



Valmet – unique offering with
process technology, automation
and services

SEB Nordic Seminar
January 8, 2019

Agenda

Valmet roadshow presentation

1 Valmet in brief

2 Investment highlights

3 Financials

4 Conclusion



Valmet in brief

Key figures in 2017

Orders received
EUR 3,272 million

Net sales
EUR 3,058 million

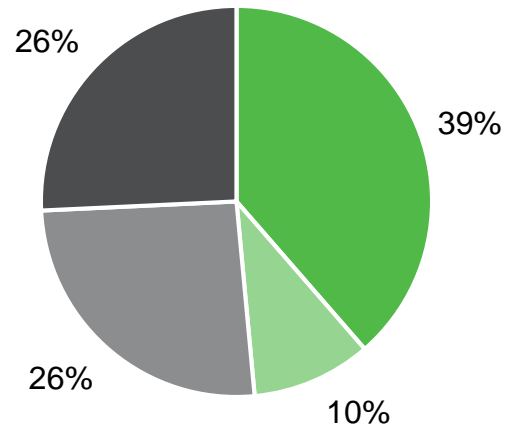
Comparable EBITA
EUR 218 million

Comparable EBITA margin
7.1%

Order backlog
EUR 2,458 million

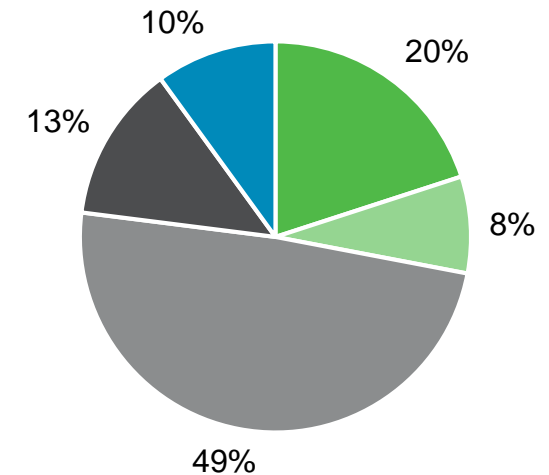
Employees
12,268

Net sales by business line



- Services
- Automation
- Pulp and Energy
- Paper

Net sales by area

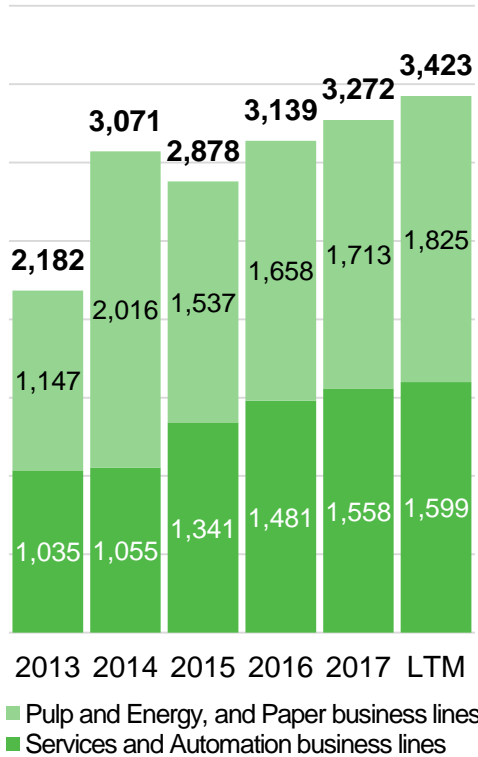


- North America
- South America
- EMEA
- China
- Asia-Pacific

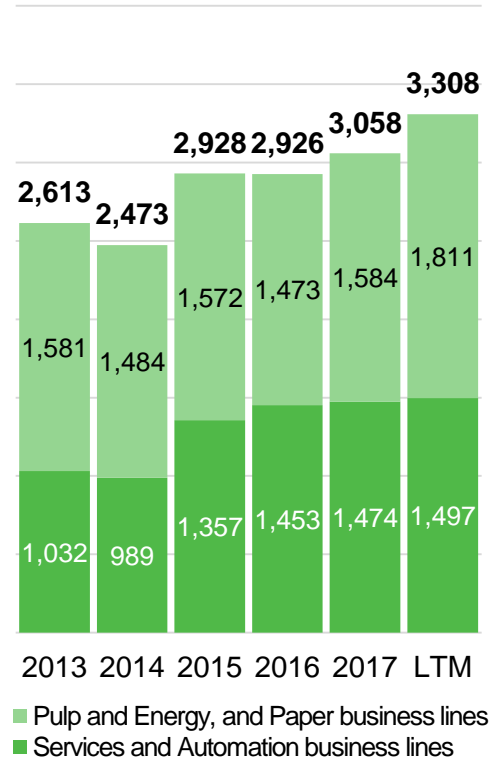
Valmet's development

Comparable EBITA target 8–10%

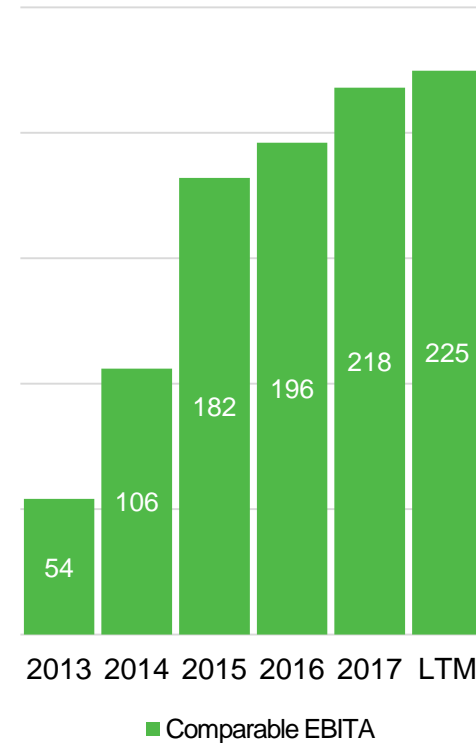
Orders received
(EUR million)¹



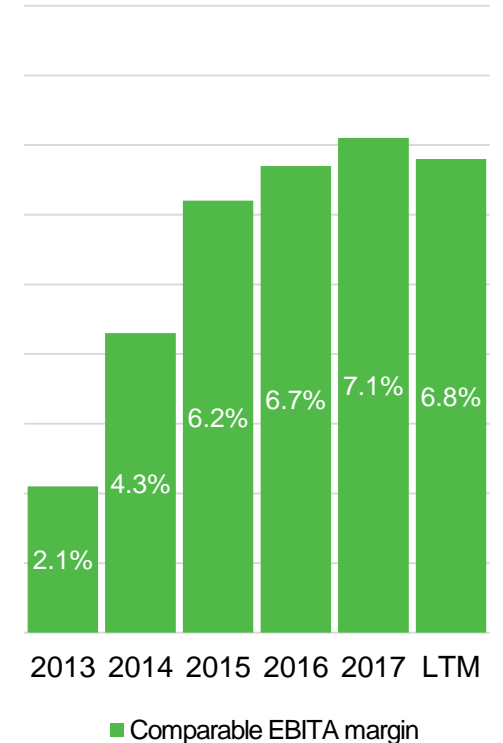
Net sales
(EUR million)¹



Comparable EBITA
(EUR million)¹



Comparable EBITA margin
(%)¹



¹⁾ 2013 figures on carve-out basis
LTM = Last twelve months (October 1, 2017 – September 30, 2018)

Unique offering with process technology, automation and services



Services

Mill and plant improvements, roll and workshop services, parts and fabrics, and life-cycle services



Automation

Supplies and develops automation and information management systems, applications and services



Pulp and Energy

Technologies and solutions for pulp production, power generation, and biomass conversion



Paper

Technologies and solutions for board, tissue, and paper

Valmet's way forward

Our Mission

Converting renewable resources into sustainable results

Our Strategy

Valmet develops and supplies competitive process technology, services and automation to the pulp, paper and energy industries.

We are committed to moving our customers' performance forward with our unique offering and way to serve.

Our Must-Wins

- Customer excellence
- Leader in technology and innovation
- Excellence in processes
- Winning team

Growth accelerators

- Field services
- Industrial Internet and digitalization

Our Vision

To become the global champion in serving our customers

Our Values



Customers

We move our customers' performance forward



Renewal

We promote new ideas to create the future



Excellence

We improve every day to deliver results



People

We work together to make a difference

Megatrends

- Resource efficient and clean world
- Digitalization and new technologies
- Urban, responsible and global consumer

Significant, customer focused research and development work

R&D focus areas

- Advanced and competitive technologies and services
- Raw material, water and energy efficiency
- Promotion of renewable materials

16

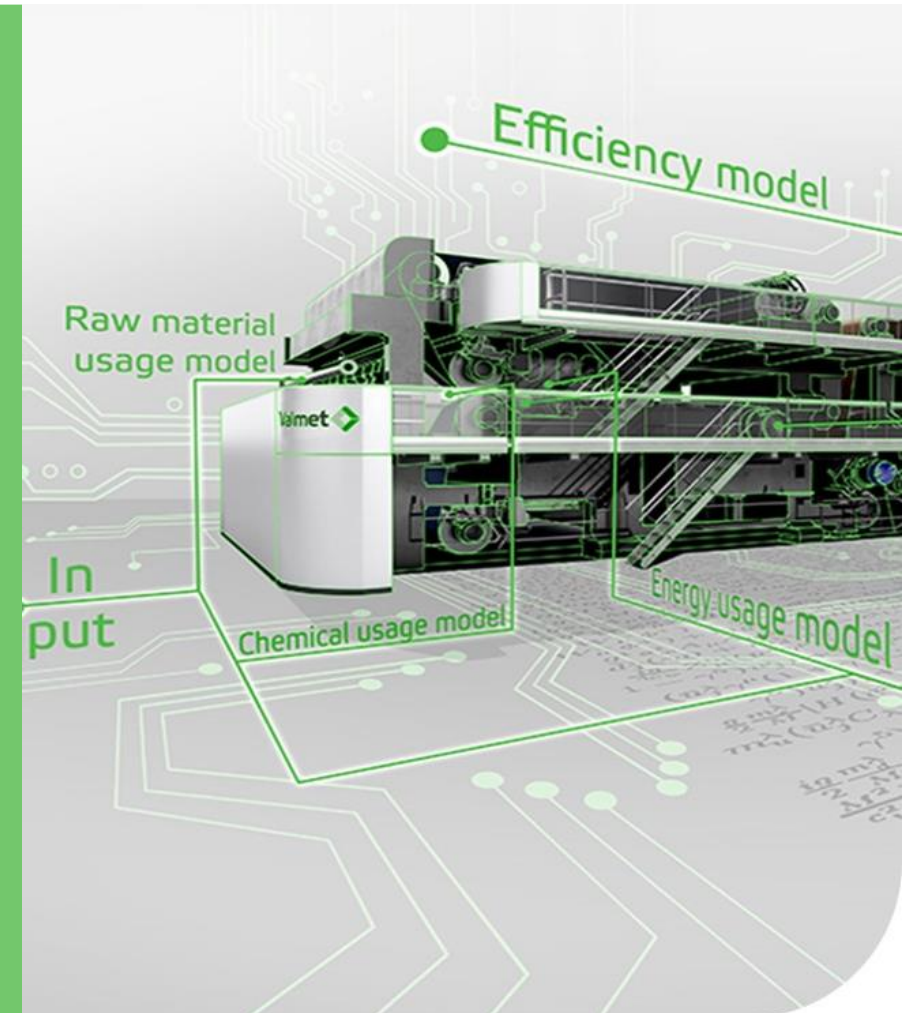
research and
development
centers



EUR **64** million
R&D spending
in 2017



~1,500
protected
inventions



Acknowledged leader in sustainability

360° approach to sustainability

- In Dow Jones Sustainability Index for the fifth consecutive year
- Received Silver Class 2018 Sustainability Award
- Achieved A- rating in CDP's climate program in 2017
- In Ethibel Sustainability Index Excellence Europe



Most material UN Sustainable Development Goals for Valmet



ROBECOSAM
Sustainability Award
Silver Class 2018



Financial targets

Growth



- Net sales for stable business to grow over two times the market growth
- Net sales for capital business to exceed market growth

Profitability



- Comparable EBITA: 8–10%

ROCE

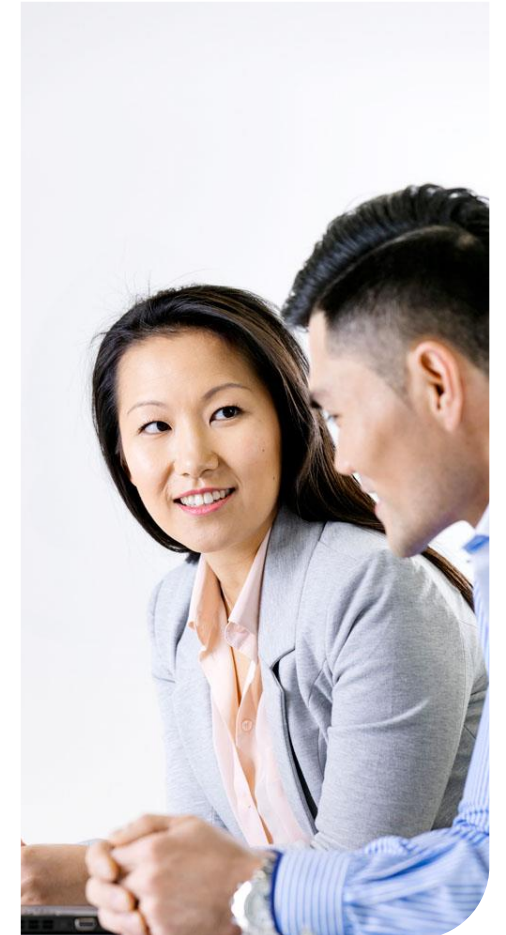


- Comparable return on capital employed (pre-tax), ROCE¹: 15–20%

Dividend policy



- Dividend payout at least 50% of net profit



1) $ROCE \text{ (pre-tax)} = (\text{profit before taxes} + \text{interests and other financial expenses}) / (\text{balance sheet total} - \text{non-interest-bearing liabilities})$



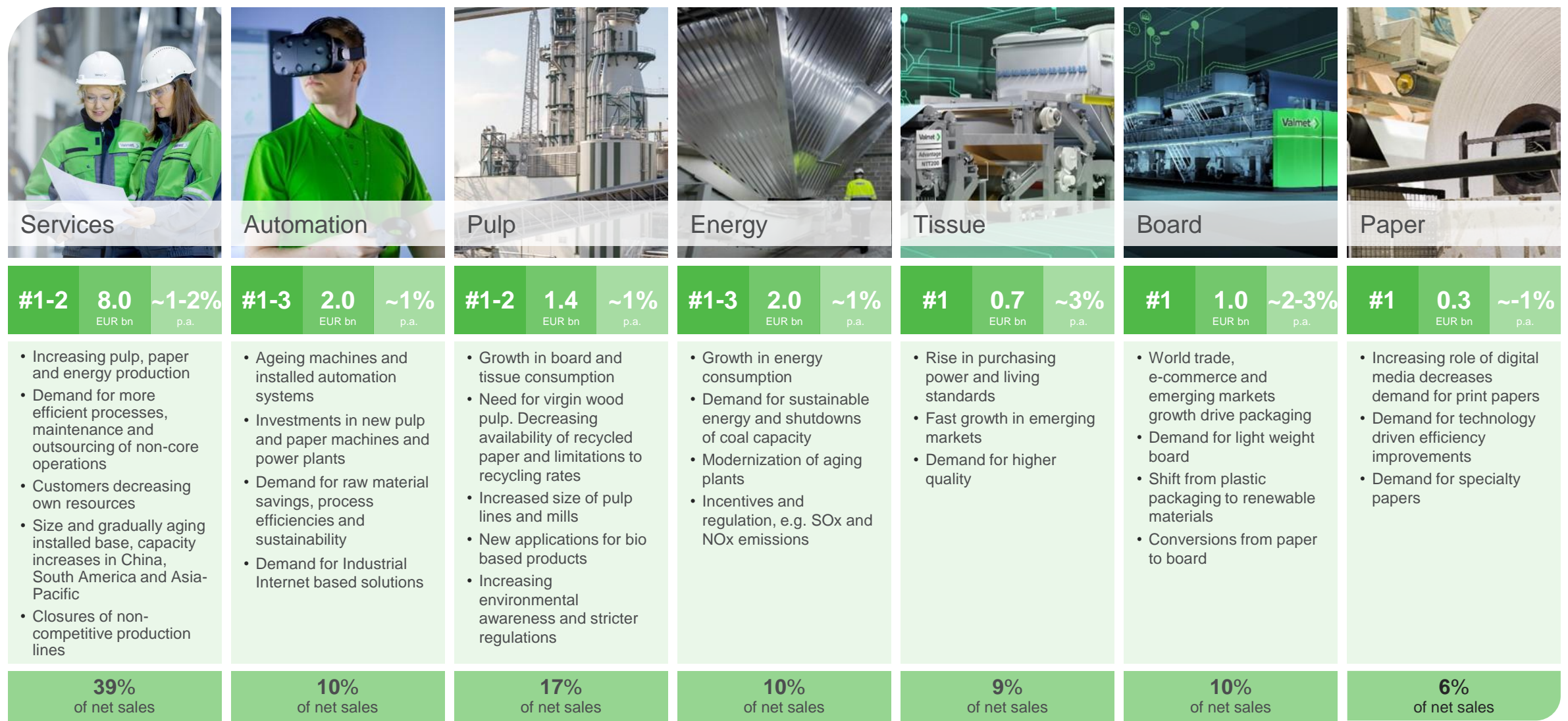
Investment highlights

Investment highlights

- 1 Strong position in the growing market of converting renewables**
- 2 Widest offering combining process technology, services and automation in a unique way**
- 3 Large stable business offering growth and profitability**
- 4 Strong capital business with high market share and flexible cost structure**
- 5 Systematically building the future**



Strong position in the growing market of converting renewables



■ Market position
 ■ Estimated market size for current offering (EUR)
 ■ Anticipated long-term market growth
 ■ Market drivers
 ■ % of net sales (2017)



Widest offering combining process technology, services and automation in a unique way

Paper

- Board, paper and tissue production lines
- Rebuilds
- Stand-alone products

Pulp

- Wood and pulp handling
- Fiber processing
- Recovery

Energy

- Heat and power generation
- Air emission control
- Biofuels

Process technology

Customer

Services

- Spare parts and components
- Maintenance and shutdown services
- Outsourcing services
- Production consumables
- Process support and optimization

Services

Automation

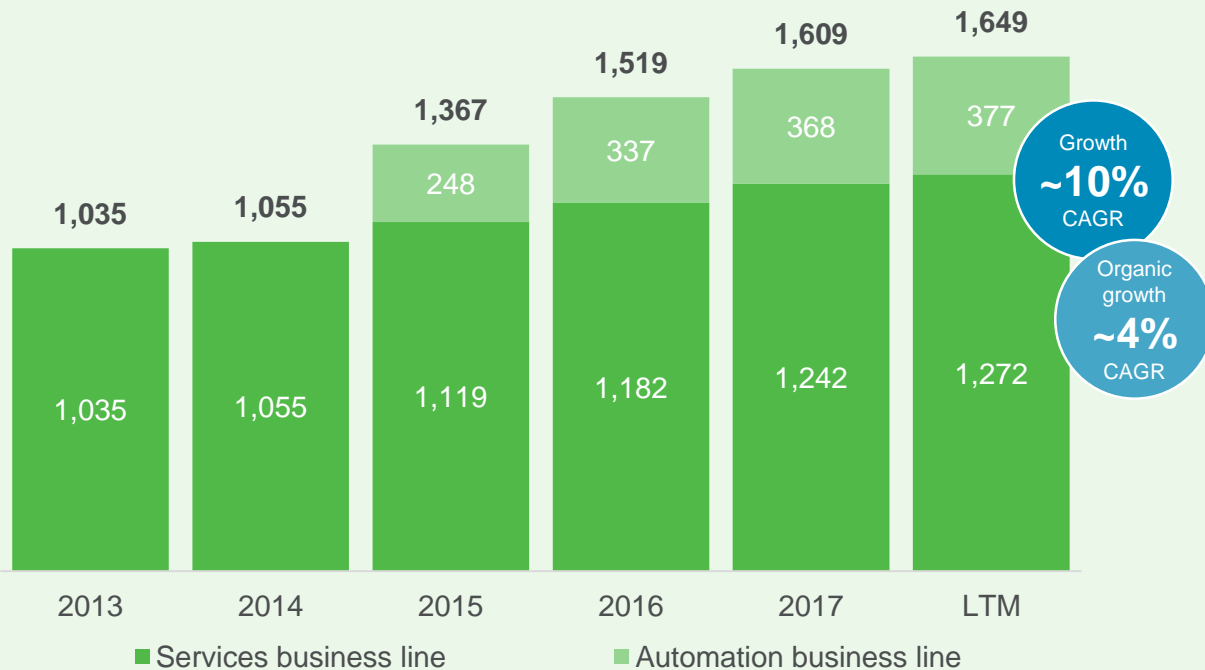
- Distributed Control Systems (DCS)
- Quality Management Systems (QMS)
- Analyzers and measurements
- Industrial Internet solutions

Automation



Large stable business offering growth and profitability

Orders received (EUR million)



Services

- 16% market share offers room for growth
- Wide offering to support customers' all service needs
- Opportunities to win new customers and increase share of wallet with existing customers

Automation

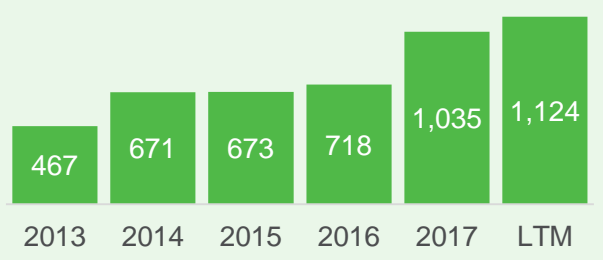
- Strong as a stand-alone business as well as packaged with Valmet's equipment
- Growth possibilities through replacing competitors' installed base, entering new industries and capturing Valmet synergies
- Lead the market through Industrial Internet offering

LTM = Last twelve months (October 1, 2017 – September 30, 2018)

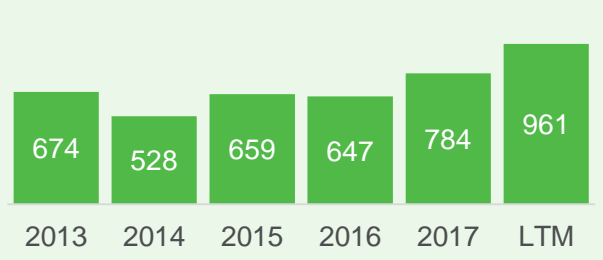
Strong capital business with high market share and flexible cost structure

Paper business line

Orders received (EUR million)

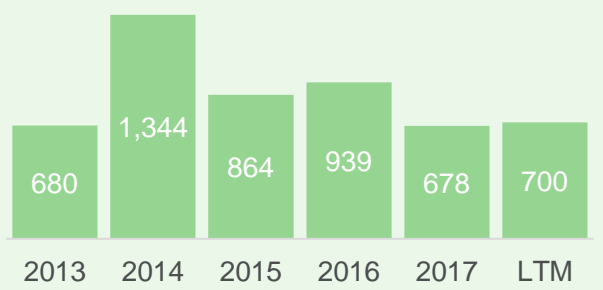


Net sales (EUR million)

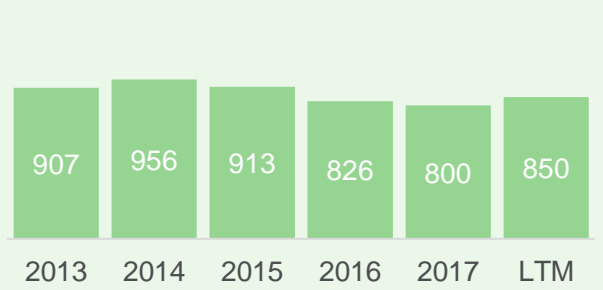


Pulp and Energy business line

Orders received (EUR million)



Net sales (EUR million)



Market share

- High market share in all businesses

Board and paper	Tissue	Pulp	Energy
~40%	~35%	~40%	~20%

Flexibility

- Low capacity cost provides resilience to market fluctuations
- Capacity costs:

	H2/2017-H1/2018:	2015:
Paper	29% of net sales EUR 273 million	41% of net sales EUR 270 million

	H2/2017-H1/2018:	2015:
Pulp and Energy	25% of net sales EUR 208 million	24% of net sales EUR 218 million

LTM = Last twelve months (October 1, 2017 – September 30, 2018)



Systematically building the future

Customer	<ul style="list-style-type: none">• Shared Journey Forward: a unified and unique way to serve• Add value to customers through Industrial Internet solutions• Ensure strong market position in capital business
Technology	<ul style="list-style-type: none">• Develop new products and technologies• Improve product cost competitiveness• Lead the market through Industrial Internet offering
Process	<ul style="list-style-type: none">• Investing in new ERP and other new business platforms• Continue to improve project management and project execution• Continued focus on sustainability
People	<ul style="list-style-type: none">• Continue to improve safety and lower LTIF• Continuous training of employees, e.g. Sales Journey and Innovation Pathways training programs• Building capabilities globally





Financials

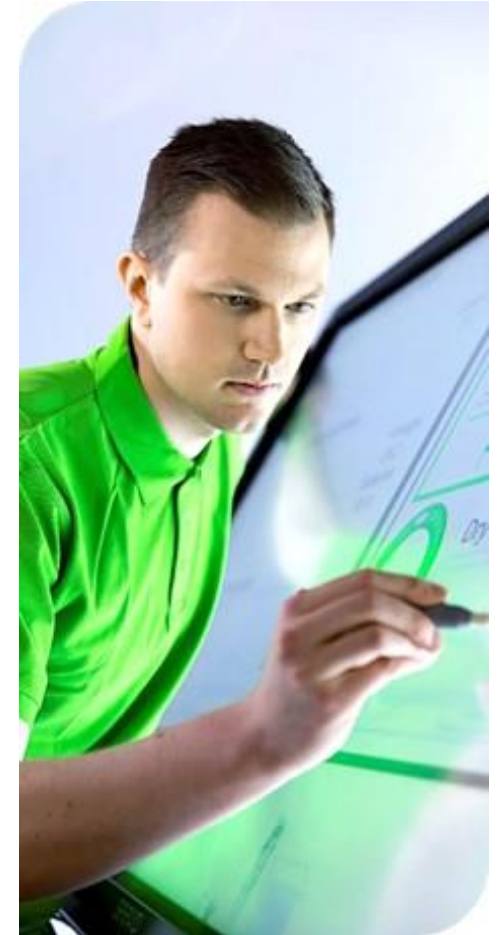
Key figures

EUR million	Q3/2018	Q3/2017	Change	Q1–Q3/2018	Q1–Q3/2017	Change
Orders received	940	743	27%	2,696	2,544	6%
Order backlog ¹	2,791	2,720	3%	2,791	2,720	3%
Net sales	765	715	7%	2,340	2,091	12%
Comparable EBITA	61	56	10%	144	138	5%
% of net sales	8.0%	7.8%		6.2%	6.6%	
EBITA	55	49	12%	131	133	-1%
Operating profit (EBIT)	48	41	16%	109	109	0%
% of net sales	6.3%	5.8%		4.7%	5.2%	
Earnings per share, EUR	0.23	0.18	26%	0.52	0.48	8%
Return on capital employed (ROCE) before taxes ²				13%	12%	
Cash flow provided by operating activities	119	78	52%	141	203	-31%
Gearing ¹				-11%	-3%	

Items affecting comparability: EUR -6 million in Q3/2018 (EUR -6 million in Q3/2017), EUR -13 million in Q1–Q3/2018 (EUR -5 million in Q1–Q3/2017)

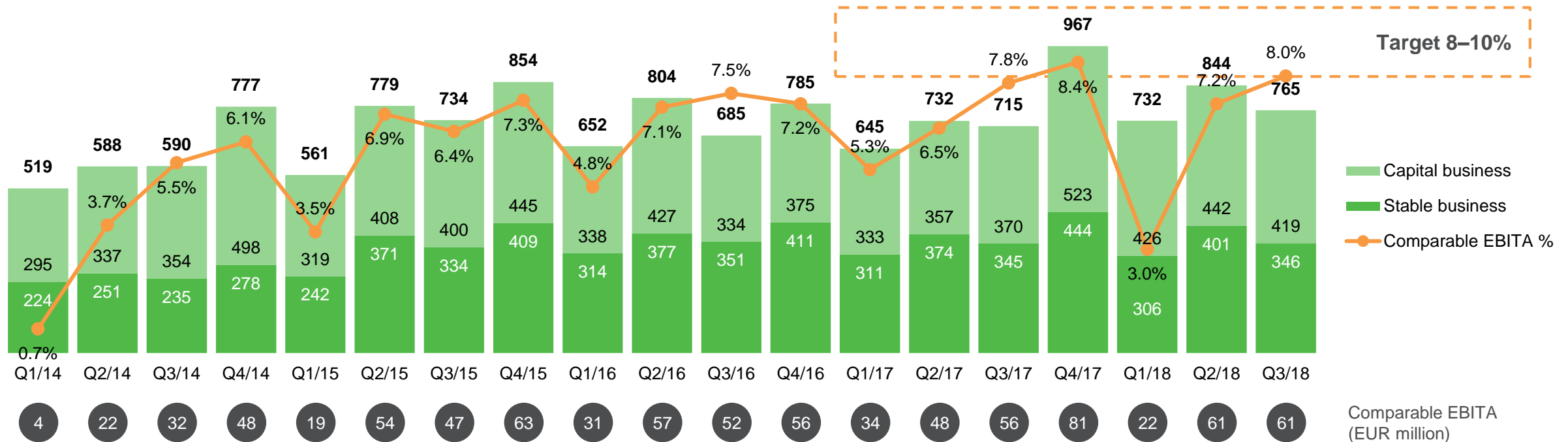
1) At the end of period

2) Annualized. In the calculation of 2017 figures, non-restated data points from 2016 have been used.



Comparable EBITA margin development

Net sales and Comparable EBITA (EUR million and %)



- Net sales and Comparable EBITA increased compared with Q3/2017
 - Profitability improved due to higher net sales

Guidance and short-term market outlook

Guidance for 2018 (as announced on July 17, 2018)

Guidance	Valmet estimates that net sales in 2018 will increase in comparison with 2017 (EUR 3,058 million) and Comparable EBITA in 2018 will increase in comparison with 2017 (EUR 218 million).
-----------------	---

Short-term market outlook

		Q4/2017	Q1/2018	Q2/2018	Q3/2018
Services		Good	Good	Good	Good
Automation		Good	Good	Good	Good
Pulp and Energy	Pulp	Weak	Weak	Weak	Satisfactory
	Energy	Satisfactory	Satisfactory	Satisfactory	Satisfactory
Paper	Board and Paper	Good	Good	Good	Good
	Tissue	Good	Good	Good	Good

The short-term market outlook is based on customer activity (50%) and Valmet's capacity utilization (50%) and is given for the next six months from the end of the respective quarter. The scale is 'weak-satisfactory-good'.



Conclusion

Conclusion



1

Strong position in the growing market of converting renewables

2

Widest offering combining process technology, services and automation in a unique way

3

Large stable business offering growth and profitability

4

Strong capital business with high market share and flexible cost structure

5

Systematically building the future

Important notice

It should be noted that certain statements herein which are not historical facts, including, without limitation, those regarding expectations for general economic development and the market situation, expectations for growth, profitability and investment willingness, expectations for company development, growth and profitability and the realization of synergy benefits and cost savings, and statements preceded by “anticipates”, “believes”, “estimates”, “expects”, “foresees” or similar expressions, are forward-looking statements. Since these statements are based on current decisions and plans, estimates and projections, they involve risks and uncertainties which may cause the actual results to materially differ from the results currently expressed. Such factors include, but are not limited to:

- 1) general economic conditions, including fluctuations in exchange rates and interest levels which influence the operating environment and profitability of customers of the company or economic growth in the company’s principal geographic markets.
- 2) industry conditions, intensity of competition situation, especially potential introduction of significant technological solutions developed by competitors, financial condition of the customers and the competitors of the company,
- 3) the company’s own operating factors, such as the success of production, product development and project management and the efficiencies therein including continuous development and improvement
- 4) the success of pending and future acquisitions and restructuring.

