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PRESENTATION

Calle Loikkanen *Valmet Oyj - Director of IR*

Ladies and gentlemen, good afternoon, and welcome to Valmet's Q4 and Full Year 2018 Results Presentation. My name is Calle Loikkanen, and I'm Head of Valmet's Investor Relations.

Today, Valmet's President and CEO, Pasi Laine; and Valmet's CFO, Kari Saarinen will walk us through the highlights and results of the quarter and the full year. And as always, we will end with a Q&A session.

As there's lots of exciting things in the presentation, so I guess it's better to start -- start to go ahead. So, Pasi, please the floor is yours.

Pasi Kalevi Laine *Valmet Oyj - President & CEO*

Thank you, Calle. You promised that there are a lot of interesting things, so let's see whether we can deliver on that.

So headline is that orders received increased to EUR 3.7 billion and comparable EBITA to EUR 257 million in 2018.

So first, I will go through 2018 then a couple of words about business lines. Then, Kari will go through the financial development then I'll come back and tell dividend proposal, guidance and short-term market outlook.

So our orders received in stable business increased to about EUR 1.7 billion, and we are very happy that now we are EUR 1.7 billion in stable business.

Capital business, orders received increased to EUR 2,077,000,000, that's also good achievement from us -- by us. Net sales increased to EUR 3,325,000,000. Our backlog increased to about EUR 2.8 billion.

Comparable EBITA increased to EUR 257 million, and margin improved to 7.7%, and gearing was 23% (sic) [minus 23%].

Like you see, all the main numbers are -- have been improving and are quite solid, showing solid performance of Valmet also in 2018.

So the main numbers are here. So orders received EUR 3.7 billion altogether. Net sales EUR 3.3 billion. Comparable EBITA EUR 257 million and that corresponds to 7.7%. And like you know, our target is to be between 8% to 10%, so we didn't reach the target in 2018, but we got closer again, to the promised target -- targeted level. Backlog is strong EUR 2.8 billion; and we employed, in the end of the year, about 12,500 people.

From orders received, the pie chart is showing that now it was -- the total year was closer to a normal, if you can say, normal. So Paper was strongest, but Pulp and Energy was almost the same size. And in a normal year, if you can have a normal year, Pulp and Energy has been bigger than Paper. But Pulp and Energy catched up quite much Paper. Services corresponded to 35% of order intake, and Automation external to 9% of order intake.

I'll come back to the orders received geographically later on during the presentation.

This is the chart describing the development over the last 5 years in Valmet. And our orders received, lowest -- 6 years included, then 2013 was EUR 2.2 billion and now order intake, of course, after the Automation acquisition and a lot of operational improvement and better market conditions, now order intake increased to EUR 3.7 billion. We are happy of that development.

Net sales has been developing favorably as well over the years and now we are -- we were last year, a little bit over EUR 3 billion and now our net sales increased to EUR 3.3 billion and there also solid development.

Our comparable EBITA has developed nicely. We started from EUR 54 million, then we went to EUR 106 million, EUR 182 million, EUR 196 million, EUR 218 million and now to EUR 257 million. So also that shows that our organization has been doing good work over the years and continues to improve the performance of the company all the time.

Comparable EBITA has same kind of phenomenon. First, good improvement from 2% to 3%-- 4% then to 6% and then, little bit as an average 0.5% improvement and last year, we had 0.6% improvement from 7.1% 7.7%.

And that also tells that the EBITA improvement is not only coming from the net sales over the years, but it has been also coming from the improvement operations in all the respects. So we are happy that the direction has been positive all the time, then are we happy with the speed? Of course not. Of course, we could have expected ourselves to improve even on faster pace, but all in all, I think, we have to be happy with the performance of our organization.

Orders received increased to EUR 3.7 billion, like I said. And the graph shows here nicely that the end of the year was good for Valmet. And this quarter, when we had 1 point -- the order intake was EUR 1,026,000,000. It was the second-best ever during the Valmet times. So the first one when there was a lot of activity in Pulp, was higher than this quarter, otherwise it's the second.

Geographically. It's nice to see that all the areas, except China, improved. So Asia Pacific grew by EUR 60 million to EUR 383 million -- China went down, but EUR 500 million level is good level for China. So it went down from excellent, I'm not using that word, but it was good level, and it stayed at the good level of EUR 523 million.

Europe has had a strong market situation as well. Order intake grew to EUR 1.6 billion. South America, of course, because of the MAPA project -- MAPA project has big contribution to this, but it grew -- order intake grew from EUR 183 million to EUR 480 million. And also, North America had good activity, both in services and capital and there the order intake grew to EUR 730 million. So geographically, we have had good year in 2018 as well.

Stable business, like I said, grew to EUR 1.7 billion, and this is, of course, important for us because that's one of our strategic target to increase the absolute number of stable business all the time. When we started, our order intake was roughly EUR 1 billion and then we made acquisition of Automation and now with the acquisition and then organic growth, we have reached EUR 1.7 billion.

And of course, that has changed the company performance EBITA-wise, but also gives a lot of confidence that we can continue to develop the company in the future as well because the track record of organic growth is between 4% to 5% a year. So good development in Automation. Good development in Services.

Backlog was at record level, quarterly record level in end of the quarter 4. So backlog was EUR 2,829,000,000. It's bigger than a year ago. But then, it has also longer duration as the year goes. So we are saying now that about 75% of the backlog will be materialized as net sales during this year. And then last year, the corresponding percentage was 80%. And then, when you do the mathematics then it's about EUR 150 million more from the backlog in revenue recognition this year. And in that, we'll come back to our guidance, that why we are saying that our guidance is what it is. But we'll come back to that discussion surely, many times today. We say that 75% of the backlog is from capital businesses and the 25% is from stable businesses.

Then some words about the business lines. So first, Services. [inaudible] Services, orders received increased to EUR 1,315,000,000, which is roughly about 6%. And we are happy with the performance, especially the last quarter in Services was strong. And that made it possible that even if -- even in reported currencies, our growth was 6%.

In net sales, we ended up in EUR 1,219,000,000 and there we, I think agree with Kari, that we were expecting a little bit more. So not a disappointment, but our expectation was a little bit higher.

Then, if we look how it went by area or business unit. So business units -- now I have to read -- the mill improvements, the colors are -- was about 30%. And in Mill Improvement we had good growth and good performance -- Performance Parts the same. In Energy and Environmental, no growth or negative growth. Rolls, a little bit growth. And in Fabrics, a little bit growth, but the majority of the growth came from Mill Improvement and Performance Parts.

By area. Europe had a strong year. North America had a strong year. South America had challenges with the currency, so it's declining their number. And then, Asia Pacific had good results the year before, so no growth there. China, growth as planned. So 3 areas were doing well. And then 2 had either currency challenges or other challenges. But all in all, I'm happy with the Services development business unit-wise and area-wise. So good work has been done by many people in our organization.

In Automation, orders received ended up in EUR 386 million. It's about 4% growth compared to last year, and that's why we are saying that it remained at this year's level -- or last year's level. Are we happy with that? Yes and no. I think, last quarter Automation did good work and achieved this EUR 386 million total, then would we expect more growth? Of course, it would have been nice, but I'm sure that Automation team continues to work hard in creating growth in the coming year as well. Net sales grew to EUR 257 million, which was in line with our expectations.

In Automation business line about 68% came from Pulp and Paper and 32% from Energy and Process, and like we changed some time ago, our guide -- market outlook to good, and then the reason was that the market activity has increased in Energy and Process and that has materialized as well. So we have had good activity Energy and Process and we have had good activity in Pulp and Paper as well.

Geographically, you see that the Europe is still dominating. European market was doing well and of course, we still have opportunities to grow in Asia Pacific, in China and in South America. Like you see there, our -- we are not as strong as in other parts of our business.

Pulp and Energy. Orders increased -- orders received increased to EUR 1 billion exactly. And then, of course, it was nice that the last quarter or third quarter was good and last quarter was good as well. It included MAPA, but it included altogether also, included EUR 90 million of marine scrubber orders. And like we said earlier, in third quarter, we had about EUR 100 million, then marine scrubber business orders received was about EUR 190 million altogether for last year. So good development in Pulp and good development in Energy. Net sales ended up in EUR 863 million and that was in line with our expectations.

Then how the business is -- look from customer segment point of view. About 51% came from Energy and 49% came from Pulp. Pulp was growing compared to last year. Energy grew as well compared to last year. And there the growth came actually from marine scrubbers. So if you deduct marine scrubbers away, then our Energy, traditional boiler business, was about -- boiler and environmental systems without scrubbers was about EUR 300 million.

Geographically. Of course, South America grew because of MAPA order. But we are also happy that we got nice orders from Asia Pacific and China as well. So good development in that -- from that perspective as well.

In Paper, our orders received remained at last year's level and were about EUR 1,077,000,000. It was more than we expected in the beginning of the year, so market activity has been good. Our net sales was EUR 937 million, and it was in line with our expectations.

Paper business line. The biggest activity was in board. Like you see here, 64% of orders came from board. Tissue was 22% and -- which corresponds to about EUR 230 million and there was a decline compared to last year. And Paper was 15% of the order intake.

Geographically, north America was strong. Europe was strong. China was strong. In South America, we started to get tissue machine orders. Traditionally, we haven't been that strong in South America, now door is open. And Asia Pacific didn't have too much activity last year, but I'm especially happy with the fact that we are now more active in South American market. And of course, I'm happy that the market in Europe, China and North America were active.

So that was big overview of the business lines and now it's time for Kari to give some comments about the financial development.

Kari Juhani Saarinen ***Valmet Oyj - CFO***

Thank you, Pasi. So ladies and gentlemen. First quarter 4 in brief. So orders received were above EUR 1 billion. And this is now the highest quarter in 5 years, since quarter 1 2014. So that was the first quarter of Valmet.

Both stable business as well as capital business increased. During the quarter, capital orders were 59% of -- the quarter's orders, that's 10percent point increase from year ago. Order backlog is highest ever, EUR 2.8 billion. And then quarter's EBITA 11.5%. So actually that means that we exceeded our target range, 8% to 10%.

Then looking at a bit more detail here. So orders, orders received, those increased 41% to EUR 1,026,000,000 and records were broken here. So Automation had the highest quarter ever in orders. Services had the highest quarter 4 ever. Also Pulp and Energy orders actually were -- they were 3x higher than a year ago, in quarter 4. And our Paper business line reduced from quite high levels.

We had substantial increase in orders in South America, also Asia-Pacific and EMEA increased well. Our order backlog strong, as said, EUR 2.8 billion. This is a record as well. 75% of the order backlog will be recognized as revenue during this year. Last year, this was 80%. And then 25% of the order backlog is stable business and this is exactly the same as year ago.

Net sales, that increased by 2% to EUR 984 million. Here also record. Services net sales for quarter 4 EUR 366 million, that was the highest quarter ever, even though expecting still a bit higher. Automation, total net sales EUR 124 million, that's also highest quarter ever. So overall stable business developed well here.

And then, as said, comparable EBITA, 11.5%, EUR 113 million. This is 39% higher than previous year's EUR 81 million or 8.4%, which was not bad either. Quarter's EBIT that increased by 69% to EUR 102 million and was 10.4% of net sales.

Full year -- and then, full year. So full year orders increased 14%. Pulp and Energy almost 50% increase. Services in euros 6%. Automation 5%, and Paper business line plus 4%. Paper business line, again, exceeded EUR 1 billion level, and Pulp and Energy was exactly EUR 1 billion in orders for the year. Capital increased by 21% and stable by 6%.

Full year orders increased in all areas except China, which reduced 7%. And Pasi was already saying that, that previous year, China was strong, EUR 545 million and now then around EUR 500 million. Full year net sales increased 9%. Increase in capital 14% and stable business plus 4%. Areas increased in China, Asia Pacific and North America. EMEA was flat and South America reduced.

Comparable EBITA for the year EUR 257 million or 7.7%. This is 18% increase from previous year. So we are getting closer to our target range 8% to 10% here.

Earnings per share EUR 1.01, that's 25% increase from last year. Cash flow EUR 284 million. This same level as last year. And then gearing was -23%.

Gross profit and also then SG&A development. So gross profit for the quarter was 25%. So that was high. Stable, stable business had a strong closing of the year. So I already said that both Services and Automation net sales record-high quarter 4. Some projects had profitability improvements in the end of the year, meaning that we have some signs now also in the improvement project execution. Stable business share, 48% during the quarter, that's slight increase from our last year's 46%. And full year, our stable business was 46%.

SG&As. Those were slightly higher in euros. A lot of activities ongoing here in SG&As to develop Valmet further and to be a better company, Industrial Internet, IT transformation, ERP project and also -- we put also focus on R&D.

And then going further on to comparable EBITA development and here we have changed this slide a little. Showing now rolling 12 months' EBITA development. And here we can see that in the beginning of last year we ended up 7.1%, then we had a drop to 6.6% after quarter 1, and since that, we have now increased with the strong quarter 4, we are now 7.7% in 12 months' rolling.

Cash flow. So cash flow also highest quarter here and EUR 143 million. We had a slow start of the year, so first 2 quarters of the year were low and that's the reason why full year actually, is pretty much the same as previous year.

CapEx for the quarter, EUR 22 million. This is a bit higher than usual. So ERP project that's still ongoing for some time. And then also, during the year, in CapEx we improved our production capability. We also started to build up the new services workshop in Chile and also, then this ERP project is quite sizeable project for CapEx point of view.

Net working capital, EUR -474 million. So this is -13% of rolling -- 12 months' orders received. And this is the lowest net working capital quarter and with the contracts that are on percentage of completion revenue recognition, the revenue recognition method, the portion that has been invoiced- but revenue not recognized has increased, and that generates negative net working capital.

Net debt, EUR -219 million. Gearing -23%. So net debt is now less and gearing is now lower than what -- that it was before the acquisition of Automation. Equity to asset ratio also developed favorably, 43%. So last year, we were at 42%. And then capital employed and also then, comparable return of capital employed. So the comparable ROCE increased 4 percent points from 16% to 20% during the year. So here we are well within our target range. And then out of capital employed, 82% is equity.

So thank you very much. And also, before, Pasi summarizes. So on my behalf, I would like to thank everybody involved in the delivering this rock-solid quarter. And also thank the finance team for a world-class closing. Thank you.

Pasi Kalevi Laine ***Valmet Oyj - President & CEO***

Thank you, Kari. Then dividend proposal, guidance and short-term market outlook. So, dividend history has been that we -- from -- year '13; we paid, EUR 0.15; next year, EUR 0.25; then EUR 0.15 then EUR 0.42; and from 2017, EUR 0.55. And now Board of Directors is proposing to the AGM that Valmet would be paying EUR 0.65 per share. So, almost nicely EUR 0.10 increase year-after-year with one exception and we can't correct that anymore. So, now -- otherwise it would be nice but then one always makes a mistake somewhere. So but now it -- then it would be nice, if we had all the time EUR 0.10 increase. That's the proposal by the Board of Directors now.

Then our guidance, Valmet estimates that net sales in 2019 will remain at the same level as in 2018. And comparable EBITA in 2019 will increase in comparison with 2018. And I'm sure that you will have questions about that later on.

Then market outlook. In Services, we still see -- we have good market -- good workload situation and we see good activity. So we keep Services outlook as good. Automation, the same. Order intake was good. Workload is good. And we still have -- see good activity, both in Pulp and Paper and in Energy and Process, so there the outlook remains good.

In Pulp, we keep the outlook as satisfactory. And there the reason is that, we know that there are several big projects in development phase in Pulp, but we don't know when they will materialize and that's why we keep our outlook as satisfactory, which means that we have good enough work and good -- satisfactory workload situation and so on. But we are saying that it's too early to say when the -- a lot discussed, big Pulp mill project will proceed. So far that technology suppliers will be selected and will be getting the orders.

In Energy, we keep the satisfactory and try to open little bit why we are saying it and it's because last year order intake in boiler business, so without marine scrubbers, was about EUR 300 million, which was not at good level. And then of course, we have the marine scrubber extra business there on top, where activity last year was good. But as a summary, we still say that the outlook continues to be on a satisfactory level on -- for Energy.

Board and Paper. Order intake has been good. And we still have market activity, so there we keep the market outlook at good. And Tissue, like you heard earlier, order intake was EUR 230 million, comparing to the historical level it's good, but it's down from 2016 and down from 2017. And we see that the activity is not as high in coming 6 months and that's why we have reduced the outlook in Tissue side to satisfactory.

So summary. [inaudible], Stable business, orders increased exceeded or were EUR 1.7 billion. Capital was active, EUR 2,077,000,000. Net sales increased to EUR 3.3 billion. Backlog is good. Profitability increased to EUR 257 million and margin improved to EUR 7.7%. And like Kari explained, gearing was 23% (sic) [minus 23%]. So all in all, we can be reasonably happy with the performance of Valmet in 2018.

Calle Loikkanen ***Valmet Oyj - Director of IR***

All right. Thank you, Pasi, and thank you, Kari for the presentation. And now then let's continue with Q&A.

QUESTIONS AND ANSWERS

Calle Loikkanen ***Valmet Oyj - Director of IR***

As always, lets first start with any potential questions here in Espoo, Keilasatama. And then continue with questions over the phone lines.

So do we have, at this point, have any questions here in Keilasatama? It seems that we don't have any questions here right now. So let's continue with questions over the phone lines. So operator, please do we have any questions.

Operator

(Operator Instructions) The first question is from Manu Rimpelä.

Manu M. Rimpelä ***Nordea Markets, Research Division - Head of Equity Research of Finland & Senior Analyst***

You predicted correctly that we will have questions on the guidance. So I mean, I guess, same question as at the start of 2018, that why are you guiding sales to remain stable, if the backlog is up some EUR 150 million, which corresponds to almost 5% sales growth. And then, you also have end-market outlooks, which are good or satisfactory, suggesting that the kind of, you shouldn't see a major slowdown in demand in 2019. So please help explain that.

Pasi Kalevi Laine ***Valmet Oyj - President & CEO***

No, I can start, then Kari will continue. So like -- you said, exact, it's quite similar situation than last year and last year, market activity in first quarter, second quarter, especially in Paper were good. And that's why we were able to get quite a lot of revenue recognition from the new orders in 2018. And now we don't have that know-how yet, so that's why we still keep our guidance as stable.

Kari Juhani Saarinen ***Valmet Oyj - CFO***

Yes. And also, if we look at the backlog, so even though the balance is -- so that it's 75% is capital, 25% stable, but still we have some quite sizeable projects and it takes also then quite a long time to recognize the revenue on the backlog there. And then also, if we look at last year and we look at quarter 1, quarter 2, so we actually were able to win and we were able to start some projects quite early in the year and now we would need to do the same.

Manu M. Rimpelä ***Nordea Markets, Research Division - Head of Equity Research of Finland & Senior Analyst***

Okay. And then, a question on the margin. I mean, very impressive margin in the fourth quarter. And could you just help us to understand that what is actually the -- how does the bridge look from Q4 '17 to Q4 '18 because your margin is improving more than your sales. So is there are any bigger provision releases from well-executed projects that helps to explain this.

Kari Juhani Saarinen ***Valmet Oyj - CFO***

Yes. So first, we had the kind of business mix, so that 48% was stable; last year, it was 46%. Other thing that both stable business line, so meaning Services and Automation, had the record-high quarter. So quarter 4 for both of them was the highest ever. And then also, we had some -- so the project management and also then the projects overall, so they went quite well now and we even had some improvements in the end of the year.

Manu M. Rimpelä ***Nordea Markets, Research Division - Head of Equity Research of Finland & Senior Analyst***

And with the improvements, so do you mean that you were able to release provisions, which you haven't been able to do, for instance, in the fourth quarter of last year?

Kari Juhani Saarinen ***Valmet Oyj - CFO***

Well, it is so that projects were pretty much keeping the as-sold margins what we are having, so that the project execution was quite solid in the end of the year.

Manu M. Rimpelä ***Nordea Markets, Research Division - Head of Equity Research of Finland & Senior Analyst***

Okay. And then if you continue to execute solidly, so how do we kind of take into account when we think about that forecast for 2019, given that there was almost 300 basis points increase in the fourth quarter. I mean, if you could just help us to understand this project execution impact on the margin, would be very helpful.

Pasi Kalevi Laine ***Valmet Oyj - President & CEO***

I would, Manu, like we have -- we are saying when we have a bad quarter that, okay, we had some things and then we have a good quarter. So I would -- I myself read in a little bit longer term and not only one quarter and so. So thinking that how the profitability improved over the whole year and not to focus too much on only one quarter. Like Kari said, then of course, projects are closing maybe in the end of the year and then, if they are closed, then some releases are released and so on. So they are that kind of quarterly things which impact on quarterly profitability. It's better to look at that whole year profitability as a total. I don't know if Kari wants to add something.

Kari Juhani Saarinen ***Valmet Oyj - CFO***

Yes. That's right. And as said, we are getting close to our target range 8% to 10% now. So we are now 7.7%. And, Manu, I think that we can't guarantee this 300 basis point increase for the full year.

Pasi Kalevi Laine ***Valmet Oyj - President & CEO***

That was a joke.

Manu M. Rimpelä ***Nordea Markets, Research Division - Head of Equity Research of Finland & Senior Analyst***

Final question on Services. Can you comment on the -- I mean, we had a good order intake in 2018 and sales also accelerated. But can you comment about the kind of customer behavior, we know that pulp prices have come down somewhat, but are customers still producing and looking to do more services?

Pasi Kalevi Laine ***Valmet Oyj - President & CEO***

I think customers are producing and -- it's a interesting question about this. It can be also so that, if customers have a little bit shutdowns it might even help our services. So if the mills are running with full speed without any shutdowns then it might be difficult to see -- sell some mill improvement projects. So I think customers are running at a well-enough level. And I think they have reasonably good confidence in 2019. So I haven't heard about too big uncertainty yet.

Operator

The next question --.

Calle Loikkanen ***Valmet Oyj - Director of IR***

Yes, operator. I guess, we are ready for the next question. So please allocate that to the next one on line.

Operator

Okay. Hold on, sir.

Pasi Kalevi Laine ***Valmet Oyj - President & CEO***

Maybe our presentation was close to perfect, or Manu's questions were the ones everybody else wanted to ask as well.

Operator

Apologize for the delay. The next question is from the line of Johan Eliason.

Johan Eliason ***Kepler Cheuvreux, Research Division - Analyst***

I do have some additional questions, actually. Now the margin again. Two years ago, when you sort of had a very good 9% plus margin, if we adjust for a project miss there, you were at pains to explain to us that we shouldn't expect this and obviously the margins came in lower in the following year. Now I don't hear the same sort of cautiousness regarding the margin, apart from, yes, all stars were aligned in the quarter and the mix was good. What has changed? Is -- are we in a better pricing environment now? Is that the main explanations? Or have you done a lot on the cost side to get things running smoothly? Or why do you seem to be more confident on the margin outlook as basically your guidance is implicitly saying now that you do expect margins to move even higher for 2019 or by -- not for Q4 '19.

Pasi Kalevi Laine ***Valmet Oyj - President & CEO***

I think, I'm commenting on the yearly numbers and then, Kari can help with the quarterly, if he wants, but and of course, also on the yearly numbers. But I think the result of ending up at 7.7% is the main topic. And it's a result of the continuous work what we have been doing with our must-wins. One is of course, to try to push the sales prices up where it's possible. And then of course, if we push too much then we start to lose. So one has to have reasonable goals there. Then we have continuously, had R&D programs where we try to reduce the cost of our products. And of course, we also, on that topic, still have a lot to do, but it's paying a little bit off. Then we have had programs to improve our project management. It has been improving. Then quality costs have been reducing a little bit. Kari, can have even the numbers here. And then procurement costs have -- savings have been proceeding as well. But like we have earlier been saying, quite often what we save in procurement goes already in the end negotiations. So the one who benefits is our customers and of course, us, by getting the deals. But with all these things what we have been doing, we have been improving the profitability. And of course, we believe that the same tools will have an effect in year 2019 as well.

Kari Juhani Saarinen ***Valmet Oyj - CFO***

Yes. So if we look at the procurement savings, so we were more than 3.5% procurement savings, but as Pasi said, so a big piece goes to customers. Also quality costs, we have -- we had some positive development there as well. And then also, if we look at the Services and Automation, or stable business development, so Services growth 6% in euros and in comparable currency that's actually 10% growth. So it was very, very good growth in Services. And then Automation, also there the growth was more than 7% in comparable currency.

Pasi Kalevi Laine ***Valmet Oyj - President & CEO***

And like we have been saying that for Valmet to improve profitability, both stable business and capital business have to improve the profitability and that was the case in 2018 as well.

Johan Eliason ***Kepler Cheuvreux, Research Division - Analyst***

Okay. And on the stable business, is the main explanation that you finally got the growth going there you think, or are there other sustainable actions that you have taken in Services and Automation as well?

Pasi Kalevi Laine ***Valmet Oyj - President & CEO***

The same tools what we have in all must-wins, so of course, they imply to stable business as well.

Johan Eliason ***Kepler Cheuvreux, Research Division - Analyst***

Good. Then a final question on scrubbers. Pretty good orders, EUR 90 million in this quarter as well, it's basically in line with one of the perceived market leaders, Alfa Laval, for example. You have satisfactory outlook for Energy, which I understand is a mix of continued good for scrubbers and weak for the power side. How does it look like with your scrubber supply capacity? Can you still sell scrubbers with '19 deliveries or are we into 2020 if shipowner comes and asks you today?

Pasi Kalevi Laine ***Valmet Oyj - President & CEO***

We are more 2020. And to be honest, I think, our history with scrubber business is so short that it's little bit difficult for us to give the guidance and development of the market situation. But we can still, maybe, sell a couple of scrubbers in 2019 deliveries, but most will go to 2020. And then what we see there also is that there are more players coming into this scrubber market. So there are Chinese companies entering it as well and many others so. I will say that the scrubber market develops like we have been saying, that there will be more players on the market. So it's not a game, where only 2 to 3 to 4 companies are active.

Operator

And the next question is from the line of Antti Suttelin.

Antti Suttelin ***Danske Bank Markets Equity Research - Head of Research of Finland***

Tissue, if I've looked correctly, Tissue orders fell already in 2018 by 35%, and you are now cutting the guidance. Does this mean that you expect another fall in orders for this year in 2019?

Pasi Kalevi Laine ***Valmet Oyj - President & CEO***

Of course, I can't say exact number, but like -- like we say, that 50% is coming from the -- our own capacity utilization, 50% from the market. And with this fact that we have been able to deliver also years when the order intake has been -- not the revenue, but the order intake has been over EUR 300 million, then of course, it's clear that the our capacity would be higher than what we currently have as order intake. Then is EUR 230 million good or bad year? I think if you take 5 to 7 years' trend then EUR 230 million is good. And then if you take 3 last years, EUR 230 million is the worst year. And then, we expect that the -- Then another thing still, that in Tissue the market is such that projects come pretty quickly. So the visibility in that market is actually less than in other markets. So decisions are -- if you sell machines where the price is EUR 15 million to EUR 30 million, then the preparation time from customers' perspective is smaller than when you sell big machines. And that means that the visibility is less. So currently, we say that the outlook is satisfactory. Then, can it turn during the year? Yes, it can. And then, are we worried that it will continue to drop a lot? I'm not worried about it yet.

Antti Suttelin ***Danske Bank Markets Equity Research - Head of Research of Finland***

Okay. And then, the pulp market. I mean, given all the signs it's kind of surprising that you still keep satisfactory outlook. What do you need? Do you need to have the papers signed before you upgrade the guidance there or when do you plan to do that?

Pasi Kalevi Laine ***Valmet Oyj - President & CEO***

When we are sure that big projects will go ahead in the estimated or in that time what we use in our market outlook.

Antti Suttelin ***Danske Bank Markets Equity Research - Head of Research of Finland***

Yes, which is 6 months.

Pasi Kalevi Laine ***Valmet Oyj - President & CEO***

Yes, which is 6 months.

Antti Suttelin ***Danske Bank Markets Equity Research - Head of Research of Finland***

Okay. And then finally, could you talk about the quality cost development. Was the fourth quarter a quarter where you had -- no quality costs, because otherwise I can't understand how the margin could improve so much.

Kari Juhani Saarinen ***Valmet Oyj - CFO***

Well, Antti, actually I don't have the quarterly figures here. So this is now the annual figure -- annual quarterly --quality costs actually reduced from last year. So that's the point. And then, if we are saying that the project -- we had some project improvements now in fourth quarter, so in that sense, there was positives, but we are not categorizing those as positive quality costs.

Pasi Kalevi Laine ***Valmet Oyj - President & CEO***

And still, Antti, one comment that in last quarter, both capital business and stable business improved profitability. So it came from both sides.

Antti Suttelin ***Danske Bank Markets Equity Research - Head of Research of Finland***

Yes. And within capital, was it Paper or was it even the Pulp?

Pasi Kalevi Laine ***Valmet Oyj - President & CEO***

It was capital.

Antti Suttelin ***Danske Bank Markets Equity Research - Head of Research of Finland***

Okay. And how much was that quality cost in 2018, if you -- do you have that number?

Kari Juhani Saarinen ***Valmet Oyj - CFO***

That's around 2.5% of revenue.

Pasi Kalevi Laine ***Valmet Oyj - President & CEO***

Or 2.4%.

Kari Juhani Saarinen ***Valmet Oyj - CFO***

2.4%.

Antti Suttelin ***Danske Bank Markets Equity Research - Head of Research of Finland***

2.5%?

Kari Juhani Saarinen ***Valmet Oyj - CFO***

2.4%.

Operator

And there are no further questions, sir, over the phone, please continue.

Calle Loikkanen ***Valmet Oyj - Director of IR***

All right. Thank you very much, operator. This then concludes the event for today. Thank you very much for participating. Thank you for the questions, and thank you for the answers. And I wish you a really good rest of the day, and hope to see you all at the Q1 results presentation in late April. Thank you.
