



Valmet – unique offering
with process technology,
automation and services

Management presentation

September 18, 2015

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CFO

Agenda

Management presentation

- 1 Valmet overview
- 2 Investment highlights
- 3 Area development
- 4 Managing foreign exchange risks
- 5 Research and development
- 6 Conclusions



Valmet overview

Key figures 2014

Excluding Automation business line

Orders received
EUR 3,071 million

Net Sales
EUR 2,473 million

EBITA before NRI¹
EUR 106 million

Employees 10,464

Market position

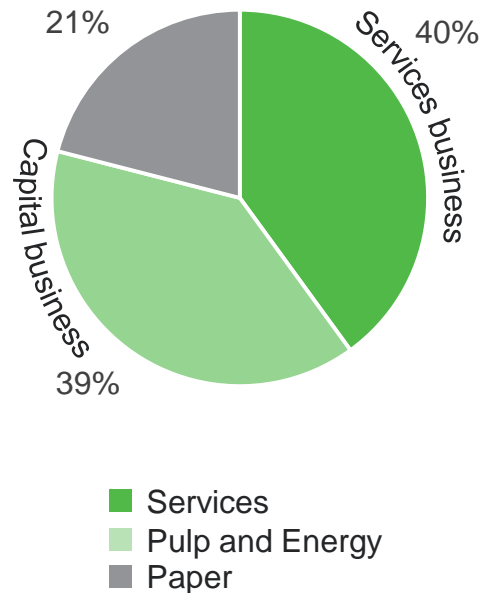
#1-2 Services

#1-2 Pulp

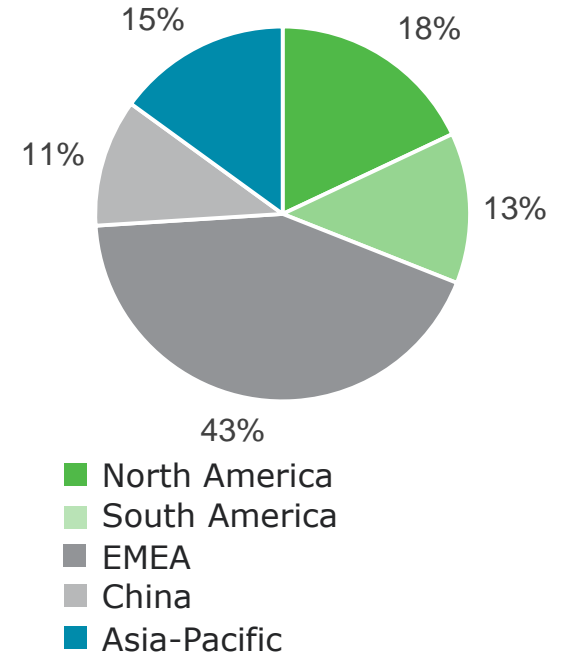
#1-3 Energy

#1-2 Paper, board, tissue

Net sales split by
business line



Net sales split by
geographic area



1) NRI = non-recurring items

Our four business lines serve the same customer base



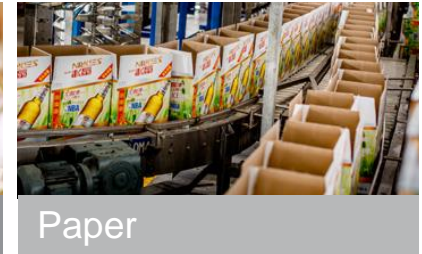
Services



Automation

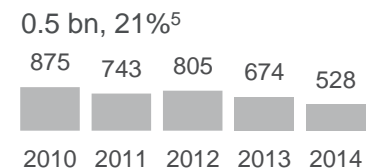
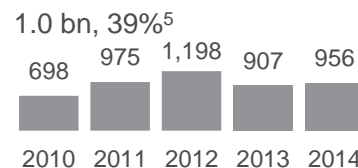
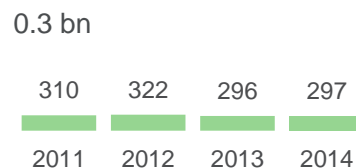
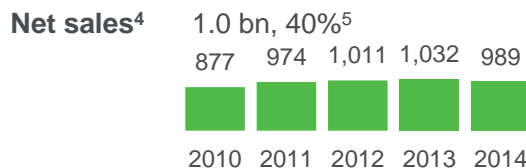


Pulp and Energy



Paper

Description	Mill and plant improvements, roll and workshop services, parts and fabrics, and life-cycle services	Supplies and develops automation and information management systems, applications and services	Technologies and solutions for pulp production, power generation, and biomass conversion	Technologies and solutions for board, tissue, and paper
Market position	#1-2	Analyzers #1, QCS ¹ #1-2, DCS ² #1-3	Pulping #1-2, Bioenergy generation #1-2	Board #1-2, Tissue #1, Paper #1-2
Market size	EUR 7.5 bn	DCS ² EUR 1.6 bn, QMS ³ >EUR 0.2 bn, Analyzers <EUR 0.2 bn	Pulp EUR 1.4 bn, Energy EUR 2.0 bn	Board EUR 1.0 bn, Tissue EUR 0.6 bn, Paper EUR 0.6 bn
Customers	Companies mainly in the pulp, paper and energy industries	Companies in the pulp, energy, paper and process industries	In pulp, mechanical and chemical pulp producers as well as companies in the panelboard industry	Mainly paper companies as well as board and tissue producers
Main competitors	Voith, Andritz, Albany, Xerium Technologies, AstenJohnson, Foster Wheeler, Alstom etc.	ABB, Honeywell, Emerson, Siemens, Voith, Paperchine, Procemex, BTG, PulpEye etc.	Andritz in Pulp; Andritz and Foster Wheeler in Energy; Andritz main global competitor in biomass	Voith and Andritz



1) QCS = Quality Control Systems
 2) DCS = Distributed Control Systems
 3) QMS = Quality Management System

4) Net sales 2010–2013 by business line on a carve-out basis for the periods indicated (excl. Intra-Metso net sales).

5) Percent of total, excluding Automation (2014 figures)

Financial targets

Growth



Net sales growth to exceed market growth

Profitability



EBITA¹ before non-recurring items: 6–9%

ROCE



Return on capital employed (pre-tax),
ROCE²: minimum of 15%

Dividend policy



Dividend payout at least 40% of net profit



- 1) EBITA before non-recurring items = operating profit + amortization + non-recurring items
- 2) ROCE (pre-tax) = (profit before taxes + interests and other financial expenses) / (balance sheet total - non-interest-bearing liabilities)



Investment highlights

Investment highlight summary

1 **Strong market position** in growing markets

2 **Growing, profitable and stable** service and automation business with **EUR 1.3 billion sales**

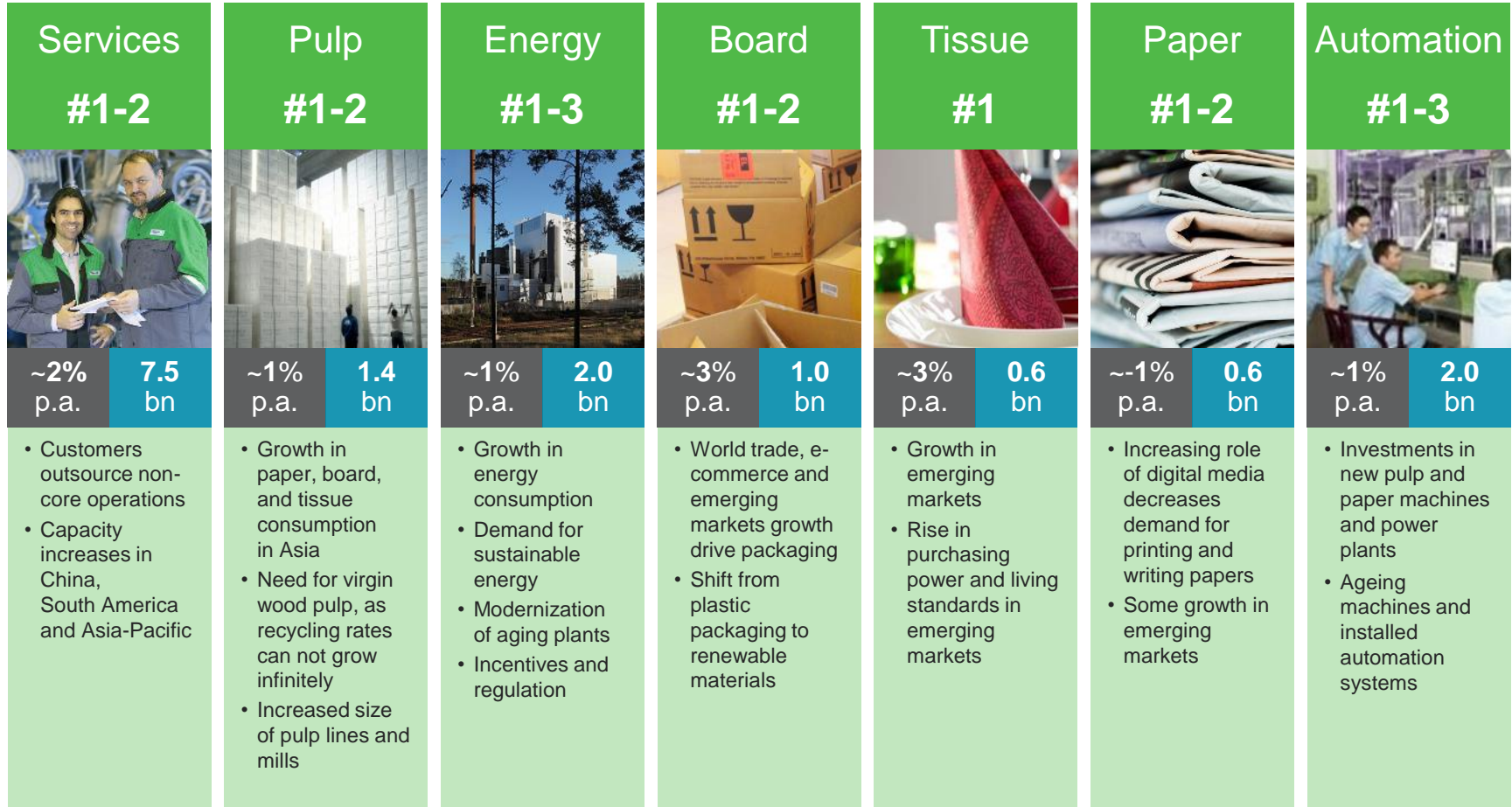
3 Strong in cyclical capital business with long-term **growth potential** and **increased flexibility in cost structure**

4 **Unique offering** with process technology, automation and services

5 Continued **focus on profitability**, more **effort into renewal**



Strong market position in growing markets



Anticipated long-term market growth
 Estimated market size for current offering (EUR)
 Market drivers

Source: Leading consulting firms, RISI, management estimates

Growing, profitable and stable service and automation business with EUR 1.3 billion sales



Growing

- Services net sales growth on average over 3% p.a. during the last 5 years
- Slight growth in Automation net sales over the last 10 years

Profitable

- Relatively stable margins in Automation during the last 10 years, EBITA margin 10–12%

Stable

- Services and Automation together approximately EUR 1.3 billion of stable business

Strong in cyclical capital business with long-term growth potential and increased flexibility in cost structure



Pulp and Energy

Market position:

#1-3

Headcount reduction¹:

~500

Capacity cost reduction:

10%

(Capacity cost to sales 24% in 2014)



Paper

Market position:

#1-2

Headcount reduction¹:

~800

Capacity cost reduction:

20%

(Capacity cost to sales 47% in 2014)



1) Reduction in number of employees during 2014

Unique offering with process technology, automation and services



- Valmet is a technology and service company with full automation offering
- Strengthened competitiveness from combination of paper, pulp and power plant technology, process know-how and automation
- Full scope offering gives better differentiation from competitors

Continued focus on profitability, more effort into renewal

Continued focus on profitability improvement measures

- Improve project and service margin
- Reduce quality costs and lead times
- Savings in procurement
- Continue to improve cost competitiveness
- Improve cost competitiveness to increase gross profit

Increased focus on renewal

- Constant improvement of technology and offering
- Results in research and development, e.g. OptiConcept M
- Improvement in customer relations
- Development of personnel
- Acquiring Process Automation Systems renews Valmet and strengthens know-how

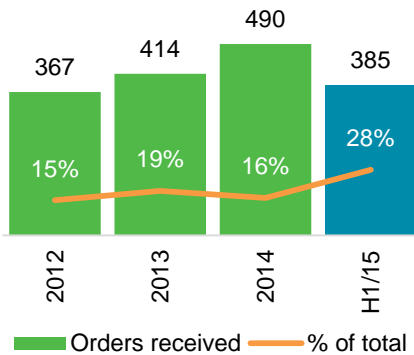




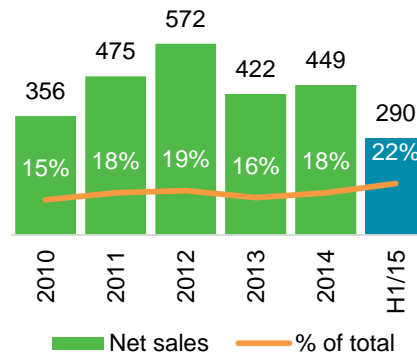
Area development

North America

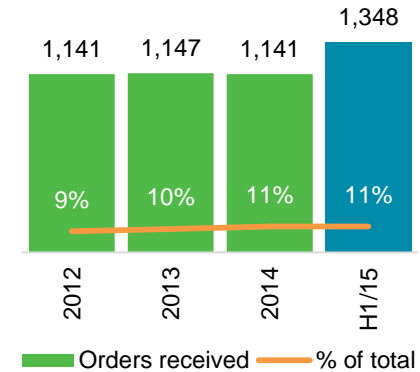
Orders received



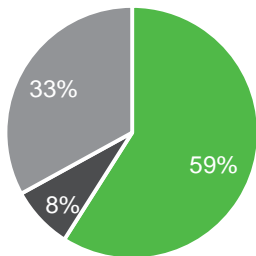
Net sales



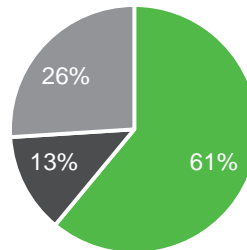
Number of personnel



Orders received by business line (2014)



Net sales by business line (2014)



Recent announced orders

Sep 3, 2015

Tissue production line, USA

Feb 17, 2015

Equipment for fluff conversion project, USA

Oct 7, 2014

Equipment for evaporator train upgrade, USA

■ Services ■ Pulp and Energy ■ Paper

■ Services ■ Pulp and Energy ■ Paper

Automation business line's figures included as of April 1, 2015.

North America



This map doesn't include locations of Automation business line.

Market environment

- Large installed base to be served
 - Opportunities in customer agreement based business
- Growth opportunities in increased outsourcing
- Capital project opportunities in tissue and board
 - Technology project activity level at high level currently
 - Bio project activity strongest in Lignoboost and second generation lignoboost

Market position

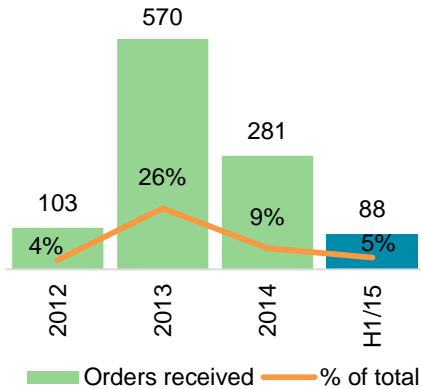
- Strong position and market share in Valmet's targeted technology businesses
- Well established services business
- Key competitors Voith, Andritz and US services companies (Albany, Xerium, Kadant, GLV, Asten J.)

Actions for Valmet

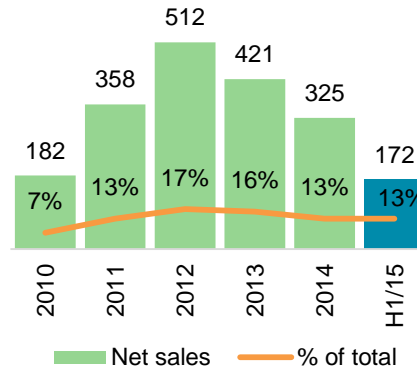
- Continue to develop and grow Valmet's Services business
- Make sure Valmet wins paper and tissue projects
- Strengthen Valmet's position in pulp rebuilds
- Commercialize biotechnology (lignoboost, pre-treatment biocoal)

South America

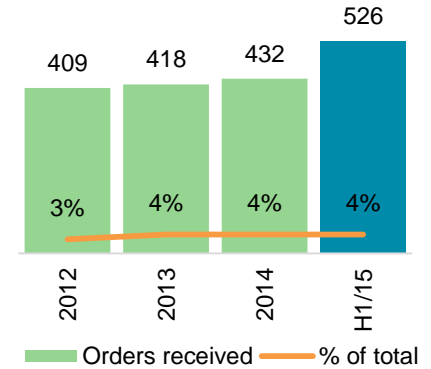
Orders received



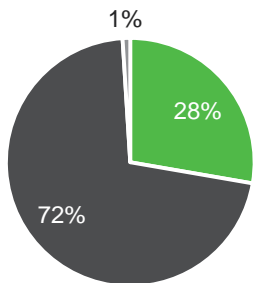
Net sales



Number of personnel

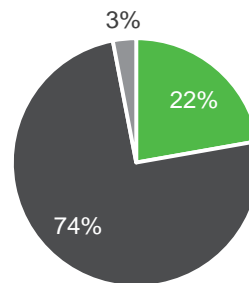


Orders received by business line (2014)



■ Services ■ Pulp and Energy ■ Paper

Net sales by business line (2014)



■ Services ■ Pulp and Energy ■ Paper

Recent announced orders

May 6, 2014

Finalized order agreement for pulp dryers, Brazil

Automation business line's figures included as of April 1, 2015.

South America



This map doesn't include locations of Automation business line.

Market environment

- Capital project opportunities in pulp, tissue and bioenergy
 - Continued pulp mega mill projects planned
 - 2nd generation ethanol emerging
- Good services growth potential
 - Installed base and leaner customer operations
- Growing interest and pipeline for optimization projects, e.g. energy, chemicals savings, operations and availability of equipment

Market position

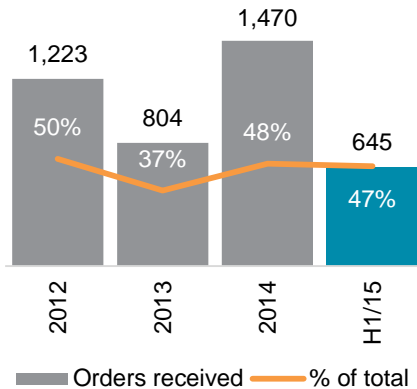
- Fierce competition in new pulp projects
- Strong competition with local and global players in all markets in Services, Paper, and Energy
 - Local presence and solutions important

Actions for Valmet

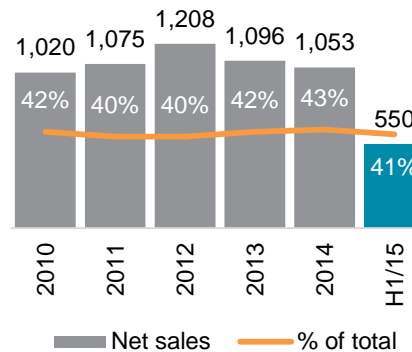
- Keep market share and improve the profitability and risk-return profile of large pulp projects
- Grow the services business by offering new products and service solutions
- Develop solutions and costs to compete in bioenergy plants
- Further develop Valmet's local capabilities

EMEA

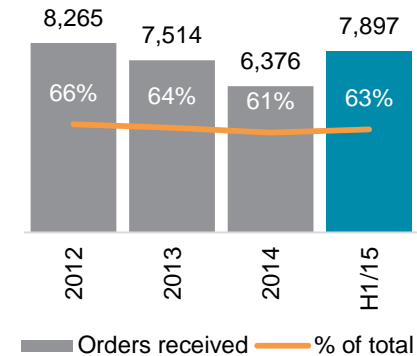
Orders received



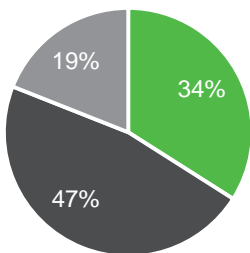
Net sales



Number of personnel

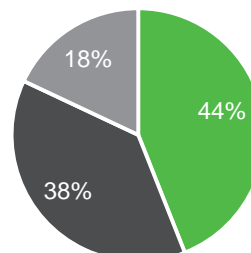


Orders received by business line (2014)



■ Services ■ Pulp and Energy ■ Paper

Net sales by business line (2014)



■ Services ■ Pulp and Energy ■ Paper

Recent announced orders

Sep 14, 2015

Tissue production line, Portugal

Sep 7, 2015

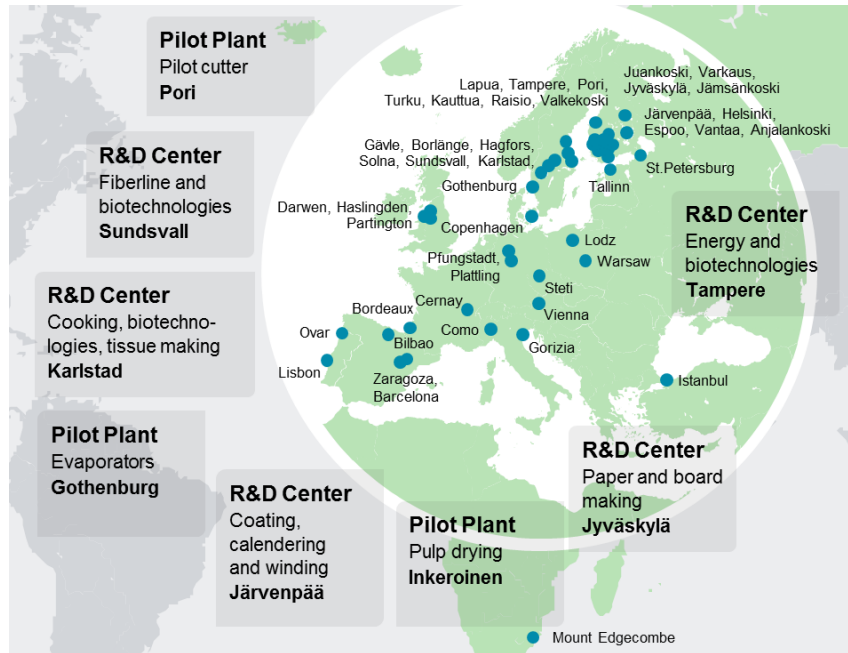
Multi-year consumables and roll service agreement, Sweden

Sep 2, 2015

Automation to new power plant, Finland

Automation business line's figures included as of April 1, 2015.

EMEA



This map doesn't include locations of Automation business line.

Market environment

- Large installed base to be serviced
- Growth opportunity in customer agreement based business
- Growth process improvements and service agreements
- Capacity closures in printing and writing
- Capital project opportunities in board, pulp, tissue, and bioenergy

Market position

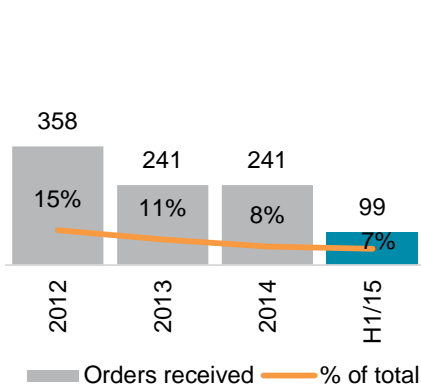
- Valmet has a strong position both in technology business and services
- Consolidation of smaller distressed players and increasing competition in mid-market
- Increased competition in past few years

Actions for Valmet

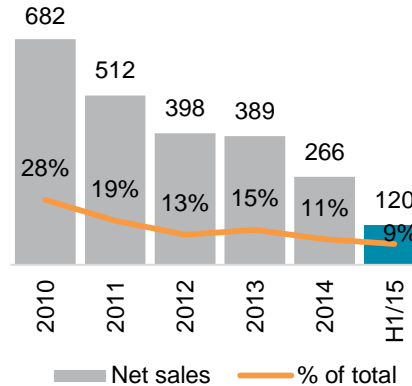
- Grow Services with Key Account Management agreement based business and new products. Strengthen pulp and power services
- Strengthen position in technology business: cost competitiveness and rebuild competences
- Commercialize new biotechnologies and expanding the served power market
- Localize selected capabilities outside Nordics

China

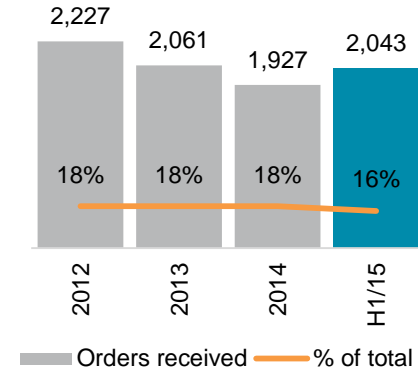
Orders received



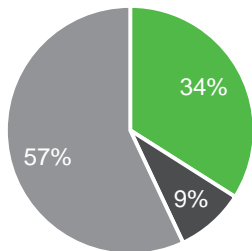
Net sales



Number of personnel

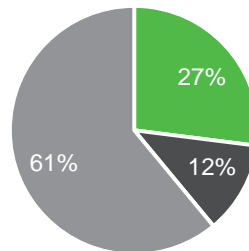


Orders received by business line (2014)



■ Services ■ Pulp and Energy ■ Paper

Net sales by business line (2014)



■ Services ■ Pulp and Energy ■ Paper

Recent announced orders

Sep 15, 2015

Repeat order for two tissue production lines, China

Aug 21, 2015

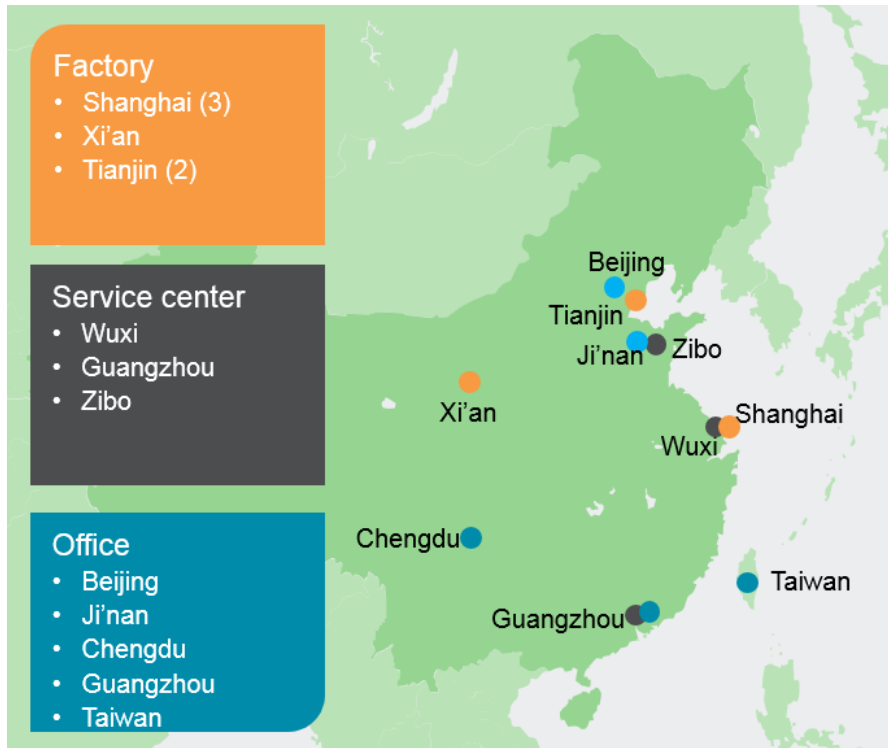
OptiConcept M paper making line, China

Aug 18, 2015

Main equipment to a pulp mill project, China

Automation business line's figures included as of April 1, 2015..

China



Market environment

- Capital project opportunities in board and tissue
 - Investments in lower cost, small and mid-sized machines
- Good services market with growth potential
 - Increased capacity

Market position

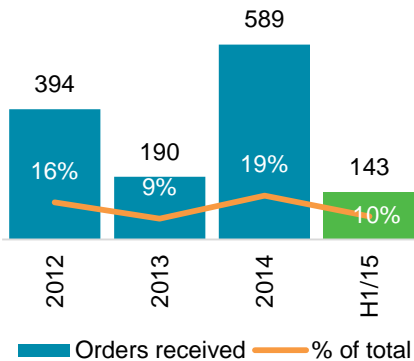
- Valmet has a strong position in Paper. Recent successes with modular board machine (OptiConcept M)
- Continued competition: new competitors in mid-size segment, local competitors strengthening through partnering with western companies
- Large Valmet installed base

Actions for Valmet

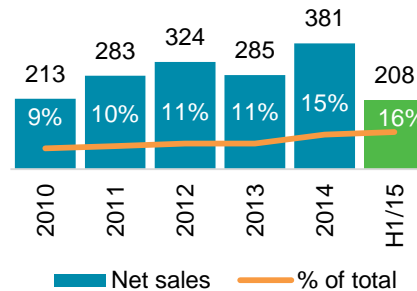
- Continue to develop and grow Services: local low cost sourcing of consumables, agreement business and spear head products
- Further market penetration of OptiConcept M, tissue and mid-market fiberline
- Competitive, lower cost, local offering and increased local capabilities (application, engineering and project management)

Asia-Pacific

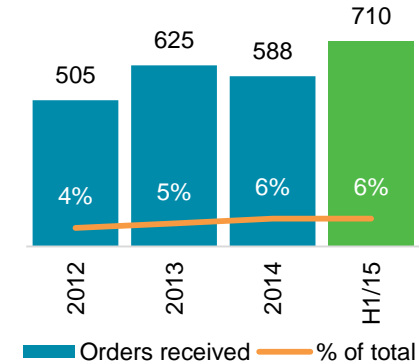
Orders received



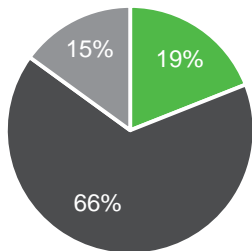
Net sales



Number of personnel

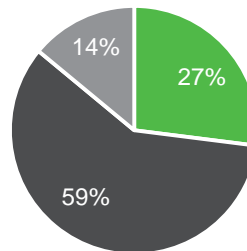


Orders received by business line (2014)



■ Services ■ Pulp and Energy ■ Paper

Net sales by business line (2014)



■ Services ■ Pulp and Energy ■ Paper

Recent announced orders

Jun 30, 2015

OptiConcept M fine paper making line, Indonesia

Aug 15, 2014

Paper machine grade conversion rebuild, Thailand

May 21, 2014

Part of a major pulp mill rebuild, Thailand

Automation business line's figures included as of April 1, 2015.

Asia-Pacific



This map doesn't include locations of Automation business line.

Market environment


- Capital project opportunities in pulp, tissue, and board:
 - Increased investments in multi-fuel and renewable energy development plans in Asia-Pacific countries
 - Opportunities related to customer's portfolio changes or production line upgrades
- Good services market with growth potential
 - Due to capacity increases and installed base

Market position

- Valmet has a strong market position but relatively modest local presence
- Competitors are growing their local presence

Actions for Valmet

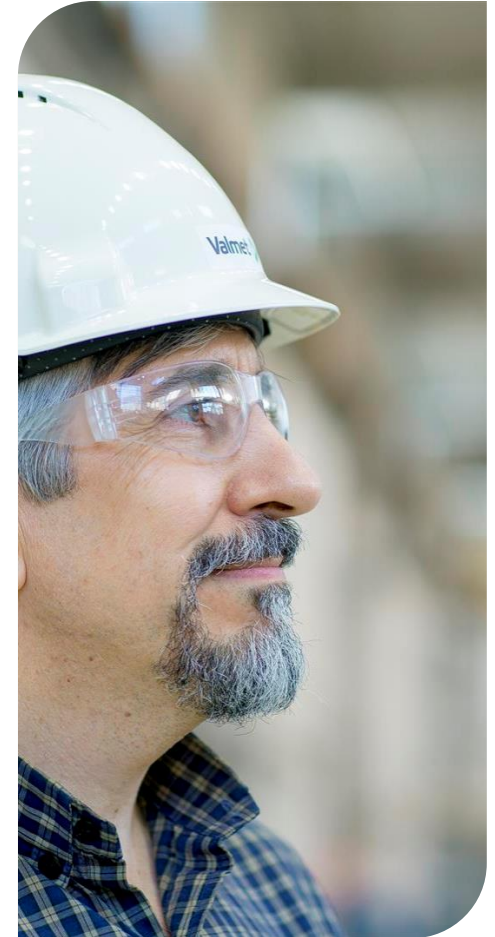
- Localize Services business to be more cost competitive and closer to customers: local offering and agreement business, local capabilities and new service centers
- New services center in Indonesia
- Develop technology business with local competences and improved cost competitiveness:
 - Board and paper:** rebuilds, components and split machines,
 - Tissue:** develop competitive setup in Asia-Pacific,
 - Energy:** current focus on coal but potential also in bioenergy
- Increase local capabilities to support both services and capital business



Managing foreign exchange risks

Foreign exchange risk management in Valmet

- All operating units are required to hedge in full their foreign currency exposures
- Hedging takes place when firm commitment arises or at the latest immediately after operating units have reported their monthly currency exposure
- Valmet is not hedging any translation risk arising from subsidiaries' equity
- Intra corporate dividends, loans and deposits shall be hedged when internal decisions have been made
- Treasury acts as an internal bank for subsidiaries and manages corporate wide foreign currency exposure by hedging Corporate level net exposure towards banks



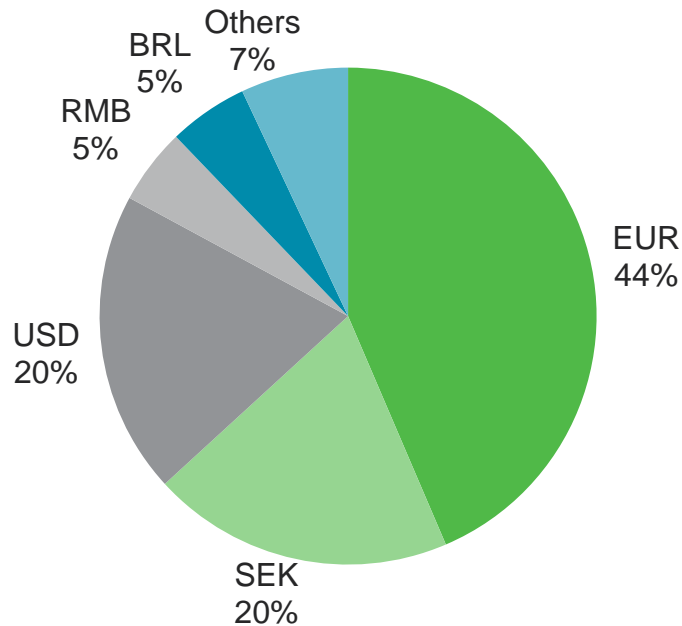
Foreign currency exposure

- The exposure is a net of all assets and liabilities denominated in foreign currencies derived from sales and purchase contracts, projected cash flows and firm commitments
- A 10 percent appreciation or depreciation of EUR against all other currencies would have an effect of -/+ EUR 1.5 million on EBITA

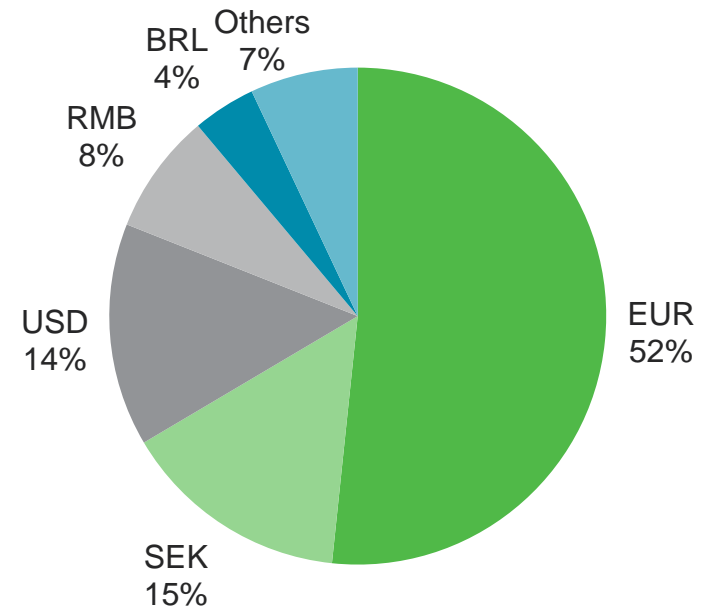


Split of net sales and costs per currency in 2014

Net sales by currency (2014)



Costs by currency (2014)



- Sales and costs in different currencies fairly balanced
- More costs than sales in EUR, vice versa in USD



Research and development

Research and development in Valmet

- R&D predominantly in Finland and Sweden, within the business lines' technology and R&D organizations
 - In addition, R&D takes place together with customers, research facilities and universities
- Valmet has several testing facilities that are used in demonstration testing, customer-specific projects and Valmet's own R&D activities

Research and development in numbers (2014)

42

R&D expenses (EUR million)

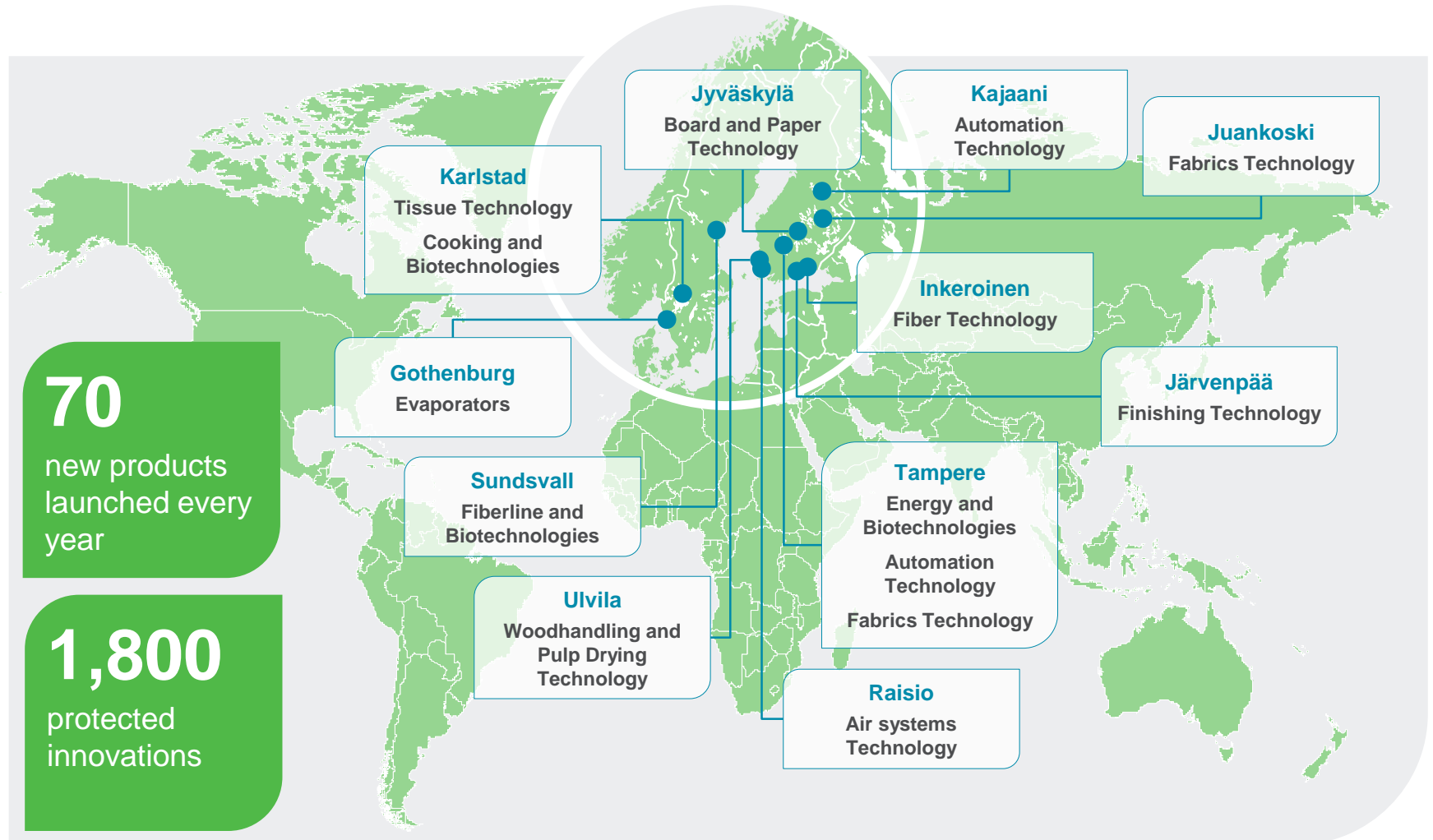
1.7%

Expenses % of net sales

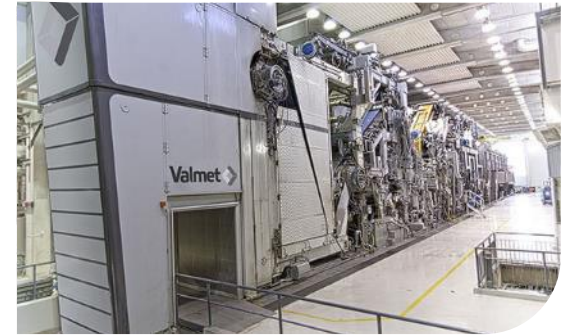
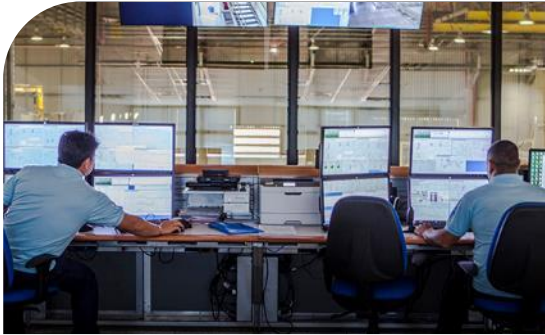
298

People employed by R&D

Valmet's Technology Centers



Continuous investment in research and development to improve customers' processes



Customers' needs

- Increase production efficiency
- Improve competitiveness
- Maximize value of raw materials
- Widen raw material base
- Provide high-value end products
- Develop new innovations and technologies

Valmet's R&D focus

- Modularized and standardized products
- Energy, water and raw material efficiency
- Automation technology
- Biomass conversion technologies

Valmet's R&D resources

- Own R&D centers and pilot facilities
- Cooperation with universities and research institutions

Valmet's R&D targets

Ensure advanced and competitive technologies and services

We develop cost competitive, modern and fit for purpose production and automation technologies and services

Enhance raw material and energy efficiency

We combine process technology, automation and services to reduce raw material, water and energy consumption

Promote renewable materials

We develop solutions to replace fossil materials with renewable ones

Committed to moving our customer's performance forward

Example of our R&D work - OptiConcept M board and paper machine

- Cost-efficient, high-quality, safe and flexible board making concept
- Significant savings in energy, water and raw material use
 - Energy efficiency improvement up to 30%
- Modular and compact size
 - Short delivery times, quick start-ups, and less production space
- Functional design brings increased safety and accessibility
 - Design acknowledged in Finnish design competition in 2014



New launches in April 2015

Next generation machine vision solution



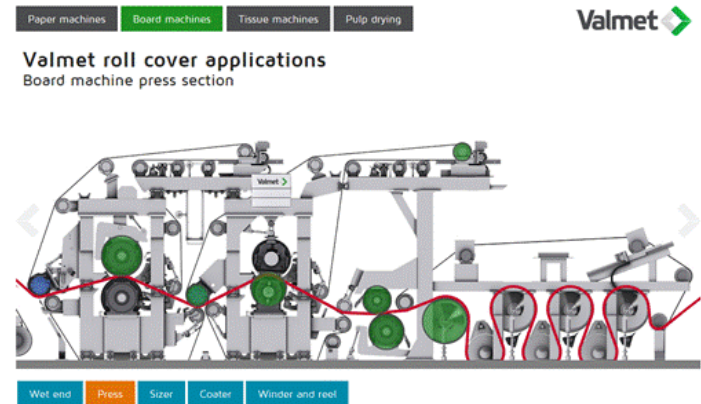
Valmet IQ Web Inspection System



Valmet IQ Web Monitoring System

- Allows customers to increase machine speed while simultaneously reducing disturbances
- All Valmet IQ solution components are based on Valmet's extensive process knowledge and experience in the pulp and paper industry, and backed up by Valmet's expert services

Tool for choosing optimal roll covers



- Interactive user-friendly tool that enables users to locate and select the correct roll cover
- Collates Valmet's entire roll cover and coating product range and presents the products in one user-friendly view along with all related product information

Valmet IQ

Total quality management system by the experts

Valmet IQ Service

Your local service team with P&P skills secure best performance at all times.

Valmet IQ 2015 was launched on September 16, 2015

Valmet IQ Measurements and Scanners for accurate sheet quality measurements in demanding machine conditions.



Valmet IQ Applications with a joint user interface give a clear view into process and product quality at all times.

Valmet IQ Process and Quality Vision helps detect quality defects and identify their root causes.

Valmet IQ Profilers provide effective profile management at all stages of the process.





Conclusion

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

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

Investment highlight summary

1 **Strong market position** in growing markets

2 **Growing, profitable and stable** service and automation business with **EUR 1.3 billion sales**

3 Strong in cyclical capital business with long-term **growth potential** and **increased flexibility in cost structure**

4 **Unique offering** with process technology, automation and services

5 Continued **focus on profitability**, more **effort into renewal**



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.





Appendix

Q2/2015 in brief

Q2/2015 in brief



Strong start for Automation as part of Valmet

- Acquisition of Process Automation Systems was completed on April 1, 2015
- Automation became Valmet's fourth business line – Q2/2015 the first reported quarter for Automation
- Positive feedback from customers and employees



Orders received and net sales increased in stable business

- Orders received increased in Services compared with Q2/2014, strong quarter in Automation
- Net sales increased in Services compared with Q2/2014, strong quarter in Automation



Orders received decreased and net sales increased in capital business

- Orders received decreased from the high level in Q2/2014 in Pulp and Energy, and Paper business lines
- Net sales increased in Paper and remained at the previous year's level in Pulp and Energy



Order backlog at EUR 2.2 billion

- Order backlog EUR 144 million higher than at the end of Q1/2015



Good development in profitability

- EBITA¹ more than doubled to EUR 54 million
- EBITA¹-margin increased to 6.9 percent



Net debt increased due to Automation acquisition

- Net debt EUR 238 million, and gearing 29%
- Cash flow provided by operating activities EUR 17 million

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

Key figures Q2/2015

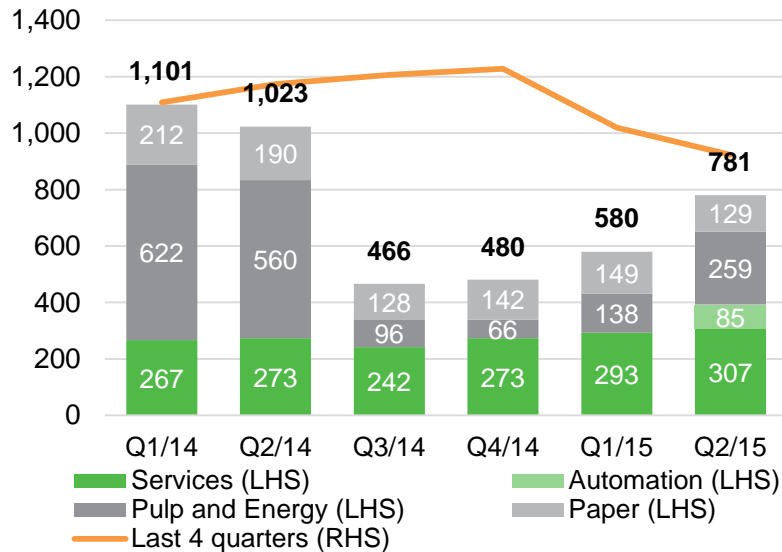
EUR million	Q2/2015	Q2/2014	Change	Q1–Q2/2015	Q1–Q2/2014	Change
Orders received	781	1,023	-24%	1,360	2,124	-36%
Order backlog ¹	2,208	2,406	-8%	2,208	2,406	-8%
Net sales	779	588	33%	1,340	1,107	21%
EBITA ²	54	22	>100%	73	26	>100%
% of net sales	6.9%	3.7%		5.5%	2.3%	
EBIT ³	32	16	96%	46	9	>100%
% of net sales	4.1%	2.8%		3.4%	0.8%	
Earnings per share, EUR	0.14	0.07	97%	0.19	0.03	>100%
Return on capital employed (ROCE), before taxes ⁴				9%	3%	
Cash flow provided by operating activities	17	46	-63%	-3	89	
Gearing ¹	29%	-7%		29%	-7%	

Non-recurring items: EUR -12 million in Q2/2015 (EUR 0 million in Q2/2014), EUR -12 million in Q1–Q2/2015 (EUR -6 million in Q1–Q2/2014). Costs related to acquisition of Automation amounted to approximately EUR 10 million in Q2/2015.

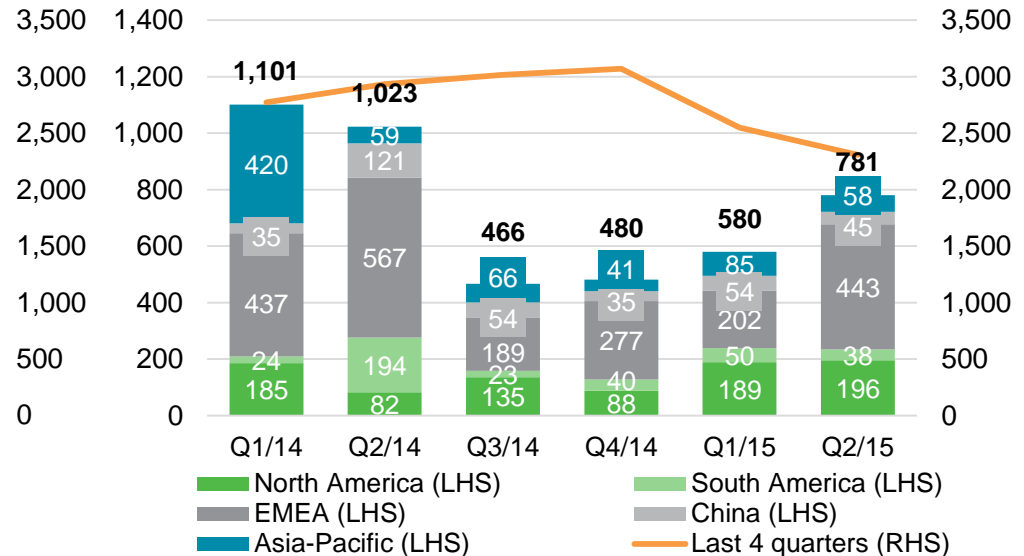
- 1) At the end of period
- 2) Before non-recurring items
- 3) After non-recurring items
- 4) Annualized

Growing trend in orders received – stable business orders received EUR 392 million

Orders received (EUR million),
by business line



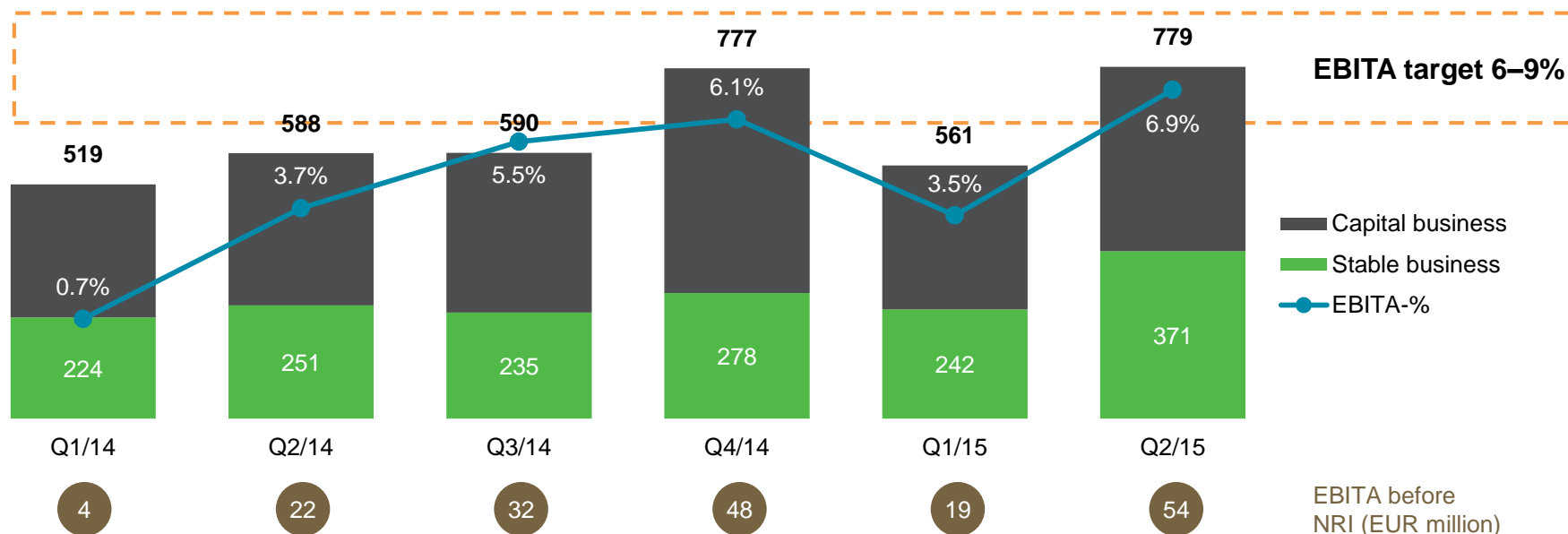
Orders received (EUR million),
by area



- Orders received increased in Services: The increased focus is showing results
- Orders received EUR 85 million in Automation
- Orders received decreased in Pulp and Energy: One large pulp order in Q2/2015
- Orders received decreased in Paper: Increase in Tissue, decrease in Board and Paper
- Orders received increased in North America

EBITA-margin reached the targeted range

Net sales and EBITA before NRI (EUR million)



- Net sales and profitability increased compared with both Q2/2014 and Q1/2015
 - Profitability improved due to the higher level of net sales, improved gross profit, and the acquisition of the automation business
 - Changes in foreign exchange rates¹ increased net sales by EUR 31 million and EBITA by EUR 2 million

1) Compared with the exchange rates for April–June, 2014