 new shares, corresponding approximately 10.0 percent of the expected aggregate number of shares in Valmet, may be issued and, in addition, up to 10,000,000 own shares held by Valmet may be transferred. The amount of shares in Valmet that may be issued or transferred based on special rights cannot exceed 15,000,000 shares and, any such issuance or transfer is subject to the limitation on the issuance or transfer of shares mentioned above. The number of shares in Valmet that may be issued to Valmet combined with the number of shares to be repurchased based on the authorization described under "—Authorization to Repurchase and/or Accept as Pledge of Own Shares Held by Valmet" above may not exceed 10,000,000 shares, corresponding approximately 6.7 percent of the expected aggregate number of shares in Valmet. The new shares may be issued and own shares held by Valmet may be transferred for consideration or without consideration. The Board of Directors of Valmet is not required to offer shares and special rights to shares in Valmet, or transfer own shares to all shareholders in proportion to their holdings (*i.e.*, a directed issue or transfer is permissible).

The Board of Directors of Valmet is authorized to resolve on all other matters related to the issuance of new shares and special rights and transfer of own shares. Pursuant to the proposal, the authorization is valid until June 30, 2014.

Shareholder Rights

Pre-emptive Rights

Pursuant to the Finnish Companies Act, shareholders of a Finnish company have a pre-emptive right, in proportion to their shareholdings, to subscribe for new shares in such company as well as for issues of stock options or convertible bonds unless the decision of the general meeting of shareholders approving such issue provides otherwise. Pursuant to the Finnish Companies Act, a resolution that deviates from the shareholders' pre-emptive rights must be approved by at least two-thirds of all votes cast and shares represented at a general meeting of shareholders. In addition, pursuant to the Finnish Companies Act, such a resolution requires that the company has a weighty financial reason to deviate from the pre-emptive rights of shareholders.

Certain shareholders resident in, or with a registered address in, certain jurisdictions other than Finland may not be able to exercise pre-emptive rights in respect of their shareholdings unless a registration statement, or an equivalent thereof under the applicable laws of their respective jurisdictions, is effective or an exemption from any registration or similar requirements under the applicable laws of their respective jurisdictions is available.

General Meeting of Shareholders

Pursuant to the Finnish Companies Act, shareholders exercise their power to resolve on matters at general meetings of shareholders. Pursuant to the articles of association of Valmet, the annual general meeting of shareholders of Valmet must be held annually no later than six months from the end of Valmet's accounting period. At the annual general meeting of shareholders, the financial statements, including the income statement, statement of financial position and cash flow statement with notes thereto and consolidated financial statements, are presented to the shareholders for adoption. At the annual general meeting of shareholders of Valmet, shareholders also make decisions regarding, among others, use of profits shown in the statement of financial position, the discharge from liability of the members of the Board of Directors and the President and CEO, the number of the members of the Board of Directors as well as the election of the members of the Board of Directors and auditor and their respective remuneration. An extraordinary general meeting of shareholders in respect of specific matters must be convened when deemed necessary by the board of directors, or when requested in writing by an auditor of the company or by shareholders representing at least one-tenth of all of the issued and outstanding shares in the company.

Pursuant to the articles of association of Valmet, the Board of Directors must publish a notice to a general meeting of shareholders of Valmet on Valmet's website or in one or more widely circulated daily newspapers designated by the Board of Directors or otherwise in a verifiable manner no more than three months and no less than three weeks prior to the general meeting of shareholders of Valmet, however, in any case, at least nine days before the record date of the general meeting of shareholders of Valmet. In order to attend and vote at the general meeting of shareholders of Valmet, a shareholder must, pursuant to the articles of association of Valmet, register with the company at the latest on the date referred to in the notice convening the meeting, which may be at the earliest ten days before the general meeting of shareholders of Valmet.

In order to have the right to attend and vote at a general meeting of shareholders, a shareholder must register at least eight business days prior to the relevant general meeting of shareholders in the register of shareholders maintained by Euroclear Finland in accordance with Finnish law. See "Finnish Securities Markets—Finnish Book-entry Securities System." A beneficial owner wishing to attend and vote at the general meeting of shareholders should seek a temporary registration in the register of shareholders maintained by Euroclear Finland by the date announced in the notice to the general meeting of shareholders, which date must be after the record date of the general meeting of shareholders. A notification for temporary registration of a beneficial owner into the shareholder register of the company is considered a notice of attendance at the general meeting of shareholders. There are no quorum requirements for general meetings of shareholders in the Finnish Companies Act or in the articles of association of Valmet.

Voting Rights

A shareholder may attend and vote at a general meeting of shareholders in person or through an authorized representative. Pursuant to the articles of association of Valmet, each share entitles the holder to one vote at the general meeting of shareholders. At a general meeting of shareholders, resolutions are generally passed with the majority of the votes cast. However, certain resolutions, such as any deviations from shareholders' pre-emptive rights in respect of share offerings and repurchases of own shares, amendments to the articles of association and resolutions regarding mergers, demergers or liquidation of a company, require at least two-thirds of the votes cast and the shares represented at the general meeting of shareholders. In addition, certain resolutions, such as amendments to the articles of association that change the respective rights of shareholders holding the same class of shares or increase the redemption rights of a company or its shareholders require the consent of all shareholders, or where only certain shareholders are affected, require the consent of all shareholders affected by the amendment in addition to the applicable majority requirement.

Dividends and Other Distributions of Funds

In accordance with the prevailing practice in Finland, dividends on shares in a Finnish limited liability company, if any, are generally declared once a year. Dividends may be paid and unrestricted equity may be otherwise distributed after the general meeting of shareholders has adopted the company's financial statements and resolved on the amount of dividend or other distribution of unrestricted equity based on the proposal by the board of directors of the company. Pursuant to the Finnish Companies Act, the payment of a dividend or other distribution of unrestricted equity may also be based on financial statements other than those for the preceding financial year, provided that such financial statements have been adopted by the general meeting of shareholders. If the company has an obligation to elect an auditor pursuant to law or its articles of association, such financial statements must be audited. The payment of a dividend or other distribution of unrestricted equity requires the approval of the majority of the votes cast at a general meeting of shareholders of the company. Pursuant to the Finnish Companies Act, the general meeting of shareholders may also authorize the board of directors to resolve upon payment of dividends and other distributions of unrestricted equity. The amount of dividend or other distribution of unrestricted equity cannot exceed the amount stipulated by the general meeting of shareholders.

Under the Finnish Companies Act, the shareholders' equity of a company is divided into restricted and unrestricted equity. Restricted equity consists of the share capital, the fair value reserve and the revaluation reserves according to the Finnish Accounting Act (1336/1997, as amended) as well as any possible reserve fund and share premium fund formed under the previous Finnish Companies Act (734/1978, as amended) effective prior to September 1, 2006. Pursuant to the current Finnish Companies Act, a company may also distribute funds by reducing its share capital, which requires the approval of the majority of votes cast at a general meeting of shareholders of the company. A decision regarding the share capital reduction must be registered in the Finnish Trade Register within one month from the general meeting of shareholders of the company that resolved on such share capital reduction. Following the registration of the share capital reduction, a creditor hearing process may be commenced and the Finnish Trade Register will issue, upon application of the company, a notice to the creditors of the company. The reduction of the share capital may be registered if none of the creditors of the company has opposed the reduction of the share capital or the company has received a confirmatory judgment to the effect that the opposing creditors have either received payment for their receivables or a securing collateral has been placed by the company for the payments of such receivables.

The amount of any dividend or other distribution of unrestricted equity is limited to the amount of distributable funds of the company stated in the financial statements upon which the decision to pay dividends or otherwise distribute unrestricted equity are based, subject to any material changes in the financial condition of the company since the financial statements were prepared. Distribution of funds, whether by way of dividend or other distribution of unrestricted equity, is prohibited if it is known, or it should be known, at the time such decision is made that the company is insolvent or that such distribution would cause the company to become insolvent. Distributable funds include the net profit for the preceding financial year, retained earnings from previous financial years and other unrestricted equity, adjusted for the loss set forth in the statement of financial position and the amounts that the articles of association of the company require to be left undistributed. Distributable funds are, where applicable, to be further adjusted for capitalized incorporation, research and certain development costs in accordance with the provisions of the Act on the Implementation of

the Finnish Companies Act (625/2006, as amended). A parent company of a consolidated group of companies may not distribute more than the amount of distributable funds shown on the parent company's latest audited and adopted financial statements. The dividend may not exceed the amount proposed or otherwise accepted by the board of directors, unless so requested at the general meeting by shareholders representing at least one-tenth of all of the issued and outstanding shares in the company, in which case, the dividend can be no more than the lesser of (i) at least one-half of the profit for the preceding financial year less the amount that the articles of association of the company require to be left undistributed (if any) and (ii) the amount of distributable funds as described above. However, in such case, the dividend cannot exceed 8 percent of the total shareholders' equity of the company and the distributable amount must be adjusted for any dividends paid during the accounting period before the annual general meeting of shareholders.

Dividends and other distributions of funds are paid to shareholders or their nominees entered in the register of shareholders on the relevant record date. Such register is maintained by Euroclear Finland through the relevant book-entry account operators. Under the Finnish book-entry securities system, dividends are paid by account transfers to the accounts of the shareholders appearing in the register. All shares in Valmet will carry equal rights to dividends and other distributions of funds by Valmet (including distributions of assets in the event of the liquidation of Valmet).

After they are registered in the Finnish Trade Register, the shares in Valmet will entitle the holders to dividends and other distributions of funds by Valmet as well as other shareholder rights. The right to dividends expires within three years from the dividend payment date.

For information relating to taxation of dividends, see "Taxation."

Own Shares

Pursuant to the Finnish Companies Act, a company can repurchase its own shares. Resolutions regarding the repurchase of a company's own shares must be made by the general meeting of shareholders, unless the general meeting of shareholders has authorized the board of directors to resolve upon share repurchases using unrestricted equity. Any such authorization with regard to a public limited liability company may remain in effect for no more than 18 months. A public limited liability company may not, directly or indirectly, own more than 10 percent of all shares in the company.

Transfers through the Finnish Book-entry System

Upon a sale of shares through the Finnish book-entry securities system, the relevant shares are transferred from the seller's book-entry account to the purchaser's book-entry account as an account transfer. For the sale, allocation data is recorded into Euroclear Finland's HEXClear system and, if necessary, a provision regarding the book-entry security is made to the book-entry account. The sale is registered as an advance transaction until settlement and payment, after which the purchaser is automatically registered in the register of shareholders of the relevant company. If the shares are registered in the name of a nominee and the seller's and purchaser's shares are deposited in the same custodial nominee account, a sale of shares does not require any entries into the Finnish book-entry securities system unless the nominee changes or the shares are transferred from the custodial nominee account pursuant to the sale.

Restrictions on Foreign Ownership

Restrictions on foreign ownership of Finnish companies were abolished as of 1 January 1993. However, the Act on the Control of Foreigners' Acquisition of Finnish Companies (172/2012, as amended, the "Control Act") grants Finnish authorities some control over the ownership of Finnish companies operating in areas sensitive from a national security perspective. Pursuant to the Control Act, clearance by the Finnish Ministry of Employment and the Economy is required if a foreign person or entity, other than a person or entity from another member state of the EU or the European Free Trade Association (EFTA), were to acquire a holding of one-tenth or more of the voting rights of a Finnish company involved in the defense industry. Furthermore, there are no minimum thresholds for the number of employees or the amount of turnover or total assets of the acquired company before a clearance procedure is triggered. Pursuant to the Control Act, foreign persons or entities are not required to seek clearance by the Finnish Ministry of Employment and the Economy for acquisitions of Finnish companies operating in other industries than the defense industry.

Foreign Exchange Control

Shares in a Finnish company may be purchased by non-residents of Finland without any separate Finnish exchange control consent. Non-residents may also receive dividends without separate Finnish exchange control consent, the transfer of assets out of Finland being subject to payment by the company of withholding taxes in the absence of an applicable taxation treaty. Non-residents having acquired shares in a Finnish limited liability company may receive shares pursuant to a bonus issue or through participation in a rights issue without separate Finnish exchange control consent. Shares in a Finnish company may be sold in Finland by non-residents, and the proceeds of such sale may be

transferred out of Finland in any convertible currency. There are no Finnish exchange control regulations restricting the sale of shares in a Finnish company by non-residents to other non-residents.

FINNISH SECURITIES MARKETS

Trading and Settlement on the Helsinki Stock Exchange

The currency for trading in, and clearing of, securities on the Helsinki Stock Exchange is euro, with the minimum tick size for trading quotations being EUR 0.01, except in respect of the 25 most-traded shares, for which the tick size depends on the share price. All price information is produced and published only in euro. The Helsinki Stock Exchange is a member of NOREX, an alliance between the Nordic and Baltic exchanges intended to create a common Nordic and Baltic securities market. Trading in the equities market on the Helsinki Stock Exchange takes place in the INET Nordic trading system. The main trading phases of the Helsinki Stock Exchange are pre-trading, trading and post-trading. For shares, pre-trading at the prices established during the previous trading day begins at 9:00 a.m. and ends at 9:45 a.m. Trading with calls and continuous trading takes place from 9:45 a.m. to 6:30 p.m. Opening call begins at 9:45 a.m. and ends at 10:00 a.m. Orders entered during the pre-trading session and existing orders with several days' validity are automatically transferred into the opening call. Continuous trading begins immediately after the opening call ends at 10:00 a.m. when the first share is assigned its opening price and then becomes subject to continuous trading. After approximately 10 minutes, the opening prices for all shares have been established and trading continues at prices based on market demand until 6:25 p.m., when the closing call is initiated. The closing call ends at approximately 6:30 p.m., when the closing prices are determined. Post-trading, during which only contract transactions for shares at the prices established during the trading day can be registered, takes place from 6:31 p.m. to 7:00 p.m. Trades are normally cleared in Euroclear Finland's automated clearing and settlement system (HEXClear) on the third banking day after the trade date (T+3) unless otherwise agreed by the parties. The Helsinki Stock Exchange is a part of the NASDAQ OMX group. NASDAQ OMX also owns and maintains the stock exchanges in Stockholm, Copenhagen, Riga, Reykjavik, Vilnius and Tallinn. NASDAQ OMX Nordic consists of three local stock exchanges, which are located in Copenhagen, Helsinki and Stockholm. The three exchanges are separate legal entities in different jurisdictions; therefore, each exchange has its own rules and regulations. The companies listed on these three exchanges are presented on one common list – the Nordic List – with harmonized listing requirements. Companies are presented in segments based on market value and in sectors according to industry affiliation.

Regulation of the Finnish Securities Market

The securities market in Finland is supervised by the FFSA. The principal statute governing the Finnish securities market is the Finnish Securities Markets Act, which contains regulations with respect to company and shareholder disclosure obligations, prospectuses, public tender offers and insider dealing, among other things. The FFSA and the Helsinki Stock Exchange have issued more detailed regulations pursuant to the Finnish Securities Markets Act. The FFSA monitors compliance with these regulations. The Finnish Securities Markets Act specifies minimum disclosure requirements for Finnish companies applying for listing on the Helsinki Stock Exchange or making a public offering of securities in Finland. The information provided must be sufficient to enable a potential investor to make a sound evaluation of the securities being offered and the issuing company as well as of matters that may have a material effect on the value of the securities. Finnish listed companies have a continuing obligation to publish financial information on the company and to disclose any matters likely to have a material effect on the value of their securities. A shareholder is required, without undue delay, to notify a Finnish listed company and the FFSA when its voting interest in, or its percentage ownership of, the total number of shares in such Finnish listed company reaches, exceeds or falls below 5 percent, 10 percent, 15 percent, 20 percent, 25 percent, 30 percent, 50 percent, 66.67 percent (⅔) or 90 percent, calculated in accordance with the Finnish Securities Markets Act, or when it enters into an agreement or other arrangement that, when effective, would lead to it reaching, exceeding or falling below any such threshold. If a Finnish listed company receives information indicating that a voting interest or ownership interest has reached, exceeded or fallen below any of these thresholds, it must disclose such information without undue delay and deliver it to the main media and to the Helsinki Stock Exchange.

Pursuant to the Finnish Securities Markets Act, a shareholder whose holding in a listed company increases, after the commencement of a public quotation of such shares, above three-tenths or above one-half of the total voting rights attached to the shares in the company, calculated in accordance with the Finnish Securities Markets Act, must make a public tender offer to purchase the remaining shares and other securities entitling holders to shares in such company for fair value. If the securities that caused the abovementioned limits to be reached have been purchased pursuant to a public tender offer that has been made for all shares in the target company and other securities entitling holders to shares in such company or have been otherwise acquired during the tender offer period of such public tender offer, the obligation to make a tender offer is not triggered. If a company has two or more shareholders whose holdings of voting rights exceed the above-mentioned limit, only the shareholder with the most voting rights is required to make a tender offer. If a shareholder exceeds the above-mentioned limit due solely to acts of the company or another shareholder, such shareholder is not required to make a tender offer before purchasing or subscribing for more shares in the target company or otherwise increasing its holding of voting rights in the target company. If the above-mentioned limit is exceeded due to the shareholders acting in concert when making a voluntary tender offer, the obligation to make a tender offer is not triggered if acting in concert is limited only to such tender offer. There is no obligation to make a tender offer if a

shareholder or another party who is acting in concert with such shareholder gives up its voting rights in excess of the abovementioned limit within one month after such limit was exceeded provided that the shareholder publishes its intention and voting rights are not used during such time. Under the Finnish Companies Act, a shareholder with shares representing more than 90 percent of all shares and voting rights attached to all shares in a company has the right to redeem remaining shares in such company for fair value. In addition, any minority shareholder that possesses shares that may, pursuant to the Finnish Companies Act, be redeemed by a majority shareholder is entitled to require such majority shareholder to redeem its shares. Detailed rules apply for the calculation of the above proportions of shares and votes. The Finnish Penal Code criminalizes the breach of disclosure requirements, the misuse of inside information and market manipulation. Pursuant to the Finnish Securities Markets Act and the Act on the Financial Supervisory Authority (878/2008, as amended), the FFSA has the right to impose administrative sanctions to the extent the offence does not fall within the scope of the Finnish Penal Code. The FFSA can, for example, issue a public warning or impose administrative fines or monetary penalties for the breach of disclosure requirements or public tender offer, insider register or market abuse provisions.

Finnish Book-entry Securities System

General

The book-entry securities system refers to a system in which physical share certificates have been changed to book-entries registered in book-entry accounts. The Finnish book-entry securities system is centralized at Euroclear Finland, which offers national clearing, settlement and registration services for securities. Euroclear Finland maintains a central book-entry register for both equity and debt securities. The business address of Euroclear Finland is Urho Kekkosen katu 5C, FI-00100 Helsinki, Finland. The use of the book-entry securities system is mandatory for companies whose shares are listed on the Helsinki Stock Exchange. As at the date of this Prospectus, there is no public trading market for shares in Valmet. Application will be made for the Listing prior to the Effective Date. The trading of Valmet shares on the official list of Helsinki Stock Exchange is expected to commence on or about January 2, 2014. Euroclear Finland maintains a register of shareholders for each listed company and book-entry accounts for shareholders that do not wish to utilize the services of commercial account operators. The expenses incurred by Euroclear Finland in connection with maintaining the book-entry securities system are borne mainly by the issuers participating in the book-entry securities system and the account operators. The account operators, which consist of credit institutions, investment firms and other institutions licensed to act as account operators by Euroclear Finland, are entitled to make entries in the book-entry register and administer the book-entry accounts.

Registration

In order to hold entries in the book-entry securities system, a security holder must open a book-entry account with Euroclear Finland or an account operator. A foreigner, foreign entity or trust may hold book-entries. Such persons may also deposit book-entries in a custodial nominee account, where the shares are registered in the name of a custodial account holder in the company's register of shareholders. A custodial nominee account must contain information on the custodial account holder instead of the beneficial owner and indicate that the account is a custodial nominee account. Book-entry securities owned by one or more beneficial owners may be registered in a custodial nominee account. In addition, the shares owned by a foreigner, foreign entity or trust may be deposited in a book-entry account opened in the name of such foreigner, foreign entity or trust, but the holding may be registered in the name of a nominee in the company's register of shareholders. For shareholders who have not transferred their shares into book-entries, a joint book-entry account is opened with Euroclear Finland with the issuer as registered holder. All transfers of securities registered with the book-entry securities system are executed as computerized book-entry transfers to the extent they are executed in the book-entry securities system. The account operator confirms the book-entry by sending a statement of book-entries made to the holder of the respective book-entry account at least four times a year. The book-entry account holders also receive an annual statement of their holdings at the end of each calendar year. Each book-entry account is required to contain specific information with respect to the account holder and other holders of rights to the book-entries entered into the account as well as information on the account operator administering the book-entry account. The required information also includes the type and number of book-entries registered as well as the rights and restrictions pertaining to the account and to the book-entries registered in the account. A custodial nominee account is identified as such on the entry. Euroclear Finland and the account operators are required to observe strict confidentiality. Certain information (*e.g.*, the name and address of each account holder) contained in the register of shareholders maintained by Euroclear Finland must be made available to the public by Euroclear Finland and the company, except in the case of custodial nominee registration. The FFSA is also entitled to certain information on the holdings of shares registered in a custodial nominee account upon request. The company has the same rights in respect of shares and instruments that entitle the holder to shares issued by the company. Each account operator is strictly liable for errors and omissions in its registration activity, and for any unauthorized disclosure of information. If an account holder has suffered a loss as a result of a faulty registration or other mistake or defect relating to the entries and the account operator has not compensated such loss due to insolvency that is not temporary, such account holder is entitled to receive compensation

from the statutory registration fund of Euroclear Finland. The capital of the registration fund must be at least 0.000048 percent of the average of the total market value of the book-entries kept in the book-entry securities system during the last five years and it must not be less than EUR 20 million. The compensation to be paid to an injured party is equal to the amount of damages suffered subject to a limit of EUR 25,000 per account operator. The liability of the registration fund to pay damages in relation to each incident is limited to EUR 10 million.

Custody of the Shares and Nominees

A non-Finnish shareholder may appoint an account operator (or certain other Finnish or non-Finnish organizations approved by Euroclear Finland) to act on its behalf. A custodial nominee account holder is entitled to receive dividends on behalf of the shareholder. A beneficial owner wishing to attend and vote at general meetings of shareholders must seek a temporary registration to the shareholders' register and the shares must be registered in the share register no later than eight business days prior to the relevant general meeting of shareholders. Upon request by the FFSA or the relevant company, a custodial nominee account holder is required to disclose the name of the beneficial owner of any shares registered in such custodial nominee's name, provided the beneficial owner is known, as well as the number of shares owned by such beneficial owner. If the name of the beneficial owner is not known, the custodial nominee account holder is required to disclose corresponding information on the representative acting on behalf of the beneficial owner and to submit a written declaration of the representative to the effect that the beneficial owner of the shares is not a Finnish natural person or legal entity. Finnish depositories for both Euroclear Bank S.A./N.V., as operator of Euroclear Finland, and Clearstream have nominee accounts within the book-entry securities system and, accordingly, non-Finnish shareholders may hold their shares through their accounts with Euroclear Finland or Clearstream. A shareholder wishing to hold his/her shares in the book-entry securities system in his/her own name but who does not maintain a book-entry account in Finland is required to open a book-entry account at an account operator and a convertible euro account at a bank.

Compensation Fund for Investors and Deposit Insurance Fund

In a compensation fund for investors, investors are divided into professional and non-professional investors. The fund does not compensate any losses by professional investors. The definition of professional investor includes business enterprises and public entities, which are deemed to understand the securities markets and their associated risks. An investor may also provide notice in writing that, on the basis of his/her professional skills and experience in the securities markets, he/she is a professional investor; however, natural persons are presumed to be non-professional investors. Investment firms and credit institutions must belong to the compensation fund. The compensation fund safeguards payment of clear and indisputable claims when an investment company or a credit institution has been declared bankrupt, is undergoing a restructuring process or is otherwise, for a reason other than temporary insolvency, not capable of paying claims within a determined period of time. For valid claims, the compensation fund will pay 90 percent of the investor's claim against each investment company or credit institution, up to a maximum of EUR 20,000. The compensation fund does not provide compensation for losses due to decreases in stock value or bad investment decisions. Accordingly, investors continue to be liable for the consequences of their own investment decisions. Depositary banks must belong to a deposit insurance fund, which is intended to safeguard payments of receivables in the depositary bank's account or receivables in the forwarding of payments that have not yet been entered into an account if the depositary bank becomes insolvent and the insolvency is not temporary. The customers of a depositary bank can be compensated by the deposit insurance fund up to a maximum of EUR 100,000. An investor's funds can be safeguarded either by the deposit insurance fund or the compensation fund; however, an investor's funds cannot be safeguarded by both funds.

TAXATION

The following summary is based on the tax laws of Finland as in effect as at the date of this Prospectus and is subject to changes in the tax laws of Finland, including changes that could have a retroactive effect. The following summary is not exhaustive and does not take into account or discuss the tax laws of any country other than Finland. Prospective investors are advised to consult professional tax advisors as to the tax consequences of the purchase, ownership and disposition of shares in Valmet.

Finnish Tax Considerations

The following is a description of the material Finnish income tax, transfer tax and value added tax consequences that may be relevant with respect to the Demerger. The description below is applicable to both Finnish resident and non-resident natural persons and limited liability companies for the purposes of Finnish domestic tax legislation relating to dividend distributions on shares and capital gains arising from the sale of shares.

The following description does not address tax considerations applicable to such holders of Valmet shares that may be subject to special tax rules relating to, among others, different restructurings of corporations, controlled foreign corporations, non-business carrying entities, income tax-exempt entities or general or limited partnerships. Furthermore, this description does not address Finnish inheritance or gift tax consequences.

This description is primarily based on:

- The Finnish Income Tax Act (*Tuloverolaki* 1535/1992, as amended, the "Finnish Income Tax Act");
- The Finnish Business Income Tax Act (*Laki elinkeinotulon verottamisesta* 360/1968, as amended, the "Finnish Business Income Tax Act");
- The Act on the Taxation of Income of a Person Subject to Limited Tax Liability (*Laki rajoitetusti verovelvollisen tulon verottamisesta* 627/1978, as amended);
- The Finnish Value Added Tax Act (*Arvonlisäverolaki* 1501/1993, as amended, the "Finnish Value Added Tax Act"); and
- The Finnish Transfer Tax Act (*Varainsiirtoverolaki* 931/1996, as amended).

In addition, relevant case law as well as decisions and statements made by the tax authorities in effect and available as at the date of this Prospectus have been taken into account.

The following description is subject to change, which change could apply retroactively and could, therefore, affect the tax consequences described below.

General

Residents and non-residents of Finland are treated differently for tax purposes. The worldwide income of persons resident in Finland is subject to taxation in Finland. Non-residents are taxed on income from Finnish sources only. Additionally, Finland imposes taxes on non-residents for income connected with their permanent establishments situated in Finland. However, tax treaties may limit the applicability of Finnish tax legislation and also the right of Finland to tax Finnish-source income received by a non-resident.

Generally, a natural person is deemed to be a resident in Finland if such person remains in Finland for a continuous period of more than six months or if the permanent home and abode of such person is in Finland. However, a Finnish national who has moved abroad is considered to be resident in Finland until three years have passed from the end of the year of departure unless it is proven that no substantial ties to Finland existed during the relevant tax year. Earned income, including salary, is taxed at progressive rates. Currently, capital income tax rate is 30 percent. In addition, should the amount of capital income received by a resident natural person exceed EUR 50,000 in a calendar year, the capital income tax rate is 32 percent on the amount that exceeds EUR 50,000. Corporate entities established under the laws of Finland are regarded as residents in Finland and are, therefore, subject to corporate income tax on their worldwide income. In addition, non-residents are subject to Finnish corporate income tax on their income connected with their permanent establishments situated in Finland. Currently, the corporate income tax rate is 24.5 percent.

The following is a summary of certain Finnish tax consequences relating to the purchase, ownership and disposition of shares in Valmet by Finnish resident and non-resident shareholders.

Tax Implications of the Demerger

Metso received a preliminary taxation decision from the Finnish Tax Administration (*Konserniverokeskus*) according to which the Demerger will be treated as a partial demerger as defined in Section 52 c, Paragraph 1, Subsection 2 of the Finnish Business Income Tax Act.

A partial demerger is a corporate reorganization in which a company transfers one or several business units to one or several companies and leaves at least one of the business units in the demerging company. Such a partial demerger is tax neutral, which means that from a taxation viewpoint, the company does not dissolve. The shareholders of the demerging company will receive shares in the receiving company as demerger consideration, the number of which will be equal to their ownership in the demerging company.

A partial demerger completed according to Section 52c, Paragraph 1, Subsection 2 of the Finnish Business Income Tax Act, in which the demerger consideration is paid in shares in the receiving company, is not considered a transfer of shares from the viewpoint of the demerging company's shareholders and, therefore, such a demerger does not cause any direct income tax consequences for the shareholders. The tax consequences of the capital gains or losses of the transfer of shares after the demerger are described under "—Capital Gains" below.

As a main rule, the acquisition cost of shares in a demerging company is allocated between the shares in the demerging company and shares in the receiving company in accordance with the net assets of the respective companies calculated in accordance with the Act on Valuation of Assets for Tax Purposes (*Laki varojen arvostamisesta verotuksessa* 1142/2005, as amended). The acquisition cost of shares in the demerging company is such portion of the acquisition costs that represents the portion of the net assets that remain with the demerging company. The acquisition cost of shares in the receiving company is such portion of the acquisition costs that represents the portion of the net assets that are transferred to the receiving company.

However, if it is apparent that proportion of the net assets remaining with the demerging company and transferring to the receiving company significantly deviates from the market value of the shares in the demerging company and the receiving company, respectively, the acquisition cost of the shares will be divided proportionally according to the market values of the shares in the demerging company and the receiving company, respectively. The Finnish tax authorities have considered a deviation of at least approximately 20 percent to be material. According to the prevailing taxation practice in Finland, the market value of the shares in the demerging company and the receiving company, respectively, would be the weighted average price of the shares on the first trading day or, alternatively, the corresponding average price of the shares on the first five trading days if the average price of this five-day period is considered to better reflect the market value of the shares.

The allocation of the acquisition cost of shares in the Demerging Company and the Receiving Company, respectively, can be determined only after the calculations presenting the allocation of net assets between the Demerging Company and the Receiving Company as well as the weighted average price of the shares in the Demerging Company and the Receiving Company, respectively, on the first trading day and the corresponding average price of the shares on the first five trading days are known. Trading of shares in the Receiving Company on the official list of the Helsinki Stock Exchange is expected to commence on or about January 2, 2014.

The Demerger will not affect the taxation of dividends, if any, to be paid to shareholders. The taxation of dividends is described under "—Taxation of Dividends" below. A demerger that is considered tax neutral under Finnish corporate and tax legislation will not cause any transfer tax consequences for the shareholders of the demerging or receiving company when the demerger consideration is paid in the shares of the receiving company.

The deductible expenses relating to the transferring business units will be deducted in the taxation of the receiving company as they would have been deducted in the taxation of the demerging company (principle of continuity). Following a demerger, the possible losses that have been confirmed as deductible in the taxation of the demerging company will transfer to the receiving company to the extent that it is apparent that those losses have occurred in the business of the transferring units. Other losses will be transferred proportionally with the net assets of the companies. A precondition for the transfer of losses is that the shareholders of the receiving company have owned more than one-half of the demerging company's shares since the beginning of the year during which the loss occurred. Because the Demerger Consideration described in this Prospectus will only consist of shares in the Receiving Company, the Demerger will not cause substantial changes in the ownership structure of the Demerging Company or the Receiving Company, therefore, any possible loss confirmed as deductible in the taxation of the Demerging Company will be deductible in the taxation of the Receiving Company.

A demerger, as a general succession, is outside the scope of the Finnish Value Added Tax Act, which means that the Demerger will not have any value added tax consequences. Furthermore, a demerger completed according to the Finnish Companies Act will not have any transfer tax implications for the receiving company.

Taxation of Dividends

Resident Natural Persons

If shares owned by a natural person are not included in the business activity (*i.e.*, business income source) of such person, 70 percent of dividends paid by a publicly listed company (as defined in Section 33a, Subsection 2, of the Finnish Income Tax Act) (a "Listed Company") to such shareholder is considered capital income of the recipient, which is taxable at the rate of 30 percent (32 percent on the amount that exceeds EUR 50,000 in a calendar year), while the remaining 30 percent is tax exempt. Seventy percent of dividends paid by a Listed Company to a natural person whose underlying shares belong to the business activity of such shareholder is taxable partly as earned income, which is taxed at a progressive rate, and partly as capital income, which is taxed at a rate of 30 percent (32 percent on the amount that exceeds EUR 50,000 in a calendar year), and the remaining 30 percent is tax exempt.

Distribution of dividends by a Listed Company to resident natural persons is subject to advance tax withholding. Currently, the amount of the advance tax withholding is 21 percent. The advance tax withheld by the distributing company is credited against the final tax payable by the shareholder for the dividend received.

Finnish Limited Liability Companies

Taxation of dividends distributed by a Listed Company depends, among other things, on whether the Finnish company receiving the dividend is a Listed Company or not.

Dividends received by a Listed Company from another Listed Company are generally tax exempt. However, in cases where the underlying shares are included in the investment assets of the shareholder, 75 percent of the dividend is taxable income while the remaining 25 percent is tax exempt. Only banking, insurance and pension institutions may have investment assets.

Dividends received by a Finnish company that is not a Listed Company (*i.e.*, a privately held company) from a Listed Company are generally taxable income with respect to 75 percent of the dividend while the remaining 25 percent is tax exempt. However, in cases where the privately held company directly owns 10 percent or more of the share capital of the Listed Company distributing the dividend, the dividend received on such shares is tax exempt, provided that the underlying shares are not included in the investment assets of the shareholder.

Non-residents

As a general rule, non-residents of Finland are subject to Finnish withholding tax on dividends paid by a Finnish company. The withholding tax is withheld by the company distributing the dividend at the time of dividend payment and no other taxes on the dividend are payable in Finland. The withholding tax rate is 24.5 percent for non-resident corporate entities as income receivers and 30 percent for all other non-residents as income receivers, unless otherwise set forth in an applicable tax treaty.

Finland has entered into double taxation treaties with several countries pursuant to which the withholding tax rate is reduced on dividends paid to persons entitled to the benefits under such treaties. For example, in the case of the treaties with the following countries, Finnish withholding tax rate regarding portfolio shares is generally reduced to the following percentages: Austria: 10 percent; Belgium: 15 percent; Canada: 15 percent; Denmark: 15 percent; France: zero percent; Germany: 15 percent; Ireland: zero percent; Italy: 15 percent; Japan: 15 percent; the Netherlands: 15 percent; Norway: 15 percent; Spain: 15 percent; Sweden: 15 percent; Switzerland: 10 percent; the United Kingdom: zero percent; and the United States: 15 percent (zero percent for certain pension funds). This list is not exhaustive. A further reduction in the withholding tax rate is usually available to corporate shareholders for distributions on qualifying holdings (usually direct ownership of at least 10 or 25 percent of the share capital or votes of the distributing company). The reduced withholding rate benefit in an applicable tax treaty will be available if the person beneficially entitled to the dividend has provided a valid tax card or necessary details of its nationality and identity to the company paying the dividend.

Where shares in a Finnish company are held through a nominee account, a Finnish company pays dividends to the nominee account managed by the custodian, who then delivers the dividend payment to the beneficial owners. If shares are held through a nominee account and the person entitled to receive dividends on such shares is a resident in a tax treaty country, the withholding tax rate on the dividend is the tax rate set forth in the relevant tax treaty; however, the tax rate must be at least 15 percent (if the tax rate set forth in the tax treaty is less than 15 percent, an application including the

necessary details of the nationality and identity of the beneficial owner may be submitted for the refund of the excess withholding tax). This means that with respect to dividends on shares held through a nominee account, tax is withheld at the rate set in the applicable tax treaty or 15 percent absent thorough clarification of the identity of the person beneficially entitled to the dividend. Such procedure, however, requires that the foreign custodian intermediary be registered in the Finnish tax authorities' register and that it is resident in a country with which Finland has a double taxation treaty. Also, the foreign custodian intermediary must have an agreement with the Finnish account operator regarding the custody of the shares. In such agreement, the foreign custodian intermediary must, among other things, commit to report the dividend receiver's residential country to the account operator and to provide additional information to the tax authorities, if needed. If these provisions are not fulfilled, the 24.5 percent withholding tax is withheld on the nominee account's dividends for non-resident corporate entities and 30 percent for all other non-residents unless otherwise set forth in an applicable tax treaty.

Certain Qualifying Non-resident Corporate Entities Residing in EU Member States

Under Finnish tax laws, no withholding tax is levied on dividends paid to foreign corporate entities that reside, and are subject to corporate tax, in an EU member state as specified in Article 2 of the Parent Subsidiary Directive (2011/96/EU) and that directly hold at least 10 percent of the capital in the distributing Finnish company.

Certain Non-resident Corporate Entities Residing within the EEA

Dividends paid to certain non-resident corporate entities residing within the European Economic Area (the "EEA") are either fully tax exempt or taxed at a reduced withholding tax rate, depending on how the dividend would be taxed if paid to a corresponding Finnish corporate entity.

In Finland, no withholding tax is levied on dividends paid by a Finnish company to a non-resident company provided that (i) the company receiving the dividend is resident in a country within the EEA; (ii) Council Directive 2011/16/EU on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC (the "Mutual Assistance Directive"), or an agreement regarding executive assistance and exchange of information in tax matters within the EEA, is applicable to the home country of the recipient of the dividend; (iii) the company receiving the dividend corresponds to a Finnish corporate entity as defined in Section 33d, Subsection 4, of the Finnish Income Tax Act or in Section 6a of the Finnish Business Income Tax Act; (iv) the dividend would be fully tax exempt if paid to such corresponding Finnish company or entity (see "—Finnish Limited Liability Companies" above); and (v) the company receiving the dividend provides evidence (in the form of a certificate issued by the home country's tax authorities) that the paid withholding tax could not de facto be fully credited in the home country pursuant to the applicable double taxation treaty.

In cases where the dividend received by a foreign company fulfilling requirement set forth in point (iii) above and residing within a country fulfilling the requirements set forth in points (i) and (ii) above would be only partially tax exempt if paid to a corresponding Finnish entity (see "—Finnish Limited Liability Companies" above), the Finnish withholding tax is levied (see "—Non-residents" above), but the withholding tax rate in respect of such dividends is reduced to 18.38 percent (instead of 24.5 percent). Therefore, exclusive of entities defined in the Parent Subsidiary Directive that qualify for a tax exemption through the direct ownership of at least 10 percent of the capital in the distributing Finnish company (see "—Certain Qualifying Non-resident Corporate Entities Residing in EU Member States" above), the 18.38 percent withholding tax rate is applicable to dividends paid to non-resident companies fulfilling the requirement set forth in point (iii) above and residing within a country fulfilling the requirements set forth in points (i) and (ii) above if the underlying shares in the Finnish company distributing the dividend belong to the investment assets of the recipient company, or if the recipient company is not a Listed Company. Depending on the applicable double taxation treaty, the applicable withholding tax rate can also be less than 18.38 percent (see "—Non-residents" above).

Certain Non-resident Natural Persons Residing within the EEA

Instead of being subject to withholding tax as described under "—Non-residents" above, dividends paid to non-resident natural persons can be, upon request by such non-resident natural person, taxed pursuant to the Finnish Act on Assessment Procedure (1558/1995, as amended) (*i.e*., taxed similarly to dividends paid to residents of Finland (see "—Resident Natural Persons" above)) provided, however, that (i) the person receiving the dividend is resident in a country within the EEA; (ii) the Mutual Assistance Directive, or an agreement regarding executive assistance and exchange of information in tax matters within the EEA, is applicable to the home country of the recipient of the dividend; and (iii) the recipient of the dividend provides evidence (in the form of a certificate issued by the home country's tax authorities) that any paid withholding tax could not de facto be fully credited in the home country pursuant to an applicable double taxation treaty.

Capital Gains

Resident Natural Persons

A capital gain or loss arising from the sale of shares that do not belong to the business activity of the shareholder is taxable in Finland as a capital gain or deductible as a capital loss for resident natural persons. Capital gains are currently taxed at a rate of 30 percent (32 percent on the amount that exceeds EUR 50,000 in a calendar year). If the shares belong to the business activity (business income source) of the seller, any gain arising from the sale is deemed to be business income of the seller, which will be divided according to the Finnish Income Tax Act to be taxed as earned income at a progressive tax rate and capital income at a rate of 30 percent (32 percent on the amount that exceeds EUR 50,000 in a calendar year).

Before the 2010 tax year, a capital loss arising from the sale of shares that do not belong to the business activity of the shareholder was deductible from the resident natural person's capital gains arising in the same year and during the following three tax years. During or after the 2010 tax year, a capital loss arising from the sale of shares that do not belong to the business activity of the shareholder is deductible from the resident natural person's capital gains arising in the same year and during the following five tax years. As capital losses are not deductible from any other capital income apart from capital gains, they are not taken into account when calculating the capital income deficit for the tax year. Such capital losses do not increase the amount of the deficit-credit that is deductible from the taxes under the deficit-crediting system. The deductibility of losses related to securities included in the sellers business activity is determined as described under "—Finnish Limited Liability Companies" below.

Notwithstanding the above, capital gains arising from the sale of assets that do not belong to the business activity of the shareholder are exempt from tax provided that the proceeds of all assets sold by the resident natural person during the tax year do not, in aggregate, exceed EUR 1,000 (exclusive of proceeds from the sale of any assets that are tax exempt pursuant to Finnish tax laws). Correspondingly, capital losses are not tax deductible if the acquisition cost of all assets sold during the tax year does not, in aggregate, exceed EUR 1,000 (exclusive of proceeds from the sale of any assets that are tax exempt pursuant to Finnish tax laws) and also the proceeds of all assets sold by the resident natural person during the tax year do not, in aggregate, exceed EUR 1,000.

Any capital gain or loss is calculated by deducting the original acquisition cost and sales related expenses from the sales price. Alternatively, a natural person holding shares that are not included in the business activity of the shareholder may, instead of deducting the actual acquisition costs, choose to apply a so-called presumptive acquisition cost, which is equal to 20 percent of the sales price, or in the case of shares which have been held for at least ten years, 40 percent of the sales price. If the presumptive acquisition cost is used instead of the actual acquisition cost, any selling expenses are deemed to be included therein and cannot be deducted separately from the sales price.

Finnish Limited Liability Companies

The following applies only to Finnish limited liability companies that are taxed on the basis of the Finnish Business Income Tax Act. As a general rule, a capital gain arising from the sale of shares is taxable income of a limited liability company.

Shares may be fixed assets, current assets, investment assets or financial assets of a limited liability company. The taxation of a disposal of shares and loss of value varies according to the asset type for which the shares qualify. Shares may also qualify as non-business income source assets of a limited liability company. The Finnish Income Tax Act's provisions are applied to capital gains that have arisen from the sale of assets from non-business income sources.

The sales price of any sale of shares is generally included in the business income of a Finnish company. Correspondingly, the acquisition cost of shares is deductible from business income upon disposal of the shares. However, an exemption for capital gains on share disposals is available for Finnish companies, provided that certain strictly defined requirements are met. Under this so-called participation exemption, capital gains arising from the sale of shares that are part of the fixed assets of a selling company that is not engaged in private equity activities are not considered as taxable business income and, correspondingly, capital losses incurred on the sale of such shares are not tax deductible provided, among other things, that (i) the selling company has directly and continuously for at least one year owned at least 10 percent of the share capital in the company whose shares are sold and such ownership of the sold shares has ended at the most one year before the sale; (ii) the company whose shares have been sold is not a real estate or residential housing company or a limited liability company whose activities, on a factual basis, mainly consist of ownership or possession of real estate; and (iii) the company whose shares are sold is resident in Finland, in another EU member state as specified in Article 2 of the Parent Subsidiary Directive (2011/96/EU) or in a country with which Finland has entered into a tax treaty for of double taxation that is applicable to dividends.

Tax deductible capital losses pertaining to the sale of shares (other shares than shares sold under the participation exemption) that are part of the fixed assets of the selling company can only be deducted from capital gains arising from the sale of fixed assets shares in the same fiscal year and the subsequent five years. Capital losses pertaining to the sale of shares that are not part of fixed assets are tax deductible from taxable income in the same fiscal year and the subsequent ten years in accordance with the general rules concerning losses carried forward.

Non-residents

Non-residents who are not generally liable for tax in Finland are usually not subject to Finnish taxes on capital gains realized on the sale of shares in a Listed Company, unless the non-resident taxpayer is deemed to have a permanent establishment in Finland for income tax purposes as referred to in the Income Tax Act and an applicable tax treaty and the shares are considered to be assets of that permanent establishment.

Finnish Transfer Tax

There is no transfer tax payable in Finland on transfers or sales of shares admitted to trading on the Helsinki Stock Exchange if the transfer is made against a fixed pecuniary consideration. The transfer tax exemption requires that an investment firm, a foreign investment firm or other party offering investment services, as defined in the Finnish Investment Services Act (747/2012), is brokering or acting as a party to the transaction, or that the transferee has been approved as a trading party in the market in which the transfer is executed. Further, if the broker or the counterparty to the transaction is not a Finnish investment firm, Finnish credit institution, or a Finnish branch or office of a foreign investment firm or credit institution, the transfer tax exemption requires that the transferee submits a notification of the transfer to the Finnish Tax Administration within two months of the transfer, or that the broker submits an annual declaration regarding the transfer to the Finnish Tax Administration as set forth in the Act on Assessment Procedure (1558/1995, as amended). Certain separately defined transfers, such as those relating to equity investments or distribution of funds, are not covered by the transfer tax exemption. In addition, the exemption does not apply to transfers carried out in order to fulfill the obligation to redeem minority shares under the Finnish Companies Act. See "Finnish Securities Markets—Regulation of the Finnish Securities Market."

If the transfer or sale of shares does not fulfill the above criteria for a tax-exempt transfer, transfer tax at the rate of 1.6 percent of the sales price is payable by the purchaser. However, if the purchaser is neither a tax resident in Finland nor a Finnish branch or office of a foreign credit institution, investment firm or fund management company, the seller must collect the tax from the purchaser. If the broker is a Finnish stockbroker or credit institution, or a Finnish branch or office of a foreign stockbroker or credit institution, it is liable to collect the transfer tax from the purchaser and pay the tax to the state. If neither the purchaser nor the seller is tax resident in Finland or a Finnish branch or office of a foreign credit institution or foreign investment firm, the transfer of shares will be exempt from Finnish transfer tax. No transfer tax is collected if the amount of the tax is less than EUR 10. Transfer tax is not payable in connection with the issuance of new shares.

LEGAL MATTERS

Certain legal matters in connection with the Demerger will be passed upon for Metso by White & Case LLP and for SEB Corporate Finance by Hannes Snellman Attorneys Ltd.

DOCUMENTS ON DISPLAY

Copies of the following documents may be inspected during the period of validity of this Prospectus at the headquarters of Metso located at Fabianinkatu 9 A, FI-00130 Helsinki, Finland, on weekdays during normal business hours:

(a) the Demerger Plan, including the proposed articles of association of Valmet and other appendices;

(b) Valmet's unaudited pro forma financial information and the auditor's statement on the pro forma financial information included in this Prospectus;

(c) Valmet's unaudited interim carve-out financial information as at and for the six months ended June 30, 2013;

(d) Valmet's audited carve-out financial statements as at and for the years ended December 31, 2012, 2011 and 2010 and independent auditors' reports thereto;

(e) this Prospectus; and

(f) the decisions of the FFSA regarding the Finnish Prospectus.

(This page has intentionally been left blank.)

FINANCIAL STATEMENTS

Valmet's unaudited interim carve-out financial information as at and for the six months ended June 30, 2013 ....F-3

Valmet's audited carve-out financial statements and independent auditors' reports as at and for the years ended December 31, 2012, 2011 and 2010 .... F-17

(This page has intentionally been left blank.)

Valmet's unaudited interim carve-out financial information as at and for the six months ended June 30, 2013

TABLE OF CONTENTS FOR UNAUDITED INTERIM CARVE-OUT FINANCIAL INFORMATION

COMBINED STATEMENT OF INCOME F-5
COMBINED STATEMENT OF COMPREHENSIVE INCOME F-5
COMBINED BALANCE SHEET F-6
NET INTEREST-BEARING LIABILITIES F-7
CONDENSED COMBINED STATEMENT OF CASH FLOWS F-8
COMBINED STATEMENT OF CHANGES IN EQUITY F-9
NOTES TO THE INTERIM CARVE-OUT FINANCIAL INFORMATION F-10

COMBINED STATEMENT OF INCOME

	For the six months ended June 30,		For the year ended December 31,
	2013	2012	2012
		(restated)	(restated)
		(EUR in millions)	
Net sales	1,339	1,449	3,005
Net sales, Metso Group	6	4	9
Net sales, total	1,345	1,453	3,014
Cost of goods sold	(1,058)	(1,118)	(2,345)
Cost of goods sold, Metso Group	(29)	(21)	(60)
Cost of goods sold, total	(1,087)	(1,139)	(2,405)
Gross profit	258	314	609
Selling, general and administrative expenses	(234)	(231)	(457)
Other operating income and expenses, net	(1)	(3)	(14)
Share in profits of associated companies	1	0	0
Operating profit	24	80	138
Financial income and expenses, net	(1)	1	0
Financial income and expenses, Metso Group, net	(2)	(11)	(23)
Financial income and expenses, net	(3)	(10)	(23)
Profit before taxes	21	70	115
Income taxes	(7)	(24)	(39)
Profit	14	46	76
Attributable to:			
Equityholders of Valmet Group	14	46	76
Non-controlling interests	0	0	0
Profit	14	46	76

COMBINED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended June 30,		For the year ended December 31,
	2013	2012	2012
		(restated)	(restated)
		(EUR in millions)	
Profit	14	46	76
Items that may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges, net of tax	1	(4)	(3)
Available-for-sale equity investments, net of tax	0	0	0
Currency translation on subsidiary net investments	(15)	1	(2)
Net investment hedge gains (+) / losses (-), net of tax	–	–	–
	(14)	(3)	(5)
Items that will not be reclassified to profit or loss:			
Defined benefit plan actuarial gains (+) / losses (-), net of tax	–	–	(7)
Other comprehensive income (+) / expense (-)	(14)	(3)	(12)
Total comprehensive income (+) / expense (-)	0	43	64
Attributable to:			
Equityholders of Valmet Group	0	43	64
Non-controlling interests	0	0	0
Total comprehensive income (+) / expense (-)	0	43	64

COMBINED BALANCE SHEET

Assets

	As at June 30,		As at December 31,
	2013	2012	2012
	(EUR in millions)		
Non-current assets			
Intangible assets			
Goodwill	446	446	445
Other intangible assets	124	144	133
	570	590	578
Property, plant and equipment			
Land and water areas	21	22	21
Buildings and structures	149	153	155
Machinery and equipment	242	251	246
Assets under construction	14	37	19
	426	463	441
Financial and other non-current assets			
Investments in associated companies	5	4	4
Available-for-sale equity investments	4	4	4
Loan and other interest-bearing receivables	1	5	4
Other receivables, Metso Group	89	132	119
Deferred tax asset	67	60	70
Other non-current assets	21	11	12
	187	216	213
Total non-current assets	1,183	1,269	1,232
Current assets			
Inventories	514	792	554
Receivables			
Trade and other receivables	437	517	530
Trade and other receivables, Metso Group	13	13	42
Cost and earnings of projects under construction in excess of advance billings	171	161	170
Loan and other interest-bearing receivables	0	0	0
Loan receivables, Metso Group	–	29	17
Cash pooling receivables, Metso Group	97	249	184
Available-for-sale financial assets	1	1	1
Derivative financial instruments	1	8	6
Income tax receivables	35	8	14
Receivables total	755	986	964
Cash and cash equivalents	211	313	158
Total current assets	1,480	2,091	1,676
Total assets	2,663	3,360	2,908

COMBINED BALANCE SHEET (continued)

Equity and liabilities

	As at June 30,		As at December 31,
	2013	2012	2012
	(EUR in millions)		
Equity			
Cumulative translation adjustments	9	27	24
Fair value and other reserves	4	2	3
Invested equity and retained earnings	834	416	389
Equity attributable to equityholders of Valmet Group	847	445	416
Non-controlling interests	5	8	7
Total equity	852	453	423
Liabilities			
Non-current liabilities			
Long-term debt	100	166	132
Long-term debt, Metso Group	62	555	550
Post-employment benefit obligations	120	116	121
Provisions	27	37	30
Derivative financial instruments	2	1	1
Deferred tax liability	33	36	36
Other long-term liabilities	1	2	1
Total non-current liabilities	345	913	871
Current liabilities			
Current portion of long-term debt	63	63	64
Current portion of long-term debt, Metso Group	30	8	28
Short term debt	–	27	–
Cash pooling liabilities, Metso Group	126	92	93
Trade and other payables	644	783	643
Trade and other payables, Metso Group	24	49	41
Provisions	91	143	117
Advances received	199	285	182
Advances received, Metso Group	6	8	3
Billings in excess of cost and earnings of projects under construction	249	509	402
Derivative financial instruments	3	8	6
Income tax liabilities	31	19	35
Total current liabilities	1,466	1,994	1,614
Total liabilities	1,811	2,907	2,485
Total equity and liabilities	2,663	3,360	2,908

NET INTEREST-BEARING LIABILITIES

	As at June 30,		As at December 31,
	2013	2012	2012
	(EUR in millions)		
Long-term interest-bearing debt	162	721	682
Short-term interest-bearing debt	219	190	185
Cash and cash equivalents	(211)	(313)	(158)
Other interest-bearing assets	(99)	(255)	(188)
Net interest-bearing liabilities	71	343	521

CONDENSED COMBINED STATEMENT OF CASH FLOWS

	As at and for the six months ended June 30,		As at and the year ended December 31,
	2013	2012	2012
	(EUR in millions)		
Cash flows from operating activities:			
Profit	14	46	76
Adjustments to reconcile profit to net cash provided by operating activities:			
Depreciation and amortization	43	44	90
Interests and dividend income	3	10	21
Income taxes	7	24	40
Other	1	4	14
Change in net working capital	(47)	(73)	(240)
Cash flows from operations	21	55	1
Interest paid and interest and dividends received	(11)	3	(22)
Income taxes paid	(27)	(21)	(32)
Net cash provided by operating activities	(17)	37	(53)
Cash flows from investing activities:			
Capital expenditures on fixed assets	(24)	(28)	(59)
Proceeds from sale of fixed assets	1	3	6
Business acquisitions, net of cash acquired	(3)	–	–
Proceeds from sale of businesses, net of cash sold	(1)	–	–
Investments in (-) / proceeds from (+) sale of financial assets	–	–	–
Other	0	0	0
Net cash provided by (+) / used in (-) investing activities	(27)	(25)	(53)
Cash flows from financing activities:			
Changes in ownership interests in subsidiaries	(5)	–	–
Net borrowings (+) / payments (-) on debt	(32)	(27)	(86)
Net borrowings (+) / payments (-) on Metso Group financing	(326)	32	89
Dividends paid, Metso Group	–	(5)	(70)
Equity financing with Metso Group	467	1	37
Other	0	(1)	(1)
Net cash provided by (-) / used in (-) financing activities	104	0	(31)
Net increase (+) / decrease (-) in cash and cash equivalents	60	12	(137)
Effect from changes in exchange rates	(7)	(7)	(13)
Cash and cash equivalents at beginning of period	158	308	308
Cash and cash equivalents at end of period	211	313	158

COMBINED STATEMENT OF CHANGES IN EQUITY

	Cumulative translation adjustments	Fair value and other reserves	Invested equity and retained earnings	Equity attributable to equity-holders of Valmet	Non-controlling interests	Total equity
			(EUR in millions)			
Balance as at January 1, 2012	26	5	370	401	8	409
Profit	–	–	46	46	–	46
Other comprehensive income (+) / expense (-)						
Cash flow hedges, net of tax	–	(4)	–	(4)	–	(4)
Available-for-sale equity investments, net of tax	–	–	–	0	–	0
Currency translation on subsidiary net investments	1	–	–	1	–	1
Net investment hedge gains (losses), net of tax	–	–	–	–	–	–
Total comprehensive income (+) / expense (-)	1	(4)	46	43	0	43
Dividends	–	–	(5)	(5)	0	(5)
Share-based payments, net of tax	–	–	(1)	(1)	–	(1)
Changes in invested equity	–	–	6	6	–	6
Other	–	1	0	1	–	1
Changes in non-controlling interests	–	–	–	–	–	–
Balance as at June 30, 2012	27	2	416	445	8	453
Balance as at January 1, 2013	24	3	389	416	7	423
Profit	–	–	14	14	0	14
Other comprehensive income (+) / expense (-)						
Cash flow hedges, net of tax	–	1	–	1	–	1
Available-for-sale equity investments, net of tax	–	–	–	–	–	–
Currency translation on subsidiary net investments	(15)	–	–	(15)	–	(15)
Net investment hedge gains (losses), net of tax	–	–	–	–	–	–
Total comprehensive income (+) / expense (-)	(15)	1	14	0	0	0
Dividends	–	–	–	–	–	–
Share-based payments, net of tax	–	–	(1)	(1)	–	(1)
Changes in invested equity[1]	–	–	436	436	–	436
Other	–	–	–	–	–	–
Changes in non-controlling interests	–	–	(4)	(4)	(2)	(6)
Balance as at June 30, 2013	9	4	834	847	5	852

(1) Includes EUR 468 million of Metso Svenska AB's long term debt to Metso Group which was converted into equity in January 2013.

NOTES TO THE INTERIM CARVE-OUT FINANCIAL INFORMATION

1 Accounting Principles for the Carve-out Financial Information

Background

The interim carve-out financial information has been prepared for the inclusion in the Demerger Prospectus and Listing Particulars to be prepared by Metso for Metso's Extraordinary General Meeting approving the partial demerger and for the listing of Valmet shares on the NASDAQ OMX Helsinki Oy (Helsinki Stock Exchange).

The Board of Directors of Metso has on May 31, 2013 unanimously approved a demerger plan pursuant to which Metso's Pulp, Paper and Power businesses will transfer from Metso to Valmet Corporation to be incorporated in connection with the Demerger.

Valmet has not formed a separate legal group in the past. As part of the proposed demerger Metso will carve out and transfer the assets and liabilities of its Pulp, Paper and Power segment's entities to Valmet Corporation. The interim carve-out financial information presented herein reflect the entities, results of operations, assets and liabilities and cash flows that will be carved out from Metso in the demerger process. Collectively these entities will form a separate legal group after the demerger and are referred to as "Valmet Group" or "Valmet" in the interim carve-out financial information.

Basis of Preparation

The interim carve-out financial information for the six month period ended June 30, 2013 has been prepared on a basis that combines statements of income, statements of comprehensive income, balance sheets and cash flows of the legal entities and operating units attributable to the Pulp, Paper and Power businesses in Metso's historical consolidated financial statements and that will be carved out from Metso to form Valmet Group including certain Parent Company's and Metso's foreign holding companies income and expenses, assets and liabilities and cash flows which will either be transferred to Valmet or which have been allocated to Valmet for the purpose of the preparation of the carve-out financial statements and interim carve-out financial information. Valmet Group is not comprised of a group of entities under the control of a parent as defined by IAS 27, "Consolidated and Separate Financial Statements" and, accordingly, has historically not prepared consolidated financial statements for internal or external reporting purposes. The interim carve-out financial information has been authorized for issue by the Board of Directors of Metso on September 20, 2013.

The interim carve-out financial information for the six month period ended June 30, 2013 has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union, under consideration of the basis of accounting and principles in preparing the carve-out financial statements for the years ended December 31, 2012, December 31, 2011 and December 31, 2010, with the exception of the changes that have been described in *New and amended standards adopted as of January 1, 2013*. The interim carve-out financial information is unaudited and should be read together with the audited carve-out financial statements included elsewhere in these Listing Particulars.

The Valmet interim carve-out financial information does not necessarily reflect what the combined results of operations and financial position would have been had Valmet existed as a separate independent legal group and had it therefore presented stand-alone consolidated interim financial information during the periods presented. Further, this interim carve-out financial information may not be indicative of Valmet's future performance, financial position or cash flows.

The interim carve-out financial information is presented in millions of euros (EUR million) except when otherwise indicated.

The carve-out financial statements of Valmet as at and for the six months ended July 30, 2013 include the legal entities and associated companies included in the carve-out financial statements of Valmet as at and for the years ended December 31, 2012, 2011 and 2010 with the following exceptions:

- Avantone Oy was merged into Metso Paper Oy on April 12, 2013;
- Metso Paper Karlstad AB was merged into Metso Paper Sweden AB on January 1, 2013;
- Metso Mill Service Husum AB was sold on January 1, 2013;
- Metso increased its ownership in Metso Fabrics Sp zoo to 100 percent on June 13, 2013;
- Metso increased its ownership in Metso Power India Private Ltd to 100 percent on June 11, 2013;

- EPT Engineering Services Private Ltd was acquired on June 11, 2013; and
- Metso ND Engineering (Pty) Ltd was sold on May 31, 2013.

Adoption of New and Amended Standards January 1, 2013

Impact on the Adoption of the International Accounting Standard 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 amended 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 retrospective application and accordingly, the impact of the revised standard on Valmet's carve-out financial information for the periods ended December 31, 2012 and June 30, 2012 is presented in the table below:

	For the six months ended June 30, 2012	For the year ended December 31, 2012
Operating profit, restated	80	138
Operating profit, before the impact of IAS 19 revised	78	135
Financial income and expenses, net, restated	(10)	(23)
Financial income and expenses, net, before the impact of IAS 19 revised	(8)	(18)
Income taxes, restated	(24)	(39)
Income taxes, before the impact of IAS 19 revised	(24)	(40)
Profit, restated	46	76
Profit, before the impact of IAS 19 revised	46	77

Critical Accounting Estimates and Judgments

The preparation of this interim carve-out financial information has required management to make estimates and judgments affecting the amounts reported in this carve-out interim financial information and the accompanying notes. These estimates and judgments have an impact on the accounting principles applied to this interim carve-out financial information and on the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and assumptions.

Estimates, judgments and assumptions have been used for example for inventory, trade receivables, revenue recognition, hedging of foreign currency denominated firm commitments, impairment testing and reserves for warranty and guarantee costs. A more detailed analysis of areas involving estimation and management judgment is included in Note 1.4 to the audited carve-out financial statements for the periods ended December 31, 2012, December 31, 2011 and December 31, 2010. Estimates made for previous periods have not changed.

Exchange Rates Used in the Preparation of the Interim Carve-out Financial Information

	1–6/2013	1–6/2012	1–12/2012	June 30, 2013	June 30, 2012	December 31, 2012
USD (US dollar)	1.3119	1.3017	1.2932	1.3080	1.2590	1.3194
SEK (Swedish krona)	8.5599	8.8756	8.7015	8.7773	8.7728	8.5820
GBP (Pound sterling)	0.8481	0.8240	0.8137	0.8572	0.8068	0.8161
CAD (Canadian dollar)	1.3365	1.3080	1.2930	1.3714	1.2871	1.3137
BRL (Brazilian real)	2.6900	2.4270	2.5220	2.8899	2.5788	2.7036
CNY (Chinese yuan)	8.1209	8.2197	8.1462	8.0280	8.0011	8.2207
AUD (Australian dollar)	1.3028	1.2585	1.2468	1.4171	1.2339	1.2712

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 have been no transfers between fair value levels during 2013.

	As at June 30, 2013		
	Level 1	Level 2	Level 3
	(EUR in millions)		
Assets			
Derivatives at fair value through profit and loss	–	0	–
Derivatives qualified for hedge accounting	–	1	–
Available-for-sale investments	2	–	–
Total assets	2	1	–
Liabilities			
Derivatives at fair value through profit and loss	–	2	–
Derivatives qualified for hedge accounting	–	3	–
Total liabilities	–	5	–

Assets Pledged and Contingent Liabilities

	As at June 30,		As at December 31,
	2013	2012	2012
	(EUR in millions)		
On own behalf			
Mortgages	–	–	–
On behalf of others			
Guarantees	3	4	2
Other commitments			
Repurchase commitments	0	0	0
Lease commitments	42	44	54

Notional Amounts of Derivative Financial Instruments

	As at June 30,		As at December 31,
	2013	2012	2012
Forward exchange contracts, EUR millions	1,139	1,315	1,119
Electricity forward contracts, GWh	388	381	412
Nickel swap contracts, tons	192	270	198

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

Related Party Information

Valmet Group's related parties include the parent company of Metso Corporation, Metso Group companies other than Valmet Group companies and associated companies as well as key employees belonging to the management.

Valmet's Transactions with Metso Group Companies

Valmet Group's sales to Metso Group companies comprise of sales of filtration products and assembly services to Mining and Constructions. Valmet Group'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.

In addition to the above, Metso Corporation and other Metso Group companies have equity and financing transactions with Valmet Group which have lead into the recognition of receivables and payables with Metso Group companies as presented in the table below. Receivables of short term nature include trade receivables and advances paid for inventories arising in the ordinary course of business as well as positive cash pool balances resulting from the centralized cash pool arrangements. Other receivables comprise non-interest-bearing receivables from Metso Corporation.

Short-term and long-term interest-bearing loans represent loan balances owed by Valmet to Metso Group companies that have been arranged for Valmet to meet its financing needs. Trade and other payables and advances received comprise of items arising in the ordinary course of business including group contribution payables. Cash pooling liabilities represent cash owed to Metso Group companies as part of the centralized cash pool arrangements. Interest income relates to interest earned on positive cash pool accounts 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.

	For the six months ended June 30,		For the year ended December 31,
	2013	2012	2012
	(EUR in millions)		
Net sales	6	4	9
Cost of goods sold	(29)	(21)	(60)
Interest income on cash and cash equivalents	1	2	4
Interest expenses on financial liabilities	(2)	(13)	(27)

	As at June 30,		As at December 31,
	2013	2012	2012
	(EUR in millions)		
Other receivables	89	132	119
Advances paid for inventories	2	4	6
Trade and other receivables	13	13	42
Loan receivables	–	29	17
Cash pooling receivables	97	249	184
Long-term debt	62	555	550
Current portion of long-term debt	30	8	28
Cash pooling liabilities	126	92	93
Trade and other payables	24	49	41
Advances received	6	8	3

Segment Information

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 items reduce the comparability of the Group's performance from one period to another.

	As at and for the six months ended June 30, 2013	As at and for the six months ended June 30, 2012	As at and for the year ended December 31, 2012
	(EUR in millions, unless otherwise indicated)		
Net sales	1,345	1,453	3,014
EBITA before non-recurring items	48.2	94.2	192.0
percent of net sales	3.4	6.5	6.4
Operating profit (loss)	24.0	79.7	138.3
percent of net sales	1.8	5.5	4.6
Non-recurring items:			
Capacity adjustment expenses			
in cost of goods sold	(4.5)	–	(8.5)
in selling, general and administrative expenses	(3.5)	–	(2.1)
in other operating income and expenses, net	–	–	(13.1)
Cost related to demerger process			
in selling, general and administrative expenses	(2.7)	–	–
Total non-recurring items	(10.7)	–	(23.7)
Amortization	(13.5)	(14.5)	(30.0)
Depreciation	(28.4)	(28.7)	(59.5)
Gross capital expenditure (Including acquisitions)	28	29	(64)
Non-cash write-downs	(5)	(3)	(17)
Capital employed	1,015	708	619
Capital employed, Metso Group	217	655	671
Capital employed	1,232	1,363	1,290
Orders received	1,372	1,263	2,445
Order backlog	1,883	2,663	2,249

Geographic Information

Net sales to unaffiliated customers by destination:

	Finland	Other Nordic Countries	Other European Countries	North America	South and Central America	China	Asia-Pacific	Africa and Middle East	Valmet total
					(EUR in millions)				
Q2/2012	117	126	308	288	196	255	113	50	1,453
Q2/2013	93	154	277	212	198	224	136	52	1,345

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

	Other Nordic Countries	Other European Countries	North America	South and Central America	China	Asia-Pacific	Africa and Middle East	Valmet total
				(EUR in millions)				
Q2/2012	85	228	45	73	92	33	4	560
Q2/2013	79	161	29	29	106	81	8	492

Long-term assets by location:

	Finland	Other Nordic Countries	Other European Countries	North America	South and Central America	China	Asia-Pacific	Africa and Middle East	Non-allocated	Valmet total
					(EUR in millions)					
Q2/2012	295	47	25	70	30	109	9	2	488	1,074
Q2/2013	255	49	24	67	29	105	32	1	467	1,027

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:

	Finland	Other Nordic Countries	Other European Countries	North America	South and Central America	China	Asia-Pacific	Africa and Middle East	Valmet total
					(EUR in millions)				
Q2/2012	12	2	2	2	5	4	1	0	28
Q2/2013	8	7	1	1	2	3	1	0	23

Analysis of net sales by category:

	Q2 2013	Q2 2012
	(EUR in millions)	
Sale of services	539	524
Sale of projects, equipment and goods	807	929
Total	1,345	1,453

(This page has intentionally been left blank.)

Valmet's audited carve-out financial statements as at and for the years ended December 31, 2012, 2011 and 2010

CARVE-OUT FINANCIAL STATEMENTS' TABLE OF CONTENTS

COMBINED STATEMENT OF INCOME F-19
COMBINED STATEMENT OF COMPREHENSIVE INCOME F-19
COMBINED BALANCE SHEET F-20
COMBINED STATEMENT OF CASH FLOWS F-22
COMBINED STATEMENT OF CHANGES IN EQUITY F-23
NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS F-24
1. Background, Basis of Presentation and Accounting Principles F-24
2. Financial Risk Management F-39
3. Selling, General and Administrative Expenses F-45
4. Other Operating Income and Expenses, Net F-46
5. Personnel Expenses and the Number of Personnel F-46
6. Depreciation and Amortization F-47
7. Financial Income and Expenses, Net F-48
8. Income Taxes F-48
9. Acquisitions F-50
10. Intangible Assets and Property, Plant and Equipment F-50
11. Investments in Associated Companies F-57
12. Available-for-Sale Equity Investments F-58
13. Inventory F-58
14. Percentage of Completion F-59
15. Change in Net Working Capital F-59
16. Interest Bearing and Non-Interest Bearing Receivables F-59
17. Financial Assets and Liabilities F-60
18. Cash and Cash Equivalents F-63
19. Equity F-63
20. Share-Based Payments F-64
21. Long-Term Debt F-66
22. Provisions F-67
23. Short-Term Debt F-68
24. Trade and Other Payables F-68
25. Post-Employment Benefit Obligations F-69
26. Mortgages and Contingent Liabilities F-71
27. Lease Contracts F-72
28. Derivative Financial Instruments F-72
29. Related Party Information F-73
30. Valmet Entities F-74
31. Reporting Segment and Geographic Information F-76
32. Audit Fees F-77
33. Lawsuits and Claims F-78
34. Events After Balance Sheet Date F-78
SIGNATURES OF THE BOARD OF DIRECTORS AND THE AUDITORS F-79
AUDITORS' REPORTS F-80

COMBINED STATEMENT OF INCOME

	Note	For the year ended December 31, 2012	2011	2010
		(EUR in millions)		
Net sales		3,005	2,692	2,450
Net sales, Metso Group		9	11	3
Net sales, total	29, 31	3,014	2,703	2,453
Cost of goods sold		(2,345)	(2,029)	(1,877)
Cost of goods sold, Metso Group		(60)	(58)	(46)
Cost of goods sold, total	5, 6, 29	(2,405)	(2,087)	(1,923)
Gross profit		609	616	530
Selling, general and administrative expenses	3, 5, 6	(460)	(451)	(426)
Other operating income and expenses, net	4	(14)	9	2
Share in profits and losses of associated companies	11	0	0	0
Operating profit		135	174	106
Financial income and expenses, net		5	5	(8)
Financial income and expenses, Metso Group, net		(23)	(24)	(29)
Financial income and expenses, net	7, 29	(18)	(19)	(37)
Profit before taxes		117	155	69
Income taxes	8	(40)	(46)	(22)
Profit		77	109	47
Attributable to:				
Equityholders of Valmet Group		77	108	46
Non-controlling interests		0	1	1
Profit		77	109	47

COMBINED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the year ended December 31, 2012	2011	2010
		(EUR in millions)		
Profit		77	109	47
Cash flow hedges, net of tax	19, 28	(3)	(9)	14
Available-for-sale equity investments, net of tax	12, 19	0	0	0
Currency translation on subsidiary net investments	19	(2)	(4)	36
Net investment hedge gains (+) / losses (-), net of tax	19	–	2	3
Defined benefit plan actuarial gains (+) / losses (-), net of tax	25	(7)	(15)	(3)
Other comprehensive income (+) / expense (-)		(12)	(26)	50
Total comprehensive income (+) / expense (-)		65	83	97
Attributable to:				
Equityholders of Valmet Group		65	82	96
Non-controlling interests		0	1	1
Total comprehensive income (+) / expense (-)		65	83	97

COMBINED BALANCE SHEET

Assets

	Note	2012	2011	2010
		As at December 31,		
		(EUR in millions)		
Non-current assets				
Intangible assets	10			
Goodwill		445	443	441
Other intangible assets		133	155	178
		578	598	619
Property, plant and equipment	10			
Land and water areas		21	20	20
Buildings and structures		155	159	154
Machinery and equipment		246	255	260
Assets under construction		19	33	21
		441	467	455
Financial and other non-current assets				
Investments in associated companies	11	4	4	5
Available-for-sale equity investments	12, 17	4	4	4
Loan and other interest bearing receivables	16, 17	4	5	5
Other receivables, Metso Group	29	119	132	132
Available-for-sale financial investments	16, 17	–	–	0
Derivative financial instruments	17, 28	–	–	2
Deferred tax asset	8	70	63	74
Other non-current assets	16, 17	12	14	11
		213	222	233
Total non-current assets		1,232	1,287	1,307
Current assets				
Inventories	13	554	616	451
Receivables				
Trade and other receivables	16, 17	530	557	467
Trade and other receivables, Metso Group	16, 17, 29	42	39	37
Cost and earnings of projects under construction in excess of advance billings	14	170	198	164
Loan and other interest bearing receivables	16, 17	0	0	5
Loan receivables, Metso Group	16, 17, 29	17	–	–
Cash pooling receivables, Metso Group	29	184	271	188
Available-for-sale financial investments	16, 17	1	1	–
Derivative financial instruments	17, 28	6	12	19
Income tax receivables		14	7	12
		964	1,085	892
Cash and cash equivalents	18, 29	158	308	158
Total current assets		1,676	2,009	1,501
Total assets		2,908	3,296	2,808

COMBINED BALANCE SHEET (continued)

Equity and liabilities

	Note	As at December 31, 2012	2011	2010
		(EUR in millions)		
Equity	19			
Cumulative translation adjustments		24	26	28
Fair value and other reserves		3	5	14
Invested equity and retained earnings		389	370	269
Equity attributable to equityholders of Valmet Group		416	401	311
Non-controlling interests		7	8	8
Total equity		423	409	319
Liabilities				
Non-current liabilities				
Long-term debt	17, 21	132	196	270
Long-term debt, Metso Group	17, 21, 29	550	558	565
Post-employment benefit obligations	25	121	114	91
Provisions	22	30	39	26
Derivative financial instruments	17, 28	1	1	–
Deferred tax liability	8	36	39	51
Other long-term liabilities	17	1	2	2
Total non-current liabilities		871	949	1,005
Current liabilities				
Current portion of long-term debt	17, 21	64	84	46
Current portion of long-term debt, Metso Group	17, 21, 29	28	8	8
Short-term debt	17, 23	–	2	0
Cash pooling liabilities, Metso Group	23, 29	93	78	70
Trade and other payables	17, 24	643	808	722
Trade and other payables, Metso Group	17, 24, 29	41	33	37
Provisions	22	117	161	154
Advances received		182	272	221
Advances received, Metso Group		3	7	5
Billings in excess of cost and earnings of projects under construction	14	402	463	214
Derivative financial instruments	17, 28	6	4	0
Income tax liabilities		35	18	7
Total current liabilities		1,614	1,938	1,484
Total liabilities		2,485	2,887	2,489
Total equity and liabilities		2,908	3,296	2,808

COMBINED STATEMENT OF CASH FLOWS

	Note	2012	2011	2010
		As at and for the year ended December 31, (EUR in millions)		
Cash flows from operating activities:				
Profit		77	109	47
Adjustments to reconcile profit to net cash provided by operating activities				
Depreciation and amortization	6	90	91	100
Gain (-) / loss (+) on sale of fixed assets	4	(1)	(4)	0
Gain (-) / loss (+) on sale of subsidiaries and associated companies	4	–	1	0
Gain on sale of available-for-sale equity investments	4	–	0	0
Share of profits and losses of associated companies	11	0	0	0
Dividend income and interests, net	7	21	24	36
Income taxes	8	40	46	22
Other non-cash items		14	13	26
Change in net working capital, net of effect from business acquisitions and disposals	15	(240)	105	79
Interest paid		(37)	(38)	(37)
Interest received		15	14	5
Dividends received		0	0	0
Income taxes paid		(32)	(22)	(32)
Net cash provided by operating activities		(53)	339	246
Cash flows from investing activities:				
Capital expenditures on fixed assets	10	(59)	(76)	(72)
Proceeds from sale of fixed assets		6	8	4
Business acquisitions, net of cash acquired	10	–	(1)	(3)
Proceeds from sale of businesses, net of cash sold		–	–	(2)
Proceeds from sale of available-for-sale equity investments		–	–	2
Increase in loan receivables		–	0	(1)
Decrease in loan receivables		0	5	3
Net cash provided by (+) / used in (-) investing activities		(53)	(64)	(69)
Cash flows from financing activities:				
Net borrowings (+) / payments (-) on short-term debt		(2)	2	0
Net borrowings (+) / payments (-) on Metso Group financing		89	(82)	(171)
Proceeds from issuance of long-term debt		1	7	0
Principal payments of long-term debt		(85)	(46)	(59)
Principal payments of finance leases		0	0	(4)
Dividends paid, Metso Group		(70)	(29)	(51)
Equity financing, Metso Group		37	27	47
Dividends paid to non-controlling interests		(1)	(1)	(1)
Other		0	(2)	(3)
Net cash used in financing activities		(31)	(124)	(242)
Net increase (+) / decrease (-) in cash and cash equivalents		(137)	151	(65)
Effect of changes in exchange rates on cash and cash equivalents		(13)	(1)	15
Cash and cash equivalents at beginning of year	18	308	158	208
Cash and cash equivalents at end of year		158	308	158

COMBINED STATEMENT OF CHANGES IN EQUITY

	Cumulative translation adjustments	Fair value and other reserves	Invested equity and retained earnings	Equity attributable to equity-holders of Valmet Group	Non-controlling interests	Total equity
			(EUR in millions)			
Balance as at December 31, 2009	(11)	0	228	217	8	225
Profit	–	–	46	46	1	47
Other comprehensive income (+) / expense (-)						
Cash flow hedges, net of tax	–	14	–	14	–	14
Available-for-sale equity investments, net of tax	–	0	–	0	–	0
Currency translation on subsidiary net investments	36	–	–	36	–	36
Net investment hedge gains (+) / losses (-), net of tax	3	–	–	3	–	3
Defined benefit plan actuarial gains (+) / losses (-), net of tax	–	–	(3)	(3)	–	(3)
Total comprehensive income (+) / expense (-)	39	14	43	96	1	97
Dividends	–	–	(51)	(51)	(1)	(52)
Donations to universities	–	–	(1)	(1)	–	(1)
Share-based payments, net of tax	–	–	0	0	–	0
Changes in invested equity	–	–	12	12	–	12
Net change from winding up the consolidated tax groups	–	–	39	39	–	39
Other	–	–	(1)	(1)	–	(1)
Balance as at December 31, 2010	28	14	269	311	8	319
Profit	–	–	108	108	1	109
Other comprehensive income (+) / expense (-)						
Cash flow hedges, net of tax	–	(9)	–	(9)	–	(9)
Available-for-sale equity investments, net of tax	–	0	–	0	–	0
Currency translation on subsidiary net investments	(4)	–	–	(4)	–	(4)
Net investment hedge gains (+) / losses (-), net of tax	2	–	–	2	–	2
Defined benefit plan actuarial gains (+) / losses (-), net of tax	–	–	(15)	(15)	–	(15)
Total comprehensive income (+) / expense (-)	(2)	(9)	93	82	1	83
Dividends	–	–	(29)	(29)	(1)	(30)
Share-based payments, net of tax	–	–	0	0	–	0
Changes in invested equity	–	–	11	11	–	11
Net change from winding up the consolidated tax groups	–	–	27	27	–	27
Other	–	–	(1)	(1)	–	(1)
Balance as at December 31, 2011	26	5	370	401	8	409
Profit	–	–	77	77	0	77
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	–	–	–	–	–	–
Defined benefit plan actuarial gains (+) / losses (-), net of tax	–	–	(7)	(7)	–	(7)
Total comprehensive income (+) / expense (-)	(2)	(3)	70	65	–	65
Dividends	–	–	(70)	(70)	(1)	(71)
Share-based payments, net of tax	–	–	(1)	(1)	–	(1)
Changes in invested equity	–	–	(15)	(15)	–	(15)
Net change from winding up the consolidated tax groups	–	–	36	36	–	36
Other	–	1	(1)	0	–	0
Balance as at December 31, 2012	24	3	389	416	7	423

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

1. Background, Basis of Preparation and Accounting Principles

1.1 Background

Metso Corporation ("Metso" or "Parent Company") and its subsidiaries (together "Metso" or the "Metso 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 operate in mining, construction, oil and gas, pulp, paper as well as in power generation industries.

As part of its strategy acceleration process, Metso announced in March 2013 its decision to commence a study on the demerger process to separate its Pulp, Paper and Power businesses ("PPP") into a new company Valmet Corporation ("Valmet," "Valmet Group") and the demerger plan for the partial demerger was approved by Metso's Board of Directors on May 31, 2013. The planned registration date of the completion of the demerger is December 31, 2013 and public trading for the new Valmet shares on the NASDAQ OMX Helsinki Stock Exchange ("Helsinki Stock Exchange") is expected to commence on or about January 2, 2014. The transaction is subject to the approval from the Extraordinary General Meeting of Metso which will be held on October 1, 2013. Metso's current Mining and Construction and Automation businesses will remain in Metso after the demerger. Metso's shareholders will receive one (1) share in Valmet for each share in Metso owned as demerger consideration. The final aggregate number of shares in Valmet to be issued as demerger consideration will be determined on the basis of the number of shares in Metso (excluding own shares held by Metso) on the effective date.

Valmet has not formed a separate legal group in the past. As part of the proposed demerger Metso will carve out and transfer the relevant entities' assets and liabilities to Valmet Corporation. The carve-out financial statements presented herein reflect the relevant entities' results of operations, assets and liabilities and cash flows that will be carved out from Metso in the demerger process. The carve-out financial statements have been prepared in accordance with the basis of preparation and Valmet accounting policies set out below.

The carve-out financial statements have been prepared for the inclusion in the demerger prospectus and the listing particulars of Valmet prepared by Metso in connection with the Extraordinary General Meeting approving the partial demerger and the listing of the Valmet shares on the Helsinki Stock Exchange. These carve-out financial statements were authorized for issue by the Metso Board of Directors on September 20, 2013.

1.2 Basis of Preparation

The carve-out financial statements as at and for the years ended December 31, 2012, December 31, 2011 and December 31, 2010 have been prepared on a basis that combines statements of income, statements of comprehensive income, balance sheets and cash flows of the legal entities and operating units attributable to the Pulp, Paper and Power businesses in Metso's historical consolidated financial statements and that will be carved out from Metso to form Valmet Group including certain Parent Company's and Metso's foreign holding companies' income and expenses, assets and liabilities and cash flows which will either be transferred to Valmet or which have been allocated to Valmet for the purpose of the preparation of the carve-out financial statements. Valmet Group is not comprised of a group of entities under the control of a parent as defined by IAS 27, "Consolidated and Separate Financial Statements" and, accordingly, has historically not prepared consolidated financial statements for internal or external reporting purposes.

The carve-out financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. As IFRS does not provide guidance for the preparation of carve-out financial statements, certain accounting conventions commonly used for the preparation of historical financial information have been applied in preparing the carve-out financial statements for inclusion in Prospectuses. The application of these carve-out conventions has been described below. In addition to the application of the specific carve-out conventions impacting the presentation of these financial statements, the areas involving a high degree of judgment or where estimates and assumptions are significant to the carve-out financial statements are discussed within this section in Note 1.4.

The carve-out financial statements have been prepared on a going concern basis under the historical cost convention, except for available-for-sale investments and derivative financial instruments, which are recognized at fair value.

These Valmet carve-out financial statements do not necessarily reflect what the combined results of operations and financial position would have been had Valmet existed as a separate independent legal group from January 1, 2010 and had it therefore presented stand-alone consolidated financial information during the periods presented. Further, these carve-out financial statements may not be indicative of Valmet's future performance, financial position or cash flows.

The carve-out financial statements are presented in millions of euros (EUR million) except when otherwise indicated.

The legal entities and associated companies included within the carve-out financial statements are shown below:

Company name	Country	Ownership as at December 31, 2012
		(percent)
Valmet entities		
Metso Paper Oy	Finland	100.0
Metso Fabrics Oy	Finland	100.0
Metso Foundries Jyväskylä Oy	Finland	100.0
Metso Mill Service Kauttua Oy	Finland	100.0
Metso Power Oy	Finland	100.0
MW Power Oy	Finland	100.0
Tampereen Verkatehdas Oy	Finland	100.0
Avantone Oy	Finland	100.0
Metso Svenska AB	Sweden	100.0
Metso Paper Sweden AB	Sweden	100.0
Metso Paper Karlstad AB	Sweden	100.0
Metso Mill Service AB	Sweden	100.0
Metso Mill Service Husum AB	Sweden	100.0
Metso Power AB	Sweden	100.0
MW Power AB	Sweden	100.0
Lignoboost AB	Sweden	100.0
Metso Mill Service A/S	Norway	100.0
Metso Paper GesmbH	Austria	100.0
Metso Paper CR s.r.o.	Czech Republic	100.0
Metso Paper Steti s.r.o.	Czech Republic	100.0
Metso Paper France SAS[1]	France	100.0
Metso Deutschland GmbH	Germany	100.0
Metso Paper GmbH	Germany	100.0
Metso Mill Service Plattling GmbH	Germany	100.0
Metso Panelboard GmbH	Germany	100.0
Metso Paper Ltd	United Kingdom	100.0
Metso Paper Italy SpA[1]	Italy	100.0
Metso Paper Como Srl[1]	Italy	100.0
Metso Fabrics Sp zoo	Poland	94.0
Metso Fabrics Portugal Lda	Portugal	100.0
Metso Paper SA	Spain	100.0
Metso Mill Service SL	Spain	81.0
Metso Paper USA Inc.[1]	United States	100.0
Metso Fabrics USA Inc.[1]	United States	100.0
Metso Fabrics PMC USA LLC[1]	United States	100.0
Metso Wyesco Service Center Inc.[1]	United States	100.0
Metso Paper Ltd	Canada	100.0
Enerdry Constructors Ltd	Canada	100.0
Metso Paper South America Ltda	Brazil	100.0
Metso Paper Sulamericana Ltda	Brazil	100.0
Metso Fabrics Brasil Tecidos Técnicos Ltda	Brazil	100.0
Metso Paper SA	Chile	100.0
Metso Paper (ANZ) Pty Ltd	Australia	100.0
Metso Paper (China) Co. Ltd	China	100.0
Metso Paper (Guangzhou) Co. Ltd	China	100.0
Metso Paper (Shanghai) Co. Ltd[1]	China	100.0
Metso Paper Technology (Shanghai) Co. Ltd	China	100.0
Metso Paper Technology (Xian) Co. Ltd	China	75.0
Metso (Shanghai) Surface Treatment Co. Ltd	China	100.0
Metso Fabrics (Shanghai) Co. Ltd[1]	China	100.0
Metso Fabrics (Tianjin) Co. Ltd	China	100.0
Metso Paper India Private Ltd	India	100.0
Metso Power India Private Ltd	India	74.0
PT Metso Paper Indonesia	Indonesia	100.0
Metso Paper Japan Co. Ltd	Japan	100.0
Metso Paper (Asia-Pacific) Pte Ltd	Singapore	100.0
Metso Paper Korea Inc.	South Korea	100.0
Metso Paper (Thailand) Co. Ltd	Thailand	100.0
Metso ND Engineering (Pty) Ltd	South Africa	70.0
Metso Paper South Africa (Pty) Ltd	South Africa	100.0
Metso Vietnam Co. Ltd	Vietnam	100.0
Noviter Eesti	Estonia	100.0
Metso Paper ZAO	Russia	100.0

Company name	Country	Ownership as at December 31, 2012
		(percent)
Valmet associated companies		
Allimand S.A.	France	35.8
NoviterBel	Belarus	45.0

(1) Metso Corporation will undertake certain intra-group arrangements related to the demerger before the registration time of the completion of the demerger. As a part of these intra-group arrangements, the ownership of certain direct or indirect subsidiaries of Metso Corporation, included in these carve-out financial statements, will be transferred under Valmet Group pursuant to the demerger plan.

Description of the Carve-Out Principles

The following paragraphs summarize the accounting and other principles applied in preparing the carve-out financial statements.

Valmet Group is comprised of 63 legal entities as at December 31, 2012, which, as a result of the clear assignment of legal entities to segments and Metso's organizational and financial reporting structure since Metso's internal business reorganization in 2010, have historically exclusively conducted their activities on behalf of Valmet.

Valmet has been managed as a single economic entity since 2011 after the internal reorganization that resulted in the transfer of Power business unit from the Energy, Environment and Technology segment to the new Pulp, Paper and Power segment. Accordingly, for such legal entities historical financial information with regards to assets and liabilities, as well as sales and expenses and cash flows directly attributable to Valmet could be derived from stand-alone financial statements utilized in the preparation of the consolidated historical financial statements of Metso.

Valmet does not have significant recurring interbusiness relationships, other than financing, treasury and insurance, utilization of shared service functions, corporate headquarters, certain subcontracting relationships and common facilities with other Metso legal entities that are not part of Valmet. Accordingly, Metso's management considers that the carve-out allocations have been made on a reasonable basis, but are not necessarily indicative of the revenues and expenses that would have been incurred if Valmet had been a stand-alone entity preparing consolidated financial statements.

Intercompany and Related Party Transactions

Intercompany transactions and assets and liabilities between entities included in the carve-out financial statements have been eliminated. The carve-out financial statements include Valmet Group's transactions and balance sheet items. Intercompany transactions and balance sheet items with other Metso Group companies previously considered as intercompany transactions in Metso's consolidated reporting have been treated as transactions with related parties. Internal profit on inventories between Metso Group companies and Valmet entities has not been eliminated in the carve-out financial statements.

Metso Corporation's intercompany receivables and liabilities due to or due from to a Valmet Group entity have been allocated to Valmet, including the financial income and expenses relating to these receivables and liabilities.

Carrying values for subsidiary shares of Valmet subsidiaries previously owned by Metso's parent company have been allocated to the Valmet parent company. The acquisition cost method has been used to eliminate the acquisition cost of subsidiaries.

Equity Components

Valmet has not in the past formed a separate legal group nor presented stand-alone consolidated financial statements, and accordingly it is not conceivable to present share capital separately from other equity balances including reserves. Valmet's net assets for each balance sheet date are represented by capital invested in Valmet Group and shown in these carve-out financial statements as "equity" comprising of cumulative translation account, fair value and other reserves as well as invested equity and retained earnings. Fair value and other reserves comprise of hedge and fair value reserve and legal reserve. Invested equity and retained earnings comprise of equity items allocated from Metso's parent company and other Valmet group companies in accordance with the demerger plan and historical retained earnings balances of Valmet entities.

All cash and other movements in capital amounts, being shares issued or cancelled or dividends and other distributions made from/to Valmet companies from/to Metso parent company or changes resulting from the internal reorganization have been reflected in the combined statement of cash flows under "Dividends paid, Metso Group" and "Equity

financing, Metso Group" and in the combined statements of changes in equity under "Dividends", "Changes in invested equity" and "Net change from winding up the consolidated tax groups".

These carve-out financial statements are presented in euros, which will be Valmet's parent company's functional and reporting currency. Valmet's operating units have also other functional currencies. Translation differences arising from translating the net results for the period and equity are recognized in equity and their changes are presented in the separate cumulative translation account within equity.

Corporate, Shared Service Units and Foreign Holding Company Expenses

Metso's parent company has been responsible for the management and general administration of Metso Group. For the purposes of the preparation of the carve-out financial statements a portion of Metso's parent company's shared income and expense items including all administrative and personnel expenses for each of the corporate headquarter functions attributable to Valmet has been allocated to Valmet. Shared functions include group management, Human Resource, Information Technology, Investor Relations, Finance, Treasury, Legal, Strategy and Property Services. Allocations of the income and expense items are based mainly on the number of employees, which the management believes is appropriate.

Metso's shared service units and foreign holding companies have historically recharged Metso Group companies for costs that have arisen from services conducted on behalf of the Metso Group companies. Such services consist of Human Resources, Information Technology, Finance and Accounting, general corporate services and tax services. The majority of the costs are included in the carve-out financial statements based on the historically recharged amounts. Valmet's share of the previously unallocated costs has been allocated proportionately for each foreign holding company separately in each jurisdiction.

These allocated income and expense items were affected by the arrangements that existed in Metso Group and are not necessarily representative of the position that may prevail in the future for Valmet.

Pensions

Pensions and other post-employment benefit plans and their respective portion of the plan liabilities, plan assets, interest and service costs are included in the carve-out financial statements in accordance with each Valmet subsidiary's separate benefit plans. In addition, a portion of the costs for the supplementary pension plan subscribed by Metso to the members of the Metso Executive Team has been allocated to these carve-out financial statements.

Share-Based Payments

Valmet key personnel have historically participated in Metso's share-based incentive plans. The carve-out financial statements include employee cost allocations related to these participations based on the actual number of Valmet employees over the cost recorded at Metso. The historical cost allocations may not be indicative of the future expenses that will be incurred through incentive schemes that will be established for Valmet's key personnel following the demerger.

Cash Management and Financing

Cash management is centralized so that Metso manages the Group's liquidity needs mainly through cash pool arrangements. Cash pools cover all major geographical areas and Metso Corporation participates in the pools whenever allowed by the local regulation.

Valmet's cash and cash equivalents comprise cash held by legal entities and the cash pool balances held by cash pool masters. In addition, the carve-out financial statements include those cash pool receivable and liability balances that will be settled at the execution of the partial demerger. These receivable and payable cash pool balances have been presented as short-term receivables and liabilities from related parties.

Metso Group's external financing is centralized mainly to the Metso parent company. Subsidiaries' working capital needs have been funded in addition to cash pool arrangements mainly by intercompany loans. In addition, a limited number of Metso Group companies have funded their operations directly with external banks.

The external debt financing of the demerging Metso parent company and the related interest expenses that are directly attributable to Valmet's operations are included in the carve-out financial statements in accordance with the demerger plan. In addition, carve-out financial statements comprise existing external funding arrangements and the related interest expenses of the demerging Valmet entities.

Metso has obtained waivers and consents from its financing counterparties for its credit and guarantee facilities for the demerging businesses. Metso has arranged a EUR 200 million term loan for Valmet, with a maturity of three years, which may be used for the repayment, partial repayment or replacement of Metso's other loans or other liabilities which benefit the PPP business. These loans consist inter alia of the debts to the Nordic Investment Bank and/or to European Investment Bank that will transfer to Valmet in the demerger and that have been included in these carve-out financial statements.

Metso has also arranged a syndicated multicurrency revolving credit facility, with a maturity of five years from the demerger date. This facility will transfer to Valmet as of the effective date of the demerger.

Following the demerger, Valmet will make its own cash pool arrangements to fund its working capital needs. In addition, financing costs included in the carve-out financial statements are not necessarily indicative of what the financing costs would have been, if Valmet had historically obtained financing on a stand-alone basis. These costs may not be indicative of the cost of financing that will arise for Valmet in the future.

Derivative Financial Instruments

Carve-out financial statements include allocated external derivative financial instruments, entered into by Metso's parent company, that correspond to the internal derivative contracts entered into by Valmet entities with the parent company. These derivative financial instruments comprise of foreign exchange forwards and nickel- and electricity forward contracts. As Metso has not hedged the interest rate risk of the debt arrangements that will transfer to Valmet in the demerger, interest derivatives have not been allocated to the carve-out financial statements.

In addition, the carve-out financial statements include an allocation of the derivative financial contracts that Metso has used to hedge its currency denominated financial items such as loans, receivables and bank account balances at the parent company level. The allocation has been made proportionately to correspond to Valmet's share of the hedged exposure including Valmet entities' cash, receivable and loan balances.

Income Taxes

During the periods presented in these carve-out financial statements, some of the legal entities in Valmet group have operated as separate taxpayers. For these entities the tax charges and the tax liabilities and receivables in the carve-out financial statements are based on actual taxation.

A number of Valmet entities have historically been included in Metso legal entities including operations other than operations of Valmet group or in tax groups consolidated for income tax purposes, where the taxpaying entity was another Metso Group entity outside of Valmet group. During the periods presented, these Valmet entities did not file separate tax returns. Tax charges in these carve-out financial statements have been determined based on the separate return method, as if the Valmet entities were separate taxpayers in the jurisdiction of their primary operations. The current tax provision is the amount of tax payable or refundable based on the Valmet entity's hypothetical, current-year separate return and has been recorded as current income tax expense and as a shareholder transaction through invested equity in the carve-out financial statements. After computing its current tax payable or refund, the Valmet entity has provided deferred taxes on its temporary differences and on any carry forwards that it could claim on its hypothetical return. Deferred taxes on temporary differences are recognized where such temporary differences exist.

The tax charges recorded in the combined income statement are not necessarily representative of the tax charges that may arise in the future.

Guarantees and Contingent Liabilities

Metso's parent company has given guarantees on behalf of its subsidiaries in the ordinary course of their business. The guarantee obligations of Metso's parent company relating to Valmet have been allocated to these carve-out financial statements.

1.3 Accounting Principles

Basis of Combination

The carve-out financial statements include Valmet's operations that have been combined, as if they had been managed together for all periods presented. These include legal entities in which Valmet owns directly or indirectly through subsidiaries, over 50 percent of the voting rights or in which it is in a position to govern the financial and operating

policies of the entity as well as Valmet financial accounting units and certain legal entities on a carve-out basis historically comprising both Metso and Valmet operations. The companies acquired during the financial period have been combined from the date Valmet acquired control. Subsidiaries sold have been included up to their date of disposal.

All intercompany transactions, balances and gains or losses on transactions within the combined Valmet entities have been eliminated in these carve-out financial statements. Trading balances and transactions with Metso and its other subsidiaries have been recorded as related party transactions as further discussed in the related party note 29.

Investments in associates are accounted for using the equity method of accounting. An associate is an investment over which Valmet has ability to exercise significant influence over the operating and financial policies of the investee company. Such influence is presumed to exist for investments in companies in which Valmet's direct or indirect ownership is between 20 and 50 percent of the voting rights. Investments in associated companies are initially recognized at cost after which Valmet's share of their post-acquisition retained profits and losses is included as part of investments in associated companies in the carve-out balance sheets. The share of profits and losses of associated companies is presented separately in the carve-out statements of income.

Goodwill arising from consolidation represents the excess of the consideration over Valmet's interest in the identifiable assets, liabilities and contingent liabilities measured at fair value of a subsidiary or an associate at the date of acquisition. Goodwill is recognized as an asset and is tested for impairment annually or whenever events or changes in circumstances indicate that it might be impaired.

Goodwill arising from the acquisition of an associate is included within the carrying amount of the associate. Goodwill that has arisen from the acquisition of subsidiaries is presented separately on the carve-out balance sheet.

Non-controlling interests are presented in the carve-out balance sheets within equity, separate from the equity attributable to Valmet's shareholders. Non-controlling interests are separately disclosed in the carve-out statements of income.

On a disposal of a subsidiary or an associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Foreign Currency Translation

These carve-out financial statements are presented in euros, which will be the parent company's functional currency and presentation currency.

Transactions denominated in foreign currencies are recorded at the rates of exchange prevailing at the date of the transaction. At the end of the accounting period, unsettled foreign currency transaction balances are valued at the rates of exchange prevailing at the balance sheet date. Trade flow related foreign currency exchange gains and losses are recorded in other operating income and expenses, unless the foreign currency denominated transactions have been subject to hedge accounting, in which case the related exchange gains and losses are recorded in the same line item as the hedged transaction. Foreign exchange gains and losses associated with financing are entered as a net amount under financial income and expenses.

The statements of income of combined foreign entities with a functional currency different from the presentation currency are translated into euro at the average exchange rates for the financial year and the balance sheets are translated at the exchange rate of the balance sheet date. This exchange rate difference is recorded through other comprehensive income ("OCI") in the cumulative translation adjustment line item in equity.

The translation differences arising from subsidiary net investments and long-term subsidiary loans without agreed settlement dates are recognized through the OCI to the cumulative translation adjustments under equity. When Metso has hedged the net investment of its foreign subsidiaries with foreign currency loans and with financial derivatives, the translation difference is adjusted by the currency effect of hedging instruments which has been recorded, net of taxes, through the OCI in equity. When a foreign entity is disposed of, the respective accumulated translation difference, including the effect from qualifying hedging instruments, is reversed through the OCI and recognized in the combined statements of income as part of the gain or loss on the sale. If the equity of a foreign currency denominated subsidiary is reduced by reimbursement of invested funds, the translation difference relating to the reduction is reversed through the OCI and recognized in the combined statements of income.

The following principal exchange rates have been used in the preparation of these carve-out financial statements:

	Average rates			Year-end rates		
	2012	2011	2010	2012	2011	2010
AUD (Australian dollar)	1.2468	1.3412	1.4514	1.2712	1.2723	1.3136
BRL (Brazilian real)	2.5220	2.3287	2.3379	2.7036	2.4159	2.2177
CAD (Canadian dollar)	1.2930	1.3768	1.3773	1.3137	1.3215	1.3322
CNY (Chinese yuan)	8.1462	9.0141	8.9975	8.2207	8.1588	8.8220
GBP (Pound sterling)	0.8137	0.8704	0.8585	0.8161	0.8353	0.8608
SEK (Swedish krona)	8.7015	9.0038	9.5510	8.5820	8.9120	8.9655
USD (US dollar)	1.2932	1.3951	1.3299	1.3194	1.2939	1.3362

Derivative Financial Instruments

Valmet uses derivative financial instruments to hedge its exposure to foreign currency exchange rate and commodity price risks arising from operational, financing and investment activities. Derivatives are initially recognized in the balance sheet at fair value and subsequently measured at each balance sheet date at their fair value with changes in fair value in profit and loss. Derivatives are designated at inception either as hedges of firm commitments or forecasted transactions (cash flow hedge), or as hedges of net investment in a foreign operation (net investment hedge), or as derivatives at fair value through profit and loss that do not meet the hedge accounting criteria.

For hedge accounting purposes, the relationship between the hedging instruments and hedged items is documented in accordance with risk management strategy and objectives. In addition, Valmet tests the effectiveness of the hedge relationships at the inception of the hedge and on a quarterly basis both prospectively and retrospectively.

Derivative assets and liabilities are classified as non-current assets or liabilities when the remaining maturity exceeds 12 months and as current assets or liabilities when the remaining maturity is less than 12 months.

Cash Flow Hedge

Valmet applies cash flow hedge accounting to certain foreign currency forward contracts and to electricity forwards.

Valmet has designated only the currency component of the foreign currency forward contracts as the hedging instrument to hedge foreign currency denominated firm commitments. The interest component is recognized under other operating income and expenses, net. The gain or loss relating to the effective portion of the currency forward contracts is recognized in the income statement concurrently with the underlying hedge item in the same line item. The effective portion of foreign currency forwards hedging sales and purchases is recognized in net sales and cost of goods sold, respectively. Both at hedge inception and at each balance sheet date an assessment is performed to ensure the continued effectiveness of the designated component of the derivatives in offsetting changes in the fair values of the cash flows of hedged items.

Valmet regularly assesses the effectiveness of the fair value changes of the electricity forwards in offsetting the changes in the fair value changes of the underlying forecasted electricity purchases in different countries. The gain or loss relating to the effective portion of the electricity forward contracts is recognized in cost of goods sold.

The effective portion of the derivatives is recognized through OCI in the hedge reserve under equity and reversed through OCI to be recorded through profit and loss concurrently with the underlying transaction being hedged.

The gain or loss relating to the ineffective portion of the derivatives is reported under other operating income and expenses, net or under financial items when contracted to hedge foreign currency denominated financial assets. Should a hedged transaction no longer be expected to occur, any cumulative gain or loss previously recognized under equity is reversed through OCI to profit and loss.

Net Investment Hedge

Metso has hedged certain Valmet specific net foreign investments to reduce the effect of exchange rate fluctuations. The hedging instruments are mainly foreign currency loans and foreign currency forward contracts. Both realized and unrealized exchange gains and losses measured on these instruments are recorded, net of taxes, through OCI in a separate component of equity against the translation differences arising from consolidation to the extent these hedges are effective. The interest portion of derivatives qualifying as hedges of net investment is recognized under financial income and expenses, net.

Derivatives at Fair Value through Profit and Loss

Valmet does not apply hedge accounting to its nickel forward contracts, accordingly, nickel forwards are classified at fair value through profit and loss. In addition, certain foreign exchange forward and electricity forward contracts do not qualify for hedge accounting.

Changes in the fair value of foreign exchange forward contracts are mainly recognized in other operating income and expenses. However, when the foreign exchange forwards have been contracted to mitigate the exchange rate risks arising from foreign currency denominated financial items such as loans, receivables and cash, the changes in fair value of the derivatives are recognized in financial income and expenses, net. Changes in the fair value of other derivative instruments such as commodity instruments are recognized in other operating income and expenses, net.

Fair Value Estimation of Derivative Instruments

The fair value of the foreign currency forward contracts is determined using forward exchange market rates at the balance sheet date. The fair value of the commodity forwards is based on quoted market prices at the balance sheet date.

Employee Benefits

Pensions and Coverage of Pension Liabilities

Valmet entities have various different pension schemes in accordance with local regulations and practices in countries where they operate. In certain countries, the pension schemes are defined benefit plans with retirement, disability, death, and other post-retirement benefits, such as health services, and termination income benefits. The retirement benefits are usually based on the number of service years and the salary levels of the final service years. The schemes are generally funded through payments to insurance companies or to trustee-administered funds as determined by periodic actuarial calculations.

In addition, certain entities within the Valmet Group have multi-employer pension arrangements and defined contribution pension schemes. The contributions to defined contribution plans and to multi-employer and insured plans are charged to profit and loss concurrently with the payment obligations.

In the case of defined benefit plans, the liability recognized from the plan is the present value of the defined benefit obligation as of the balance sheet date, adjusted by the fair value of the plan assets and by the unamortized portion of past service cost. Independent actuaries calculate the defined benefit obligation by applying the projected unit credit method under which the estimated future cash flows are discounted to their present value using the interest rates approximating the terms of the pension engagement. The cost of providing retirement and other post-retirement benefits to the personnel is charged to profit and loss concurrently with the service rendered by the personnel. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to plans are recognized through OCI into shareholders' equity.

Share-based Payments

Certain Valmet key personnel have participated in the Metso share-based incentive plans. Equity-settled share awards are valued based on the market price of the Metso share as of the grant date, and recognized as an employee benefit expense over the vesting period with a corresponding entry in other reserves in equity. The liability resulting from cash-settled transactions is measured based on the market price of the Metso share as of the balance sheet date and accrued as an employee benefit expense with corresponding entry in the current liabilities until the settlement date.

Market conditions, such as the total shareholder return upon which vesting is conditioned, is taken into account when estimating the fair value of the equity instruments granted. The expense relating to the market condition is recognized irrespective of whether that market condition is satisfied.

Non-market vesting conditions, such as operating profit, services business growth, return on capital employed and earnings per share targets, are included in assumptions about the amount of share-based payments that are expected to vest. At each balance sheet date, Valmet revises its estimates on the amount of share-based payments that are expected to vest. The impact of the revision to previous estimate is recognized through profit and loss with corresponding adjustment to equity and current liabilities, as appropriate.

Revenue Recognition

Valmet supplies processes, machinery, equipment and services for the pulp, paper and power industries.

Revenues from goods sold are recognized, net of sales taxes and discounts, when substantially all the risks and rewards of ownership are transferred to the buyer or when legal title of the goods and responsibility for shipment has been transferred to the buyer. The transfer of risk takes place either when the goods are shipped or made available to the buyer for shipment depending on the terms of the contract. The credit worthiness of the buyer is verified before engaging into a sale. However, if a risk of non-payment arises after revenue recognition, a provision for non-collectability is established.

Percentage-of-completion Method

Sales and anticipated profits under engineering and construction contracts are recorded on a percentage-of-completion basis. The stage of completion is determined either by units of delivery, which are based on predetermined milestones and on the realized value added (contract value of the work performed to date) or by the cost-to-cost method of accounting. Estimated contract profits are recorded in earnings in proportion to recorded sales. In the cost-to-cost method, sales and profits are recorded after considering the ratio of accumulated costs to estimated total costs to complete each contract. Subcontractor materials, labor and equipment, are included in sales and costs of goods sold when management believes that Valmet is responsible for the ultimate acceptability of the project. Changes to total estimated contract profits (revenue and costs), if any, are recognized in the period in which they are determined.

Service Revenue

Service revenue comprise short-term and long-term maintenance contracts and rebuilding and modification contracts. Revenues from short-term service contracts are recognized once the service has been rendered. Revenues from long-term service contracts are recognized using the cost-to-cost method.

Government Grants

Government grants relating to acquisition of property, plant and equipment are deducted from the acquisition cost of the asset and they reduce the depreciation charge of the related asset. Other government grants are deferred and recognized in profit and loss concurrently with the costs they compensate.

Other Operating Income and Expenses, Net

Other operating income and expenses, net, comprise income and expenses, which do not directly relate to the operating activity of businesses within Valmet or which arise from unrealized and realized changes in fair value of foreign currency denominated derivative financial instruments associated with the operating activity, including forward exchange contracts. Such items include costs related to significant restructuring programs, gains and losses on disposal of assets, and foreign exchange gains and losses, excluding those qualifying for hedge accounting and those, which are reported under financial income and expenses, net. Additionally, non-recoverable foreign taxes, which are not based on taxable profits, are reported in other operating income and expenses, net. These include for example foreign taxes and/or equivalent payments not based on Double Tax Treaties in force.

Income Taxes

The income taxes included in this carve-out financial information are calculated using a method consistent with a separate return basis, as if each of the Valmet entities were a separate taxpayer in the jurisdiction of primary operation.

Tax expense in the combined income statement is comprised of the current tax and deferred taxes. Any current taxes are deemed settled through equity unless settled in cash. Income taxes are recorded on an accrual basis for the taxable income of Valmet applying the tax rate in force in each country at that time.

Taxes are recognized in the income statement unless they relate to items recognized directly in equity or in the combined statement of comprehensive income. In this case the tax is also recognized directly in equity or in the combined statement of comprehensive income.

Deferred taxes are provided for temporary differences arising between the carrying amounts in the balance sheet and the tax bases of assets and liabilities using the relevant substantively enacted tax rates in each country. The most significant temporary differences arise from property, plant and equipment, provisions and accruals, and employee benefit obligations. Deferred tax assets on deductible temporary differences, tax losses carried forward and unused tax credits are

recognized only to the extent that it is probable that future taxable profits will be available, against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured using the substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the income statement in the period when the tax rate change is substantively enacted.

Fixed Assets

Fixed assets comprise intangible assets and property, plant and equipment.

Intangible Assets

Intangible assets, which comprise mainly goodwill, trademarks, patents and licenses, are stated at historical cost less accumulated amortization and impairment loss, if any. Goodwill is not amortized, but tested annually for impairment.

Amortization of Intangible Assets

Amortization of intangible assets with a definite useful life is calculated on a straight-line basis over the expected economic lives of the assets as follows:

Patents and licenses	5–10 years
Computer software	3–5 years
Technology	3–15 years
Customer relationships	3–12 years
Other intangibles (incl. order backlog)	< 1–15 years

Expected useful lives are reviewed at each balance sheet date and if they differ significantly from previous estimates, the remaining amortization periods are adjusted accordingly.

The carrying value of intangible assets subject to amortization is reviewed for impairment whenever events and changes in circumstances indicate that the carrying amount of an asset may not be recoverable. A previously recognized impairment loss may be reversed if there is a significant improvement to the circumstances having initially caused the impairment, however not to a higher value than the carrying amount, which would have been recorded had there been no impairment in prior years.

Impairment of Goodwill

The carrying value of goodwill for each cash generating unit is reviewed annually or more frequently for impairment, if the facts and circumstances, such as declines in sales, operating profit or cash flows or material adverse changes in the business environment, suggest that its carrying value may not be recoverable. The testing of goodwill is performed at the cash generating unit level as goodwill does not generate independent cash flows from the cash generating unit. The annual testing may be performed using previous year's recoverable amounts of the cash generating unit, if there has not been any significant changes to the assets and liabilities of the cash generating unit and if in the previous testing the recoverable value clearly exceeded the carrying values tested, and if the likelihood that the current recoverable value would be less than the current carrying value of the cash generating unit is remote. Valmet uses a discounted cash flow analysis to assess the fair value of goodwill subject to testing. A previously recognized impairment loss on goodwill is not reversed even if there is a significant improvement in circumstances having initially caused the impairment.

Research and Development Costs

Research and development costs are mainly expensed as incurred. Research and development costs comprise salaries, services from external suppliers, administration costs, depreciation and amortization of tangible and intangible fixed assets. Development costs meeting certain capitalization criteria under IAS 38 are capitalized and amortized during the expected economic life of the underlying technology.

Property, Plant and Equipment

Property, plant and equipment are stated at historical cost, less accumulated depreciation and impairment loss, if any. Land and water areas are not depreciated.

Depreciation is calculated on a straight-line basis over the expected useful lives of the assets as follows:

Buildings and structures	15–40 years
Machinery and equipment	3–20 years

Expected useful lives are reviewed at each balance sheet date and if they differ significantly from previous estimates, the remaining depreciation periods are adjusted accordingly.

Subsequent improvement costs related to an asset are included in the carrying value of such asset or recognized as a separate asset, as appropriate, only when the future economic benefits associated with the costs are probable and the related costs can be separated from normal maintenance costs.

Valmet reviews property, plant and equipment to be held and used by the entities for impairment whenever events and changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment of property, plant and equipment and capital gains and losses on their disposal are included in other operating income and expenses, net. Previously recognized impairment on property, plant and equipment is reversed only if there has been a significant change in the estimates used to determine the recoverable amount, however not to exceed the carrying value, which would have been recorded had there been no impairment in prior years.

Leases

Leases for property, plant and equipment, where Valmet has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in long-term debt, and the interest element is charged to profit and loss over the lease period. Property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset or over the lease period, if shorter.

Leases of property, plant and equipment, where the lessor retains a significant portion of the risks and rewards, are classified as operating leases. Payments under operating leases are expensed as incurred.

Financial Assets and Liabilities

Valmet classifies its financial investments into the following categories: assets and liabilities at fair value through profit and loss, loans and receivables, and available-for-sale financial assets. The classification is determined at the time of the acquisition depending on the intended purpose. Assets at fair value through profit and loss comprise derivative financial instruments and financial instruments designated as at fair value through profit and loss upon initial recognition.

Available-for-sale financial assets comprise available-for-sale debt investments. Loans and receivables include loans and other interest bearing receivables and other receivables, which are not interest bearing.

Purchases and sales of assets and liabilities at fair value through profit and loss, and loans and receivables are recognized or derecognized on the trade date, *i.e.*, the date Valmet commits to purchase or sell the asset. Purchases and sales of available-for-sale financial assets are recognized on the transaction date at fair value including transaction costs.

Financial assets are presented as non-current when their maturity exceeds one year.

At each balance sheet date, Valmet assesses whether there is objective evidence of an available-for-sale financial asset being impaired. In case of significant or prolonged decline in the fair value of such an asset compared to its acquisition value, the accumulated net loss is reversed from equity and recognized in the income statement.

Assets and Liabilities at Fair Value through Profit and Loss

Derivative financial instruments that are not designated as hedges do not meet the hedge accounting criteria, and are fair valued quarterly through profit and loss. Gains and losses at disposals are recorded in profit and loss.

Loans and Receivables

Loans and other interest bearing receivables comprise interest bearing trade and loan receivables.

Loans and receivables are initially recognized at fair value including transaction costs. Subsequently they are recognized at amortized cost using the effective interest method. They are subject to regular and systematic review as to collectability. If a loan receivable is estimated to be partly or totally unrecoverable, an impairment loss is recognized for the shortfall between the carrying value and the present value of the expected cash flows. Interest income on loan and other interest bearing receivables is included in financial income and expenses, net.

Inventories

Inventories are valued at the lower of cost and net realizable value. For materials and supplies and finished products, cost is determined on a first in first out (FIFO) basis.

The work in progress balance includes specific costs identified for larger projects ongoing as of the balance sheet date. These costs usually include direct inventory costs and costs for absorption of engineering, supplies, manufacturing and project management costs.

An allowance is recorded for obsolete items according to Valmet's write-off principles. Net realizable value is the estimated amount that can be realized from the sale of the asset in the normal course of business after allowing for the costs of realization.

Trade Receivables

Trade receivables are recognized at original invoice amount to customers and reported in the balance sheet, net of impairment. The impairment, which is expensed under selling, general and administrative expenses, is recorded on the basis of periodic reviews of potential non-recovery of receivables by taking into consideration individual customer credit risk, economic trends in customer industries and changes in payment terms. Bad debts are written off when official announcement of receivership, liquidation or bankruptcy is received confirming that the receivable will not be honored.

If extended payment terms, exceeding one year, are offered to customers, the invoiced amount is discounted to its present value and interest income is recognized over the credit term.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in banks and other liquid investments with initial maturity of three months or less.

Long-Term Debt

Long-term debt is initially recognized at fair value, net of transaction costs incurred. Debt is classified as current liability unless Valmet has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Capitalization of Transaction Costs Related to Issuance of Debt Instruments

Transaction costs arising from issuance of debt instruments are included in the carrying value of the debt and amortized using the effective interest method over the period of the respective liability.

Provisions

Provisions, for which settlement is expected to occur more than one year after the initial recognition, are discounted to their present value and adjusted in subsequent closings for the time effect.

Restructuring and Capacity Adjustment Costs

A provision for restructuring and capacity adjustment costs is recognized only after management has developed and approved a formal plan to which it is committed. Employee termination benefits are recognized after the representatives of employees or individual employees have been informed of the intended measures in detail and the related compensation packages can be reliably measured. The costs included in a provision for capacity adjustment are those costs that are either incremental or incurred as a direct result of the plan or are the result of a continuing contractual obligation with no continuing economic benefit to Valmet or a penalty incurred to cancel the contractual obligation. Restructuring and capacity adjustment expenses are recognized in either cost of goods sold or selling, general and administrative expenses depending on the nature of the restructuring expenses. Restructuring costs can also include other

costs incurred as a result of the plan, which are recorded under other operating income and expenses, net, such as asset write-downs.

Environmental Remediation Costs

Valmet accrues for losses associated with environmental remediation obligations when such losses are probable and can be estimated reliably. Accruals for estimated losses from environmental remediation obligations generally are recognized no later than upon the completion of the remedial feasibility study. Such accruals are adjusted as further information develops or circumstances change. Recoveries of environmental remediation costs from other parties are recorded as assets when their receipt is deemed virtually certain.

Warranty Costs

A warranty accrual is recognized for the estimated warranty costs for each project. The main principle in measuring the warranty cost accrual is to book a certain percentage of a project's total costs as an accrual. The actual warranty costs of each project are booked against the warranty provision and thus the remaining warranty provision of each project can be followed. Actual warranty costs for projects are followed regularly in order to assess the feasible amount of warranty accrual.

Segment Reporting

Valmet supplies processes, machinery, services, clothing and filter fabrics for the pulp, paper and power industries Valmet's operations and profitability is reported as a single reportable segment and operative decisions have been made by the Board of Directors of Metso as Metso'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 items reduce the comparability of the Group's performance from one period to another.

Earnings per Share

As the carve-out financial statements have been prepared on a carve-out basis, it is not possible to measure earnings per share for any of the periods presented. Valmet has not had share capital nor can a portion of Metso's outstanding shares be allocated to it. Therefore, management considers that presenting an earnings per share ratio calculated on the carve-out information would not accurately reflect the historical earnings per share.

1.4 Critical Accounting Estimates and Judgments

The preparation of these carve-out financial statements has required management to make estimates and judgments affecting the amounts reported in these carve-out financial statements and the accompanying notes. These estimates and judgments, based on historical evidence and plausible future scenarios, have been evaluated at each balance sheet date. Actual results may differ from these estimates and judgments. The following assets and liabilities include a high degree of management estimates and assumptions and their carrying values can therefore materially differ from current values in the following financial years.

Carve-out Principles

These carve-out financial statements include allocations of revenues and expenses, assets and liabilities and cash flows as described above under 1.2 Basis of preparation. The most significant estimates, judgments and assumptions relate to the allocation of costs of certain corporate functions, the determination of current and deferred income taxes, uncertain tax positions and the composition of equity.

Trade Receivables

Valmet's policy is to calculate an impairment loss based on the best estimate of the amounts that are potentially uncollectable at the balance sheet date. The estimates are based on a systematic, on-going review and evaluation performed as part of the credit-risk evaluation process. As part of this evaluation, Valmet takes into account the history of collections, the size and compositions of the receivable balances, current economic events and conditions.

Inventory

Valmet's policy is to maintain a provision for slow-moving and obsolete inventory based on the best estimate of such amounts at the balance sheet date. The estimates are based on a systematic, on-going review and evaluation of inventory balances. As part of this evaluation, Valmet also considers the composition and age of the inventory compared to anticipated future needs.

Revenue Recognition

Valmet delivers complete installations to its customers, where the moment of signing a sales contract (firm commitment) and the final acceptance of a delivery by the customer may take place in different financial periods. In accordance with its accounting principles, Valmet applies the percentage of completion method ("POC method") for recognizing such long-term delivery contracts. In the years 2012, 2011 and 2010, approximately 59 percent, 50 percent and 57 percent of net sales were recognized mainly under the POC method, which is based on predetermined milestones and where the revenue is recognized based on the estimated realized value added. A projected loss on a firm commitment is recognized through profit and loss, when it becomes known. The estimated revenue, the costs and profit, together with the planned delivery schedule of the projects are subject to regular revisions as the contract progresses to completion. Revisions in profit estimates are charged through profit and loss in the period in which the facts that give rise to the revision become known. Although Valmet has significant experience using the POC method, the total costs estimated to be incurred on projects may change over time due to changes in the underlying project cost structures, which may ultimately affect the revenue recognized. Therefore, the POC method is not applied for recognizing sales commitments where the final outcome of the project and related cost structure cannot be pre-established reliably.

Hedging of Foreign Currency Denominated Firm Commitments

Under the Metso hedging policy, all Valmet entities have had to hedge their foreign currency risk when they have become engaged in a firm commitment denominated in a currency different of their functional currency. The commitment can be between Valmet and Metso entities or external to Valmet. When a firm commitment qualifies for recognition under the percentage of completion method, the entity applies cash flow hedge accounting and recognizes the effect of the hedging instruments in the OCI until the commitment is recognized. Though the characteristics triggering a firm commitment have been defined, the final realization of the unrecognized commitment depends also on factors beyond management control, which cannot be foreseen when initiating the hedge relationship. Such a factor can be a change in the market environment causing the other party to postpone or cancel the commitment. Management tries to the extent possible to include in the contracts clauses reducing the impact of such adverse events to the result.

Allocation of Purchase Price to Acquired Assets in Connection with Business Combinations

In accordance with the accounting principles, the purchase price is allocated to the acquired assets and assumed liabilities the excess being recognized as goodwill in the balance sheet. Whenever feasible, Valmet has used as a basis for such allocations readily available market values to determine the fair value to be recognized. However, when this has not been possible, as often is the case with non-current intangible assets and certain assets with no active markets or available price quotations, the valuation has been based on past performance of such asset and expected future cash generating capacity. The appraisals, which have been based on current replacement costs, discounted cash flows and estimated selling prices depending on the underlying asset, require management to make estimates and assumptions of the future performance and use of these assets and their impact on the financial position. Any change in Valmet's future business priorities and orientations may affect the planned outcome of initial appraisals.

Impairment Testing

The carrying value of identifiable intangible assets with indefinite economic life such as goodwill is tested annually or more frequently if events or changes in circumstances indicate that such carrying value may not be recoverable. The carrying values of property, plant and equipment and intangible assets, subject to depreciation and amortization are reviewed for impairment whenever there are indications that their carrying values could exceed their value in use or disposal value if disposal is considered as a possible option. In 2012, Valmet recognized an impairment of EUR 15 million on fixed assets compared to EUR 2 million in 2011 and EUR 6 million in 2010.

Triggering events for impairment reviews include the following:

- Material permanent deterioration in the economic or political environment of the customers' or of own activity;
- Business' or asset's significant under-performance relative to historical or projected future performance; and

- Significant changes in Valmet's strategic orientations affecting the business plans and previous investment policies.

The policy related to the impairment tests is based on numerous estimates. The valuation is inherently judgmental and highly susceptible to change from period to period, because it requires management to make assumptions about future supply and demand related to its individual business units, future sales prices and achievable cost savings. The value of the benefits and savings expected from the efficiency improvement programs are inherently subjective. The fair value of the cash generating unit is determined using a derived weighted average cost of capital as the rate to discount estimated future cash flows. This rate may not be indicative of actual rates obtained in the market. Note 10 discloses the sensitivity analyses for goodwill impairment testing for each of Valmet's significant cash generating units and for each period presented in these carve-out financial statements.

Reserves for Restructuring Costs

Reserves for capacity adjustments and restructuring costs are recognized when the requirements for recognition are satisfied. For reason beyond the control of management the final costs may differ from the initial amount reserved. The amount of reserves for restructuring costs amounted to EUR 12 million, EUR 9 million and EUR 16 million as at December 31, 2012, December 31, 2011 and December 31, 2010, respectively.

Reserves for Warranty and Guarantee Costs

The warranty and guarantee reserve is based on the history of past warranty costs and claims on machines and equipment under warranty. The typical warranty period is 12 months from the date of customer acceptance of the delivered equipment. For larger projects, the average warranty period is two years. For sales involving new technology and long-term delivery contracts, additional warranty reserves can be established on a case by case basis to take into account the potentially increased risk.

Pensions

In accordance with IAS 19, the benefit expense for defined benefit arrangements is based on assumptions that include the following:

- A weighted average expected return assessed in the beginning of the financial year on plan assets. Actual return on plan assets may differ significantly based on market activity.

- An assumed discount rate based on rates observed in the beginning of the financial year to be used in the calculation of the current year pension expense and pension liability balance. This rate may not be indicative of actual rates realized in the market.

- Estimated rates of future pay increases. Actual increases may not reflect estimated future increases. Due to the significant change in the Group's structure and the uncertainty of the global market place, these estimates are difficult to project.

The actuarial experience that differs from the assumptions and changes in the assumptions results in gains and losses, which are recognized in OCI.

Financial Instruments

In accordance with the disclosure requirements on financial instruments, the management is obliged to make certain assumptions of the future cash in- and outflows arising from such instruments. The management has also had to assume that the fair values of derivatives, especially foreign currency denominated derivatives at balance sheet date materially reflect the future realized cash in- or outflow of such instruments.

New Standards and Interpretations Not Yet Adopted

IFRS 10 - In May 2011, IASB published IFRS 10 "Consolidated Financial Statements", which defines the principle of control, which is the basis for consolidation to be used to identify whether an investor controls an investee and therefore must consolidate it. The standard replaces IAS27 and covers the principles for the presentation and preparation of consolidated financial statements. The standard will apply to accounting periods beginning on or after January 1, 2013, however, its application becomes compulsory for accounting periods beginning after December 31, 2013. The standard will not have a material impact on our financial statements.

IFRS 11 - In May 2011, IASB published IFRS 11 "Joint Arrangements" on how a party to a joint arrangement should account for its involvement in such an arrangement. The entity has to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and account for those rights and obligations in accordance. The joint arrangement can either be a joint operation or a joint venture. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The standard apply to accounting periods beginning on or after January 1, 2013, however, its application becomes compulsory for accounting periods beginning after December 31, 2013. The standard will not have a material impact on our financial statements.

IFRS 12 - In May 2011, IASB published IFRS 12 "Disclosure of Interests in Other Entities", which requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, the preparer's interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. The standard will apply to accounting periods beginning on or after January 1, 2013, however, its application becomes compulsory for accounting periods beginning after December 31, 2013. The standard will not have a material impact on our financial statement disclosures.

IFRS 13 - In May 2011, IASB published IFRS 13 "Fair Value Measurement", which defines fair value, sets out in one standard a framework for measuring fair value and sets disclosures requirements about fair value measurements. It increases consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorizes the inputs used in valuation techniques into three levels giving the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The standard is applicable to accounting periods beginning on or after January 1, 2013. The standard will not have a material impact on our financial statement disclosures.

IAS 1, amendment - In June 2011, IASB published an amendment to IAS 1 "Presentation of Financial Statements". The amendment to the standard continues to allow the entity to choose between the 'one or two income statement' presentations, but revises the way other comprehensive income is presented. It requires separate subtotals for those elements which may be 'recycled' at a future date such as translation differences on disposal of a subsidiary and for those elements that will not be 'recycled' such as actuarial gains and losses under the revised IAS 19. The amendment is effective for annual periods beginning on or after July 1, 2012. Valmet has started applying the standard in the accounting period beginning on January 1, 2013. Valmet will continue to present a separate income statement and a statement of comprehensive income.

IAS 19, amendment - In June 2011, IASB published an amendment to IAS 19 "Employee Benefits". It requires recognition of changes in the net defined benefit liability (asset) including immediate recognition of defined benefit cost, eliminating the option to defer the recognition of gains and losses, known as the 'corridor method'. It requires disaggregation of the defined benefit cost into three components: service, net interest and re-measurement component, the last one being recognized under other comprehensive income. Net interest is calculated using high quality bond yield rate. The amendment requires enhanced disclosures about defined benefit plans. The amendment is applicable to annual periods beginning on or after January 1, 2013. Apart from the effect of the immediate recognition of past service cost, the amendment will not impact the amount of the defined benefit liability (asset) in the financial statements, because Valmet does not apply the 'corridor method'. The calculation of net interest will impact the benefit cost reported in the income statement if the annual return calculated on assets has been higher than the discount rate applied to the benefit liability. The recognition of past service cost would not have had impact to net liability. Valmet will apply it to accounting period beginning on January 1, 2013.

IFRS 9 - In November 2009, IASB published IFRS 9 "Financial instruments: Recognition and measurement". The standard represents the first phase in the replacement of IAS 39. It simplifies classification of financial assets and requires them to be measured either at amortized costs or at fair value. In October 2010, IASB published the second part of IFRS 9 'Financial Liabilities – Classification and Measurement' according to which the accounting and presentation for financial liabilities shall remain unchanged except for those financial liabilities for which fair value option is applied. The next steps will involve impairment of financial assets and development of hedge accounting. The entire standard, once completed, is now expected to become effective for accounting periods beginning on or after January 1, 2015. Until the entire standard is finalized, we cannot assess its impact on our financial statements.

2. Financial Risk Management

Valmet Corporation has historically been part of Metso Group and its financial risks have been managed centrally by the Metso Group Treasury under annually reviewed written policies approved by Metso's Board of Directors. Treasury operations have been monitored by the Treasury Management Team chaired by the CFO of Metso. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the operating units. Group Treasury functions

as a counterparty to the operating units, manages centrally external funding and is responsible for the management of financial assets and appropriate hedging measures. The objective of financial risk management is to minimize potential adverse effects on Valmet's financial performance. In connection with the demerger, Valmet will set its own treasury function and develop its own financial risk management policies in order to maintain an effective risk management function.

Sensitivity Analysis

Sensitivity analysis figures presented in connection with different financial risks are based on the risk exposures at each balance sheet date. Sensitivity is calculated by assuming a change in one of the risk factors of a financial instrument, such as interest or currency. It is not likely that the future volatility of a risk factor will develop in accordance with the test assumptions and that only one factor would be impacted.

When calculating sensitivity, commonly used market conventions have been chosen in assuming a one percentage point (100 basis points) variation in interest rates, 10 percent change in foreign exchange rates and in commodity prices because these provide better comparability from one period to another and information on the volatility to users of financial statements. Valmet is aware that such assumptions may not be realistic when compared to past volatility and they are not intended to reflect the future. In accordance with Metso's historical policies, Valmet has chosen not to use past volatility as this could mislead the users of financial statements to assume the analysis reflect management's view on the future volatility of the financial instruments.

Liquidity and Refinancing Risk and Capital Structure Management

Liquidity or refinancing risk arises when a company is not able to arrange funding at terms and conditions corresponding to its creditworthiness. Valmet's liquidity and refinancing risks have been managed as part of Metso's financial risk management. Metso has maintained sufficient cash, short-term investments and committed and uncommitted credit facilities to protect short-term liquidity. Diversification of funding among different markets and adequate number of financial institutions is used to safeguard the availability of liquidity at all times. Metso's Group Treasury has monitored bank account structures, cash balances and forecasts of the operating units and manages the utilization of the consolidated cash resources.

At the end of 2012 cash and cash equivalents amounted to EUR 158 million (2011: EUR 308 million, 2010: EUR 158 million) and available-for-sale financial investments to EUR 1 million (2011: EUR 1 million, 2010: EUR 0 million). As part of Metso Valmet has participated in Metso Group cash pooling arrangements. Valmet's positive cash pool balances presented separately under Cash pooling receivables from Metso Group were EUR 184 million (2011: EUR 271 million, 2010: EUR 188 million). Metso has had a committed revolving credit facility of EUR 500 million available also for Valmet, which matures in 2015. The facility has been undrawn during years 2010–2012.

Liquidity risk management as described here excludes trade receivables (both interest and non-interest bearing) and similar financial receivables, as they have not been considered active risk management tools within the responsibility of Metso's Group Treasury. Similarly, non-interest bearing liabilities such as trade and other payables have not been included in liquidity management.

Refinancing risk is managed by balancing the proportion of short-term and long-term debt as well as the average remaining maturity of long-term debt. The tables below analyze the repayments and interests on Valmet's liabilities by the remaining maturities from each the balance sheet date to the contractual maturity date.

Metso Group liabilities comprise of Valmet's liability balances to be repaid to Metso, such as long and short term loans, trade payables and other liabilities including cash pool negative balances.

Maturities as at December 31, 2012

	<1 year		1–5 years		>5 years	
	External	Metso Group	External	Metso Group	External	Metso Group
			(EUR in millions)			
Long-term debt						
Repayments	64	28	132	68	–	482
Interests	5	26	4	91	–	22
Short-term debt						
Repayments	–	–	–	–	–	–
Interests	–	–	–	–	–	–
Negative cash pool balances	–	93	–	–	–	–
Trade payables	155	22	–	–	–	–
Other liabilities	58	7	–	–	–	–
Total	282	176	136	159	–	504

Maturities as at December 31, 2011

	<1 year		1–5 years		>5 years	
	External	Metso Group	External	Metso Group	External	Metso Group
			(EUR in millions)			
Long-term debt						
Repayments	84	8	195	76	1	482
Interests	8	26	12	93	0	22
Short-term debt						
Repayments	–	0	–	–	–	–
Interests	–	0	–	–	–	–
Negative cash pool balances	–	78	–	–	–	–
Trade payables	414	18	–	–	–	–
Other liabilities	66	4	–	–	–	–
Total	572	134	207	169	1	504

Maturities as at December 31, 2010

	<1 year		1–5 years		>5 years	
	External	Metso Group	External	Metso Group	External	Metso Group
			(EUR in millions)			
Long-term debt						
Repayments	46	8	256	83	14	482
Interests	8	27	16	95	0	22
Short-term debt						
Repayments	–	–	–	–	–	–
Interests	–	–	–	–	–	–
Negative cash pool balances	–	70	–	–	–	–
Trade payables	452	20	–	–	–	–
Other liabilities	42	6	–	–	–	–
Total	548	131	272	178	14	504

Valmet's capital has been managed as part of Metso Group's capital structure management which has comprised both equity and interest bearing debt. The objectives are to safeguard the ongoing business operations and to optimize the cost of capital. Details of the invested equity and interest bearing debt are presented in notes 19, 21 and 23.

Financial covenants included in some loan agreements refer to Metso's capital structure. Financial covenants in any Valmet's loan agreements will be separately set referring to Valmet's capital structure after the demerger. Metso has been in compliance with all covenants and other terms of its debt instruments.

Capital structure has been assessed as part of Metso Group's capital structure assessment regularly by the Board of Directors and managed operationally by the Group Treasury.

Interest Rate Risk

Interest rate risk arises when changes in market interest rates and interest margins influence finance costs, returns on financial investments and valuation of interest bearing balance sheet items. Valmet's interest rate risks have been managed as part of Metso through balancing the ratio between fixed and floating interest rates and duration of debt and investment portfolios. The interest rate risk has been managed and controlled by the Group Treasury and measured using

sensitivity analysis and duration of long term debt. The Macaulay Duration of Valmet's long term debt was 1.4 years on December 31, 2012 (2011: 1.6 years, 2010: 2.1 years).

The interest bearing assets and debt exposed to interest rate risk are presented in the table below on each balance sheet date.

	As at December 31, 2012		As at December 31, 2011		As at December 31, 2010	
	External	Metso Group	External	Metso Group	External	Metso Group
			(EUR in millions)			
Interest bearing assets	163	201	313	271	168	188
Interest bearing debt	196	671	282	644	316	643

Metso Group assets comprise mainly of the positive cash pool balances of Valmet in Metso Group cash pools. Negative cash pool balances are included in the interest bearing debt to Metso Group. Interest bearing debt to Metso includes also a EUR 482 million long term loan to Metso Svenska AB, which has been treated as a net investment. This loan was converted into equity in January 2013. This loan is not included in the calculation of the duration of long term debt. 93 percent of total interest bearing debt (2011: 91 percent and 2010: 89 percent) was denominated in EUR.

The basis for the interest rate risk sensitivity analysis has been calculated as an aggregate group level interest rate exposure, composed of interest bearing assets and interest bearing debt. For all interest bearing debt and assets to be fixed during next 12 months a one percentage point move upwards or downwards in interest rates with all other variables held constant would have an effect on Valmet's net interest expenses, net of taxes, of EUR -/+ 1.4 million (2011: EUR -/+ 2.5 million and 2010: EUR -/+ 1.1 million).

Foreign Exchange Risk

Valmet operates globally and is exposed to foreign exchange risk in several currencies, although the geographical diversity of operations decreases the significance of any individual currency. Over 80 percent of Valmet's net sales originate from outside euro zone; the main currencies being USD, EUR, BRL, CNY, SEK and AUD.

Transaction Exposure

Foreign exchange transaction exposure arises when an operating unit has commercial or financial transactions and payments in other than its own functional currency, and when related cash inflow and outflow amounts are not equal or concurrent.

In accordance with the Metso Treasury Policy, Valmet's operating units have been required to hedge in full the foreign currency exposures on balance sheet and other firm commitments. Future cash flows denominated in a currency other than the functional currency of the unit have been hedged with internal foreign exchange contracts with the Group Treasury for periods, which do not usually exceed two years. Valmet's operating units have also done some hedging directly with banks in countries, where regulation does not allow corporate internal cross-border contracts.

Group Treasury has monitored the net position of each currency and decided to what extent a currency position is to be closed. Group Treasury is however responsible for entering into external forward transaction whenever an operating unit applies hedge accounting. Metso Treasury Policy defines upper limits on the open currency exposures managed by the Group Treasury. To manage the foreign currency exposure Group Treasury may use forward exchange contracts and foreign exchange options.

Total amount of foreign currency exposures of Valmet at each balance sheet date was as follows:

	As at December 31,		
	2012	2011	2010
	(EUR in millions)		
Operational items	453	612	532
Financial items	35	10	17
Hedges	(480)	(653)	(519)
Total exposure	8	(31)	30

This aggregate Valmet group level currency exposure is the basis for the sensitivity analysis of foreign exchange risk. This exposure, net of respective hedges, is composed of all assets and liabilities denominated in foreign currencies, projected cash flows for unrecognized firm commitments, both short- and long-term sales and purchase contracts and

anticipated operational cash flows to the extent their realization has been deemed highly probable and therefore hedged. This analysis excludes net foreign currency investments in subsidiaries together with instruments hedging these investments. Assuming euro to appreciate or depreciate ten percent against all other currencies, the impact on cash flows, net of taxes, derived from the year-end 2012 net exposure as defined above, would be EUR -/+ 2.8 million (2011: EUR -/+ 2.1 million, 2010: EUR -/+ 1.5 million).

Transaction exposure is spread in about 20 currencies and, at each balance sheet date, the biggest open exposures and a 10 percent appreciation effect of those currencies, net of taxes, were as presented below.

	As at December 31,		
	2012	**2011**	**2010**
Biggest currency %	USD 38 %	SEK 22 %	USD 51 %
10 % impact, MEUR	+1.6	< +1.0	+2.2

A sensitivity analysis of financial instruments, excludes following items: projected cash flows for unrecognized firm commitments, both short- and long-term purchase contracts and anticipated operational cash flows. The table below presents the effects, net of taxes, of a +/- 10 percent change in EUR foreign exchange rates:

	As at December 31,		
	2012	**2011**	**2010**
		(EUR million)	
Effects in			
income statement	+/- 10.5	+/- 13.1	+/- 9.9
equity	+/- 14.0	+/- 24.3	+/- 29.2

Effect in equity is the fair value change in derivatives contracts qualifying as cash flow hedges for unrecognized firm commitments. Effect in income statement is the fair value change for all other financial instruments exposed to foreign exchange risk including derivatives, which qualify as cash flow hedges, to the extent the underlying sales transaction, recognized under the percentage of completion method, has been recognized as revenue.

Translation or Equity Exposure

Foreign exchange translation exposure arises when the equity of a subsidiary is denominated in currency other than the functional currency of the parent company. The major translation exposures in Valmet during 2010–2012 have been in CNY, BRL and JPY and also in USD during 2010–2011, which altogether comprised over 70 percent of the total equity exposure. As at December 31, 2010 over 90 percent of USD denominated equity exposure was hedged. Equity hedging was finished in 2011 and currently Valmet is not hedging any equity exposure.

Commodity Risk

Valmet is exposed to variations in prices of raw materials and of supplies including energy. Operating units have identified their commodity price hedging needs and hedges have been executed through the Group Treasury using approved counterparties and instruments. For commodity risks separate overall hedging limits are defined and approved. Hedging is done on a rolling basis with a declining hedging level over time.

Electricity exposure in the Scandinavian operating units has been hedged with electricity forwards and fixed price physical contracts, which are designated as hedges of highly probable future electricity purchases. Hedging is focused on the estimated energy consumption for the next two year period with some contracts extended to approximately five years. Execution of electricity hedging has been outsourced to an external broker. As at December 31, 2012 Valmet had outstanding electricity forwards amounting to 412 GWh (2011: 404 GWh, 2010: 491 GWh).

To reduce its exposure to the volatility caused by the surcharge for certain metal alloys (Alloy Adjustment Factor) comprised in the price of stainless steel charged by its suppliers, Valmet has entered into average-price swap agreements for nickel. The Alloy Adjustment Factor is based on monthly average prices of its components of which nickel is the most significant. As at December 31, 2012 Valmet had outstanding nickel swaps amounting to 198 tons (2011: 240 tons, 2010: 276 tons).

The following table on the sensitivity analysis of the commodity prices based on financial instruments comprises the net aggregate amount of commodities bought through forward contracts and swaps but excludes the anticipated future consumption of raw materials and electricity.

A 10 percent change upwards or downwards in commodity prices would have following effects, net of taxes:

	As at December 31,		
	2012	**2011**	**2010**
	(EUR in millions)		
Electricity – effect in equity	+/- 0.6	+/- 1.5	+/- 1.5
Electricity – effect in income statement	+/- 0.5	+/- 0.2	+/- 0.1
Nickel – effect in income statement	+/- 0.2	+/- 0.3	+/- 0.4

As cash flow hedge accounting is applied, the effective portion of electricity forwards is recognized in equity. The ineffective portion is recognized through profit and loss. Hedge accounting is not applied to nickel agreements, and the change in the fair value is recorded through profit and loss.

Credit and Counterparty Risk

Credit or counterparty risk is defined as the possibility of a customer or a financial counterparty not fulfilling its commitments towards Valmet. Operating units are primarily responsible for credit risks pertaining to sales and procurement activities. The units assess the credit quality of their customers, by taking into account their financial position, past experience and other relevant factors. When appropriate, advance payments, letters of credit and third party guarantees are used to mitigate credit risks. Group Treasury provides centralized services related to customer financing and seeks to ensure that the principles of the Treasury Policy are adhered to with respect to terms of payment and required collateral. Valmet has no significant concentrations of credit risks.

The maximum credit risk equals the carrying value of trade and loan receivables. The credit quality is evaluated both on the basis of aging of the trade receivables and also on the basis of customer specific analysis. The aging structure of trade receivables is presented in note 16.

Counterparty risk arises also from financial transactions agreed upon with banks, financial institutions and corporates. The risk has been managed centralized by Metso Group Treasury by careful selection of banks and other counterparties, by counterparty specific limits and netting agreements such as ISDA (Master agreement of International Swaps and Derivatives Association). The compliance with counterparty limits is regularly monitored.

The maximum amount of financial counterparty risk is calculated as the fair value financial assets available for sale, derivatives and cash and cash equivalents on the balance sheet date.

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 in 2010, 2011 or in 2012.

The tables below present Valmet's financial assets and liabilities that are measured at fair value:

	As at December 31, 2012		
	Level 1	Level 2	Level 3
	(EUR in millions)		
Assets			
Derivatives at fair value through profit and loss	–	3	–
Derivatives qualified for hedge accounting	–	3	–
Available for sale investments	1	–	–
Total assets	1	6	–
Liabilities			
Derivatives at fair value through profit and loss	–	6	–
Derivatives qualified for hedge accounting	–	2	–
Total liabilities	–	8	–

	As at December 31, 2011		
	Level 1	Level 2	Level 3
	(EUR in millions)		
Assets			
Derivatives at fair value through profit and loss	–	12	–
Derivatives qualified for hedge accounting	–	0	–
Available for sale investments	1	–	–
Total assets	1	12	–
Liabilities			
Derivatives at fair value through profit and loss	–	1	–
Derivatives qualified for hedge accounting	–	4	–
Total liabilities	–	5	–

	As at December 31, 2010		
	Level 1	Level 2	Level 3
	(EUR in millions)		
Assets			
Derivatives at fair value through profit and loss	–	4	–
Derivatives qualified for hedge accounting	–	17	–
Available for sale investments	0	–	–
Total assets	0	21	–
Liabilities			
Derivatives at fair value through profit and loss	–	0	–
Derivatives qualified for hedge accounting	–	0	–
Total liabilities	–	0	–

3. Selling, General and Administrative Expenses

	For the year ended December 31,		
	2012	2011	2010
	(EUR in millions)		
Marketing and selling expenses	(237)	(221)	(201)
Research and development expenses, net	(65)	(68)	(66)
Administrative expenses	(158)	(162)	(159)
Total	(460)	(451)	(426)

Research and Development Expenses, Net, Consist of Following:

	For the year ended December 31,		
	2012	2011	2010
	(EUR in millions)		
Research and development expenses, total	(62)	(68)	(64)
Capitalized development costs	–	–	0
Capital expenditure	2	5	3
Grants received	3	3	3
Depreciation and amortization	(8)	(8)	(8)
Research and development expenses, net	(65)	(68)	(66)

4. Other Operating Income and Expenses, Net

	For the year ended December 31,		
	2012	2011	2010
	(EUR in millions)		
Gain on sale of subsidiaries and businesses	–	–	1
Gain on sale of fixed assets	2	6	1
Royalty income	0	2	2
Rental income	1	1	2
Foreign exchange gains(1)	13	10	16
Other income	3	4	1
Other operating income, total	19	23	23
Loss on sale of subsidiaries and businesses	0	–	(1)
Loss on sale of fixed assets	(1)	(2)	0
Loss on sale of associated companies	–	(1)	–
Impairment on fixed assets(2)	(15)	(2)	(6)
Foreign exchange losses(1)	(13)	(8)	(11)
Other expenses	(4)	(1)	(3)
Other operating expenses, total	(33)	(14)	(21)
Other operating income and expenses, net	(14)	9	2

(1) Includes foreign exchange gains and losses resulting from trade receivables and payables and related derivatives.
(2) Of which EUR 13 million subsequent to impairment of Jyväskylä foundry fixed asset recognized in 2012.

5. Personnel Expenses and the Number of Personnel

Personnel expenses:

	For the year ended December 31,		
	2012	2011	2010
	(EUR in millions)		
Salaries and wages	(559)	(521)	(486)
Pension costs, defined contribution plans	(47)	(46)	(46)
Pension costs, defined benefit plans(1)	(4)	(4)	(2)
Other post-employment benefits(1)	(3)	(1)	(2)
Share-based payments	(2)	(1)	(2)
Other indirect employee costs	(109)	(101)	(96)
Total	(724)	(674)	(634)

(1) For more information, see note 25.

Number of personnel at end of year:

	2012	2011	2010
Total	12,547	12,637	12,207

Average number of personnel during the period:

	2012	2011	2010
Total	12,744	12,621	12,490

Remuneration Paid to Chief Executive Officer, Executive Vice President and Other Executive Team Members:

The historical remuneration for the management of Metso has in these carve-out financial statements been allocated to reflect management's contribution to the Valmet business as presented below. The contribution benefiting Valmet has been estimated at 50 percent during the periods presented.

The allocation in these carve-out financial statements may not be indicative of the expenses related to management remuneration Valmet will incur in the following financial years.

	Annual salary	Paid performance bonus	Fringe benefits	Share-based payment	Total
			(EUR)		
2012					
President and CEO and Executive Vice President	467,603	212,157	14,056	300,489	994,305
Other Executive Team members	752,137	214,025	37,163	388,043	1,391,368
Total	1,219,740	426,182	51,219	688,532	2,385,673
2011					
President and CEO and Executive Vice President	463,440	321,733	13,189	–	798,362
Other Executive Team members	676,798	428,798	30,458	–	1,136,054
Total	1,140,238	750,531	43,647	–	1,934,416
2010					
President and CEO and Executive Vice President	473,539	203,737	17,296	–	694,572
Other Executive Team members	682,380	161,392	28,409	–	872,181
Total	1,155,919	365,129	45,705	–	1,566,753

6. Depreciation and Amortization

	For the year ended December 31,		
	2012	2011	2010
	(EUR in millions)		
Intangible assets	(30)	(33)	(42)
Property, plant and equipment			
Buildings and structures	(14)	(13)	(13)
Machinery and equipment	(46)	(45)	(45)
Total	(90)	(91)	(100)

Depreciation and amortization by function are as follows:

	For the year ended December 31,		
	2012	2011	2010
	(EUR in millions)		
Cost of goods sold	(44)	(41)	(49)
Selling, general and administrative expenses			
Marketing and selling	(14)	(13)	(15)
Research and development	(8)	(8)	(7)
Administrative	(24)	(29)	(29)
Total	(90)	(91)	(100)

7. Financial Income and Expenses, Net

	For the year ended December 31,		
	2012	2011	2010
Financial income	(EUR in millions)		
Dividends received	0	0	0
Interest income on cash and cash equivalents	12	12	4
Interest income on Metso Group receivables	4	2	1
Net gain from foreign exchange	4	6	1
Other financial income	3	3	1
Financial income total	23	23	7
Financial expenses			
Interest expenses on financial liabilities at amortized cost	(10)	(12)	(11)
Interest expenses on financial liabilities, Metso Group	(27)	(26)	(30)
Interest expenses on financial leases	0	0	0
Other financial expenses	(4)	(4)	(3)
Financial expenses total	(41)	(42)	(44)
Financial income and expenses, net	(18)	(19)	(37)

Valmet's 2011 net gain from foreign exchange includes EUR 7 million of translation differences recognized through the statement of income related to the repayment of Metso Svenska AB's equity.

Interest expenses on financial liabilities, Metso Group includes interest expenses amounting to EUR 22 million, EUR 22 million and EUR 17 million for the years ended 31 December 2012, 2011 and 2010 from a EUR 482 million inter-company loan from Metso to Metso Svenska AB of which EUR 468 million was converted into equity and the difference repaid in 2013.

8. Income Taxes

The components of income taxes are as follows:

	For the year ended December 31,		
	2012	2011	2010
	(EUR in millions)		
Current tax expense	(43)	(36)	(30)
Deferred taxes	3	(10)	8
Income taxes, total	(40)	(46)	(22)

The differences between income tax expense computed at Finnish statutory rate (24.5 percent in 2012 and 26.0 percent in 2011 and 2010) and income tax expense provided on earnings are as follows:

	For the year ended December 31,		
	2012	2011	2010
	(EUR in millions)		
Income before taxes	117	155	69
Income tax expense at Finnish statutory rate	(29)	(40)	(18)
Income tax for prior years	(1)	1	0
Difference between Finnish and foreign tax rates	(9)	(7)	(3)
Non-deductible expenses	(2)	(1)	(1)
Other	1	1	0
Income tax expense	(40)	(46)	(22)

Tax effects of components in other comprehensive income:

	For the year ended December 31,								
	2012			2011			2010		
	Before taxes	Tax	After taxes	Before taxes	Tax	After taxes	Before taxes	Tax	After taxes
	(EUR in millions)								
Cash flow hedges	(4)	1	(3)	(12)	3	(9)	20	(6)	14
Available-for-sale equity investments	0	0	0	0	0	0	0	0	0
Defined benefit plan actuarial gains (+) / losses (-)	(10)	3	(7)	(22)	7	(15)	(4)	1	(3)
Currency translation on subsidiary net investments	3	(5)	(2)	(3)	(1)	(4)	53	(17)	36
Net investment hedge gains (+) / losses (-)	–	–	–	3	(1)	2	4	(1)	3
Total comprehensive income (+) / expense (-)	(11)	(1)	(12)	(34)	8	(26)	(73)	(23)	50
Current tax		(5)			(1)			(17)	
Deferred tax		4			9			(6)	
Total		(1)			8			(23)	

Reconciliation of deferred tax balances:

	Balance at beginning of year	Charged to income statement	Charged to other comprehensive income	Translation differences	Balance at end of year
			(EUR in millions)		
2012					
Deferred tax assets					
Tax losses carried forward	6	2	0	–	8
Fixed assets	22	1	–	1	24
Inventory	2	1	–	–	3
Provisions	18	(4)	0	1	15
Accruals	9	4	–	1	14
Pension related items	16	(4)	3	1	16
Other	10	(1)	1	(1)	9
Total deferred tax assets	83	(1)	4	3	89
Offset against deferred tax liabilities[1]	(20)	1	–	–	(19)
Net deferred tax assets	63	0	4	3	70
Deferred tax liabilities					
Purchase price allocations	42	(4)	–	0	38
Fixed assets	15	1	–	0	16
Other	2	(1)	–	0	1
Total deferred tax liabilities	59	(4)	–	0	55
Offset against deferred tax assets[1]	(20)	1	–	–	(19)
Net deferred tax liabilities	39	(3)	–	0	36
Deferred tax assets, net	24	3	4	3	34
2011					
Deferred tax assets					
Tax losses carried forward	14	(8)	0	–	6
Fixed assets	25	(3)	–	0	22
Inventory	5	(3)	–	–	2
Provisions	5	10	0	3	18
Accruals	6	3	–	–	9
Pension related items	15	(6)	7	0	16
Other	20	(11)	2	(1)	10
Total deferred tax assets	90	(18)	9	2	83
Offset against deferred tax liabilities[1]	(16)	(4)	–	–	(20)
Net deferred tax assets	74	(22)	9	2	63
Deferred tax liabilities					
Purchase price allocations	46	(4)	–	0	42
Fixed assets	14	1	–	0	15
Other	7	(5)	–	0	2
Total deferred tax liabilities	67	(8)	–	0	59
Offset against deferred tax assets[1]	(16)	(4)	–	–	(20)
Net deferred tax liabilities	51	(12)	–	0	39
Deferred tax assets, net	23	(10)	9	2	24

	Balance at beginning of year	Charged to income statement	Charged to other comprehensive income	Translation differences	Balance at end of year
			(EUR in millions)		
2010					
Deferred tax assets					
Tax losses carried forward	18	(4)	0	–	14
Fixed assets	11	14	–	0	25
Inventory	3	2	–	–	5
Provisions	16	(11)	–	0	5
Accruals	5	1	–	–	6
Pension related items	9	7	1	(2)	15
Other	30	(9)	(7)	6	20
Total deferred tax assets	92	0	(6)	4	90
Offset against deferred tax liabilities [1]	(19)	3	–	–	(16)
Net deferred tax assets	73	3	(6)	4	74
Deferred tax liabilities					
Purchase price allocations	51	(5)	–	0	46
Fixed assets	14	0	–	0	14
Other	10	(3)	–	0	7
Total deferred tax liabilities	75	(8)	–	0	67
Offset against deferred tax assets [1]	(19)	3	–	–	(16)
Net deferred tax liabilities	56	(5)	–	0	51
Deferred tax assets, net	17	8	(6)	4	23

(1) Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when the deferred income taxes relate to the same fiscal authority.

A deferred tax liability on undistributed profits of Valmet legal entities located in countries where distribution generates tax consequences is recognized when it is likely that earnings will be distributed in the near future. For the years ended December 31, 2012, 2011 and 2010, respectively, earnings of EUR 98 million, EUR 71 million and EUR 76 million would have been subject to recognition of a deferred tax liability, had Valmet regarded a distribution in the near future as likely.

9. Acquisitions

Valmet made no acquisitions during 2012.

In November 2011, Valmet acquired Fabco Inc. in Maine, USA for a consideration of less than EUR 2 million. No goodwill was recognized. Fabco Inc. manufactures and services filtration components for the pulp and paper industry and it employs approximately 20 persons. The company was consolidated into Valmet from November 1, 2011 onwards. The net sales and the net income impact to Valmet were immaterial for the year ended December 31, 2011.

In July 2010, Valmet acquired the service business of Wyesco of Louisiana L.L.C., in Louisiana, USA for a purchase price of EUR 3 million. This business, which was consolidated into Valmet from July 19, 2010 onwards, is a diverse repair service provider for pulp mills and related industry. The net sales and the net income impact to Valmet were immaterial for the year ended December 31, 2010.

10. Intangible Assets and Property, Plant and Equipment

Intangible assets

	Goodwill	Patents and licenses	Capitalized software	Other intangible assets	Intangible assets total
			(EUR in millions)		
2012					
Acquisition cost at beginning of year	443	54	66	241	804
Translation differences	2	0	0	1	3
Capital expenditure	–	1	1	5	7
Reclassifications	–	4	1	(5)	0
Other changes	–	(5)	7	0	2
Acquisition cost at end of year	445	54	75	242	816
Accumulated amortization at beginning of year	–	(33)	(45)	(128)	(206)
Translation differences	–	0	0	0	0
Other changes	–	5	(6)	0	(1)
Impairment losses	–	(1)	–	–	(1)
Amortization charges for the year	–	(5)	(6)	(19)	(30)
Accumulated amortization at end of year	–	(34)	(57)	(147)	(238)
Net book value at end of year	445	20	18	95	578

	Goodwill	Patents and licenses	Capitalized software	Other intangible assets	Intangible assets total
			(EUR in millions)		
2011					
Acquisition cost at beginning of year	441	53	63	239	796
Translation differences	2	0	0	1	3
Business acquisitions	0	0	–	1	1
Capital expenditure	–	1	1	7	9
Reclassifications	–	4	1	(5)	0
Other changes	–	(4)	1	(2)	(5)
Acquisition cost at end of year	443	54	66	241	804
Accumulated amortization at beginning of year	–	(31)	(39)	(107)	(177)
Translation differences	–	0	0	0	0
Other changes	–	3	0	2	5
Impairment losses	–	–	–	(1)	(1)
Amortization charges for the year	–	(5)	(6)	(22)	(33)
Accumulated amortization at end of year	–	(33)	(45)	(128)	(206)
Net book value at end of year	443	21	21	113	598
2010					
Acquisition cost at beginning of year	424	55	62	252	793
Translation differences	13	1	0	1	15
Business acquisitions[(1)]	4	0	0	(3)	1
Capital expenditure	–	0	0	6	6
Reclassifications	–	4	1	(5)	0
Other changes	–	(7)	0	(12)	(19)
Acquisition cost at end of year	441	53	63	239	796
Accumulated amortization at beginning of year	–	(31)	(33)	(94)	(158)
Translation differences	–	(1)	0	0	(1)
Other changes	–	8	2	17	27
Impairment losses	–	(2)	(1)	–	(3)
Amortization charges for the year	–	(5)	(7)	(30)	(42)
Accumulated amortization at end of year	–	(31)	(39)	(107)	(177)
Net book value at end of year	441	22	24	132	619

(1) Preliminary fair value allocations of Tamfelt business acquired in December 2009 were changed during 2010. The goodwill amount increased by EUR 3 million and other intangible assets were reduced accordingly.

Valmet participates in the European Emissions Tradings Scheme (EU ETS) and has been granted CO_2 emission rights of 70,972 units for the current compliance period of 2008–2012 against greenhouse gases emitted by its production units.

As at December 31, 2012, the remaining emission rights amounted to 32,412 units, the market value of which was roughly EUR 0.2 million.

For the year ended December 31, 2012 the amortization expense related to the intangible assets recognized through business acquisitions was EUR 18 million. The future amortization expense is expected to amount to EUR 17 million, EUR 14 million, EUR 13 million, EUR 12 million and EUR 12 million for the years 2013, 2014, 2015, 2016 and 2017, respectively.

Property, plant and equipment

	Land and water areas	Buildings and structures	Machinery and equipment	Assets under construction	Property, plant and equipment total
			(EUR in millions)		
2012					
Acquisition cost at beginning of year	20	359	850	33	1,262
Translation differences	0	2	1	(1)	2
Capital expenditure	–	1	19	32	51
Reclassifications	1	15	29	(45)	0
Other changes	0	(11)	(25)	0	(35)
Acquisition cost at end of year	21	366	874	19	1,280
Accumulated depreciation at beginning of year	–	(200)	(595)	–	(795)
Translation differences	–	(1)	(1)	–	(2)
Other changes	–	8	24	–	32
Impairment losses	–	(4)	(10)	–	(14)
Depreciation charges for the year	–	(14)	(46)	–	(60)
Accumulated depreciation at end of year	–	(211)	(628)	–	(839)
Net book value at end of year	21	155	246	19	441
2011					
Acquisition cost at beginning of year	20	349	838	21	1,228
Translation differences	0	3	8	1	12
Business acquisitions	–	–	0	–	0
Capital expenditure	–	6	14	47	67
Reclassifications	–	10	26	(36)	0
Other changes	0	(9)	(36)	0	(45)
Acquisition cost at end of year	20	359	850	33	1,262
Accumulated depreciation at beginning of year	–	(195)	(578)	–	(773)
Translation differences	–	(1)	(3)	–	(4)
Other changes	–	10	31	–	41
Impairment losses	–	(1)	0	–	(1)
Depreciation charges for the year	–	(13)	(45)	–	(58)
Accumulated depreciation at end of year	–	(200)	(595)	–	(795)
Net book value at end of year	20	159	255	33	467
2010					
Acquisition cost at beginning of year	20	328	803	25	1,176
Translation differences	0	13	32	1	46
Business acquisitions	–	–	1	–	1
Disposals of businesses	–	–	(9)	–	(9)
Capital expenditure	–	8	15	42	65
Reclassifications	–	15	31	(46)	0
Other changes	–	(15)	(35)	(1)	(51)
Acquisition cost at end of year	20	349	838	21	1,228
Accumulated depreciation at beginning of year	–	(185)	(551)	–	(736)
Translation differences	–	(6)	(21)	–	(27)
Disposals of businesses	–	–	9	–	9
Other changes	–	9	33	–	42
Impairment losses	–	–	(3)	–	(3)
Depreciation charges for the year	–	(13)	(45)	–	(58)
Accumulated depreciation at end of year	–	(195)	(578)	–	(773)
Net book value at end of year	20	154	260	21	455

For information on pledged assets, see note 26.

Assets leased under financial lease arrangements are included in property, plant and equipment as follows:

	Buildings and structures	Machinery and equipment	Property, plant and equipment total
		(EUR in millions)	
2012			
Acquisition cost at end of year	3	6	9
Accumulated depreciation at end of year	(2)	(6)	(8)
Net book value at end of year	1	0	1
2011			
Acquisition cost at end of year	3	6	9
Accumulated depreciation at end of year	(2)	(6)	(8)
Net book value at end of year	1	0	1
2010			
Acquisition cost at end of year	3	6	9
Accumulated depreciation at end of year	(2)	(6)	(8)
Net book value at end of year	1	0	1

Goodwill and Impairment Tests

The goodwill arising from business acquisitions is allocated as at the acquisition date to cash generating units expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

If Valmet reorganizes its reporting structure by changing the composition of one or more cash generating units to which goodwill has been allocated, the goodwill is reallocated to the units affected based on their relative fair values, which correspond to the present values of the cash generating units' cash flows at the time of the reorganization.

Valmet assesses the value of its goodwill for impairment annually or more frequently, if facts and circumstances indicate, that a risk of impairment exists. The assessment is done using fair value measurement techniques, such as the discounted cash flow methodology. The testing is performed on the cash generating unit level to which the goodwill has been allocated. The recoverable amount of a cash generating unit is based on value-in-use calculations. In the discounted cash flow method, Valmet discounts forecasted performance plans to their present value.

The performance plans, which include four years of projection, are calculated in the annual strategy process and subsequently approved by Valmet's management and Board of Directors. In addition to the projection period, the discounted cash flows include an additional year, which is extrapolated from the performance of the projection period adjusted for cyclicality of each cash generating unit. The growth rate reflecting the long-term average growth rate of businesses subject to testing, was estimated to be 1.7 percent from fourth year onwards for all the CGU's and all the three years presented in these carve-out statements. The forecasted sales and production volumes are based on current structure and existing property, plant and equipment used by each cash generating unit. The assumptions requiring most management judgment are the market and product mix. Values assigned to key assumptions reflect past experience. Data on growth, demand and price development provided by various research institutions are utilized in establishing the assumptions for the projection period.

The discount rates used in testing are derived from the weighted average cost of capital based on comparable peer industry betas, capital structure and tax rates. The impact of the tax is eliminated to obtain pre-tax discount rates.

As a result of the annual impairment tests, no impairment loss was recognized on goodwill in 2012, 2011 or 2010.

2012 Goodwill Impairment Tests

In the year ended December 31, 2012, the total amount of goodwill was EUR 445 million.

In 2012, Valmet had two cash generating units with goodwill. Power business line is a separate cash generating unit whereas the remainder business lines of Pulp, Paper and Power segment form one cash generating unit.

In the September 2012 annual test, the average EBITDAs (earnings before interest, tax, depreciation and amortization) of the tested cash generating units for the projection period 2012–2016 were the following: Power 9 percent and Other PPP 11 percent of net sales.

Summary of assumptions and impacts of sensitivity tests to present values:

		Sensitivity tests Reduction of present values	
	Derived weighted average cost of capital applied	**Terminal growth rate 1.2%**	**Increase of discount rate by 200 bp, terminal growth rate 1.2%**
2012			
Power	10.1 %	4 %	23 %
Other PPP	8.9 %	5 %	27 %

The sensitivity to impairment of each cash generating unit is tested by applying a change both in the discount and terminal growth rate. The discount rate is increased by 200 basis points and the terminal growth rate is dropped from 1.7 percent to 1.2 percent. The sensitivity tests in 2012 did not indicate any impairment need.

Management believes that no reasonably possible change of the key assumptions used would cause the carrying value of any cash generating unit to exceed its recoverable amount.

From time to time the sensitivity tests include several cash projections based on reasonable change in the future performance of a unit. However, the impact to the fair value obtained is limited as long as there is no permanent weakening expected for the business, which would affect the terminal value. These projections have not led to impairment.

Summary of changes in Valmet's goodwill is as follows:

	2012				
	Balance at beginning of year	**Translation differences and other changes**	**Acquisitions**	**Balance at end of year**	**As percent of total goodwill**
	(EUR in millions)				
Power business line	211	1	–	212	48 %
Other PPP	232	1	–	233	52 %
Total	443	2	–	445	100 %

2011 Goodwill Impairment Tests

In the year ended December 31, 2011, the total amount of goodwill was EUR 443 million.

Subsequent to the reorganization announced in September 2011 the number of cash generating units changed as the Fabrics business line and Tissue business line were combined with the Paper business line and the goodwill of Fabrics and Tissue was allocated to Paper.

In 2011, Valmet had three cash generating units with goodwill: Power business line, Paper & Fabrics & Tissue business line and Fiber business line.

In the September 2011 annual test, the average EBITDAs (earnings before interest, tax, depreciation and amortization) of the tested cash generating units for the projection period 2011–2015 were following: Power 9 percent, Paper & Fabrics & Tissue 11 percent and Fiber 9 percent of net sales.

Summary of assumptions and impacts of sensitivity tests to present values:

		Sensitivity tests Reduction of present values	
	Derived weighted average cost of capital applied	Terminal growth rate 1.2%	Increase of discount rate by 200 bp, terminal growth rate 1.2%
2011			
Power	11.1 %	4 %	21 %
Paper&Fabrics&Tissue	10.7 %	4 %	21 %
Fiber	10.7 %	4 %	20 %

The sensitivity to impairment of each cash generating unit is tested by applying a change both in the discount and terminal growth rate. The discount rate is increased by 200 basis points and the terminal growth rate is dropped from 1.7 percent to 1.2 percent. The sensitivity tests did not indicate any impairment need.

Sensitivity tests using same assumptions performed in 2010 indicated that the goodwill allocated to the Fabrics business line would have been impaired by EUR 34 million if the terminal growth rate were reduced from 1.7 percent to 1.2 percent and the discount rate increased from 9.7 percent to 11.7 percent. Even if the business line was combined with the Paper business line and its performance is not anymore analyzed separately by the management, the goodwill was reviewed for impairment in September 2011. The sensitivity tests showed that there was no indication of impairment.

Management believes that no reasonably possible change of the key assumptions used would cause the carrying value of any cash generating unit to exceed its recoverable amount.

From time to time the sensitivity tests include several cash projections based on reasonable change in the future performance of a unit. However, the impact to the fair value obtained is limited as long as there is no permanent weakening expected for the business, which would affect the terminal value. These projections have not led to impairment.

A summary of changes in Valmet's goodwill is as follows:

	2011				
	Balance at beginning of year	Translation differences and other changes	Acquisitions	Balance at end of year	As percent of total goodwill
	(EUR in millions)				
Power	211	0	–	211	48 %
Paper&Fabrics&Tissue	151	2	–	153	35 %
Fiber	79	0	–	79	18 %
Total	441	2	–	443	100 %

2010 Goodwill Impairment Tests

In the year ended December 31, 2010, the total amount of goodwill was EUR 441 million.

The goodwill from acquisitions done in 2010 was allocated to Paper and Fiber Technology. The final goodwill of EUR 73 million arising from the Tamfelt acquisition realized in 2009 was allocated in 2010 to the Fabrics business line (Tamfelt business) for EUR 33 million and to Paper business line for EUR 40 million to reflect latter's expected improvement in profitability gained from the acquisition. Both business lines are included in the Paper and Fiber Technology.

In 2010, Valmet had five cash generating units with goodwill: Power business line, Paper business line, Fiber business line, Fabrics business line and Tissue business line.

In the September 2010 annual test, the average EBITDAs (earnings before interest, tax, depreciation, amortization and goodwill impairment) of the tested units for the projection period 2010–2014 were following: Power 9 percent, Paper 11 percent, Fiber 15 percent, Fabrics 15 percent and Tissue 6 percent of net sales.

The carrying amount of goodwill allocated to Fabrics and Tissue business lines is not significant in comparison with Valmet's total carrying amount of goodwill. Therefore, detailed disclosures are not required nor presented for these cash generating units.

Summary of assumptions and impacts of sensitivity tests to present values:

		Sensitivity tests Reduction of present values	
	Derived weighted average cost of capital applied	Terminal growth rate 1.2%	Increase of discount rate by 200 bp, terminal growth rate 1.2%
2010			
Power	10.4 %	4 %	23 %
Paper	10.6 %	4 %	20 %
Fiber	9.6 %	4 %	21 %

The sensitivity to impairment of each cash generating unit is tested by applying a change both in the discount and terminal growth rate. The discount rate is increased by 200 basis points and the terminal growth rate is dropped from 1.7 percent to 1.2 percent.

A reduced terminal growth rate did not indicate any impairment need whereas the combined effect of the two assumptions indicated an impairment risk of the goodwill in the Fabrics business line by about EUR 34 million. For this cash generating unit the break even point where the discounted present value equaled the carrying value of the net assets would have been reached with a discount rate of 10.5 percent terminal growth rate being 1.7 percent compared to a discount rate of 9.7 percent applied in the annual impairment test. Using this latter discount rate the average minimum EBITA required for break even would have been 14.7 percent compared to 15.2 percent used in the cash flow projections.

Despite the results from the sensitivity tests, management believes that no reasonably possible change of the key assumptions used would cause the carrying value of any cash generating unit to exceed its recoverable amount.

From time to time the sensitivity tests include several cash projections based on reasonable change in the future performance of a unit. However, the impact to the fair value obtained is limited as long as there is no permanent weakening expected for the business, which would affect the terminal value. These projections have not led to impairment.

A summary of changes in Valmet's goodwill is as follows:

	2010				
	Balance at beginning of year	Translation differences and other changes	Acquisitions	Balance at end of year	As percent of total goodwill
	(EUR in millions)				
Power	211	0	–	211	48 %
Paper	107	4	–	111	25 %
Fiber	69	9	1	79	18 %
Other	37	0	3	40	9 %
Total	424	13	4	441	100 %

11. Investments in Associated Companies

Valmet Group included the following associated companies at December 31:

	As at December 31,		
	Country	Share of ownership	Carrying value (EUR in millions)
Company name			
2012			
Allimand S.A.	France	35.8%	4
NoviterBel	Belarus	45.0%	0
2011			
Allimand S.A.	France	35.8%	4
Kombinova Teplotehnika	Russia	28.2%	0
NoviterBel	Belarus	45.0%	0
2010			
Allimand S.A.	France	35.8%	5
Kombinova Teplotehnika	Russia	28.2%	0
NoviterBel	Belarus	45.0%	0

	2012	2011	2010
	(EUR in millions)		
Investments in associated companies			
Acquisition cost at beginning of year	1	1	2
Disposals and other decreases	–	0	(1)
Acquisition cost at end of year	1	1	1
Equity adjustments in investments in associated companies			
Equity adjustments at beginning of year	3	4	3
Share of results	0	0	0
Translation differences	0	0	0
Dividend income	0	0	0
Disposals and other changes	–	(1)	1
Equity adjustments at end of year	3	3	4
Carrying value of investments in associated companies at end of year	4	4	5

The 2010 disposal in associated companies comprise Valmet 30 percent share in Elomatic-Papertech Oy.

The amounts representing Valmet's share of the assets and liabilities, net sales and results of the associated companies, which have been accounted for using the equity method are presented below:

	As at and for the year ended December 31,		
	2012	2011	2010
	(EUR in millions)		
Assets	13	13	16
Liabilities	9	9	11
Net sales	15	15	16
Profit	0	0	0

Related party transactions

The following transactions were carried out with associated companies and the following balances have arisen from such transactions:

	As at and for the year ended December 31,		
	2012	2011	2010
	(EUR in millions)		
Net sales	2	1	1
Purchases	–	–	–
Receivables	0	0	1
Payables	0	–	–

12. Available-for-Sale Equity Investments

The available-for-sale equity investments as at December 31, 2012, 2011 and 2010 comprise EUR 1 million publicly listed shares which are valued at their market value. The remaining EUR 3 million as at December 31, 2012, 2011 and 2010 consist of various industrial participations, shares in real estate companies and other shares for which market values do not exist and thereby they are valued at cost.

The available-for-sale equity investments have changed as follows:

	2012	2011	2010
	(EUR in millions)		
Carrying value at beginning of year	4	4	6
Additions	–	–	0
Changes in fair values	0	0	0
Disposals and other changes	–	0	(2)
Carrying value at end of year	4	4	4

13. Inventory

	As at December 31,		
	2012	2011	2010
	(EUR in millions)		
Materials and supplies	91	84	80
Work in process	401	473	323
Finished products	62	59	48
Total inventory	554	616	451

The cost of inventories recognized as expense was EUR 2,363 million, EUR 2,047 million and EUR 1,875 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Provision for inventory obsolescence has changed as follows:

	2012	2011	2010
	(EUR in millions)		
Balance at beginning of year	14	13	12
Impact of exchange rates	0	0	0
Additions charged to expense	6	5	3
Used reserve	(1)	(2)	(1)
Deductions / other additions	(5)	(2)	(1)
Balance at end of year	14	14	13

14. Percentage of Completion

Net sales recognized under the percentage of completion method amounted to EUR 1,763 million, or 59 percent of net sales, in 2012. Net sales recognized under the percentage of completion method amounted to EUR 1,340 million, or 50 percent of net sales, in 2011 and EUR 1,384 million, or 56 percent of net sales, in 2010.

Information on balance sheet items of uncompleted projects at December 31 is as follows:

	Cost and earnings of uncompleted projects	Billings of projects	Net
		(EUR in millions)	
2012			
Projects where cost and earnings exceed billings	1,393	1,223	170
Projects where billings exceed cost and earnings	1,402	1,804	402
2011			
Projects where cost and earnings exceed billings	1,450	1,252	198
Projects where billings exceed cost and earnings	1,082	1,545	463
2010			
Projects where cost and earnings exceed billings	1,442	1,278	164
Projects where billings exceed cost and earnings	651	865	214

15. Change in Net Working Capital

Change in net working capital, net of effect from business acquisitions and disposals:

	As at December 31,		
	2012	2011	2010
	(EUR in millions)		
Increase (-) / decrease (+) in assets and increase (+) / decrease (-) in liabilities::			
Inventory	63	(163)	(65)
Trade and other receivables	38	(89)	(107)
Percentage of completion: recognized assets and liabilities, net	(21)	216	(8)
Trade and other payables	(320)	141	259
Total	(240)	105	79

16. Interest Bearing and Non-Interest Bearing Receivables

	As at December 31,								
	2012			2011			2010		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
	(EUR in millions)								
Interest bearing receivables									
Loan receivables	4	0	4	5	0	5	5	1	6
Loan receivables, Metso Group	–	17	17	–	–	–	–	–	–
Loan receivables	4	17	21	5	0	5	5	1	6
Available-for-sale financial investments	–	1	1	–	1	1	–	–	–
Trade receivables	–	–	–	–	–	–	–	4	4
Cash pooling receivables, Metso Group	–	184	184	–	271	271	–	188	188
Total	4	202	206	5	272	277	5	193	198
Non-interest bearing receivables									
Loan receivables	0	0	0	0	0	0	0	0	0
Loan receivables, Metso Group	0	–	0	0	–	0	–	–	0
Loan receivables	0	0	0	0	0	0	–	0	0
Trade receivables	–	438	438	1	460	461	–	376	376
Trade receivables, Metso Group	–	5	5	–	13	13	–	9	9
Trade receivables	–	443	443	1	473	474	–	385	385
Prepaid expenses and accrued income	–	42	42	–	34	34	–	28	28
Prepaid expenses and accrued income, Metso Group	–	3	3	–	1	1	–	–	–
Prepaid expenses and accrued income	–	45	45	–	35	35	–	28	28
Other receivables	12	50	62	13	63	76	11	63	74
Other receivables, Metso Group	119	34	153	132	26	158	132	28	160
Other receivables, total	131	84	215	145	89	234	143	91	234
Total	131	572	703	146	597	743	143	504	647

Other receivables include group contribution receivables from Metso of EUR 34 million in 2012, EUR 26 million in 2011 and EUR 28 million in 2010.

Valmet's cash has been managed as part of Metso Group's cash management by investing in financial instruments with varying maturities. Instruments exceeding maturity of three months are classified as available-for-sale financial investments.

Provision for impairment has changed as follows:

	2012	2011	2010
		(EUR in millions)	
Balance at beginning of year	15	14	15
Impact of exchange rates	0	0	1
Additions charged to expense	2	5	3
Used reserve	(1)	(3)	(3)
Deductions / other additions	(1)	(1)	(2)
Balance at end of year	15	15	14

Analysis of non-interest bearing trade receivables by age:

	As at December 31,		
	2012	2011	2010
		(EUR in millions)	
Trade receivables, not due at reporting date	288	349	302
Trade receivables 1-30 days overdue	85	57	34
Trade receivables 31-60 days overdue	23	19	17
Trade receivables 61-90 days overdue	11	13	11
Trade receivables 91-180 days overdue	12	20	9
Trade receivables more than 180 days overdue	24	15	12
Total	443	473	385

17. Financial Assets and Liabilities

Financial assets and liabilities divided by categories were as follows as at December 31:

	Financial assets at fair value through profit and loss	Derivatives qualified for hedge accounting	Loans and receivables	Available-for-sale financial assets	Carrying value	Fair value
			(EUR in millions)			
2012						
Non-current assets						
Available-for-sale equity investments	–	–	–	4	4	4
Loan receivables	–	–	4	–	4	4
Derivative financial instruments	–	–	–	–	–	–
Other non-current assets	–	–	12	–	12	12
Other receivables, Metso Group	–	–	119	–	119	119
Total	0	–	135	4	139	139
Current assets						
Loan receivables	–	–	0	–	0	0
Loan receivables, Metso Group	–	–	17	–	17	17
Cash pooling receivables, Metso Group	–	–	184	–	184	184
Available-for-sale financial investments	–	–	–	1	1	1
Trade receivables	–	–	438	–	438	438
Trade receivables, Metso Group	–	–	5	–	5	5
Derivative financial instruments	3	3	–	–	6	6
Other receivables	–	–	50	–	50	50
Other receivables, Metso Group	–	–	34	–	34	34
Total	3	3	728	1	735	735

	Financial liabilities at fair value through profit and loss	Derivatives qualified for hedge accounting	Financial liabilities measured at amortized cost	Carrying value	Fair value
			(EUR in millions)		
Non-current liabilities					
Loans from financial institutions	–	–	132	132	139
Long-term debt, Metso Group	–	–	550	550	582
Other long-term debt	–	–	1	1	1
Derivative financial instruments	–	1	–	1	1
Total	–	1	683	684	723
Current liabilities					
Current portion of long-term debt	–	–	64	64	64
Current portion of long-term debt, Metso Group	–	–	28	28	28
Cash pooling liabilities, Metso Group	–	–	93	93	93
Trade payables	–	–	155	155	155
Trade payables, Metso Group	–	–	22	22	22
Derivative financial instruments	6	0	–	6	6
Other liabilities	–	–	56	56	56
Other liabilities, Metso Group	–	–	4	4	4
Total	6	0	422	428	428

	Financial assets at fair value through profit and loss	Derivatives qualified for hedge accounting	Loans and receivables	Available-for-sale financial assets	Carrying value	Fair value
			(EUR in millions)			
2011						
Non-current assets						
Available-for-sale equity investments	–	–	–	4	4	4
Loan receivables	–	–	5	–	5	5
Derivative financial instruments	–	–	–	–	–	–
Trade receivables	–	–	1	–	1	1
Other non-current assets	–	–	13	–	13	13
Other receivables, Metso Group	–	–	132	–	132	132
Total	0	–	151	4	155	155
Current assets						
Loan receivables	–	–	0	–	0	0
Cash pooling receivables, Metso Group	–	–	271	–	271	271
Available-for-sale financial investments	–	–	–	1	1	1
Trade receivables	–	–	460	–	460	460
Trade receivables, Metso Group	–	–	13	–	13	13
Derivative financial instruments	12	0	–	–	12	12
Other receivables	–	–	63	–	63	63
Other receivables, Metso Group	–	–	26	–	26	26
Total	12	–	833	1	846	846

	Financial liabilities at fair value through profit and loss	Derivatives qualified for hedge accounting	Financial liabilities measured at amortized cost	Carrying value	Fair value
			(EUR in millions)		
Non-current liabilities					
Loans from financial institutions	–	–	196	196	203
Long-term debt, Metso Group	–	–	558	558	575
Other long-term debt	–	–	2	2	2
Derivative financial instruments	–	1	–	1	1
Total	–	1	756	757	781
Current liabilities					
Current portion of long-term debt	–	–	84	84	84
Current portion of long-term debt, Metso Group			8	8	8
Short-term debt	–	–	2	2	2
Cash pooling liabilities, Metso Group	–	–	78	78	78
Trade payables	–	–	414	414	414
Trade payables, Metso Group	–	–	18	18	18
Derivative financial instruments	1	3	–	4	4
Other liabilities	–	–	64	64	64
Other liabilities, Metso Group	–	–	4	4	4
Total	1	3	672	676	676

	Financial assets at fair value through profit and loss	Derivatives qualified for hedge accounting	Loans and receivables	Available-for-sale financial assets	Carrying value	Fair value
			(EUR in millions)			
2010						
Non-current assets						
Available-for-sale equity investments	–	–	–	4	4	4
Loan receivables	–	–	5	–	5	5
Derivative financial instruments	0	2	–	–	2	2
Other non-current assets	–	–	11	–	11	11
Other receivables, Metso Group	–	–	132	–	132	132
Total	0	2	148	4	154	154
Current assets						
Loan receivables	–	–	1	–	1	1
Cash pooling receivables, Metso Group	–	–	188	–	188	188
Available-for-sale financial investments	–	–	–	–	–	–
Trade receivables	–	–	380	–	380	380
Trade receivables, Metso Group	–	–	9	–	9	9
Derivative financial instruments	4	15	–	–	19	19
Other receivables	–	–	63	–	63	63
Other receivables, Metso Group	–	–	28	–	28	28
Total	4	15	669	–	688	688

	Liabilities at fair value through profit and loss	Derivatives qualified for hedge accounting	Financial liabilities measured at amortized cost	Carrying value	Fair value
			(EUR in millions)		
Non-current liabilities					
Loans from financial institutions	–	–	270	270	279
Long-term debt, Metso Group	–	–	565	565	597
Other long-term debt	–	–	2	2	2
Total	–	–	837	837	878
Current liabilities					
Current portion of long-term debt	–	–	46	46	46
Current portion of long-term debt, Metso Group	–	–	8	8	8
Short-term debt	–	–	0	0	0
Cash pooling liabilities, Metso Group	–	–	70	70	70
Trade payables	–	–	452	452	452
Trade payables, Metso Group	–	–	20	20	20
Derivative financial instruments	0	–	0	0	0
Other liabilities	–	–	40	40	40
Other liabilities, Metso Group	–	–	6	6	6
Total	–	–	642	642	642

For more information on derivative financial instruments, see note 28.

18. Cash and Cash Equivalents

	As at December 31,		
	2012	2011	2010
	(EUR in millions)		
Bank and cash	75	178	143
Commercial papers and other investments	83	130	15
Total cash and cash equivalents	158	308	158

19. Equity

Share Capital and Number of Shares

As Valmet Corporation is established through demerger and carve-out financial statements are prepared with the principles described in note 1, no share capital is presented separately for historical periods. Metso's shareholders will received as demerger consideration one (1) share in Valmet for each share in Metso owned. The outstanding number of shares in Metso at 31.12.2012 was 149,756,034 shares. Valmet Corporation's share capital of EUR 100,000,000 will be registered on the effective date of the demerger.

Dividends

Valmet has paid dividends 2010, 2011 and 2012 to those Metso Corporation's subsidiaries that have owned the shares in such Valmet Group companies.

Fair Value and Other Reserves

Hedge reserve includes the fair value movements of derivative financial instruments which qualify as cash flow hedges.

Fair value reserve includes the change in fair values of assets classified as available-for-sale.

Legal reserve consists of restricted equity, which has been transferred from distributable funds under the Articles of Association, local company act or by a decision of the shareholders.

Changes in fair value and other reserves:

	Hedge reserve	Fair value reserve	Legal reserve	Other reserves	Total
			(EUR in millions)		
Balance as at December 31, 2009	(3)	0	3	0	0
Cash flow hedges					
Fair value gains (+) / losses (-), net of taxes	7	–	–	–	7
Transferred to profit and loss, net of taxes					
Net sales	7	–	–	–	7
Cost of goods sold / Administrative expenses	0	–	–	–	0
Available-for-sale equity investments					
Fair value gains (+) / losses (-), net of taxes	–	0	–	–	0
Transferred to profit and loss, net of taxes	–	0	–	–	0
Other	–	–	0	–	0
Balance as at December 31, 2010	11	0	3	0	14
Cash flow hedges					
Fair value gains (+) / losses (-), net of taxes	(1)	–	–	–	(1)
Transferred to profit and loss, net of taxes					
Net sales	(7)	–	–	–	(7)
Cost of goods sold / Administrative expenses	(1)	–	–	–	(1)
Available-for-sale equity investments					
Fair value gains (+) / losses (-), net of taxes	–	0	–	–	0
Transferred to profit and loss, net of taxes	–	0	–	–	0
Other	–	–	0	–	0
Balance as at December 31, 2011	2	0	3	0	5
Cash flow hedges					
Fair value gains (+) / losses (-), net of taxes	(2)	–	–	–	(2)
Transferred to profit and loss, net of taxes					
Net sales	(3)	–	–	–	(3)
Cost of goods sold / Administrative expenses	2	–	–	–	2
Available-for-sale equity investments					
Fair value gains (+) / losses (-), net of taxes	–	0	–	–	0
Transferred to profit and loss, net of taxes	–	0	–	–	0
Other	–	–	1	–	1
Balance as at December 31, 2012	(1)	0	4	0	3

Foreign currency translation included in equity:

	2012	2011	2010
		(EUR in millions)	
Cumulative translation adjustment as at January 1	26	28	(11)
Currency translation on subsidiary net investments	(2)	(4)	36
Hedging of net investment denominated in foreign currency	–	3	4
Tax effect	–	(1)	(1)
Cumulative translation adjustment as at December 31	24	26	28

20. Share-Based Payments

Below is the description of the share-based incentive plans implemented by Metso and the related impact for Valmet for the periods presented in these carve-out financial statements.

Share ownership plan 2006–2008

The Board of Directors of Metso Corporation decided in December 2005 upon a share ownership plan for the 2006–2008 strategy period. The share ownership plan was part of the remuneration and commitment program of the management and covered three earnings periods i.e. calendar years 2006, 2007 and 2008. The incentives consisted of both shares and cash. The cash-settled portion was dedicated to cover taxes and tax-related payments of the beneficiaries. The main earnings triggers were the operating profit targets and four years of service subsequent to grant date. The operating profit targets and potential personal earnings triggers were set separately for each year.

A maximum share price was determined annually for the share ownership plan.

The equity-settled portion for the earnings period 2008 was recognized over the vesting period i.e. from 2008 until March 2012. The final amount of the granted shares was based on the share price on the payment date of the rewards.

Share ownership plan for 2009–2011

In October 2008, the Board of Directors of Metso Corporation approved a share-based incentive plan for Metso's management. The plan had one three-year earnings period and required participants' personal investment in Metso shares

at the beginning of the program. Earnings criteria was based on Metso's Total Shareholder Return (TSR) during three years' time and on earnings per share in the years 2009–2011. In April 2012 the reward was paid in Metso shares and partly in cash.

The equity-settled portion of the plan was recognized over the vesting period i.e. from the beginning of 2009 until the end of April 2012 based on calculated fair value of the Metso share as at the grant date of EUR 8.64. The historical development of the Metso share and the expected dividends have been taken into account when calculating the fair value.

Share Ownership Plan for 2010–2012

The Board of Directors of Metso Corporation approved in October 2009 a share-based incentive plan for Metso's management for the years 2010–2012. The plan includes one three-year earnings period. Participation in the plan required a personal investment in Metso shares at the beginning of the earnings period. 34 key persons are participating in the plan and their initial investment was 18,650 Metso shares, which must be held until the end of the earnings period. The rewards to be paid from the plan correspond to a maximum of 124,425 shares. Earnings criteria are based on Metso's TSR during three years' time and on earnings per share in the years 2010–2012. The reward will be paid in shares and partly in cash. The cash-settled portion is dedicated to cover taxes and tax-related payments. The maximum share reward is capped to each participant's taxable annual basic salary, excluding performance bonuses and share-based payments, multiplied by 1.5.

The equity-settled portion of the plan is recognized over the vesting period i.e. from the beginning of 2010 until the end of April 2013 based on calculated fair value of the Metso share as at the grant date of EUR 22.63. The historical development of the Metso share and the expected dividends have been taken into account when calculating the fair value.

Share Ownership Plan for 2011–2013

The Board of Directors of Metso Corporation approved in September 2010 a share-based incentive plan for Metso's management for the years 2011-2013. The plan includes one three-year earnings period. Participation in the plan required a personal investment in Metso shares at the beginning of the earnings period. 26 key persons are participating in the plan and their initial investment was 12,115 Metso shares, which must be held until the end of the earnings period. The rewards to be paid from the plan correspond to a maximum of 80,348 shares. Earnings criteria are based on Metso's Total Shareholder Return (TSR) during three years' time and on earnings per share in the years 2011–2013. The reward will be paid in shares and partly in cash. The cash-settled portion is dedicated to cover taxes and tax-related payments. The maximum share reward is capped to each participant's taxable annual basic salary, excluding performance bonuses and share-based payments, multiplied by 1.5.

The equity-settled portion of the plan is recognized over the vesting period i.e. from the beginning of 2011 until the end of April 2014 based on calculated fair value of the Metso share as at the grant date of EUR 37.37. The historical development of the Metso share and the expected dividends have been taken into account when calculating the fair value.

Long-term Incentive Plan for 2012–2014

In December 2011, the Board of Directors of Metso Corporation approved a new, share-based incentive plan for Metso's management. The plan includes three performance periods, which are calendar years 2012, 2013 and 2014. The Board shall decide on the performance criteria, targets and participants in the beginning of each performance period.

For the 2012 performance period, the plan was targeted to 31 persons in Valmet's management. The potential rewards to be paid from the plan correspond to a maximum total of 134,654 shares. The earnings criteria of the performance period 2012 was based on the net sales growth of the services business, return on capital employed (ROCE) before taxes and earnings per share (EPS). The reward will be paid in shares and partly in cash. The cash-settled portion is dedicated to cover taxes and tax-related payments. The reward for each performance period of plan may not exceed 120 percent of a participant's total annual base salary.

The equity-settled portion of the plan is recognized over the vesting period i.e. from the beginning of 2012 until the end of February 2015 based on the average share price on the grant date of EUR 33.89.

In December 2012, the Board of Directors of Metso Corporation decided to continue the share-based incentive plan approved in December 2011. The plan will cover 34 Valmet managers during the 2013 performance period. The potential rewards to be paid from the plan correspond to a maximum total of 129,145 shares. The earnings criteria are based on the net sales growth of the services business, Metso's return on capital employed (ROCE) before taxes and earnings per share (EPS). The reward will be paid in Metso shares and partly in cash.

Beneficiaries and granted shares of the share ownership plan as at December 31, 2012:

	Beneficiaries total	Shares total
Plan 2006		
Granted	20	21,481
Returned during 2008	(1)	(504)
Returned during 2009	(1)	(504)
At end of year	18	20,473
Plan 2007		
Granted	34	11,865
Returned during 2008	(1)	(605)
Returned during 2009	(3)	(242)
At end of year	30	11,018
Plan 2008		
Granted	46	2,196
At end of year	46	2,196
Plan 2009–2011		
Granted	31	44,283
Total at the end of year		77,970

Costs Recognized for the Share Ownership Plans

The compensation expense for the shares, which are accounted for as equity-settled, is recognized as an employee benefit expense with corresponding entry in short-term liabilities. The cost of the equity-settled portion, which will be evenly recognized during the required service period, is based on the market price of the Metso share on the grant date. The compensation expense resulting from the cash-settled portion is recognized as an employee benefit expense with a corresponding entry in short-term liabilities. The cash-settled portion is fair valued at each balance sheet date based on the prevailing share price and accrued until the settlement date.

The table below represents the historical costs recognized for the share-based payment plans under Metso's segment Paper, Pulp and Power and reflected in the periods presented in these Valmet carve-out financial statements.

	Plan 2006	Plan 2007	Plan 2008	Plan 2009–2011	Plan 2010–2012	Plan 2011–2013	Plan 2012–2014	Total
	(EUR in thousands)							
2010	(32)	(96)	(11)	(957)	(1,098)	–	–	(2,194)
2011	–	(19)	(4)	(30)	(484)	(589)	–	(1,126)
2012	–	–	(1)	(305)	(723)	(526)	(772)	(2,327)

21. Long-Term Debt

	As at December 31,					
	Carrying values			Fair values		
	2012	2011	2010	2012	2011	2010
	(EUR in millions)					
Loans from financial institutions	196	258	295	203	265	304
Finance lease obligations	0	0	1	0	0	1
Long-term debt, Metso Group	578	566	573	582	583	605
Other long-term debt	0	22	20	0	22	20
	774	846	889	785	870	930
Less current maturities	92	92	54	92	92	54
Total	682	754	835	693	778	876

The fair values of long-term debt are equal to the present value of their future cash flows.

Long term debt to Metso Group includes a EUR 482 million long term loan to Metso Svenska AB, which has been treated as net investment. EUR 468 million of loan was converted into equity in January 2013.

Contractual maturities of interest bearing debt as at December 31, 2012 are as follows:

	Loans from financial institutions	Finance lease obligations	Long term debt to Metso Group	Other long-term debt	Total
			(EUR in millions)		
Repayments	64	0	28	0	92
Interests	5	0	26	0	31
Total 2013	69	0	54	0	123
Repayments	63	0	45	0	108
Interests	3	0	24	0	27
Total 2014	66	0	69	0	135
Repayments	52	0	13	0	65
Interests	1	0	23	0	24
Total 2015	53	0	36	0	89
Repayments	16	–	5	0	21
Interests	0	–	22	0	22
Total 2016	16	–	27	0	43
Repayments	1	–	5	0	6
Interests	0	–	22	0	22
Total 2017	1	–	27	0	28
Repayments	–	–	482	0	482
Interests	–	–	22	0	22
Later	–	–	504	0	504

More information about the maturities is presented in note 2. The maturities of derivative financial instruments are presented in note 28.

22. Provisions

	As at December 31,								
	2012			2011			2010		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
					(EUR in millions)				
Warranty and guarantee liabilities	21	99	120	29	131	160	15	127	142
Accrued restructuring expenses	1	11	12	2	7	9	3	13	16
Environmental liabilities	–	1	1	–	1	1	–	1	1
Other provisions	8	6	14	8	22	30	8	13	21
Total	30	117	147	39	161	200	26	154	180

Restructuring provisions, both non-current and current, have changed as follows during the years:

	2012	2011	2010
		(EUR in millions)	
Balance at beginning of year	9	16	24
Impact of exchange rates	0	0	2
Addition charged to expense	9	3	3
Utilized reserve	(6)	(7)	(11)
Reversal of reserve / other changes	0	(3)	(2)
Balance at end of year	12	9	16

Provisions, for which the expected settlement date exceeds one year from the moment of their recognition, are discounted to their present value and adjusted in subsequent periods for the time effect.

Accrued Restructuring Expenses

The costs included in a provision for restructuring are those costs that are either incremental and incurred as a direct result of the formal plan approved and committed by management, or are the result of a continuing contractual obligation with no economic benefit to Valmet or a penalty incurred for a cancelled contractual obligation. Increase in restructuring provision was related to the need to adjust the manufacturing capacity in paper business unit to the permanent structural changes that have impacted the business.

Environmental and Product Liabilities

Valmet accrues for losses associated with environmental remediation obligations when such losses are probable and reasonably calculable. The amounts of accruals are adjusted later as further information develops or circumstances change.

Other Provisions

Other provisions comprise among other things provisions related to personnel, delivery project costs and lawsuits.

Warranty and Guarantee Provisions

Valmet issues various types of contractual product warranties under which it generally guarantees the performance levels agreed in the sales contract, the performance of products delivered during the agreed warranty period and services rendered for a certain period or term. The warranty liability is based on historical realized warranty costs for deliveries of standard products and services. The usual warranty period is 12 months from the date of customer acceptance of the delivered equipment. For more complex contracts, including long-term projects, the warranty reserve is calculated contract by contract and updated regularly to ensure its sufficiency.

The provisions for warranty and guarantee liabilities have changed as follows:

	2012	**2011**	**2010**
		(EUR in millions)	
Balance at beginning of year	160	142	119
Impact of exchange rates	1	0	6
Increase for current year's deliveries	58	64	64
Increase for previous years' deliveries	22	27	25
Increase from business acquisitions	–	0	–
Used reserve	(63)	(41)	(48)
Reversal of reserve / other changes	(58)	(32)	(24)
Balance at end of year	120	160	142

23. Short-Term Debt

	As at December 31,		
	2012	**2011**	**2010**
		(EUR in millions)	
Short-term debt	–	2	–
Cash pooling liabilities, Metso Group	93	78	70
Total	93	80	70

24. Trade and Other Payables

	As at December 31,		
	2012	**2011**	**2010**
		(EUR in millions)	
Trade payables	155	414	452
Trade payables, Metso Group	22	18	20
Trade payables, total	177	432	472
Accrued interest	0	1	1
Accrued interest, Metso Group	12	11	11
Accrued interests, total	12	12	12
Accrued personnel costs	113	120	97
Accrued project costs	296	182	78
Other payables	79	91	94
Other payables, Metso Group	7	4	6
Other payables, total	86	95	100
Total	684	841	759

The maturities of payables rarely exceed six months. The maturities of trade payables are largely determined by local trade practices and individual agreements between Valmet and its supplier.

Accrued project costs may be settled after six months depending on the issuance of the supplier invoice when the costs arise from work performed by third parties.

The accrued personnel costs, which include holiday pay, are settled in accordance with local laws and stipulations.

25. Post-Employment Benefit Obligations

The companies within Valmet have various pension schemes pursuant to local conditions and practices of the countries in which they operate. Some of these programs are defined benefit schemes with retirement, healthcare, death and termination income benefits. The benefits are generally a function of years of employment and salary in Valmet. The schemes are mostly funded through payments to insurance companies or to trustee-administered funds as determined by periodic actuarial calculations. Valmet uses December 31 as measurement date for its defined benefit arrangements. The discount rates applied are based on yields available on high quality ("AA" rated) corporate bonds. If such reference is not available, the rates are based on government bond yields as of the balance sheet date. The terms of corporate and government bonds are consistent with the currency and the estimated term of the pension obligations.

The amounts recognized as at December 31 in the balance sheet were following:

	Pension benefits, Finnish			Pension benefits, foreign			Other post-employment benefits			Total		
	2012	2011	2010	2012	2011	2010	2012	2011	2010	2012	2011	2010
	(EUR in millions)											
Present value of funded obligations	6	6	6	115	109	98	0	0	0	121	115	104
Fair value of plan assets	(4)	(3)	(3)	(81)	(74)	(73)	0	0	0	(85)	(77)	(76)
	2	3	3	34	35	25	0	0	0	36	38	28
Present value of unfunded obligations	–	–	–	75	67	54	9	9	7	84	76	61
Unrecognized asset	–	–	–	–	–	–	–	–	–	–	–	–
Unrecognized past service cost	0	0	1	0	0	0	1	0	1	1	0	2
Net liability recognized	2	3	4	109	102	79	10	9	8	121	114	91
Amounts in the balance sheet:												
Liabilities	2	3	4	109	102	79	10	9	8	121	114	91
Assets	–	–	–	–	–	–	–	–	–	–	–	–
Net liability recognized	2	3	4	109	102	79	10	9	8	121	114	91

Movements in the net liability recognized in the balance sheet were as follows:

	Pension benefits, Finnish			Foreign pension and other post-employment benefits		
	2012	2011	2010	2012	2011	2010
	(EUR in millions)					
Net liability at beginning of year	3	4	3	111	87	85
Adjustments for new plans covered	–	–	–	0	1	1
Net expense recognized in the income statement	0	0	0	6	6	4
Employer contributions	(1)	0	0	(8)	(4)	(15)
Gain (+) / loss (-) recognized through OCI	0	(1)	1	10	22	4
Translation differences	–	–	–	–	(1)	8
Net liability at end of year	2	3	4	119	111	87

The amounts recognized in the income statement were as follows:

	For the year ended December 31,								
	Pension benefits, Finnish			Pension benefits, foreign			Other post-employment benefits		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
	(EUR in millions)								
Service cost	0	0	0	4	3	2	0	0	0
Interest cost	0	0	0	7	7	7	0	1	0
Expected return on plan assets	0	0	0	(5)	(5)	(5)	–	–	–
Amortization - Past service cost	0	–	–	–	–	–	0	0	0
Gains (-) / losses (+) on immediate settlements	0	0	0	0	0	0	0	0	0
Expense (+) / income (-) recognized in income statement	0	0	0	6	5	4	0	1	0
Actual return (+) / loss (-) on plan assets	0	0	0	8	1	7	0	0	0

The amounts recognized through OCI were following:

	For the year ended December 31,											
	Pension benefits, Finnish			Pension benefits, foreign			Other post-employment benefits			Total		
	2012	2011	2010	2012	2011	2010	2012	2011	2010	2012	2011	2010
	(EUR in millions)											
Experience gain (-) / loss (+) on assets	0	0	–	(3)	4	(2)	–	–	–	(3)	4	(2)
Actuarial gain (-) / loss (+) on liabilities due to change in assumptions	1	1	1	10	16	6	1	1	1	12	18	8
Actuarial gain (-) / loss (+) on liabilities due to experience	(1)	(1)	1	2	1	(2)	0	(1)	(1)	1	(1)	(2)
Gain (-) / loss (+) as result of asset ceiling	–	–	–	–	–	–	–	–	–	–	–	–
Total gain (-) / loss (+) recognized through OCI	0	0	2	9	21	2	1	0	0	10	21	4

The cumulative amount of actuarial gains and losses recognized through OCI amounted to net loss of EUR 68 million, EUR 58 million and EUR 36 million for the years ended December 31, 2012, 2011 and 2010, respectively. The accumulated amount does not include translation differences of previous years.

In certain countries, companies are liable to pay a specific payroll tax on employee benefits, including on defined benefits. To the extent the changes in the benefit obligation arise from actuarial gains and losses, the related payroll tax is also recognized in the Statement of Other Comprehensive Income. For the years ended December 31, 2012, 2011 and 2010 the amount of payroll tax recognized through OCI was a loss of EUR 1 million, EUR 1 million and EUR 0 million respectively.

The changes in the value of the defined benefit obligation were as follows:

	Pension benefits, Finnish			Pension benefits, foreign			Other post-employment benefits			Total		
	2012	2011	2010	2012	2011	2010	2012	2011	2010	2012	2011	2010
	(EUR in millions)											
Defined benefit obligation at beginning of year	6	6	5	175	152	137	9	8	7	190	166	149
Adjustments for new plans covered	–	–	–	0	1	1	0	–	–	0	1	1
Service cost	0	0	0	4	3	2	0	0	0	4	3	2
Interest cost	0	0	0	7	7	7	0	1	0	7	8	7
Plan participant contributions	–	–	–	0	0	–	–	–	–	0	0	–
Past service cost (+) / credit (-)	0	0	0	0	–	–	–	–	–	0	0	0
Actuarial gain (-) / loss (+) due to change in assumptions	1	2	1	10	15	6	1	1	1	12	18	8
Actuarial gain (-) / loss (+) due to experience	(1)	(1)	1	2	1	(2)	0	(1)	(1)	1	(1)	(2)
Settlements	0	(1)	(1)	0	0	(5)	0	0	0	0	(1)	(6)
Translation differences	–	–	–	0	3	14	0	1	1	0	4	15
Benefits paid	–	–	–	(8)	(7)	(8)	0	(1)	–	(8)	(8)	(8)
Defined benefit obligation at end of year	6	6	6	190	175	152	10	9	8	206	190	166

The changes in the fair value of the plan assets during the year were as follows:

	Pension benefits, Finnish			Foreign pension and other post-employment benefits			Total		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
	(EUR in millions)								
Fair value of assets at beginning of year	3	3	3	73	73	59	76	76	62
Settlements	0	0	(1)	–	–	(5)	–	–	(6)
Actual return on plan assets	0	0	1	8	1	7	8	1	8
Plan participant contributions	0	0	0	0	0	0	0	0	0
Employer contributions	1	0	0	8	4	15	9	4	15
Benefits paid	–	–	–	(8)	(7)	(8)	(8)	(7)	(8)
Translation differences	–	–	–	0	2	5	0	2	5
Fair value of assets at end of year	4	3	3	81	73	73	85	76	76

The major categories of plan assets as a percentage of total plan assets as at December 31 were as follows:

	2012	2011	2010
		(percent)	
Equity securities	40	37	48
Bonds	46	48	41
Other	14	15	11

The expected return on plan assets is set by reference to historical returns on each of the main asset classes, current market indicators such as long-term bond yields and the expected long-term strategic asset allocation of each plan.

Summarized information on pension liabilities and plan assets for the previous periods is as follows:

	2012	2011	2010	2009
	(EUR in millions)			
Present value of defined benefit obligations at December 31	208	190	160	142
Fair value of plan assets at December 31	84	76	76	61
Deficit	124	114	84	81
Experience gain (+) / loss (-) on liabilities	0	1	1	3
Experience gain (+) / loss (-) on assets	4	4	3	8

The principal actuarial assumptions at December 31 (expressed as weighted averages):

	Finnish			Foreign		
	2012	2011	2010	2012	2011	2010
	(percent)					
Benefit obligation: discount rate	3.50	4.75	4.75	3.70	4.20	4.72
Benefit obligation: rate of compensation increase	2.50	3.00	3.00	2.84	2.90	2.91
Benefit obligation: rate of pension increase	2.10	2.10	2.10	2.56	2.00	0.87
Expense in income statement: discount rate	3.50	4.75	5.00	3.70	4.72	5.02
Expense in income statement: rate of compensation increase	2.50	3.00	3.00	2.84	2.91	2.90
Expense in income statement: expected return on plan assets	4.25	4.97	5.81	6.87	7.08	7.32
Expense in income statement: rate of pension increase	2.10	2.10	2.10	2.56	2.00	0.87

The expected contributions in 2013 are estimated to amount to EUR 1 million to Finnish plans and EUR 7 million to foreign plans. The expected benefits estimated to be paid in 2013 shall amount to EUR 7 million.

The life expectancy of the participants is based on regularly updated mortality tables, which reflect the life expectancy of the local population. The mortality tables used for the major defined benefit plans are following:

Finland	Gompertz' model with Finnish TyEL parameters
Sweden	FFFS2011
Germany	Heubeck RT 2005 G
United Kingdom	110% S1NXA with CMI_2011 projections and 1% long-term trend
Canada	UP94 generational
United States	RP2000 projected to 2015

An increase of one percentage point in the assumed health care cost trend would increase the accumulated post-employment benefit obligation by EUR 1 million at December 31, 2012. It would increase the sum of the service and interest cost by EUR 0.1 million for 2012. A decrease of one percentage point in the assumed health care cost trend would decrease the accumulated post-employment benefit obligation by EUR 1 million at December 31, 2012. It would have decreased the sum of the service and interest cost by EUR 0.1 million for 2012. The health care cost trend is assumed to be 7.50 percent for members under age 65 and 7.30 percent for members over age 65, decreasing to 5 percent over the next seven years by an average of 0.35 percentage points per annum.

26. Mortgages and Contingent Liabilities

	As at December 31,		
	2012	2011	2010
	(EUR in millions)		
On own behalf			
Mortgages	–	–	2
On behalf of others			
Guarantees	2	5	3
Other commitments			
Repurchase commitments	0	0	–
Total	2	5	5

The mortgages given as security for own commitments relate to industrial real estate and other company assets. The mortgage amount on corporate debt has been calculated as the amount of corresponding loans.

Metso Corporation has guaranteed obligations arising in the ordinary course of business of Valmet Group entities up to a maximum of EUR 1 102 million, EUR 1 356 million and EUR 956 million as at December 31, 2012, 2011 and 2010, respectively.

27. Lease Contracts

Valmet leases offices, manufacturing and warehouse space under various noncancellable leases. Certain contracts contain renewal options for various periods of time.

Minimum annual rental expenses for leases in effect at December 31 are shown in the table below:

	Operating leases			Finance leases		
	2012	2011	2010	2012	2011	2010
	(EUR in millions)					
Not later than 1 year	16	11	17	0	0	1
Later than 1 year and not later than 2 years	13	7	9	0	0	0
Later than 2 years and not later than 3 years	10	7	9	0	0	0
Later than 3 years and not later than 4 years	5	2	6	–	0	0
Later than 4 years and not later than 5 years	3	1	4	–	0	0
Later than 5 years	7	5	14	–	–	–
Total minimum lease payments	54	33	59	0	0	1
Future financial expenses				0	0	(1)
Total net present value of finance leases				0	0	0

Net present value of annual rentals for finance leases in effect at December 31 are shown in the table below:

	2012	2011	2010
	(EUR in millions)		
Not later than 1 year	0	0	1
Later than 1 year and not later than 2 years	0	0	0
Later than 2 years and not later than 3 years	0	0	0
Later than 3 years and not later than 4 years	–	0	0
Later than 4 years and not later than 5 years	–	0	0
Later than 5 years	–	–	–
Total net present value of finance leases	0	0	1

Total rental expenses amounted to EUR 25 million in 2012, EUR 17 million in 2011 and EUR 16 million in 2010.

Annual repayments of principal are presented in the maturities of long-term debt, see note 21.

28. Derivative Financial Instruments

Notional amounts and fair values of derivative financial instruments as at December 31 were as follows:

	Notional amount	Fair value, assets	Fair value, liabilities	Fair value, net
		(EUR in millions)		
2012				
Forward exchange contracts[(1)]	1 119	6	6	0
Electricity forward contracts[(2)]	412	0	1	(1)
Nickel swap contracts[(3)]	198	0	0	0
Total		6	7	(1)
2011				
Forward exchange contracts[(1)]	1 779	12	3	9
Electricity forward contracts[(2)]	404	0	1	(1)
Nickel swap contracts[(3)]	240	0	1	(1)
Total		12	5	7
2010				
Forward exchange contracts[(1)]	1 295	15	0	15
Electricity forward contracts[(2)]	491	5	0	5
Nickel swap contracts[(3)]	276	1	0	1
Total		21	0	21

(1) Approximately 57 (2012), 63 (2011) and 74 (2010) percent of notional amount at the end of the respective year qualified for cash flow hedge accounting.
(2) Notional amount GWh.
(3) Notional amount tons.

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

Derivative financial instruments recognized in balance sheet as at December 31 are presented below:

	2012		2011		2010	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	(EUR in millions)					
Forward exchange contracts - cash flow hedges	3	0	0	2	12	0
Forward exchange contracts - non-qualifying hedges	3	6	12	1	3	0
Forward exchange contracts, total	6	6	12	3	15	0
Electricity forward contracts - cash flow hedges	0	1	0	1	5	0
Nickel swaps - non-qualifying hedges	0	0	0	1	1	0
Total derivatives	6	7	12	5	21	0

As at December 31, 2012, the maturities of financial derivatives are the following (expressed as notional amounts):

	2013	2014	2015	2016	2017 and later
	(EUR in millions)				
2012					
Forward exchange contracts	1,043	76	1	–	–
Electricity forward contracts[1]	146	112	90	52	11
Nickel swap contracts[2]	180	18	–	–	–

	2012	2013	2014	2015	2016 and later
2011	(EUR in millions)				
Forward exchange contracts	1,676	98	5	–	–
Electricity forward contracts[1]	161	125	80	27	11
Nickel swap contracts[2]	228	12	–	–	–

	2011	2012	2013	2014	2015 and later
2010	(EUR in millions)				
Forward exchange contracts	1,062	204	29	–	–
Electricity forward contracts[1]	202	140	95	43	11
Nickel swap contracts[2]	276	–	–	–	–

(1) Notional amount GWh.
(2) Notional amount tonnes.

29. Related Party Information

Valmet Group's related parties include the parent company Metso Corporation, Metso Group companies other than Valmet Group companies and associated companies as well as members of the key management personnel.

Valmet's Transactions with Metso Group Companies

Valmet Group's sales to Metso Group companies comprise of sales of filtration products and assembly services to Mining and Constructions. Valmet Group'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.

In addition to the above, Metso Corporation and other Metso Group companies have equity and financing transactions with Valmet Group which have lead into the recognition of receivables and payables with Metso Group companies as presented in the table below. Receivables of short term nature include trade receivables and advances paid for inventories arising in the ordinary course of business as well as positive cash pool balances resulting from the centralized cash pool arrangements. Other receivables comprise non-interest bearing receivables from Metso Corporation corresponding to Valmet entities' ownerships in Metso entities, which are subject to contemplated internal reorganizations pursuant to the Demerger plan.

Short-term and long-term interest bearing loans represent loan balances owed by Valmet to Metso Group companies that have been arranged for Valmet to meet its financing needs. Trade and other payables and advances received comprise of items arising in the ordinary course of business including group contribution payables. Cash pooling liabilities represent cash owed to Metso Group companies as part of the centralized cash pool arrangements. Interest income relates to

interest earned on positive cash pool accounts 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.

	For the year ended December 31,		
	2012	2011	2010
	(EUR in millions)		
Net sales	9	11	3
Cost of goods sold	(60)	(58)	(46)
Interest income	4	2	1
Interest expenses	(27)	(26)	(30)

	Note	As at December 31,		
		2012	2011	2010
		(EUR in millions)		
Other receivables		119	132	132
Advances paid for inventories		6	1	0
Trade and other receivables	16, 17	42	39	37
Loan receivables	16, 17	17	–	–
Cash pooling receivables		184	271	188
Long-term debt	17, 21	550	558	565
Current portion of long-term debt	17, 23	28	8	8
Cash pooling liabilities	23	93	78	70
Trade and other payables	17, 24	41	33	37
Advances received		3	7	5

Related party transactions with associated companies are presented in note 11.

Information on the remuneration and salaries paid to the key management personnel is presented in note 5.

Valmet entities have not had significant lease agreements between Metso group companies for the periods presented.

30. Valmet Entities

Company name	Ownership as at December 31, 2012
	(percent)
Finland	
Metso Paper Oy	100.0
Metso Fabrics Oy	100.0
Metso Foundries Jyväskylä Oy	100.0
Metso Mill Service Kauttua Oy	100.0
Metso Power Oy	100.0
MW Power Oy	100.0
Tampereen Verkatehdas Oy	100.0
Avantone Oy	100.0
Sweden	
Metso Svenska AB	100.0
Metso Paper Sweden AB	100.0
Metso Paper Karlstad AB	100.0
Metso Mill Service AB	100.0
Metso Mill Service Husum AB	100.0
Metso Power AB	100.0
MW Power AB	100.0
Lignoboost AB	100.0
Norway	
Metso Mill Service A/S	100.0
Austria	
Metso Paper GesmbH	100.0
Czech Republic	
Metso Paper CR s.r.o.	100.0
Metso Paper Steti s.r.o.	100.0
France	
Metso Paper France SAS(1)	100.0

Company name	Ownership as at December 31, 2012
	(percent)
Germany	
Metso Deutschland GmbH	100.0
Metso Paper GmbH	100.0
Metso Mill Service Plattling GmbH	100.0
Metso Panelboard GmbH	100.0
United Kingdom	
Metso Paper Ltd	100.0
Italy	
Metso Paper Italy SpA[(1)]	100.0
Metso Paper Como Srl[(1)]	100.0
Poland	
Metso Fabrics Sp zoo	94.0
Portugal	
Metso Fabrics Portugal Lda	100.0
Spain	
Metso Paper SA	100.0
Metso Mill Service SL	81.0
Russia	
Metso Paper ZAO	100.0
United States	
Metso Paper USA Inc.[(1)]	100.0
Metso Fabrics USA Inc.[(1)]	100.0
Metso Fabrics PMC USA LLC[(1)]	100.0
Metso Wyesco Service Center Inc.[(1)]	100.0
Canada	
Metso Paper Ltd	100.0
Enerdry Constructors Ltd	100.0
Brazil	
Metso Paper South America Ltda	100.0
Metso Paper Sulamericana Ltda	100.0
Metso Fabrics Brasil Tecidos Técnicos Ltda	100.0
Chile	
Metso Paper SA	100.0
Australia	
Metso Paper (ANZ) Pty Ltd	100.0
China	
Metso Paper (China) Co. Ltd	100.0
Metso Paper (Guangzhou) Co. Ltd	100.0
Metso Paper (Shanghai) Co. Ltd	100.0
Metso Paper Technology (Shanghai) Co. Ltd	100.0
Metso Paper Technology (Xian) Co. Ltd	75.0
Metso (Shanghai) Surface Treatment Co. Ltd	100.0
Metso Fabrics (Shanghai) Co. Ltd[(1)]	100.0
Metso Fabrics (Tianjin) Co. Ltd	100.0
India	
Metso Paper India Private Ltd	100.0
Metso Power India Private Ltd	74.0
Indonesia	
PT Metso Paper Indonesia	100.0
Japan	
Metso Paper Japan Co. Ltd	100.0
Singapore	
Metso Paper (Asia-Pacific) Pte Ltd	100.0
South Korea	
Metso Paper Korea Inc.	100.0
Thailand	
Metso Paper (Thailand) Co. Ltd	100.0
South Africa	
Metso ND Engineering (Pty) Ltd	70.0
Metso Paper South Africa (Pty) Ltd	100.0
Vietnam	
Metso Vietnam Co. Ltd	100.0
Estonia	
Noviter Eesti	100.0

Valmet associated companies

Company name	Ownership as at December 31, 2012
	(percent)
Allimand S.A.	35.8
NoviterBel	45.0

(1) Metso Corporation will undertake certain intra-group arrangements related to the demerger before the registration time of the completion of the demerger. As a part of these intra-group arrangements, the ownership of certain direct or indirect subsidiaries of Metso Corporation, included in these carve-out financial statements, will be transferred under Valmet Group pursuant to the demerger plan.

31. Reporting Segment and Geographic Information

Valmet supplies processes, machinery, services, clothing and filter fabrics for the pulp, paper and power industries Valmet's operations and profitability is reported as a single reportable segment and operative decisions have been made by the Board of Directors of Metso as Metso'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 operating profit. The performance is also analyzed by excluding from EBITA (Earnings before interest, taxes and amortization) items qualifying as non-recurring, such as capacity adjustment costs, gains and losses on business disposals, and other infrequent events, as these items reduce the comparability of the Group's performance from one period to another.

	For the year ended December 31,		
	2012	2011	2010
	(EUR in millions, unless otherwise indicated)		
Net sales	3,014	2,703	2,453
EBITA before non-recurring items	188.4	204.5	159.3
% of net sales	6.3	7.6	6.5
Operating profit	134.7	174.2	106.5
% of net sales	4.5	6.5	4.3
Non-recurring items in cost of goods sold	(8.5)	0	(7.8)
Non-recurring items in selling, general and administrative expenses	(2.1)	0	(1.5)
Non-recurring items in other operating income and expenses, net	(13)	2.6	(2.0)
Total non-recurring items	(23.7)	2.6	(11.3)
Amortization	(30.0)	(32.9)	(41.5)
Depreciation	(59.5)	(57.8)	(58.2)
Gross capital expenditure (including business acquisitions)	(64)	(77)	(77)
Non-cash write-downs	(17)	(10)	(9)
Capital employed	619	692	635
Capital employed, Metso Group	671	644	643
Capital employed	1,290	1,336	1,278
Orders received	2,445	3,225	2,584
Order backlog	2,249	2,863	2,347

Entity-wide Information

Valmet's businesses are present in over 30 countries. The main market areas are Europe and North America accounting for over 56 percent of net sales in 2012, 56 present in 2011 and 55 present in 2010. Valmet has production units on all continents.

Net sales to unaffiliated customers by destination:

	Finland	Other Nordic countries	Other European countries	North America	South and Central America	China	Asia-Pacific	Africa and Middle East	Total
	(EUR in millions)								
2012	260	288	565	572	512	398	324	95	3,014
2011	247	216	567	475	358	512	283	45	2,703
2010	178	205	607	356	182	682	213	30	2,453

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

	Other Nordic Countries	Other European Countries	North America	South and Central America	China	Asia-Pacific	Africa and Middle East	Valmet total
	(EUR in millions)							
2012	176	395	97	150	173	101	7	1,099
2011	157	341	102	157	247	128	7	1,139
2010	116	386	59	33	520	99	9	1,222

Long-term assets by location:

	Finland	Other Nordic Countries	Other European Countries	North America	South and Central America	China	Asia-Pacific	Africa and Middle East	Non-allocated	Valmet total
	(EUR in millions)									
2012	267	47	25	67	30	106	12	2	483	1,039
2011	307	48	25	69	28	108	10	2	490	1,087
2010	320	50	23	69	14	103	7	2	506	1,094

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:

	Finland	Other Nordic Countries	Other European Countries	North America	South and Central America	China	Asia-Pacific	Africa and Middle East	Valmet total
	(EUR in millions)								
2012	26	5	4	4	8	10	2	0	59
2011	35	6	6	2	17	8	2	0	76
2010	36	6	5	2	1	18	1	0	69

Analysis of net sales by category:

	For the year ended December 31,		
	2012	2011	2010
	(EUR in millions)		
Sales of services	1,109	1,057	925
Sales of projects, equipment and goods	1,905	1,646	1,528
Total	3,014	2,703	2,453

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 of which EUR 100 million was recognized in net sales in 2011 and EUR 350 million in 2012, the remaining amount of EUR 250 million will be recognized during 2013.

32. Audit Fees

	For the year ended December 31,		
	2012	2011	2010
	(EUR in millions)		
Audit	(0.7)	(0.8)	(0.6)
Tax consulting	(0.1)	(0.5)	(0.3)
Other services	(0.1)	(0.2)	(0.1)
Total	(0.9)	(1.5)	(1.0)

33. Lawsuits and Claims

Several lawsuits, claims and disputes based on various grounds are pending against Valmet in various countries, including product liability lawsuits and claims as well as legal disputes related to Valmet's deliveries. However, Valmet's management does not expect to the best of its present understanding that the outcome of these lawsuits, claims and disputes will have a material adverse effect on Valmet in view of the grounds presented for them, provisions made, insurance coverage in force and the extent of Valmet's total business activities. Valmet is also a plaintiff in several lawsuits.

34. Events After Balance Sheet Date

In April 2013, Metso announced a plan to initiate a global cost efficiency program for Valmet in order to adapt to changes in the marketplace and to improve Valmet's profitability. Permanent structural changes in Valmet's operating environment have affected its operations and undermined its competitiveness and profitability. Management believes that the underlying reasons for this change are in the continuing downturn in demand for graphic paper machinery and the growing trend towards solutions based on cheaper technology. In addition, the power generation sector has been experiencing a slower investment cycle in Europe and a significant decrease in demand in North America due to low energy prices resulting from the increased use of shale gas. The program targets an annual cost reduction of approximately EUR 100 million by 2016. The first phase of the program is being implemented in the Fabrics and Power businesses and, as a result, more than 200 jobs will be reduced. Management estimates that these reductions will result in annual cost savings of approximately EUR 17 million and that they will be fully realized in 2014.

On August 5, 2013, Metso announced that it will begin statutory negotiations on personnel reductions in several of its units serving especially the paper industry, but also the pulp industry. The Metso locations affected will be determined during the negotiation process. In total, the estimated amount of necessary headcount reductions is 750 positions, primarily in Finland. The target is to achieve savings of approximately EUR 50 million in annual operational costs as a result of the negotiations. Management estimates that the savings will be realized in full as at the third quarter of 2014.

Divestment of Service Workshop in Sweden

Valmet has divested its shares of Metso Mill Service Husum AB, a service workshop, to Pichano Holding AB as at January 1, 2013. The divestment was not material to Valmet.

SIGNATURES OF THE BOARD OF DIRECTORS AND THE AUDITORS

Signatures of Valmet Group Carve-out Financial Statements for the Years Ended December 31, 2012, 2011 and 2010

In Helsinki, September 20, 2013

/S/ JUKKA VIINANEN
Jukka Viinanen
Chairman of the Board

/S/ MIKAEL VON FRENCKELL
Mikael von Frenckell
Vice Chairman of the Board

/S/ CHRISTER GARDELL
Christer Gardell
Member of the Board

/S/ OZEY K. HORTON, JR.
Ozey K. Horton, Jr.
Member of the Board

/S/ MIKAEL LILIUS
Mikael Lilius
Member of the Board

/S/ ERKKI PEHU-LEHTONEN
Erkki Pehu-Lehtonen
Member of the Board

/S/ PIA RUDENGREN
Pia Rudengren
Member of the Board

/S/ EEVA SIPILÄ
Eeva Sipilä
Member of the Board

/S/ MATTI KÄHKÖNEN
Matti Kähkönen
President and CEO

The Auditors' Note

In Helsinki, September 20, 2013

Our auditor's report has been issued today for the audit for the years ended December 31, 2010 and 2011.

PricewaterhouseCoopers Oy
Authorized Public Accountants

/S/ HEIKKI LASSILA
Heikki Lassila
Authorized Public Accountant

Our auditor's report has been issued today for the audit for the year ended December 31, 2012.

Ernst & Young Oy
Authorized Public Accountants

/S/ ROGER REJSTRÖM
Roger Rejström
Authorized Public Accountant

Ernst & Young Oy
Elielinaukio 5 B
00100 Helsinki
Finland

Puhelin 0207 280 190
Faksi 0207 280 199
www.ey.com/fi

Independent auditor's report on the audit of the carve-out financial statements of Valmet Group for the year ended December 31, 2012 (Translation)

To the Board of Directors of Metso Corporation

We have audited the accompanying carve-out financial statements of the Pulp, Paper and Power businesses of Metso Corporation (the "Valmet Group") for the year ended December 31, 2012. The carve-out financial statements comprise the combined balance sheet as at December 31, 2012 and the statements of combined income, combined comprehensive income, combined cash flow and combined changes in equity for the years then ended, and the notes to the carve-out financial statements. The carve-out financial statements of the Valmet Group and this report have been prepared for the purpose of including them in the prospectus of Valmet Corporation ("Valmet") to be prepared by Metso Corporation as described in Note 1.

Responsibility of the Board of Directors and Managing Director

The Board of Directors and Managing Director of Metso Corporation are responsible for the preparation of these carve-out financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS), as adopted 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 the Valmet Croup as described in Note 1, and for such internal control as they determine is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on carve-out financial statements for the year 2012 based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the carve-out financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the carve-out financial statements, whether due to fraud or error. In making these risk assessments, the auditor considers internal control relevant to the entity's preparation of the carve-out financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the carve-out financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the carve-out financial statements of the Valmet Group give a true and fair view of its financial position as at December 31, 2012, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union and under consideration of the principles for determining which assets and liabilities, income and expenses as well as cash flows are to be assigned to the Valmet Group as described in Note 1.

Emphasis of matter

Without qualifying our opinion, we draw attention to the fact that, as described in Note 1 to the carve-out financial statements, Valmet has not formed a separate legal group of entities during the year ended December 31, 2012. The carve-out financial statements are, therefore, not necessarily indicative of the financial performances, financial position and cash flows of the Valmet Group that would have occurred if it had operated as a separate stand-alone group of entities during the year presented nor of the Valmet Group's future performance.

Other matter

The carve-out financial statements of the Valmet Group for the years ended December 31, 2011 and 2010 were audited by another auditor who expressed an unmodified opinion in their auditor's report dated September 20, 2013.

In Helsinki, September 20, 2013

Ernst & Young Oy
Authorized Public Accounting Firm

Roger Rejström
Authorized Public Accountant

Independent auditor's report on the audit of the carve-out financial statements of Valmet Group for the years ended December 31, 2011 and 2010 (Translation)

To the Board of Directors of Metso Corporation

We have audited the accompanying special purpose carve-out financial statements of the Pulp, Paper and Power business of Metso Corporation (the "Valmet Group") for the years ended December 31, 2011 and 2010. The carve-out financial statements comprise the combined balance sheets as at December 31, 2011 and 2010 and the combined statements of income, comprehensive income, cash flow and changes in equity for the years then ended, and the notes to the carve-out financial statements. The carve-out financial statements of the Valmet Group and this report have been prepared only for the purpose of including them in the prospectus of Valmet Corporation ("Valmet") to be prepared by Metso Corporation as described in Note 1.

Responsibility of the Board of Directors and Managing Director

The Board of Directors and Managing Director of Metso Corporation are responsible for the preparation of these carve-out financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS), as adopted 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 the Valmet Croup as described in Note 1, and for such internal control as they determine is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these carve-out financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the carve-out financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the carve-out financial statements, whether due to fraud or error. In making these risk assessments, the auditor considers internal control relevant to the entity's preparation of the carve-out financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the carve-out financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the carve-out financial statements of the Valmet Group give a true and fair view of its financial position as at December 31, 2011 and 2010, and of its financial performances and its cash flows for the years then ended in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union and under consideration of the principles for determining which assets and liabilities, income and expenses as well as cash flows are to be assigned to the Valmet Group as described in Note 1.

PricewaterhouseCoopers Oy, Authorised Public Accountants, P.O. Box 1015 (Itämerentori 2), FI-00101 HELSINKI
Phone +358 9 22 800, Fax +358 9 607 321, www.pwc.com/fi
Reg. Domicile Helsinki, Business ID 0486406-8

Emphasis of matter

Without qualifying our opinion, we draw attention to the fact that, as described in Note 1 to the carve-out financial statements, Valmet has not formed a separate legal group of entities. The carve-out financial statements are, therefore, not necessarily indicative of the financial performances, financial position and cash flows of the Valmet Group that would have occurred if it had operated as a separate stand-alone group of entities during the years presented or of the Valmet Group's future performance.

Other matter

The carve-out financial statements of the Valmet Group for the year ended December 31, 2012 was audited by another auditor who expressed an unmodified opinion in their auditor's report dated September 20, 2013.

In Helsinki, September 20, 2013

PricewaterhouseCoopers Oy
Authorized Public Accountants

Heikki Lassila
Authorized Public Accountant

(This page has intentionally been left blank.)

AUDITOR'S STATEMENT ON PRO FORMA FINANCIAL INFORMATION

Ernst & Young Oy
Elielinaukio 5 B
00100 Helsinki
Finland

Puhelin 0207 280 190
Faksi 0207 280 199
www.ey.com/fi

Report on the pro forma financial information included in the Demerger Prospectus (Translation)

To the Board of Directors of Metso Corporation

We have completed our assurance engagement to report on the compilation of pro forma financial information of the Pulp, Paper and Power businesses of Metso Group (the "Valmet Group"). The pro forma financial information consists of the pro forma balance sheet as at June 30, 2013, the pro forma statements of income and the pro forma statements of comprehensive income for the year ended December 31, 2012 and for the six month period ended June 30, 2013 and related notes set out in section "Pro forma financial information" of the Demerger Prospectus issued by Metso Corporation and dated September 20, 2013. The applicable criteria on the basis of which the Board of Directors of Metso Corporation has compiled the pro forma financial information are specified in the Annex II of the Commission Regulation (EC) No 809/2004 and described in the section "Pro forma financial information" of the Demerger Prospectus dated September 20, 2013.

The pro forma financial information has been compiled by the Board of Directors of Metso Corporation to illustrate the impact of the demerger and certain Valmet formation related transactions set out in the section "Pro forma financial information" on Valmet Group's financial position as at June 30, 2013 and its statements of income and comprehensive income for the year ended December 31, 2012 and for the six month period ended June 30, 2013 as if the demerger had taken place at June 30, 2013 for the pro forma consolidated balance sheet and at January 1, 2012 for the pro forma consolidated statements of income and comprehensive income. As part of this process, information about Valmet Group's financial position and financial performance has been extracted from the Valmet Group's carve-out financial statements for the year ended December 31, 2012, on which an audit report has been given and from the carve-out financial information for the six month period ended June 30, 2013, on which no review report has been given.

The Board of Directors' responsibility for the pro forma financial Information

The Board of Directors of Metso Corporation is responsible for compiling the pro forma financial information in accordance with the Commission Regulation (EC) No 809/2004.

Auditor's Responsibilities

Our responsibility is to express an opinion, as required by item 7 of Annex II of the Commission Regulation (EC) No 809/2004, about whether the pro forma financial information has been compiled, in all material respects, by the Board of Directors of Metso Corporation on the basis stated and that basis is consistent with the accounting policies of the issuer

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Demerger Prospectus, issued by the International Auditing and Assurance Standards Board. This standard requires that the practitioner comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors has compiled, in all material respects, the pro forma financial information on the basis of the Commission Regulation (EC) No 809/2004.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in a Demerger Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the auditor's judgment, having regard to the auditor's understanding of the nature of the company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion,

- the pro forma financial information has been properly compiled on the basis stated in the section "Pro forma financial information" of the Demerger Prospectus dated September 20, 2013; and
- the basis is consistent with the accounting policies of Valmet Group.

Restriction on distribution and use of the report

The above opinion has been expressed only for the purposes of including in the Demerger Prospectus prepared pursuant to the Commission Regulation No 809/2004.

In Helsinki, September 20, 2013

Ernst & Young Oy
Authorized Public Accounting Firm

Roger Rejström
Authorized Public Accountant

ANNEX B

THE DEMERGER PLAN

The board of directors of Metso Corporation proposes that Metso Corporation ("**Metso Corporation**" or the "**Demerging Company**") shall demerge in a partial demerger to the effect that all such assets, debts and liabilities of Metso Corporation which relate to Metso Corporation's Pulp, Paper and Power businesses ("**PPP Business**") shall transfer, without liquidation, to a company to be incorporated in the demerger ("**Valmet Corporation**" or the "**Receiving Company**"), in the manner set forth in this demerger plan (the "**Demerger Plan**" including appendices) (the "**Demerger**").

As demerger consideration, Metso Corporation's shareholders shall receive shares of Valmet Corporation in proportion to their existing shareholdings. Metso Corporation shall not dissolve as a result of the Demerger.

The Demerger shall be carried out in compliance with the provisions of Chapter 17 of the Finnish Companies Act (624/2006, as amended) (the "Finnish Companies Act"), and Section 52 c of the Finnish Business Income Tax Act (360/1968, as amended).

1. Companies Participating in Demerger

Demerging Company:

Trade name: Metso Corporation
Business ID: 1538032-5
Address: PL 1220, 00101 Helsinki
Domicile: Helsinki

Metso Corporation is a public limited liability company, the shares of which are publicly traded on the official list of NASDAQ OMX Helsinki Ltd (the "**Helsinki Stock Exchange**").

Receiving Company:

Trade name: Valmet Corporation
Business ID: To be issued after the registration of the Demerger Plan
Address: c/o Metso Corporation, PL 1220, 00101 Helsinki
Domicile: Helsinki

Valmet Corporation is a public limited liability company to be incorporated in connection with the Demerger, the shares of which are intended to be applied for public trading on the official list of the Helsinki Stock Exchange.

Below, Metso Corporation and Valmet Corporation jointly, the "**Companies Participating in Demerger**" and, each individually, a "**Company Participating in Demerger**".

2. Reasons for Demerger

The purpose of the Demerger is to execute the separation of Metso Corporation's businesses to the effect that PPP Business is separated to Valmet Corporation and Metso Corporation's other businesses, including, among others, Mining and Construction as well as Automation businesses ("**MCA Business**"), remain with Metso Corporation.

The purpose of the Demerger is to offer the best potential for PPP Business and MCA Business to utilize faster and more efficiently their respective strengths in their customer industries. Metso Corporation has developed its businesses actively during the past decade through investing in the development of their global service capabilities, broadening their technology offering through substantial R&D and building their market positions through acquisitions. Both new entities would be globally leading companies in their respective markets and the next steps in their strategic development would be taken most efficiently as two separate companies, enabling more focused and crystallized strategies and operations. The increased focus of the management and board of directors should also help the two independent companies in achieving stronger growth and improved profitability. The Demerger would also be expected to result in increased value for shareholders inasmuch as both companies would have their own distinct characteristics and would offer different investment profiles.

3. Articles of Association and Administrative Bodies of Companies Participating in Demerger

3.1 Articles of Association of Receiving Company

A proposal for the articles of association of Valmet Corporation is appended (Appendix 1) to this Demerger Plan.

3.2 Board of Directors and Auditor of Receiving Company and Their Remuneration

According to the proposed articles of association of Valmet Corporation, Valmet Corporation shall have a board of directors consisting of a minimum of five (5) and a maximum of eight (8) members. According to the proposed articles of association of Valmet Corporation, the term of members of the board of directors shall expire at the end of the next annual general meeting of shareholders following the election.

The number of the members of the board of directors of Valmet Corporation shall be confirmed, and the members of the board of directors as well as the chairman and the vice chairman shall be elected, by the general meeting of shareholders of Metso Corporation resolving on the Demerger.

According to the proposed articles of association of Valmet Corporation, the company shall have one auditor that shall be an auditing firm approved by the Finland Chamber of Commerce. The auditor of Valmet Corporation shall be elected by the general meeting of shareholders of Metso Corporation resolving on the Demerger.

Resolutions on the remuneration of the board of directors and the auditor of Valmet Corporation shall be passed in the general meeting of shareholders of Metso Corporation resolving on the Demerger. Valmet Corporation shall be solely responsible for paying the remuneration of the board of directors and the auditor of Valmet Corporation and all other costs and liabilities related thereto also as regards the remuneration, cost or liability that may potentially pertain wholly or partially to the time period preceding the registration of the completion of the Demerger.

The board of directors of Metso Corporation shall make proposals to the general meeting of shareholders of Metso Corporation resolving on the Demerger concerning the confirmation of the number of the members of the board of directors, the election of the members of the board of directors and the auditor of Valmet Corporation as well as their remuneration following consultation with the following shareholders the representatives of which formed the shareholders' nomination committee of Metso Corporation that prepared the proposals for the general meeting of shareholders of Metso Corporation held on March 28, 2013 concerning the confirmation of the number of the members of the board of directors of Metso Corporation, the election of the members of the board of directors as well as their remuneration: Solidium Oy, Cevian Capital, Varma Mutual Pension Insurance Company and Ilmarinen Mutual Pension Insurance Company. The above-mentioned proposals shall not be binding on the general meeting of shareholders of Metso Corporation resolving on the Demerger.

The board of directors of Metso Corporation intends to propose that a part of the current members of the board of directors of Metso Corporation would be elected as members of the board of directors of Valmet Corporation for a term expiring at the closing of the first annual general meeting of shareholders of Valmet Corporation. Upon the registration of the completion of the Demerger, the directorship in Metso Corporation of such current members of the board of directors of Metso Corporation would end. Furthermore, the board of directors of Metso Corporation intends to propose that one (1) or more other members in addition to such current members of the board of directors of Metso Corporation would be elected to the board of directors of Valmet Corporation for a term expiring at the closing of the first annual general meeting of shareholders of Valmet Corporation.

Inasmuch as the remuneration of the current members of the board of directors of Metso Corporation has already been paid in full for their current term, the board of directors of Metso Corporation intends to propose that no remuneration for the above-mentioned term would be paid by Valmet Corporation in respect of the directorship in Valmet Corporation to those current members of the board of directors of Metso Corporation who would be elected to the board of directors of Valmet Corporation. Furthermore, Valmet Corporation would reimburse Metso Corporation for such portion of the remuneration already paid to such current members by Metso Corporation that relates to the time period following the registration of the completion of the Demerger. A detailed proposal regarding the members of the board of directors of Valmet Corporation and their remuneration will be included in the notice to the general meeting of shareholders of Metso Corporation resolving on the Demerger.

A general meeting of shareholders of Metso Corporation, which may be convened as necessary after the general meeting of shareholders of Metso Corporation resolving on the Demerger, may decide to supplement or amend the composition of the board of directors of Valmet Corporation or replace the auditor of Valmet Corporation prior to the registration of the completion of the Demerger.

3.3 President and CEO of Receiving Company

The President and CEO of Valmet Corporation shall be appointed by the board of directors of Metso Corporation prior to the registration of the completion of the Demerger.

A President and CEO's agreement, which will be consistent with customary practice, shall be entered into with the person appointed as the President and CEO of Valmet Corporation. Such President and CEO's agreement shall become effective at the registration time of the completion of the Demerger. The said President and CEO's agreement, together with all of its rights and obligations, shall transfer to Valmet Corporation at the registration time of the completion of the Demerger. Valmet Corporation shall be solely responsible for paying the remuneration set out in this President and CEO's agreement and all other costs and liabilities related to the President and CEO, also as regards the remuneration, cost or liability that may potentially pertain wholly or fully to the time period preceding the registration of the completion of the Demerger.

In the event that the President and CEO of Valmet Corporation resigns or otherwise must be replaced by another person prior to the registration of the completion of the Demerger, the board of directors of Metso Corporation shall have the right to appoint a new President and CEO of Valmet Corporation until the registration of the completion of the Demerger. Thereafter, the board of directors of Valmet Corporation shall have the right to appoint the President and CEO of Valmet Corporation.

3.4 Articles of Association of Demerging Company

It is not proposed to amend the articles of association of Metso Corporation in connection with the Demerger.

3.5 Board of Directors of Demerging Company and Their Remuneration

The intention of the board of directors of Metso Corporation is that those of the current members of the board of directors of Metso Corporation, who are not elected to the board of directors of Valmet Corporation, would continue in their positions as members of the board of directors of Metso Corporation until the closing of the next annual general meeting of shareholders of Metso Corporation. In addition, one (1) or more new members, whose term would begin upon the registration of the completion of the Demerger and expire at the closing of the next annual general meeting of shareholders of Metso Corporation following their election, would be proposed to be elected to the board of directors of Metso Corporation. The Demerger will not impact the remuneration of the members of the board of directors of Metso Corporation.

A detailed proposal regarding the members of the board of directors of Metso Corporation and their remuneration will be included in the notice to the general meeting of shareholders of Metso Corporation resolving on the Demerger. The board of directors of Metso Corporation shall make its proposal following a consultation with the four shareholders of Metso Corporation mentioned in Section 3.2 of this Demerger Plan, namely, Solidium Oy, Cevian Capital, Varma Mutual Pension Insurance Company and Ilmarinen Mutual Pension Insurance Company.

3.6 President and CEO and Auditor of Demerging Company and Their Remuneration

The President and CEO and the auditor of Metso Corporation will continue in their positions and the Demerger will not impact their remuneration.

4. Demerger Consideration and Timing of Its Issue

4.1 Demerger Consideration

The shareholders of Metso Corporation shall receive as demerger consideration one (1) share issued by Valmet Corporation for each share owned in Metso Corporation (the "**Demerger Consideration**"), that is, the Demerger Consideration shall be issued to the shareholders of Metso Corporation in proportion to their existing shareholding with a ratio of 1:1. There shall be only one (1) share class in Valmet Corporation, and the shares of Valmet Corporation shall not have a nominal value.

In the United States, Metso Corporation's shares are quoted in the form of American Depository Receipts ("**ADRs**") and are traded in the over-the-counter market. One (1) ADR represents one (1) share in Metso Corporation. The Bank of New York Mellon acts as the depositary bank for the American Depositary Shares ("**ADSs**") created on the basis of the deposit of ordinary shares, and evidenced by ADRs, and is responsible for the distribution of the Demerger Consideration to the holders of the ADSs in accordance with the terms and conditions of the deposit agreement entered into with Metso Corporation.

No other consideration shall be issued to the shareholders of Metso Corporation in addition to the above-mentioned Demerger Consideration to be issued in the form of shares of Valmet Corporation.

In accordance with Chapter 17, Section 16, Subsection 3 of the Finnish Companies Act, no Demerger Consideration shall be issued with regard to any treasury shares held by Metso Corporation.

4.2 Timing of Issue of Demerger Consideration

The Demerger Consideration shall be issued to Metso Corporation's shareholders on the next business day following the registration date of the completion of the Demerger or as soon as possible thereafter. The Demerger Consideration shall be issued through the book-entry securities system maintained by Euroclear Finland Ltd. in such a manner that the shares issued by Valmet Corporation shall be issued using the ratio specified in this Demerger Plan based on the number of shares issued by Metso Corporation and registered in the book-entry accounts of Metso Corporation's shareholders on the registration date of the completion of the Demerger. The Demerger Consideration shall be issued automatically and no action is required from Metso Corporation's shareholders in order to receive it.

The allocation of the Demerger Consideration is based on the shareholding in Metso Corporation on the registration date of the completion of the Demerger. The final total number of shares in Valmet Corporation issued as Demerger Consideration shall be determined on the basis of the number of shares in Metso Corporation held by shareholders, other than Metso Corporation itself, on the registration date of the completion of the Demerger. On the date of this Demerger Plan, Metso Corporation holds 592,222 treasury shares. According to the situation on the date of this Demerger Plan, the total number of shares in Valmet Corporation to be issued as Demerger Consideration would therefore be 149,756,034 shares. The final total number of shares may be affected by, among others, any change concerning the shares issued by Metso Corporation, for example, Metso Corporation issuing new shares (including share issues in accordance with the share-based incentive plans referred to in Section 6 of this Demerger Plan) or acquiring its own shares prior to the registration of the completion of the Demerger.

5. Stock Options and Other Special Rights Entitling to Shares

Metso Corporation has not issued any stock options or other special rights referred to in Chapter 10, Section 1 of the Finnish Companies Act, which would entitle to the subscription of Metso Corporation's shares.

6. Metso Corporation's Share-Based Incentive Plans

Metso Corporation has three (3) share-based incentive plans under which share rewards have not been paid in their entirety by the execution date of this Demerger Plan: Metso Share Ownership Plan 2011-2013 (2010), Metso Long-Term Incentive Plan 2012–2014 (2012) and Metso Long-Term Incentive Plan 2012–2014 (2013). The board of directors of Metso Corporation shall resolve on the impact of the Demerger on such incentive plans in accordance with their terms and conditions prior to the registration of the completion of the Demerger.

The board of directors of Metso Corporation shall also resolve on any potential new share-based incentive plans directed at Valmet Corporation's key personnel until the registration of the completion of the Demerger, after which such plans shall be resolved upon by the board of directors of Valmet Corporation.

7. Share Capital of Receiving Company

The share capital of Valmet Corporation shall be 100,000,000 euro.

8. Assets, Debts and Equity of Demerging Company and Circumstances Impacting Their Valuation

The assets, debts and equity of Metso Corporation as at December 31, 2012 are set out in the audited financial statements of Metso Corporation, which have been adopted by the general meeting of shareholders of Metso Corporation on March 28, 2013, and which are appended (Appendix 2) to this Demerger Plan. In the financial statements, the assets and debts of Metso Corporation have been booked and valued in compliance with the provisions of the Finnish Accounting Act (1336/1997, as amended) (the "**Finnish Accounting Act**"). Between the date of the financial statements and the execution date of this Demerger Plan, there have been no substantial changes in the financial status or the liabilities of Metso Corporation, other than the payment of a dividend on April 11, 2013 in accordance with a resolution passed by the general meeting of shareholders of Metso Corporation on March 28, 2013, a conditional equity investment (*villkorat aktieägartillskott*) made by Metso Corporation into Metso Svenska AB as well as the intra-group arrangements related to the Demerger to the extent such arrangements have been completed by the execution date of this Demerger Plan.

9. Allocation of Demerging Company's Assets and Debts between Companies Participating in Demerger, Intended Effect of Demerger on Balance Sheet of Receiving Company and Accounting Methods Applied to Demerger

9.1 Assets and Debts Transferring to Receiving Company

In the Demerger, PPP Business, that is, all such (including known, unknown and conditional) assets, debts and liabilities (including agreements, offers, offer requests and undertakings) of Metso Corporation existing at the registration time of the completion of the Demerger that relate to Metso Corporation's PPP Business, shall transfer to Valmet Corporation.

A proposal on the allocation of Metso Corporation's assets, debts and liabilities to the Receiving Company in accordance with this Demerger Plan has been described in the preliminary presentation of the balance sheets of Metso Corporation and Valmet Corporation appended (Appendix 3) to this Demerger Plan.

The assets, debts and liabilities transferring to Valmet Corporation include, among others, the following most significant items:

(a) Entire share capitals of Metso Corporation's directly owned subsidiaries related to PPP Business, that is, among others the following companies including their subsidiaries:

- Metso Paper Oy, business identity code 1539180-9;
- Metso Fabrics Oy, business identity code 0155101-5; and
- Metso Svenska AB, registration code 556339-5382;

(b) Trademarks and other registered intellectual property rights (including domain names) owned by Metso Corporation to the extent they include the name "VALMET";

(c) Metso Corporation's guarantee obligations and liabilities arising out of counterindemnities given to the guarantors related to PPP Business. For the sake of clarity, it is noted that out of Metso Corporation's guarantee obligations and liabilities arising out of counterindemnities given to the guarantors which cover also Metso Corporation's businesses other than PPP Business, only such portions which are directly related to PPP Business shall transfer to Valmet Corporation. The total amount of such guarantee obligations and liabilities arising out of counterindemnities given to the guarantors related to PPP Business amounted to approximately 1,102 million euro as at December 31, 2012;

(d) Receivables of Metso Corporation from its subsidiaries transferring to Valmet Corporation and their direct or indirect subsidiaries related to the cash pool agreements and arrangements between Metso Corporation and its subsidiaries, as well as Metso Corporation's debts to such subsidiaries. Valmet Corporation shall receive such portion of the cash and cash equivalents of Metso Corporation which, according to Metso Corporation's understanding, corresponds to the amount required for conducting Valmet Corporation's operations;

(e) Other receivables of Metso Corporation from the subsidiaries transferring to Valmet Corporation and their direct and indirect subsidiaries, including any dividend receivables, as well as Metso Corporation's other debts to such subsidiaries. As at December 31, 2012, the amount of such other receivables was approximately 63 million euro and the amount of such other debts was approximately 7 million euro;

(f) Such debts of Metso Corporation which relate to PPP Business or where it has been agreed with the creditors that the debts or parts thereof shall benefit Valmet Corporation or the directly or indirectly owned subsidiaries transferring to it. Such debts include, in particular, the loan agreement entered into between Metso Corporation and the Nordic Investment Bank and the loan agreements entered into between Metso Corporation and the European Investment Bank. On the date of this Demerger Plan, Metso Corporation is in negotiations concerning these debts and the intention is that the debts from the Nordic Investment Bank and the European Investment Bank would, in their entirety, comprise debt transferring to Valmet Corporation. On the date of this Demerger Plan, the aggregate principal amount of such debts transferring to Valmet Corporation is 180 million euro. In addition, such debts of Metso Corporation also include an up to 200 million euro loan agreement, dated May 30, 2013, which may be used for the repayment, partial repayment or replacement of Metso Corporation's loans or other liabilities, which benefit PPP Business and the amount of which will decrease in proportion to the debts of the Nordic Investment Bank and/or the European Investment Bank transferring to Valmet Corporation. In addition, Metso Corporation has negotiated a 200 million euro syndicated revolving credit facility agreement,

dated May 30, 2013, for working capital purposes transferring to Valmet Corporation in connection with the registration of the completion of the Demerger;

(g) Obligations under such other potential loan agreements of Metso Corporation, if any, wherein it is stated that the purpose of the use of the loan is related to PPP business or the business of the direct or indirect subsidiaries transferring to Valmet Corporation. On the execution date of this Demerger Plan, Metso Corporation is not aware of any such obligations;

(h) Forward exchange agreements and other derivatives agreements or arrangements entered into between Metso Corporation and directly or indirectly owned subsidiaries transferring to Valmet Corporation, external derivative agreements related to these transferring intra-group agreements or arrangements as well as other external derivatives agreements and arrangements related to PPP Business;

(i) Share-based incentive plans concerning the management and key personnel of Metso Corporation and its group, which include Metso Share Ownership Plan 2011-2013 (2010), Metso Long-Term Incentive Plan 2012-2014 (2012) and Metso Long-Term Incentive Plan 2012-2014 (2013), and the rights and obligations related to and resulting from their terms and conditions as well as agreements to the extent they relate to personnel who transfer to the service of Valmet Corporation in accordance with Section 17.2 of this Demerger Plan or who have a valid employment or service relationship on the registration time of the completion of the Demerger with a subsidiary of Metso Corporation transferring to Valmet Corporation or with a direct or indirect subsidiary of such transferring subsidiary. This Demerger Plan in no way limits the right of the board of directors of Metso Corporation to amend the terms and conditions of the incentive plans in accordance with the same prior to the registration of the completion of the Demerger;

(j) Potential tax receivables, tax debts and tax liabilities of Metso Corporation related to PPP Business and its assets, debts and liabilities;

(k) Items that have replaced the above-mentioned assets, debts and liabilities (insofar as such replacement items have not been specifically allocated to Metso Corporation pursuant to Section 9.2 of this Demerger Plan) as well as assets, debts and liabilities created for, or otherwise allocated to, Metso Corporation after the date of this Demerger Plan, which relate to PPP Business (including any potential new agreements, offers, offer requests and undertakings); and

(l) Potential other known and unknown assets, debts and liabilities of Metso Corporation related to PPP Business (including agreements, offers, offer requests and undertakings).

Metso Corporation shall be subject to only secondary liability, as set forth in Chapter 17, Section 16, Subsection 6 of the Finnish Companies Act, for known, unknown and conditional debts transferring to Valmet Corporation, except where there is an agreement or will be an agreement with a creditor regarding the limitation of even such secondary liability (including elimination of such liability), in which case such agreed limitation of liability (or elimination of such liability) shall be applied to Metso Corporation's liability towards the creditor in question. Metso Corporation shall not be subject to secondary liability, as set forth in Chapter 17, Section 16, Subsection 6 of the Finnish Companies Act, for any guarantee obligation transferring to Valmet Corporation other than such guarantee obligation which is considered debt pursuant to the above-mentioned provision at the registration time of the completion of the Demerger.

9.2 Assets and Debts Remaining with Demerging Company in Demerger

In the Demerger, MCA Business, that is, all such (including known, unknown and conditional) assets, debts and liabilities (including agreements, offers, offer requests and undertakings) of Metso Corporation existing at the registration time of the completion of the Demerger that relate to MCA Business, shall remain with Metso Corporation, including, among others, the following most significant assets, debts and liabilities:

(a) Entire share capitals of Metso Corporation's directly owned subsidiaries, including their subsidiaries, not belonging to PPP Business;

(b) Guarantee obligations and liabilities arising out of counterindemnities given to the guarantors insofar as they have not been specifically allocated to Valmet Corporation as set out in Section 9.1 of this Demerger Plan as well as such new guarantee obligations and liabilities arising out of counterindemnities given to the guarantors that Metso Corporation will undertake or has undertaken and that relate to MCA Business;

(c) All loan agreements entered into by Metso Corporation or its directly or indirectly owned subsidiaries with financial institutions and pension insurance companies, which agreements are not related to PPP Business and are, therefore, not specifically allocated to Valmet Corporation under Section 9.1 of this Demerger Plan;

(d) All bonds issued by Metso Corporation;

(e) All commercial paper, if any, issued by Metso Corporation;

(f) All derivative agreements or arrangements entered into by Metso Corporation and the rights and obligations pertaining thereto, insofar as they have not been specified to be transferring to Valmet Corporation in Section 9.1 of this Demerger Plan;

(g) Metso Corporation's receivables from the subsidiaries that remain in its ownership, and from their direct and indirect subsidiaries, including any dividend receivables as well as Metso Corporation's debts to such subsidiaries insofar as they have not been specified to be transferring to Valmet Corporation in Section 9.1 of this Demerger Plan;

(h) Share-based incentive plans concerning the management and key personnel of Metso Corporation and its group, which include Metso Share Ownership Plan 2011-2013 (2010), Metso Long-Term Incentive Plan 2012-2014 (2012) and Metso Long-Term Incentive Plan 2012-2014 (2013), and the rights and obligations related to and resulting from their terms and conditions as well as agreements to the extent they relate to personnel at the service of Metso Corporation at the registration time of the completion of the Demerger other than those who transfer to the service of Valmet Corporation in accordance with Section 17.2 of this Demerger Plan or who have a valid employment or service relationship at the registration time of the completion of the Demerger with a subsidiary of Metso Corporation transferring to Valmet Corporation or with a direct or indirect subsidiary of such transferring subsidiary. This Demerger Plan in no way limits the right of the board of directors of Metso Corporation to amend the terms and conditions of the incentive plans in accordance with the same prior to the registration of the completion of the Demerger;

(i) Known and unknown assets, debts and liabilities (including agreements, offers, offer requests and undertakings) not related to PPP Business, such as joint venture agreements with third parties regarding ownership of subsidiaries belonging to Metso group; and

(j) Items that have replaced the above-mentioned assets, debts and liabilities (including agreements, offers, offer requests and undertakings) (insofar as these replacement items are not related to PPP Business and have not been specifically allocated to Valmet Corporation under Section 9.1 of this Demerger Plan) as well as assets, debts and liabilities created for, or otherwise allocated to, Metso Corporation after the date of this Demerger Plan (including any new agreements, offers, offer requests and undertakings), which are not related to PPP Business.

Valmet Corporation shall be subject only to secondary liability, as set forth in Chapter 17, Section 16, Subsection 6 of the Finnish Companies Act, for known, unknown and conditional debts remaining with Metso Corporation, except where there is an agreement or will be an agreement with a creditor regarding the limitation of even such secondary liability (including elimination of such liability), in which case such agreed limitation of liability (or elimination of such liability) shall be applied to Valmet Corporation's liability towards the creditor in question. Valmet Corporation shall not be subject to secondary liability, as set forth in Chapter 17, Section 16, Subsection 6 of the Finnish Companies Act, for any guarantee obligation remaining with Metso Corporation other than such guarantee obligation which is considered debt pursuant to the above-mentioned provision at the registration time of the completion of the Demerger.

9.3 Valuation of Assets and Debts in Demerger

At the registration time of the completion of the Demerger, Metso Corporation's assets, debts and liabilities related to PPP Business allocated to Valmet Corporation in this Demerger Plan shall transfer to Valmet Corporation. The assets and debts of Metso Corporation have been booked and valued in accordance with the Finnish Accounting Act. In the Demerger, Valmet Corporation shall record the transferring assets and debts in its balance sheet at the book values used by Metso Corporation on the registration date of the completion of the Demerger in compliance with the provisions of the Finnish Accounting Act.

The equity to be formed in Valmet Corporation in the Demerger, insofar as it exceeds the amount to be recorded into the share capital in accordance with Section 7, shall be recorded as an increase in retained earnings insofar as retained earnings will be transferred to Valmet Corporation and otherwise as an increase of the reserve for invested unrestricted equity.

The decrease of Metso Corporation's net book assets caused by the Demerger, insofar as it exceeds the amount of the decrease of Metso Corporation's share capital referred to in Section 10, shall be recorded as a decrease in Metso Corporation's reserve for invested unrestricted equity and other reserves up to the amount that corresponds to the aggregate amount recorded in the balance sheet of Valmet Corporation as an increase of the reserve for invested unrestricted equity in accordance with Sections 7 and 9 of this Demerger Plan as well as a decrease in Metso Corporation's retained earnings, insofar as retained earnings will be transferred to Valmet Corporation.

The proposal on the impacts of the proposed allocation of Metso Corporation's assets and debts in accordance with this Demerger Plan on the balance sheets of Metso Corporation and Valmet Corporation, and the accounting principles applied to the Demerger, have been described in the preliminary presentation of the balance sheets of Metso Corporation and Valmet Corporation appended (Appendix 3) to this Demerger Plan. These figures are based on the audited financial statements of Metso Corporation, which have been adopted by the general meeting of shareholders of Metso Corporation on March 28, 2013 and which are appended (Appendix 2) to this Demerger Plan.

The effects of the Demerger on the balance sheets of the Companies Participating in Demerger will, however, be determined according to the situation as per the registration date of the completion of the Demerger.

10. Share Capital of Demerging Company

On the date of execution of this Demerger Plan, the share capital of Metso Corporation is 240,982,843.80 euro. A decrease in the share capital of Metso Corporation is proposed in connection with the Demerger by an amount equaling Valmet Corporation's share capital, or 100,000,000 euro, to 140,982,843.80 euro. The amount by which the share capital of Metso Corporation is decreased will be used to distribute funds to Valmet Corporation.

11. Arrangements Outside Ordinary Business Operations

The Demerger process shall not limit Metso Corporation's right to decide on matters of Metso Corporation and/or, until the registration time of the completion of the Demerger, of Valmet Corporation (regardless of whether such matters are within the ordinary course of business or not), including, without limitation, sale and purchase of shares and businesses, corporate reorganizations, payment of dividend and distribution of other unrestricted equity, share issuances, acquisition or transfer of treasury shares, changes in the amount of share capital, making revaluations, internal group transactions and reorganizations, listing of shares of Valmet Corporation on the Helsinki Stock Exchange and other preparatory actions in relation to the Demerger as referred to in Section 17 of this Demerger Plan as well as other similar actions.

12. Capital Loans

Metso Corporation has not issued any capital loans, as referred to in Chapter 17, Section 3, Subsection 2, Item 12 of the Finnish Companies Act.

13. Cross Ownership and Treasury Shares

On the date of this Demerger Plan, Metso Corporation or its subsidiaries do not hold any shares in Valmet Corporation, because Valmet Corporation shall only be incorporated upon the registration of the completion of the Demerger. Therefore, on the date of this Demerger Plan, Valmet Corporation does not have a parent company either.

On the date of this Demerger Plan, Metso Corporation holds 592,222 treasury shares.

14. Floating Charges

In accordance with an appendix (Appendix 4) to this Demerger Plan, Metso Corporation's assets capable of being subject to floating charges are encumbered by a floating charge registered on August 20, 1986 in accordance with the Finnish Act on Floating Charges (634/1984, as amended) and the related floating charge notes. The floating charge notes have been in Metso Corporation's possession and Metso Corporation has taken appropriate steps to annul the floating charge prior to the completion of the Demerger. Therefore, Metso Corporation is not required to agree with the holder of the floating charge on the division of the floating charge between Metso Corporation and Valmet Corporation.

15. Special Benefits and Rights in Connection with Demerger

No special benefits or rights shall be granted in connection with the Demerger to the members of the board of directors, the President and CEOs or the auditors of either Metso Corporation or Valmet Corporation, or to the auditor issuing a statement on this Demerger Plan.

The remuneration of the auditor issuing a statement on this Demerger Plan is proposed to be paid in accordance with a reasonable invoice approved by the board of directors of Metso Corporation. Metso Corporation shall be solely responsible for the remuneration to be paid for the issuance of such statement.

16. Planned Registration Time for Completion of Demerger

The contemplated registration time of the completion of the Demerger is December 31, 2013. The registration time of the completion of the Demerger may change, for example, if the circumstances relating to the Demerger require changes with respect to the above-mentioned contemplated timing or if the board of directors of Metso Corporation otherwise decides to apply for the Demerger to be registered prior to, or after, the planned registration time.

17. Other Matters

17.1 Listing of Receiving Company

The shares issued by Valmet Corporation are intended to be applied for public trading on the official list of the Helsinki Stock Exchange. The shares are planned to be admitted for public trading as soon as possible after the registration of the completion of the Demerger.

The board of directors of Metso Corporation has the right to take the decisions relating to the listing of Valmet Corporation and to take the measures necessary for the listing, including entering into agreements concerning the listing.

The Demerger will not affect the listing of, or public trading in, the shares of Metso Corporation.

17.2 Transfer of Employees

Part of the personnel in the administration and service operations of Metso Corporation and its subsidiaries shall transfer to the service of Valmet Corporation at the registration time of the completion of the Demerger in accordance with the decisions of the board of directors and/or the President and CEO of Metso Corporation made prior to the registration of the completion of the Demerger. Valmet Corporation shall assume the obligations arising out of the employment and service relationships of the transferring personnel in force at the registration time of the completion of the Demerger as well as the obligations resulting from the related benefits. The personnel shall transfer to the service of Valmet Corporation as existing employees.

The obligations of group agreements binding Metso Corporation shall transfer to Valmet Corporation insofar as they concern the employees of Valmet Corporation or its directly or indirectly owned subsidiaries.

Valmet Corporation shall be responsible for all obligations relating to the personnel transferring to it, such as any wages and fees, tax withholding, accumulated holidays, daily allowances, pension contributions and expense compensations, also to the extent the grounds for such obligations have wholly or partially arisen during the time period preceding the registration of the completion of the Demerger, but which remain unfulfilled on the registration time of the completion of the Demerger.

17.3 Preparatory Actions

The board of directors and the President and CEO of Metso Corporation may take any decisions that fall within their competence under the applicable law and concern MCA Business and PPP Business as well as take care of the actions in relation to the completion of the Demerger until the completion of the Demerger has been registered.

17.4 Right of Board of Directors and President and CEO of Demerging Company to Act on Behalf of Receiving Company

As set out in Section 17.3 of this Demerger Plan, prior to the registration of the completion of the Demerger, the President and CEO of Metso Corporation may enter into agreements facilitating the separation and commencement of PPP Business.

The President and CEO of Metso Corporation may take the above-mentioned decisions, enter into agreements and take other actions also on behalf of Valmet Corporation. The rights and obligations of Valmet Corporation based on such decisions, agreements and other actions shall transfer to Valmet Corporation at the registration time of the completion of the Demerger.

Prior to the registration of the completion of the Demerger, the board of directors of Metso Corporation may also take decisions, enter into agreements and take actions designated to the President and CEO of Metso Corporation under this Section 17.4 as well as take all such decisions, enter into agreements and take actions concerning PPP Business that fall within its competence under the applicable law.

17.5 Capacity and Competence of Receiving Company's Board of Directors and President and CEO prior to Completion of Demerger

Prior to the registration time of the completion of the Demerger, the board of directors and the President and CEO of Valmet Corporation may only take such decisions that are separately assigned in this Demerger Plan to be made by the board of directors or the President and CEO of Valmet Corporation or such decisions as the board of directors of Metso Corporation designates.

Prior to the registration time of the completion of the Demerger, the board of directors of Valmet Corporation may, however, take, without separate direction from the board of directors of Metso Corporation, such decisions, which concern the rights to represent Valmet Corporation (authorizations to sign for the company, rights of representation per procuram and other authorizations), bank accounts and the necessary agreements and documents relating to the administration of a listed company, such as the working order of the board of directors and the insider guidelines. Also, the board of directors of Metso Corporation may take these decisions prior to the registration of the completion of the Demerger. The rights and obligations under these decisions shall transfer to Valmet Corporation at the registration time of the completion of the Demerger.

17.6 Agreements and Undertakings and Cooperation in Transfer of Rights and Obligations; Intra-Group Arrangements

All agreements and undertakings, given and received offers and offer requests and the rights and obligations pertaining thereto related to PPP Business shall transfer to Valmet Corporation in accordance with this Demerger Plan at the registration time of the completion of the Demerger. If the transfer of a certain agreement and/or undertaking is subject to the consent of the contracting party or a third party, the Companies Participating in Demerger shall use their best efforts to obtain such consent. If any consent has not been obtained by the registration time of the completion of the Demerger, Metso Corporation shall remain as the party to the relevant agreement and/or undertaking, but Valmet Corporation shall fulfill the obligations related to such agreement and/or undertaking on its own behalf, at its own responsibility and at its own risk in Metso Corporation's name and, correspondingly, Valmet Corporation shall receive the benefits related to such agreement and/or undertaking in a manner separately agreed by the Companies Participating in Demerger.

Metso Corporation and Valmet Corporation are both obligated to provide to each other all the reports and confirmations, as requested by the other company, which are necessary for the confirmation and recording of the transfer of rights and obligations under this Demerger Plan, such as reports on the transfer of assets, debts and liabilities potentially required by authorities or financial institutions.

Metso Corporation will undertake certain intra-group arrangements related to the Demerger before the registration time of the completion of the Demerger. As a part of these intra-group arrangements, shares of indirect subsidiaries of Metso Corporation which are owned by direct or indirect subsidiaries of Metso Corporation will be transferred within the group. If such intra-group arrangements cannot be completed in all respects before the registration time of the completion of the Demerger due to requirements or actions of foreign authorities or other similar reasons, the Companies Participating in Demerger undertake to cause the completion of the said arrangements as soon as practically possible after the registration time of the completion of the Demerger.

17.7 Intellectual Property Rights of Metso Corporation

Valmet Corporation shall procure that none of its directly or indirectly owned subsidiary shall use any trade name, trademark or other intellectual property right, which includes the word "Metso" or which may otherwise be confused with Metso Corporation's trade name, trademark or other intellectual property right and that the said subsidiaries shall cause the removal of such elements immediately and in any event no later than within six (6) months from the registration time of the completion of the Demerger.

17.8 Costs

Unless the Companies Participating in Demerger separately agree otherwise or unless it is stipulated otherwise in this Demerger Plan (including Section 9), the following shall be applied to the allocation of the costs and remuneration related to the Demerger between the Companies Participating in Demerger:

(a) Metso Corporation shall be responsible for the costs and remuneration directly relating to the Demerger process and completion;

(b) Valmet Corporation shall be responsible for the costs relating to the listing of the shares of Valmet Corporation and creation of the shares in the book-entry securities system, regardless of when the cost may arise. If such costs arise prior to the registration of the completion of the Demerger, Metso Corporation shall invoice these costs from Valmet Corporation after the completion of the Demerger;

(c) Valmet Corporation shall be responsible for the costs related to the commencement of Valmet Corporation's operations regardless of when the costs may arise. If such costs arise prior to the registration of the completion of the Demerger, Metso Corporation shall invoice such costs from Valmet Corporation after the registration of the completion of the Demerger;

(d) To the extent current members of the board of directors of Metso Corporation will be elected to the board of directors of Valmet Corporation as described in Section 3.2 of this Demerger Plan, Valmet Corporation shall be responsible for reimbursing Metso Corporation for such portion of the remuneration of such current members of the board of directors of Metso Corporation that has already been paid by Metso Corporation to them and that relates to the time period following the registration of the completion of the Demerger. Metso Corporation shall invoice such portion of their remuneration from Valmet Corporation after the registration of the completion of the Demerger; and

(e) The Companies Participating in Demerger shall each be responsible for one-half of the costs and fees, which cannot be allocated based on Subsections (a)-(c) above or which are not directly related to the operations of either of the companies.

17.9 Accounting Material

The accounting material of Metso Corporation shall remain in the ownership of Metso Corporation. However, Valmet Corporation shall have the right to obtain access to the said accounting material free of separate charge, including the right to make notes based on the documentation, make copies thereof and save it in electronic media, within the ordinary office hours insofar as the request concerns the business of Valmet Corporation.

17.10 Language of Demerger Plan

This Demerger Plan has been prepared in the Finnish language. Any possible translations of this Demerger Plan have been made for information purposes only and the Finnish language version shall prevail in all situations.

17.11 Dispute Resolution

Any dispute, controversy or claim between the Companies Participating in Demerger arising out of or relating to this Demerger Plan, or the breach, termination or validity thereof shall be finally settled by arbitration in accordance with the Rules of the Arbitration Institute of the Finland Chamber of Commerce. The seat of arbitration is Helsinki. For the sake of clarity, it is noted that this arbitration clause has been made also on behalf of, and is binding upon, Valmet Corporation.

17.12 Other Issues

The board of directors of Metso Corporation is authorized to decide on technical amendments to this Demerger Plan as may be required by the authorities or otherwise considered appropriate by the board of directors of Metso Corporation. The board of directors of Metso Corporation may decide not to complete the Demerger, if material grounds for such non-completion exist prior the general meeting of shareholders of Metso Corporation resolving upon the Demerger or thereafter.

[*Signature page to follow*]

In Helsinki, on May 31, 2013

Authorized by the board of directors of Metso Corporation

By: /S/ JUKKA VIINANEN
Name: Jukka Viinanen
Title: Chairman of the board of directors

By: /S/ MATTI KÄHKÖNEN
Name: Matti Kähkönen
Title: President and CEO

Appendix 1

[UNOFFICIAL ENGLISH TRANSLATION]

VALMET CORPORATION ARTICLES OF ASSOCIATION

1 § Trade name and domicile

The company's trade name is Valmet Oyj in Finnish, Valmet Abp in Swedish and Valmet Corporation in English. The company's domicile is Helsinki.

2 § Field of business

The company's field of business is, either directly or through its subsidiaries or affiliated companies, to engage globally in designing, developing, manufacturing, building and trading machines, instruments, equipment, production plants and spare parts in the field of technology industry, mainly pulp, paper and power industries, producing and selling services related to this field of business and other industrial or commercial activities related to this field of business.

As the parent company, the company may also attend to the group's organization, financing, purchases and other similar joint tasks as well as own real estate, shares and interests, carry out securities trading and other investment operations.

3 § Book-entry system

The company's shares belong to the book-entry securities system.

4 § Board of Directors and President

The company has a Board of Directors, a President and, if necessary, one or more Executive Vice Presidents.

The Board of Directors comprises no less than five (5) and no more than eight (8) members. The term of office of each member of the Board of Directors expires at the closing of the first Annual General Meeting of shareholders following the election. The General Meeting of shareholders elects the chairman, the vice chairman and other members of the Board of Directors.

The Board of Directors elects the company's President and, if necessary, one or more Executive Vice Presidents.

The Board of Directors meets when a meeting is convened by the chairman or, if he/she is unavailable, the vice chairman. The Board of Directors constitutes a quorum when more than one-half of its members are present and one of them is the chairman or the vice chairman.

The resolution of the Board of Directors shall be the opinion which is supported by more than one-half of the members present or, in case of a tie vote, the opinion with which the chairman of the meeting concurs.

5 § Representation right

The right to represent the company shall be vested with the chairman of the Board of Directors, a member of the Board of Directors and the President, two of them acting jointly, as well as the persons authorized by the Board of Directors to represent the company, two of them acting jointly, or each such person acting together with the chairman of the Board of Directors, a member of the Board of Directors or the President.

6 § Accounting period

The company's accounting period is a calendar year. The company's first accounting period ends on December 31, 2013.

7 § Auditor

The company has one (1) auditor, which must be an auditing firm certified by the Finland Chamber of Commerce.

The term of office of the auditor expires at the closing of the Annual General Meeting of shareholders following the election.

8 § Notice convening a meeting

The notice convening a General Meeting of shareholders must be delivered to the shareholders by publishing the notice on the company's website or in one or more widely circulated daily newspapers designated by the Board of Directors or otherwise in a verifiable manner no more than three (3) months and no less than three (3) weeks prior to the General Meeting of shareholders, however, in any case, at least nine (9) days prior to the record date of the General Meeting of shareholders referred to in Chapter 4, Section 2, Subsection 2 of the Finnish Companies Act.

In order to participate in the General Meeting of shareholders, a shareholder must register with the company at the latest on the date referred to in the notice convening the meeting, which may be at the earliest ten (10) days prior to the General Meeting of shareholders.

9 § Annual General Meeting of shareholders

The Annual General Meeting of shareholders shall be held each year within six (6) months from the end of the company's accounting period.

At the meeting:

<u>the following are presented</u>

1. the financial statements, which include the consolidated financial statements, and the report of the Board of Directors;

2. the auditor's report;

<u>the following are resolved upon</u>

3. the adoption of the financial statements;

4. the use of profits shown in the balance sheet;

5. the discharge of members of the Board of Directors and the President from liability;

6. the remuneration of the members of the Board of Directors and the auditor;

7. the number of the members of Board of Directors;

<u>the following are elected</u>

8. the chairman, vice chairman and members of the Board of Directors, and

9. the auditor.

If a vote is held at the company's General Meeting of shareholders, the chairman of the General Meeting of shareholders shall determine the voting procedure.

Appendix 2

2012 AUDITED FINANCIAL STATEMENTS OF METSO CORPORATION, WHICH HAVE BEEN ADOPTED BY THE GENERAL MEETING OF SHAREHOLDERS OF METSO CORPORATION ON MARCH 28, 2013

The 2012 financial statements of Metso Corporation are available on Metso's webpage, www.metso.com.

PRELIMINARY PRESENTATION OF THE BALANCE SHEETS OF METSO CORPORATION AND VALMET CORPORATION

	31.12.2012	31.12.2012	31.12.2012
	Metso Corporation	**Receiving company**	**Metso Corporation after the demerger**
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	282 740	306	282 435
Other capitalized long-term expenses	177 684	0	177 684
Intangible assets total	**460 424**	**306**	**460 119**
Land and water areas	796 313	685 217	111 096
Buildings	181 240	180 803	438
Machinery and equipment	226 281	28 093	198 188
Other tangible assets	871 339	522 917	348 422
Tangible assets total	**2 075 173**	**1 417 029**	**658 144**
Subsidiary shares	2 940 247 283	1 058 974 428*	1 881 272 855
Other shares and similar rights ownership	2 292 904	1 238 147	1 054 757
Investments total	**2 942 540 187**	**1 060 212 575**	**1 882 327 611**
NON-CURRENT ASSETS TOTAL	**2 945 075 784**	**1 061 629 910**	**1 883 445 874**
CURRENT ASSETS			
Long-term loans receivables	152 704 759	5 195 000	147 509 759
Other long-term receivables	2 002 445	285 186	1 717 259
Long-term receivables total	**154 707 203**	**5 480 186**	**149 227 017**
Accounts receivables	2 362 630	874 000	1 488 630
Loans receivables	561 173 278	162 711 000	398 462 278
Other receivables	35 282 733	5 079 751	30 202 982
Accrued income and prepaid expenses	119 349 811	43 335 000	76 014 811
Short-term receivables total	**718 168 452**	**211 999 751**	**506 168 701**
Other investments total	161 844 832	0*	161 844 832
Investments total	**161 844 832**	**0**	**161 844 832**
Cash in hand and at banks total	**117 405 043**	**20 000 000**	**97 405 043**
CURRENT ASSETS TOTAL	**1 152 125 531**	**237 479 937**	**914 645 594**
ASSETS TOTAL	**4 097 201 315**	**1 299 109 847**	**2 798 091 468**

(*) Please see the explanation on the liabilities side

	31.12.2012 Metso Corporation	31.12.2012 Receiving company	31.12.2012 Metso Corporation after the demerger
LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	240 982 844	100 000 000	140 982 844
Reserve of non-restricted equity	194 210 759		194 210 759
Reserve of invested non-restricted equity	573 236 542	294 711 475	278 525 067
Other reserve total	767 447 300	294 711 475	472 735 825
Retained earnings	629 471 903	468 395 044*	161 076 858
Dividends paid	-277 048 663	*	-277 048 663
Retained earnings total	352 423 240	468 395 044	-115 971 805
Net income for the year	266 335 291		266 335 291
SHAREHOLDERS' EQUITY TOTAL	**1 627 188 675**	**863 106 519**	**764 082 156**
Bonds	1 017 938 912	0	1 017 938 912
Loans from financial institutions	148 324 428	125 681 567	22 642 861
Pension loans	5 000 000	0	5 000 000
LONG-TERM LIABILITIES TOTAL	**1 171 263 341**	**125 681 567**	**1 045 581 774**
Bonds	51 746 011	0	51 746 011
Loans from financial institutions	66 554 583	61 554 583	5 000 000
Pension loans	10 000 000	0	10 000 000
Accounts payable	3 321 538	592 000	2 729 538
Other short-term liabilities	1 141 779 525	245 438 573	896 340 951
Accrued expenses and prepaid income	25 347 642	2 736 604	22 611 038
SHORT-TERM LIABILITIES TOTAL	**1 298 749 299**	**310 321 760**	**988 427 539**
LIABILITIES TOTAL	**4 097 201 315**	**1 299 109 847**	**2 798 091 468**

(*) The starting point of this illustrative balance sheet is the audited financial statements of Metso Oyj as per December 31, 2012. In addition, this illustrative balance sheet takes into account following events which have taken place before the execution date of the demerger plan: the 468 MEUR conditional capital increase of Metso Svenska AB and the 277 MEUR dividend payment resolved upon by the AGM on April 11, 2013. The profit of 2013 has not been taken into account. The final demerger will take place based on balance sheet values of the registration date of the completion of the demerger, which means that the numbers will change and are therefore only indicative. This illustrative balance sheet is unaudited.

Appendix 4

FLOATING CHARGE ENTRIES

Business identity code: 1538032-5

Trade register number: 765.008

Trade name: Metso Oyj

The assets of the entrepreneur belonging to its business operations capable of being subject to floating charges are encumbered by the following floating charge matters in force:

Date of receipt of application	Matter Number	Subject matter
August 20, 1986	1986/003664K	Registration of floating charge

Applicant: State Guarantee Agency (in Finnish: Valtiontakauslaitos)

Floating charge notes
Applied in Finnish marks (FIM)

Quantity	No.	Date of Issue	Capital	Interest %	Collection fees	Type
1	1	June 18, 1986	FIM 80,000 EUR 13,445.03	16.00	FIM 2,000 EUR 336.38	Bearer
	Bearer: Address:	State Guarantee Agency Yrjönkatu 36, 00100 Helsinki				
2	2-3	June 18, 1986	FIM 60,000 EUR 10,091.28	16.00	FIM 2,000 EUR 336.38	Bearer
	Bearer: Address:	State Guarantee Agency Yrjönkatu 36, 00100 Helsinki				
6	4-9	June 18, 1986	FIM 100,000 EUR 16,818.79	16.00	FIM 2,000 EUR 336.38	Bearer
	Bearer: Address:	State Guarantee Agency Yrjönkatu 36, 00100 Helsinki				

Priority from the date of application, August 20, 1986
The mutual priority order of the promissory is in numerical order.

Decision: Registered Date of decision: August 20, 1986

There are no floating charge matters pending.

Trade register information entered into the floating charge register:

Notification

Entered: September 1, 1999

With a permission granted by the register authority, the following companies have merged by establishing a company named Valmet – Rauma Oyj reg.no. 765.008: Valmet Oyj reg.no. 120.464 Rauma Oyj reg.no. 500.704 and dissolved. Entered into the trade register on July 1, 1999. The floating charge that was encumbering Rauma Oyj matter number 3664/86 has been transferred on July 1, 1999 to encumber Valmet-Rauma Oyj reg.no. 765.008.

History of trade names:

August 24, 1999 – Metso Oyj
July 1, 1999 – August 23, 1999 Valmet – Rauma Oyj

Floating charge entries have been printed on May 30, 2013 and the print-out includes at least all floating charge matters which have become pending or have been confirmed on or prior to May 28, 2013 as well as trade register information concerning the entrepreneur appearing in the floating charge register.

In Helsinki May 30, 2013

Source of Information: National Board of Patents and Registration of Finland Floating Charge Register

(This page has intentionally been left blank.)

THE COMPANY

Metso Corporation
Fabianinkatu 9 A
FI-00101 Helsinki
Finland

LEGAL ADVISER TO THE COMPANY

White & Case LLP
Eteläranta 14
FI-00130 Helsinki
Finland

FINANCIAL ADVISER TO THE COMPANY

SEB Corporate Finance
Unioninkatu 30
FI-00100 Helsinki
Finland

LEGAL ADVISER TO SEB CORPORATE FINANCE

Hannes Snellman Attorneys Ltd
Eteläranta 8
FI-00130 Helsinki
Finland

AUDITORS OF THE COMPANY

Ernst & Young Oy
Elielinaukio 5 B
FI-00100 Helsinki
Finland