VALMET FINANCIAL STATEMENTS 2013

Valmet

Valmet was reborn in the partial demerger of Metso

March 25
The Metso Board of Directors decided to undertake demerger study

May 31
Demerger plan signed by the Metso Board of Directors

September 23
Demerger prospectus published

October 1
Metso EGM decision on demerger

November 12
Carve-out and pro forma figures for Valmet for January-September 2013 published

November 26
Valmet Capital Markets Day in London

December 31
Demerger effective

January 2, 2014
Listing of Valmet shares on NASDAQ OMX Helsinki

Financial Statements 2013

The financial carve-out data presented in these Financial Statements depicts the financial data of the companies that formerly made up Metso Corporation's Pulp, Paper and Power segment. The Statement of Financial Position as at December 31, 2013 is based on actual figures, while the Statement of Income, Statement of Cash Flows, and all comparison figures are based on financial carve-out data. Figures in brackets, unless otherwise stated, refer to the comparison period, i.e. the same period previous year.

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*) The accompanying notes form an integral part of these Financial Statements.

Notes to the Consolidated Financial Statements

Report of the Board of Directors January-December, 2013

Valmet was established as a result of the official registration of the partial demerger on December 31, 2013

Metso Corporation's Extraordinary General Meeting held in Helsinki on October 1, 2013 approved the demerger plan as presented by Metso's Board of Directors and decided on the demerger of Metso into two companies such that Metso's Pulp, Paper and Power business operations were transferred to the newly founded company – Valmet Corporation – and Metso's Mining and Construction and Automation business lines remained within Metso.

The partial demerger was officially registered in the trade register as of December 31, 2013, whereupon Valmet Corporation was established and Valmet's Board of Directors' term of office began. Valmet had not, prior to this moment, formed a legal corporation; instead, its business had been steered as Metso's Pulp, Paper and Power segment and therefore as part of the Metso Group.

Governance

Metso's Extraordinary General Meeting, held on October 1, 2013, approved Valmet's Articles of Association as part of the demerger decision.

Current legislation, the company's Articles of Association and the rules and regulations of organizations regulating and supervising the activities of listed companies are complied with in Valmet Corporation and Valmet Group corporate governance. Valmet Corporation complies with the Finnish Corporate Governance Code for listed companies, which was published by the Securities Market Association in June 2010 and came into force on October 1, 2010. The Code is publicly available at www.cgfinland.fi.

Corporate Governance Statement

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

Annual General Meeting

The Annual General Meeting is the company's highest decision-making body, and its tasks are defined according to the Articles of Association and the Finnish Companies Act. The Annual General Meeting decides on the adoption of the Financial Statements, the distribution of profit, discharging the members of the Board of Directors and the President and CEO from liability, appointing the members, Chairman and Vice Chairman of the Board, and the auditor, and their remunerations, as well as other matters requiring a decision by the Annual General Meeting according to the Finnish Companies Act and presented to the Annual General Meeting. The Annual General Meeting convenes at least once a year. The Board of Directors convenes the Annual General Meeting.

The Board of Directors

The Board of Directors takes care of the company's administration and the appropriate organization of its activities and ensures that the monitoring of the company's accounting and asset management is arranged appropriately. The Board of Directors monitors the Group's activities, finances and risk management, and its task is to promote the interests of shareholders and the Group by ensuring the appropriate organization of the entire Group's governance and operations.

According to Valmet's Articles of Association, the Board of Directors shall include at least five (5) members and at most eight (8) members. The term of office of Board members ends at the end of the first Annual General Meeting following the elections. The Annual General Meeting selects the Chairman, Vice Chairman and other members of the Board.

President and CEO

The Board of Directors selects a President and CEO for the company and decides on the salary and remunerations of the President and CEO and other terms related to the position. The Board of Directors monitors the work of the CEO.

The President and CEO is responsible for the company's daily administration according to the instructions and regulations of the Board of Directors. The President and CEO is responsible for ensuring the legality of the company's accounting and for the reliable organization of the company's asset management.

Valmet's Financial Statements 2013

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

Key figures

Key figures[1], EUR million	**2013** Carve-out	**2012** Carve-out
Orders received	**2,182**	2,445
Order backlog	**1,398**	2,249[2]
Net sales	**2,613**	3,014
Earnings before interest, taxes and amortization (EBITA) and non-recurring items	**54**	192
% of net sales	**2.1%**	6.4%
Earnings before interest, taxes and amortization (EBITA)	**-32**	168
% of net sales	**-1.2%**	5.6%
Operating profit	**-59**	138
% of net sales	**-2.2%**	4.6%
Earnings per share, EUR	**-0.42**	0.51
Earnings per share, diluted, EUR[3]	**-**	-
Equity per share, EUR	**5.39**	-
Dividend per share, EUR	**0.15[4]**	-
Cash flow provided by operating activities	**-43**	-53
Cash flow after investments	**-97**	-106
Return on capital employed (ROCE) before taxes	**-4%**	12%[5]

[1]The calculation of key figures is presented in the part of Financial Statements.
[2]Includes cancelled Fibria order (EUR 331 million).
[3]The Board of Directors of Valmet has not by the date of approval of these financial statements decided on the conversion rate between Metso and Valmet shares applied in share based plans.
[4]Board of Directors' proposal.
[5]In calculating these key ratios, an adjustment of EUR 468 million has been made from 'Long-term debt, Metso Group' to 'equity' in order to reflect the conversion of Metso Svenska AB's long term debt to Metso Group which took place in January 2013.

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

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

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

Challenging operating environment in 2013

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

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

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

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

Orders received declined

Orders received, EUR million	2013 Carve-out	2012 Carve-out	Change
Services	**1,035**	1,055	-2%
Pulp and Energy	**680**	733	-7%
Paper	**467**	657	-29%
Total	**2,182**	**2,445**	**-11%**

Orders received, EUR million	2013 Carve-out	2012 Carve-out	Change
North America	**377**	367	3%
South America	**570**	103	453%
EMEA	**804**	1,223	-34%
China	**241**	358	-33%
Asia-Pacific	**190**	394	-52%
Total	**2,182**	**2,445**	**-11%**

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

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

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

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

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

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

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

Order backlog decreased in 2013

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

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

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

Net sales remained stable in the services business

Net sales, EUR million	2013 Carve-out	2012 Carve-out	Change
Services	**1,032**	1,011	2%
Pulp and Energy	**907**	1,198	-24%
Paper	**674**	805	-16%
Total	**2,613**	**3,014**	**-13%**

Net sales, EUR million	2013 Carve-out	2012 Carve-out	Change
North America	**401**	572	-30%
South America	**442**	512	-14%
EMEA	**1,096**	1,208	-9%
China	**389**	398	-2%
Asia-Pacific	**285**	324	-12%
Total	**2,613**	**3,014**	**-13%**

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

Profitability declined

Profitability declined in 2013, and earnings before interest, taxes, amortization, and non-recurring items (EBITA before non-recurring items), was EUR 54 million, i.e. 2.1 percent of net sales (EUR 192 million and 6.4% in 2012). Profitability decreased, mainly because of a delay linked to an individual, major pulp project delivery and the project's higher-than-estimated costs (about EUR 30 million). Capacity utilization in the Board and Paper, and Energy business units was also low.

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

Financials expenses

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

Profit before taxes and earnings per share

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

Return on capital employed (ROCE) declined

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

Business lines

Services – solid performance

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

In 2013, orders received by the Services business line remained similar to that seen during the previous year at EUR 1,035 million (EUR 1,055 million) and accounted for 47 percent of all orders received (43%). Orders received increased slightly in North America and declined in the EMEA area. Orders received increased in the Fabrics business unit, and decreased on the part of the Mill Improvements business unit.

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

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

Profitability was satisfactory, remaining at the 2012 level.

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

Pulp and Energy – a challenging year for energy

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

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

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

Profitability was weak and declined compared with 2012.

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

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

Paper – decline in orders received

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

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

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

Profitability was weak and declined compared with 2012.

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

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

Profitability improvement measures

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

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

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

Cash flow and financing

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

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

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

Investments remained on the same level

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

Acquisitions and divestments

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

Research and development

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

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

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

Number of personnel decreased during the year

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

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

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

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

Strategic goals and their implementation

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

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

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

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

Valmet has the following financial targets:

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

Sustainable development and responsible business

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

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

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

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

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

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

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

Legal proceedings and claims

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

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

Shares and shareholders

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

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

Shareholders

The number of shareholders at the end of December 2013 was 58,490. Shares owned by nominee-registered parties and by non-Finnish parties equaled 47.8 percent of the total number of shares at the end of December.

Largest shareholders (Euroclear)

Pursuant to the notification received by Valmet Corporation from Cevian Capital II Master Fund L.P. and its wholly-owned subsidiary Cevian Capital Partners Ltd, Cevian Capital II Master Fund L.P. and Cevian Capital Partners Ltd owned on December 30, 2013 a total of 20,813,714 shares in Metso Corporation ("Metso"), which corresponds to 13.84 percent of the total amount of shares and votes in Metso.Taking into account the fact that no demerger consideration was issued in respect of treasury shares held by Metso, Cevian Capital II Master Fund L.P.'s and Cevian Capital Partners Ltd's ownership in Valmet based on the above-mentioned ownership in Metso corresponds to 13.89 percent of the total amount of shares and votes in Valmet.

		Holdings, shares	% of holdings
1	Solidium Oy[1]	16,695,287	11.14
2	Ilmarinen Mutual Pension Insurance Company	4,450,126	2.97
3	Varma Mutual Pension Insurance Company	2,908,465	1.94
4	The State Pension Fund	1,720,000	1.15
5	Nordea Nordenfonden	1,566,531	1.05
6	Keva	1,543,015	1.03
7	Mandatum Life Insurance Company	1,487,381	0.99
8	The Society of Swedish Literature in Finland	1,188,076	0.79
9	Skagen Global Verdipapirfond	882,429	0.59
10	Mutual Insurance Company Pension Fennia	871,000	0.58
11	Swiss National Bank	802,131	0.54
12	Elo Mutual Pension Insurance Company	800,000	0.53
13	Odin Norden	737,035	0.49
14	Nordea Fennia investment fund	732,500	0.49
15	OP-Delta Mutual Fund	622,231	0.42

[1]Solidium Oy (wholly owned by the Finnish state)

Holdings of the Board of Directors and CEO in Valmet Corporation December 31, 2013

		Holdings, shares	Holdings of related parties, shares
Viinanen, Jukka-Pekka	Chairman of the Board	6,017	0
Von Frenckell, Mikael	Vice Chairman of the Board	102,754	0
Helfer, Friederike	Member of the Board	0	0
Lundmark, Pekka Ilmari	Member of the Board	0	4
Pehu-Lehtonen, Erkki Yrjö Juhani	Member of the Board	3,179	0
Rudengren, Pia	Member of the Board	2,864	0
Ziviani, Rogério	Member of the Board	0	0
Laine, Pasi Kalevi	President and CEO	17,616	0
Total		**132,430**	**4**

Distribution of holdings by group December 31, 2013

	Number of shares	% of share capital
Nominee-registered and foreign owners	71,630,107	47.8
Finnish institutions, companies and organizations	37,995,993	25.4
Solidium Oy[1]	16,695,287	11.1
Finnish private investors	23,543,232	15.7
Total	**149,864,619**	**100**

[1]Solidium Oy (wholly owned by the Finnish state)

The ownership structure is based on the sector classifications of Statistics Finland. The classification specifies institutions that invest in compulsory insurance, such as pension insurance companies in the public sector. Life and accident insurance companies, among others, are defined as finance and insurance institutions.

Distribution of holdings by number of shares held December 31, 2013

Number of shares	Number of shareholders	% of shareholders	Total number of shares	% of share capital
1-100	24,585	42.0	1,297,695	0.9
101-1,000	28,499	48.7	10,201,372	6.8
1,001-10,000	4,958	8.5	12,744,623	8.5
10,001-100,000	378	0.6	10,068,256	6.7
100,001-	70	0.1	115,543,633	77.1
Total	**58,490**	**100.0**	**149,855,579**	**100.0**
Nominee registered	**13**	**0.02**	**66,304,357**	**44.2**
Treasury shares held by the parent company	**0**	**0.0**	**0**	**0.0**
On shared account	**0**	**0.0**	**9,040**	**0.0**

Flagging notifications

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

September 27, 2013

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

July 29, 2013

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

Treasury shares and Board authorizations

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

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

Share-based incentive plans

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

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

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

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

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

Decisions of the Extraordinary General Meeting of Metso Corporation

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

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

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

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

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

Risks and business uncertainties

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

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

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

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

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

Management of project business risks important

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

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

Availability of financing crucial

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

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

At the end of 2013, Valmet had EUR 443 million (EUR 445 million) of goodwill on its statement of financial position. Valmet conducts impairment tests regularly once a year and more frequently if needed, and has not detected any impairment. The principles used for impairment testing are presented in the note number 10 in the financial statements.

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

Of the financial risks that affect Valmet's profit, currency exchange rate risks are among the most substantial. Exchange rate changes can affect Valmet's business, although the wide geographical scope of the company's operations reduces the impact of any individual currency. Economic insecurity typically increases exchange rate fluctuations. Valmet hedges its currency exposures linked to firm delivery and purchase agreements.

Events after the review period

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

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

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

Guidance

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

Short-term outlook

General economic outlook

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

Short-term market outlook

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

Board of Director's proposal for the distribution of profit

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

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

The dividend will be paid to shareholders who on the dividend record date March 31, 2014 are registered in the Company's shareholders' register held by Euroclear Finland Ltd. The dividend will be paid on April 11, 2014. All the shares in the company are entitled to a dividend with the exception of treasury shares held by the company on the dividend record date.

Espoo, February 6, 2014
Valmet Corporation's Board of Directors

Consolidated Statement of Income

		Year ended December 31,	
EUR million	**Note**	**2013**	**2012**
Net sales		**2,600**	3,005
Net sales, Metso Group		**13**	9
Net sales, total	29, 31	**2,613**	3,014
Cost of goods sold		**-2,113**	-2,345
Cost of goods sold, Metso Group		**-59**	-60
Cost of goods sold, total	5, 6, 29	**-2,172**	-2,405
Gross profit		**441**	609
Selling, general and administrative expenses	3, 5, 6	**-469**	-457
Other operating income and expenses, net	4	**-32**	-14
Share in profits and losses of associated companies	11	**1**	0
Operating profit		**-59**	138
Financial income and expenses, net		**- 3**	0
Financial income and expenses, Metso Group, net		**- 2**	- 23
Financial income and expenses, net	7, 29	**-5**	-23
Profit before taxes		**-64**	115
Income taxes	8	**2**	-39
Profit / loss		**-62**	**76**
Attributable to:			
Owners of the parent		**-63**	76
Non-controlling interests		**1**	0
Profit / loss		**-62**	**76**
Earnings per share attributable to owners of the parent *)			
Earnings per share, EUR		**-0.42**	0.51
Diluted earnings per share, EUR **)		**-**	-

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

**) The Board of Directors of Valmet has not by the date of approval of these financial statements decided on the conversion rate between Metso and Valmet shares applied in share based payment plans.

Consolidated Statement of Comprehensive Income

EUR million	Note	Year ended December 31, 2013	2012
Profit / loss		**-62**	76
Items that may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges, net of tax	19, 28	**2**	-3
Available-for-sale equity investments, net of tax	12, 19	**0**	0
Currency translation on subsidiary net investments	19	**-22**	-2
		-20	-5
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit plans	25	**10**	-7
Other comprehensive income (+) / expense (-)		**-10**	-12
Total comprehensive income (+) / expense (-)		**-72**	**64**
Attributable to:			
Owners of the parent		**-73**	64
Non-controlling interests		**1**	0
Total comprehensive income (+) / expense (-)		**-72**	**64**

Consolidated Statement of Financial Position

Assets

EUR million	Note	2013	2012
		As at December 31,	
Non-current assets			
Intangible assets			
Goodwill		**443**	445
Other intangible assets		**107**	133
Total intangible assets	10	**550**	578
Property, plant and equipment			
Land and water areas		**21**	21
Buildings and structures		**137**	155
Machinery and equipment		**210**	246
Assets under construction		**21**	19
Total property, plant and equipment	10	**389**	441
Financial and other non-current assets			
Investments in associated companies	11	**5**	4
Available-for-sale equity investments	12, 17	**3**	4
Loan and other interest-bearing receivables	16, 17	**1**	4
Other receivables, Metso Group	17, 29	**-**	119
Deferred tax asset	8	**80**	70
Other non-current assets	16, 17	**8**	12
Total financial and other non-current assets		**97**	213
Total non-current assets		**1,036**	**1,232**
Current assets			
Inventories	13	**431**	554
Receivables			
Trade and other receivables	16, 17	**433**	530
Trade and other receivables, Metso Group	16, 17, 29	**3**	42
Cost and earnings of projects under construction in excess of advance billings	14	**159**	170
Loan and other interest-bearing receivables	16, 17	**-**	0
Loan receivables, Metso Group	16, 17, 29	**-**	17
Cash pooling receivables, Metso Group	29	**-**	184
Available-for-sale financial assets	16, 17	**1**	1
Derivative financial instruments	17, 28	**18**	6
Income tax receivables		**21**	14
Total receivables		**635**	964
Cash and cash equivalents	18	**211**	158
Total current assets		**1,277**	**1,676**
Total assets		**2,313**	**2,908**

Consolidated Statement of Financial Position

Equity and liabilities

EUR million	Note	As at December 31, 2013	2012
Equity			
Share capital		**100**	-
Reserve for invested unrestricted equity		**402**	-
Cumulative translation adjustments		**2**	24
Fair value and other reserves		**5**	3
Retained earnings		**299**	-
Invested equity and retained earnings		**-**	389
Equity attributable to owners of the parent	19	**808**	416
Non-controlling interests		**5**	7
Total equity		**813**	**423**
Liabilities			
Non-current liabilities			
Long-term debt	17, 21	**140**	132
Long-term debt, Metso Group	17, 21, 29	**-**	550
Post-employment benefits	25	**103**	121
Provisions	22	**32**	30
Derivative financial instruments	17, 28	**2**	1
Deferred tax liability	8	**29**	36
Other long-term liabilities	17	**1**	1
Total non-current liabilities		**307**	871
Current liabilities			
Current portion of long-term debt	17, 21	**63**	64
Current portion of long-term debt, Metso Group	17, 21, 29	**-**	28
Short-term debt	17, 23	**8**	-
Cash pooling liabilities, Metso Group	23, 29	**-**	93
Trade and other payables	17, 24	**641**	643
Trade and other payables, Metso Group	17, 24, 29	**32**	41
Provisions	22	**105**	117
Advances received		**139**	182
Advances received, Metso Group		**0**	3
Billings in excess of cost and earnings of projects under construction	14	**176**	402
Derivative financial instruments	17, 28	**8**	6
Income tax liabilities		**21**	35
Total current liabilities		**1,193**	1,614
Total liabilities		**1,500**	**2,485**
Total equity and liabilities		**2,313**	**2,908**

Net Interest-Bearing Liabilities

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

Consolidated Statement of Cash Flows

		Year ended December 31,	
EUR million	**Note**	**2013**	**2012**
Cash flows from operating activities			
Profit / loss		**-62**	76
Adjustments			
Depreciation and amortization	6	**82**	90
Gain (-) / loss (+) on sale of fixed assets	4	**0**	0
Gain (-) / loss (+) on sale of subsidiaries and associated companies	4	**0**	-
Gain (-) / loss (+) on sale of available-for-sale equity investments	4	**0**	-
Share of profits and losses of associated companies	11	**-1**	0
Dividend income and net interests	7	**7**	21
Income taxes	8	**-2**	40
Other non-cash items		**41**	14
Change in net working capital, net of effect from business acquisitions and disposals	15	**-45**	-240
Interest paid		**-21**	-37
Interest received		**4**	15
Dividends received		**0**	0
Income taxes paid		**-46**	-32
Net cash provided by (+) / used in (-) operating activities		**-43**	**-53**
Cash flows from investing activities			
Capital expenditures on fixed assets	10	**-54**	-59
Proceeds from sale of fixed assets		**4**	6
Business acquisitions, net of cash acquired	10	**-3**	-
Proceeds from sale of businesses, net of cash sold		**-1**	-
Proceeds from sale of available-for-sale equity investments		**-**	-
Increase in loan receivables		**0**	-
Decrease in loan receivables		**0**	0
Net cash provided by (+) / used in (-) investing activities		**-54**	**-53**
Cash flows from financing activities			
Changes in ownership interests in subsidiaries		**-5**	-
Net borrowings (+) / payments (-) on short-term debt		**8**	-2
Net borrowings (+) / payments (-) on Metso Group financing		**-329**	89
Proceeds from issuance of long-term debt		**72**	1
Principal payments of long-term debt		**-65**	-85
Principal payments of finance leases		**0**	0
Dividends paid, Metso Group		**0**	-70
Impact of demerger on Valmet's equity		**492**	37
Dividends paid to non-controlling interests		**0**	-1
Other		**-5**	0
Net cash provided by (+) / used in (-) financing activities		**168**	**-31**
Net increase (+) / decrease (-) in cash and cash equivalents		**71**	-137
Effect of changes in exchange rates on cash and cash equivalents		**-18**	-13
Cash and cash equivalents at beginning of year	18	**158**	308
Cash and cash equivalents at end of year		**211**	**158**

Consolidated Statement of Changes in Equity

EUR million	Share capital	Reserve for invested unrestricted equity	Cumulative translation adjustments	Fair value and other reserves	Retained earnings	Invested equity and retained earnings	**Equity attributable to owners of the parent**	Non-controlling interests	**Total equity**
Balance at Jan 1, 2012	**-**	**-**	**26**	**5**	**-**	**370**	**401**	**8**	**409**
Profit / loss	-	-	-	-	-	76	**76**	0	**76**
Other comprehensive income (+) / expense (-)									
Cash flow hedges, net of tax	-	-	-	-3	-	-	**-3**	-	**-3**
Available-for-sale equity investments, net of tax	-	-	-	0	-	-	**0**	-	**0**
Currency translation on subsidiary net investments	-	-	-2	-	-	-	**-2**	-	**-2**
Remeasurement of defined benefit plans	-	-	-	-	-	-7	**-7**	-	**-7**
Total comprehensive income (+) / expense (-)	-	-	-2	-3	-	69	**64**	0	**64**
Dividends	-	-	-	-	-	-70	**-70**	-1	**-71**
Share-based payments, net of tax	-	-	-	-	-	-1	**-1**	-	**-1**
Changes in invested equity	-	-	-	-	-	-15	**-15**	-	**-15**
Other	-	-	-	1	-	0	**1**	-	**1**
Net change from winding up the consolidated tax groups	-	-	-	-	-	36	**36**	-	**36**
Balance at Dec 31, 2012	**-**	**-**	**24**	**3**	**-**	**389**	**416**	**7**	**423**
Balance at Jan 1, 2013	**-**	**-**	**24**	**3**	**-**	**389**	**416**	**7**	**423**
Profit / loss	-	-	-	-	-	-63	**-63**	1	**-62**
Other comprehensive income (+) / expense (-)									
Cash flow hedges, net of tax	-	-	-	2	-	-	**2**	-	**2**
Available-for-sale equity investments, net of tax	-	-	-	0	-	-	**0**	-	**0**
Currency translation on subsidiary net investments	-	-	-22	-	-	-	**-22**	-	**-22**
Remeasurement of defined benefit plans	-	-	-	-	-	10	**10**	-	**10**
Total comprehensive income (+) / expense (-)	-	-	-22	2	-	-53	**-73**	1	**-72**
Dividends	-	-	-	-	-	0	**0**	0	**0**
Other	-	-	-	-	-	-1	**-1**	-	**-1**
Changes in non-controlling interests	-	-	-	-	-	-4	**-4**	-3	**-7**
Demerger *)	100	407	-	-	299	-331	**475**	-	**475**
Demerger related capitalized costs	-	-5	-	-	-	-	**-5**	-	**-5**
Balance at Dec 31, 2013	**100**	**402**	**2**	**5**	**299**	**-**	**808**	**5**	**813**

*) 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 Consolidated Financial Statements

1 Background, basis of preparation and accounting principles

Background

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

Valmet Corporation is domiciled in Espoo, and its registered address is Keilasatama 5, 02150 Espoo, Finland. The Company's shares are listed on the NASDAQ OMX Helsinki Ltd as of January 2, 2014. The copies of the consolidated financial statements are available at www.valmet.com or the parent company's head office, Keilasatama 5, 02150 Espoo, Finland.

The partial demerger of the Pulp, Paper and Power businesses ("PPP") of Metso Corporation (the "Demerger") became effective on December 31, 2013. At this date, all of the assets and liabilities directly related to PPP were transferred to Valmet Corporation, a new company established in the demerger. Metso's shareholders received as demerger consideration one share in Valmet for each share in Metso owned. The aggregate number of shares in Valmet issued as demerger consideration was determined on the basis of the number of shares in Metso (excluding own shares held by Metso) on December 31, 2013, the effective date of the Demerger.

These consolidated financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the EU. The consolidated financial statements were authorized for issue by Valmet's Board of Directors on February 6, 2014 after which, in accordance with Finnish Company Law, the financial statements are either approved, amended or rejected in the Annual General Meeting.

The consolidated financial statements have been prepared in accordance with the basis of preparation and accounting policies set out below.

Basis of preparation

Valmet formed a separate legal group as of December 31, 2013. The information presented in these consolidated financial statements is based on actual consolidated figures as an independent group after the consummation of the Demerger and on carve-out financial information for periods preceding the consummation of the Demerger. Accordingly, the consolidated statement of financial position, the related notes and key figures as of December 31, 2013 are based on actual figures as an independent group. The consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows, and the related notes and key figures for the years ending December 31, 2013 and December 31, 2012 and the consolidated statement of financial position as of December 31, 2012 are based on carve-out financial information of the PPP business.

The carve-out financial information presented in the financial statements reflects the financial performance of the entities that have historically formed the Pulp, Paper and Power segment within Metso Group.

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

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

Carve-out principles

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

The carve-out financial information of Valmet Group has been prepared in accordance with IFRS as adopted and endorsed by the European Union under consideration of the principles for determining which assets and liabilities, income and expenses as well as cash flows that are attributable to Valmet Group as described below.

The carve-out financial information has been prepared on a going concern basis and under the historical cost convention, except for the available-for-sale -investments, financial assets and liabilities at fair value through profit and loss and derivative instruments at fair value. Share-based payments are measured at fair value at the time of granting.

The interest-bearing receivables and liabilities among Valmet and Metso were settled on the effective date of the Demerger. These balances consist of non-current and current receivables and liabilities, including debt balances to Metso as well as cash pool receivable and liability balances. Consequently, the statement of financial position as at December 31, 2013 is not comparable with the comparative period.

The carve-out financial information may not be indicative of Valmet Group's future performance and it does not necessarily reflect what its combined results of operations, financial position and cash flows would have been, had Valmet with its subsidiaries operated as an independent group and had it presented stand-alone financial statements during the periods presented.

The following summarises the main carve-out adjustments and allocations made in preparing the carve-out financial information. The management of Valmet considers that the allocations described below have been made on a reasonable basis, but are not necessarily indicative of the costs that would have been incurred if Valmet had been a stand-alone entity.

Intercompany and related party transactions

Intercompany transactions and assets and liabilities between Valmet entities have been eliminated in the carve-out financial information. Transactions with other Metso Group companies remaining as part of Metso Group 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 information.

Intercompany receivables and liabilities between Valmet Group and Metso Group entities have been allocated to Valmet, including the financial income and expenses relating to these receivables and liabilities.

Acquisition costs relating to Valmet subsidiaries owned by Metso parent company have been allocated to the parent company and the acquisition method has been used to eliminate the acquisition of subsidiaries.

Equity components

The net assets of Valmet Group, as at December 31, 2012, are represented by capital invested in Valmet Group and shown in the carve-out financial information 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 include the hedge and fair value reserve and the 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.

Changes in net assets allocated to Valmet in the Demerger are presented in the statement of cash flows under "Dividends paid, Metso Group" and "Impact of demerger on Valmet's equity" and in the statement of changes in equity under "Dividends", "Changes in invested equity" and "Net change from winding up the consolidated tax groups".

Corporate, shared service unit and foreign holding company expenses

Metso's parent company was responsible for the management and general administration of Metso Group before the consummation of the Demerger. In 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 was allocated to Valmet. These shared functions included group management, Human Resource, Information Technology, Investor Relations, Finance, Treasury, Legal, Strategy and Property Services. Allocations of the income and expense items were based on allocation keys determined 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 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 information based on the historically recharged amounts. Valmet's share of the previously unallocated costs was allocated proportionately to each foreign holding company.

Pensions

Pensions and other post-employment benefit plans and their respective portion of the plan liabilities, plan assets, interest expenses and service costs were included in the carve-out financial information in accordance with the separate benefit plans of each Valmet subsidiary.

Share-based payments

Valmet key personnel have historically participated in Metso's share-based incentive plans. The carve-out financial information includes cost allocations related to these participations based on the actual number of Valmet employees participating in the plans. The historical cost allocations may not be indicative of the future expenses incurred by Valmet on its own incentive schemes.

Cash management and financing

Cash management within Metso Group was centralised so that Metso managed the Group's cash needs mainly through cash pool arrangements.

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 were settled at the execution of the Demerger. These receivable and payable cash pool balances are presented as short-term receivables and liabilities from related parties.

The external debt financing and related interest expenses of the demerged Metso parent company and Valmet entities that were directly attributable to the operations of Valmet, were included in the carve-out financial information. In addition, the carve-out financial information includes the existing external funding arrangements and the related interest expenses of the Valmet entities.

Prior to the Demerger, Metso arranged a EUR 200 million term loan for Valmet, with a maturity of three years. This facility may be used for the repayment, partial repayment or replacement of other loans or other liabilities allocated to Valmet in the Demerger. These loans consist inter alia of the debts to the Nordic Investment Bank and to the European Investment Bank and they were transferred to Valmet in the Demerger.

In addition, Metso arranged a syndicated multicurrency revolving credit facility, with a maturity of five years from the Demerger date. This facility transferred to Valmet as of the effective date of the Demerger.

Derivative financial instruments

The carve-out financial information includes the allocation of external derivative financial instruments, entered into by Metso's parent company. The allocations reflect the internal derivative contracts entered into by Valmet entities with the Metso parent company. These derivative financial instruments comprise of foreign exchange forwards and nickel- and electricity forward contracts. As Metso had not historically 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 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 group have operated as separate tax payers. For these entities the tax charges, tax liabilities and tax receivables are based on actual taxation in the carve-out financial information.

A number of Valmet entities had before the Demerger been included in Metso legal entities including operations other than operations of Valmet group or in tax groups consolidated for income tax purposes. For these taxes the taxpaying entity was another Metso group entity outside of Valmet Group. During the periods presented as carve-out financial information, 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 for 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.

Guarantees and contingent liabilities

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

Accounting principles

Consolidation

Subsidiaries

Subsidiaries are all entities over which Valmet Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Valmet applies the acquisition method to account for business combinations. The total consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities assumed and the equity interests issued by Valmet Group. The total consideration includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated.

Associated companies

The consolidated financial statements include associated companies in which Valmet either holds 20%-50% of the voting rights or in which Valmet otherwise has significant influence but not control. Investments in associated companies are accounted for using the equity method of accounting. Investments in associates are initially recorded at cost, and the carrying amount is increased or decreased to recognize Valmet's share of the profit or loss of the associates after the date of the acquisition. The Group's investment in associates includes goodwill identified on acquisition. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired.

Valmet's share of post-acquisition profit or loss is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associates are eliminated in to the extent of the Group's interest in each associate.

Joint ventures

Joint ventures are companies in which Valmet exercises joint control with other parties. The Group's investments in joint ventures are accounted for using the equity method. Investments in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of post-acquisition profits and losses. The Group's share of joint ventures' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. Unrealised gains on transactions between the Group and joint ventures are eliminated to the extent of the Group's interest in the joint ventures.

Transactions with non-controlling interests

Valmet accounts transactions with non-controlling interests that do not result in loss of control as equity transactions. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When Valmet ceases to have control, any remaining interest in the entity is re-measured to its fair value at the date when control is lost, with the change in the carrying amount recognized through profit and loss. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if realised and thus they are recognized in the income statement. If the interest is reduced but control is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is recorded against the non-controlling interest.

Foreign currency translation

Items included in the consolidated financial statements of each of Valmet's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). These consolidated financial statements are presented in euros, which is the Group's presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the date of transaction or valuation, when items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "Finance income and expenses". All other foreign exchange gains and losses are presented in the consolidated statement of income above operating profit. Non-monetary items are mainly measured at the exchange rates prevailing on the date of the transaction date.

Translation of the financial statements of foreign Group companies

The statements of income of foreign Group companies are translated into euro using the average exchange rate for the reporting period. The statements of financial position are translated at the closing rate for of the reporting date. Translating the net income for the period using different exchange rates in the statements of income and in the statement of financial position, results in a translation difference, which is recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange rate differences arising are recognized in other comprehensive income. When a foreign subsidiary is disposed of or sold, exchange rate differences that were recorded in equity are recognized in the statement of income as part of the gain or loss on sale.

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 the 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 maturities exceed 12 months and as current assets or liabilities when the remaining maturities are 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 statement of income 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

Prior to the Demerger, Metso hedged certain Valmet specific net foreign investments to reduce the effect of exchange rate fluctuations. The hedging instruments, which are also part of Valmet's own financial risk management policy going forward, 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 under the line item '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'.

Employee benefits

Pensions and coverage of pension liabilities

Valmet has various different pension schemes in place in its entities in accordance with local regulations and practices in countries in which 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. Defined benefit plans are post-employment benefit plans other than defined contribution plans. In defined benefit plans the 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 Valmet Group have multi-employer pension arrangements classified as defined contribution plans. 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 defined contribution plans, the Group pays fixed contributions into a separate entity and the Group will have no legal or constructive obligation to pay further contributions.

In the case of defined benefit plans, the net defined benefit 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. 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 discount rate approximating the duration of the pension obligation. 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. The service cost is recorded under personnel expenses and the net interest is recorded under financial income and expenses. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and return on plan assets excluding interest income are recognized through OCI into shareholders' equity.

Share-based payments

Prior to the consummation of the Demerger, certain Valmet key personnel participated in the Metso share-based incentive plans. Equity-settled share based 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 an 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 and services 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 comprises 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

Tax expenses in the income statement comprise current and deferred taxes. Taxes are recognized in the income statement except when they are associated with items recognized in other comprehensive income or directly in shareholders' equity. Current taxes are calculated on the taxable income on the basis of the tax rate stipulated for each country by the balance sheet date. Taxes are adjusted for the taxes of previous financial periods, if applicable. The management evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The tax provisions recognized in such situations are based on evaluations by the management.

Deferred taxes are calculated on all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred taxes are calculated on goodwill impairment that is not deductible in taxation and no deferred taxes are recognized on the undistributed profits of subsidiaries to the extent that the difference is unlikely to be reverse in the foreseeable future. Deferred taxes have been calculated using the statutory tax rates or the tax rates enacted or substantively enacted by the balance sheet date. Deferred tax assets are only recognized to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised. The most significant temporary differences arise from differences between the recognized revenue from construction contracts using the percentage of completion method and taxable income, depreciation differences relating to property, plant and equipment, defined benefit pension plans, provisions deductible at a later date, measurement at fair value in connection with business combinations and unused tax losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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, being the following:

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 intangible assets with indefinite useful lives

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. After the Demerger, Valmet has one cash generating unit. 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, 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 asset.

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, being the following:

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 and short-term debt, respectively, and the interest element is charged to profit and loss over the lease period. Property, plant and equipment classified as 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 of ownership, 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.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and Valmet has transferred substantially all risks and rewards of ownership.

Financial assets are presented as non-current when their maturity exceeds one year.

On each balance sheet date, Valmet assesses whether there is objective evidence of an available-for-sale financial asset being impaired. In case of a 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. If the amount of the impairment loss decreases in subsequent periods for debt instruments and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statement of income. Impairment losses recognized in the consolidated statement of income on equity instruments are not reversed through the consolidated statement of income.

Assets and liabilities at fair value through profit and loss

Derivative financial instruments that are not designated as hedges are fair valued quarterly through profit and loss. Gains and losses at disposals are recorded in profit and loss.

Available-for-sale equity and debt investments

Available-for-sale financial assets comprise available-for-sale equity and debt investments. Available-for-sale equity and debt investments are carried at fair value and unrealized gains and losses arising from changes in fair value are recognized through OCI in the fair value reserve of equity. Gains and losses at disposal and impairment, if any, are recorded in the profit and loss and the accumulated change in fair value previously recorded in the fair value reserve of equity is reversed through OCI.

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 rate 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 under 'financial income and expenses, net'.

Inventories

Inventories are valued at the lower of cost and net realizable value. 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. 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.

Trade receivables

Trade receivables are recognized at the original amount invoiced to customers and reported on the statement of financial position, 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.

Borrowings

Long-term debt is initially recognized at fair value, net of transaction costs incurred. Debt is classified as a 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 rate 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 on subsequent reporting dates 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 and it has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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 costs associated with environmental remediation obligations when such obligations and related cash outflows the settle the obligation are probable and they can be estimated reliably. Provisions for estimated costs from environmental remediation obligations are generally recognized no later than upon the completion of the remedial feasibility study. Such provisions are adjusted as further information impacting the amount of estimated costs or other 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, based on past experience, 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 the 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, before the consummation of the Demerger, by the Board of Directors of Metso as Metso's Chief Operating Decision Maker ("CODM"). After the Demerger, Valmet's Board of Directors is considered the CODM. Valmet has not aggregated operating segments and thus Valmet Group is the reportable operating segment.

The performance of the Group is reviewed by the CODM. 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.

Critical accounting estimates and judgments

The preparation of financial statements and the carve-out financial information in conformity with IFRS requires management to make estimates and exercise judgement in the application of the accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Carve-out principles

The carve-out financial information includes allocations of revenues and expenses, assets and liabilities and cash flows as described above under 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 ongoing 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 ongoing 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. Recognition of revenue under the POC method is based on predetermined milestones and 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. In 2013 approximately 49 percent and in 2012 approximately 59 percent of net sales were recognized mainly under the POC method.

Hedging of foreign currency denominated firm commitments

Under the Metso hedging policy before the Demerger and under Valmet hedging policy after the Demerger, 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 Corporation and Valmet entities or external to Valmet Group. When a firm commitment qualifies for recognition under the POC method, the entity applies cash flow hedge accounting and recognizes the effect of the hedging instruments in the OCI until the commitment is recognized. Although 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 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 2013 Valmet recognized an impairment of EUR 30 million on fixed assets, the corresponding amount for 2012 being EUR 15 million. The annual impairment tests performed in 2013 and 2012 did not result in goodwill impairments.

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's or asset's significant under-performance relative to historical or projected future performance
- 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.

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.

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:

- The rate used to discount post-employment benefit obligations (both funded and unfunded) has been determined by reference to market yields at the end of the reporting period on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the end of the reporting period) on government bonds have been used. The currency and term of the corporate bonds or government bonds are consistent with the currency and estimated term of the post-employment benefit obligations.

- Estimated rates of future pay increases. Actual increases may not reflect estimated future increases. Due to the significant uncertainty of the global economy, these estimates are difficult to project.

The actuarial experience that differs from the assumptions and changes in the assumptions results in actuarial 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 and amended standards adopted by the group

The following standards or amendments to existing standards have been adopted by Valmet for the first time for the financial year beginning on January 1, 2013 and have an impact on the Group:

- 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.

Impact on income statement due to changes in accounting principles following IAS 19 R 'employee benefits amendment implementation

	For the twelve month period ended Dec 31, 2012
Operating profit, restated	138
Operating profit, before the impact of IAS 19 revised	135
Financial income and expenses, net, restated	-23
Financial income and expenses, net, before the impact of IAS 19 revised	-18
Income taxes, restated	-39
Income taxes, before the impact of IAS 19 revised	-40
Profit, restated	76
Profit, before the impact of IAS 19 revised	77

- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. As a result of the amendments to IAS 1 Valmet has modified the presentation of items of OCI in its consolidated statement of comprehensive income.

- IFRS 13, 'Fair value measurement', aims to improve consistency in fair value measurement and provide new disclosure requirements when such measurements are required or permitted by other IFRSs. The standard incorporates the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As a result of the new standard adopted Valmet has expanded disclosures of fair values.

- Amendment to IFRS 7, 'Financial instruments: Disclosures' This amendment includes new disclosures to enhance the presentation of financial assets and financial liabilities and when those can be offset. As a result of the amendments to IFRS 7, Valmet has expanded its disclosures about the offsetting of financial assets and financial liabilities (see note 28)

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 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 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 becomes compulsory for accounting periods beginning after December 31, 2013. The standard will not have a material impact on our financial statement disclosures.

- IFRS 9 - The IFRS 9 is to replace IAS 39. Currently IFRS 9 contains new requirements for the classification and measurement of financial assets and liabilities. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The new guidance for hedge accounting aligns hedge accounting more closely with risk management. Also IFRS 9 relaxes the requirements for hedge effectiveness and change what qualifies as a hedged item. IFRS 9 allows hedge accounting for example for risk components of commodities, aggregated exposures, groups of items when hedging foreign currency and equity investments. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. The standard has not yet been endorsed by the EU. Valmet has not yet assessed the impact of IFRS 9 on its consolidated financial statements.

2 Financial risk management

As a global company, Valmet is exposed to a variety of business and financial risks. Financial risks are managed centrally by the Corporate Treasury (hereafter Treasury) under annually reviewed written policies approved by Valmet´s Board of Directors. Treasury operations are monitored by the Treasury Management Team chaired by the CFO of Valmet. Treasury identifies, evaluates and hedges financial risks in close co-operation with the operating units. Treasury functions as 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.

Sensitivity analysis

Sensitivity analysis figures presented in connection with different financial risks are based on the risk exposures at the balance sheet date. Sensitivity is calculated by assuming a change in one of the risk factors of a financial instrument, such as interest rate 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 the sensitivity, commonly used market conventions have been chosen in assuming a one percentage point (100 basis points) variation in interest rates, a ten 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 of the fact that such assumptions may not be realistic when compared to past volatility nor are they intended to reflect the future. 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 management

Liquidity or a refinancing risk arises when a company is not able to arrange funding at terms and conditions corresponding to its creditworthiness. Sufficient cash, short-term investments and committed and uncommitted credit facilities are maintained to protect short-term liquidity. Diversification of funding among different markets and an adequate number of financial institutions is used to safeguard the availability of liquidity at all times. Treasury monitors bank account structures, cash balances and forecasts of the operating units and manages the utilization of the consolidated cash resources.

At the end of 2013 cash and cash equivalents amounted to EUR 211 million (at the end of 2012 EUR 342 million including positive cash-pooling balances from Metso-group) and available-for-sale financial investments to EUR 1 million (EUR 1 million). In addition Valmet had a committed undrawn revolving credit facility of EUR 200 million which matures in 2018.

Liquidity risk management as described here excludes trade and other receivables (both interest and non-interest bearing) and similar financial receivables, as they are not considered active risk management tools within the responsibility of Treasury. Similarly, non-interest bearing liabilities such as trade and other payables are not included in liquidity management.

Valmet's 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 present analyzes on the repayments and interests on Valmet's liabilities by the remaining maturities from the balance sheet date to the contractual maturity date.

Maturities as at December 31, 2013

EUR million	<1 year		1–5 years		>5 years	
Long-term debt	External	Metso Group	External	Metso Group	External	Metso Group
Repayments	63	-	140	-	-	-
Interests	4	-	3	-	-	-
Short-term debt						
Repayments	8	-	-	-	-	-
Interests	0	-	-	-	-	-
Trade payables	182	24	-	-	-	-
Other liabilities	25	-	-	-	-	-
Total	**282**	**24**	**143**	**-**	**-**	**-**

Maturities as at December 31, 2012

EUR million	<1 year		1–5 years		>5 years	
Long-term debt	External	Metso Group	External	Metso Group	External	Metso Group
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**

Capital structure management

The capital structure management seeks to safeguard the ongoing business operations, to ensure flexible access to capital markets and to secure adequate funding at a competitive rate. Capital structure management in Valmet comprises both equity and interest bearing debt. As of December 31, 2013 the equity attributable to owners of the parent was EUR 808 million and the amount of interest bearing debt was EUR 210 million.

The capital structure is assessed regularly by the Board of Directors and managed operationally by the Treasury. Loan facilities include customary covenants and Valmet is in clear compliance with the covenants at the balance sheet date. Valmet has no credit rating at December 31, 2013.

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 items of the statement of financial position. Interest rate risks are managed through balancing the ratio between fixed and floating interest rates and duration of debt and investment portfolios. Additionally, Valmet may use derivative instruments such as forward rate agreements, swaps, options and futures contracts to mitigate the risks arising from interest bearing assets and liabilities. The interest rate risk is managed and controlled by the Treasury and measured by using sensitivity analysis and duration of long term debt. The Macaulay Duration of long term debt was 0.6 years and the average maturity for long-term debt was 3.0 years on December 31, 2013.

The interest bearing assets and debt exposed to interest rate risk are presented in the table below.

EUR million	As at December 31, 2013		As at December 31, 2012	
	External	Metso Group	External	Metso Group
Interest-bearing assets	**212**	**-**	163	201
Interest-bearing debt	**210**	**-**	196	671

Total of 89 percent of interest bearing debt (93 percent) was denominated in EUR at December 31, 2013.

The basis for the interest rate risk sensitivity analysis is an aggregate corporate level interest rate exposure, composed of interest bearing assets, interest bearing debt and financial derivatives, such as interest rate swaps, which are used to hedge the underlying exposures. 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 -/+ 0.4 million (EUR -/+ 1.4 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. Approximately 80 percent of Valmet's net sales originate from outside the euro zone; the main currencies being USD, EUR, BRL, CNY and SEK.

Transaction exposure

Foreign exchange transaction exposure arises when an operating unit has commercial or financial transactions and payments in another currency than its own functional currency, and when related cash inflow and outflow amounts are not equal or concurrent.

In accordance with the Corporate Treasury Policy, operating units are required to hedge in full the foreign currency exposures on statement of financial position and other firm commitments. Future cash flows denominated in a currency other than the functional currency of the unit are hedged with internal foreign exchange contracts with the Treasury for periods, which do not usually exceed two years. Operating units also do some hedging directly with banks in countries, where regulation does not allow corporate internal cross-border contracts.

Treasury monitors the net position of each currency and decides to what extent a currency position is to be closed. Treasury is however responsible for entering into an external forward transaction whenever an operating unit applies hedge accounting. Valmet´s Treasury Policy defines upper limits on the open currency exposures managed by Treasury; limits have been calculated on the basis of their potential profit impact. To manage the foreign currency exposure Treasury may use forward exchange contracts and foreign exchange options.

The total amount of foreign currency exposures as at December 31 was as follows:

EUR million	2013	2012
Operational items	**293**	453
Financial items	**-178**	35
Hedges	**-111**	-480
Total exposure	**4**	**8**

This 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 net exposure as defined above, would be EUR -/+ 1.7 million (EUR -/+ 2.8 million).

Transaction exposure is spread over approximately 20 currencies and as of December 31, 2013 the biggest open exposures were in CNY and in USD, which altogether comprise 51 percent (USD 38 percent) of total position. A 10 percent appreciation of CNY and USD simultaneously would have an effect, net of taxes, of EUR +1.3 million (EUR +1.6 million).

The sensitivity analysis of financial instruments, excludes the 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 +/- ten percent change in EUR foreign exchange rates:

EUR million	2013	2012
Effects in		
income statement	**+/- 8.1**	+/- 10.5
equity	**+/- 7.0**	+/- 14.0

The effect in equity on the consolidated statement of financial position is the fair value change in derivatives contracts qualifying as cash flow hedges for unrecognized firm commitments. The effect in the consolidated statement of income 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 are in SEK and CNY which altogether comprise over 70 percent of the total equity exposure. Valmet is currently not hedging any equity exposure.

Commodity risk

Valmet is exposed to variations in the prices of raw materials and of supplies including energy. Operating units have identified their commodity price hedging needs and hedges have been executed through 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 Nordic 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. The execution of electricity hedging has been outsourced to an external broker. As at December 31, 2013 Valmet had outstanding electricity forwards amounting to 359 GWh (412 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, 2013 Valmet had outstanding nickel swaps amounting to 84 tons (198 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 ten percent change upwards or downwards in commodity prices would have following effects, net of taxes:

EUR million	2013	2012
Electricity – effect in equity	**+/- 0.7**	+/- 0.6
Electricity – effect in statement of income	**+/- 0.2**	+/- 0.5
Nickel – effect in statement of income	**+/- 0.1**	+/- 0.2

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 lines are primarily responsible for credit risks pertaining to sales and procurement activities. The lines 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. 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 corporations. The risk is managed by careful selection of banks and other counterparties and by applying 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 of financial assets available for sale or held for trading, derivatives and cash and cash equivalents on the reporting date.

Fair value estimation

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

Level 1

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

Level 2

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

Level 3

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

The tables below present Valmet's financial assets and liabilities that are measured at fair value. There have been no transfers between fair value levels during 2013. Fair value levels of other balance sheet items are shown in Note 17.

	As at December 31, 2013		
EUR million	**Level 1**	**Level 2**	**Level 3**
Assets			
Derivatives at fair value through profit and loss	-	6	-
Derivatives qualified for hedge accounting	-	12	-
Available for sale financial assets	1	-	-
Total assets	**1**	**18**	**-**
Liabilities			
Derivatives at fair value through profit and loss	-	2	-
Derivatives qualified for hedge accounting	-	7	-
Total liabilities	**-**	**9**	**-**

	As at December 31, 2012		
EUR million	**Level 1**	**Level 2**	**Level 3**
Assets			
Derivatives at fair value through profit and loss	–	3	–
Derivatives qualified for hedge accounting	–	3	–
Available for sale financial assets	1	–	–
Total assets	**1**	**6**	**–**
Liabilities			
Derivatives at fair value through profit and loss	–	6	–
Derivatives qualified for hedge accounting	–	2	–
Total liabilities	**–**	**8**	**–**

3 Selling, general and administrative expenses

EUR million	Year ended December 31, 2013	2012
Marketing and selling expenses	**-236**	-237
Research and development expenses, net	**-60**	-65
Administrative expenses	**-173**	-155
Total	**-469**	**-457**

Research and development expenses, net, consist of following:

EUR million	Year ended December 31, 2013	2012
Research and development expenses, total	**-54**	-62
Capital expenditure	**0**	2
Grants received	**0**	3
Depreciation and amortization	**-6**	-8
Research and development expenses, net	**-60**	**-65**

4 Other operating income and expenses, net

EUR million	Year ended December 31, 2013	2012
Gain on sale of fixed assets	**1**	2
Royalty income	**-**	0
Rental income	**1**	1
Foreign exchange gains [2]	**9**	13
Other income	**4**	3
Other operating income, total	**15**	19
Loss on sale of subsidiaries and businesses	**0**	0
Loss on sale of fixed assets	**-1**	-1
Impairment on fixed assets [1]	**-30**	-15
Foreign exchange losses [2]	**-12**	-13
Other expenses	**-4**	-4
Other operating expenses, total	**-47**	-33
Other operating income and expenses, net	**-32**	**-14**

[1] EUR 30 million relates to write-downs made in Valmet Technologies Oy (former Metso Paper Oy and Metso Foundries Jyväskylä Oy) in 2013. EUR 13 million relates to the impairment of Jyväskylä foundry fixed assets recognized in 2012.

[2] Includes foreign exchange gains and losses resulting from trade receivables and payables and related derivatives.

5 Personnel expenses and the number of personnel

Personnel expenses:

EUR million	Year ended December 31, 2013	2012
Salaries and wages	**-539**	-559
Pension costs, defined contribution plans	**-48**	-47
Pension costs, defined benefit plans [1]	**-3**	-4
Other post-employment benefits [1]	**-2**	-3
Share-based payments	**-1**	-2
Other indirect employee costs	**-104**	-109
Total	**-697**	**-724**

[1] For more information, see note 25.

Number of personnel at end of year:

	2013	2012
Total	**11,765**	**12,547**

Average number of personnel during the period:

	2013	2012
Total	**12,286**	**12,744**

Remuneration paid to Chief Executive Officer, Executive Vice President and other Executive Team members:

The historical remuneration for the management of Metso related to periods before the consummation of the Demerger has in the carve-out financial information been allocated to reflect management's contribution to the Valmet business. An appropriate allocation method, as approved by Metso's and Valmet's managements, respectively, has been applied to allocate the remuneration for years 2013 and 2012.

The allocation made in the carve-out financial information may not be indicative of the expenses related to management remuneration Valmet will incur in the following financial years.

EUR	Annual salary	Paid performance bonus	Fringe benefits	Share-based payment	Total
2013					
President and CEO and Other Executive Team members	2,621,265	887,411	59,792	643,380	4,211,848
Total	**2,621,265**	**887,411**	**59,792**	**643,380**	**4,211,848**
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**	**2,385,672**

Board ownership in Valmet as at December 31, 2013

Shares	Holdings (Board Member)	Holdings (Other related party)
Viinanen Jukka-Pekka	6,017	-
Von Frenckell Mikael	102,754	-
Helfer Friederike	-	-
Lundmark Pekka Ilmari	-	4
Pehu-Lehtonen Erkki Yrjö Juhani	3,179	-
Rudengren Pia	2,864	-
Ziviani Rogério	-	-
Laine Pasi Kalevi	17,616	-
Total	**132,430**	**4**

6 Depreciation and amortization

EUR million	Year ended December 31, 2013	2012
Intangible assets	**-27**	-30
Property, plant and equipment		
Buildings and structures	**-12**	-14
Machinery and equipment	**-43**	-46
Total	**-82**	**-90**

Depreciation and amortization by function are as follows:

EUR million	Year ended December 31, 2013	2012
Cost of goods sold	**-41**	-44
Selling, general and administrative expenses		
Marketing and selling	**-13**	-14
Research and development	**-7**	-8
Administrative	**-21**	-24
Total	**-82**	**-90**

7 Financial income and expenses, net

EUR million	Year ended December 31, 2013	2012
Financial income		
Dividends received	**0**	0
Interest income on cash and cash equivalents	**3**	12
Interest income on Metso Group receivables	**1**	4
Net gain from foreign exchange	**4**	4
Other financial income	**4**	3
Financial income total	**12**	23
Financial expenses		
Interest expenses on financial liabilities at amortized cost	**-7**	-10
Interest expenses on financial liabilities, Metso Group	**-3**	-27
Interest expenses on financial leases	**0**	0
Other financial expenses	**-7**	-9
Financial expenses total	**-17**	-46
Financial income and expenses, net	**-5**	**-23**

Valmet's 2013 net gain from foreign exchange includes EUR 1 million (2012: EUR 0 million) of translation differences recognized through the statement of income.

Interest expenses on financial liabilities, Metso Group includes interest expenses amounting to EUR 22 million, for the year ended December 31, 2012, from a EUR 482 million inter-company loan from Metso to Metso Svenska AB of which EUR 468 million was converted to equity in January 2013.

8 Income taxes

The components of income taxes are as follows:

EUR million	Year ended December 31, 2013	2012
Current tax expense	**-27**	-42
Deferred taxes	**29**	3
Income taxes, total	**2**	**-39**

The differences between income tax expense computed at Finnish statutory rate (24.5 percent in 2013 and 2012) and income tax expense provided on earnings are as follows:

EUR million	Year ended December 31, 2013	2012
Income before taxes	**-64**	115
Income tax expense at Finnish statutory rate at 24.5%	**16**	-28
Impact of change in Finnish statutory tax rate	**-8**	-
Income tax for prior years	**2**	-1
Difference between Finnish and foreign tax rates	**-4**	-9
Use of net operating losses	**1**	-
Losses and refunds not affecting the income taxes of the year	**-1**	-
Non-recoverable foreign taxes	**-1**	-
Non-deductible expenses	**-2**	-2
Tax free income	**1**	-
Other	**-2**	1
Income tax expense	**2**	**-39**

Tax effects of components in other comprehensive income:

	Year ended December 31,					
	2013			2012		
EUR million	Before taxes	Tax	After taxes	Before taxes	Tax	After taxes
Cash flow hedges	**3**	**-1**	**2**	-4	1	-3
Available-for-sale equity investments	**0**	**0**	**0**	0	0	0
Remeasurement of defined benefit plans	**16**	**-6**	**10**	-10	3	-7
Currency translation on subsidiary net investments	**-22**	**0**	**-22**	3	-5	-2
Total comprehensive income (+) / expense (-)	**-3**	**-7**	**-10**	**-11**	**-1**	**-12**
Current tax		**-1**			-5	
Deferred tax		**-6**			4	
Total		**-7**			**-1**	

Reconciliation of deferred tax balances:

EUR million	Balance at beginning of year	Charged to income statement	Charged to other comprehensive income	Translation differences	Balance at end of year
2013					
Deferred tax assets					
Tax losses carried forward	8	14	-	-1	**21**
Fixed assets	24	0	-	0	**24**
Inventory	3	1	-	-	**4**
Provisions	15	2	-	-1	**16**
Accruals	14	5	-	-1	**18**
Pension related items	16	2	-6	-2	**10**
Other	9	-5	0	-1	**3**
Total deferred tax assets	89	19	-6	-6	**96**
Offset against deferred tax liabilities [1]	-19	3	-	-	**-16**
Net deferred tax assets	70	22	-6	-6	**80**
Deferred tax liabilities					
Purchase price allocations	38	-2	-	0	**36**
Fixed assets	16	-14	-	0	**2**
Other	1	6	-	0	**7**
Total deferred tax liabilities	55	-10	-	0	**45**
Offset against deferred tax assets [1]	-19	3	-	-	**-16**
Net deferred tax liabilities	36	-7	-	0	**29**
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**

[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, 2013 and 2012, respectively, earnings of EUR 82 million and EUR 98 million would have been subject to recognition of a deferred tax liability, had Valmet regarded a distribution in the near future as likely.

9 Business combinations

Acquisitions

2013

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

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

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

2012

Valmet made no acquisitions during 2012.

Disposals

2013

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

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

2012

Valmet made no disposals of businesses in 2012.

10 Intangible assets and property, plant and equipment

Intangible assets

EUR million	Goodwill	Patents and licences	Capitalized software	Other intangible assets	Intangible assets total
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 and disposals	-	-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
Impairment losses	-	-1	-	-	-1
Other changes and accumulated amortization of disposals	-	5	-6	0	-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**

EUR million	Goodwill	Patents and licences	Capitalized software	Other intangible assets	Intangible assets total
2013					
Acquisition cost at beginning of year	445	54	75	242	**816**
Translation differences	-1	-	-2	-1	**-4**
Business acquisitions	2	-	-	-	**2**
Capital expenditure	-	-	-	13	**13**
Reclassifications	-	2	2	-4	**0**
Other changes and disposals	-3	-14	-17	-	**-34**
Acquisition cost at end of year	443	42	58	250	**793**
Accumulated amortization at beginning of year	-	-34	-57	-147	**-238**
Translation differences	-	-	1	-	**1**
Impairment losses	-	-2	-5	-	**-7**
Other changes and accumulated amortization of disposals	-	12	15	1	**28**
Amortization charges for the year	-	-4	-5	-18	**-27**
Accumulated amortization at end of year	-	-28	-51	-164	**-243**
Net book value at end of year	**443**	**14**	**7**	**86**	**550**

Property, plant and equipment

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Assets under construction	Property, plant and equipment total
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 and disposals	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
Impairment losses	-	-4	-10	-	-14
Other changes and accumulated depreciation of disposals	-	8	24	-	32
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**

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Assets under construction	Property, plant and equipment total
2013					
Acquisition cost at beginning of year	21	366	874	19	**1,280**
Translation differences	-	-6	-15	0	**-21**
Disposals of businesses	-	-	-1	-	**-1**
Capital expenditure	-	3	13	25	**41**
Reclassifications	-	2	21	-23	**0**
Other changes and disposals	-	-2	-44	-	**-46**
Acquisition cost at end of year	21	363	848	21	**1,253**
Accumulated depreciation at beginning of year	-	-211	-628	-	**-839**
Translation differences	-	1	11	-	**12**
Impairment losses	-	-6	-16	-	**-22**
Other changes and accumulated depreciation of disposals	-	2	38	-	**40**
Depreciation charges for the year	-	-12	-43	-	**-55**
Accumulated depreciation at end of year	-	-226	-638	-	**-864**
Net book value at end of year	**21**	**137**	**210**	**21**	**389**

For information on pledged assets, see note 26.

Assets leased under financial lease arrangements are included in property, plant and equipment as follows:

EUR million	Buildings and structures	Machinery and equipment	Property, plant and equipment total
2013			
Acquisition cost at end of year	2	5	7
Accumulated depreciation at end of year	-2	-5	-7
Net book value at end of year	**0**	**0**	**0**

EUR million	Buildings and structures	Machinery and equipment	Property, plant and equipment total
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**

Goodwill and impairment tests

Goodwill arising from business acquisitions is allocated as at the acquisition date to the cash generating unit (CGU) or cash generating units (CGUs) expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to the CGU or CGUs.

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 CGU level to which the goodwill has been allocated. The recoverable amount of a CGU 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 CGU.

The forecasted sales and production volumes are based on current structure and existing property, plant and equipment used by each CGU. 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 2013 or 2012.

2013 Goodwill Impairment Tests

In the year ended December 31, 2013, the total amount of goodwill was EUR 443 million.

In 2013, Valmet had one cash generating unit. In the September 2013 annual test, an EBITDA (earnings before interest, tax, depreciation and amortization) of 8 percent of net sales was used for the cash generating unit for the projection period 2013–2017.

The growth rate reflecting the long-term average growth rate of the businesses subject to testing, was estimated to be 1.7 percent from the fourth year onwards.

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%
2013			
Valmet	9.0%	5%	26%

The sensitivity to impairment of the cash generating unit was tested by applying a change both in the discount and terminal growth rate. The discount rate was increased by 200 basis points and the terminal growth rate was dropped from 1.7 percent to 1.2 percent. The sensitivity tests in 2013 did not indicate any impairment need.

Management believes that no reasonably possible change of the key assumptions used would cause the carrying value of the 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:

	2013			
EUR million	Balance at beginning of year	Translation differences and other changes	Acquisitions	Balance at end of year
Valmet	445	-4	2	443

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 was a separate cash generating unit whereas the remainder business lines of Pulp, Paper and Power segment formed 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.

The growth rate reflecting the long-term average growth rate of the businesses subject to testing, was estimated to be 1.7 percent from the fourth year onwards for both CGUs.

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 business line	10.1%	4%	23%
Other PPP	8.9%	5%	27%

The sensitivity to impairment of each cash generating unit was tested by applying a change both in the discount and terminal growth rate. The discount rate was increased by 200 basis points and the terminal growth rate was 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			
EUR million	Balance at beginning of year	Translation differences and other changes	Balance at end of year	As percent of total goodwill
Power business line	211	1	212	48%
Other PPP	232	1	233	52%
Total	**443**	**2**	**445**	**100%**

11 Investments in associates and joint ventures

Valmet Group included the following associated companies and joint ventures:

		As at December 31,			
		2013		2012	
Company name	**Country**	**Share of ownership**	**Carrying value**	**Share of ownership**	**Carrying value**
Allimand S.A.	France	**35.8%**	**5**	35.8%	4
Valpro gerenciamento de obras Ltda	Brazil	**51.0%**	**0**	-	-
NoviterBel	Belarus	**-**	**-**	45.0%	0

EUR million	2013	2012
Investments in associated companies and joint ventures		
Acquisition cost at beginning of year	**1**	1
Translation differences	**0**	0
Increases	**0**	0
Disposals and other decreases	**0**	0
Acquisition cost at end of year	**1**	1
Equity adjustments in investments in associated companies and joint ventures		
Equity adjustments at beginning of year	**3**	3
Share of results	**1**	0
Translation differences	**0**	0
Dividend income	**0**	0
Disposals and other changes	**0**	-
Equity adjustments at end of year	**4**	3
Carrying value at end of year	**5**	**4**

The 2013 increase in associated companies and joint ventures comprise Valmet's 51 percent share in Valpro gerenciamento de obras Ltda. Valpro gerenciamento de obras Ltda is classified as joint venture, because Valmet has, together with the other shareholder, joint power to govern the company.

The 2013 disposal in associated companies and joint ventures comprise Valmet's 45 percent share in NoviterBel.

The amounts representing Valmet's share of the assets and liabilities, net sales and results of the associated companies and joint ventures, which have been accounted for using the equity method are presented below:

EUR million	2013	2012
Assets	**16**	13
Liabilities	**12**	9
Net sales	**27**	15
Profit	**1**	0

Related party transactions

The following transactions were carried out with associated companies and joint ventures and the following balances have arisen from such transactions:

EUR million	2013	2012
Net sales	**2**	2
Purchases	**-**	-
Receivables	**0**	0
Payables	**-**	0

12 Available-for-sale equity investments

The available-for-sale equity investments as at December 31, 2013 and 2012 comprise EUR 1 million publicly listed shares which are valued at their market value. The remaining EUR 2 million as at December 31, 2013 (EUR 3 million as at December 31, 2012) 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:

EUR million	2013	2012
Carrying value at beginning of year	**4**	4
Additions	**0**	0
Changes in fair values	**0**	0
Disposals and other changes	**-1**	0
Carrying value at end of year	**3**	**4**

13 Inventories

EUR million	As at December 31, 2013	2012
Materials and supplies	**81**	91
Work in process	**290**	401
Finished products	**60**	62
Total inventory	**431**	**554**

The cost of inventories recognized as expense was EUR 2,131 million and EUR 2,363 million for the years ended December 31, 2013 and 2012 respectively.

Provision for inventory obsolescence has changed as follows:

EUR million	2013	2012
Balance at beginning of year	**14**	14
Impact of exchange rates	**0**	0
Additions charged to expense	**8**	6
Used reserve	**-1**	-1
Deductions / other additions	**-3**	-5
Balance at end of year	**18**	**14**

14 Percentage of completion

Net sales recognized under the percentage of completion method amounted to EUR 1,264 million, or 49 percent of net sales, in 2013. Net sales recognized under the percentage of completion method amounted to EUR 1,763 million, or 59 percent of net sales, in 2012.

Information on statement of financial position items of uncompleted projects at December 31 is as follows:

EUR million	Cost and earnings of uncompleted projects	Billings of projects	Net
2013			
Projects where cost and earnings exceed billings	**1,803**	**1,644**	**159**
Projects where billings exceed cost and earnings	**499**	**675**	**176**
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**

15 Change in net working capital

Change in net working capital, net of effect from business acquisitions and disposals:

EUR million	Year ended December 31, 2013	2012
Increase (-) / decrease (+) in assets and increase (+) / decrease (-) in liabilities:		
Inventory	**97**	63
Trade and other receivables	**61**	38
Percentage of completion: recognized assets and liabilities, net	**-194**	-21
Trade and other payables	**-9**	-320
Total	**-45**	**-240**

16 Interest-bearing and non-interest-bearing receivables

	As at December 31,					
	2013			2012		
EUR million	**Non-current**	**Current**	**Total**	**Non-current**	**Current**	**Total**
Interest-bearing receivables						
Loan receivables	**1**	**0**	**1**	4	0	**4**
Loan receivables, Metso Group	**-**	**-**	**-**	-	17	**17**
Loan receivables	**1**	**0**	**1**	4	17	**21**
Available-for-sale financial assets	**-**	**1**	**1**	-	1	**1**
Cash pooling receivables, Metso Group	**-**	**-**	**-**	-	184	**184**
Total	**1**	**1**	**2**	**4**	**202**	**206**
Non-interest-bearing receivables						
Loan receivables	**0**	**0**	**0**	0	0	**0**
Loan receivables, Metso Group	**-**	**-**	**-**	0	-	**0**
Loan receivables	**0**	**0**	**0**	0	0	**0**
Trade receivables	**2**	**327**	**329**	-	438	**438**
Trade receivables, Metso Group	**-**	**3**	**3**	-	5	**5**
Trade receivables	**2**	**330**	**332**	-	443	**443**
Prepaid expenses and accrued income	**-**	**53**	**53**	-	42	**42**
Prepaid expenses and accrued income, Metso Group	**-**	**0**	**0**	-	3	**3**
Prepaid expenses and accrued income	**-**	**53**	**53**	-	45	**45**
Other receivables	**6**	**53**	**59**	12	50	**62**
Other receivables, Metso Group	**-**	**-**	**-**	119	34	**153**
Other receivables, total	**6**	**53**	**59**	131	84	**215**
Total	**8**	**436**	**444**	**131**	**572**	**703**

Other receivables include group contribution receivables from Metso of EUR 34 million in 2012.

Valmet manages its cash by investing in financial instruments with varying maturities. Instruments exceeding maturity of three months are classified as available-for-sale financial assets.

Provision for impairment has changed as follows:

EUR million	**2013**	**2012**
Balance at beginning of year	**15**	15
Impact of exchange rates	**0**	0
Additions charged to expense	**2**	2
Used reserve	**-2**	-1
Deductions / other additions	**-2**	-1
Balance at end of year	**13**	**15**

Analysis of non-interest bearing trade receivables by age:

EUR million	As at December 31, 2013	2012
Trade receivables, not due at reporting date	**228**	288
Trade receivables 1–30 days overdue	**47**	85
Trade receivables 31–60 days overdue	**19**	23
Trade receivables 61–90 days overdue	**10**	11
Trade receivables 91–180 days overdue	**11**	12
Trade receivables more than 180 days overdue	**17**	24
Total	**332**	**443**

17 Financial assets and liabilities

Financial assets and liabilities divided by categories were as follows at December 31:

EUR million	Financial assets at fair value through profit and loss and derivatives	Derivatives qualified for hedge accounting	Loans and receivables	Available-for-sale financial assets	Carrying value	Fair value	Fair value level
2013							
Non-current assets							
Available-for-sale equity investments	-	-	-	3	3	3	2
Loan receivables	-	-	1	-	1	1	2
Trade receivables	-	-	2	-	2	2	2
Other non-current assets	-	-	6	-	6	6	2
Total	**-**	**-**	**9**	**3**	**12**	**12**	
Current assets							
Available-for-sale financial assets	-	-	-	1	1	1	1
Trade receivables	-	-	327	-	327	327	2
Trade receivables, Metso Group	-	-	3	-	3	3	2
Derivative financial instruments	6	12	-	-	18	18	2
Other receivables	-	-	53	-	53	53	2
Total	**6**	**12**	**383**	**1**	**402**	**402**	

EUR million	Liabilities at fair value through profit and loss	Derivatives qualified for hedge accounting	Financial liabilities measured at amortized cost	Carrying value	Fair value	Fair value level
Non-current liabilities						
Loans from financial institutions	-	-	140	140	144	2
Finance lease obligations	-	-	0	0	0	2
Other long-term debt	-	-	1	1	1	2
Derivative financial instruments	0	1	-	1	1	2
Total	**0**	**1**	**141**	**142**	**146**	
Current liabilities						
Current portion of long-term debt	-	-	63	63	63	2
Short-term debt	-	-	8	8	8	2
Trade payables	-	-	182	182	182	2
Trade payables, Metso Group	-	-	24	24	24	2
Derivative financial instruments	2	6	-	8	8	2
Other liabilities	-	-	25	25	25	2
Total	**2**	**6**	**302**	**310**	**310**	

EUR million	Financial assets at fair value through profit and loss and derivatives	Derivatives qualified for hedge accounting	Loans and receivables	Available-for-sale financial assets	Carrying value	Fair value	Fair value level
2012							
Non-current assets							
Available-for-sale equity investments	-	-	-	4	4	4	2
Loan receivables	-	-	4	-	4	4	2
Other non-current assets	-	-	12	-	12	12	2
Other receivables, Metso Group	-	-	119	-	119	119	2
Total	**-**	**-**	**135**	**4**	**139**	**139**	
Current assets							
Loan receivables	-	-	0	-	0	0	2
Loan receivables, Metso Group	-	-	17	-	17	17	2
Cash pooling receivables, Metso Group	-	-	184	-	184	184	2
Available-for-sale financial assets	-	-	-	1	1	1	1
Trade receivables	-	-	438	-	438	438	2
Trade receivables, Metso Group	-	-	5	-	5	5	2
Derivative financial instruments	3	3	-	-	6	6	2
Other receivables	-	-	50	-	50	50	2
Other receivables, Metso Group	-	-	34	-	34	34	2
Total	**3**	**3**	**728**	**1**	**735**	**735**	

EUR million	Liabilities at fair value through profit and loss	Derivatives qualified for hedge accounting	Financial liabilities measured at amortized cost	Carrying value	Fair value	Fair value level
Non-current liabilities						
Loans from financial institutions	-	-	132	132	139	2
Long-term debt, Metso Group	-	-	550	550	582	2
Other long-term debt	-	-	1	1	1	2
Derivative financial instruments	-	1	-	1	1	2
Total	**-**	**1**	**683**	**684**	**723**	
Current liabilities						
Current portion of long-term debt	-	-	64	64	64	2
Current portion of long-term debt, Metso Group	-	-	28	28	28	2
Cash pooling liabilities, Metso Group	-	-	93	93	93	2
Trade payables	-	-	155	155	155	2
Trade payables, Metso Group	-	-	22	22	22	2
Derivative financial instruments	6	0	-	6	6	2
Other liabilities	-	-	56	56	56	2
Other liabilities, Metso Group	-	-	4	4	4	2
Total	**6**	**0**	**422**	**428**	**428**	

The hierarchy of fair value levels is explained in note 2. For more information on derivative financial instruments, see note 28.

18 Cash and cash equivalents

EUR million	As at December 31, 2013	2012
Bank and cash	**176**	75
Commercial papers and other investments	**35**	83
Total cash and cash equivalents	**211**	**158**

19 Equity

Share capital and number of shares

Valmet Corporation was established through demerger, which came effective at December 31, 2013. Valmet Corporation's registered sharecapital as at December 31, 2013 was EUR 100,000,000. The share capital is fully paid. The number of outstanding shares as at December 31, 2013 was 149,864,619. The shares of Valmet Corporation do not thave a nominal value.

Dividends

The Board of Directors proposes that a dividend of EUR 0.15 per share be paid based on the statement of financial position to be adopted for the financial year ended December 31, 2013, and that the remaining part of the retained earnings be carried further in the Valmet Corporation's unrestricted equity. These financial statements do not reflect this dividend payable of EUR 22 million.

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.

Other reserves includes the invested non-restricted equity fund held by the parent company, Valmet Corporation.

Changes in fair value and other reserves:

EUR million	Hedge reserve	Fair value reserve	Legal reserve	Other reserves	Total
Balance as at January 1, 2012	**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**
Balance as at January 1, 2013	**-1**	**0**	**4**	**0**	**3**
Cash flow hedges					
Fair value gains (+) / losses (-), net of taxes	4	-	-	-	4
Transferred to profit and loss, net of taxes					
Net sales	-2	-	-	-	-2
Available-for-sale equity investments					
Fair value gains (+) / losses (-), net of taxes	-	0	-	-	0
Demerger	-	-	-	407	407
Demerger related capitalized costs	-	-	-	-5	-5
Balance as at December 31, 2013	**1**	**0**	**4**	**402**	**407**

Foreign currency translation included in equity:

EUR million	2013	2012
Cumulative translation adjustment as at January 1	**24**	26
Currency translation on subsidiary net investments	**-22**	-2
Cumulative translation adjustment as at December 31	**2**	**24**

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 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 year's 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 of 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. 33 key persons were 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 of 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 Metso shares. The maximum total number, in the form of Valmet shares, will be decided in April 2014. 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 of 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 32 persons in Valmet's management. The potential rewards to be paid from the plan correspond to a maximum total of 137,786 Metso shares. The maximum total number, in the form of Valmet shares, will be decided in April 2014. 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 Metso's average share price on the grant date of EUR 33.89.

For the 2013 performance period, the plan was targeted to 35 persons in Valmet's management. The potential rewards to be paid from the plan correspond to a maximum total of 130,805 Metso shares. The maximum total number, in the form of Valmet shares, will be decided in April 2014. The earnings criteria of the performance period 2013 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 equity-settled portion of the plan is recognized over the vesting period i.e. from the beginning of 2013 until the end of February 2016 based on the Metso's average share price on the grant date of EUR 33.51.

In December 2013, the Board of Directors of Metso Corporation decided to continue the share-based incentive plan approved in December 2011. The plan will cover about 40 Valmet managers during the 2014 performance period. The potential rewards to be paid from the plan correspond to a maximum total of approximately 197,000 Metso shares. The maximum total number, in the form of Valmet shares, will be decided in April 2014. The earnings criteria are based on a growth in Valmet's operating profit margin (EBITA %) and growth in services orders received . The reward will be paid in shares and partly in cash. The shares to be transferred as part of possible rewards will be obtained in public trading.

Beneficiaries and granted shares of the share ownership plan as at December 31, 2013:

	Beneficiaries total	Shares total
Plan 2008		
Granted	46	2,196
At end of year	46	2,196
Plan 2009-2011		
Granted	31	44,283
Returned	-	-
At end of year	31	44,283
Plan 2010-2012		
Granted	33	37,993
Returned	-	-
At end of year	33	37,993

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.

As of December 31, 2013, the demerger of of Metso became effective. At that date all obligations related to the share-based incentive plans for 2011-2013 and 2012-2014 attributable to Valmet key employees were transferred to Valmet.

The table below represents the historical costs recognized for the share-based payment plans. No costs have been recognized from the 2013 earnings period since the earnings criteria were not reached.

EUR thousand	Plan 2008	Plan 2009–2011	Plan 2010–2012	Plan 2011–2013	Plan 2012–2014	Total
2012	-1	-716	-723	-526	-722	**-2,688**
2013	-	-	-145	170	-862	**-837**

21 Long-term debt

	As at December 31,			
	Carrying values		Fair values	
EUR million	**2013**	**2012**	**2013**	**2012**
Loans from financial institutions	**203**	196	**207**	203
Finance lease obligations	**0**	0	**0**	0
Long-term debt, Metso Group	**-**	578	**-**	582
Other long-term debt	**0**	0	**0**	0
	203	774	**207**	785
Less current maturities	**63**	92	**63**	92
Total	**140**	**682**	**144**	**693**

The fair values of long-term debt are equal to the present value of their future cash flows.

Long-term debt to Metso Group as at December 31, 2012 includes a EUR 482 million long-term loan to Metso Svenska AB. EUR 468 million of the loan was converted into equity in January 2013.

Contractual maturities of interest bearing debt as at December 31, 2013 are as follows:

EUR million	Loans from financial institutions	Pension loans	Finance lease obligations	Long term debt to Metso Group	Other long-term debt	Total
Repayments	63	-	0	-	-	**63**
Interests	4	-	0	-	0	**4**
Total 2014	**67**	**-**	**0**	**-**	**0**	**67**
Repayments	51	-	0	-	0	**51**
Interests	3	-	0	-	0	**3**
Total 2015	**54**	**-**	**0**	**-**	**0**	**54**
Repayments	87	-	-	-	0	**88**
Interests	0	-	-	-	0	**0**
Total 2016	**88**	**-**	**-**	**-**	**0**	**88**
Repayments	1	-	-	-	0	**1**
Interests	0	-	-	-	0	**0**
Total 2017	**1**	**-**	**-**	**-**	**0**	**1**
Repayments	-	-	-	-	0	**0**
Interests	-	-	-	-	0	**0**
Total 2018	**-**	**-**	**-**	**-**	**0**	**0**
Repayments	-	-	-	-	-	**-**
Interests	-	-	-	-	-	**-**
Later	**-**	**-**	**-**	**-**	**-**	**-**

More information about the maturities are presented in note 2. The maturities of derivative financial instruments are presented in note 28.

22 Provisions

	As at December 31,					
	2013			2012		
EUR million	**Non-current**	**Current**	**Total**	**Non-current**	**Current**	**Total**
Warranty and guarantee liabilities	22	69	**91**	21	99	**120**
Accrued restructuring expenses	5	29	**34**	1	11	**12**
Environmental liabilities	-	1	**1**	-	1	**1**
Other provisions	5	7	**12**	8	6	**14**
Total	**32**	**106**	**138**	**30**	**117**	**147**

Restructuring provisions, both non-current and current, have changed as follows during the years:

EUR million	2013	2012
Balance at beginning of year	**12**	9
Impact of exchange rates	**0**	0
Addition charged to expense	**41**	9
Used reserve	**-15**	-6
Reversal of reserve / other changes	**-4**	0
Balance at end of year	**34**	**12**

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:

EUR million	2013	2012
Balance at beginning of year	**120**	160
Impact of exchange rates	**-2**	1
Increase for current year's deliveries	**49**	58
Increase for previous years' deliveries	**12**	22
Used reserve	**-43**	-63
Reversal of reserve / other changes	**-45**	-58
Balance at end of year	**91**	**120**

23 Short-term debt

	As at December 31,	
EUR million	**2013**	**2012**
Short-term loans	**8**	-
Cash pooling liabilities, Metso Group	**-**	93
Total	**8**	**93**

24 Trade and other payables

EUR million	As at December 31, 2013	2012
Trade payables	**182**	155
Trade payables to Metso Group	**24**	22
Trade payables, total	**206**	177
Accrued interest	**0**	0
Accrued interest to Metso Group	**0**	12
Accrued interests, total	**0**	12
Accrued personnel costs	**94**	113
Accrued project costs	**315**	296
Other payables	**51**	79
Other payables to Metso Group	**7**	7
Other payables, total	**58**	86
Total	**673**	**684**

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

Valmet operates various defined benefit pension and other long term employee benefit arrangements pursuant to local conditions, practices and collective bargaining agreements in the countries in which it operates.

The majority of Valmet's defined benefit liabilities relate to arrangements that are funded through payments to either insurance companies or to independently administered funds based on periodic actuarial calculations. Other arrangements are unfunded with benefits being paid directly by Valmet as they fall due. All arrangements are subject to local tax and legal restrictions in their respective jurisdictions.

Valmet's defined benefit pension arrangements in the USA, Canada and Sweden together represent 91 percent of Valmet's defined benefit obligation and 92 percent of its pension assets. These arrangements provide income in retirement which is substantially based on salary and service at or near retirement.

In the USA and Canada annual valuations are carried out to determine whether cash funding contributions are required in accordance with local legislation. Defined benefit pension arrangements in Sweden are offered in accordance with collective labour agreements and are unfunded.

The liability recorded on Valmet's statement of financial position and cash contributions to funded arrangements are sensitive to the assumptions used to measure the liabilities, the extent to which actual experience differs to the assumptions made and the returns on plan assets. Therefore Valmet is exposed to the risk that statement of financial position liabilities and/or cash contributions increase based on these influences.

Assets of Valmet's funded arrangements are managed by external fund managers. The allocation of assets is reviewed regularly by those responsible for managing Valmet's arrangements based on local legislation, professional advice and consultation with Valmet, based on acceptable risk tolerances.

The expected contributions to arrangements in 2014 are EUR 8 million.

The amounts recognized as of December 31 in the statement of financial position were as follows:

	2013			2012		
EUR million	**Funded**	**Unfunded**	**Total**	**Funded**	**Unfunded**	**Total**
Present value of funded obligation	109	-	109	121	-	121
Fair value of plan assets	-86	-	-86	-85	-	-85
Net surplus (-) / deficit (+) of funded plans	23	-	23	36	-	36
Present value of unfunded obligation	-	80	80	-	85	85
Asset (-) / liability (+) recognized in the statement of financial position	23	80	103	36	85	121
Amounts in the statement of financial position						
Liabilities	23	80	103	36	85	121
Assets	-	-	-	-	-	-
Net liability	23	80	103	36	85	121

The amounts recognized in the statement of income were as follows:

	2013			2012		
EUR million	**Funded**	**Unfunded**	**Total**	**Funded**	**Unfunded**	**Total**
Employer's current service cost	3	2	5	2	2	4
Net interest on net surplus / deficit	1	3	4	2	3	5
Settlements	-	-	-	-	-	-
Termination benefits	-	0	0	-	0	0
Recognition of past service cost (+) / credit (-)	-	-	-	-	-	-
Administration costs paid by the scheme	0	-	0	1	-	1
Expense recognized in the statement of income	4	5	9	5	5	10

The changes in the present value of the defined benefit obligation were as follows:

	2013			2012		
EUR million	**Funded**	**Unfunded**	**Total**	**Funded**	**Unfunded**	**Total**
Present value of obligation at the beginning of the period	121	85	206	116	74	190
Other adjustments	1	-1	0	-2	0	-2
Employer's current service cost	3	2	5	2	2	4
Interest expense	4	3	7	5	3	8
Adjustment due to business combinations	-	-	-	-1	-	-1
Liabilities extinguished on settlements	0	0	0	-	-	-
Actuarial gain (-) / loss (+) due to change in assumptions - financial	-11	-6	-17	6	6	12
Actuarial gain (-) / loss (+) due to change in assumptions - demographic	-	-	-	0	0	0
Actuarial gain(-)/loss (+) due to experience	2	3	5	1	0	1
Past service cost	-	-	-	-	-	-
Plan participant contributions	0	0	0	1	0	1
Benefits paid from the arrangements	-5	-2	-7	-5	-3	-8
Benefits paid direct by employer	0	-1	-1	0	0	0
Currency gain (-) / loss (+)	-6	-3	-9	-2	3	1
Present value of defined benefit obligation at the end of the period	109	80	189	121	85	206

The changes in the fair value of the plan assets during the year were as follows:

EUR million	2013 Funded	2013 Unfunded	2013 Total	2012 Funded	2012 Unfunded	2012 Total
Fair value of plan assets at the beginning of the period	**85**	**-**	**85**	76	-	76
Other adjustments to the fair value of assets	**0**	**-**	**0**	1	-	1
Interest income on assets	**3**	**-**	**3**	3	-	3
Return on plan assets excluding interest income	**2**	**-**	**2**	6	-	6
Adjustment due to business combinations	**-**	**-**	**-**	-	-	-
Assets distributed on settlements	**0**	**-**	**0**	-1	-	-1
Employer contributions	**5**	**3**	**8**	6	3	9
Plan participant contributions	**0**	**0**	**0**	0	0	0
Benefits paid from the arrangements	**-4**	**-2**	**-6**	-5	-3	-8
Benefits paid direct by employer	**0**	**-1**	**-1**	0	0	0
Administration expenses paid from the scheme	**0**	**-**	**0**	0	-	0
Currency gain (+) / loss (-)	**-5**	**-**	**-5**	-1	-	-1
Fair value of plan assets at the end of the period	**86**	**0**	**86**	**85**	**0**	**85**

Remeasurements of the net defined benefit liability / asset reported in Other Comprehensive Income were as follows:

EUR million	2013 Funded	2013 Unfunded	2013 Total	2012 Funded	2012 Unfunded	2012 Total
Experience gain (-) / loss (+) on assets	**-2**	**-**	**-2**	-6	-	-6
Actuarial gain (-) / loss (+) on liabilities due to change in financial assumptions	**-11**	**-6**	**-17**	6	6	12
Actuarial gain (-) / loss (+) on liabilities due to change in demographic assumptions	**-**	**-**	**-**	-	-	-
Actuarial gain (-) / loss (+) on liabilities due to experience	**2**	**3**	**5**	1	0	1
Total gain (-) / loss (+) recognized in OCI	**-11**	**-3**	**-14**	**1**	**6**	**7**

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, 2013 and 2012 the amount of payroll tax recognized through OCI was a gain of EUR 1 million and a loss of EUR 1 million respectively.

The major categories of plan assets as a percentage of total plan assets of Valmet's defined benefit plans are as follows:

As at December 31	2013 Funded	2013 Unfunded	2013 Total	2012 Funded	2012 Unfunded	2012 Total
Equities	**47%**	**-**	**47%**	40%	-	40%
Bonds	**39%**	**-**	**39%**	46%	-	46%
Other	**6%**	**8%**	**14%**	7%	7%	14%
Total	**92%**	**8%**	**100%**	**93%**	**7%**	**100%**

The principal actuarial assumptions used to determine the defined benefit obligation (expressed as weighted averages) were as follows:

	2013			2012		
As at December 31	**Funded**	**Unfunded**	**Total**	**Funded**	**Unfunded**	**Total**
Discount rate	**4.6%**	**4.0%**	**4.3%**	3.8%	3.5%	3.7%
Salary increase	**3.0%**	**2.8%**	**2.9%**	2.9%	2.8%	2.8%
Pension increase	**2.1%**	**2.7%**	**2.6%**	1.4%	2.7%	2.5%
Medical cost trend rates	**-**	**7.4%**	**7.4%**	-	6.9%	6.9%

The weighted average life expectancy used for the major defined benefit plans are as follows:

	Life expectancy at age 65 for a male participant currently aged 65		Life expectancy at age 65 for a male participant currently aged 45	
Expressed in years	**2013**	**2012**	**2013**	**2012**
Sweden	**23**	23	**23**	23
Canada	**20**	20	**21**	21
USA	**19**	19	**19**	19

Life expectancy is allowed for in the assessment of the defined benefit obligation using mortality tables which are generally based on experience within the country in which the arrangement is located with (in many cases) an allowance made for anticipated future improvements in longevity.

Finland	Gompertz' model with Finnish TyEL parameters
Sweden	PRI2011
Germany	Heubeck RT 2005 G
United Kingdom	110% S1NXA with CMI_2011 projections and 1% long-term trend
Canada	UP94 generational
USA	RP2000 projected to 2015

The table below presents the change in present value of the defined benefit obligation when major actuarial assumptions are changed while holding the others constant. This sensitivity analysis applies to the defined benefit obligation only and not to the net defined benefit liability in its entirety. The measurement of net defined benefit liability is driven by a number of factors including, in addition to the assumptions below, the fair value of plan assets. Although the analysis does not take into account all cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

EUR million	2013 Funded	2013 Unfunded	2013 Total	2012 Funded	2012 Unfunded	2012 Total
Discount rate						
Increase of 0.25%	**-3**	**-3**	**-6**	-4	-3	-7
Decrease of 0.25%	**4**	**3**	**7**	4	4	7
Salary increase rate						
Increase of 0.25%	**1**	**1**	**1**	1	1	2
Decrease of 0.25%	**-1**	**-1**	**-1**	-1	-1	-1
Pension increase rate						
Increase of 0.25%	**0**	**2**	**2**	0	2	3
Decrease of 0.25%	**0**	**-2**	**-2**	0	-2	-3
Medical cost trend						
Increase of 0.25%	**-**	**1**	**1**	-	1	1
Decrease of 0.25%	**-**	**-1**	**-1**	-	-1	-1
Life expectancy						
Increase of one year	**3**	**3**	**6**	3	3	6
Decrease of one year	**-3**	**-2**	**-6**	-4	-3	-6

Weighted average duration of defined benefit obligation

Expressed in years	2013 Funded	2013 Unfunded	2013 Total
As at December 31	**14**	**16**	**15**

26 Mortgages and contingent liabilities

EUR million	As at December 31, 2013	2012
On behalf of others		
Guarantees	**2**	2
Other commitments		
Repurchase commitments	**0**	0
Total	**2**	**2**

Valmet Group entities have guaranteed obligations arising from the ordinary course of business of Valmet Group up to a maximum of EUR 1,206 million and EUR 1,102 million *) as at December 31, 2013 and 2012, respectively.

*) consist of obligations of Valmet Group that have been guaranteed by Metso Corporation

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	
EUR million	**2013**	**2012**	**2013**	**2012**
Not later than 1 year	**12**	16	**0**	0
Later than 1 year and not later than 2 years	**8**	13	**0**	0
Later than 2 years and not later than 3 years	**5**	10	**-**	0
Later than 3 years and not later than 4 years	**4**	5	**-**	-
Later than 4 years and not later than 5 years	**3**	3	**-**	-
Later than 5 years	**6**	7	**-**	-
Total minimum lease payments	**38**	**54**	**0**	**0**
Future financial expenses			**0**	0
Total net present value of finance leases			**0**	**0**

Net present value of annual rentals for finance leases in effect at December 31 are shown in the table below:

EUR million	**2013**	**2012**
Not later than 1 year	**0**	0
Later than 1 year and not later than 2 years	**0**	0
Later than 2 years and not later than 3 years	**-**	0
Later than 3 years and not later than 4 years	**-**	-
Later than 4 years and not later than 5 years	**-**	-
Later than 5 years	**-**	-
Total net present value of finance leases	**0**	**0**

Total rental expenses amounted to EUR 24 million in 2013 and EUR 25 million in 2012.

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:

EUR million	Notional amount	Fair value, assets	Fair value, liabilities	Fair value, net
2013				
Forward exchange contracts [1]	**1,153**	**18**	**6**	**12**
Electricity forward contracts [2]	**359**	**0**	**3**	**-3**
Nickel swap contracts [3]	**84**	**0**	**0**	**0**
Total		**18**	**9**	**9**
Netting fair values of derivative financial instruments subject to ISDAs [4]		**-7**	**-7**	**0**
Net Total		**11**	**2**	**9**
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**

[1] Approximately 50 (2013) and 57 (2012) percent of notional amount at the end of the respective year qualified for cash flow hedge accounting.
[2] Notional amount in GWh
[3] Notional amount in tons
[4] Group's derivatives are done under International Swaps and Derivatives Association's Master Agreements (ISDA). In case of an event of default under these Agreements the non-defaulting party may request early termination and set-off of all outstanding transactions. These Agreements do not meet the criteria for offsetting in the statement of financial position.

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

Derivative financial instruments recognized in the statement of financial position as at December 31 are presented below:

	2013		2012	
EUR million	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Forward exchange contracts - cash flow hedges	**12**	**5**	3	0
Forward exchange contracts - non-qualifying hedges	**6**	**1**	3	6
	18	**6**	6	6
Electricity forward contracts - cash flow hedges	**0**	**2**	0	1
Nickel swaps - non-qualifying hedges	**0**	**0**	0	0
Total derivatives	**18**	**8**	**6**	**7**

As at December 31, the maturities of financial derivatives are the following (expressed as notional amounts):

EUR million	2014	2015	2016	2017	2018 and later
2013					
Forward exchange contracts	1,127	26	-	-	-
Electricity forward contracts [1]	126	104	71	42	16
Nickel swap contracts [2]	84	-	-	-	-

EUR million	2013	2014	2015	2016	2017 and later
2012					
Forward exchange contracts	1,043	76	1	-	-
Electricity forward contracts [1]	146	112	90	52	11
Nickel swap contracts [2]	180	18	-	-	-

[1] Notional amount GWh
[2] Notional amount tons

29 Related party information

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

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

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

Related party transactions and balances

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

		Year ended December 31,	
EUR million	Note	2013	2012
Net sales		**13**	9
Cost of goods sold		**-59**	-60
Interest income	7	**1**	4
Interest expenses	7	**-3**	-27

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

Short-term and long-term interest bearing loans comprised loan balances owed by Valmet to Metso Group companies, arranged for Valmet to meet its financing needs prior to the Demerger date. Trade and other payables and advances received comprise of items arising from the ordinary course of business including group contribution payables. Cash pooling liabilities represented cash owed to Metso as part of Metso's centralized cash pool arrangements. Interest income relates to interest earned on positive cash pool balances and loan receivables and interest expenses comprise of interest on Metso's financing to Valmet and interest costs on cash owed through the cash pooling arrangements.

Valmet entities have not had significant lease agreements with Metso for the periods presented.

		As at December 31,	
EUR million	**Note**	**2013**	**2012**
Other receivables	16, 17	**-**	119
Advances paid for inventories		**4**	6
Trade and other receivables	16, 17	**3**	42
Loan receivables	16, 17	**-**	17
Cash pooling receivables	16, 17	**-**	184
Long-term debt	17, 21	**-**	550
Current portion of long-term debt	17, 21	**-**	28
Cash pooling liabilities	17, 23	**-**	93
Trade and other payables	17, 24	**32**	41
Advances received		**0**	3

The Board members' ownership in Valmet is presented in note 5. Related party transactions with associated companies and joint ventures are presented in note 11. Transactions with key management personnel and information about share-based payments is presented in note 20.

30 Subsidiaries

Company name	Ownership as at December 31, 2013 (%)
Finland	
Valmet Technologies Oy	100.0
Valmet Fabrics Oy	100.0
Valmet Kauttua Oy	100.0
Valmet Power Oy	100.0
MW Power Oy	100.0
Tampereen Verkatehdas Oy	100.0
Sweden	
Valmet Svenska AB *)	100.0
Valmet AB *)	100.0
Valmet Gävle AB *)	100.0
Valmet Power AB *)	100.0
MW Power AB	100.0
Lignoboost AB	100.0
Norway	
Valmet AS	100.0
Austria	
Valmet GesmbH	100.0
Czech Republic	
Valmet s.r.o. *)	100.0
Estonia	
Valmet Technologies Oü	100.0
France	
Valmet SAS	100.0
Germany	
Valmet Deutschland GmbH	100.0
Valmet GmbH	100.0
Valmet Plattling GmbH	100.0
Valmet Panelboard GmbH	100.0
United Kingdom	
Valmet Ltd *)	100.0
Italy	
Valmet SpA	100.0
Valmet Como Srl	100.0
Poland	
Valmet Technologies Sp. z o.o	100.0
Portugal	
Valmet Lda	100.0

Company name	Ownership as at December 31, 2013 (%)
Spain	
Valmet Technologies SA	100.0
Valmet Technologies Zaragoza SL	81.0
Russia	
Valmet ZAO	100.0
United States	
Valmet Inc.	100.0
Valmet Fabrics Inc.	100.0
Valmet Fabrics PMC LLC	100.0
Canada	
Valmet Ltd	100.0
Enerdry Constructors Ltd	100.0
Brazil	
Valmet Celulose Papel e Energia Ltda **)	100.0
Valmet Sulamericana Celulose Papel e Energia Ltda **)	100.0
Valmet Fabrics Tecidos Tecnicos Ltda **)	100.0
Chile	
Valmet SA	100.0
Australia	
Valmet 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 Fabrics (Shanghai) Co. Ltd ***)	100.0
Metso Fabrics (Tianjin) Co. Ltd ***)	100.0
India	
Valmet Pvt. Ltd. *)	100.0
Valmet Chennai Pvt. Ltd. *)	100.0
Valmet Engineering Services Pvt. Ltd. *)	100.0
Indonesia	
PT Valmet	100.0
Japan	
Valmet K.K. *)	100.0

Company name	Ownership as at December 31, 2013 (%)
Malaysia	
Valmet Sdn Bhd	100.0
Singapore	
Valmet Pte Ltd	100.0
South Korea	
Valmet Inc.	100.0
Thailand	
Valmet Co. Ltd *)	100.0
South Africa	
Valmet Pty Ltd *)	100.0

Valmet associated companies and joint ventures

Company name	Ownership as at December 31, 2013 (%)
Allimand S.A	35.8
Valpro gerenciamento de obras Ltda	51.0

*) New name registered after balance sheet date.

**) New name pending on approval from authorities. The name may change from the one stated above.

***) New name pending on approval from authorities. The name may change from the one stated above. Valmet will in any event no later than by 30 June, 2014 remove the word "Metso" from the company name.

31 Reporting segment and geographic information

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

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

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

Entity-wide information

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

Net sales to unaffiliated customers by destination:

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

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

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

Long-term assets by location:

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

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

Gross capital expenditure (excluding business acquisitions) by location:

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

Analysis of net sales by category:

EUR million	Year ended December 31, 2013	2012
Sale of services	**1,032**	1,011
Sale of projects, equipment and goods	**1,581**	2,003
Total	**2,613**	**3,014**

Major customers

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

32 Audit fees

EUR million	Year ended December 31, 2013	2012
Audit	**-0.7**	-0.7
Tax consulting	**-0.3**	-0.1
Other services [1]	**-1.1**	-0.1
Total	**-2.1**	**-0.9**

[1] Other services includes EUR 1.1 million listing and demerger related costs in 2013.

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 the reporting period

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

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

The total annual revenue of the divested businesses has been approximately EUR 30 million, employing 114 employees as of year-end 2013.

35 Exchange rates used

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

Financial Indicators 2013 and 2012

EUR million	As at and for the twelve months ended December 31, 2013	As at and for the twelve months ended December 31, 2012
Net sales	**2,613**	3,014
Net sales change, %	**-13%**	11%
Operating profit	**-59**	138
% of net sales	**-2.2%**	4.6%
Profit before tax	**-64**	115
% of net sales	**-2.5%**	3.8%
Profit	**-62**	76
% of net sales	**-2.4%**	2.5%
Profit attributable to owners of the parent	**-63**	76
Amortization	**-27**	-30
Depreciation	**-55**	-60
Depreciation and amortization	**-82**	-90
% of net sales	**-3.1%**	-3.0%
EBITA	**-32**	168
% of net sales	**-1.2%**	5.6%
Financial income and expenses, net	**-5**	-23
% of net sales	**-0.2%**	-0.8%
Interest expenses	**-10**	-37
% of net sales	**-0.4%**	-1.2%
Gross capital expenditure (incl. business acquisitions)	**-57**	-64
% of net sales	**-2.2%**	-2.1%
Business acquisitions, net of cash acquired	**-3**	-
Cash flow provided by operating activities	**-43**	-53
Cash flow after investments	**-97**	-106
Research and development expenses, net	**-60**	-65
% of net sales	**-2.3%**	-2.2%
Total assets	**2,313**	2,908
Equity attributable to owners of the parent	**808**	416
Total equity	**813**	423
Interest bearing liabilities	**211**	867
Net interest bearing liabilities	**-1**	521
Net working capital (NWC)	**-195**	-231
Return on equity (ROE), % *)	**-7%**	9%
Return on capital employed (ROCE) before tax, % *)	**-4%**	12%
Equity to assets ratio, % *)	**41%**	38%
Gearing, % *)	**0%**	6%
Orders received	**2,182**	2,445
Order backlog, December 31	**1,398**	2,249
Average number of personnel	**12,286**	12,744
Personnel, December 31	**11,765**	12,547

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

Formulas for Calculation of Indicators

EBITA:

Operating profit + amortization + goodwill impairment

EBITA before non-recurring items:

Operating profit + amortization + goodwill impairment + non-recurring items

Earnings per share:

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

Earnings per share, diluted:

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

Return on equity (ROE), %:

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

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

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

Equity to assets ratio, %:

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

Gearing, %:

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

Parent Company Statement of Income, FAS

EUR	Note	December 31, 2013
Other operating income		-
Personnel expenses	2	-
Depreciation and amortization		-
Other operating expenses		-6,314,896.12
Operating profit (loss)		**-6,314,896.12**
Financial income and expenses, net	3	-416,355.56
Loss before extraordinary items		**-6,731,251.68**
Extraordinary items		-
Loss before appropriations and taxes		**-6,731,251.68**
Income taxes	4	
Current tax expense		-
Income taxes, previous years		-
Change in deferred taxes		1,499,106.53
Loss		**-5,232,145.15**

Parent Company Balance Sheet, FAS

Assets

EUR	Note	As at December 31, 2013
Non-current assets		
Intangible assets	5	**-**
Tangible assets	5	**7,709,131.25**
Investments		
Shares in Group companies	6	**1,198,577,566.71**
Other investments	6	**1,361,627.06**
Total non-current assets		**1,207,648,325.02**
Current assets		
Long-term receivables	8	**12,798,867.25**
Short-term receivables	8	**375,652,333.64**
Securities		**-**
Bank and cash		**75,901,145.32**
Total current assets		**464,352,346.21**
Total assets		**1,672,000,671.23**

Shareholders' equity and liabilities

EUR	Note	As at December 31, 2013
Shareholders' equity		
Share capital		**100,000,000.00**
Invested non-restricted equity fund		**407,610,814.91**
Retained earnings		**520,596,930.07**
Profit / loss		**-5,232,145.15**
Total shareholders' equity	9	**1,022,975,599.83**
Liabilities		
Long-term liabilities	10	**136,126,984.04**
Current liabilities	11	**512,898,087.36**
Total liabilities		**649,025,071.40**
Total shareholders' equity and liabilities		**1,672,000,671.23**

Parent Company Statement of Cash Flows, FAS

EUR thousand	December 31, 2013
Cash flows from operating activities:	
Profit / loss	**-5,232**
Adjustments to operating profit (loss)	
Financial income and expenses, net	**416**
Taxes	**-1,499**
Total adjustments to operating profit (loss)	**-1,083**
Increase (-) / decrease (+) in short-term non-interest bearing trade receivables	**-2,452**
Increase (+) / decrease (-) in short-term non-interest bearing debt	**8,767**
Change in working capital	**6,315**
Net cash provided by operating activities	**0**
Net cash used in investing activities	**-**
Cash flows from financing activities:	
Change in Group pool accounts	**75,901**
Net cash provided by (+) / used in (-) financing activities	**75,901**
Bank and cash at beginning of financial period	**0**
Bank and cash at demerger	**75,901**
Bank and cash at end of year	**75,901**

Notes to Parent Company Financial Statements

1 Accounting principles

The parent company financial statements have been prepared in accordance with the Finnish Generally Accepted Accounting Principles.

Tangible and intangible assets

Tangible and intangible assets are valued at historical cost, less accumulated depreciation according to plan. Land and water areas are not depreciated.

Depreciation and amortization is calculated on a straight-line basis over the expected useful lives of the assets as follows:

Computer software	3–5 years
Other intangibles	10 years
Buildings and structures	20 years
Machinery and equipment	3–5 years
Other tangible assets	20 years

Financial Instruments

Valmet's financial risk management is carried out by a central treasury department (Group Treasury) under the policies approved by the Board of Directors. Group Treasury functions in co-operation with the operating units to minimize financial risks in both the Parent Company and the Group.

The Group's external and internal forward exchange contracts are measured at fair value. The change in fair value is recognized as income or expense in the income statement. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

Other financial instruments are measured at historical cost, less possible impairment loss.

Deferred taxes

A deferred tax liability or asset has been determined for all temporary differences between the tax bases of assets and liabilities and their amounts in financial reporting, using the enacted tax rates effective for the future years. The deferred tax liabilities are recognized in the balance sheet in full, and the deferred tax assets are recognized when it is probable that there will be sufficient taxable profit against which the asset can be utilized.

Comparative information

Comparative information has not been disclosed as the company was established on December 31, 2013.

2 Personnel expenses

Number of personnel

	December 31, 2013
Personnel at end of year	74
Average number of personnel during the financial period	74

3 Financial income and expenses

EUR thousand	December 31, 2013
Interest and other financial expenses to	
Group companies	-
Others	-416
Interest and other financial expenses, total	**-416**

4 Income taxes

EUR thousand	December 31, 2013
Withheld taxes recorded for the financial period	-
Change in deferred taxes	1,499
Total	**1,499**

5 Fixed assets

EUR thousand	Intangible assets	Land areas	Buildings and structures	Machinery and equipment	Other tangible assets	Tangible assets total	Total
2013							
Acquisition cost at beginning of financial period	-	-	-	-	-	-	-
Impact of Demerger	3	810	8,160	189	557	9,716	**9,719**
Acquisition cost as at Dec 31	**3**	**810**	**8,160**	**189**	**557**	**9,716**	**9,719**
Accumulated depreciation at beginning of financial period	-	-	-	-	-	-	**-**
Depreciation charges for the financial period	-	-	-	-	-	-	**-**
Impact of Demerger	-3	-	-1,786	-169	-52	-2,007	**-2,010**
Accumulated depreciation as at Dec 31	-3	-	-1,786	-169	-52	-2,007	**-2,010**
Net book value as at Dec 31	**-**	**810**	**6,374**	**20**	**505**	**7,709**	**7,709**

6 Investments

EUR thousand	Shares Group companies	Shares Others	Receivables Group companies	Receivables Other companies	Other investments total
2013					
Acquisition cost at beginning of financial period	-	-	-	-	-
Impact of Demerger	1,198,578	1,362	-	-	**1,362**
Acquisition cost as at Dec 31	**1,198,578**	**1,362**	**-**	**-**	**1,362**
Net book value as at Dec 31	**1,198,578**	**1,362**	**-**	**-**	**1,362**

7 Shareholdings

Subsidiaries

	Domicile	Ownership %
Valmet Technologies Oy	Finland, Helsinki	100.0
Valmet Svenska AB *)	Sweden, Karlstad	100.0
Valmet Inc.	USA, Norcross	100.0
Valmet Fabrics Oy	Finland, Tampere	100.0

*) New name registered after balance sheet date

8 Specification of receivables

Long-term receivables

EUR thousand	As at December 31, 2013
Deferred tax asset	1,499
Long-term receivables from others	11,300
Long-term receivables total	**12,799**

Short-term receivables

EUR thousand	As at December 31, 2013
Trade receivables from	
Group companies	1,524
Others	-
	1,524
Loan receivables from	
Group companies	353,946
Prepaid expenses and accrued income from	
Group companies	620
Others	18,081
	18,701
Other receivables	
VAT receivable	1,481
Other receivables	-
	1,481
Short-term receivables total	**375,652**

Specification of prepaid expenses and accrued income

EUR thousand	As at December 31, 2013
Prepaid expenses and accrued income from Group companies	
Group contribution receivables	-
Accrued interest income	620
Other accrued items	-
Total	**620**
Prepaid expenses and accrued income from others	
Accrued interest income	-
Accrued derivatives	17,141
Other accrued items	940
Total	**18,081**

9 Statement of changes in shareholders' equity

Long-term receivables

EUR thousand	As at December 31, 2013
Share capital at beginning of financial period	-
Impact of Demerger	100,000
Share capital as at Dec 31	100,000
Invested non-restricted equity fund at beginning of financial period	-
Impact of Demerger	407,611
Invested non-restricted equity fund as at Dec 31	407,611
Retained earnings at beginning of financial period	-
Impact of Demerger	520,597
Retained earnings as at Dec 31	520,597
Profit / loss	-5,232
Total shareholders' equity as at Dec 31	**1,022,976**

Statement of distributable funds as at December 31

EUR	As at December 31, 2013
Invested non-restricted equity fund	407,610,814.91
Retained earnings	520,596,930.07
Profit / loss	-5,232,145.15
Total distributable funds	**922,975,599.83**

10 Long-term liabilities

EUR thousand	As at December 31, 2013
Loans from financial institutions	136,127
Total	**136,127**

Debt maturing later than in five years time

EUR thousand	As at December 31, 2013
Loans from financial institutions	-
Total	**-**

11 Short-term liabilities

EUR thousand	As at December 31, 2013
Current portion of long-term liabilities	
Loans from financial institutions	61,048
	61,048
Trade payables to	
Group companies	9,184
Others	19
	9,203
Accrued expenses and deferred income to	
Group companies	7,731
Others	6,563
	14,294
Other short-term interest bearing debt to	
Group companies	114,107
Group pool accounts	314,196
Others	-
	428,303
Other short-term non-interest bearing debt to	
Others	50
	50
Short-term liabilities total	**512,898**
Short-term liabilities to Group companies total	445,218

Specification of accrued expenses and deferred income

EUR thousand	As at December 31, 2013
Accrued expenses and deferred income to Group companies	
Accrued interest expenses	34
Other accrued items	7,697
	7,731
Accrued expenses and deferred income to others	
Accrued interest expenses	284
Accrued derivatives	6,073
Accrued salaries, wages and social costs	206
Other accrued items	-
	6,563

12 Other contingencies

Guarantees

EUR thousand	As at December 31, 2013
Guarantees on behalf of subsidiaries	1,159,794
Guarantees on behalf of others	-
Total	1,159,794

Lease commitments

EUR thousand	As at December 31, 2013
Payments in the following year	3,522
Payments later	2,082
Total	5,604

List of account books used in parent company

	Voucher class	
General journal and general ledger		in electronic format
Specifications of accounts receivable and payable		in electronic format
Bank vouchers	16,42	in electronic format
Sales invoices	RV,11	in electronic format
Purchase invoices	23	in electronic format
Payroll accounting with vouchers	33	in electronic format
Journal entries	01,02,31,46,51,52,59,64,79	in electronic format
Journal entries	34,35	in electronic format

Signatures of Board of Directors' Report and Financial Statements

Espoo, February 6, 2014

Jukka Viinanen
Chairman of the Board

Mikael von Frenckell
Vice Chairman of the Board

Friedrike Helfer
Member of the Board

Pekka Lundmark
Member of the Board

Erkki Pehu-Lehtonen
Member of the Board

Pia Rudengren
Member of the Board

Rogério Ziviani
Member of the Board

Pasi Laine
President and CEO

The Auditor's Note

Our auditor's report has been issued today.

Espoo, February 21, 2014

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Järventausta
Authorized Public Accountant

Auditor's Report (translation)

To the Annual General Meeting of Valmet Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Valmet Corporation for the financial period ended 31 December 2013. The financial statements comprise the consolidated statement of financial position, statement of income[1], statement of comprehensive income[1], statement of changes in equity[1] and statement of cash flows[1], and notes to the consolidated financial statements for the year ended 31 December 2013, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements as of 31 December 2013.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, under consideration of the carve-out 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, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view 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 company'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 financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and under consideration of the carve-out 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.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of

[1] Carve-out financial statements prepared on a combined basis

the Board of Directors is consistent with the information in the financial statements.

Emphasis of matter

Without qualifying our opinion, we draw attention to the fact that, as described in Note 1 to the financial statements, Valmet has not formed a separate legal group of entities until 31 December 2013. 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.

Other Opinions

We support that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the use of the distributable funds shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the President and CEO of the parent company should be discharged from liability for the financial period audited by us.

Espoo, 21 February 2014

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Järventausta
Authorized Public Accountant

Shares and Shareholders

Trading in shares

Trading of Valmet shares commenced on the Helsinki Stock Exchange (NASDAQ OMX Helsinki Oy) on January 2, 2014. Thus, Valmet's shares were not traded in 2013.

Share-specific indicators

EUR million	2013	2012
Earnings per share, euros	**-0.42**	0.51
Equity per share, euros	**5.39**	-

Shareholders

The number of shareholders at the end of December 2013 was 58,490. Shares owned by nominee-registered parties and by non-Finnish parties equaled 47.8 percent of the total number of shares at the end of December.

Largest shareholders

According to a notification received by Valmet from Cevian Capital II Master Fund L.P and its wholly-owned subsidiary Cevian Capital Partners Ltd, Cevian Capital II Master Fund L.P. and Cevian Capital Partners Ltd held, on December 30, 2013, altogether 20,813,714 Metso Corporation ("Metso") shares, which corresponds to 13.84 percent of all Metso shares and votes. Considering that demerger considerations were not given for Metso's treasury shares, Cevian Capital II Master Fund L.P.'s and Cevian Capital Partners Ltd's holdings in Valmet correspond to 13.89 percent of all Valmet shares and votes, based on the above-mentioned holdings in Metso.

Basic information on Valmet's shares

- Listed: NASDAQ OMX Helsinki Ltd
- First day of listing: January 2, 2014
- Trading currency: euro
- Industry classification: Large corporations
- Trading code: VALMT
- ISIN code: FI4000074984
- Reuters instrument code: VALMT.HE
- Bloomberg symbol: VALMT FH

Indices

In 2014, Valmet's shares belong to the following indices, among others:

- OMX GES Ethical Finland Index
- OMX GES Sustainability Finland
- OMX Helsinki
- OMX Helsinki Cap
- OMX Helsinki Industrials
- OMX Helsinki Industrial Goods & Services
- OMX Helsinki Industrial Engineering
- OMX Helsinki Benchmark

	Largest shareholders (Euroclear)	Holdings, shares	% of holdings
1	Solidium Oy[1]	16,695,287	11.14
2	Ilmarinen Mutual Pension Insurance Company	4,450,126	2.97
3	Varma Mutual Pension Insurance Company	2,908,465	1.94
4	The State Pension Fund	1,720,000	1.15
5	Nordea Nordenfonden	1,566,531	1.05
6	Keva	1,543,015	1.03
7	Mandatum Life Insurance Company	1,487,381	0.99
8	The Society of Swedish Literature in Finland	1,188,076	0.79
9	Skagen Global Verdipapirfond	882,429	0.59
10	Mutual Insurance Company Pension Fennia	871,000	0.58
11	Swiss National Bank	802,131	0.54
12	Elo Mutual Pension Insurance Company	800,000	0.53
13	Odin Norden	737,035	0.49
14	Nordea Fennia investment fund	732,500	0.49
15	OP-Delta Mutual Fund	622,231	0.42

[1]Solidium Oy (wholly owned by the Finnish state)

Holdings of the Board of Directors and CEO in Valmet Corporation as at December 31, 2013

		Holdings, shares	Holdings of related parties, shares
Viinanen, Jukka-Pekka	Chairman of the Board	6,017	0
Von Frenckell, Mikael	Vice Chairman of the Board	102,754	0
Helfer, Friederike	Member of the Board	0	0
Lundmark, Pekka Ilmari	Member of the Board	0	4
Pehu-Lehtonen, Erkki Yrjö Juhani	Member of the Board	3,179	0
Rudengren, Pia	Member of the Board	2,864	0
Ziviani, Rogério	Member of the Board	0	0
Laine, Pasi Kalevi	President and CEO	17,616	0
Total		**132,430**	**4**

Distribution of holdings by group as at December 31, 2013

	Number of shares	% of share stock
Nominee-registered and foreign owners	71,630,107	47.8
Finnish institutions, companies and organizations	37,995,993	25.4
Solidium Oy[1]	16,695,287	11.1
Finnish private investors	23,543,232	15.7
Total	**149,864,619**	**100**

[1]Solidium Oy (wholly owned by the Finnish state)

The ownership structure is based on the sector classifications of Statistics Finland. The classification specifies institutions that invest in compulsory insurance, such as pension insurance companies in the public sector. Life and accident insurance companies, among others, are defined as finance and insurance institutions.

Investor Relations

Mission and goal

The main mission of our Investor Relations function is to support the correct valuation of our share by consistently and systematically providing all of the relevant information concerning Valmet impartially to all market participants. Further goals of our Investor Relations function are to increase the interest of equity and debt investors as well as analysts in our company, to improve the loyalty of our current shareholders and to reach new investors and analysts interested in our company.

Investor Relations is responsible for drawing up our Interim Reviews, Financial Statements, stock exchange releases and investor presentations and for developing Valmet's Investor web pages and for planning and implementing investor communications and daily contact with investors and analysts. Investors Relations is also responsible for organizing all investor meetings.

Valmet's Investor Relations are involved in the Capital Markets Day, analyst and media conferences, teleconferences, roadshow events, participation in investor conferences and events as well as meetings with investors and analysts. In addition, our Investor Relations function gathers and analyzes investor feedback and share-related data for use by our management and Board of Directors. All investor inquiries are handled centrally through our Investor Relations function.

Silent period

Valmet abides by a 21-day-long silent period prior to the publication of its results. During this time, Valmet does not comment on the company's financial situation, markets or future outlook, nor does it meet with representatives of the capital markets or financial media.

Valmet's Investors pages

Valmet offers its investors information also at the address www.valmet.com/investors. The pages offer various tools for monitoring the market performance of Valmet's share, such as an interactive share monitor and a closing share price search function. In addition, the pages offer information on the company's insiders and their holdings as well as on the ownership structure. The pages also feature investor meeting presentation materials and financial reports.

Analyst monitoring

A list of analysts following Valmet and consensus estimates are available on Valmet's Investor pages at www.valmet.com/investors. Valmet is not responsible for the content, accuracy or completeness of the analysts' views.

Financial calendar 2014

February 6, 2014 Financial Statements 2013
March 26, 2014 Annual General Meeting
April 4, 2014 Silent period begins
April 25, 2014 Interim Review for January–March 2014 published
July 10, 2014 Silent period begins
July 31, 2014 Interim Review for January–June 2014 published
October 3, 2014 Silent period begins
October 24, 2014 Interim Review for January–September 2014 published
November 26, 2014 Capital Markets Day

The calendar can also be viewed on Valmet's Investors pages.

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- Youtube.com/valmetglobal
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- Facebook.com/valmetcorporation
- **www.valmet.com**

About this report

Concept, design and production
Miltton Oy

Paper
MultiArt Silk 300 g
MultiArt Silk 115 g

Printing
Erweko

441 014
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The paper, and the pulp used in making the paper, was produced with machines and equipment manufactured by Valmet. The report is printed on MultiArt Silk, which is PEFC-certified and meets the environmental criteria for the Swan ecolabel. PEFC certification confirms that the forests are being sustainably managed. The printing inks and chemicals used in printing comply with the requirements for the Swan ecolabel. The printing ink is plant oil-based, and the other materials used are recyclable and ecofriendly. The operations of the Erweko printing house are ISO 9001 and ISO 14001 certified.

Committed to
moving our customers'
performance forward

Valmet
FORWARD