

Orders received increased
in Services – focus
continues to be on
profitability improvement

Interim Review,
January–March 2015

April 29, 2015

Pasi Laine, President and CEO

Markku Honkasalo, CFO

Agenda

Interim Review, January–March 2015

- 1 Q1/2015 in brief
- 2 Business lines' development
- 3 Financial development
- 4 Guidance and short-term market outlook
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Q1/2015 in brief

Q1/2015 in brief



Orders received and net sales increased in services

- Services orders received increased compared with Q1/2014
- Net sales increased compared with Q1/2014 in Services



Orders received decreased and net sales increased in capital business

- Orders received decreased in Pulp and Energy, and Paper business lines from the high levels in Q1/2014
- Net sales increased in Pulp and Energy and decreased in Paper compared with Q1/2014



Order backlog at EUR 2.1 billion

- Order backlog EUR 66 million higher than at year-end 2014



Focus on profitability improvement

- Gross profit increased by EUR 16 million compared with Q1/2014
- SG&A¹ expenses increased by EUR 3 million compared with Q1/2014
- EBITA²-margin improved but is below targeted level



Strong balance sheet, negative cash flow provided by operating activities

- Net debt EUR -134 million, and gearing -17%
- Cash flow provided by operating activities EUR -20 million

1) Selling, general and administrative expenses before non-recurring items

2) EBITA = Earnings before interest, taxes and amortization and non-recurring items

Key figures Q1/2015

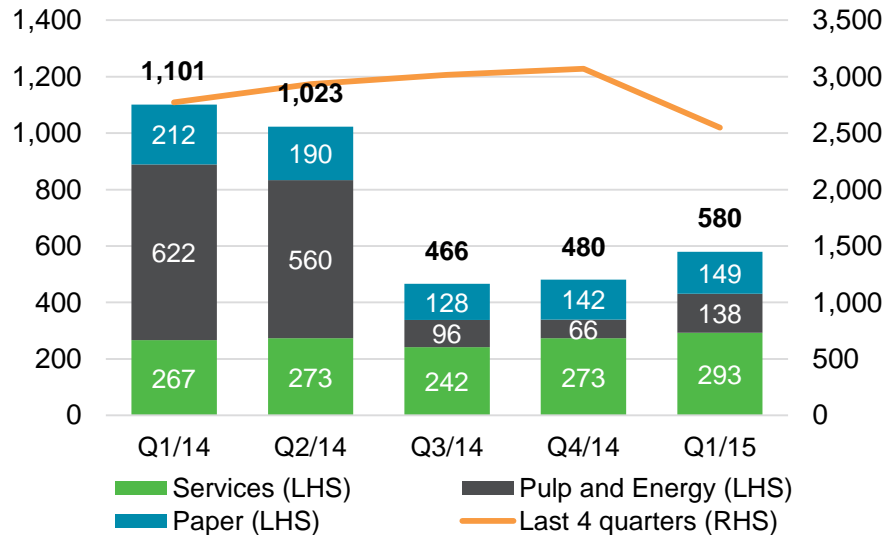
EUR million	Q1/2015	Q1/2014	Change
Orders received	580	1,101	-47%
Order backlog ¹	2,064	1,972	5%
Net sales	561	519	8%
EBITA ²	19	4	>100%
% of net sales	3.5%	0.7%	
EBIT ³	13	-8	
% of net sales	2.4%	-1.5%	
Earnings per share, EUR	0.05	-0.04	
Return on capital employed (ROCE), before taxes ⁴	6%	-2%	
Cash flow provided by operating activities	-20	43	
Gearing ¹	-17%	-5%	

Non-recurring items: EUR 0 million in Q1/2015 (EUR -6 million in Q1/2014)

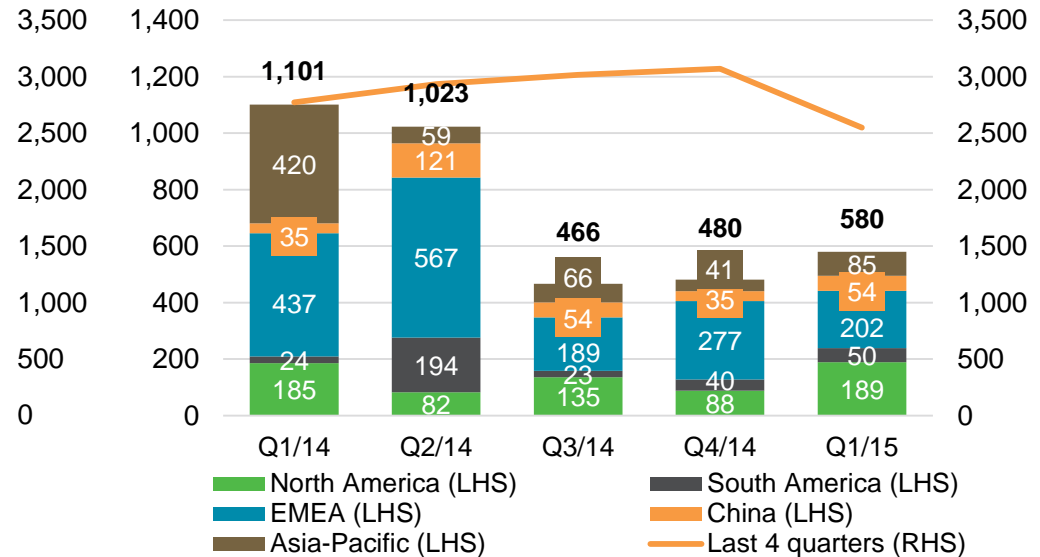
- 1) At the end of period
- 2) Before non-recurring items
- 3) After non-recurring items
- 4) Annualized

Orders received declined from the high level in Q1/2014

Orders received (EUR million),
by business line



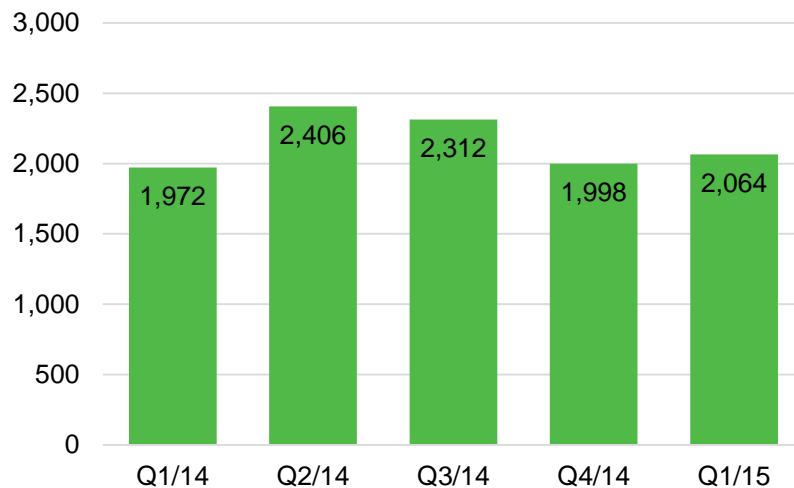
Orders received (EUR million),
by area



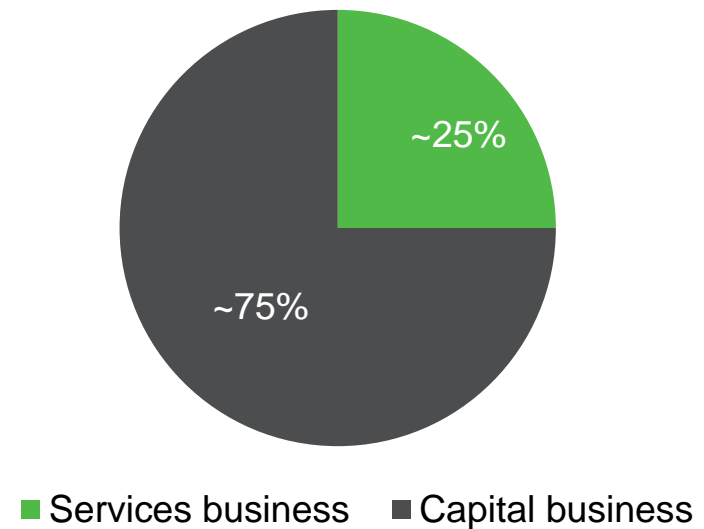
- Orders received increased in Services
- Orders received decreased in Pulp and Energy
- Orders received decreased in Paper
- Orders received increased in South America and China

Order backlog at EUR 2.1 billion

Order backlog (EUR million)



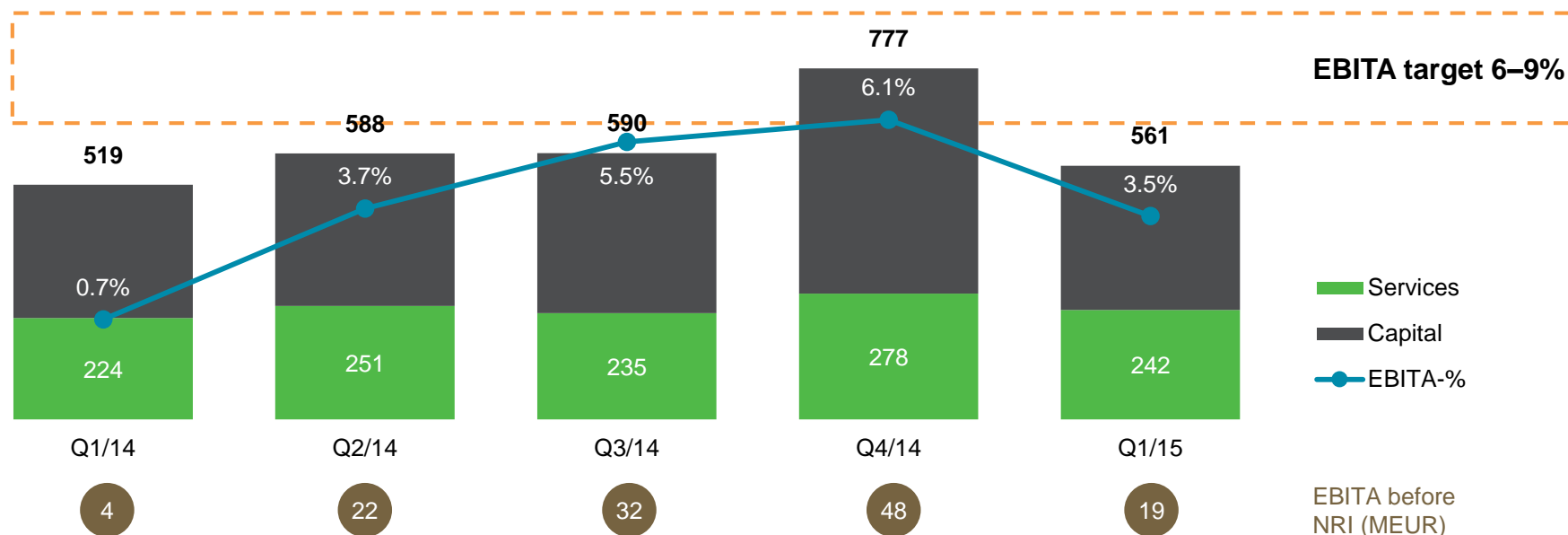
Structure of order backlog



- About 75% of the order backlog is currently expected to be realized as sales during 2015
- Approximately 25% of the order backlog relates to the Services business line

EBITA-margin increased compared with Q1/2014

Net sales and EBITA before NRI (EUR million)



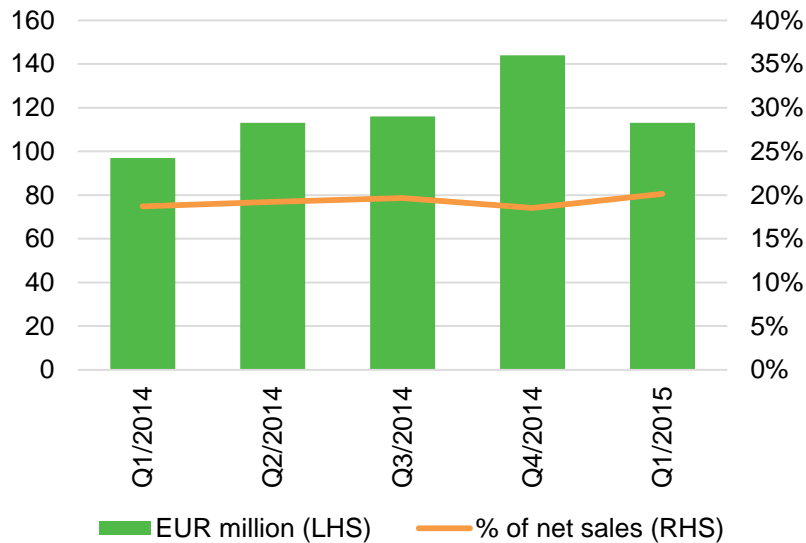
- Net sales and profitability increased compared with Q1/2014
 - Changes in foreign exchange rates¹ increased net sales by EUR 20 million and EBITA by EUR 1 million
- Exceptionally many POC² milestones in Q4/2014, while less in Q1/2015

1) Compared with the exchange rates for January–March, 2014

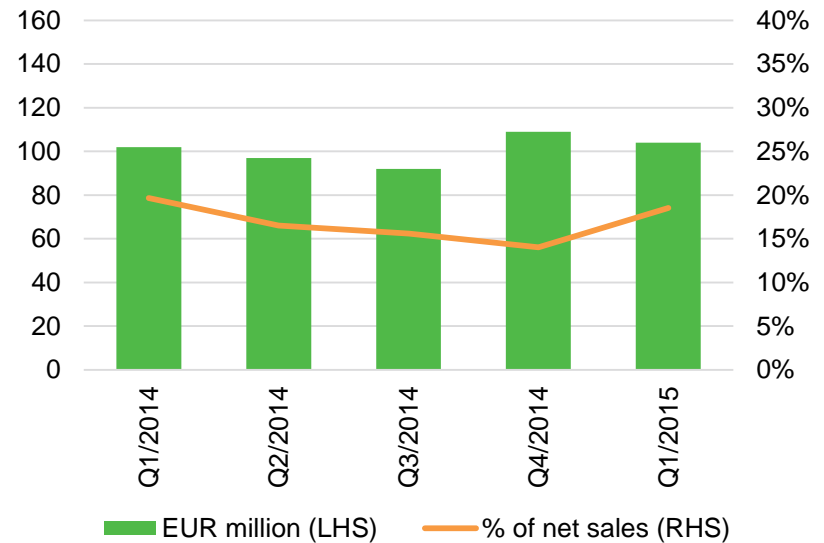
2) POC = Percentage of completion

Good development in gross profit

Gross profit (EUR million and % of net sales)



SG&A (EUR million and % of net sales)



- Gross profit increased
- Selling, general and administrative expenses (SG&A) increased EUR 3 million, due to changes in foreign exchange rates¹
- Further actions to improve gross profit through Must-Win implementation and renewal

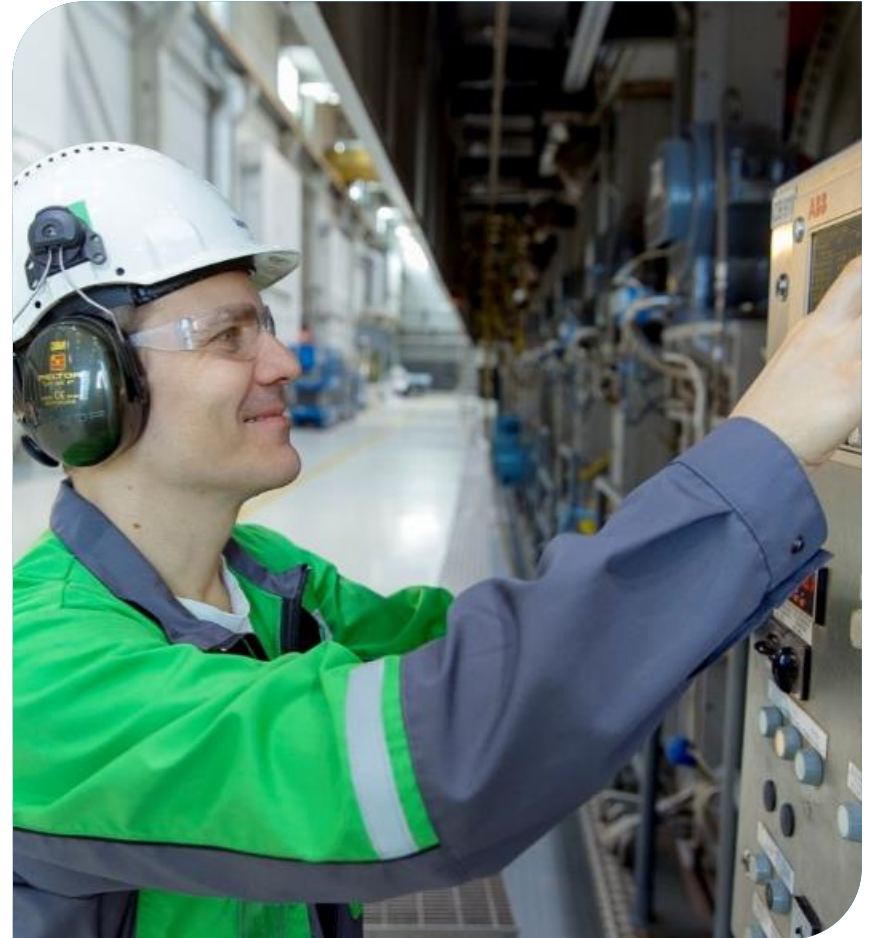
1) Compared with the exchange rates for January–March, 2014

Key Must-Win objectives to improve profitability to the targeted level of 6–9%

Improve project and service margin	Reduce quality costs and lead times	Savings in procurement	Improve product cost competitiveness to increase gross profit
<ul style="list-style-type: none">• Harmonization of processes• Localization of competencies• Better selection of sales cases• Development in project management	<ul style="list-style-type: none">• Common quality development approach• Quality tools and processes• Highlight the importance of quality initiatives and accountability	<ul style="list-style-type: none">• Increase sourcing from cost competitive countries• Increase use of sub-contracting• Consolidation of shipment and warehouse network	<ul style="list-style-type: none">• Focus on cost efficient design• Modularity and standardization

Automation is Valmet's fourth business line

- The acquisition was announced on January 15, 2015 and completed on April 1, 2015
- Enterprise value of acquisition EUR 340 million¹
- Automation is Valmet's fourth business line
- January–June Interim Review will include Automation



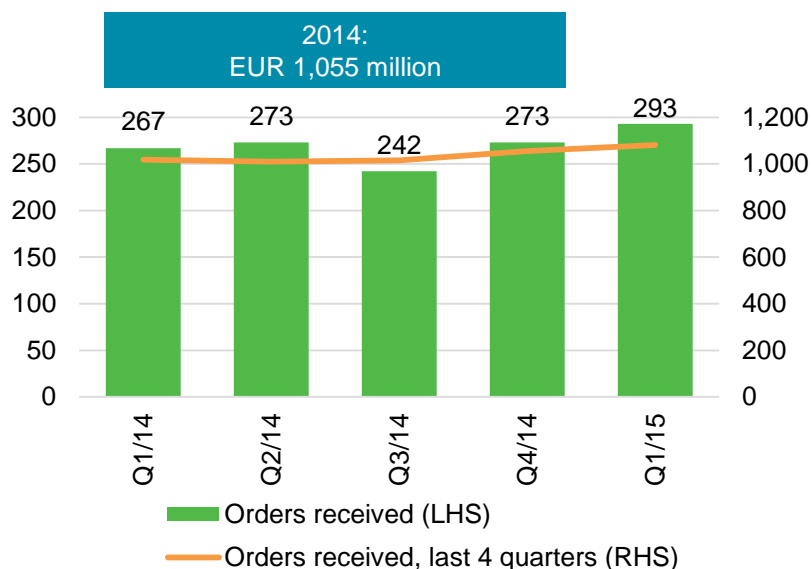
1) Refers to the debt-free enterprise value of the acquisition.



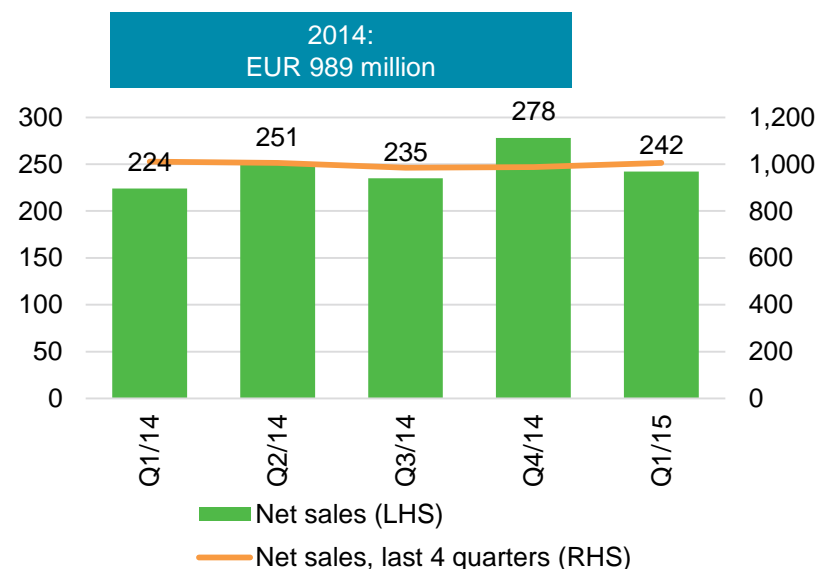
Business lines' development

Growth in orders received and net sales in Services

Orders received (EUR million)



Net sales (EUR million)



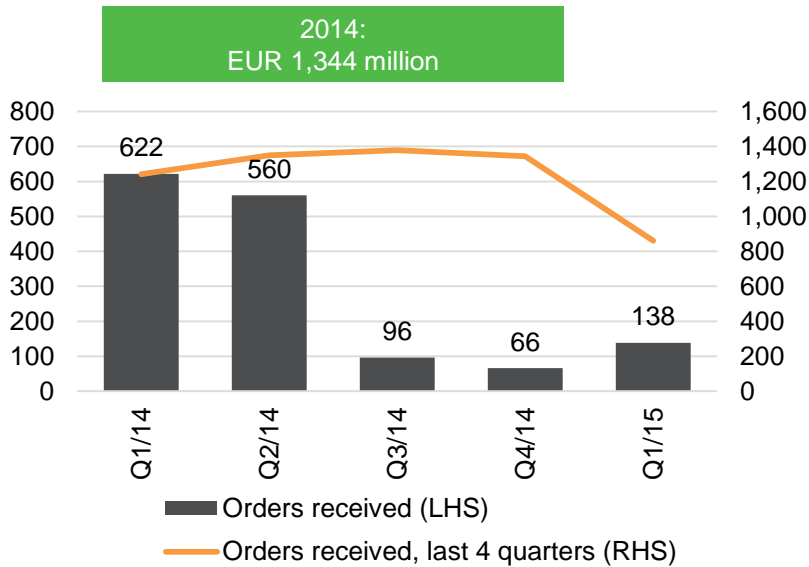
- Services orders received increased compared with Q1/2014
 - Orders received increased in North America, South America, EMEA and Asia-Pacific, and decreased in China
 - Orders received remained stable compared with Q1/2014 in Fabrics and increased in all other business units
 - Changes in foreign exchange rates¹ increased orders received by approximately EUR 16 million
- Net sales increased compared with Q1/2014



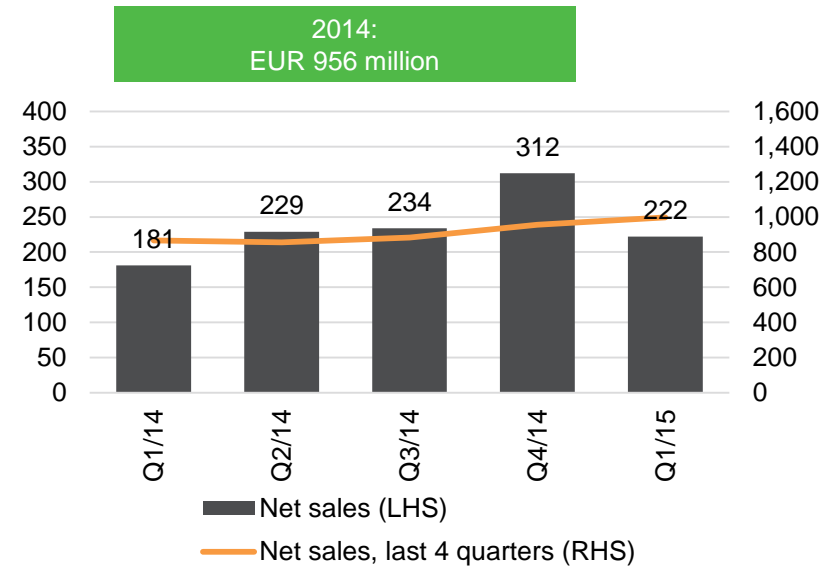
1) Compared with the exchange rates for January–March, 2014

Orders received decreased and net sales increased in Pulp and Energy

Orders received (EUR million)



Net sales (EUR million)

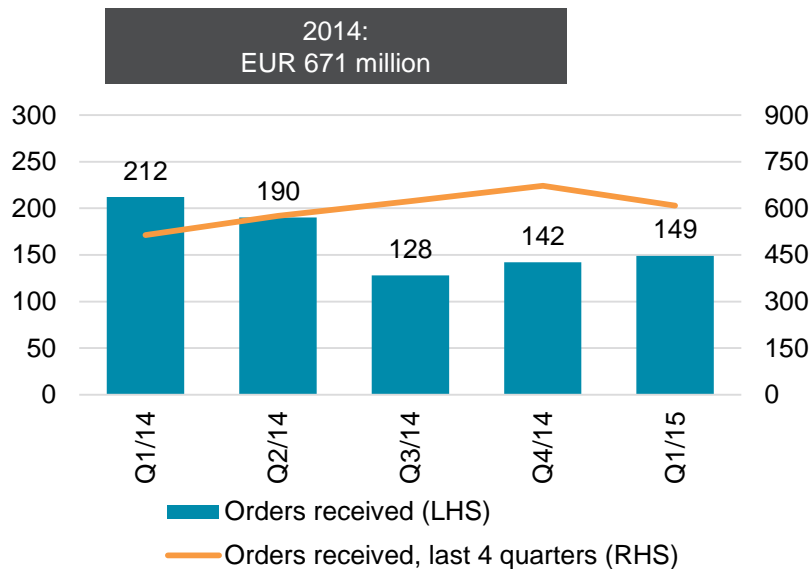


- Orders received decreased compared with Q1/2014
 - Orders received increased in South America and North America, and decreased in other areas
 - Orders received decreased in both Pulp and Energy
- Net sales increased compared with Q1/2014

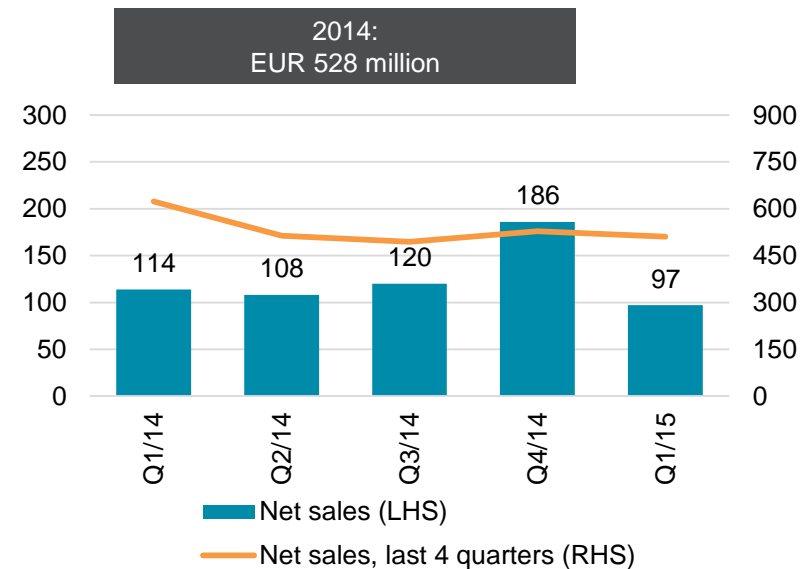


Orders received and net sales decreased in Paper

Orders received (EUR million)



Net sales (EUR million)



- Orders received decreased compared with Q1/2014
 - Orders received increased in China and South America and decreased in other areas
 - Orders received increased in Board and Paper, and decreased in Tissue
- Net sales decreased compared with Q1/2014
- Timing of POC¹ milestones had a negative impact on net sales in Q1/2015



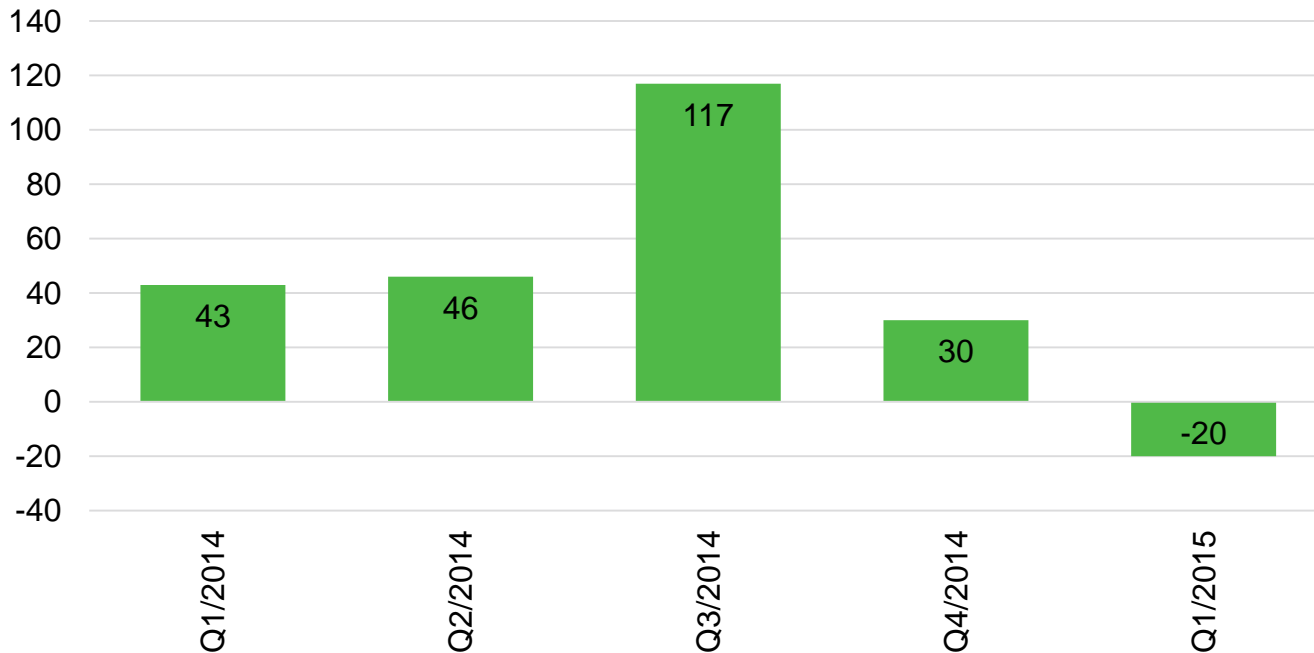
1) POC = Percentage of completion



Financial development

Cash flow provided by operating activities negative due to net working capital development

Cash flow provided by operating activities (EUR million)

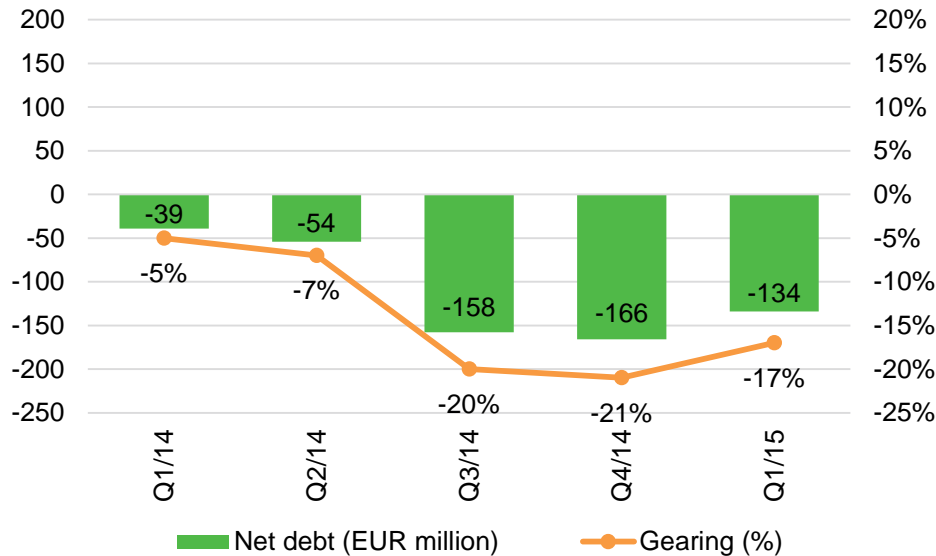


- Change in net working capital was EUR -49 million¹
- CAPEX less than depreciation

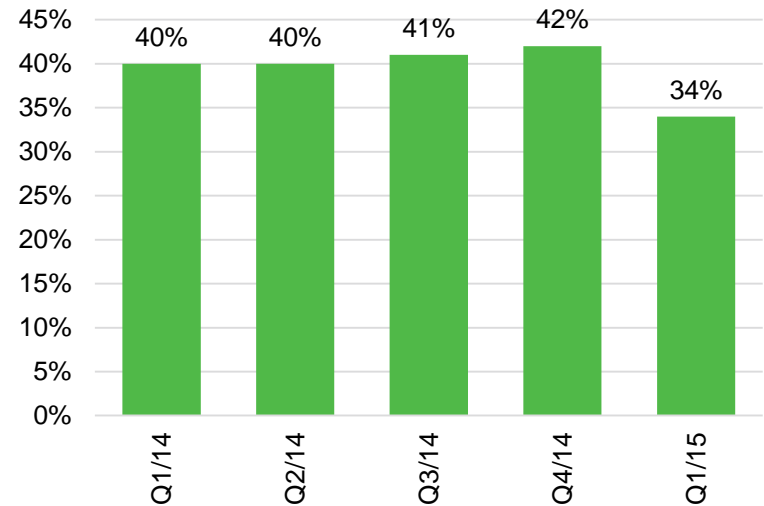
1) Change in net working capital in the condensed consolidated statement of cash flows

Strong balance sheet and negative gearing

Net debt (EUR million) and gearing (%)



Equity to assets ratio (%)

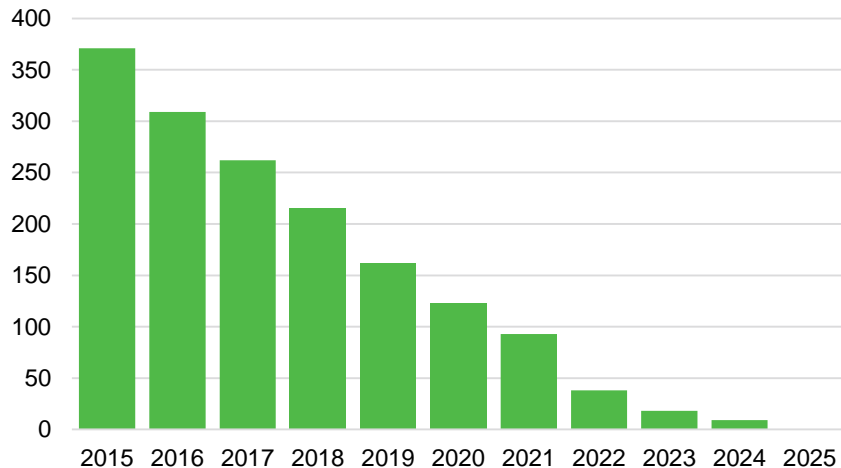


- Negative gearing (-17%) and net debt EUR -134 million
- Equity to assets ratio was negatively affected by drawn bank loans to finance the acquisition of Process Automation Systems, and by dividend payout decision of Annual General Meeting

Structure of loans and borrowings

Interest-bearing debt EUR 445 million as at March 31, 2015

Amount of outstanding interest-bearing debt (EUR millions)



- Average maturity of long-term loans is 4.1 years

Main financing sources

Amount	Lender
EUR 147 million	European Investment Bank
EUR 100 million	Skandinaviska Enskilda Banken
EUR 70 million	Swedish Export Kredit
EUR 95 million	Nordic Investment Bank

Back-up facilities

Amount	Outstanding
EUR 200 million syndicated revolving credit facility	EUR 0 million
EUR 200 million domestic commercial paper program	EUR 30 million



Guidance and short-term market outlook

Guidance and short-term market outlook

Guidance for 2015 (as given on February 6, 2015)


Guidance for 2015



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).

Short-term market outlook

		Q2/2014	Q3/2014	Q4/2014	Q1/2015
Services		Satisfactory	Satisfactory	Satisfactory	Satisfactory
Pulp and Energy	Pulp	Satisfactory	Satisfactory	Satisfactory	Good
	Energy	Satisfactory	Satisfactory	Satisfactory	Weak
Paper	Board and Paper	Good	Good	Good	Good
	Tissue	Satisfactory	Satisfactory	Satisfactory	Satisfactory
Automation		-	-	-	Satisfactory



Summary of Interim Review Q1/2015

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Interim Review January–June 2015

July 30, 2015

www.valmet.com/investors



Appendix

Largest shareholders on March 31, 2015

Based on the information given by Euroclear Finland Ltd.

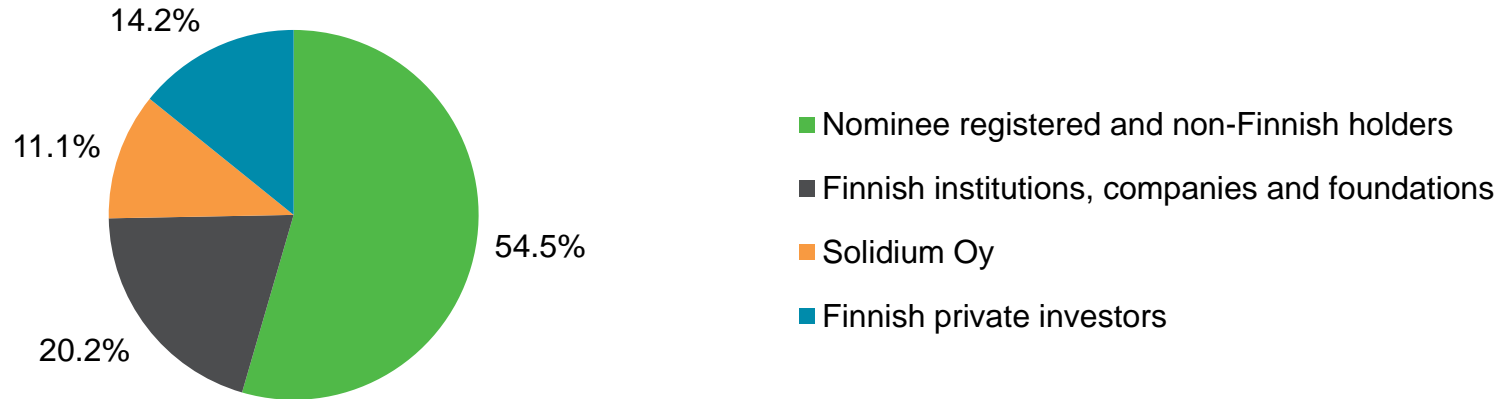
Largest shareholders

#	Shareholder name	Number of shares	% of shares and votes
1	Solidium Oy ¹	16,695,287	11.14%
2	Cevian Capital Partners Ltd.	10,323,191	6.89%
3	Nordea Funds	4,610,779	3.08%
4	Skagen Global Verdipapirfond	3,202,627	2.14%
5	Ilmarinen Mutual Pension Insurance Company	3,092,126	2.06%
6	Varma Mutual Pension Insurance Company	2,908,465	1.94%
7	The State Pension Fund	1,520,000	1.01%
8	Keva	1,502,166	1.00%
9	Mandatum Life Insurance Company Limited	1,237,307	0.83%
10	Skagen Global II Verdipapirfond	947,963	0.63%
	10 largest shareholders, total	46,039,911	30.72%
	Other shareholders	103,824,708	69.28%
	Total	149,864,619	100.00%

- The holding of Capital Partners Ltd. decreased on February 13, 2015 to 10,323,191 shares (previously 20,813,714 shares), corresponding to an ownership of 6.89% (previously 13.89%) of Valmet's shares.

1) A holding company that is wholly owned by the Finnish State

Ownership structure on March 31, 2015

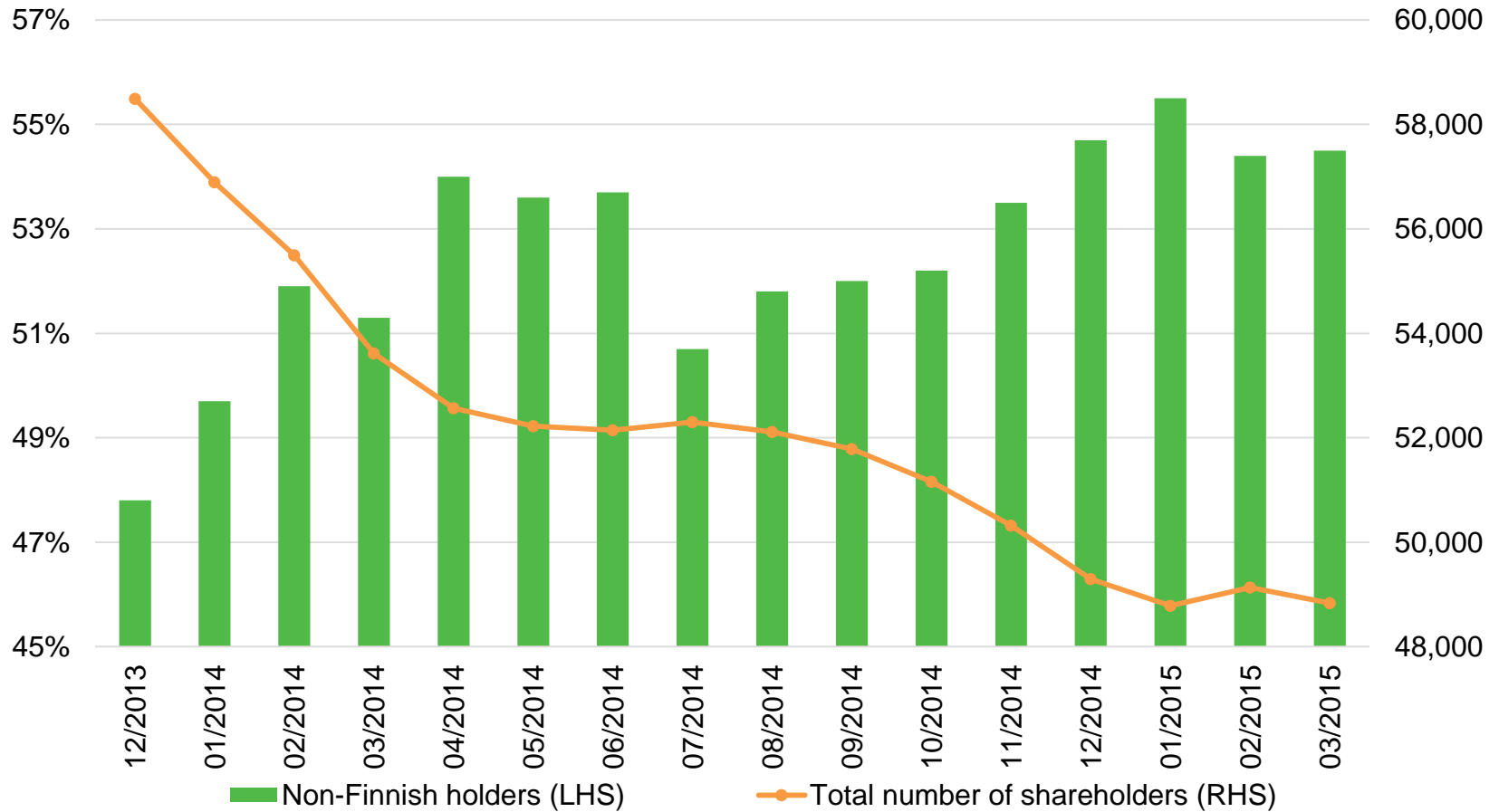


Sector	Number of shareholders	% of total shareholders	Number of shares	% of shares
Nominee registered and non-Finnish holders	308	0.6%	81,573,996	54.4%
Finnish institutions, companies and foundations	2,782	5.7%	30,453,836	20.2%
Solidium Oy ¹	0	0.0%	16,695,287	11.1%
Finnish private investors	46,044	93.7%	21,141,500	14.2%
Total	49,134	100.0%	149,864,619	100.0%

The ownership structure is based on the classification of sectors determined by Statistics Finland.

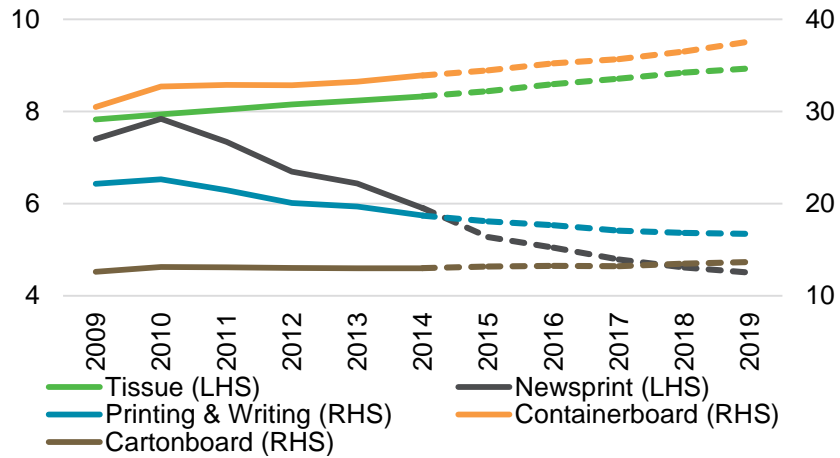
1) A holding company that is wholly owned by the Finnish State

Share of non-Finnish holders and number of shareholders

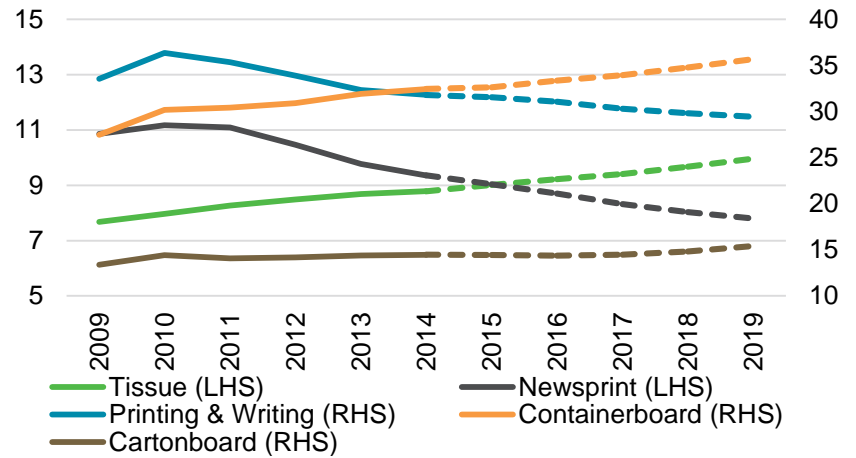


Paper, board, and tissue production trends

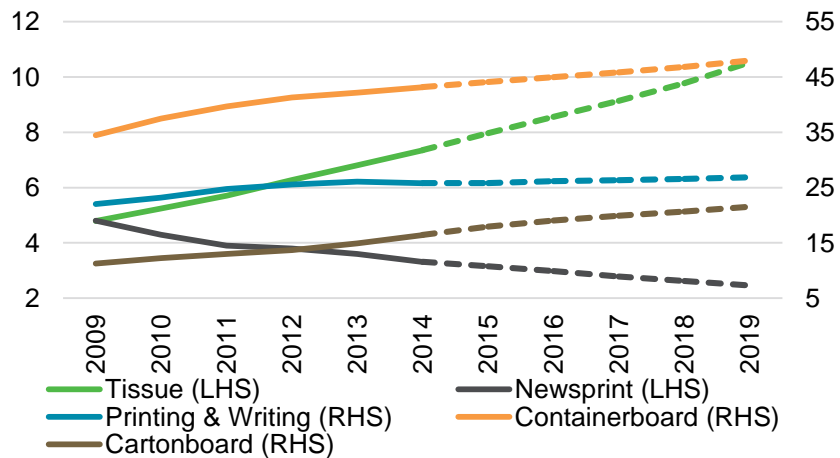
North America (million tonnes)



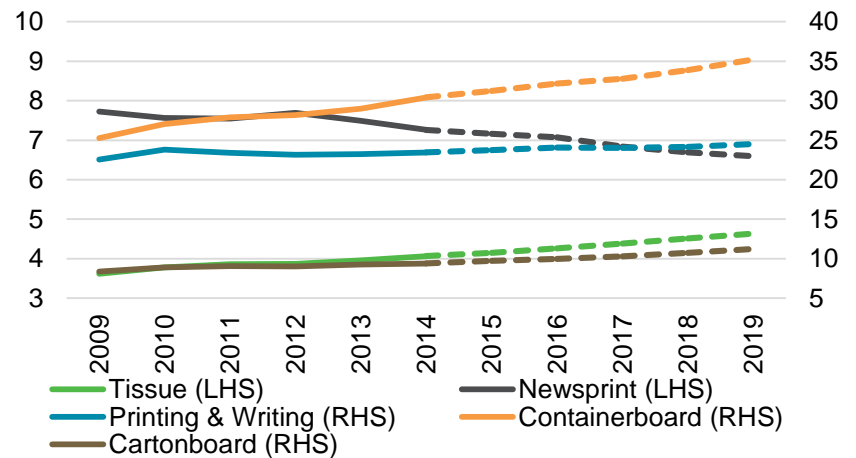
Europe (million tonnes)



China (million tonnes)



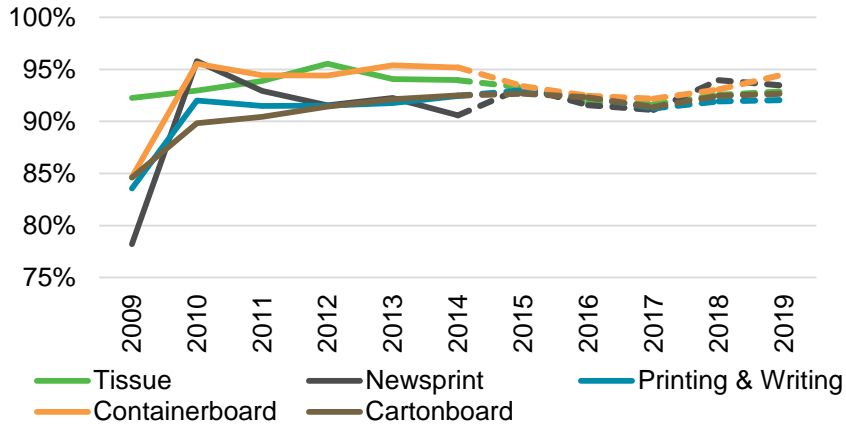
Asia-Pacific (million tonnes)



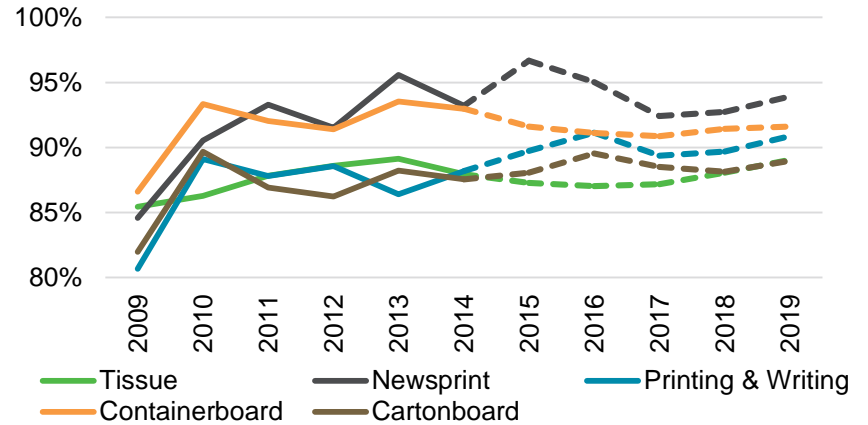
Source: RISI

Paper, board, and tissue operating rates

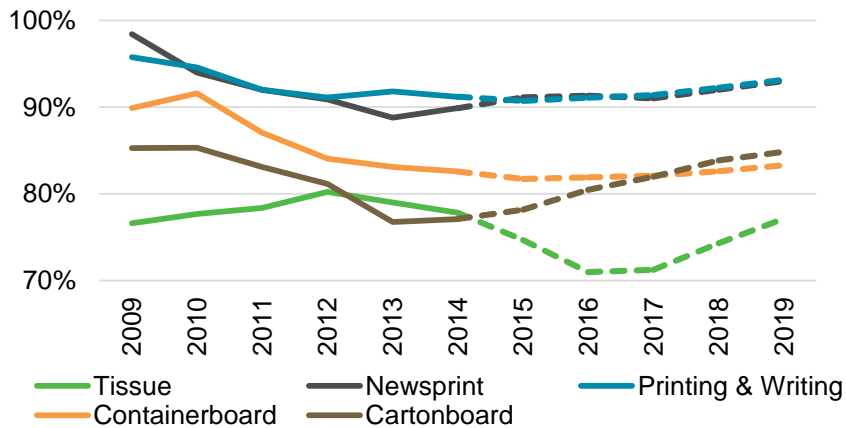
North America



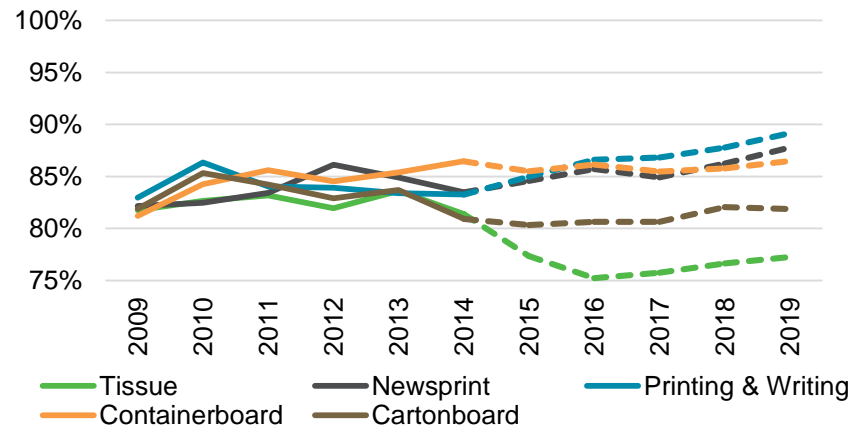
Europe



China



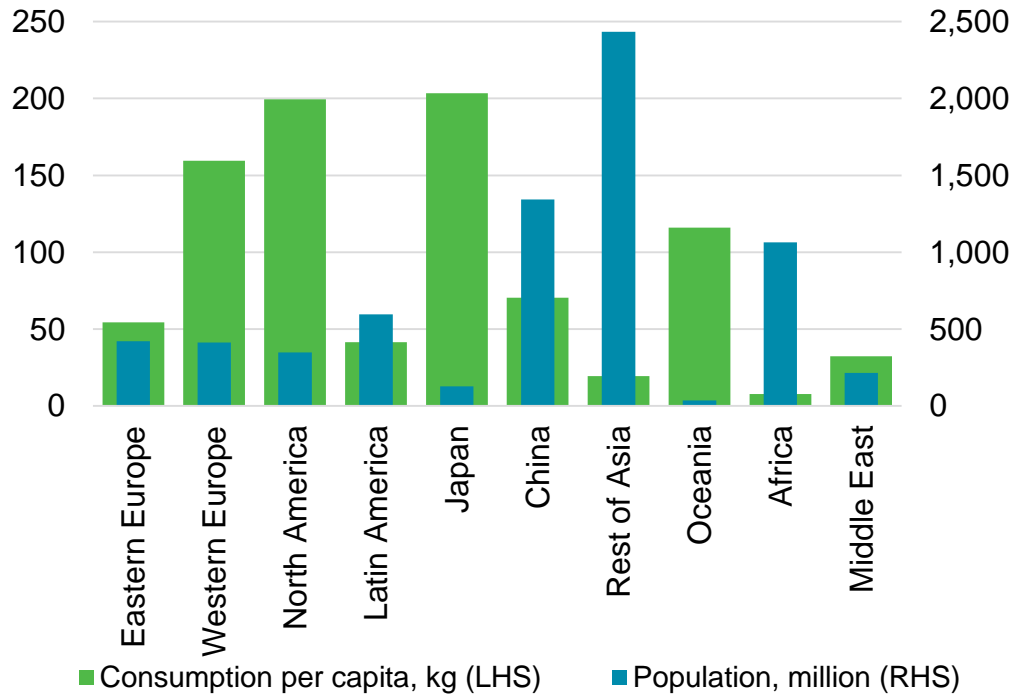
Asia-Pacific



Source: RISI

Paper and board consumption growth trends

Paper and board consumption per capita vs. population



Population growth in emerging markets is larger than in developed markets

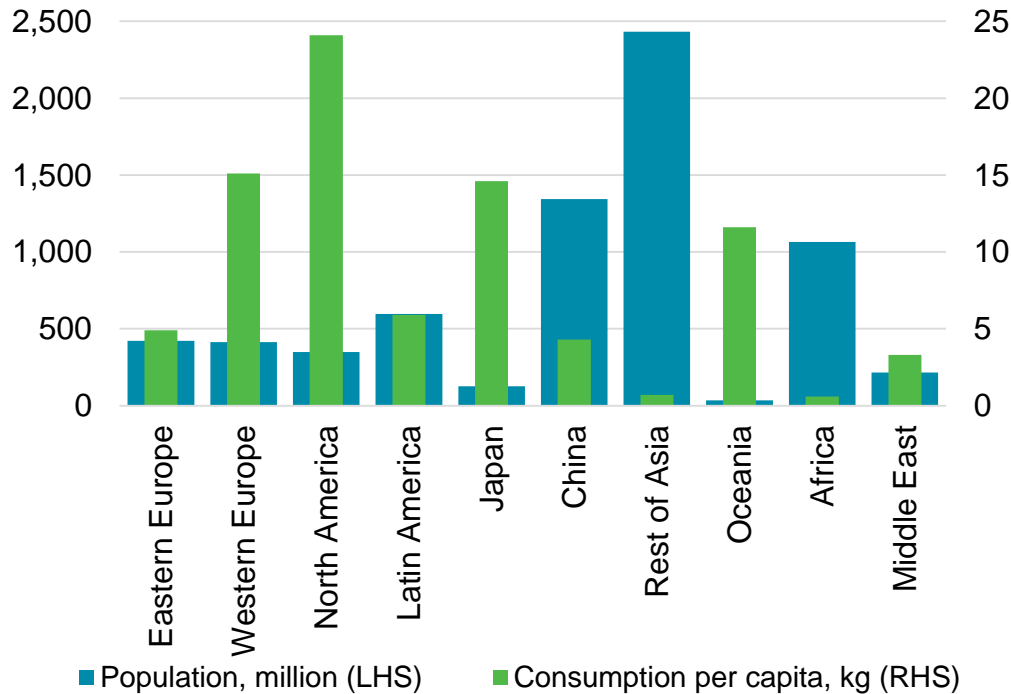
Level of consumption per capita in emerging markets clearly below that in developed markets

This offers us long-term growth potential

Average global consumption: 53 kg per capita

Tissue consumption growth trends

Tissue consumption per capita vs. population



Average global consumption: 4.5 kg per capita

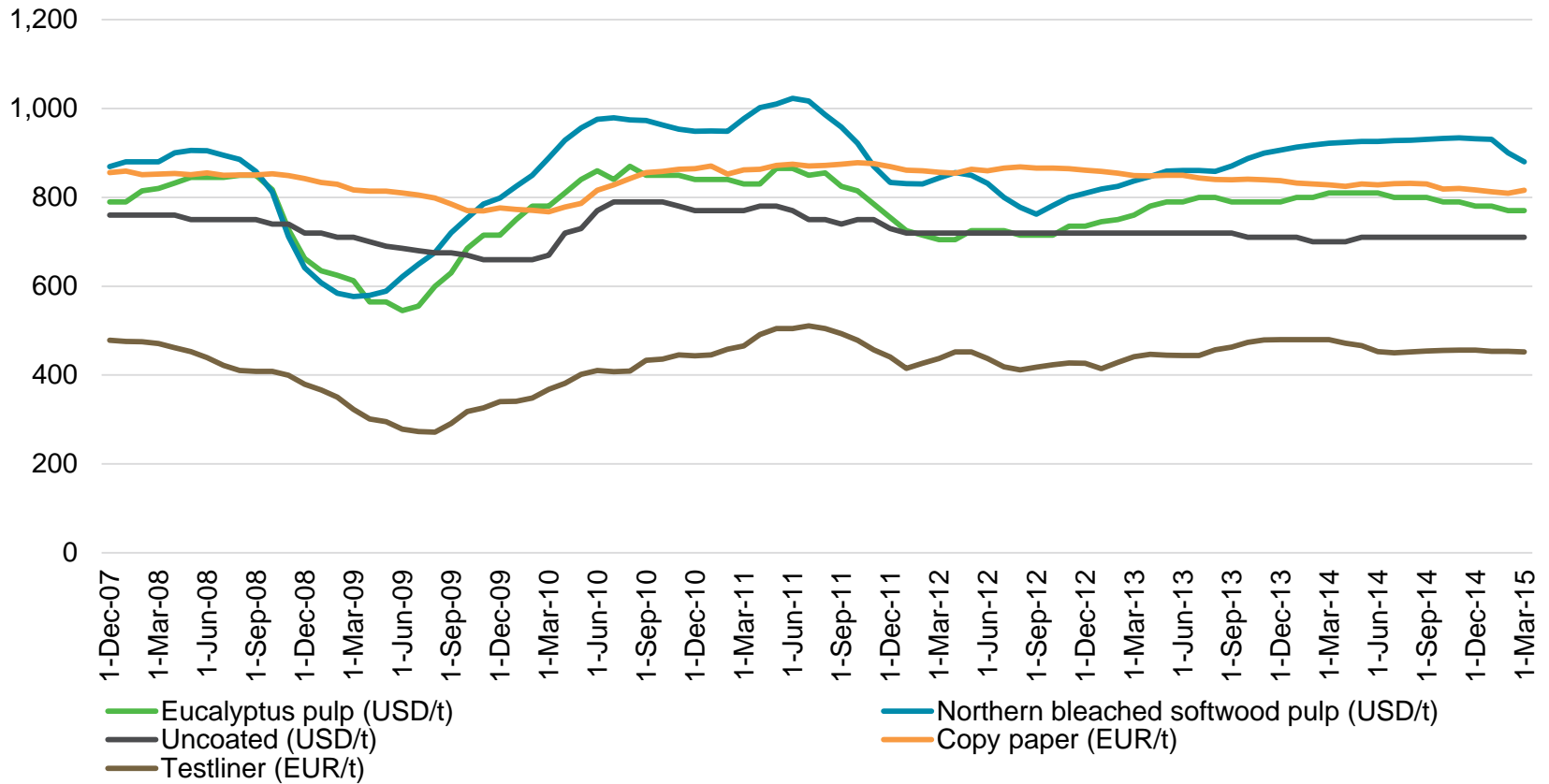
New products and consumption models based on tissue are helping increase consumption in developed markets

Consumption in emerging markets is still low, but growing

Offers us long-term growth potential in both developed and emerging markets

Source: RISI

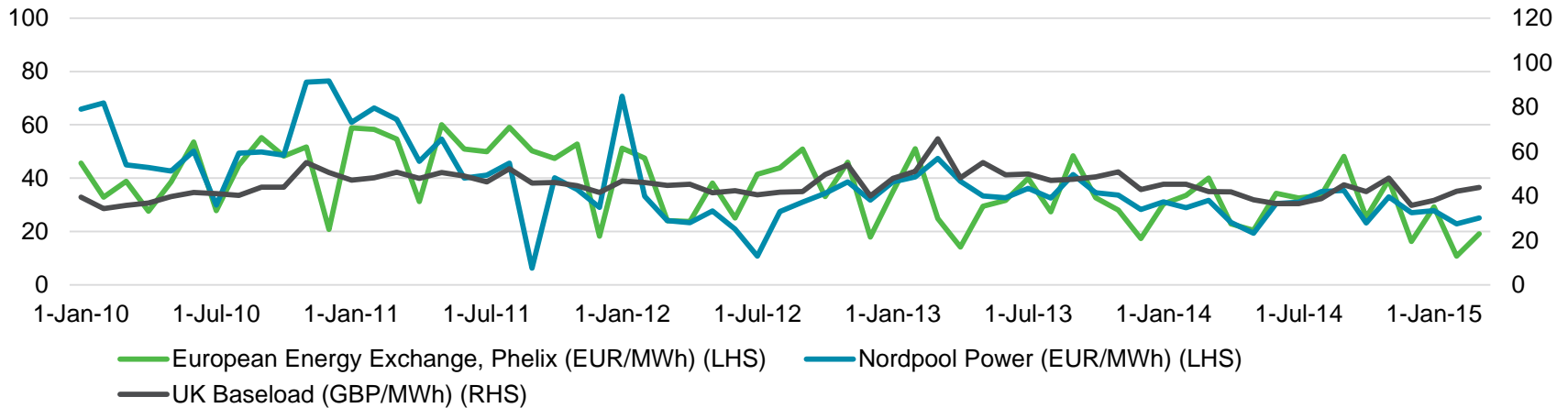
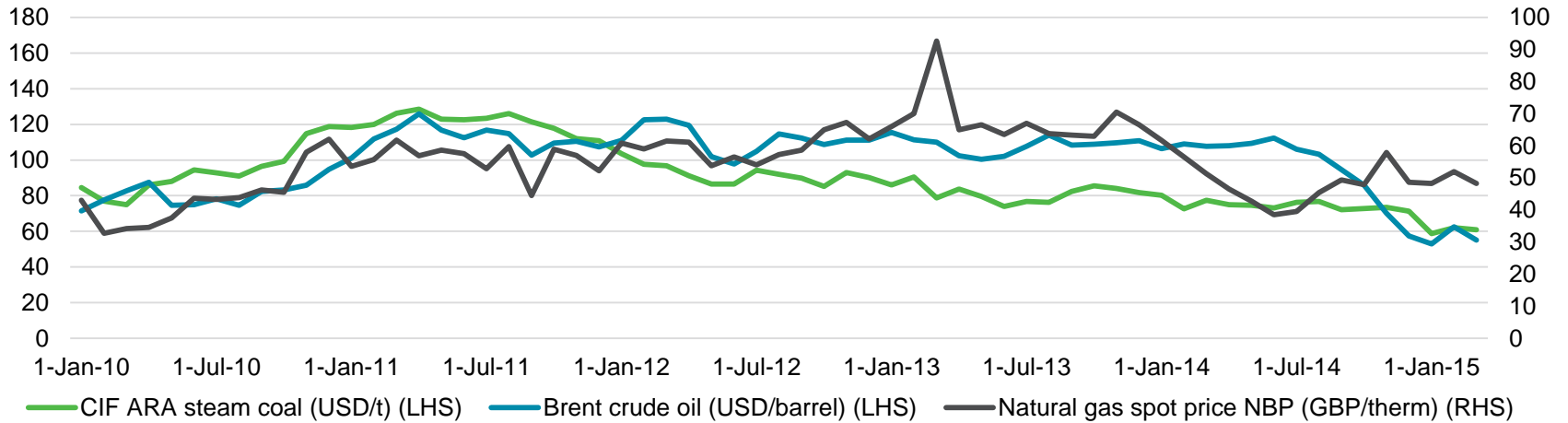
Pulp and paper price trends



Source: Bloomberg

Crude oil, steam coal, natural gas and electricity

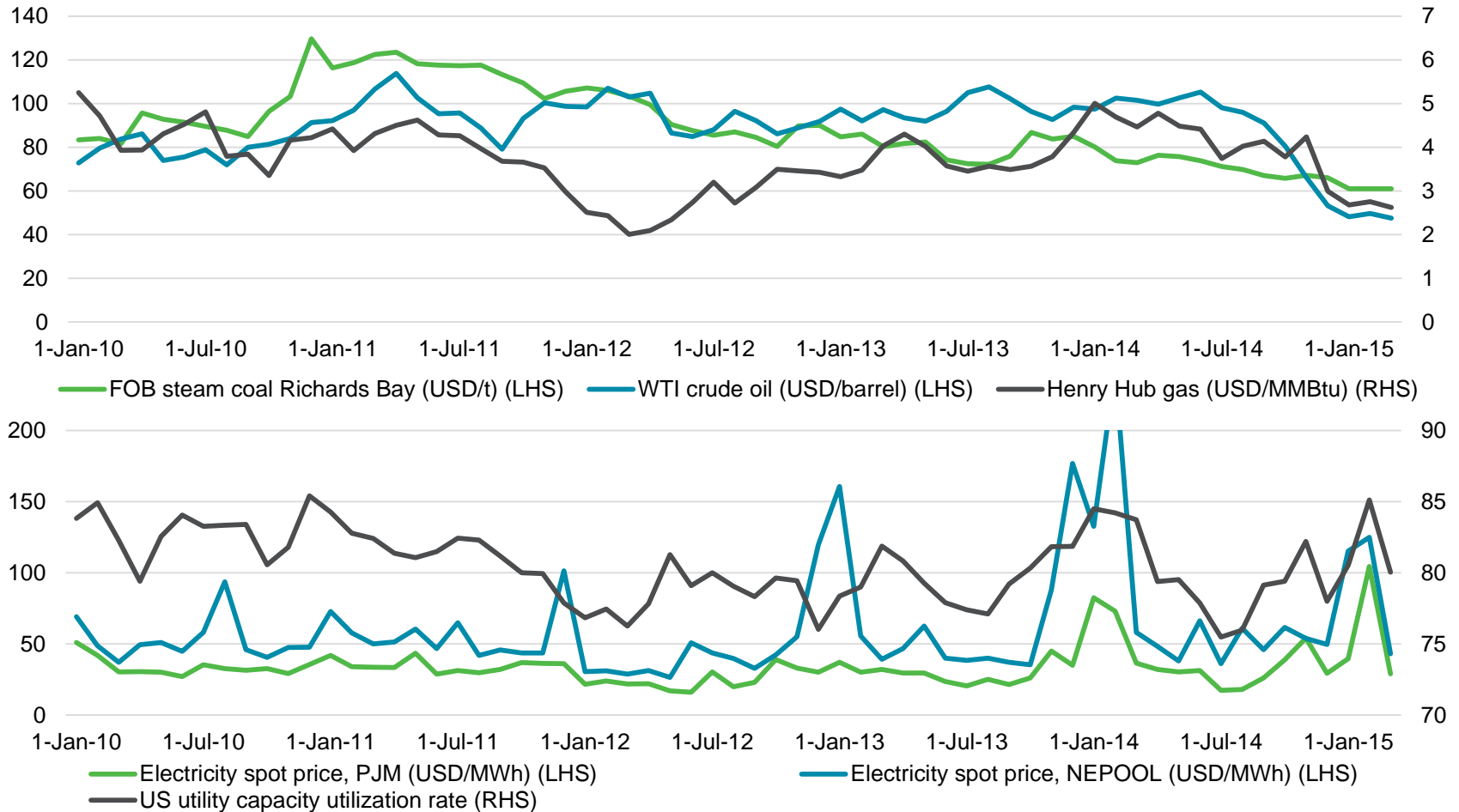
Europe



Source: Bloomberg

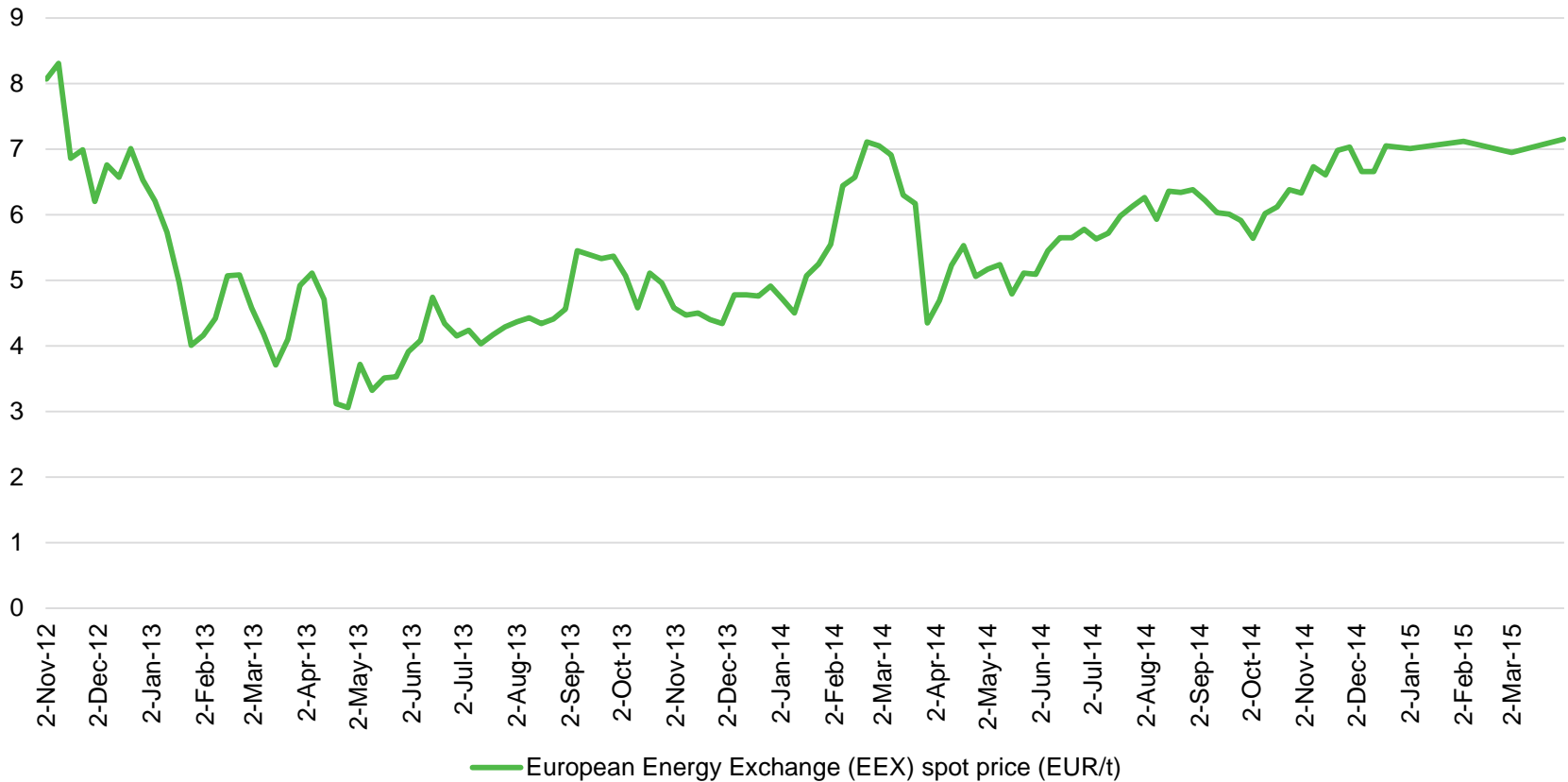
Crude oil, steam coal, natural gas and electricity

United States



Source: Bloomberg

European Carbon Emission Allowance



Source: Bloomberg

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