



The image shows two men in a control room, likely a financial or industrial setting. They are standing in front of several large computer monitors. The man on the left is wearing a green polo shirt and glasses, and the man on the right is wearing a white shirt and glasses. They are both smiling and looking at the screens. The screens display various data visualizations, including line graphs, bar charts, and maps. One screen in the foreground shows the Valmet logo and a date stamp: 2017-06-14 12:00:12. The overall atmosphere is professional and collaborative.

Next steps in reaching the financial targets

Kari Saarinen

CFO

Capital Markets Day 2018

Agenda

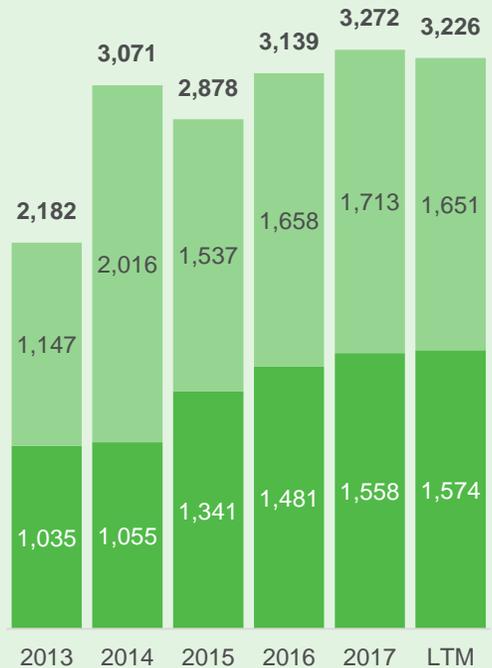
- 1 Development since 2013
- 2 Financial targets and how to reach them
- 3 Acquisitions
- 4 Systematically building the future



Development since 2013

Orders received

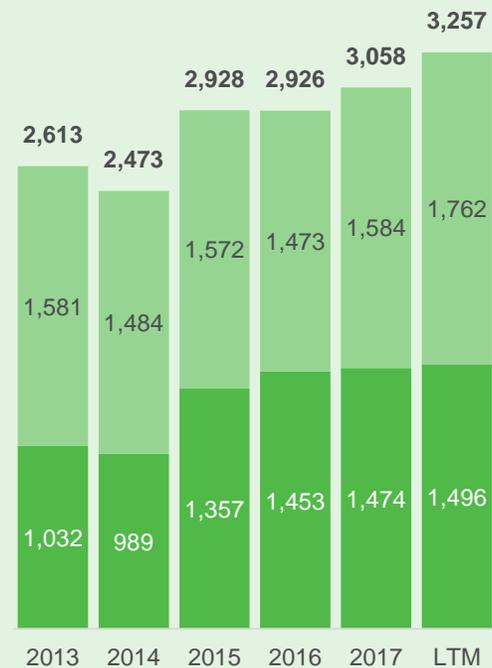
(EUR million)



■ Pulp and Energy, and Paper business lines
■ Services and Automation business lines

Net sales

(EUR million)



■ Pulp and Energy, and Paper business lines
■ Services and Automation business lines

Comparable EBITA

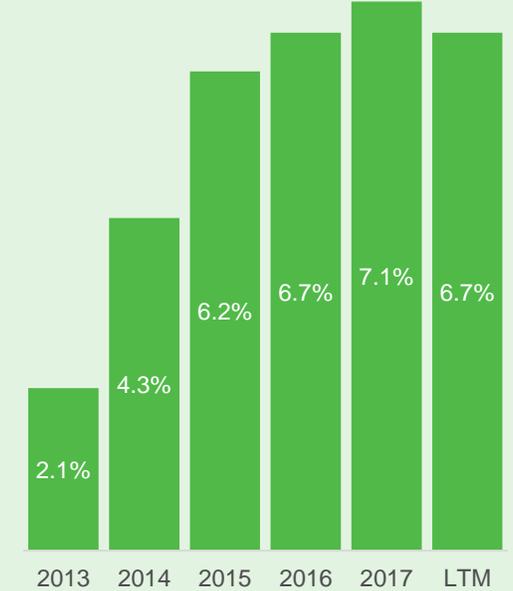
(EUR million)



■ Comparable EBITA

Comparable EBITA margin

(%)



■ Comparable EBITA margin

2013 figures on carve-out basis. 2017 financials have been restated following the adoption of IFRS 15. LTM = last twelve months, refers to the period July 1, 2017 – June 30, 2018

Current 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

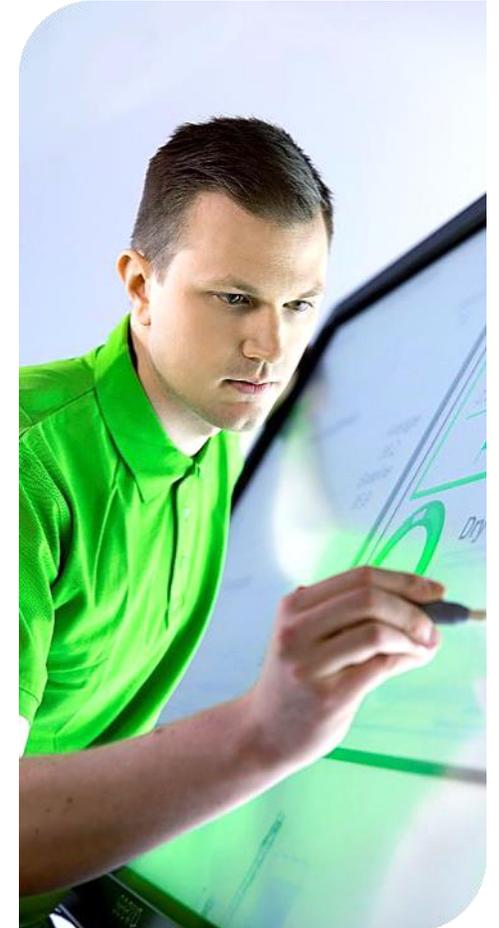


- Comparable return on capital employed (pre-tax), ROCE¹: 15–20%

Dividend policy



- Dividend payout at least 50% of net profit



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

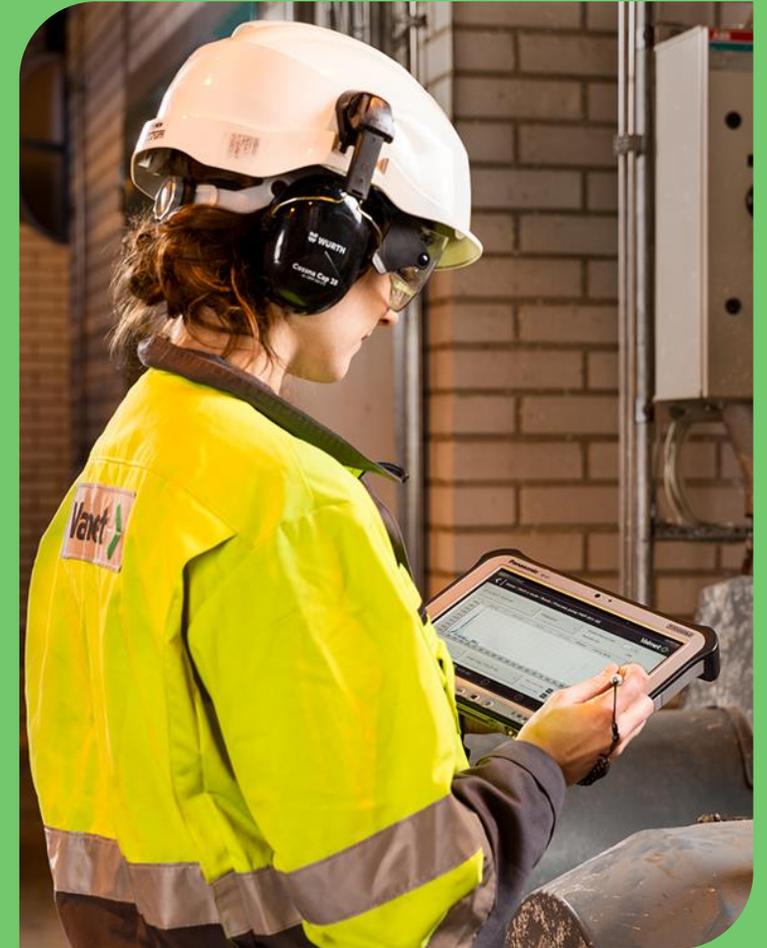
Actions to keep growing faster than the market

Stable business

- Long term co-operation with customers through agreements
- Develop local service capability
- Leverage and develop Field services as differentiator
- Lead the market through Industrial Internet offering
- Competitor replacements in Automation
- Grow through new industries in Automation

Capital business

- Continue to bring advanced technology to the market
- Improve product cost competitiveness
- Secure mega pulp mill cases
- Create customer value with digitalization and Industrial Internet



Actions to reach Comparable EBITA target of 8–10%

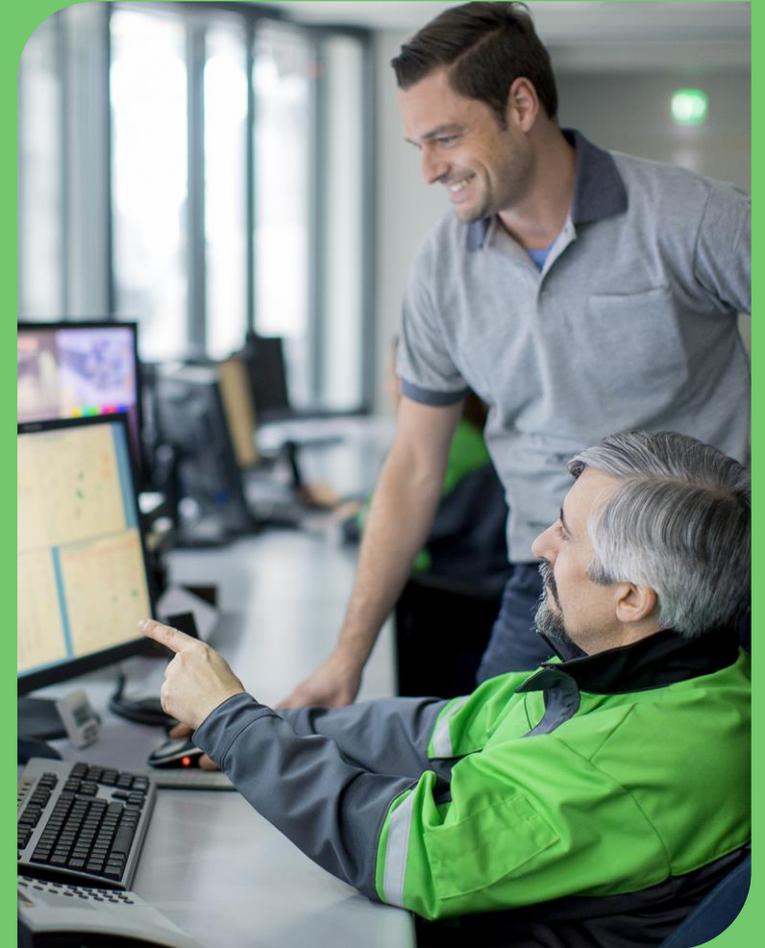
Track record

Comparable EBITA margin (%) and stable business net sales (EUR million)



Actions to reach Comparable EBITA target:

- Grow the stable business
- No negative margin deviation in capital projects
- Continued actions to save in procurement
- Increase flexibility in operations through global footprint development
- R&D and new product launches
- Internal efficiencies through digitalization
- ERP project (from 2021 onwards)



Actions to reach ROCE target of 15–20%

Track record

Capital employed (EUR million) and Comparable ROCE (% , before taxes)



Actions to reach ROCE target:

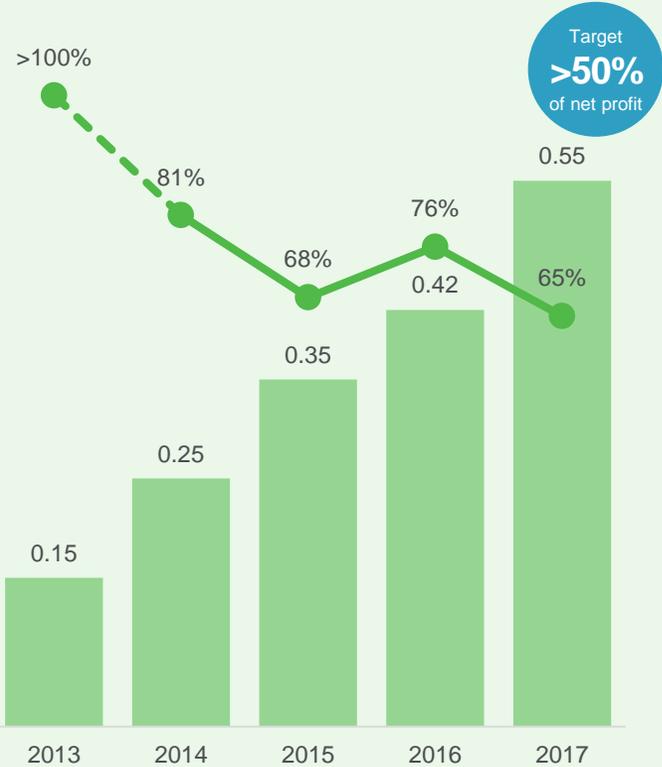
- Improvement in EBITA is the biggest driver for ROCE
- Capital employed has decreased as debt has been repaid
- Strong balance sheet needed for big projects and swings in market activity



Dividend and balance sheet

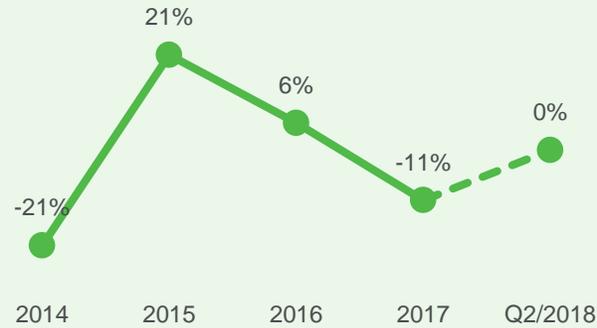
Track record

Dividend per share (EUR) and payout ratio (%)

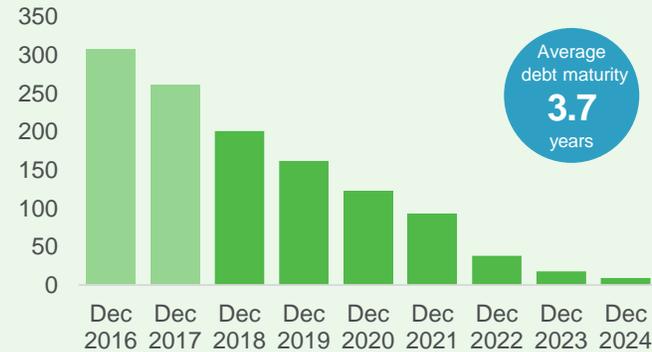


Balance sheet figures

Gearing (%)



Debt maturity structure (EUR million)



- Net debt was EUR -4 million at the end Q2/2018
- Back-up credit facilities:
 - EUR 250 million of committed facilities
 - EUR 200 million of uncommitted facilities
- Valmet needs to have a strong balance sheet to be able to participate in large projects and to cope with swings in market activity

Acquisitions

- Focus on organic growth
- Selective acquisitions can be done to support growth

Acquisition themes

- **Strengthening Services**
 - Complementing existing portfolio
 - Expansion in consumables
- **Strengthening Automation**
 - Stronger Pulp & Paper automation
 - Expansion in Industrial Internet
 - Stronger presence in growth markets
- **Expanding business in pulp, paper and energy value chain**



Systematically building the future

Continuous renewal and improvement of operational capability

ERP

- ERP renewal was started in 2016 and will be completed in 2021
- Benefits are based on process efficiency, data quality improvement and IT platform simplification
- Savings expected from 2021 onwards

ERP renewal in a nutshell

- Total investment approximately EUR 90 million
 - EUR 50 million external investment
 - EUR 40 million expenses
- External investment is capitalized and depreciated over expected lifetime

Business platform

- Renewed PLM - Product lifecycle management and unified engineering environment
 - Benefits based on engineering efficiency, faster offering process, improved data quality and simplified IT landscape
- New customer experience
 - Digitalize customer interaction and customer experience through Customer Portal
- New people management platform
 - Modern, flexible and easy to use solution brings advanced tools for recruitment, onboarding, reporting and performance management

Operational platform

- Project management
- Global training programs
 - Sales Journey: ~800 employees have accomplished the training (70% of the target group)
 - Forward Strategy and Fast Forward: ~400 employees have participated
- Office renewal
 - Germany
 - Poland
 - Karlstad
 - Jyväskylä
 - Shanghai
 - Wuxi
 - Laem Chabang



