FINANCIAL STATEMENTS 2014

Valmet

Valmet Corporation is a leading global developer and supplier of services and technologies for the pulp, paper and energy industries. Our professionals around the world work close to our customers and are committed to moving our customers' performance forward – every day.

Valmet's net sales in 2014 were approximately EUR 2.5 billion and the company employed about 10,500 people. Valmet's head office is in Espoo, Finland and its shares are listed on the NASDAQ OMX Helsinki Ltd.

Valmet reports 2014

Annual Review 2014 (AR)
The report describes Valmet's business and market environment in 2014, and introduces our sustainability focus areas.

GRI Supplement 2014 (GR)
The report defines Valmet's sustainability reporting scope and principles, and alignment with the Global Reporting Initiative (GRI).

Financial Statements 2014 (FS)
The report includes Valmet's Financial Statements for 2014 and information about its share, shareholders and management.

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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, 2014

Governance

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/en.

Corporate Governance Statement

Valmet has prepared a separate Corporate Governance Statement for 2014 which complies with the recommendations of the Finnish Corporate Governance Code for listed companies. It also covers other central areas of corporate governance. The statement has been published on Valmet's website, separately from the Board of Directors' Report, at www.valmet.com/governance.

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 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 2014

Valmet has formed a separate legal group as of December 31, 2013. The financial information for the year 2014 and the Statement of Financial Position as at December 31, 2013 presented in this Financial Statements is based on actual figures. The Statement of Income and Statement of Cash Flow for the year 2013 and all other 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 of the previous year.

Key figures[1]

EUR million	2014	2013 Carve-out	2012 Carve-out
Orders received	**3,071**	2,182	2,445
Order backlog[2]	**1,998**	1,398	2,249[3]
Net sales	**2,473**	2,613	3,014
Earnings before interest, taxes and amortization (EBITA) and non-recurring items	**106**	54	192
% of net sales	**4.3%**	2.1%	6.4%
Earnings before interest, taxes and amortization (EBITA)	**94**	-32	168
% of net sales	**3.8%**	-1.2%	5.6%
Operating profit (EBIT)	**72**	-59	138
% of net sales	**2.9%**	-2.2%	4.6%
Profit before taxes	**67**	-64	115
Profit / loss	**46**	-62	76
Earnings per share, EUR	**0.31**	-0.42[4]	-
Earnings per share, diluted, EUR	**0.31**	-0.42[4]	-
Equity per share, EUR	**5.36**	5.39	-
Dividend per share, EUR	**0.25[5]**	0.15	-
Cash flow provided by operating activities	**236**	-43	-53
Cash flow after investments	**194**	-97	-106
Return on equity (ROE)	**6%**	-7%[6]	9%[6]
Return on capital employed (ROCE) before taxes	**9%**	-4%	12%[6]

[1] Group figures: the formulas for calculation of key figures are presented in the section 'Formulas for Calculation of Indicators'.
[2] At the end of period.
[3] Includes cancelled Fibria order (EUR 331 million).
[4] The earnings per share information was computed as if the shares issued in conjunction with the Demerger had been outstanding for the entire comparison period.
[5] Board of Directors' proposal.
[6] In calculating these key ratios, an adjustment of EUR 468 million has been made from 'Non-current debt, Metso Group' to 'equity' in order to reflect the conversion of Metso Svenska AB's non-current debt to Metso Group which took place in January 2013.

Equity ratio and gearing	2014	As at Dec 31, 2013	2012
Equity ratio at end of period	**42%**	41%	38%[1]
Gearing at end of period	**-21%**	0%	6%[1]

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

Customer activity increased in 2014

Customer activity increased in 2014 compared with the previous year. Orders received increased especially in the first half of the year. Orders received exceeded EUR 3 billion in the full year of 2014, which corresponds to an increase of 41 percent compared with 2013. In 2014, orders received more than doubled in Asia-Pacific and increased especially in the EMEA area (Europe, Middle East and Africa).

The development of the Services business was stable during 2014 and orders received in the Services business line remained at the previous year's level. In 2014, orders received in the Services business line increased in Asia-Pacific and remained on a par with the comparison period in other areas.

Customer activity revived clearly in the pulp and energy market during the first half of the year, and decreased from this high level during the second half of the year. Orders received in the Pulp and Energy business line almost doubled during 2014. Orders received more than doubled in Asia-Pacific and EMEA, increased in China and decreased in South America and North America.

Orders received in the Paper business line increased in 2014. Orders received more than doubled in North America, increased in EMEA and Asia-Pacific and decreased in South America and China.

Orders received exceeded EUR 3 billion in 2014

Orders received, EUR million	2014	2013 Carve-out	Change
Services	**1,055**	1,035	2%
Pulp and Energy	**1,344**	680	98%
Paper	**671**	467	43%
Total	**3,071**	2,182	41%

Orders received, EUR million	2014	2013 Carve-out	Change
North America	**490**	414	18%
South America	**281**	533	-47%
EMEA	**1,470**	804	83%
China	**241**	241	0%
Asia-Pacific	**589**	190	>100%
Total	**3,071**	2,182	41%

Orders received during 2014 amounted to EUR 3,071 million, i.e. 41 percent more than in the comparison period (EUR 2,182 million). Emerging markets accounted for 45 percent (54%) of orders received.

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

Order backlog at approximately EUR 2 billion

Order backlog, EUR million	As at Dec 31, 2014	2013 Carve-out	Change
Total	**1,998**	1,398	43%

At the end of the year, the order backlog was EUR 1,998 million, which was 43 percent higher than at the end of 2013 (EUR 1,398 million). Approximately 80 percent of the order backlog, i.e. EUR 1.6 billion, is expected to be recognized as net sales in 2015. Approximately 20 percent of the order backlog consists of Services business line's orders (25%).

Net sales decreased in 2014

Net sales, EUR million	2014	2013 Carve-out	Change
Services	**989**	1,032	-4%
Pulp and Energy	**956**	907	5%
Paper	**528**	674	-22%
Total	**2,473**	2,613	-5%

Net sales, EUR million	2014	2013 Carve-out	Change
North America	**449**	422	6%
South America	**325**	421	-23%
EMEA	**1,053**	1,096	-4%
China	**266**	389	-32%
Asia-Pacific	**381**	285	34%
Total	**2,473**	2,613	-5%

In 2014, net sales decreased 5 percent to EUR 2,473 million (EUR 2,613 million). Services business line's net sales remained on a par with the comparison period, and accounted for 40 percent of Valmet's net sales (39%). Measured by net sales, the top three countries were the USA, Sweden and Brazil, which together accounted for 38 percent of total net sales. Emerging markets accounted for 48 percent (49%) of net sales.

Changes in foreign exchange rates reduced net sales in 2014 by approximately EUR 50 million compared with the exchange rates at the end of 2013.

Profitability improved

In 2014, earnings before interest, taxes and amortization and non-recurring items (EBITA before non-recurring items) were EUR 106 million, i.e. 4.3 percent of net sales (EUR 54 million and 2.1%).

Operating profit (EBIT) for 2014 was EUR 72 million, i.e. 2.9 percent of net sales (EUR -59 million and -2.2%). Non-recurring items totaled to EUR -12 million (EUR -86 million).

Net financial income and expenses

Net financial income and expenses in 2014 were EUR -5 million (EUR -5 million), of which interest expenses amounted to EUR -12 million, interest income to EUR 5 million and other financial income and expenses to EUR -2 million, dividends received to EUR 1 million and net foreign exchange gains to EUR 3 million.

Profit before taxes and earnings per share increased

Profit before taxes in 2014 was EUR 67 million (EUR -64 million). The profit attributable to owners of the parent in 2014 was EUR 46 million (EUR -63 million), corresponding to earnings per share (EPS) of EUR 0.31 (EUR -0.42).

Return on capital employed (ROCE) increased

In 2014, return on capital employed (ROCE) before taxes was 9 percent (-4%) and return on equity (ROE) 6 percent (-7%).

Business lines

Services – orders received increased towards the end of the year

Services business line	2014	2013 Carve-out	Change
Orders received (EUR million)	**1,055**	1,035	2%
Net sales (EUR million)	**989**	1,032	-4%
Personnel (end of period)	**5,230**	5,295	-1%

In 2014, orders received by the Services business line remained on a par with the comparison period at EUR 1,055 million (EUR 1,035 million) and accounted for 34 percent of all orders received (47%). Orders received increased in Asia-Pacific and remained on a par with the comparison period in other geographical areas. Orders received increased in Energy and Environmental, and Mill Improvements business units and remained on a par with the comparison period in other business units.

In 2014, net sales for the Services business line totaled to EUR 989 million (EUR 1,032 million), corresponding to 40 percent of Valmet's net sales (39%).

Pulp and Energy – orders received almost doubled in 2014

Pulp and Energy business line	2014	2013 Carve-out	Change
Orders received (EUR million)	**1,344**	680	98%
Net sales (EUR million)	**956**	907	5%
Personnel (end of period)	**1,737**	2,233	-22%

In 2014, orders received by the Pulp and Energy business line almost doubled. Orders received in 2014 totaled to EUR 1,344 million (EUR 680 million) and accounted for 44 percent of all orders received (31%). Orders received more than doubled in Asia-Pacific and EMEA, increased in China and decreased in South America and North America. Orders received increased in both the Pulp and Energy businesses.

In 2014, net sales for the Pulp and Energy business line totaled to EUR 956 million (EUR 907 million), corresponding to 39 percent of Valmet's net sales (35%).

Paper – growth in orders received in 2014

Paper business line	2014	2013 Carve-out	Change
Orders received (EUR million)	**671**	467	43%
Net sales (EUR million)	**528**	674	-22%
Personnel (end of period)	**3,098**	3,906	-21%

In 2014, orders received by the Paper business line increased 43 percent to EUR 671 million (EUR 467 million) and accounted for 22 percent of all orders received (21%). Orders received more than doubled in North America, increased in EMEA and Asia-Pacific and decreased in South America and China. Orders received increased in Board and Paper, and remained on a par with the comparison period in Tissue.

In 2014, net sales for the Paper business line totaled to EUR 528 million (EUR 674 million), corresponding to 21 percent of Valmet's net sales (26%).

Profitability improvement measures

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

The savings program proceeded well and was finalized during the third quarter of 2014. Selling, general and administrative expenses were reduced in all geographical areas. The majority of the savings were focused on the EMEA region and North America, as well as on Paper, and Pulp and Energy business lines. In 2014, selling, general and administrative expenses decreased by EUR 68 million.

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

Profitability supported through improvements in processes

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

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

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

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

Valmet will focus on cost competitiveness also after the savings program, which has been finalized. Valmet will also improve product cost competitiveness to increase gross profit through modularity and standardization, and by focusing on cost efficient design.

Cash flow and financing

Cash flow provided by operating activities amounted to EUR 236 million (EUR -43 million) in 2014. Net working capital was EUR -353 million (EUR -186 million) at the end of 2014. Cash flow after investments was EUR 194 million (EUR -97 million) in 2014.

Gearing was -21 percent (0%) at the end of 2014 and the equity ratio was 42 percent (41%). Net interest-bearing liabilities totaled to EUR -166 million (EUR -1 million) at the end of the reporting period. Interest-bearing liabilities of EUR 68 million consisted mainly of drawn down bank loans. The average maturity for Valmet's non-current debt was 3.2 years.

Valmet's liquidity was strong at the end of the reporting period, with cash and cash equivalents totaling to EUR 192 million and interest-bearing available-for-sale financial assets totaling EUR 34 million. Valmet's liquidity was additionally secured by an unused revolving credit facility agreement worth EUR 200 million that is committed by the banks and matures in 2018, as well as a EUR 200 million commercial paper program.

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

Investments decreased in 2014

Gross capital expenditure, including business acquisitions, in 2014 was EUR 46 million (EUR 57 million). Maintenance investments accounted for EUR 37 million (EUR 41 million).

Business combinations and disposals of businesses

Acquisitions

Valmet made no acquisitions during the twelve months ended December 31, 2014.

Disposals

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

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

The total annual revenue of the divested businesses has been approximately EUR 30 million, employing 114 employees as of year-end 2013. These transactions had no material effect on Valmet's 2014 financial statements.

Research and development

Valmet's research and development expenses for 2014 were EUR 42 million, i.e. EUR 1.7 percent of net sales (EUR 60 million and 2.3%). 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 2014, R&D employed 298 people (330 people).

R&D work is currently focused on cost-efficient, modular and standardized solutions. Its other focus 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.

In 2014 Valmet has continued joint development of waste gasification in Finland, made an collaboration agreement in bio coal commercialization in USA, started up a pilot plant for hydrolysis of biomass in Sweden, started a joint bio-oil project in Finland, and continued good process in intellectual property rights.

During 2014, Valmet has launched for example iRoll Technology, intelligent roll technology and analysis service for improved paper quality and machine runnability, PressPolar board machine covers and eServices. Valmet has also during the course of 2014 continued its development work on modularized and standardized products and solutions.

Valmet has successfully commercialized its techological innovations. In 2014, Valmet received the first OptiConcept M board machine order and first First Advantage NTT tissue machine order to the USA. Valmet also received several flue gas heat recovery orders in Finland and delivered a prehydrolysis pilot system to the Netherlands. In addition, world's largest recovered fuel fired boiler to combined heat and powerplant (CHP) plant started up in Sweden.

Valmet has recorded all costs resulting from R&D activities as expenses in the income statement in 2013 and 2014.

Number of personnel decreased during the year

Personnel by business line	As at Dec 31, 2014	2013	Change
Services	**5,230**	5,295	-1%
Pulp and Energy	**1,737**	2,233	-22%
Paper	**3,098**	3,906	-21%
Other	**399**	331	21%
Total (end of period)	**10,464**	11,765	-11%

Personnel by area	As at Dec 31, 2014	2013	Change
North America	**1,141**	1,147	-1%
South America	**432**	418	3%
EMEA	**6,376**	7,514	-15%
China	**1,927**	2,061	-7%
Asia-Pacific	**588**	625	-6%
Total (end of period)	**10,464**	11,765	-11%

In 2014, Valmet employed an average of 10,853 people (12,286). The number of personnel at the end of December 2014 was 10,464 (11,765). In 2014, personnel expenses totaled to EUR 609 million (EUR 697 million) of which wages, salaries and remuneration equaled to EUR 472 million (EUR 540 million).

Strategic goals and their implementation

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

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

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

Valmet's goal is to achieve its targets by focusing on customer excellence, on being a leader in technology and innovation, on excellence in processes and on building 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 business strategy and operations and is defined in Valmet's sustainability agenda and management systems as well as in related policies such as Valmet's Sustainable supply chain policy, Health, Safety and Environmental (HSE) policy and Code of Conduct and related policies. Valmet is a signatory of the UN Global Compact as of January 13, 2014, and the company's operating principles and sustainability work are founded on the ten principles of the initiative. Valmet also supports and respects selected, globally acknowledged guidelines and principles, e.g. UN Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, and the International Labor Organization's (ILO) Declaration of Fundamental Principles and Rights at Work.

In 2014, Valmet was included in the Dow Jones Sustainability World (DJSI World) and Europe (DJSI Europe) indices and ranked among the leaders in CDP's Nordic Climate Disclosure Leadership Index (CDLI) with a score of 98/100.

Valmet is committed to moving health, safety and environmental performance forward in its operations and in the industries it serves. Valmet wants to provide a safe working environment and minimize the environmental impact of its operations. Valmet has established both a strategic plan for safety improvement focusing on safety culture development and global standards and procedures, as well as a dedicated environmental efficiency program. Valmet's goal is zero harm and Valmet has defined long-term targets for reducing its environmental impacts and minimizing workplace injuries.

According to Valmet's HSE policy, compliance with applicable laws and regulations is only a minimum requirement. In addition to this, Valmet has defined minimum requirements for safety at work for high risk activities to ensure a common safety platform across all its operations. In 2014, we extended the minimum safety standards to cover five additional critical activities – safeguarding of machines, hazardous manual handling, hot work, driving safety and emergency action planning. Since the introduction of the standards in 2012 serious incidents leading to one to more days of absence have decreased by 35 percent. In 2014, no fatal accidents occurred in Valmet's operations, (Valmet's own and supervised employees and independent contractors) and the lost time incident frequency rate (LTIF) of our own personnel fell by 15 percent to 5.5.

The greatest environmental impact in Valmet's value chain arises from the use of Valmet's solutions for production at our customer sites. 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 its 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 to maximize the environmental efficiency of the technologies, to ensure operational safety and to extend the life span of our customers' production plants.

Valmet's operations with most environmental impact are our foundries, technology centers as well as our assembly, manufacturing and service workshops. Valmet's environmental-efficiency program promotes continuous improvement of the environmental performance of our own operations and set's group-wide targets for the most significant aspects; energy and water consumption, CO_2 emissons and waste. Environmental permits are maintained for all operations and Valmet constantly develops its environmental reporting to ensure it can accurately monitor its performance. Valmet also continues the process of calculating the entire value chain's greenhouse gas (GHG) emissions.

A majority of Valmet's operations is covered by the ISO 9001 quality management system, the ISO 14001 environmental management system and by the OHSAS 18001 health and safety management system.

As Valmet has an extensive supply chain including around 10,000 active suppliers in over 50 countries, Valmet created in 2014 a comprehensive approach for achieving a more sustainable system of supply chain management in order to improve its procurement processes and enhance transparency in its supply chain. In 2014 Valmet launched a Sustainable Supply Chain Policy, which applies to all suppliers globally. The policy will be incorporated into new contracts and purchase orders, and communicated to all active suppliers. The policy addresses Valmet´s requirements for its suppliers regarding business ethics, compliance, human rights and labor rights, occupational health and safety, environmental management and sustainability in products and services. Valmet expects all its suppliers to comply with the principles defined in the policy.

Valmet's sustainability reporting in 2014 follows the Global Reporting Initiative's (GRI) G4 "in accordance" core option. Standard disclosures for 2014 in English with a reference to external assurance in the GRI content index have been externally assured by PricewaterhouseCoopers Oy.

In order to enable continuous stakeholder dialogue, Valmet launched a comprehensive web-based brainstorming tool for collecting and analyzing stakeholder opinions in 2014. The process allows our stakeholders to express their views on Valmet's sustainability performance and propose ideas for further development. The web-based tool is open for all stakeholders and utilized in annual and one-off meetings with our stakeholders to gather feedback from all stakeholder groups. The brainstorming results are reviewed on a regular basis. All information received is gathered together and analyzed for the annual strategy review process to assess and evaluate potential new topics of concern and to update Valmet's sustainability agenda accordingly.

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.

Shares and shareholders

Share capital and number of shares

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

Largest shareholders (Euroclear)

The following table summarizes the largest shareholders on December 31, 2014.

		Holdings	% of holdings
1	Solidium Oy[1]	16,695,287	11.14
2	Skagen Global Verdipapirfond	3,202,627	2.14
3	Ilmarinen Mutual Pension Insurance Company	3,092,126	2.06
4	Varma Mutual Pension Insurance Company	2,908,465	1.94
5	Nordea Nordenfonden	1,957,930	1.31
6	The State Pension Fund	1,720,000	1.15
7	Keva	1,502,166	1.00
8	Mandatum Life Insurance Company Limited	1,500,307	1.00
9	Nordea Fennia Fund	1,300,000	0.87
10	Skagen Global II Verdipapirfond	1,010,035	0.67
11	Sigrid Jusélius Foundation	610,865	0.41
12	Nordea Avanti Fund	607,316	0.41
13	Nordea Pro Finland Fund	600,000	0.40
14	Kaleva Mutual Insurance Company	600,000	0.40
15	Nordea Nordic Small Cap Fund	546,207	0.36

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

In addition to the shareholders presented in table, the shareholder exceeding ten percent ownership in Valmet on December 31, 2014 was Cevian Capital Partners Ltd. (ownership of 13.89 percent as announced on March 1, 2014) and the shareholder exceeding five percent ownership was Franklin Templeton Institutional, LLC (ownership of 5.02 percent as announced on October 17, 2014). All flagging notifications received and announced during 2014 are presented in the section of flagging notifications.

Holdings of the Board of Directors in Valmet Corporation on December 31, 2014

		Holdings	Holdings of interest parties
Viinanen, Jukka-Pekka	Chairman of the Board	10,820	0
von Frenckell, Mikael	Vice Chairman of the Board	105,636	0
Helfer, Friederike	Member of the Board	2,305	0
Lundmark, Pekka Ilmari	Member of the Board	2,305	4
Pehu-Lehtonen, Erkki Yrjö Juhani	Member of the Board	5,484	0
Schrøder, Lone Fønss	Member of the Board	2,882	0
Ziviani, Rogério	Member of the Board	2,305	0
Total		**131,737**	**4**
% of outstanding shares		**0.09%**	**0.00%**

Holdings of the Executive Team in Valmet Corporation on December 31, 2014

		Holdings	Holdings of interest parties
Laine, Pasi Kalevi	President and CEO	30,046	0
Honkasalo, Markku Juhani	CFO	700	0
Bohn, William Leslie	Area President, North America	0	0
Macharey, Julia Irene	SVP, Human Resources	0	0
Mälkiä, Hannu	Area President, EMEA	10,559	0
Niemi, Aki Petri	Area President, China	0	0
Pietilä, Hannu T.	Area President, Asia-Pacific	1,000	0
Saarinen, Kari Juhani	SVP, Strategy and Operational Development	0	0
Salonsaari-Posti, Anu Maarit	SVP, Marketing and Communications	0	100
Tacla, Celso Luiz	Area President, South America	4,740	0
Tiitinen, Jukka Heikki	Business Line President, Services	13,648	100
Vähäpesola, Jari	Business Line President, Paper	5,013	0
Total		**65,706**	**200**
% of outstanding shares		**0.04%**	**0.00%**

Distribution of holdings by group on December 31, 2014

	Number of shareholders	Number of shares	% of share capital
Nominee registered and non-Finnish holders	309	81,994,521	54.7
Finnish institutions, companies and foundations	2,831	30,180,544	20.1
Solidium Oy[1]		16,695,287	11.1
Finnish private investors	46,154	20,994,267	14.0
Total	**49,294**	**149,864,619**	**100.0**

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

The ownership structure is based on the classification of sectors determined by Statistics Finland. The classification determines mandatory insurance companies, such as pension funds into the General government sector. Other insurance companies are classified under Financial and insurance corporations.

Distribution of holdings by number of shares held on December 31, 2014

Number of shares	Number of shareholders	% of shareholders	Total number of shares	% of share capital
1–100	20,974	42.5	1,089,339	0.7
101–1,000	23,665	48.0	8,607,527	5.7
1,001–10,000	4,279	8.7	10,984,871	7.3
10,001–100,000	313	0.6	7,963,463	5.3
100,001–	63	0.1	121,210,499	80.9
Total	**49,294**	**100.0**	**149,855,699**	**100.0**
Nominee registered	**11**	**0.02**	**74,763,034**	**49.9**
Treasury shares held by the parent company	**1**	**0.0**	**399**	**0.0**
On shared account	**0**	**0.0**	**8,920**	**0.0**

Treasury shares and Board authorizations

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

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

Treasury shares may be repurchased and/or taken as pledge for reasons of developing the Company's capital structure, financing or carrying out acquisitions, investments or other business transactions, or for the shares to be used in an incentive scheme. The repurchased shares may be held for the time being, cancelled or reissued. The Board of Directors resolves on all other terms related to the repurchasing and/or taking as pledge of own shares.

Valmet Corporation's Annual General Meeting authorized Valmet's Board of Directors to resolve on the issuance of shares as well as the issuance of special rights entitling to shares. The Board is authorized to issue a maximum of 15,000,000 new shares and convey a maximum of 10,000,000 Valmet shares already held by the company. The Board of Directors of Valmet Corporation shall also be authorised to resolve on issuing treasury shares to the Company without consideration. The maximum number of shares which may be issued to Valmet Corporation shall be 10,000,000 shares when combined with the number of shares repurchased based on an authorisation.

The authorizations shall stay in force until June 30, 2015 and they cancel the previous authorizations given to the Board of Directors of Valmet Corporation by the Extraordinary General Meeting of Metso Corporation convening on October 1, 2013.

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

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

Trading in shares

The closing share price for Valmet's share on the first day of trading (January 2, 2014) was EUR 6.65. The closing share price on the final day of trading for the reporting period, December 30, 2014, was EUR 10.22. The share price rose by some 54 percent during the period between January 2, 2014 and December 30, 2014. The highest price for the share during the reporting period was EUR 10.37, the lowest was EUR 6.00 and the volume-weighted average price was EUR 7.54. The number of shares traded on NASDAQ OMX Helsinki during January–December was approximately 138 million. The value of trading was EUR 1,042 million. (Source: NASDAQ OMX)

In addition to NASDAQ OMX Helsinki, Valmet's shares are also traded on other marketplaces, such as Chi-X and BATS. A total of approximately 10 million of Valmet Corporation's shares were traded on alternative marketplaces in January–December, which equals to approximately 7 percent of the share's total trade volume. Of the alternative exchanges, Valmet's shares were traded especially on Chi-X. (Source: VWD, Six)

Market capitalization stood at EUR 1,532 million at the end of the reporting period.

Number of shareholders

The number of registered shareholders at the end of December 2014 was 49,294 (58,490 on December 31, 2013). Shares owned by nominee-registered parties and by non-Finnish parties equaled to 54.7 percent of the total number of shares at the end of December 2014 (47.8% on December 31, 2013).

Share capital and share data[1]

	2014	2013
Share capital, December 31, EUR million	**100**	100
Number of shares, December 31:		
Number of outstanding shares	**149,864,220**	149,864,619
Treasury shares held by the Parent Company	**399**	0
Total number of shares	**149,864,619**	149,864,619
Average number of outstanding shares	**149,863,252**	-
Average number of diluted shares	**149,863,252**	-
Trading volume on NASDAQ OMX Helsinki	**137,682,776**	-
% of total shares for public trading	**91.9**	-
Earnings/share, EUR	**0.31**	-0.42[2]
Earnings/share, diluted, EUR	**0.31**	-0.42[2]
Dividend/share, EUR	**0.25[3]**	0.15
Dividend, EUR million	**37[3]**	22
Dividend/earnings	**81%[3]**	-
Effective dividend yield	**2.4%[3]**	-
Price to earnings ratio (P/E)	**33.2**	-
Equity/share, EUR	**5.36**	5.39
Highest share price, EUR	**10.37**	-
Lowest share price, EUR	**6.00**	-
Volume-weighted average share price, EUR	**7.54**	-
Share price, December 31, EUR	**10.22**	-
Market capitalization[4], December 31, EUR million	**1,532**	-

[1] The formulas for calculation of figures are presented in the section 'Formulas for Calculation of Indicators'.
[2] The earnings per share information was computed as if the shares issued in conjunction with the Demerger had been outstanding for the entire comparison period.
[3] Board of Directors' proposal.
[4] Excluding treasury shares.

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 2013. This applies to following key figures: effective dividend yield percentage, price/earnings ratio, share price development, market capitalization, trading volume of shares as number and percentage, average number of outstanding and diluted shares during the financial period, adjusted number of shares at the end of the financial period.

Flagging notifications

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

Stock exchange release on November 6, 2014

Valmet Corporation received a notification referred to in Securities Market Act from Nordea Funds Oy, stating that the company's ownership and share of votes in Valmet Corporation has fallen below the threshold of 5 percent (1/20). As a result of share transactions on November 5, 2014, the holding of Nordea Funds Oy decreased to 7,240,716 shares (previously 7,513,864 shares), representing an ownership of 4.832 percent (previously 5.014 percent) of Valmet Corporation's total number of shares and share of votes.

Stock exchange release on October 17, 2014

Valmet Corporation received a notification referred to in Securities Market Act from Franklin Templeton Institutional, LLC, stating that the company's ownership and share of votes in Valmet Corporation has exceeded the threshold of 5 percent (1/20). As a result of share transactions on October 15, 2014, the holding of Franklin Templeton Institutional, LLC increased to 7,517,629 shares, representing an ownership of 5.02 percent of Valmet Corporation's total number of shares and share of votes. Previously, the holding of Franklin Templeton Institutional, LLC was below 5 percent.

Stock exchange release on September 5, 2014

Valmet Corporation received a notification referred to in Securities Market Act from Nordea Funds Oy, stating that the company's ownership and share of votes in Valmet Corporation has risen above the threshold of 5 percent (1/20). The previous flagging notification that Valmet Corporation received from Nordea Funds Oy, and that Valmet Corporation announced with a stock exchange release on August 18, 2014 has been incorrect. Nordea Funds Oy's ownership of Valmet Corporation's total number of shares and share of votes did not at that time exceed the threshold of 5 percent. As a result of share transactions and the end of share lending on September 4, 2014, the holding of Nordea Funds Oy increased to 7,513,864 shares (previously, in accordance with the flagging notification on August 6, 2014, 7,445,447 shares), representing an ownership of 5.014 percent (previously, in accordance with the flagging notification on August 6, 2014, 4.968 percent) of Valmet Corporation's total number of shares and share of votes.

Stock exchange release on August 18, 2014

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

Stock exchange release on August 6, 2014

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

Stock exchange release on August 4, 2014

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

Stock exchange release on March 11, 2014

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

Share-based incentive plans

Valmet's share ownership plans are part of the remuneration and retention program for Valmet's management. The aim of the plans 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 long-term shareholding in the company.

Long-term incentive plan 2012–2014

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 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. 40 key employees in Valmet were covered by the plan for the 2014 performance period. Growth in Valmet's EBITA-% and growth in Services orders received were the 2014 performance criteria of the long-term incentive plan.

The potential reward from the 2014 performance period will be paid in April 2015, partly in company shares and partly in cash. Any shares earned are restricted and must be held for approximately 2 years after reward payment. The proportion paid in cash is intended to cover taxes and tax-related costs arising from the payment.

The potential rewards to be paid on the basis of the 2014 performance period will correspond to a maximum total of 744,125 Valmet shares. The reward of the Plan may not exceed 120 percent of the key employee's annual total base salary.

Long-term incentive plan 2015–2017

In December 2014, The Board of Directors approved a new share based incentive plan for Valmet's key employees. The plan has three discretionary periods, which are the calendar years 2015, 2016 and 2017. The Board of Directors shall decide on the performance criteria and participants in the beginning of each performance period. The Plan is directed to approximately 80 people. The potential reward of the Plan from the discretionary period 2015 is based on EBITA-% improvement and Services' orders received growth (%).

The potential reward of the Plan from the discretionary period 2015 will be paid partly as Company shares and partly in cash in 2016. The shares paid as reward may not be transferred during the restriction period, which will end two years after the end of the discretionary period. The proportion to be paid in cash is intended to cover taxes and tax-related costs arising from the reward to the key employee.

The rewards to be paid on the basis of the Plan are in total an approximate maximum of 616,000 shares in Valmet Corporation and a cash payment needed for taxes and tax-related costs arising from the shares. The reward of the Plan may not exceed 120 percent of the key employee's annual total base salary.

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

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

Resolutions of Valmet Corporation's Annual General Meeting

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

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

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

Risks and business uncertainties

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

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

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

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

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

Large fluctuations in energy prices can affect the global economy. These fluctuations can also affect Valmet and its customers, especially in the energy business.

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

Management of project business risks important

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

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

Availability of financing crucial

Securing the continuity of Valmet's operations requires that sufficient funding is available under all circumstances. Valmet estimates that its liquid cash assets and binding credit limits are sufficient to secure the company's immediate liquidity and to ensure the flexibility of financing. The average maturity for Valmet's non-current debt is 3.2 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.

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.

At the end of 2014, Valmet had EUR 446 million (EUR 443 million) of goodwill on its statement of financial position. The carrying value of goodwill is reviewed annually or more frequently for impairment, if the facts and circumstances suggest that its carrying value may not be recoverable. Valmet has not identified any indications of impairment during the reporting period. The principles used for impairment testing are presented in the note number 11 in the Financial Statements.

Events after the reporting period

Acquisition of Process Automation Systems

Valmet Corporation and Metso Corporation signed an agreement on the sale of Metso's Process Automation Systems business to Valmet on January 15, 2015. The enterprise value of the acquisition is EUR 340 million. The acquisition will be financed with committed long-term financing. It is estimated that the acquisition will be completed by April 1, 2015. The completion of the transaction is subject to approval by the competition authorities.

The acquired operations supply process automation and information management systems and related applications and services to the pulp, paper, energy and other process industries. The purchased operations employ about 1,600 people. Net sales of the Process Automation Systems business is approximately EUR 300 million, of which Valmet has accounted for approximately 10 percent.

As a result of the acquisition, Valmet will become a stronger and unique technology and services company in its field, with a full automation offering. The business being acquired is a strong business, with established customer relations and a high level of technology and know-how.

Simplification of group structure

In the beginning of 2015 Valmet simplified its group structure in Finland and Sweden through internal mergers.

Guidance

Valmet estimates that, including the acquisition of Process Automation Systems, net sales in 2015 will increase in comparison with 2014 (EUR 2,473 million) and EBITA before non-recurring items in 2015 will increase in comparison with 2014 (EUR 106 million).

The completion of the acquisition of Process Automation Systems is subject to approval by the competition authorities.

Short-term outlook

General economic outlook

Global growth in 2015–16 is projected at 3.5 and 3.7 percent, downward revisions of 0.3 percent relative to the October 2014 World Economic Outlook. The revisions reflect a reassessment of prospects in China, Russia, the euro area, and Japan as well as weaker activity in some major oil exporters because of the sharp drop in oil prices. The United States is the only major economy for which growth projections have been raised. The distribution of risks to global growth is more balanced than in October. The main upside risk is a greater boost from lower oil prices, although there is uncertainty about the persistence of the oil supply shock. Downside risks relate to shifts in sentiment and volatility in global financial markets, especially in emerging market economies, where lower oil prices have introduced external and balance sheet vulnerabilities in oil exporters. Stagnation and low inflation are still concerns in the euro area and in Japan. (International Monetary Fund, January 20, 2015)

Short-term market outlook

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

Board of Director's proposal for the distribution of profit

Valmet Corporation's distributable funds totaled to EUR 904,322,050.83 on December 31, 2014, of which the net profit for 2014 was EUR 3,818,389.61.

The Board of Directors proposes that a dividend of EUR 0.25 per share be paid based on the statement of financial position to be adopted for the financial year which ended December 31, 2014, 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, 2015 are registered in the Company's shareholders' register held by Euroclear Finland Ltd. The dividend will be paid on April 10, 2015. 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, 2015
Valmet Corporation's Board of Directors

Consolidated Statement of Income

		Year ended Dec 31,	
EUR million	**Note**	**2014**	**2013**
Net sales	2, 29	**2,473**	2,613
Cost of goods sold	6, 7, 29	**-2,004**	-2,172
Gross profit		**469**	441
Selling, general and administrative expenses	4, 6, 7	**-401**	-469
Other operating income	5	**27**	15
Other operating expenses	5	**-23**	-47
Share in profits and losses of associated companies	12	**0**	1
Operating profit		**72**	-59
Financial income		**9**	12
Financial expenses		**-15**	-17
Financial income and expenses, net	8, 29	**-5**	-5
Profit before taxes		**67**	-64
Current tax expense		**-19**	-27
Deferred taxes		**-2**	29
Income taxes, total	9	**-21**	2
Profit / loss		**46**	-62
Attributable to:			
Owners of the parent		**46**	-63
Non-controlling interests		**0**	1
Profit / loss		**46**	-62
Earnings per share attributable to owners of the parent:			
Earnings per share, EUR		**0.31**	-0.42
Diluted earnings per share, EUR		**0.31**	-0.42

Consolidated Statement of Comprehensive Income

EUR million	Note	Year ended Dec 31, 2014	2013
Profit / loss		**46**	-62
Items that may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges	18, 20, 28	**-11**	3
Available-for-sale financial assets	13, 18, 20	**0**	0
Currency translation on subsidiary net investments	20	**7**	-22
Income tax relating to items that may be reclassified	9	**3**	-1
		-1	-20
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit plans	25	**-40**	16
Income tax relating to items that will not be reclassified	9	**13**	-6
		-27	10
Other comprehensive income (+) / expense (-)		**-28**	-10
Total comprehensive income (+) / expense (-)		**18**	-72
Attributable to:			
Owners of the parent		**18**	-73
Non-controlling interests		**0**	1
Total comprehensive income (+) / expense (-)		**18**	-72

Consolidated Statement of Financial Position

Assets

EUR million	Note	As at Dec 31, 2014	2013
Non-current assets			
Intangible assets			
Goodwill		**446**	443
Other intangible assets		**91**	107
Total intangible assets	11	**537**	550
Property, plant and equipment			
Land and water areas		**22**	21
Buildings and structures		**132**	137
Machinery and equipment		**202**	210
Assets under construction		**25**	21
Total property, plant and equipment	11	**381**	389
Financial and other non-current assets			
Investments in associated companies	12	**5**	5
Available-for-sale financial assets	13, 18	**9**	3
Loan and other receivables	17, 18	**7**	1
Derivative financial instruments	18, 28	**0**	-
Deferred tax asset	9	**86**	80
Other non-current assets	17	**14**	8
Total financial and other non-current assets		**121**	97
Total non-current assets		**1,040**	1,036
Current assets			
Inventories	14	**474**	431
Receivables			
Trade and other receivables	17, 18	**445**	436
Cost and earnings of projects under construction in excess of advance billings	15	**192**	159
Loan and other receivables	17, 18	**0**	-
Available-for-sale financial assets	13, 18	**28**	1
Derivative financial instruments	18, 28	**20**	18
Income tax receivables		**22**	21
Total receivables		**706**	635
Cash and cash equivalents	18, 19	**192**	211
Total current assets		**1,372**	1,277
Total assets		**2,412**	2,313

Consolidated Statement of Financial Position

Equity and liabilities

EUR million	Note	As at Dec 31, 2014	2013
Equity			
Share capital		**100**	100
Reserve for invested unrestricted equity		**403**	402
Cumulative translation adjustments		**9**	2
Fair value and other reserves		**-3**	5
Retained earnings		**296**	299
Equity attributable to owners of the parent	20	**804**	808
Non-controlling interests		**5**	5
Total equity		**809**	813
Liabilities			
Non-current liabilities			
Non-current debt	18, 22	**16**	140
Post-employment benefits	25	**144**	103
Provisions	23	**10**	32
Derivative financial instruments	18, 28	**3**	2
Deferred tax liability	9	**22**	29
Other non-current liabilities		**1**	1
Total non-current liabilities		**195**	307
Current liabilities			
Current portion of non-current debt	18, 22	**51**	63
Current debt	18, 22	**-**	8
Trade and other payables	18, 24	**740**	673
Provisions	23	**98**	105
Advances received		**146**	139
Billings in excess of cost and earnings of projects under construction	15	**327**	176
Derivative financial instruments	18, 28	**30**	8
Income tax liabilities		**16**	21
Total current liabilities		**1,408**	1,193
Total liabilities		**1,603**	1,500
Total equity and liabilities		**2,412**	2,313

Consolidated Statement of Cash Flows

EUR million	Note	Year ended Dec 31, 2014	2013
Cash flows from operating activities			
Profit / loss		**46**	-62
Adjustments			
Depreciation and amortization	7, 11	**72**	82
Gain (-) / loss (+) on sale of fixed assets	5	**0**	0
Gain (-) / loss (+) on sale of subsidiaries and associated companies	5	**2**	0
Gain (-) / loss (+) on sale of available-for-sale equity investments	5	**0**	0
Share of profits and losses of associated companies	12	**0**	-1
Dividend income and net interests	8	**2**	7
Income taxes	9	**21**	-2
Other non-cash items		**17**	41
Change in net working capital, net of effect from business acquisitions and disposals	16	**103**	-45
Interest paid		**-8**	-21
Interest received		**5**	4
Dividends received		**1**	0
Income taxes paid		**-24**	-46
Net cash provided by (+) / used in (-) operating activities		**236**	-43
Cash flows from investing activities			
Capital expenditures on fixed assets	11	**-46**	-54
Proceeds from sale of fixed assets		**4**	4
Business acquisitions, net of cash acquired	11	**-**	-3
Proceeds from sale of businesses, net of cash sold		**0**	-1
Other		**0**	0
Net cash provided by (+) / used in (-) investing activities		**-42**	-54
Cash flows from financing activities			
Redemption of own shares		**0**	-
Dividends paid		**-22**	0
Changes in ownership interests in subsidiaries		**-**	-5
Net borrowings (+) / payments (-) on current debt		**-8**	-321
Proceeds from issuance of non-current debt		**-**	72
Principal payments of non-current debt		**-134**	-65
Principal payments of finance leases		**0**	0
Investments in available-for-sale financial assets		**-62**	-
Proceeds from available-for-sale financial assets		**29**	-
Impact of demerger on Valmet's equity		**-**	492
Dividends paid to non-controlling interests		**0**	0
Other		**-7**	-5
Net cash provided by (+) / used in (-) financing activities		**-204**	168
Net increase (+) / decrease (-) in cash and cash equivalents		**-10**	71
Effect of changes in exchange rates on cash and cash equivalents		**-9**	-18
Cash and cash equivalents at beginning of year	18, 19	**211**	158
Cash and cash equivalents at end of year		**192**	211

Consolidated Statement of Changes in Equity

EUR million	Share capital	Reserve for invested unrestricted equity	Cumulative translation adjustments	Hedge reserve	Fair value reserve	Legal reserve	**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, 2013	-	-	24	-1	0	4	3	-	389	416	7	423
Profit / loss	-	-	-	-	-	-	-	-	-63	-63	1	-62
Other comprehensive income (+) / expense (-)												
Cash flow hedges												
Fair value gains (+) / losses (-), net of tax	-	-	-	4	-	-	4	-	-	4	-	4
Transferred to profit and loss, net of tax												
Other operating income / expenses	-	-	-	-2	-	-	-2	-	-	-2	-	-2
Available-for-sale financial assets												
Fair value gains (+) / losses (-), net of tax	-	-	-	-	0	-	0	-	-	0	-	0
Currency translation on subsidiary net investments	-	-	-22	-	-	-	-	-	-	-22	-	-22
Remeasurement of defined benefit plans, net of tax	-	-	-	-	-	-	-	-	10	10	-	10
Other comprehensive income (+) / expense (-) total	-	-	-22	2	0	-	2	-	10	-10	-	-10
Total comprehensive income (+) / expense (-)	-	-	-22	2	0	-	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 capital costs	-	-5	-	-	-	-	-	-	-	-5	-	-5
Balance at Dec 31, 2013	100	402	2	1	0	4	5	299	-	808	5	813

EUR million	Share capital	Reserve for invested unrestricted equity	Cumulative translation adjustments	Hedge reserve	Fair value reserve	Legal reserve	**Fair value and other reserves**	Retained earnings	Invested equity and retained earnings	**Equity attributable to owners of the parent**	Non-controlling interests	**Total equity**
Balance at Jan 1, 2014	**100**	**402**	**2**	**1**	**0**	**4**	**5**	**299**	**-**	**808**	**5**	**813**
Profit / loss	-	-	-	-	-	-	**-**	46	-	**46**	0	**46**
Other comprehensive income (+) / expense (-)												
Cash flow hedges												
Fair value gains (+) / losses (-), net of tax	-	-	-	-3	-	-	**-3**	-	-	**-3**	-	**-3**
Transferred to profit and loss, net of tax												
Other operating income / expenses	-	-	-	-5	-	-	**-5**	-	-	**-5**	-	**-5**
Available-for-sale financial assets												
Fair value gains (+) / losses (-), net of tax	-	-	-	-	0	-	**-**	-	-	**0**	-	**0**
Currency translation on subsidiary net investments	-	-	7	-	-	-	**-**	-	-	**7**	0	**7**
Remeasurement of defined benefit plans, net of tax	-	-	-	-	-	-	**-**	-27	-	**-27**	-	**-27**
Other comprehensive income (+) / expense (-) total	-	-	7	-8	0	-	**-8**	-27	-	**-28**	-	**-28**
Total comprehensive income (+) / expense (-)	-	-	7	-8	0	-	**-8**	19	-	**18**	0	**18**
Dividends	-	-	-	-	-	-	**-**	-22	-	**-22**	0	**-23**
Other	-	-	-	-	-	0	**0**	-1	-	**-1**	-	**-1**
Share-based payments, net of tax	-	0	-	-	-	-	**-**	2	-	**2**	-	**2**
Balance at Dec 31, 2014	**100**	**403**	**9**	**-7**	**0**	**3**	**-3**	**296**	**-**	**804**	**5**	**809**

Notes to the Consolidated Financial Statements

1 Background, basis of preparation and accounting principles

General information

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

Valmet Corporation is domiciled in Helsinki, and its registered address is Keilasatama 5, 02150 Espoo, Finland. The Company's shares are listed on the NASDAQ OMX Helsinki Ltd 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, 2015 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 principles 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, all information for the year ending December 31, 2014 and as of December 31, 2014 are based on actual figures as an independent group. The consolidated statement of financial position, the related notes and key figures as of December 31, 2013 are also 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 year ending December 31, 2013 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 year 2013 were computed as if the shares issued in conjunction with the Demerger had been outstanding from the beginning of the year.

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.

Accounting principles

Consolidation

Subsidiaries

Subsidiaries are all entities over which Valmet Group has control. Control over an entity exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When the Group has less than a majority of the voting or similar rights of an entity, the Group considers all relevant facts and circumstances in assessing whether it has control over an entity, including the contractual arrangement with the other vote holders of the entity, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights. The Group re-assesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control. 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 Financial income and expenses. All other foreign exchange gains and losses are presented in Other operating income and expenses. 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 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 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. 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. The effective portion of foreign currency forwards hedging sales and purchases is recognized in Other operating income and expenses. 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 Other operating income and expenses.

When applying hedge accounting, 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 or under Financial income and expenses 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.

Derivatives at fair value through profit and loss

Valmet does not apply hedge accounting to its nickel forward contracts, accordingly, nickel forwards are classified at fair value through profit and loss. In addition, certain foreign exchange forward and electricity forward contracts do not qualify for hedge accounting.

Changes in the fair value of foreign exchange forward contracts are mainly recognized in other operating income and expenses. However, when the foreign exchange forwards have been contracted to mitigate the exchange rate risks arising from foreign currency denominated financial items such as loans, receivables and cash, the changes in fair value of the derivatives are recognized in Financial income and expenses. Changes in the fair value of other derivative instruments such as commodity instruments are recognized in Other operating income and expenses.

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

Certain Valmet key personnel participate in share-based incentive plans. Equity-settled share based awards are valued based on the market price of the Valmet 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 Valmet 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

Other operating income and expenses 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.

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. Additionally, non-recoverable foreign taxes, which are not based on taxable profits, are reported in current taxes. These include for example foreign taxes and/or equivalent payments not based on Double Tax Treaties in force. 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. Valmet has two cash generating units. 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. 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.

Assets and liabilities at fair value through profit and loss

Derivative financial instruments to which hedge accounting is not applied 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.

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.

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.

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.

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 Other operating income and 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

Non-current 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.

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', such as asset write-downs.

Environmental remediation costs

Valmet accrues for costs associated with environmental remediation obligations when such obligations and related cash outflows to 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 energy 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.

Carve-out principles

The carve-out financial information of Valmet Group 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 cashflows 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 financial assets, 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 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 year 2013.

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 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 and Impact of demerger on Valmet's equity and in the statement of changes in equity under Dividends and Demerger.

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.

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.

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 period 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 period 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.

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 accounting principles. 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.

Hedging of foreign currency denominated firm commitments

Under Valmet hedging policy, all Valmet entities have 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 2014 Valmet recognized an impairment of EUR 3 million on fixed assets, the corresponding amount for 2013 being EUR 30 million. The annual impairment tests performed in 2014 and 2013 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, 2014 and have an impact on the Group.

- IFRS 10 'Consolidated Financial Statements'. The objective of standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. It defines the principle of control, and establishes control as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements. Adoption of the standard had no material impact on Valmet's consolidated financial statements.

- IFRS 11 'Joint Arrangements' is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore 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 therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. Adoption of the standard had no material impact on Valmet's consolidated financial statements.

- IFRS 12 'Disclosure of Interests in Other Entities'. The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The new disclosure requirements are included in note 12.

New standards and interpretations not yet adopted

- IFRS 15, 'Revenue from contracts with customers.' This is the converged standard on revenue recognition. It replaces IAS 11, 'Construction contracts,' IAS 18,'Revenue' and related interpretations.

  Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service.

  The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

  Step 1: Identify the contract(s) with a customer
  Step 2: Identify the performance obligations in the contract
  Step 3: Determine the transaction price
  Step 4: Allocate the transaction price to the performance obligations in the contract
  Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

  IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The standard is effective for annual periods beginning on or after 1 January 2017. The standard has not yet been endorsed by the EU. Valmet has not yet assessed the impact of IFRS 15 on its consolidated financial statements.

- The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

  For financial liabilities there are no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss.

  IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. 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 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.

Entity-wide information

Valmet's businesses are present in over 30 countries and on all continents. The main market areas are Europe and North America accounting for 59 percent of net sales in 2014 and 54 percent in 2013.

Net sales to unaffiliated customers by destination:

EUR million	North America	South America	EMEA	China	Asia-Pacific	Total
2014	**449**	**325**	**1,053**	**266**	**381**	**2,473**
2013	422	421	1,096	389	285	2,613

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

EUR million	North America	South America	EMEA	China	Asia-Pacific	Total
2014	**75**	**111**	**409**	**111**	**222**	**928**
2013	59	118	461	165	166	969

Non-current assets by location:

EUR million	Finland	North America	South America	EMEA excluding Finland	China	Asia-Pacific	Non-allocated	Total
2014	**193**	**69**	**23**	**70**	**105**	**7**	**456**	**923**
2013	211	61	23	75	99	6	468	944

Non-current assets comprise intangible assets, property, plant and equipment and investments in associated companies and joint ventures. 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	North America	South America	EMEA	China	Asia-Pacific	Total
2014	**4**	**2**	**31**	**8**	**1**	**46**
2013	3	6	36	7	2	54

Analysis of net sales by category:

EUR million	Year ended Dec 31, 2014	2013
Sale of services	**989**	1,032
Sale of projects, equipment and goods	**1,484**	1,581
Total	**2,473**	2,613

Major customers

Valmet delivers large long-term construction contracts, which however rarely exceed 10 percent of its net revenue. In 2014 and 2013 there were no long-term construction contracts exceeding 10 percent of net sales.

3 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. 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

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 2014 cash and cash equivalents amounted to EUR 192 million (EUR 211 million) and available-for-sale financial assets to EUR 37 million (EUR 4 million). In addition Valmet had a committed undrawn revolving credit facility of EUR 200 million which matures in 2018, committed overdraft limits of EUR 14 million and uncommitted unused domestic commercial paper program of EUR 200 million.

Net working capital management is integral part of the liquidity risk management. Treasury monitors and forecasts net working capital fluctuations in close co-operation with the operating units. At the end of 2014 net working capital was EUR –353 million (EUR -186 million) due to the increase of advances received from the capital business.

Valmet's refinancing risk is managed by balancing the proportion of current and non-current debt and average maturity of non-current debt including committed undrawn credit facility. The average maturity for non-current debt including committed undrawn credit facility was 3.2 years (3.0 years). 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. The maturities of the trade and other payables and derivatives are presented in notes 24 and 28.

Contractual maturities of interest bearing debt as at December 31, 2014 are as follows:

EUR million	Loans from financial institutions	Finance lease obligations	Other non-current debt	Total
Repayments	51	0	0	51
Interests	1	0	0	1
Total 2015	53	0	0	53
Repayments	16	-	0	16
Interests	0	-	0	0
Total 2016	16	-	0	16
Repayments	1	-	0	1
Interests	0	-	0	0
Total 2017	1	-	0	1
Repayments	-	-	-	-
Interests	-	-	-	-
Total 2018	-	-	-	-
Repayments	-	-	-	-
Interests	-	-	-	-
Total 2019	-	-	-	-
Repayments	-	-	-	-
Interests	-	-	-	-
Later	-	-	-	-

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

EUR million	Loans from financial institutions	Finance lease obligations	Other non-current debt	Total
Repayments	63	0	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	-	-	-	-
Interests	-	-	-	-
Total 2018	-	-	-	-
Repayments	-	-	-	-
Interests	-	-	-	-
Later	-	-	-	-

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, 2014 the total equity was EUR 809 million (EUR 813 million) and the amount of interest bearing debt was EUR 68 million (EUR 210 million).

Valmet has not disclosed any long-term financial ratio for its capital structure. However the objective of the group is to maintain strong capital structure in order to secure investor, creditor and market confidence. 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, 2014.

	As at Dec 31,	
EUR million	**2014**	**2013**
Total interest bearing liabilities	**68**	210
Cash and cash equivalents	**192**	211
Available-for-sale interest bearing financial assets	**34**	1
Other interest bearing receivables	**8**	1
Interest bearing net debt	**-166**	-1
Total equity	**809**	813
Gearing ratio	**-21%**	0%

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 non-current debt. The Macaulay Duration of non-current debt including the current portion was 0.5 years.

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

	As at Dec 31,	
EUR million	**2014**	**2013**
	External	External
Interest bearing assets	**234**	212
Interest bearing debt	**68**	210

Total of 95 percent (89 percent) of interest bearing debt was denominated in EUR at December 31, 2014.

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. As at December 31, 2014 Valmet has no outstanding financial derivatives hedging the interest rate risk. 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 interests, net of taxes, of EUR +/- 1.2 million (EUR -/+ 0.4 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.

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 was as follows:

	As at Dec 31,	
EUR million	**2014**	**2013**
Operational items	**210**	293
of which trade and other receivables	**141**	154
of which trade and other payables	**-64**	-65
Financial items	**-95**	-178
Hedges	**-112**	-111
Total exposure	**3**	4

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, both short- and long-term sales and purchase contracts and projected cash flows for unrecognized firm commitments. 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 currency specific exposure would be EUR -/+ 1.5 million (EUR -/+ 1.7 million).

Transaction exposure spreads in approximately 20 currencies and as of December 31, 2014 the biggest open exposure was in USD, which comprise 28 percent (CNY 27 percent and USD 24 percent) of total position. A 10 percent appreciation or depreciation of USD would have an effect, net of taxes, of EUR +/- 0.7 million (CNY effect of EUR +/- 0.7 million and USD effect of EUR +/- 0.6 million). A corresponding effect on any other currency would be less than EUR +/- 0.5 million.

The sensitivity analysis as required by IFRS 7, includes financial instruments, such as trade and other receivables, trade and other payables, interest bearing liabilities, deposits, cash and cash equivalents and derivative financial instruments. The table below presents the effects, net of taxes, of a +/- ten percent change in EUR against all other currencies:

EUR million	2014	2013
Effects in		
income statement	**+/- 7.4**	+/- 8.1
equity	**+/- 3.0**	+/- 7.0

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, goodwill and fair value step up of a subsidiary is denominated in currency other than the functional currency of the parent company. The total non-EUR denominated equity, goodwill and fair value step up of the group's subsidiaries is EUR 399 million (EUR 459 million). The major translation exposures are EUR 172 million (EUR 228 million) in SEK and EUR 138 million (EUR 119 million) in CNY. 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, 2014 Valmet had outstanding electricity forwards amounting to 327 GWh (359 GWh).

To reduce its exposure to the volatility caused by the price of the stainless steel, Valmet has entered into fixed priced bilateral purchase agreements with the key suppliers. In addition Valmet may reduce its exposure to the surcharge for certain metal alloys (Alloy Adjustment Factor) by entering into average-price swap agreements for nickel. As at December 31, 2014 Valmet had no (84 tons) outstanding nickel swaps.

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	2014	2013
Electricity – effect in equity	**+/- 0.6**	+/- 0.7
Electricity – effect in statement of income	**+/- 0.2**	+/- 0.2
Nickel – effect in statement of income	**-**	+/- 0.1

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, subsupplier or a financial counterparty not fulfilling its commitments towards Valmet. Operating units are primarily responsible for credit risks pertaining to sales and procurement activities. The operating units assess the credit standing of their customers, by taking into account their financial position, past experience and other relevant factors. Advance payments, letters of credit and third party guarantees are actively used to mitigate credit risks. Treasury provides centralized services related to trade, project and 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 due to large number and geographic dispersion of companies that comprise group's customer base.

The maximum credit risk equals the carrying value of trade and other receivables. The credit risk 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 17.

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). When measuring the financial credit risk exposure, all open exposures such as cash on bank accounts, investments, deposits and other financial transactions, for example derivative contracts, are included. The compliance with financial counterparty limits are regularly monitored by the management.

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.

The tables below present Valmet's financial assets and liabilities that are measured at fair value. There have been no transfers between fair value levels during 2014. Fair value levels of other balance sheet items are shown in Note 18.

	As at Dec 31, 2014		
EUR million	**Level 1**	**Level 2**	**Level 3**
Assets			
Derivatives at fair value through profit and loss	-	7	-
Derivatives qualified for hedge accounting	-	13	-
Available-for-sale financial assets	12	23	2
Total assets	**12**	**43**	**2**
Liabilities			
Derivatives at fair value through profit and loss	-	7	-
Derivatives qualified for hedge accounting	-	26	-
Total liabilities	**-**	**33**	**-**

	As at Dec 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	-

The following table presents the changes in level 3 instruments for the year ended December 31, 2014 and 2013.

EUR million	2014	2013
Balance at beginning of year	**-**	-
Exchange rate differences	**0**	-
Additions	**0**	-
Transfers into level 3	**-**	-
Disposals	**-**	-
Other changes	**2**	-
Balance at end of year	**2**	-

4 Selling, general and administrative expenses

	Year ended Dec 31,	
EUR million	**2014**	**2013**
Marketing and selling expenses	**-206**	-236
Research and development expenses, net	**-42**	-60
Administrative expenses	**-153**	-173
Total	**-401**	-469

Research and development expenses, net consists of following:

	Year ended Dec 31,	
EUR million	**2014**	**2013**
Research and development costs, total	**-39**	-54
Capitalized development costs	**-**	-
Capital expenditure	**0**	0
Grants received	**2**	0
Depreciation and amortization	**-5**	-6
Research and development expenses, net	**-42**	-60

5 Other operating income and expenses

	Year ended Dec 31,	
EUR million	**2014**	**2013**
Gain on sale of fixed assets	**1**	1
Royalty income	**0**	-
Rental income	**1**	1
Foreign exchange gains [1]	**19**	9
Other income	**6**	4
Other operating income, total	**27**	15
Loss on sale of subsidiaries and businesses	**-2**	0
Loss on sale of fixed assets	**-1**	-1
Impairment on fixed assets [2]	**-2**	-30
Foreign exchange losses [1]	**-12**	-12
Other expenses	**-7**	-4
Other operating expenses, total	**-23**	-47
Other operating income and expenses, net	**4**	-32

[1] Includes foreign exchange gains and losses resulting from trade receivables and payables and related derivatives.
[2] EUR 30 million related to write-downs made in Valmet Technologies Oy in 2013.

6 Personnel expenses and the number of personnel

Personnel expenses:

	Year ended Dec 31,	
EUR million	**2014**	**2013**
Salaries and wages	**-471**	-539
Pension costs, defined contribution plans	**-42**	-48
Pension costs, defined benefit plans [1]	**-6**	-3
Other post-employment benefits [1]	**-4**	-2
Share-based payments	**-2**	-1
Other indirect employee costs	**-84**	-104
Total	**-609**	-697

[1] For more information, see note 25.

Number of personnel at end of year:

	2014	2013
Total	**10,464**	11,765

Average number of personnel during the period:

	2014	2013
Total	**10,853**	12,286

7 Depreciation and amortization

EUR million	Year ended Dec 31, 2014	2013
Intangible assets	**-22**	-27
Property, plant and equipment		
Buildings and structures	**-12**	-12
Machinery and equipment	**-39**	-43
Total	**-72**	-82

Depreciation and amortization by function are as follows:

EUR million	Year ended Dec 31, 2014	2013
Cost of goods sold	**-39**	-41
Selling, general and administrative expenses		
Marketing and selling	**-12**	-13
Research and development	**-5**	-7
Administrative	**-16**	-21
Total	**-72**	-82

8 Financial income and expenses

EUR million	Year ended Dec 31, 2014	2013
Financial income		
Dividends received	**1**	0
Interest income on available-for-sale instruments	**1**	-
Interest income on cash and cash equivalents	**4**	3
Net gain from foreign exchange	**3**	4
Other financial income	**0**	4
Financial income total	**9**	12
Financial expenses		
Interest expenses on financial liabilities at amortized cost	**-8**	-10
Interest expenses on financial leases	**0**	0
Net interest from defined benefit plans	**-4**	-4
Other financial expenses	**-2**	-3
Financial expenses total	**-15**	-17
Financial income and expenses, net	**-5**	-5

Interest expenses on financial liabilities at amortized cost include interest expenses on interest-bearing loans and forward points on foreign exchange derivatives that are used for hedging loans, receivables and bank account balances.

EUR 7 million of net foreign exchange gains (EUR 3 million loss) are recognised in other operating income and expenses, and net foreign exchange gains of EUR 3 million (EUR 4 million) are recognised in financial income and expenses in 2014. Net gains from foreign exchange transactions include EUR 0 million in 2014 (EUR 1 million) of translation differences recognised through profit and loss.

9 Income taxes

The differences between income tax expense computed at Finnish statutory rate (20.0 percent in 2014 and 24.5 percent in 2013) and income tax expense provided on earnings are as follows:

	Year ended Dec 31,	
EUR million	**2014**	**2013**
Income before taxes	**67**	-64
Taxes calculated according to tax rate in Finland	**-13**	16
Impact of changes in tax rates	**0**	-8
Income tax for prior years	**0**	2
Effect of different tax rates in foreign subsidiaries	**-4**	-4
Utilization of tax losses carried forward	**2**	1
Non-recoverable foreign taxes	**-3**	-1
Effect of tax free income and non-deductible expenses	**-2**	-1
Other	**-2**	-2
Income tax expense	**-21**	2

Tax effects of components in other comprehensive income:

	Year ended Dec 31,					
	2014			2013		
EUR million	**Before taxes**	**Tax**	**After taxes**	**Before taxes**	**Tax**	**After taxes**
Cash flow hedges	**-11**	**3**	**-8**	3	-1	2
Available-for-sale financial assets	**0**	**0**	**0**	0	0	0
Remeasurement of defined benefit plans	**-40**	**13**	**-27**	16	-6	10
Currency translation on subsidiary net investments	**7**	**-**	**7**	-22	-	-22
Total comprehensive income (+) / expense (-)	**-44**	**16**	**-28**	-3	-7	-10
Current tax		**1**			-1	
Deferred tax		**15**			-6	
Total		**16**			-7	

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
2014					
Deferred tax assets					
Tax losses carried forward	21	6	-	2	**28**
Fixed assets	24	-2	-	-1	**21**
Inventory	4	1	-	-1	**4**
Provisions	16	2	-	-	**18**
Accruals	18	-7	-	0	**11**
Employee benefits	10	2	13	-	**26**
Other	3	-3	3	-1	**2**
Total deferred tax assets	96	-1	16	-1	**109**
Offset against deferred tax liabilities [1]	-16	-8	-	-	**-24**
Net deferred tax assets	**80**	**-9**	**16**	**-1**	**86**
Deferred tax liabilities					
Purchase price allocations	36	1	-	-2	**35**
Fixed assets	2	-2	-	0	**1**
Other	7	1	-	2	**10**
Total deferred tax liabilities	45	1	-	0	**45**
Offset against deferred tax assets [1]	-16	-8	-	-	**-24**
Net deferred tax liabilities	**29**	**-7**	**-**	**0**	**22**
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
Employee benefits	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

[1] Deferred tax assets and liabilities are offset when there is 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, 2014 and 2013, earnings of EUR 81 million and EUR 82 million, respectively, would have been subject to recognition of a deferred tax liability, had Valmet regarded a distribution in the near future as likely.

A deferred tax asset is recognised for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. There were no material tax loss carry-forwards for which a deferred tax asset had not been recognized. Valmet has tax loss carry-forwards of EUR 8 million that will expire within the following five years.

10 Business combinations

Acquisitions

2014

Valmet made no acquisitions during 2014.

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 Technologies Engineering Services Pvt. Ltd'). The consideration transferred was immaterial from a Valmet Group perspective.

EPT Engineering Services Private Limited 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.'), where EPT had been a minority owner. The consideration transferred was immaterial from a Valmet Group perspective.

Disposals

2014

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

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

The total annual revenue of the divested businesses has been approximately EUR 30 million, employing 114 employees as of year end 2013. These transactions had no material effect on Valmet's 2014 financial statements.

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.

11 Intangible assets and property, plant and equipment

Intangible assets

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	-
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

EUR million	Goodwill	Patents and licences	Capitalized software	Other intangible assets	Intangible assets total
2014					
Acquisition cost at beginning of year	443	42	58	250	**793**
Translation differences	4	0	0	-2	**1**
Capital expenditure	-	0	0	6	**6**
Reclassifications	-	2	5	-6	**-**
Other changes and disposals	-	-4	-1	-1	**-6**
Acquisition cost at end of year	446	39	62	246	**794**
Accumulated amortization at beginning of year	-	-28	-51	-164	**-243**
Translation differences	-	0	0	2	**2**
Impairment losses	-	-1	0	-	**-1**
Other changes and accumulated amortization of disposals	-	4	2	1	**6**
Amortization charges for the year	-	-3	-4	-15	**-22**
Accumulated amortization at end of year	-	-28	-53	-176	**-256**
Net book value at end of year	**446**	**11**	**9**	**70**	**537**

Property, plant and equipment

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Assets under con-struction	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	-
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

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Assets under con-struction	Property, plant and equipment total
2014					
Acquisition cost at beginning of year	21	363	848	21	**1,253**
Translation differences	0	6	15	1	**23**
Disposals of businesses	0	-2	-3	-	**-5**
Capital expenditure	-	0	6	33	**40**
Reclassifications	0	3	25	-28	**-**
Other changes and disposals	0	-4	-26	-1	**-31**
Acquisition cost at end of year	22	368	863	25	**1,278**
Accumulated depreciation at beginning of year	-	-226	-638	-	**-864**
Translation differences	-	-2	-9	-	**-12**
Impairment losses	-	-	-2	-	**-2**
Other changes and accumulated depreciation of disposals	-	4	26	-	**30**
Depreciation charges for the year	-	-12	-39	-	**-51**
Accumulated depreciation at end of year	-	-236	-661	-	**-897**
Net book value at end of year	**22**	**132**	**202**	**25**	**381**

As at December 31, 2014 and 2013 there were no material assets leased under financial lease arrangements included in property, plant and equipment.

Goodwill impairment testing

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. In 2014 Valmet had two CGUs (in 2013 Valmet had one CGU). The first CGU comprise of Valmet's Paper business line and the paper business related part of Valmet's service business. The second CGU comprise of Valmet's Pulp and Energy business line and the pulp and energy related part of Valmet's service business. As at December 31, 2014 and 2013, goodwill has been allocated as follows.

	As at Dec 31,	
EUR million	**2014**	**2013**
Paper business line and the paper business related part of Valmet's service business	**155**	-
Pulp and Energy business line and the pulp and energy related part of Valmet's service business	**292**	-
Valmet	**-**	443
Total	**446**	443

Valmet assesses the value of its goodwill for impairment annually or more frequently, if facts and circumstances indicate, that a risk of impairment exists. If any such indication exists, then the carrying value of the CGU is compared to its recoverable amount, which is determined based on a value in use calculation. This calculation uses pre-tax cash flow projections based on financial budgets approved by Valmet's management and Board of Directors covering a three-year period. Cash flow projections during the budgeted period are based on the same expected gross margins throughout the budgeted period. Cash flows beyond the three-year period are extrapolated using an estimated growth rate of 1.9 percent for Valmet's Paper business line and the paper business related part of Valmet's service business and 1.6 percent for Valmet's Pulp and Energy business line and the pulp and energy related part of Valmet's service business. A 1.7 percent growth rate was used in the 2013 impairment test. A discount rate of 11.0 percent was used in the 2014 impairment test (9.0 percent in 2013).

The key assumptions used for value in use calculations are:

- sales volume (percent annual growth rate)
- market and product mix
- EBIT
- discount rate

The key assumptions are based on past performance and on expectations of Valmet's management and Board of Directors on market development. External sources are also used to obtain data on growth, demand and price development in establishing the assumptions. The discount rate used in testing is derived from the weighted average cost of capital based on comparable peer industry betas and capital structure. The assumption requiring most judgment is the market and product mix.

As a result of the annual impairment tests, no impairment loss was recognized on goodwill in 2014 or 2013.

Sensitivity analysis

Valmet's management and Board of Directors have assessed that no reasonably possible change in any of the key assumptions would cause the CGU's carrying amount to exceed its recoverable amount. A change in a key assumption that would cause the recoverable amount to equal the carrying amount of the CGU is presented in the table below.

	Change
EBIT	
Paper business line and the paper business related part of Valmet's service business	decrease more than 50 percent
Pulp and Energy business line and the pulp and energy related part of Valmet's service business	decrease more than 25 percent
Discount rate	
Paper business line and the paper business related part of Valmet's service business	increase to more than 20 percent
Pulp and Energy business line and the pulp and energy related part of Valmet's service business	increase to more than 16 percent

12 Investments in associates and joint ventures

Valmet Group included the following associated companies and joint ventures:

Company name	Place of incorporation and principal place of business	Share of ownership Dec 31, 2014	Dec 31, 2013	Measurement method
Allimand S.A.	France	**35.8%**	35.8%	Equity
Valpro gerenciamento de obras Ltda	Brazil	**51.0%**	51.0%	Equity

Allimand S.A. is a French company that provides products and services for the paper industry. Allimand S.A.'s main focus is on speciality paper- and mid size board machines. Allimand S.A. is a strategic partner to Valmet providing technology and market understanding for speciality grades.

Valpro gerenciamento de obras Ltda is a joint venture between Valmet and Progen which attends exclusively to Valmet projects in the South American pulp, paper and energy market. Valpro gerenciamento de obras Ltda supplies specialized technical services in the field of construction and erection management.

Valpro gerenciamento de obras Ltda is classified as joint venture, because Valmet has, together with the other shareholder, joint power to govern the company.

Allimand S.A. and Valpro gerenciamento de obras Ltda are private companies and there are no quoted market price available for their shares. There are no contingent liabilities relating to Valmet's interest in Allimand S.A. or Valpro gerenciamento de obras Ltda. Summarised financial information of Allimand S.A. and Valpro gerenciamento de obras Ltda is set out below. The summarized financial information below represents amounts shown in Allimand S.A.'s and Valpro gerenciamento de obras Ltda's financial statements. The financial statements of Allimand S.A. that are used in applying the equity method of accounting are as of the twelve months ended 2013, as more recent financial information was not available when Valmet's consolidated financial statements were authorized for issue.

	Valpro gerenciamento de obras Ltda As at Dec 31,		Allimand S.A. As at Dec 31,	
EUR million	2014	2013	2013	2012
Non-current assets	**0**	-	9	7
Current assets	**0**	0	28	38
Non-current liabilities	**-**	-	2	3
Current liabilities	**0**	0	22	29
Net assets	**0**	0	13	13
Valmet's share of net assets	**0**	0	5	5

	Valpro gerenciamento de obras Ltda Year ended Dec 31,		Allimand S.A. Year ended Dec 31,	
EUR million	2014	2013	2013	2012
Revenue	**1**	-	44	72
Profit or loss	**0**	0	0	1
Other comprehensive income	**-**	-	-	-
Total comprehensive income	**0**	0	0	1
Dividends received during the year	**-**	-	0 [1)]	0 [2)]

[1)] Dividends recognized in profit and loss in 2014.
[2)] Dividends recognized in profit and loss in 2013.

EUR million	2014	2013
Investments in associated companies and joint ventures		
Acquisition cost at beginning of year	**1**	1
Translation differences	**0**	0
Increases	**-**	0
Disposals and other decreases	**-**	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	**4**	3
Share of results	**0**	1
Translation differences	**0**	0
Dividend income	**0**	0
Disposals and other changes	**-**	0
Equity adjustments at end of year	**4**	4
Carrying value at end of year	**5**	5

13 Available-for-sale financial assets

The available-for-sale financial assets comprise EUR 1 million listed shares (EUR 1 million), EUR 6 million non-current interest bearing financial assets and EUR 28 million current interest bearing financial assets, which are all valued at their market value.

The remaining EUR 2 million as at December 2014 (EUR 2 million) consists of various industrial participations, shares in real estate companies and other shares for which market values do not exist, whereby they are valued at cost.

Available-for-sale financial assets have changed as follows:

EUR million	2014	2013
Carrying value at beginning of year	**4**	5
Additions	**34**	0
Changes in fair values	**0**	0
Disposals and other changes	**0**	-1
Carrying value at end of year	**37**	4
Non-current	**9**	3
Current	**28**	1

14 Inventories

EUR million	As at Dec 31, 2014	2013
Materials and supplies	**83**	81
Work in process	**331**	290
Finished products	**60**	60
Total inventory	**474**	431

The cost of inventories recognized as expense was EUR 1,965 million and EUR 2,131 million for the years ended December 31, 2014 and 2013 respectively.

Provision for inventory obsolescence has changed as follows:

EUR million	2014	2013
Balance at beginning of year	**18**	14
Impact of exchange rates	**0**	0
Additions charged to expense	**7**	8
Used reserve	**-2**	-1
Deductions / other additions	**-1**	-3
Balance at end of year	**21**	18

15 Construction contracts

Net sales recognized under the percentage of completion method amounted to EUR 1,195 million, or 48 percent of net sales, in 2014. Net sales recognized under the percentage of completion method amounted to EUR 1,264 million, or 49 percent of net sales, in 2013.

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
2014			
Projects where cost and earnings exceed billings	**1,472**	**1,280**	**192**
Projects where billings exceed cost and earnings	**794**	**1,121**	**327**
2013			
Projects where cost and earnings exceed billings	1,803	1,644	159
Projects where billings exceed cost and earnings	499	675	176

16 Change in net working capital in consolidated statement of cash flows

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

EUR million	Year ended Dec 31, 2014	2013
Increase (-) / decrease (+) in assets and increase (+) / decrease (-) in liabilities:		
Inventory	**-40**	97
Trade and other receivables	**-10**	61
Percentage of completion: recognized assets and liabilities, net	**116**	-194
Trade and other payables	**38**	-9
Total	**103**	-45

17 Interest bearing and non-interest bearing receivables

	As at Dec 31,					
	2014			2013		
EUR million	**Non-current**	**Current**	**Total**	**Non-current**	**Current**	**Total**
Interest bearing receivables						
Loan receivables	**6**	**0**	**6**	1	0	1
Trade receivables	**1**	**-**	**1**	-	-	-
Total	**7**	**0**	**8**	1	0	1
Non-interest bearing receivables						
Loan receivables	**0**	**0**	**0**	0	0	0
Trade receivables	**-**	**333**	**333**	2	330	332
Prepaid expenses and accrued income	**-**	**63**	**63**	-	53	53
Other receivables	**11**	**48**	**59**	6	53	59
Receivables from related parties	**-**	**0**	**0**	-	-	-
Total	**11**	**445**	**456**	8	436	444

Allowance for trade receivables has changed as follows:

EUR million	**2014**	**2013**
Balance at beginning of year	**13**	15
Impact of exchange rates	**0**	0
Addition charged to expense	**4**	2
Used reserve	**-1**	-2
Unused amounts reversed	**-1**	-2
Balance at end of year	**16**	13

Analysis of non-interest bearing trade receivables by age:

	As at Dec 31,	
EUR million	**2014**	**2013**
Trade receivables, not due at reporting date	**235**	228
Trade receivables 1–30 days overdue	**39**	47
Trade receivables 31–60 days overdue	**18**	19
Trade receivables 61–90 days overdue	**11**	10
Trade receivables 91–180 days overdue	**14**	11
Trade receivables more than 180 days overdue	**18**	17
Total	**335**	332

18 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	Derivatives qualified for hedge accounting	Loans and receivables	Available-for-sale financial assets	Carrying value	Fair value	Fair value level
2014							
Non-current assets							
Available-for-sale financial assets	-	-	-	9	9	9	1, 3
Loan receivables	-	-	7	-	7	7	2
Derivative financial instruments	0	0	-	-	0	0	2
Trade receivables	-	-	1	-	1	1	2
Total	**0**	**0**	**8**	**9**	**17**	**17**	
Current assets							
Available-for-sale financial assets	-	-	-	28	28	28	1, 2
Trade receivables	-	-	333	-	333	333	2
Derivative financial instruments	7	13	-	-	20	20	2
Cash and cash equivalents	192	-	-	-	192	192	2
Total	**199**	**13**	**333**	**28**	**573**	**573**	

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
2014						
Non-current liabilities						
Loans from financial institutions	-	-	16	16	17	2
Other non-current debt	-	-	0	0	0	2
Derivative financial instruments	0	2	-	3	3	2
Total	**0**	**2**	**16**	**19**	**20**	
Current liabilities						
Current portion of non-current debt	-	-	51	51	51	2
Finance lease obligations	-	-	0	0	0	2
Other current debt	-	-	0	0	0	2
Trade payables	-	-	226	226	226	2
Derivative financial instruments	7	24	-	30	30	2
Total	**7**	**24**	**277**	**307**	**307**	

EUR million	Financial assets at fair value through profit and loss	Derivatives qualified for hedge accounting	Loans and receivables	Available-for-sale financial assets	Carrying value	Fair value	Fair value level
2013							
Non-current assets							
Available-for-sale financial assets	-	-	-	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	-	-	330	-	330	330	2
Derivative financial instruments	6	12	-	-	18	18	2
Other receivables	-	-	53	-	53	53	2
Cash and cash equivalents	211	-	-	-	211	211	2
Total	217	12	383	1	613	613	

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
2013						
Non-current liabilities						
Loans from financial institutions	-	-	140	140	144	2
Finance lease obligations	-	-	0	0	0	2
Other non-current debt	-	-	1	1	1	2
Derivative financial instruments	0	1	-	1	1	2
Total	0	1	141	142	146	
Current liabilities						
Current portion of non-current debt	-	-	63	63	63	2
Current debt	-	-	8	8	8	2
Trade payables	-	-	206	206	206	2
Derivative financial instruments	2	6	-	8	8	2
Other liabilities	-	-	25	25	25	2
Total	2	6	302	310	310	

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

The hierarchy of fair value levels is presented in note 3. For more information of derivative financial instruments, see note 28.

19 Cash and cash equivalents

EUR million	As at Dec 31, 2014	2013
Cash at bank and in hand	**127**	176
Commercial papers and other investments	**66**	35
Total cash and cash equivalents	**192**	211

The maturity of cash and cash equivalents does not exceed three months.

20 Equity

Share capital and number of shares

Valmet Corporation's registered share capital was EUR 100,000,000 as at December 31, 2014 and EUR 100,000,000 as at December 31, 2013. The share capital is fully paid.

Valmet's total number of shares is 149,864,619 and the number of outstanding shares as at December 31, 2014 was 149,864,220 (149,864,619 shares). The number of shares held by Valmet Corporation was 399 (0 shares).

The average amount of shares outstanding amounted to 149,863,252 during the financial year ended at December 31, 2014.

Valmet Corporation has one series of shares. The shares of Valmet Corporation do not have a nominal value.

	Number of outstanding shares	Share capital EUR million	Reserve for invested unrestricted equity EUR million
At beginning of year	149,864,619	100	402
Purchase of own shares	-14,310	-	-
Conveyance of own shares	13,911	-	0
At end of year	**149,864,220**	**100**	**403**

Own shares

Valmet Corporation acquired 14,310 of its own shares through a purchase on the Helsinki Stock Exchange (NASDAQ OMX Helsinki) on April 2, 2014. The price paid was EUR 7.5880 per share. The total amount paid to acquire the shares, including transaction costs, was EUR 109 thousand and it has been deducted from retained earnings in equity.

In accordance with a resolution of Valmet Corporation's Board of Directors, Valmet Corporation has conveyed a total of 13,911 Valmet shares held by the company to 25 Valmet key employees included in the group's share-based incentive program 2011-2013. The handover date for the shares was April 30, 2014 after which the remaining number of shares held by Valmet Corporation was 399. The total value of the conveyed shares, including the related transaction costs, was EUR 117 thousand which has been recognised in equity as an increase in reserve for invested unrestricted equity.

Dividends

The Board of Directors proposes that a dividend of EUR 0.25 per share will be paid out based on the statement of financial position to be adopted for the financial year ended December 31, 2014, and that the remaining part of the retained earnings will be carried forward in Valmet Corporation's unrestricted equity. These financial statements do not reflect this dividend payable of EUR 37 million. Dividends paid relating to the year ended December 31, 2013 were 0.15 EUR per share totalling EUR 22 million.

Fair value and other reserves

Hedge reserve includes fair value movements of derivative financial instruments which qualify for hedge accounting.

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 law or by a decision of the shareholders.

Reserve for invested unrestricted equity

Reserve for invested unrestricted equity includes other equity-related investments and share subscription prices to the extent not designated to be included in share capital.

The reserve for invested non-restricted equity fund in the Valmet's consolidated statement of financial position consists of the fund held by the parent company Valmet Corporation.

Cumulative translation adjustments

Cumulative translation adjustments consist of currency translation differences, which relate to translation of foreign operations' financial statements.

21 Share-based payments

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 included one three-year earnings period. Participation in the plan required a personal investment in Metso shares at the beginning of the earnings period. 33 Valmet key persons were participating in the plan and their initial investment was 18,650 Metso shares, which had to be held until the end of the earnings period. The rewards to be paid from the plan corresponded to a maximum of 124,425 shares. Earnings criteria was based on Metso's Total Shareholder Return (TSR) during three years' time and on earnings per share in the years 2010-2012. The reward was paid in shares and partly in cash. The cash-settled portion was dedicated to cover taxes and tax-related payments. The maximum share reward was 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 was 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 were 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 included one three-year earnings period. Participation in the plan required a personal investment in Metso shares at the beginning of the earnings period. 26 Valmet key persons were participating in the plan and their initial investment was 12,115 Metso shares, which had to be held until the end of the earnings period. The rewards to be paid from the plan corresponded to a maximum of 80,348 Metso shares before the demerger. Earnings criteria was based on Metso's TSR during three years' time and on earnings per share in the years 2011-2013. The reward was paid in equal amount of Metso and Valmet shares and partly in cash in April 2014. The cash-settled portion was dedicated to cover taxes and tax-related payments. The maximum share reward was 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 was 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 were 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 included three performance periods, which were calendar years 2012, 2013 and 2014. The Board decided on the performance criteria, targets and participants in the beginning of each performance period. The reward for each performance period of the plan could not exceed 120 percent of a participant's total annual base salary.

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 corresponded to a maximum total of 137,786 Metso shares. The earnings criteria of the performance period 2012 was based on the net sales growth of the Services business, return on capital employed (ROCE) before taxes and earnings per share (EPS). The reward will be paid in shares and partly in cash. The cash-settled portion is dedicated to cover taxes and tax-related payments. The expense of the plan is recognized over the vesting period i.e. from the beginning of 2012 until the end of February 2015. The recognized expense was originally based on the Metso's average share price on the grant date of EUR 33.89.

After the demerger, in April 2014, the Board of Directors of Valmet Corporation decided to amend the terms of long-term incentive plan for 2012 earnings period. The rewards payable were converted to Valmet shares based on Metso's trade volume weighted average share price on three months before the demerger and Valmet's trade volume weighted average share price on three months after the demerger. The amount corresponded to a maximum total of 574 577 Valmet shares. Also a new theoretical grant date share price EUR 8.13 for Valmet share was calculated with same principle. This share price has been used to recognize the expense over the vesting period.

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 corresponded to a maximum total of 130,805 Metso shares. 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 would have been paid in shares and partly in cash. The cash-settled portion was dedicated to cover taxes and tax-related payments. The expense of the plan would have been recognized over the vesting period i.e. from the beginning of 2013 until the end of February 2016. The recognized expense was originally based on the Metso's average share price on the grant date of EUR 33.51. However, the performance criteria was not met and therefore no rewards will be paid from 2013 performance period.

For the 2014 performance period, the plan was targeted to 40 persons in Valmet's management. The potential rewards to be paid from the plan corresponded to a maximum total of 744,125 Valmet shares. The earnings criteria of the performance period 2014 was 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 cash-settled portion is dedicated to cover taxes and tax-related payments. The expense of the plan is recognized over the vesting period i.e. from the beginning of 2014 until the end of February 2017. The recognized expense is based on the Valmet's average share price on the grant date of EUR 8.28.

Long-term incentive plan for 2015-2017

The Board of Directors of Valmet Corporation approved in December 2014 a new share-based incentive plan for Valmet's key employees. The Plan includes three discretionary periods, which are the calendar years 2015, 2016 and 2017. The Board of Directors shall decide on the performance criteria and targets in the beginning of each discretionary period.

The potential reward of the plan from the discretionary period 2015 is based on EBITA % improvement and Services orders received growth %. The potential reward of the plan from the discretionary period 2015 will be paid partly as company shares and partly in cash in 2016. The proportion to be paid in cash is intended to cover taxes and tax-related costs arising from the reward to the key employee. As a rule, no reward is paid, if the key employee's employment or service ends before the reward payment.

Furthermore, members of the Valmet Executive Team shall have a possibility to receive a matching share reward for the discretionary period 2015 provided that he or she owns or acquires the company´s shares up to the number determined by the Board of Directors by December 31, 2015. Reward receipt is tied to the continuance of employment or service of the Valmet Executive Team member upon reward payment.

The reward of the plan may not exceed 120 percent of the key employee's annual base salary. The shares paid as reward may not be transferred during the restriction period, which will end two years from the end of the discretionary period. Should a key employee´s employment or service end during the restriction period, as a rule, he or she must gratuitously return the shares given as reward to the Company.

The plan is directed to approximately 80 people. The rewards to be paid on the basis of the plan are in total an approximate maximum of 616,000 shares in Valmet Corporation and a cash payment needed for taxes and tax-related costs arising from the shares. The expense of the plan is recognized over the vesting period i.e. from the beginning of 2015 until the end of February 2018.

Granted share amounts of the share-based incentive plans as at December 31, 2014:

	2014 Shares total
Plan 2011–2013 [1]	
At beginning of year	30,538
Paid	29,538
Returned	1,000
Expired	-
At end of year	-
Plan 2012–2014	
At beginning of year	339,573
Granted	744,125
Returned	55,837
Expired	459,175
At end of year	568,686

[1] Amounts are Valmet shares only. Payment included equal amounts of Valmet and Metso shares.

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 equity. 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 Valmet 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 current liabilities. The cash-settled portion is fair valued at each balance sheet date based on the prevailing share price. The cost of the cash-settled portion will be evenly recognized during the required service period.

As of December 31, 2013, the demerger 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 costs recognized for the share-based payment plans.

EUR thousand	Plan 2010–2012	Plan 2011–2013	Plan 2012–2014	Total
2013	-145	170	-862	**-837**
2014		-151	-2,030	**-2,181**

22 Non-current and current debt

	As at Dec 31,			
	Carrying value		Fair value	
EUR million	2014	2013	2014	2013
Loans from financial institutions	**68**	203	**69**	207
Finance lease obligations	**0**	0	**0**	0
Other non-current debt	**0**	0	**0**	0
	68	203	**69**	207
Less current maturities	**51**	63	**51**	63
Current debt	**-**	8	**-**	8
Total non-current debt	**16**	132	**17**	136

The fair value of non-current debt is equal to the present value of its future cash flows. More information about the maturities are presented in note 3.

23 Provisions

As at Dec 31, 2014

EUR million	Warranty and guarantee liabilities	Accrued restructuring expenses	Environmental and product liabilities	Other provisions	Total
Balance at beginning of year	**91**	**34**	**1**	**12**	**137**
Impact of exchange rates	**2**	**0**	**0**	**0**	**2**
Addition charged to expense	**60**	**7**	**-**	**2**	**68**
Used reserve	**-41**	**-23**	**0**	**-3**	**-67**
Reversal of reserve / other changes	**-29**	**-4**	**-**	**0**	**-33**
Balance at end of year	**83**	**14**	**0**	**11**	**107**
Non-current					**10**
Current					**98**

As at Dec 31, 2013

EUR million	Warranty and guarantee liabilities	Accrued restructuring expenses	Environmental and product liabilities	Other provisions	Total
Balance at beginning of year	120	12	1	14	147
Impact of exchange rates	-2	0	0	-1	-3
Addition charged to expense	62	41	-	4	107
Used reserve	-43	-15	-	-6	-64
Reversal of reserve / other changes	-45	-4	-	0	-49
Balance at end of year	91	34	1	12	137
Non-current					32
Current					105

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.

Warranty and guarantee liabilities

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.

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.

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.

24 Trade and other payables

EUR million	As at Dec 31, 2014	2013
Trade payables	**226**	206
Accrued interest	**0**	0
Accrued personnel costs	**91**	94
Accrued project costs	**361**	315
Other payables	**62**	58
Total	**740**	673

The maturity of payables rarely exceeds six months and is largely determined by local trade practices and individual agreements between Valmet and its suppliers.

Some accrued project costs are settled after six months, due to late issuance of supplier invoices for costs that arise from work performed by third parties.

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 89 percent of Valmet's defined benefit obligation and 86 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 from 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 2015 are EUR 7 million.

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

EUR million	2014 Funded	2014 Unfunded	2014 Total	2013 Funded	2013 Unfunded	2013 Total
Present value of funded obligation	162	-	162	109	-	109
Fair value of plan assets	-114	-	-114	-86	-	-86
Net surplus (-) / deficit (+) of funded plans	48	-	48	23	-	23
Present value of unfunded obligation	-	93	93	-	80	80
Asset (-) / liability (+) recognized in the statement of financial position	48	93	141	23	80	103
Amounts in the statement of financial position						
Liabilities	48	93	141	23	80	103
Assets	-	-	-	-	-	-
Net liability	48	93	141	23	80	103

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

EUR million	2014 Funded	2014 Unfunded	2014 Total	2013 Funded	2013 Unfunded	2013 Total
Employer's current service cost	3	3	6	3	2	5
Net interest on net surplus / deficit	1	3	4	1	3	4
Settlements	-	-	-	-	-	-
Curtailments	-	0	0	-	0	0
Recognition of past service cost (+) / credit (-)	-	-	-	-	-	-
Administration costs paid by the scheme	0	-	0	0	-	0
Expense recognized in the statement of income	4	6	10	4	5	9

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

EUR million	2014 Funded	2014 Unfunded	2014 Total	2013 Funded	2013 Unfunded	2013 Total
Present value of obligation at beginning of year	109	80	189	121	85	206
Other adjustments	9	1	10	1	-1	0
Employer's current service cost	3	3	6	3	2	5
Interest expense	5	3	8	4	3	7
Adjustment due to business combinations	-	-	-	-	-	-
Liabilities extinguished on settlements or curtailments	-2	0	-2	0	0	0
Actuarial gain (-) / loss (+) due to change in assumptions - financial	21	13	34	-11	-6	-17
Actuarial gain (-) / loss (+) due to change in assumptions - demographic	10	0	10	-	-	-
Actuarial gain(-)/loss (+) due to experience	0	-1	-1	2	3	5
Past service cost	-	0	-	-	-	-
Plan participant contributions	-	0	0	0	0	0
Benefits paid from the arrangements	-6	0	-6	-5	-2	-7
Benefits paid directly by employer	0	-3	-3	0	-1	-1
Currency gain (-) / loss (+)	12	-3	9	-6	-3	-9
Present value of defined benefit obligation at end of year	162	93	255	109	80	189

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

EUR million	2014 Funded	2014 Unfunded	2014 Total	2013 Funded	2013 Unfunded	2013 Total
Fair value of plan assets at beginning of year	**86**	**0**	**86**	85	-	85
Other adjustments to the fair value of assets	**10**	**-**	**10**	0	-	0
Interest income on assets	**4**	**-**	**4**	3	-	3
Return on plan assets excluding interest income	**7**	**-**	**7**	2	-	2
Adjustment due to business combinations	**-**	**-**	**-**	-	-	-
Assets distributed on settlements	**-2**	**-**	**-2**	0	-	0
Employer contributions	**7**	**3**	**10**	5	3	8
Plan participant contributions	**-**	**0**	**0**	0	0	0
Benefits paid from the arrangements	**-6**	**-**	**-6**	-4	-2	-6
Benefits paid directly by employer	**0**	**-3**	**-3**	0	-1	-1
Administration expenses paid from the scheme	**0**	**-**	**0**	0	-	0
Currency gain (+) / loss (-)	**10**	**-**	**10**	-5	-	-5
Fair value of plan assets at end of year	**114**	**0**	**114**	86	0	86

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

EUR million	2014 Funded	2014 Unfunded	2014 Total	2013 Funded	2013 Unfunded	2013 Total
Experience gain (-) / loss (+) on assets	**-7**	**-**	**-7**	-2	-	-2
Actuarial gain (-) / loss (+) on liabilities due to change in financial assumptions	**21**	**13**	**34**	-11	-6	-17
Actuarial gain (-) / loss (+) on liabilities due to change in demographic assumptions	**10**	**0**	**10**	-	-	-
Actuarial gain (-) / loss (+) on liabilities due to experience	**0**	**-1**	**-1**	2	3	5
Total gain (-) / loss (+) recognized in OCI	**23**	**13**	**36**	-11	-3	-14

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, 2014 and 2013 the amount of payroll tax recognized through OCI was a loss of EUR 3 million and a gain 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 Dec 31	2014 Quoted	2014 Unquoted	2014 Total	2013 Quoted	2013 Unquoted	2013 Total
Equities	**42%**	**-**	**42%**	47%	-	47%
Bonds	**37%**	**-**	**37%**	39%	-	39%
Other	**7%**	**14%**	**22%**	6%	8%	14%
Total	**86%**	**14%**	**100%**	92%	8%	100%

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

	2014			2013		
As at Dec 31	Funded	Unfunded	Total	Funded	Unfunded	Total
Discount rate	**3.5%**	**2.7%**	**3.2%**	4.6%	4.0%	4.3%
Salary increase	**2.9%**	**2.5%**	**2.7%**	3.0%	2.8%	2.9%
Pension increase	**2.0%**	**2.5%**	**2.4%**	2.1%	2.7%	2.6%
Medical cost trend rates	**-**	**7.4%**	**7.4%**	-	7.4%	7.4%

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	2014	2013	2014	2013
Sweden	**23**	23	**23**	23
Canada	**21**	20	**23**	21
USA	**22**	19	**22**	19

Life expectancy is taken into account in the assessment of the defined benefit obligation by 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 and age offsets
Sweden	PRI2011
Germany	RT 2005 G
Canada	Private sector CPM-2014 table projected generationally with scale B
USA	SOA RP-2014 Total Dataset Mortality with Scale MP-2014

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.

		2014			2013	
EUR million	**Funded**	**Unfunded**	**Total**	**Funded**	**Unfunded**	**Total**
Discount rate						
Increase of 0.25%	**-5**	**-7**	**-12**	-3	-3	-6
Decrease of 0.25%	**5**	**8**	**13**	4	3	7
Salary increase rate						
Increase of 0.25%	**1**	**4**	**5**	1	1	1
Decrease of 0.25%	**-1**	**-3**	**-4**	-1	-1	-1
Pension increase rate						
Increase of 0.25%	**1**	**5**	**6**	0	2	2
Decrease of 0.25%	**-1**	**-5**	**-5**	0	-2	-2
Medical cost trend						
Increase of 1%	**-**	**1**	**1**	-	1	1
Decrease of 1%	**-**	**-1**	**-1**	-	-1	-1
Life expectancy						
Increase of one year	**4**	**3**	**7**	3	3	6
Decrease of one year	**-4**	**-3**	**-7**	-3	-2	-6

Weighted average duration of defined benefit obligation:

		2014			2013	
Expressed in years	**Funded**	**Unfunded**	**Total**	**Funded**	**Unfunded**	**Total**
As at December 31	**14**	**25**	**18**	14	16	15

26 Mortgages and contingent liabilities

Valmet Corporation, with its subsidiaries, and financial institutions have guaranteed commitments arising from the ordinary course of business of Valmet Group up to a maximum of EUR 1,170 million and EUR 1,206 million as at December 31, 2014 and 2013, respectively.

Valmet Group entities had given guarantees on behalf of others of EUR 5 million and EUR 2 million as at December 31, 2014 and 2013, respectively.

27 Lease contracts

Valmet leases offices, manufacturing and warehouse space under various noncancellable leases. Certain contracts contain renewal options for various periods of time.

Minimum annual rental expenses for leases in effect at December 31 are shown in the table below:

	Operating leases		Finance leases	
EUR million	**2014**	**2013**	**2014**	**2013**
Not later than 1 year	**16**	12	**0**	0
Later than 1 year and not later than 2 years	**10**	8	**-**	0
Later than 2 years and not later than 3 years	**8**	5	**-**	-
Later than 3 years and not later than 4 years	**5**	4	**-**	-
Later than 4 years and not later than 5 years	**3**	3	**-**	-
Later than 5 years	**6**	6	**-**	-
Total minimum lease payments	**48**	38	**0**	0
Future financial expenses			**0**	0
Total net present value of finance leases			**0**	0

Total rental expenses amounted to EUR 18 million in 2014 and EUR 24 million in 2013.

Annual repayments of principal are presented in the maturities of non-current debt, see note 3.

As at December 31, 2014 and 2013 there were no material assets leased under financial lease arrangements.

28 Derivative financial instruments

Notional amounts and fair values of derivative financial instruments as at December 31 are as follows:

EUR million	Notional amount	Fair value, assets	Fair value, liabilities	Fair value, net
2014				
Forward exchange contracts [1]	**1,290**	**20**	**30**	**-10**
Under hedge accounting	**730**	**13**	**24**	**-11**
Not qualifying for hedge accounting	**560**	**7**	**6**	**1**
Electricity forward contracts [2]	**327**	**0**	**3**	**-3**
Under hedge accounting	**251**	**0**	**2**	**-2**
Not qualifying for hedge accounting	**76**	**-**	**1**	**-1**
Nickel swap contracts [3]	**-**	**-**	**-**	**-**
Not qualifying for hedge accounting	**-**	**-**	**-**	**-**
Total		**20**	**33**	**-13**
Netting fair values of derivative financial instruments subject to ISDAs [4]		**-19**	**-19**	**-**
Net Total		**1**	**14**	**-13**
2013				
Forward exchange contracts [1]	1,153	18	6	12
Under hedge accounting	582	12	5	7
Not qualifying for hedge accounting	571	6	1	5
Electricity forward contracts [2]	359	0	3	-3
Under hedge accounting	292	-	2	-2
Not qualifying for hedge accounting	67	-	1	-1
Nickel swap contracts [3]	84	0	0	0
Not qualifying for hedge accounting	84	0	0	0
Total		18	9	9
Netting fair values of derivative financial instruments subject to ISDAs [4]		-7	-7	-
Net Total		11	2	9

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

	2015	2016	2017	2018	2019 and later
2014					
Forward exchange contracts [1]	**1,260**	**30**	**-**	**-**	**-**
Electricity forward contracts [2]	**117**	**97**	**56**	**39**	**18**

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

EUR million	2015	2016	2017	2018	2019 and later
2014					
Forward exchange contracts	**-9**	**-1**	**-**	**-**	**-**
Electricity forward contracts	**-1**	**-1**	**0**	**0**	**0**

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

	2014	2015	2016	2017	2018 and later
2013					
Forward exchange contracts [1]	1,127	26	-	-	-
Electricity forward contracts [2]	126	104	71	42	16
Nickel swap contracts [3]	84	-	-	-	-

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

EUR million	2014	2015	2016	2017	2018 and later
2013					
Forward exchange contracts	12	0	-	-	-
Electricity forward contracts	-1	-1	-1	0	0
Nickel swap contracts	0	-	-	-	-

[1] Notional amount in EUR million
[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.

29 Related party information

Valmet's related parties include Valmet Group companies and associated companies and joint ventures (see note 12) as well as the members of Valmet's Board of Directors and Executive Team.

Until the effective date of the Demerger (December 31, 2013) Valmet's related parties included 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.

Transactions with associated companies and joint ventures

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

EUR million	2014	2013
Net sales	**1**	2
Purchases	**-**	-
Receivables	**0**	0
Payables	**-**	-

Remuneration of Chief Executive Officer and other Executive Team members

The table below presents the expenses related to management compensation that have been recognized in the statement of income. More information about share-based payments is presented in note 21.

Remuneration for the management of Metso related to financial year 2013 has been allocated to reflect management's contribution to the Valmet business in the carve-out financial information. An appropriate allocation method, as approved by Metso's and Valmet's managements, respectively, has been applied to allocate the remuneration for year 2013.

The allocation made in the 2013 carve-out financial information may not be indicative of the expenses related to management remuneration in Valmet as an independent company.

EUR thousand	Salaries and other short-term benefits	Performance bonus	Share-based payment	Post-retirement benefits	Termination benefits	Total
2014						
President and CEO	491	177	263	190	-	**1,121**
Other Executive Team members	2,952	750	888	831	130	**5,552**
Total	**3,444**	**927**	**1,151**	**1,021**	**130**	**6,674**
2013						
President and CEO and Other Executive Team members	2,681	887	643	-	-	4,212
Total	2,681	887	643	-	-	4,212

The President and CEO and some members of the Executive Team are entitled to retire when reaching 63 years age. The President and CEO and some members of the Executive Team have an additional defined contribution plan. Contributions to the plan are 15-20 percent of the employee's annual salary. Expenses are included in the Post-retirement benefits together with compulsory benefits presented in the table above. The final benefit received by the employee depends on the return on the plan's investments.

Remuneration paid to members of the Board of Directors

EUR thousand	2014
Jukka Viinanen, Chairman	**112**
Mikael von Frenckell, Vice Chairman	**71**
Friederike Helfer, Member	**79**
Pekka Lundmark, Member	**81**
Erkki Pehu-Lehtonen, Member	**59**
Lone Fønss Schrøder, Member since March 26, 2014	**67**
Rogério Ziviani, Member	**88**
Pia Rudengren, Member until March 26, 2014	**2**
Total	**558**

As at December 31, 2014, the aggregate shareholding of the Board of Directors, the President and CEO and other Executive Team members was 197,647 shares (151,759 shares as at December 31, 2013). Valmet has no loan receivables from the Executive Team or the Board of Directors. No pledges or other commitments have been given on behalf of management or shareholders.

Transactions with Metso

As the date of consummation of the Demerger was the last day of 2013, related party transactions comprise transactions between Valmet and Metso for financial year 2013 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.

Valmet Group's sales to Metso comprised sales of filtration products and assembly services to Mining and Construction. Valmet's purchases from Metso in its ordinary course of business comprised purchases of Process Automation Systems related to Valmet's project sales. Interest income related to interest earned on positive cash pool balances and loan receivables and interest expenses consisted of interest on Metso's financing to Valmet and interest costs on cash owed through the cash pooling arrangements.

		Year ended Dec 31,
EUR million	**Note**	**2013**
Net sales		13
Cost of goods sold		-59
Interest income	8	1
Interest expenses	8	-3

In addition to the above, Valmet had short term receivables and payables from and to Metso. These included trade receivables and payables as well as advances paid for inventories arising from the ordinary course of business.

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

		As at Dec 31,
EUR million	**Note**	**2013**
Advances paid for inventories		4
Trade and other receivables	17, 18	3
Trade and other payables	18, 24	32

30 Subsidiaries

Company name	Ownership as at Dec 31, 2014 (%)
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
Sweden	
Valmet Svenska AB	100.0
Valmet AB	100.0
Valmet Gävle AB	100.0
Valmet 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 S.p.A.	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 Dec 31, 2014 (%)
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 Técnicos Ltda	100.0
Chile	
Valmet S.A.	100.0
Australia	
Valmet Pty Ltd	100.0
China	
Valmet (China) Co., Ltd.	100.0
Valmet Paper Technology (Guangzhou) Co., Ltd.	100.0
Valmet Paper (Shanghai) Co., Ltd.	100.0
Valmet Paper Technology (China) Co., Ltd.	100.0
Valmet Paper Technology (Xian) Co., Ltd.	75.0
Valmet Fabrics (China) Co., Ltd.	100.0
India	
Valmet Technologies Co Pvt. Ltd.	100.0
Valmet Chennai Pvt. Ltd.	100.0
Valmet Technologies Engineering Services Pvt. Ltd	100.0
Indonesia	
PT Valmet	100.0
Japan	
Valmet K.K.	100.0

Company name	Ownership as at Dec 31, 2014 (%)
Malaysia	
Valmet Technologies 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 South Africa (Pty) Ltd	100.0

Valmet associated companies and joint ventures

Company name	Ownership as at Dec 31, 2014 (%)
Allimand S.A.	35.8
Valpro gerenciamento de obras Ltda	51.0

31 Audit fees

In 2014, the Annual General Meeting of Valmet Corporation elected Authorised Public Accountants PricewaterhouseCoopers Oy (PwC) as Valmet Corporation's auditor.

The following fees were paid to auditors for audit and for other services:

	Year ended Dec 31,		
	2014		2013
EUR million	Paid to PwC	Paid to other auditors	Paid to other auditors
Audit	**-0.8**	**-0.1**	-0.7
Tax consulting	**-0.5**	**-0.1**	-0.3
Other services [1]	**-0.5**	**-0.1**	-1.1
Total	**-1.8**	**-0.3**	-2.1

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

32 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.

33 Events after the reporting period

Valmet Corporation and Metso Corporation signed an agreement on the sale of Metso's Process Automation Systems business to Valmet on January 15, 2015. The enterprise value of the acquisition is EUR 340 million. The acquisition will be financed with committed long-term financing. It is estimated that the acquisition will be completed by April 1, 2015. The completion of the transaction is subject to approval by the competition authorities.

The acquired operations supply process automation and information management systems and related applications and services to the pulp, paper, energy and other process industries. The purchased operations employ about 1,600 people. Net sales of the Process Automation Systems business is approximately EUR 300 million, of which Valmet has accounted for approximately 10 percent.

As a result of the acquisition, Valmet will become a stronger and unique technology and services company in its field, with a full automation offering. The business being acquired is a strong business, with established customer relations and a high level of technology and know-how.

34 Key exchange rates

		Average rates		Year-end rates	
		2014	2013	2014	2013
USD	(US dollar)	**1.3256**	1.3300	**1.2141**	1.3791
SEK	(Swedish krona)	**9.1004**	8.6625	**9.3930**	8.8591
CAD	(Canadian dollar)	**1.4639**	1.3722	**1.4063**	1.4671
BRL	(Brazilian real)	**3.1207**	2.8791	**3.2207**	3.2576
CNY	(Chinese yuan)	**8.1693**	8.1769	**7.5358**	8.3491

Financial Indicators 2014 and 2013

EUR million	As at and for the twelve months ended Dec 31, 2014	As at and for the twelve months ended Dec 31, 2013
Net sales	**2,473**	2,613
Net sales change, %	**-5%**	-13%
Operating profit	**72**	-59
% of net sales	**2.9%**	-2.2%
Profit before tax	**67**	-64
% of net sales	**2.7%**	-2.5%
Profit	**46**	-62
% of net sales	**1.9%**	-2.4%
Profit attributable to owners of the parent	**46**	-63
Amortization	**-22**	-27
Depreciation	**-51**	-55
Depreciation and amortization	**-72**	-82
% of net sales	**-2.9%**	-3.1%
EBITA	**94**	-32
% of net sales	**3.8%**	-1.2%
Financial income and expenses, net	**-5**	-5
% of net sales	**-0.2%**	-0.2%
Interest expenses	**-12**	-15
% of net sales	**-0.5%**	-0.6%
Gross capital expenditure (incl. business acquisitions)	**-46**	-57
% of net sales	**-1.8%**	-2.2%
Business acquisitions, net of cash acquired	**-**	-3
Cash flow provided by operating activities	**236**	-43
Cash flow after investments	**194**	-97
Research and development expenses, net	**-42**	-60
% of net sales	**-1.7 %**	-2.3%
Total assets	**2,412**	2,313
Equity attributable to owners of the parent	**804**	808
Total equity	**809**	813
Interest bearing liabilities	**68**	211
Net interest bearing liabilities	**-166**	-1
Net working capital (NWC)	**-353**	-186
Return on equity (ROE), % [1)]	**6%**	-7%
Return on capital employed (ROCE) before tax, %	**9%**	-4%
Equity to assets ratio, %	**42%**	41%
Gearing, %	**-21%**	0%
Orders received	**3,071**	2,182
Order backlog, December 31	**1,998**	1,398
Average number of personnel	**10,853**	12,286
Personnel, December 31	**10,464**	11,765

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

Formulas for Calculation of Indicators

EBITA:

Operating profit + amortization + goodwill impairment

EBITA before non-recurring items:

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

Earnings per share:

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

Earnings per share, diluted:

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

Return on equity (ROE), %:

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

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

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

Equity to assets ratio, %:

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

Gearing, %:

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

Net interest bearing liabilities:

Non-current interest bearing debt + Current interest bearing debt
- Cash and cash equivalents - Other interest bearing assets

Net Working Capital:

Other non-current assets + Inventories + Trade and other receivables
+ Cost and earnings of projects under construction in excess of advance billings + Derivative financial instruments (assets)
- Post-employment benefit obligations - Provisions
- Trade and other payables - Advances received
- Billings in excess of cost and earnings of projects under construction
- Derivative financial instruments (liabilities)

Dividend per share:

$$\frac{\text{Dividend for the financial period}}{\text{Basic number of shares at end of period}}$$

Dividend/earnings ratio (%):

$$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

Effective dividend yield, %:

$$\frac{\text{Dividend per share}}{\text{Closing share price at end of period}} \times 100$$

Price/earnings ratio:

$$\frac{\text{Closing share price at end of period}}{\text{Earnings per share}}$$

Parent Company Statement of Income, FAS

EUR	Note	Year ended Dec 31, 2014	2013
Other operating income	2	**9,498,456.15**	-
Personnel expenses	3	**-11,857,918.32**	-
Depreciation and amortization		**-699,468.05**	-
Other operating expenses	4	**-12,186,327.67**	-6,314,896.12
Operating profit / loss		**-15,245,257.89**	-6,314,896.12
Financial income and expenses, net	6	**8,203,279.02**	-416,355.56
Profit / loss before extraordinary items		**-7,041,978.87**	-6,731,251.68
Group contributions		**10,340,000.00**	-
Profit / loss before appropriations and taxes		**3,298,021.13**	-6,731,251.68
Income taxes	8	**520,368.48**	1,499,106.53
Profit / loss		**3,818,389.61**	-5,232,145.15

Parent Company Balance Sheet, FAS

Assets

EUR	Note	As at Dec 31, 2014	2013
Non-current assets			
Intangible assets	9	**247,871.05**	-
Tangible assets	9	**7,659,565.44**	7,709,131.25
Investments			
Shares in Group companies	10	**1,130,039,743.78**	1,198,577,566.71
Other investments	10	**1,361,627.06**	1,361,627.06
Non-current receivables	12	**161,582,715.48**	12,798,867.25
Total non-current assets		**1,300,891,522.81**	1,220,447,192.27
Current assets			
Current receivables	12	**179,207,046.10**	375,652,333.64
Available-for-sale financial assets		**32,987,960.32**	-
Bank and cash		**85,226,135.67**	75,901,145.32
Total current assets		**297,421,142.09**	451,553,478.96
Total assets		**1,598,312,664.90**	1,672,000,671.23

Shareholders' equity and liabilities

EUR	Note	As at Dec 31, 2014	2013
Shareholders' equity	14		
Share capital		**100,000,000.00**	100,000,000.00
Invested non-restricted equity fund		**407,727,370.60**	407,610,814.91
Fair value reserve		**22,035.50**	-
Retained earnings		**492,776,290.62**	520,596,930.07
Profit / loss		**3,818,389.61**	-5,232,145.15
Total shareholders' equity		**1,004,344,086.33**	1,022,975,599.83
Liabilities			
Non-current liabilities	15	**16,914,391.85**	136,126,984.04
Current liabilities	16	**577,054,186.72**	512,898,087.36
Total liabilities		**593,968,578.57**	649,025,071.40
Total shareholders' equity and liabilities		**1,598,312,664.90**	1,672,000,671.23

Parent Company Statement of Cash Flows, FAS

EUR thousand	Year ended Dec 31, 2014	2013
Cash flows from operating activities:		
Profit / loss	**3,818**	-5,232
Adjustments to operating profit / loss		
Depreciation and amortization	**699**	-
Unrealized foreign exchange gains (+) / losses (-)	**22**	-
Financial income and expenses, net	**-8,203**	416
Group contributions	**-10,340**	-
Taxes	**-520**	-1,499
Total adjustments to operating profit / loss	**-18,342**	-1,083
Increase (-) / decrease (+) in current non-interest bearing receivables	**-45,458**	-2,452
Increase (+) / decrease (-) in current non-interest bearing liabilities	**37,368**	8,767
Change in working capital	**-8,090**	6,315
Interest and other financial expenses paid	**-9,217**	-
Dividends received	**6,047**	-
Interest received	**8,783**	-
Income taxes paid	**-332**	-
Net cash provided by operating activities	**-17,333**	0
Cash flows from investing activities:		
Investments in tangible and intangible assets	**-1,312**	-
Proceeds from sale of tangible and intangible assets	**414**	-
Change in loan receivables from Group companies	**139,796**	-
Repayment of capital reserve	**68,538**	
Other investments	**-34,867**	-
Net cash used in investing activities	**172,569**	-
Cash flows from financing activities:		
Change in liabilities to Group companies	**92,652**	-
Repayments of long-term loans	**-133,048**	-
Dividends paid	**-22,480**	-
Change in Group pool accounts	**-83,035**	75,901
Net cash provided by (+) / used in (-) financing activities	**-145,911**	75,901
Net increase (+) / decrease (-) in bank and cash	**9,325**	75,901
Bank and cash at beginning of year	**75,901**	0
Bank and cash at end of year	**85,226**	75,901

Notes to Parent Company Financial Statements

1 Accounting principles

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

Non-current 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:

Other intangibles	5–10 years
Buildings and structures	20–25 years
Machinery and equipment	3–5 years
Other tangible assets	20 years

Investments in subsidiaries and other companies are measured at acquisition cost, or fair value in case the fair value is less than cost.

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 the fair value of the instruments used in hedging of operational activities is recognized as other income and expenses in income statement. The change in the fair value of the instruments used in hedging of the foreign currency financial items is recognized in the financial income and expenses in the statement of income. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The derivative contracts used to hedge the commodity risk related to the electricity price risk are valued at fair value. The change in the fair value of electricity derivatives is recognized as other income and expenses in the income statement. The fair value of electricity derivatives are based on quoted market prices at the balance sheet date.

Available-for-sale financial assets are measured at fair value. The change in the fair value is recognized in the fair value reserve of the shareholder's equity in the balance sheet. The fair value of available-for-sale financial assets is determined using market rates at the balance sheet date.

Pensions

An external pension insurance company manages the parent company statutory and voluntary pension plan. Contributions are expensed to the income statement in the period to which contributions relate.

Deferred taxes

A deferred tax liability or asset has been determined for all temporary differences between 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 possible that there will be sufficient taxable profit against which the asset can be utilized.

Foreign currency transactions

Transactions in foreign currency are recorded at the exchange rate prevailing on the date on the individual transaction. Receivables and payables on the balance sheet of the financial statement closing date are valued at the exchange rates prevailing at the balance sheet date. Exchange gains and losses related to business operations are recognized as other income and expenses in the income statement. Exchange gains and losses related to financing operations are recognized under financial income and expenses.

Receivables

Receivables are valued to acquisition cost or to a lower probable value.

Share-based incentive plans

Rewards according the share-based incentive plans are paid both in shares and in cash. The shares to be transferred as part of reward are obtained in public training. The acquisition of shares is recognized as decrease in retained earnings and transfer of shares as increase in invested non-restricted equity and personnel expenses. The part paid in cash is recognized under personnel expenses.

Extraordinary income and expenses

Extraordinary income and expenses consist of items, such as Groups contributions, that fall outside the ordinary activities of the company.

Bank and cash

Bank and cash consist of cash in banks and other liquid investments with initial maturity of three months or less.

Comparative information

Comparative information is for one day only, as the company was established on December 31, 2013.

2 Other operating income

EUR thousand	Year ended Dec 31, 2014	2013
Services to Group companies	9,498	-
Total	**9,498**	-

3 Personnel expenses

EUR thousand	Year ended Dec 31, 2014	2013
Salaries and wages	-9,388	-
Pension costs	-2,019	-
Other indirect employee costs	-451	-
Total	**-11,858**	-

Remuneration paid to Management:

EUR thousand	Year ended Dec 31, 2014	2013
Chief Executive Officer	-1,121	-
Board members	-558	-
Total	**-1,679**	-

The President and CEO has the right to retire at the age of 63 years. The President and CEO has an additional defined contribution plan. The contribution to the plan is 20 percent of his annual salary. Expenses are included in the Remuneration paid to management table above. Additional information on management remuneration is presented in note 29 of the Consolidated financial statements.

Number of personnel:

	2014	2013
Personnel at end of year	82	74
Average number of personnel during the year	81	74

4 Other operating expenses

EUR thousand	Year ended Dec 31, 2014	2013
Consulting and other services	-5,389	-
IT	-1,893	-
Valuation of derivatives	-2,108	-
Other	-2,796	-
Total	**-12,186**	-

5 Audit fees

EUR thousand	Year ended Dec 31, 2014	2013
Audit	-254	-
Tax consulting	-166	-
Other services	-334	-
Total	**-754**	-

6 Financial income and expenses

EUR thousand	Year ended Dec 31, 2014	2013
Dividends received from		
Group companies	**5,000**	-
Others	**1,047**	-
Total	**6,047**	-
Interest income		
Group companies	**10,234**	-
Others	**662**	-
Total	**10,896**	-
Other financial income		
Group companies	**6,967**	-
Others	**14,349**	-
Total	**21,316**	-
Interest expenses		
Group companies	**-2,059**	-
Others	**-6,082**	-
Total	**-8,141**	-
Other financial expenses		
Group companies	**-5,844**	-
Others	**-16,071**	-416
Total	**-21,915**	-416
Total	**8,203**	-416

7 Fair value hedges recognized in income statement

EUR thousand	Year ended Dec 31, 2014	2013
Other operating expenses		
Changes in fair value of derivatives	**-2,108**	-
Other financial expenses		
Changes in fair value of derivatives	**-15,490**	-

8 Income taxes

EUR thousand	Year ended Dec 31, 2014	2013
Change in deferred taxes	**520**	1,499
Total	**520**	1,499

9 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

EUR thousand	Intangible assets	Land areas	Buildings and structures	Machinery and equipment	Other tangible assets	Tangible assets total	Total
2014							
Acquisition cost at beginning of financial period	3	810	8,160	189	557	9,716	**9,719**
Additions	305	-	-	593	-	593	**898**
Acquisition cost as at Dec 31	308	810	8,160	782	557	10,309	**10,617**
Accumulated depreciation at beginning of financial period	-3	-	-1,786	-169	-52	-2,007	**-2,010**
Depreciation charges for the financial period	-57	-	-514	-103	-25	-642	**-699**
Accumulated depreciation as at Dec 31	-60	-	-2,300	-272	-77	-2,649	**-2,709**
Net book value as at Dec 31	**248**	**810**	**5,860**	**510**	**480**	**7,660**	**7,907**

10 Investments

	Shares		Receivables		
EUR thousand	**Group companies**	**Others**	**Group companies**	**Other companies**	**Investments total**
2013					
Acquisition cost at beginning of financial period	-	-	-	-	-
Impact of Demerger	1,198,578	1,362	-	-	1,199,940
Acquisition cost as at Dec 31	1,198,578	1,362	-	-	1,199,940
Net book value as at Dec 31	1,198,578	1,362	-	-	1,199,940

	Shares		Receivables		
EUR thousand	**Group companies**	**Others**	**Group companies**	**Other companies**	**Investments total**
2014					
Acquisition cost at beginning of financial period	1,198,578	1,362	-	-	**1,199,940**
Disposals	-68,538	-	-	-	**-68,538**
Acquisition cost as at Dec 31	**1,130,040**	**1,362**	**-**	**-**	**1,131,401**
Net book value as at Dec 31	**1,130,040**	**1,362**	**-**	**-**	**1,131,401**

11 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

12 Specification of receivables

Non-current receivables

EUR thousand	As at Dec 31, 2014	2013
Loan receivables from Group companies	**157,554**	11,300
Deferred tax asset	**2,014**	1,499
Derivatives	**136**	-
Other receivables	**1,879**	-
Non-current receivables total	**161,583**	12,799

Current receivables

EUR thousand	As at Dec 31, 2014	2013
Trade receivables from		
Group companies	**13,004**	1,524
Others	**10**	-
Total	**13,014**	1,524
Loan receivables from		
Group companies	**72,308**	353,946
Group pool accounts	**26,901**	-
Total	**99,209**	353,946
Prepaid expenses and accrued income from		
Group companies	**45,020**	620
Others	**21,922**	18,081
Total	**66,942**	18,701
Other receivables		
VAT receivables	**27**	1,481
Other receivables	**15**	-
Total	**42**	1,481
Current receivables total	**179,207**	375,652
Current receivables from Group companies total	**157,233**	356,090

Specification of prepaid expenses and accrued income

EUR thousand	As at Dec 31, 2014	2013
Prepaid expenses and accrued income from Group companies		
Group contribution receivables	**10,340**	-
Accrued interest income	**2,640**	620
Derivatives	**31,220**	-
Other accrued items	**820**	-
Total	**45,020**	620
Prepaid expenses and accrued income from others		
Accrued interest income	**94**	-
Derivatives	**19,326**	17,141
Other accrued items	**2,502**	940
Total	**21,922**	18,081

13 Financial assets and liabilities recognized at fair value

EUR thousand	2014 Fair value Dec 31	2014 Changes in fair value recognized in profit or loss	2014 Changes in fair value recognized in hedge reserve	2013 Fair value Dec 31	2013 Changes in fair value recognized in profit or loss	2013 Changes in fair value recognized in hedge reserve
Forward exchange contracts						
With Group companies	**12,526**	**23,522**	**-**	-7,951	-	-
Others	**-10,695**	**-38,589**	**-**	11,067	-	-
Forward commodity contracts (nickel, electricity)						
Others	**-2,531**	**-2,531**	**-**	-	-	-
Available-for-sale financial assets						
Others	**32,988**	**-**	**-22**	-	-	-

14 Statement of changes in shareholders' equity

EUR thousand	As at Dec 31, 2014	2013
Share capital as at Jan 1	**100,000**	-
Share capital as at Dec 31	**100,000**	100,000
Invested non-restricted equity fund as at Jan 1	**407,611**	-
Share-based payments	**117**	-
Invested non-restricted equity fund as at Dec 31	**407,727**	407,611
Fair value reserve as at Jan 1	**-**	-
Additions	**22**	-
Fair value reserve as at Dec 31	**22**	-
Retained earnings as at Jan 1	**515,365**	-
Dividends paid	**-22,480**	-
Redemption of own shares	**-109**	-
Retained earnings as at Dec 31	**492,776**	520,597
Profit / loss	**3,818**	-5,232
Total shareholders' equity as at Dec 31	**1,004,344**	1,022,976

Statement of distributable funds

EUR	As at Dec 31, 2014	2013
Invested non-restricted equity fund	**407,727,370.60**	407,610,814.91
Retained earnings	**492,776,290.62**	520,596,930.07
Profit / loss	**3,818,389.61**	-5,232,145.15
Total distributable funds	**904,322,050.83**	922,975,599.83

15 Non-current liabilities

EUR thousand	As at Dec 31, 2014	2013
Loans from financial institutions	**14,286**	136,127
Derivatives	**2,628**	-
Non-current liabilities total	**16,914**	136,127

16 Current liabilities

EUR thousand	As at Dec 31, 2014	2013
Current portion of non-current loans		
Loans from financial institutions	**49,841**	61,048
Total	**49,841**	61,048
Trade payables to		
Group companies	**2,994**	9,184
Others	**1,544**	19
Total	**4,538**	9,203
Accrued expenses and deferred income to		
Group companies	**18,928**	7,731
Others	**34,113**	6,563
Total	**53,041**	14,294
Other current interest bearing debt to		
Group companies	**210,820**	114,107
Group pool accounts	**258,061**	314,196
Total	**468,881**	428,303
Other current non-interest bearing debt to		
Others	**753**	50
Total	**753**	50
Current liabilities total	**577,054**	512,898
Current liabilities to Group companies total	**490,803**	445,218

Specification of accrued expenses and deferred income

EUR thousand	As at Dec 31, 2014	2013
Accrued expenses and deferred income to Group companies		
Accrued interest expenses	**47**	34
Derivatives	**18,694**	-
Other accrued items	**187**	7,697
Total	**18,928**	7,731
Accrued expenses and deferred income to others		
Accrued interest expenses	**133**	284
Derivatives	**30,060**	6,073
Accrued salaries, wages and social costs	**3,509**	206
Other accrued items	**411**	-
Total	**34,113**	6,563

17 Other contingencies

Guarantees

EUR thousand	As at Dec 31, 2014	2013
Guarantees on behalf of subsidiaries	**1,162,166**	1,159,794
Total	**1,162,166**	1,159,794

Lease commitments

EUR thousand	As at Dec 31, 2014	2013
Payments in the following year	**153**	3,522
Payments later	**139**	2,082
Total	**292**	5,604

Other commitments

EUR thousand	As at Dec 31, 2014	2013
Payments in the following year	**600**	-
Payments later	**1,867**	-
Total	**2,467**	-

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
Fixed assets entries	01,03,04	in electronic format
Bank entries	10,16,17,20,27,36,42	in electronic format
Sales invoices	RV	in electronic format
Purchase invoices	23	in electronic format
Travel invoices	32	in electronic format
Salary entries	33	in electronic format
Journal vouchers	30,51,52,53,54,55,59,64,67,68,71,72,75,79	in electronic format
Financing entries	34,35	in electronic format

Signatures of Board of Directors' Report and Financial Statements

Espoo, February 6, 2015

Jukka Viinanen
Chairman of the Board

Mikael von Frenckell
Vice Chairman of the Board

Friederike Helfer
Member of the Board

Pekka Lundmark
Member of the Board

Erkki Pehu-Lehtonen
Member of the Board

Lone Fønss Schrøder
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 6, 2015

PricewaterhouseCoopers Oy
Authorized Public Accountant Firm

Jouko Malinen
Authorized Public Accountant

Auditor's Report (Translation from the Finnish Original)

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 year ended 31 December, 2014. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

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, 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 or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they 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.

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

Espoo, February 6, 2015

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jouko Malinen
Authorised Public Accountant

Board of Directors

Jukka Viinanen
born 1948

Chairman of the Board since 2013

Chairman of the Board's Remuneration and HR Committee

Independent of the company and independent of significant shareholders

M.Sc. Chemical Engineering

Main occupation: Chairman of the Board

Mikael von Frenckell
born 1947

Valmet Board member since 2013 and Vice Chairman of the Board since 2013

Member of the Board's Remuneration and HR Committee

Independent of the company and independent of significant shareholders

M.Sc. (Soc.)

Board Member of Antti Ahlströmin Perilliset Oy, Sponsor Capital Oy and Sponsor Capital Partners Oy

Friederike Helfer
born 1976

Valmet Board member since 2013

Member of the Board's Audit Committee

Independent of the company and not independent of a significant shareholder

M.Sc. Real Estate Development, Diplom-Ingenieur in Urban Planning, CFA charterholder

Main occupation: Partner at Cevian Capital

Pekka Lundmark
born 1963

Valmet Board member since 2013

Member of the Board's Remuneration and HR Committee

Independent of the company and independent of significant shareholders

M.Sc. Engineering

Main occupation: President and CEO of Konecranes

Chairman of the Board of Marimekko Corporation and Member of the Board of The Federation of Finnish Technology Industries

Erkki Pehu-Lehtonen
born 1950

Valmet Board member since 2013

Member of the Board's Audit Committee

Independent of the company and independent of significant shareholders

M.Sc. (Mechanical Engineering)

Chairman of the Board, Raute Corporation

Lone Fønss Schrøder
born 1960

Valmet Board member since March 26, 2014

Chairman of the Board's Audit Committee

Independent of the company and independent of significant shareholders

M.Sc. (Econ.), Accounting; LL.M

Board Member of Saxobank A/S, Aker Solutions, Volvo PV AB, NKT Holding A/S, Schneider SE and Bilfinger Berger SE

Rogério Ziviani
born 1956

Valmet Board member since 2013

Independent of the company and independent of significant shareholders

B.Sc. in Business Management, MBA

Main occupation: Board professional

Board Member of Contax Participações S.A and Board of Directors of HSBC – SRI – FI – Sustainability Fund

Eija Lahti-Jäntti
born 1963

Personnel representative since 2014

MBA

Main occupation: Project coordinator at Valmet

Personnel representative Eija Lahti-Jäntti will participate as an invited expert in meetings of the Board of Directors.

Employed by Valmet since 1988

Pia Rudengren was Valmet Board member and Chairman of the Audit Committee until March 26, 2014.

More information on Valmet Board of Directors: **www.valmet.com/management**

Executive Team

Pasi Laine
born 1963

President and CEO

M.Sc. (Eng.)

Jukka Tiitinen
born 1965

Business Line President, Services

M.Sc. (Eng.)

Bertel Karlstedt
born 1962

Business Line President, Pulp and Energy, from February 1, 2015

M.Sc. (Eng.)

Jyrki Holmala
born 1965

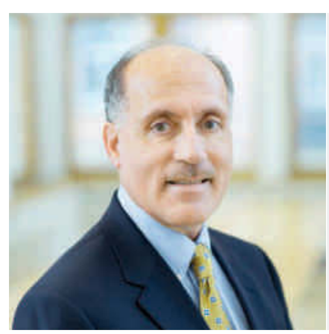
Business Line President, Pulp and Energy, until November 28, 2014

Jari Vähäpesola
born 1959

Business Line President, Paper

M.Sc. (Eng.)

Diploma in International Marketing Management



William (Bill) Bohn
born 1954

Area President, North America

B.Sc. (Pulp and Paper)

B.Sc. (Forestry)

Celso Tacla
born 1964

Area President, South America

MBA

Production Engineer

Chemical Engineer

Hannu Mälkiä
born 1952

Area President, EMEA

MSc. (Eng.)

Aki Niemi
born 1969

Area President, China

M.Sc. (Eng.)

Hannu T Pietilä
born 1962

Area President, Asia Pacific

B.Sc. (Mechanical Engineering)

Markku Honkasalo
born 1964

CFO

LL.M.

eMBA

Kari Saarinen
born 1961

Senior Vice President, Strategy and Operational Development

M.Sc. (Accounting and Finance)

Julia Macharey
born 1977

Senior Vice President, Human Resources

B.A. (Intercultural Communication)

M.Sc. (Econ.)

Anu Salonsaari-Posti
born 1968

Senior Vice President, Marketing and Communications

M.Sc. (Econ.)

MBA

More information on Valmet Executive Team: **www.valmet.com/management**

Shares and Shareholders

Valmet share

The trading in Valmet Corporation shares commenced in NASDAQ OMX Helsinki on January 2, 2014. Valmet's share capital amounts to EUR 100,000,000 and the aggregate number of Valmet shares is 149,864,619. Valmet has one series of shares and its shares have no nominal value. Each share will carry one vote at the general meeting of shareholders.

In addition to the NASDAQ OMX Helsinki, Valmet shares are traded on other market places as well, for example Chi-X and BATS. During 2014, the volume of Valmet Corporation shares traded on the alternative market places was 10,157,657, which represents approximately 7 percent of the total volume of traded Valmet shares. Of the alternative market places, Valmet's shares were traded especially on Chi-X. (Source: VWS, Six)

Valmet Corporation held 399 Valmet shares on December 31, 2014.

Closing price

January 2, 2014:
EUR 6.65

December 31, 2014:
EUR 10.22

Change:
53.7%

Market capitalization of shares

January 2, 2014:
EUR 996,599,716

December 31, 2014:
EUR 1,531,616,406

Change:
EUR 535,016,690

High, low and average price during the review period

Low (January 7, 2014):
EUR 6.00

High (December 29, 2014):
EUR 10.37

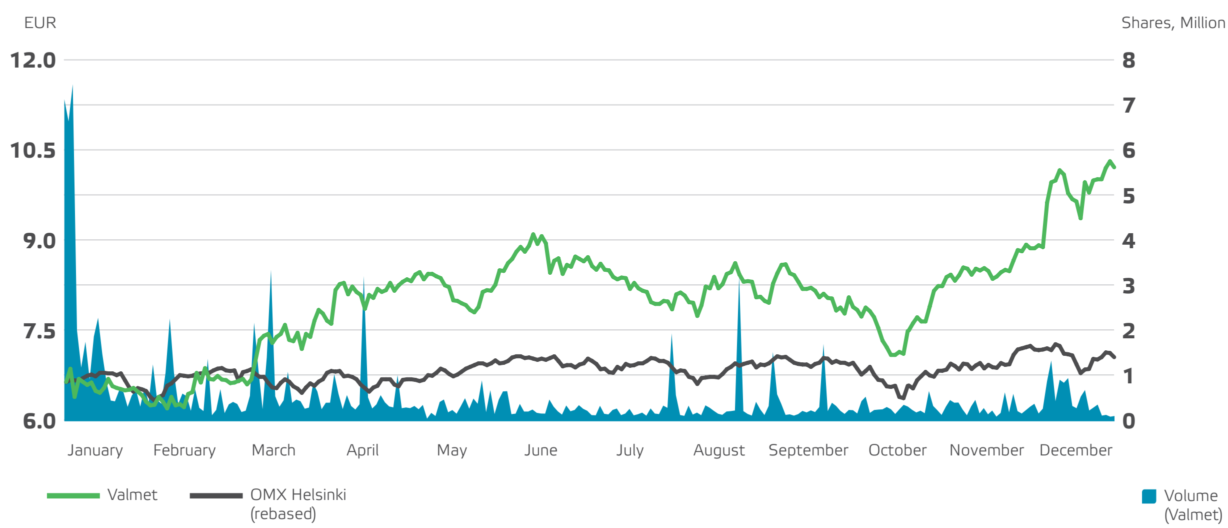
Average:
EUR 8.00

Volume

Total:
137,682,776

% of outstanding:
91.9%

Value of trading:
EUR 1,042 million



Basic information on Valmet share

- 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 belonged at least to the following indices:

- OMX Helsinki Benchmark
- OMX Helsinki 25
- OMX Helsinki Industrials
- Dow Jones Sustainability World (DJSI World) and Europe (DJSI Europe)
- Nordic Climate Disclosure Leadership (CDLI)
- OMX GES Ethical Nordic Index
- OMX GES Sustainability Finland

Shareholders

The number of registered shareholders at the end of December 2014 was 49,294 (58,490 on Dec 31, 2013).

Shares owned by nominee-registered parties and by non-Finnish parties equaled 54.7 percent of the total number of shares at the end of December 2014 (47.8% on Dec 31, 2013).

Largest shareholders

Valmet's largest shareholders according to Euroclear Finland are listed below.

In addition, 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 Partners Ltd. held, on March 11, 2014, altogether 20,813,714 shares, which corresponds to 13.89 percent of all Valmet shares and votes.

According to a notification received by Valmet from Franklin Templeton Institutional, LLC, Franklin Templeton Institutional, LLC held, on October 15, 2014, altogether 7,517,629 shares, which corresponds to 5.02 percent of all Valmet shares and votes.

	Largest shareholders (Euroclear)	Holdings	% of holdings
1	Solidium Oy[1]	16,695,287	11.14
2	Skagen Global Verdipapirfond	3,202,627	2.14
3	Ilmarinen Mutual Pension Insurance Company	3,092,126	2.06
4	Varma Mutual Pension Insurance Company	2,908,465	1.94
5	Nordea Nordenfonden	1,957,930	1.31
6	The State Pension Fund	1,720,000	1.15
7	Keva	1,502,166	1.00
8	Mandatum Life Insurance Company Limited	1,500,307	1.00
9	Nordea Fennia Fund	1,300,000	0.87
10	Skagen Global II Verdipapirfond	1,010,035	0.67
11	Sigrid Jusélius Foundation	610,865	0.41
12	Nordea Avanti Fund	607,316	0.41
13	Nordea Pro Finland Fund	600,000	0.40
14	Kaleva Mutual Insurance Company	600,000	0.40
15	Nordea Nordic Small Cap Fund	546,207	0.36

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

Holdings of the Board of Directors and CEO in Valmet Corporation as at December 31, 2014

		Holdings	Holdings of interest parties
Viinanen, Jukka-Pekka	Chairman of the Board	10,820	0
von Frenckell, Mikael	Vice Chairman of the Board	105,636	0
Helfer, Friederike	Member of the Board	2,305	0
Lundmark, Pekka Ilmari	Member of the Board	2,305	4
Pehu-Lehtonen, Erkki Yrjö Juhani	Member of the Board	5,484	0
Schroder, Lone Fonss	Member of the Board	2,882	0
Ziviani, Rogério	Member of the Board	2,305	0
Laine, Pasi Kalevi	President and CEO	30,046	0

Distribution of holdings by number of shares as at December 31, 2014

Number of shares	Number of shareholders	% of shareholders	Total number of shares	% of share capital
1–100	20,974	42.5	1,089,339	0.7
101–1,000	23,665	48.0	8,607,527	5.7
1,001–10,000	4,279	8.7	10,984,871	7.3
10,001–100,000	313	0.6	7,963,463	5.3
100,001–	63	0.1	121,210,499	80.9
Total	**49,294**	**100.0**	**149,855,699**	**100.0**
Nominee registered	**11**	**0.02**	**74,763,034**	**49.9**
Treasury shares held by the parent company	**1**	**0.0**	**399**	**0.0**
On shared account	**0**	**0.0**	**8,920**	**0.0**

Distribution of holdings by group as at December 31, 2014

	Number of shareholders	Number of shares	% of share capital
Nominee registered and non-Finnish holders	309	81,994,521	54.7
Finnish institutions, companies and foundations	2,831	30,180,544	20.1
Solidium Oy[1]		16,695,287	11.1
Finnish private investors	46,154	20,994,267	14.0
Total	**49,294**	**149,864,619**	**100.0**

[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 task of Valmet's Investor Relations is to ensure that the markets have correct and sufficient information in order to determine the value of the Valmet share. Valmet Investor Relations is responsible for planning and executing financial and investor communications, and all investor requests are processed centrally through Valmet's Investor Relations.

In addition to financial statements and interim reviews, investors website, and stock exchange releases and press releases Valmet's investor communications involve investor meetings, seminars, webcasts, news conferences of result publications, site visits and general meetings. Valmet also arranges Capital Markets Days for investors and analysts.

Valmet Investor Relations is also responsible for gathering and analyzing market information and investor feedback to be used by Valmet's management and Board of Directors.

Silent period

Valmet observes a 21 days silent period prior to publication of financial results. During this time, Valmet does not comment on the company's financial situation, markets or future outlook and Valmet's executives and employees do not meet with representatives of capital markets or financial media.

Investor Relations in 2014

Valmet's journey as an individual listed company began well, and the company has aroused interest among investors. Valmet was welcomed as a new listed company to NASDAQ OMX Helsinki on January 2, 2014, when CEO Pasi Laine rang the opening bell in Helsinki. In addition, Valmet celebrated its newly started journey as a stock listed company by opening the trading by ringing the NASDAQ bell in New York on May 21, 2014.

In 2014 Valmet participated in over 300 investor meetings, conferences or conference calls. In addition to investor relations, also CEO, CFO and Business Line Presidents have participated in in-

President and CEO Pasi Laine rang the Nasdaq opening bell on May 21, 2014 in New York. © The NASDAQ OMX Group, Inc. 2014

Valmet's site visit to Shanghai was part of Finnish Engineering Roadshow together wth Konecranes and focused on Valmet's operations in China.

Valmet's first site visit was arranged in Karlstad, Sweden on March. The theme of the site visit was Valmet's tissue business.

Valmet's site visit to Cernay, France on September focused on Valmet's services operations in SEMEA area.

The theme of Valmet's site visit to Tampere, Finland on June was Valmet's energy business.

vestor events. Valmet site visits have also offered a chance to meet local business management. Valmet was over 35 days on roadshow, and meetings were arranged in altogether 15 countries, such as Great Britain, France, Switzerland, Germany, Austria, Sweden, Norway, the United States, Canada, Japan and Singapore.

The publication dates for Valmet Interim Reviews in 2014 were February 6, April 25, July 31 and October 24. For each publication, Valmet arranged also a news conference, where CEO and CFO presented the previous quarter. It was possible to follow these events at Keilasatama, via live webcast at Valmet investors website or in Twitter.

Valmet arranged a site visit for institutional investors and analysts on each quarter in 2014. The purpose of these visits was to give a better insight in Valmet's business, and each visit was focused on one section in Valmet's business. The visiting destinations were Karlstad, Sweden, where Valmet's tissue business was presented; Tampere, Finland, where the focus was on Valmet's energy business; Cernay, France, where the focus was on service business especially in SEMEA area; and Shanghai, China, where Valmet's business in China was presented. The highlights of the site visits are also presented in IR Director's blog at Valmet's website.

During the year Valmet participated also in events dedicated for private investors such as new listed companies themed morning seminar in May and Rahapäivä event in September, both by Arvopaperi and NASDAQ OMX Helsinki event in September.

Valmet has also been actively present in social media. Interesting topics for investors, for example highlights of the site visits and topics related to interim reviews are presented in IR Director's blog at Valmet investor website. In addition, VP, Investor Relations in Valmet, Hanna-Maria Heikkinen writes an Arvopaperi partner blog about topics that cover global trends and phenonema related to Valmet's operating environment. Valmet's investor relations have also a Twitter account, where it is possible to follow Valmet news conferences of result publications.

JANUARY
- Ringing the opening bell, Helsinki
- SEB Nordic Seminar, Copenhagen
- Inderes, investor event, Helsinki

FEBRUARY
- Publication of Financial Statements Review for 2013 and webcast
- Q4 Breakfast presentation for Finnish institutions, Helsinki
- Roadshow
  - London
  - Geneva
  - Vienna
- Analyst breakfast, London

MARCH
- Roadshow
  - Tokyo
  - Singapore
  - Stockholm
  - Frankfurt
- Site visit, Karlstad
- Annual General Meeting

APRIL
- Publication of Q1 Interim Review and webcast
- Q1 presentation, Helsinki

MAY
- Roadshow
  - Milan
  - Paris
  - Amsterdam
  - Boston
  - New York
- Ringing of opening bell, New York
- Goldman Sachs European Small & Mid Cap Symposium, London
- Arvopaperiaamu investor event, Helsinki

JUNE
- Site visit, Tampere
- Site visit, Jyväskylä
- UBS Pan-European small and mid-cap conference, London

JULY
- Publication of Q2 Interim Review and webcast

AUGUST
- Q2 presentation, Helsinki
- Analyst lunch, Helsinki

SEPTEMBER
- Helsinki Stock Exchange event
- SEB Finnish Blue Chip Seminar
- Roadshow
  - Stockholm
  - Edinburg
  - Frankfurt
  - Zurich
  - Los Angeles
  - San Francisco
- Morgan Stanley Industrial CEOs Unplugged Conference in London
- Rahapäivä event in Helsinki
- Site visit to Cernay

OCTOBER
- Publication of Q3 Interim Review and webcast
- Roadshow
  - London
  - Vienna
  - Geneva
  - Paris

NOVEMBER
- Roadshow
  - Boston
  - Toronto
  - New York
- Nordea Finnish Large Cap Summit 2014 in Helsinki

DECEMBER
- Berenberg European Conference
- Site visit to Shanghai

Investors met	Meetings and events	Countries visited	Days on roadshow
~660	~300	15	35

Analyst coverage

During 2014, at least 13 analysts have had coverage on Valmet, of which 8 are located in Helsinki, two in Stockholm, two in London and one in Frankfurt. Analysts' contact information and consensus estimates are available at Valmet investor website at www.valmet.com/investors. Valmet does not take any responsibility for the content, accuracy or completeness of the views of the capital market representatives.

According to our knowledge at least the following analysts have regular coverage on Valmet share.

Helsinki

Carnegie Investment Bank
Danske Markets Equities
SEB
Evli Bank
Handelsbanken Capital Markets
Inderes
Nordea
Pohjola Bank

Rest of Europe

ABG Sundal Collier
Berenberg
DnB NOR
Kepler Cheuvreux
UBS

Valmet's Investors pages

Valmet offers its investors information also at the address www.valmet.com/investors. The pages provide information about Valmet as an investment as well as about Valmet's operating environment. The pages offer also various tools for monitoring the market performance of Valmet's share, such as an interactive share monitor and a closing price search function. In addition, the pages offer information about the company's insiders and their holdings, as well as monthly updated information about the top shareholders of Valmet, and about the ownership structure. The pages also feature financial reports, presentation materials and webcast recordings of Valmet results publication news conferences. In addition, IR Director's blog features topical entries, which interest investors.

Financial calendar 2015

February 6, 2015	Financial Statements Review 2014
March 19, 2015	Capital Markets Day in London
March 27, 2015	Annual General Meeting
April 8, 2015	Silent period begins
April 29, 2015	Publication of Interim Review for January-March 2015
July 9, 2015	Silent period begins
July 30, 2015	Publication of Interim Review for January-June 2015
October 7, 2015	Silent period begins
October 28, 2015	Publication of Interim Review for January-September 2015

The calendar can also be viewed on Valmet's Investors pages at www.valmet.com/irevents.

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About this report

Concept, design and production
Miltton Oy

Paper
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MultiArt Silk 115 g

Printing
Erweko

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Converting renewable resources into sustainable results

Valmet

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