Ladies and gentlemen, welcome to this news conference related to Valmet's Financial Statements Review 2014. My name is Hanna-Maria Heikkinen. I'm in charge of Investor Relations.

Today, our CEO, Pasi Laine, will start with the highlights of 2014. And of course he will go through also the development in Q4. After the business development, our CFO, Markku Honkasalo, will go through the financials. After that Pasi will come back and review the dividend proposal, outlook and Pasi will also say a couple of words about Process Automation Systems acquisition. After the presentation, there is a possibility to ask questions.

Please, it's time to start, Pasi.

Okay. Thank you, Hanna-Maria.

So, it's a pleasure to be here. And like you all know, this is the first full year when Valmet has been operating. Last year, we -- the year before we operated one day as a legal independent company, so this is the first time for the full year. And of course we are happy to say that we reached our profitability target in the quarter, Q4, first time. And that our services order intake has started to grow like we were saying early on.

So first, I will go through Valmet in brief, then something how the business lines have been developing. Then Markku will go through the financial development. I will go through the dividend proposal, guidance and short-term outlook and, like Hanna-Maria said, something about the Process Automation Systems as well.

So first, us in brief in 2014. So last year our orders received was about EUR3 billion, net sales about EUR2.4 billion, and EBITA EUR106 million. If you look, net sales in percentages, about 40% was coming from the stable services business. And last year Pulp and Energy was bigger than on average, so it was close to 40% of our net sales and Paper business about 21%.

So first, us in brief in 2014. So last year our orders received was about EUR3 billion, net sales about EUR2.4 billion, and EBITA EUR106 million. If you look, net sales in percentages, about 40% was coming from the stable services business. And last year Pulp and Energy was bigger than on average, so it was close to 40% of our net sales and Paper business about 21%.

If you look at us from the geographical perspective, net sales-wise Europe was the biggest, 43%. It grew from last year. If I remember correctly it was 39% last year. It means that the business activity in Europe, Middle East and Africa has been better than in earlier years. So for us Europe has been a good market.
North America was about 18%. Activity has been good as well. South America, 13%, China, 11%, and Asia Pacific, 15%. So like we have been saying, roughly 40% of our business is coming from emerging markets and 60% is coming from the established markets.

So all in all, if you look up here the main figures for Valmet, Valmet had a good year in 2014.

Then, if we go financially through 2014 -- so first of all, important to mention that our services was stable in 2014. Our orders received stayed at the previous year’s level and net sales about the same as well.

Orders received -- we say here it is stable, but in fact it grew 3% compared to last year. And we are of course very happy about that development.

Our orders received increased in all part to capital businesses. Pulp and Energy was active and Paper was active. And our net sales increased in Pulp and Energy but declined in Paper.

As a result of good order intake, our backlog increased in a year by 43%. So beginning of the year it was EUR1.4 billion and at highest point it was EUR2.4 billion, and now it’s EUR2 billion. So 43% increase compared to end of 2013.

Our profitability improved every quarter in 2014. Of course the starting point was low. But still, we were able to grow our profit every quarter.

And EBITA almost doubled compared to earlier year -- previous year. And why EBITA improved, I think a big impact was coming from our SG&A control. So like you will later on see, we reduced our SG&A spending quite a lot compared to earlier year.

We had good development in our gross profit due to good project management sales and execution. And then we are saying that we still have further potential to improve our profitability further by improving quality, by improving project sales, project management, service management, and of course to continue to improve the design of our products to increase the profitability. So we still have a lot of actions ongoing to improve our profitability in coming years.

And then, our balance sheet was strong. Our net debt in the year-end was minus EUR66 million and gearing was minus 21%. And we generated cash flow from operating activities EUR236 million. So all in all, I think 2014 was -- I think it was a successful year for Valmet.

We were not surprised but maybe some of you were surprised how well we performed and positively I hope.

Then if we look at Q4 in brief, maybe the biggest single big thing is that our orders received in services started to grow. And the growth compared to the earlier year was 17%. And I think it’s a result of a lot of actions which we started in June, July, August to improve our focus to services growth. And in Q4 we got the benefit of the actions which we initiated earlier on.

Capital business was growing compared to earlier year, but it was on low side. Backlog like I said it was EUR2 billion. And then profitability, first time reached the targeted level. And EBITA as a percentage, it was 6.1%. And like I said, we still have potential to improve that further on.

So Q4, I think two headlines is that all the services order intake started to grow and we reached first time the EBITA margin target that we have set to ourselves in one quarter.

If you look at key figures, order intake -- EUR3.071 billion and there the growth is 41% compared to earlier year. And that’s of course strong evidence that customers have trusted a lot to new Valmet. And I think that’s the most important thing for our company to develop further. Even if we are a new company as a listed independent company, customers trusted us a lot with big projects and I think it’s a good sign for further development.

Backlog has been discussed already and net sales declined by 5%. And that’s of course the result of the very low order intake in 2013. And because we started with a low backlog then the net sales was lower than last year by 5%. But even if the net sales went down by 5% we were able to increase our EBITA before non-recurring expenses from EUR54 million to EUR106 million. So almost doubling the EBITA even if net sales went down by 5%, so I think it’s good development.
EBITA as a percent, it is 4.3%. And like I said, target is 6%, so we are not there yet where we want to be. But first time in this quarter we had EBITA in percentage at 6.1% and we were better than -- we were in the range of the targeted range.

Then Markku will go through more -- the other numbers, but once again our gearing in the end of the year was minus 21%, which means that our balance sheet is reasonably strong to go further. So good development in almost all the numbers.

We have some graphs, like we have been saying from the first quarter results news already. In our business it’s good to follow the 12 months curve in orders received. So we have quarters when we get a lot of orders and then we have a little bit more silent ones. And it's important to follow the long-term trend.

And like you see here, it's at EUR3 billion currently. We have had now two little bit lower order intake months in capital businesses. But like I said, the positive thing is that the services order intake has started to grow again.

Geographically, we had a good year in many respects. So biggest order intake growth was actually in Europe. And Europe was a very good market for us in capital business in 2014. We got several boiler orders, paper machine rebuilds, pulp machine rebuilds, and a big pulp mill rebuild order from Sweden. So all the businesses were active in Europe.

Latin America was good, North America was good. Asia Pacific and China may be on the level where it will be in the future as well that China is not anymore as big a market area as it used to be in our business.

Then our backlog, like I said, is about EUR2 billion. And at the highest, it was EUR2.4 billion. EUR2 billion is a good backlog for us, and we are saying here that we estimate that about 80% of the backlog will be recognized as revenue during this year. And from there, you, of course, can make your calculations to our net sales estimates. And we also say that about 20% of the backlog is coming currently from services business line.

Then this is the EBITA margin development. So we started end of last year and with minus 3.7% after some restructuring and some project challenges. First quarter was 0.7%, next one was 3.7%, then 5.5%, and now 6.1%. So slowly and steadily, EBITA in percent is getting to the targeted level.

And like I said, later on, still to the improvement actions, what we have later on continuing to improve the EBITA further. But we are reasonably satisfied with the speed, how quick we have been able to turn the profitability to acceptable level again.

And like I said, two sources for the EBITA is that first the SG&A control has been tough. So we have about EUR400 million in SG&A for the whole year. Earlier year numbers were quite much bigger. But we are now quite satisfied that we were a little bit below to EUR400 million in SG&A like we have been saying as a target. And I think it's good achievement from all of us.

In last quarter, the SG&As were a little bit higher. We, as a new company, have still something to learn how to accrue some of the costs, and maybe next year we will have a more steady SG&A development. So you cannot take this last quarter SG&A as your run rate for the coming year.

Gross profit has been improving, and we still have actions how we'll continue to improve gross profit also in the future. And the must-wins which target this profit improvement are listed here. So we have ongoing some actions to improve our project and service margins by harmonizing the processes, and of course, by trying to be as selective in sales cases as possible.

We still have cost -- the cost of poor quality is too high. We have put now quite a lot of effort in improving our quality, but we still have potential to improve our profitability just by improving our quality processes. We have started a procurement program about a year -- a little bit more than a year ago and it starts to pay off. But we still have a lot of potential there as well. Or we have potential there as well.

Then, of course, we finalized this EUR100 million savings program after the third quarter, but we have to be now very tight with increasing any costs. So that's one of the focus areas for management. And then of course we still continue to develop products which have modular structures and standardizations in the modules so that we can further improve our profitability also by efficiency, increasing engineering and production. So a lot of actions are ongoing to continue to develop the competitiveness of Valmet in the future as well.
If you look, the business lines -- and start from the services, so stable is maybe a good word. So net sales was a little bit down compared to last year but orders received was growing compared to last year. And I think that the biggest positive thing is that we were able to change this general trend that usually the second half of the year has been lower in order intake than the first half of the year. And now, like you see here, we had about EUR40 million better order intake in end of 2014 compared to 2013.

So we started to put even more focus in services order intake somewhere in the summertime and now in end of the year it started to pay off. And it has been mainly focusing on sales management, making sure that all the active cases are followed up and that everybody is working as a team to get the orders. And I think the efforts -- what our regional organizations and business line and many sales managers have been doing have been paying off, so good work from them.

Then Pulp and Energy, the order intake is lumpy like it has always been, beginning of the year was good. Now, two quarters have been a little bit more silent. But all in all, the orders received has almost doubled compared to earlier year. And it was about a little bit more than EUR1.3 billion. And last year, it was somewhere around EUR700 million, so of course a huge improvement.

And mainly the improvement came from Energy, many boiler orders, Sodra Cell, Varo, OKI pulp technology, and then Klaibin two dryer machines.

So we've got three big orders and then several others for the boilers. So we are very pleased with the order intake. And then when the order intake has been growing, then of course net sales has started to grow as well in the end of the year.

Then Paper orders -- and then Paper, of course in our case, means mainly board machines and tissue machines. And the order intake increased to EUR670 million in the year. Trend has been good and more stable than the Pulp and Energy. And here is the same situation that now when the order intake has been good in the first two quarters, now we start to see the increase in sales volumes as well in Paper business line.

And we are very pleased with the development in Paper business line. And also we are pleased how our market share has been developing in Paper business. So I would claim that we have been gaining market share in 2014 against our big competition from Germany.

So now it's Markku's turn to go through the financial development.

Markku Honkasalo - Valmet Corp. - CFO

Okay. Thank you, Pasi. And good afternoon also on my behalf as well. And just as a reminder please note that the year 2014 figures are actuals and that all the comparison figures are carve out figures. So this is the last time I am reminding you of this fact.

A good cash flow generation continued in Q4. So our cash flow before investment -- it's the investments for EUR30 million, our investments were EUR40 million. So our cash flow after investment by EUR60 million. And cumulatively throughout the whole year our cash flow before investments was EUR236 million, our gross CapEx EUR46 million, net CapEx EUR41 million and on cash flow after investment a very strong EUR194 million.

And at the end of the year 2014 our net working capital was a negative minus EUR353 million and our depreciation was EUR51 million. So our capital expenditure was lower than our depreciation.

At the end of the Q4 we had cash and cash equivalents of EUR234 million and our interest-bearing debt was EUR68 million. So our net debt was negative EUR166 million. It's turned into the gearing of minus 21%. Our equity at the end of the Q4 was EUR809 million which turns into the equity ratio of 42%.

Our capital employed decreased throughout the whole year and at the end of the year it was EUR877 million. And the decrease was very much due to the fact that there was an increase in trade and other payables and then change in book receivables and liabilities. Return on capital employed annually at the end of the year was 9%. So we managed to improve this capital employed ratio throughout the whole year.
Our net debt -- or actually interest-bearing debt was all in all EUR68 million comprising two sources, EUR64 million from EIB and then EUR4 million from other financing sources. In addition to that one, we had EUR200 million syndicated revolving credit facility which was totally undrawn and that has a maturity in December 2018. And in addition to that one we have EUR200 million domestic commercial Paper program and then nothing was outstanding at the end of the year.

Hence, the average maturity of our loan portfolio at the end of the year was 3.2 years and then the average interest rate was at 3.1%. So that was briefly the financials and then Pasi will continue. Thank you.

Pasi Laine  -  Valmet Corp.  -  President & CEO
Markku is talking faster and faster the thing, so --

Markku Honkasalo  -  Valmet Corp.  -  CFO
We are (inaudible - microphone inaccessible).

Pasi Laine  -  Valmet Corp.  -  President & CEO
Maybe I should learn to speak faster.

So dividend proposal. So the Board of Directors has made a dividend proposal for the annual general meeting and they are proposing to pay a dividend of EUR0.25 per share. And that's the proposal and of course the final decision will be in the annual general meeting. And our policy is saying that we are paying at least 40% of the net profit and this is of course a little bit more than 40% of the net profit.

Then guidance and short-term outlook. So now we are guiding as a total Valmet including the possible acquisition of Process Automation Systems. And we are saying that in 2015 net sales will increase in comparing to 2014 and EBITA before non-recurring items in 2015 will increase in comparison with 2014. So we are saying that net sales will increase and EBITA will increase for Valmet.

Then short-term outlook -- we keep it as intact. So services -- we still say that the outlook is satisfactory. So we have enough possibilities to get good work load for our satisfactory or good work load for our units. And it's more -- the growth is more depending on our own action and are we able to grow our market share or not.

In Pulp we keep to satisfactory. Like you, many know a couple of customers have announced some projects where they are actively thinking whether to invest or not and we are of course following them as well. In Energy we keep currently also on satisfactory level. So we have good work load currently and we have some projects where we are working together with customers. And let's see when the decisions are coming.

Paper -- and we have board and paper, we still keep at the good level. So there are still good level of sales activity in that segment. And tissue, like earlier, we keep on satisfactory level. So basically we are saying that we don't see any big changes in our market situation currently compared to quarter 2 and 3 or what we saw in quarter 2 and what we saw in quarter 3.

Then two words about -- the two slides about that PAS, Process Automation Systems of Metso, and like we announced on January 15th, we have signed the contract with Metso to buy their automation systems. And from our perspective this is of course strategically a very good move. By combining Valmet and PAS we create something unique for customers. And so thereafter we can solve process technologies used from customer, we have the automation capabilities and services capabilities to serve a customer. So I think this is a unique and good combination.

Then of course PAS as its own is a strong good business, established business, has long tradition with customers, good customer contacts and very good products. So it's good business on its own. And of course with this acquisition Valmet, when the competition authorities have approved the
acquisition then Valmet will be more stable and more profitable. So from that perspective it’s also a good move to create even stronger Valmet in the future.

And current status is such that we have now decided how we will be organized if competition authorities will approve it. So automation will -- first of all it will be called Automation and it will be fourth business line in Valmet. And we will report net sales, orders received and personnel of that business line in the same way as we are reporting from the other business lines. But like now also the only reporting segment is Valmet. And Valmet will continue to be a single reporting segment.

The current head of PAS Sakari Ruotsalainen has decided to join us and continue to work in that organization. And we have today appointed him as a Leader of Business Line Automation if the acquisition becomes true after the competition authorities have approved. So everything processes in good cooperation with Metso. And we are very happy with the cooperativeness of Metso and how things are proceeding. So very professional work from their side.

So summary of 2014. So we had a stable development in services. And the positive thing was that orders received started to grow. We had good year in capital business, in orders received especially Pulp and Energy was growing well, Paper was growing well.

Backlog increased to EUR2 billion, profitability improved every quarter and in the end it was almost EUR106 million in EBITA. And that was to a good control in SG&A, good development in gross profit. But we are also say that we still have possibility to improve our profitability. And we ended up the year with good cash flow, with low gearing and strong balance sheet.

So -- and you want to market this one, Hanna.

QUESTIONS AND ANSWERS

Hanna-Maria Heikkinen - Valmet Corp. - VP, Investor Relations

Yes, certainly. So please remember all capital markets day which will be on London on March 19. But if you both, Pasi and Markku could come here and we will continue with the questions.

We will start from Keilasatama.

Jorma Poysa - Kauppalehti - Media

Jorma Poysa, Kauppalehti. You mentioned that you have one market share in paper from Voith. What’s about your market share and your competitors’ and what kind of selection of machines there are?

Pasi Laine - Valmet Corp. - President & CEO

I think we have been long active in developing a modular cost effective medium sized machine. We launched some three years ago, or is it already four years ago, three years ago, OptiConcept M, so medium size OptiConcept Machine. And its modular machine, very nice technology, good design, and it’s medium sized, and it has features that decrease in the investment cost what customers who are needing to build their infrastructure around the machine.

And the machines have been starting up well, and then the first ones, and thereafter, we have had continuous flow -- flow is too much, but many orders for the OptiConcept M machine. And I think that’s a segment where we are clearly leading, currently, the market.
Market shares, I can say that it has been increasing, but the numbers I wouldn’t say. And maybe we come back to that in capital market day maybe, so welcome to capital market day.

Hanna-Maria Heikkinen - Valmet Corp. - VP, Investor Relations

So there lots of good reasons to join our capital markets day. Do we have more questions from Keilasatama? If not, then we will continue with the questions from the lines.

Do we have any --

Operator

(Operator Instructions). We have one question from the line of Antti Suttelin. Please ask your question.

Antti Suttelin - Danske Markets Equities - Analyst

Thank you. Personnel numbers, you have decreased number of employees. Do you think you can keep this lower number throughout 2015 as your sales looks to grow on an organic basis?

Or do you have to increase number of employees?

Pasi Laine - Valmet Corp. - President & CEO

I think to grow in services, we need to increase our personnel as well. So in services, it’s that kind of business, if you want to grow services by 1 million, then you need certain amount of heads to deliver the services. So I would assume that our headcount in services will increase a little bit in 2015.

Antti Suttelin - Danske Markets Equities - Analyst

Okay. How many employees would it be? 100? 200?

Pasi Laine - Valmet Corp. - President & CEO

We have some plans but we haven’t -- we will not announce them -- but small increase in headcount in services is to be expected.

Antti Suttelin - Danske Markets Equities - Analyst

Okay. And what drove services order intake? You indicated it was because of improved base processes. Is this something which should continue in 2015 as you see it?

Pasi Laine - Valmet Corp. - President & CEO

Of course, we continue with that, and then we of course have to develop all the time new things by how to develop the services. So we -- a little bit simplified, we want to strengthen our presence close to customers. Like just before the Christmas, we approved the investment to Indonesia, to build up new workshop to serve Indonesia market. So that’s typical action how to grow services.
Then we are making new products all the time and bringing new products to the market. So last year, if I remember correctly, we announced over 50 new services products to the markets. And then we are developing our agreement business at the same time to make sure -- to serve better the customers. But then from our perspective, make the services more as a continuation business. So several actions to develop services further.

Antti Suttelin - Danske Markets Equities - Analyst

Okay. And still to emphasize, Q4 was not because of lumpy order intake in services. It was reflecting higher market share, which you expect to persist also in 2015?

Pasi Laine - Valmet Corp. - President & CEO

No, we are not guiding service order intake in 2014, but like we have all the time been saying that of course, our target is to grow the services. And first half of this year, we were not very happy with our performance. So of course, we target to grow services in 2015 as well. But no direct answer to what is the -- percentage growth of what we are targeting.

Antti Suttelin - Danske Markets Equities - Analyst

Okay. And then finally, net working capital, you had a negative net working capital at the end of the year. Can you keep net negative -- net working capital?

Markku Honkasalo - Valmet Corp. - CFO

Okay, if I go back to the history, so it has never been a positive. So to answer your question, I'm very confident that it will continue to stay negative.

Antti Suttelin - Danske Markets Equities - Analyst

Lesser extent than at the end of last year? Or how do you see it?

Markku Honkasalo - Valmet Corp. - CFO

That of course depending very much on how the orders received will develop during the course of 2015.

Antti Suttelin - Danske Markets Equities - Analyst

Okay. And finally -- pulp outlook, this is, as I say, the biggest risk in Valmet, are you confident that this -- or do you think that these processes project within your customers are going to a positive conclusion from Valmet's perspective?

Pasi Laine - Valmet Corp. - President & CEO

It's very difficult to say clear commitment. But I think our customers have been announcing their time schedules. And we of course, trust is not a good word, but we work with the customers. And when they are ready to make the decisions, then we of course try to be as active as possible. But we can't give full commitment when it happens.
Antti Suttelin - Danske Markets Equities - Analyst

Yes. Good luck. Thank you very much.

Pasi Laine - Valmet Corp. - President & CEO

Thank you.

Operator

You have another question. This one from the line of Sampsa Karhunen. Please ask your question.

Sampsa Karhunen - DnB NOR - Analyst

Hi, good afternoon, it's Sampsa Karhunen from London. Just a couple of questions, if I may. First of all, I just wanted to understand better when you say that you are able to grow the service orders by taking actions in August, September if I heard you correctly, can you just briefly in a couple of sentences, describe which kind of actions did you take? And are you still taking these actions? Are they one-off actions? Or is it somehow you changed the way you act with the clients?

Pasi Laine - Valmet Corp. - President & CEO

First of all, in the beginning of the year, we still had some reorganizations going on in our services organizations. So we established the services organization in end of October 2013. So it took, still a couple of months before everything settled down and that lowered our performance in the beginning of the year. Then we were very successful with the capital order intake in quarter one and quarter two which took little bit all of our attention away from services.

And then of course, we have noticed that some way in spring time and then we started to focus on services order intake more. And since then, we have been developing normal things for sales management, so thinking customer by customer or mill by mill or power plant by power plant and what kind of services opportunities we have there and then thinking how we could serve customer. And by activating that kind of process, we have started to see more possibilities and that's of course something what we continue to do also in 2015.

Sampsa Karhunen - DnB NOR - Analyst

Fantastic. But can you say where are you taking the market from, who is the player that are kind of -- I mean not the names but is it like competitors or is it like small mom and pop shops or is the client itself that gives you these service orders and -- who we draw from the market?

Pasi Laine - Valmet Corp. - President & CEO

It's a little bit too early to say from whom we would be taking market shares and like you remember our market share and services is not so dominant, so if we grow a little bit then maybe it's coming from many players. So, too early to answer to that question's answer.

Sampsa Karhunen - DnB NOR - Analyst

Very good. Then another question, you were quite upbeat on the possibilities you have on the profitability improvement. Even going forward, we have seen a very good development this year. I was just wondering when you talk about this profitability improvement, do you expect that the market is going to help you more than what we have seen so far or would you see that even with the current kind of level of sales, you would be able to improve the margins? And if so why?
Pasi Laine - Valmet Corp. - President & CEO

We have had good focus on those must-wins by which we try to improve our profitability and the focus continues to be there. And now we have learned something, so I think the machine is running and now we of course continue to improve the profitability. We have been earlier saying that we target to be between six to nine not depending on the market cycle. And that’s still the commitment that we target to develop the company so that we would between six to nine not depending on the market but always.

Sampsa Karhunen - DnB NOR - Analyst

Yes. Well, when you’re saying that you have learned something that basically means that you have understood something better than before, which means that maybe this six to nine is somewhat conservative, obviously you’re not going to comment on this but when you say that you have learned something that means that you understood something better and that makes me think that okay maybe you’re a little bit conservative then. Anyway, if we are looking --

Pasi Laine - Valmet Corp. - President & CEO

I want to comment to that one. I think six to nine in our type of industry is very challenging so I think it’s good target setting. And we have no reason to inflate the targets. I think if you compared us to our friends then six to nine is aggressive target already, so don’t inflate it please.

Sampsa Karhunen - DnB NOR - Analyst

Okay. But very quickly you get the six one anyways. Then if we are looking at the -- Antti was mentioning about the pulp orders obviously one thing I want to understand is that when we see there is a lot of potential pulp orders coming up, when you see your situation and your competitors as well you basically have your order books filled with these pulp orders, so I’m just trying to understand is it really important for you to get large pulp orders in 2015 or is your kind of -- would you be comfortable with the cost structure that you have with the pulp division even without any large orders in 2015?

Pasi Laine - Valmet Corp. - President & CEO

Of course nobody as a manager is happy if there are no big orders in our type of business, so of course we target to get orders. Market situation continues like it has been, competition is the same like earlier with our friends from Austria. And let’s see if the projects will materialize and what kind of share we will take from that, but of course we want to get our share also if there are some decisions to be done by customers in this year.

Sampsa Karhunen - DnB NOR - Analyst

Okay. Lastly, on acquisitions and I remember that the CFO of the company was saying basically that you want to see the profitability improvement to happen before you get into M&A activity, obviously PAS was now kind of announced, there was something that was widely expected, I think that you still have growth opportunities in the US for example in the service side, I was wondering now that you’re in the target would you be more aggressive in this M&A side going forward?

Pasi Laine - Valmet Corp. - President & CEO

I think we have been now aggressive already, so the acquisition of PAS if the competition authorities approve it, is an aggressive big move for us and I think takes time to digest and integrate and to benefit off that. So I think that’s now the focus and then next focus is to pay debts back, so we -- I don’t see that we are -- so the focus is currently still profitability and then the integration of PAS and once those done then let’s think about next steps then.
Samps Karhunen - DnB NOR - Analyst

Okay. Thank you so much, Pasi.

Operator

Your next question comes from the line of Tom Skogman, Handelsbanken. Please ask your question.

Tom Skogman - Handelsbanken Capital Markets - Analyst

Yes, hello. This is Tom Skogman from Handelsbanken. And I have a couple of questions. First of all, I wonder whether we will see a similar seasonality in 2015 as in 2014 gave -- and the very big change in the order book?

Pasi Laine - Valmet Corp. - President & CEO

I think seasonality might not be the correct word because it’s not depending on any seasons. And cyclical might be also not correct word. So one British investor was saying that the correct word is lumpy, that sometimes we get a big order and then it’s awhile when we are not getting orders and then it’s again a big order and I think that continues not only 2015, but it continues also in the future like we have been saying that --

Tom Skogman - Handelsbanken Capital Markets - Analyst

Sorry, Pasi. I’m talking about sales, not orders. As the order book is so much higher, I just wonder will we see a similar kind of seasonality in 2015 as in 2014?

Pasi Laine - Valmet Corp. - President & CEO

So, usually the services -- sales will increase in the latter part of the year, but this year might be a little bit different because our order intake into the end of 2014 was better than earlier, so we cannot extract from the history exactly how 2015 will be. So, I have to think about it, good question.

Tom Skogman - Handelsbanken Capital Markets - Analyst

So, in 2014 for instance, Q1 sales was only 21% of the full year sales. Okay. Let’s see what happens there. Then I wonder about the order book margin, you took these very big orders in the first six months of 2014 basically in a quite desperate situation with the low order book knowing that you were at a much lower cost level. Now, when you have -- in the finalized cost program and the -- you are now ramping up deliveries of these orders, how do you feel about the sales margin in these ones? I guess it was very hard to calculate at what price you could sell these and you didn’t really know what will happen to cost when you move so much production out of your own controlled outsourcing.

Pasi Laine - Valmet Corp. - President & CEO

What I have said earlier is that already in 2012 we took big pulp mill order in competitive market situations, so the profit in the -- profit in the backlog hasn’t changed very much compared to the earlier years. So I think we are reasonably comfortable with the current backlog situation -- profit in the backlog.
Tom Skogman - Handelsbanken Capital Markets - Analyst

So, basically there have not been any bad surprises moving own production to outsourcing, that has more cost than you expected or so?

Pasi Laine - Valmet Corp. - President & CEO

In our type of business, you never say that there will never be bad surprises. But I think the positive thing is that we did our restructure in 2013, and now our organization has somehow settled down and we have found the roles. So I think now execution of many things has improved compared to beginning of 2014.

Tom Skogman - Handelsbanken Capital Markets - Analyst

Okay. And then my final question is also about net working capital that Antti already asked about. Now the networking capital is more than 14% of 2014 sales. And correct me if I’m wrong, but I have understood that the normal over the cycle ratio is only 5%. That means you have more than EUR200 million of excess cash in the balance sheet at the moment. Am I right or am I wrong?

Markku Honkasalo - Valmet Corp. - CFO

In a way, yes, you are right. What we have said is that the long term historical average has been minus 5% of the net sales. But the fact is that the net working capital is very much a consequence of our orders received development and how are we then proceeding with the projects. So timing will also have a certain impact.

But going forward, so having this kind of level of negative working capital maybe most probably will not realize, so maybe we have to find the difference going forward. But once again, depending on that, how much we are receiving orders during the course of the year, that will have an impact on our overall networking capital.

Tom Skogman - Handelsbanken Capital Markets - Analyst

Of course. Yes. Thank you.

Operator

(Operator Instructions). And you have one more question. This one from the line of Jan Kaijala. Please ask a question.

Jan Kaijala - Nordea Markets - Analyst

Hi. This is Jan Kaijala from Nordea Markets. Just on your market outlook. I mean, I’m just trying to get a feel for this. You said board and paper was good already after the Q2 in the last summer. And you said that it was a two way -- or two ways to look at it. One was that there was demand for new paper and board equipment and also that you yourself had availability to take on board new orders and such. Now, you’ve being blocking a few orders during the past three quarters or two quarters.

If you now look at the situation, is it better or worse? And have you been either eating up the market by taking the orders and have the number of available projects increase or decrease since you made the first assessment of this market situation?
I think it has been the same and that’s why we have kept it on the good level. So we have good results utilization currently and we have the same amount of active projects which we had when we increased the outlook.

Okay. And then on the pulp market outlook, I mean, it was already touched here. But just on the situation, we know that there’s been about 1 1/2 big projects every year over the past 10 years or so being granted and as you rebuild and other equipment, I mean, looking at last year and looking at what we have in the pipeline currently, in the world, one would think that this looks pretty much the average over the past 10 years or so. So what would you need more to make it look good, for example, instead of satisfactory?

I think you are right there that there has been roughly 1 1/2 mills being built or decided a year and that’s the average. And then if we could now retrospectively redefine maybe quota one should have been good in last year. But then, otherwise, I think the definition of what we have here to say satisfaction is pretty much the current situation.

So I think that’s how it is that there are a couple of big projects customers are talking about and some of them will proceed, maybe some will have some delays and that’s the normal situation in our market and we have to live with it.

Okay. Okay. That was all I had. Thank you.

You have one more question again from Sampsa Karhunen. Please ask your question sir.

Hi. It’s Sampsa again. Sorry to tease you a little bit more Markku, I didn’t really get what you responded on the net working capital. I was just going to understand -- I mean, we are seeing this kind of like 14% things going on and obviously the order intake has been roughly good and you’re referring all the time to historical minus 5% of sales. Do you really think that it’s kind of -- have you calculated it through? Is it only that you are doing some sort of a regression and repeating it? Or do you think that that’s really the realistic level of the net working capital going forward?

Okay. First of all, I mean, Sampsa, welcome to our Capital Markets Day. I will open up a little bit more that you know what’s the link between the orders received and our net working capital. I have more historical data available. And then the net sales is not a good measure because it comes so much late. But I mean it’s a - net working capital really much follows up the development of our orders received. Once we get this project, we will start doing the booking and then depending on the timing, of course, I mean, it will have an impact on the overall level of the net working capital.

So this minus 5% is a very long term average. So it’s maybe I would say that a little brutally calculated. But this was something that we did when we did this memorandum for the demerger -- or the prospectus for the demerger. So we just calculated that, okay? This has roughly been indicator for that one.
But saying this one, in our capital business, working capital is always negative. And then in our services business, we have a normalized working capital situation, so it is positive. But on Valmet level it has always been a negative.

Samps Karhunen - DnB NOR - Analyst

So I'm just kind of trying to understand that when people are kind of looking at your different type of EV based multiples, it's the kind of -- when it came out with this number, in connection with the prospectus, is it like maybe a little bit conservative estimate of what it should be now that you're kind of like a company run by -- you're not part of a conglomerate, you're just like a company where you can adjust those inventory levels probably much on a much more optimal level. And hence, the EV multiples, could they maybe more attractive if your estimates had been a conservative.

So you basically say that this is the historical one but you don't really say that we are returning to that level anytime soon?

Markku Honkasalo - Valmet Corp. - CFO

No. I didn't say that one. I said that they very much depends on the orders received development going forward. And just maybe commenting this, when we did this demerger prospectus, I mean, that was the best information available at that time and it was correctly done. But of course now we have more experience and we have done quite a lot of calculations going backwards.

So I will open up this issue more in detail in March 19. So you are, Samps, very welcome.

Samps Karhunen - DnB NOR - Analyst

I'll be there. Thank you.

Operator

There seem to be no further questions at this time sir.

Hanna-Maria Heikkinen - Valmet Corp. - VP, Investor Relations

If not, I'd like to thank you, Pasi and Markku, and also all of the participants for an active discussion. We are looking forward to meet you in Capital Markets Day in London and also here in Keilasatama in our Q1 results briefing on April 29.