Orders received increased – profitability at the previous year’s level

Half Year Financial Review, January–June 2017

July 27, 2017

Pasi Laine, President and CEO
Kari Saarinen, CFO
Agenda

Half Year Financial Review, January–June 2017

1. Q2/2017 in brief
2. Development of business lines
3. Valmet Industrial Internet: Dialogue with data
4. Financial development
5. Guidance and short-term market outlook
6. Summary of Q2/2017
7. Appendix
Q2/2017 in brief
Q2/2017 in brief

- Orders received remained at the previous year’s level at EUR 412 million in stable business\(^1\)
- Orders received increased to EUR 384 million in capital business\(^2\)
- Net sales remained at the previous year’s level at EUR 803 million
- Order backlog increased to EUR 2.6 billion
- Profitability remained at the previous year’s level – Comparable EBITA margin was 7.1%
- Gearing was 4%

1) Stable business = Services business line and Automation business line
2) Capital business = Pulp and Energy business line and Paper business line
**Valmet in Q2/2017**

**Orders received**
EUR 796 million

**Net sales**
EUR 803 million

**Comparable EBITA**
EUR 57 million

**Comparable EBITA margin**
7.1%

**Employees**
12,458

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**Orders received by business line**
- Services: 31%
- Automation: 18%
- Pulp and Energy: 11%
- Paper: 11%
- Stable business: 40%
- Capital business: 18%

**Orders received by area**
- North America: 44%
- South America: 5%
- EMEA: 17%
- China: 10%
- Asia-Pacific: 5%
Orders received increased to EUR 796 million in Q2/2017

- Orders received increased in Paper and Automation, remained at the previous year’s level in Services, and decreased in the Pulp and Energy business line compared with Q2/2016
- Orders received increased in China and South America, remained at the previous year’s level in Asia-Pacific and EMEA, and decreased in North America compared with Q2/2016
Stable business orders received totaled EUR 1,583 million during the last 4 quarters

Orders received (EUR million) in stable business¹

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Services (LHS)</th>
<th>Automation, total (including internal) (LHS)</th>
<th>Last 4 quarters (RHS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1/2017</td>
<td>267</td>
<td>242</td>
<td>267</td>
</tr>
<tr>
<td>Q2/2017</td>
<td>273</td>
<td>273</td>
<td>273</td>
</tr>
<tr>
<td>Q3/2017</td>
<td>242</td>
<td>273</td>
<td>273</td>
</tr>
<tr>
<td>Q4/2017</td>
<td>293</td>
<td>293</td>
<td>293</td>
</tr>
<tr>
<td>Q1/2018</td>
<td>307</td>
<td>307</td>
<td>307</td>
</tr>
<tr>
<td>Q2/2018</td>
<td>330</td>
<td>78</td>
<td>330</td>
</tr>
<tr>
<td>Q3/2018</td>
<td>342</td>
<td>75</td>
<td>342</td>
</tr>
<tr>
<td>Q4/2018</td>
<td>394</td>
<td>81</td>
<td>394</td>
</tr>
<tr>
<td>Q1/2019</td>
<td>409</td>
<td>88</td>
<td>409</td>
</tr>
<tr>
<td>Q2/2019</td>
<td>344</td>
<td>80</td>
<td>344</td>
</tr>
<tr>
<td>Q3/2019</td>
<td>371</td>
<td>87</td>
<td>371</td>
</tr>
<tr>
<td>Q4/2019</td>
<td>443</td>
<td>88</td>
<td>443</td>
</tr>
<tr>
<td>Q1/2020</td>
<td>355</td>
<td>103</td>
<td>355</td>
</tr>
<tr>
<td>Q2/2020</td>
<td>321</td>
<td></td>
<td>321</td>
</tr>
</tbody>
</table>

- In Q2/2017, total orders received in stable business remained at the previous year’s level.

¹ Including internal orders received for the Automation business line.
Order backlog at EUR 2,551 million at the end of Q2/2017

Order backlog (EUR million)

- Order backlog EUR 62 million lower than at the end of Q1/2017 but EUR 444 million higher compared to a year ago
- Approximately 50% of the order backlog is currently expected to be realized as net sales during 2017
- Approximately 25% of the order backlog relates to stable business

Structure of order backlog

- ~25% Stable business
- ~75% Capital business
Development of business lines
Services: Orders received and net sales remained at the previous year’s level

Orders received (EUR million)

Net sales (EUR million)

- Orders received remained stable compared with Q2/2016
  - Orders received increased in China, remained at the previous year’s level in Asia-Pacific, North America and South America, and decreased in EMEA
  - Orders received increased in Energy and Environmental, remained at the previous year’s level in Fabrics, Mill Improvements and Rolls, and decreased in Performance Parts

- Net sales remained stable compared with Q2/2016
Automation: Orders received increased and net sales remained at the previous year’s level

Orders received¹ (EUR million)

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1/15</td>
<td>Q2/16</td>
</tr>
<tr>
<td>62</td>
<td>88</td>
</tr>
<tr>
<td>85</td>
<td>6</td>
</tr>
<tr>
<td>70</td>
<td>72</td>
</tr>
<tr>
<td>67</td>
<td>66</td>
</tr>
<tr>
<td>81</td>
<td>88</td>
</tr>
</tbody>
</table>

Net sales¹ (EUR million)

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1/15</td>
<td>Q2/16</td>
</tr>
<tr>
<td>55</td>
<td>81</td>
</tr>
<tr>
<td>68</td>
<td>73</td>
</tr>
<tr>
<td>66</td>
<td>65</td>
</tr>
<tr>
<td>95</td>
<td>94</td>
</tr>
<tr>
<td>58</td>
<td>58</td>
</tr>
<tr>
<td>8</td>
<td>8</td>
</tr>
</tbody>
</table>

- Orders received increased compared with Q2/2016
  - Orders received increased in China, North America and Asia-Pacific, and decreased in South America and EMEA
  - Orders received increased in Pulp and Paper, and decreased in Energy and Process

- Net sales remained stable compared with Q2/2016

¹) Q1/2015 orders received and the underlying figures for ‘Orders received, last 4 quarters’ and ‘Net sales, last 4 quarters’ are calculated based on Metso’s reported figures and pro forma figures excluding Process Automation Systems and are therefore indicative only.
Pulp and Energy: Orders received and net sales decreased

Orders received (EUR million)

- Orders received decreased compared with Q2/2016
  - Orders received increased in Asia-Pacific and South America, and decreased in North America, China and EMEA
  - Orders received increased in Energy and decreased in Pulp

Net sales (EUR million)

- Net sales decreased compared with Q2/2016
Orders received and net sales increased compared with Q2/2016:

- Orders received increased in China, South America and EMEA, and decreased in Asia-Pacific and North America.
- Orders received increased in both Board and Paper, and Tissue.

Net sales increased compared with Q2/2016.
Valmet Industrial Internet

Dialogue with data
We want to become the most desired Industrial Internet partner for our customers.

Valmet develops its Industrial Internet solutions building on the unique combination of process technology, services and automation.
Today, customers are extensively utilizing our Industrial Internet capabilities

- 780 Valmet-supplied lines with Valmet DCS
- 400 Condition Monitoring (CM) references with over 78,000 I/O tags
- 350 Advanced process control installations
- 520 Online connections with customers
- 90 Performance agreements with remote connections
- Co-creation of advanced analytics with customers
## Valmet Industrial Internet

### Building blocks

<table>
<thead>
<tr>
<th>Ecosystem</th>
<th>Applications and services</th>
<th>Automation and IT platform</th>
<th>Process technology</th>
</tr>
</thead>
</table>

### Offering

#### Reliability services
- Component reliability monitoring and diagnostics
- Sub-process reliability improvement
- Mill and plant reliability optimization

#### Performance services
- Process performance optimization
- Mill and plant performance optimization
- Fleet performance optimization

#### Valmet Performance Center
- On-demand expert support
- Remote monitoring and optimization
- Data discovery and analysis
Financial development
## Key figures

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Q2/2017</th>
<th>Q2/2016</th>
<th>Change</th>
<th>Q1–Q2/2017</th>
<th>Q1–Q2/2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders received</td>
<td>796</td>
<td>692</td>
<td>15%</td>
<td>1,802</td>
<td>1,495</td>
<td>21%</td>
</tr>
<tr>
<td>Order backlog&lt;sup&gt;1&lt;/sup&gt;</td>
<td>2,551</td>
<td>2,106</td>
<td>21%</td>
<td>2,551</td>
<td>2,106</td>
<td>21%</td>
</tr>
<tr>
<td>Net sales</td>
<td>803</td>
<td>804</td>
<td>0%</td>
<td>1,475</td>
<td>1,456</td>
<td>1%</td>
</tr>
<tr>
<td>Comparable EBITA</td>
<td>57</td>
<td>57</td>
<td>0%</td>
<td>91</td>
<td>88</td>
<td>4%</td>
</tr>
<tr>
<td>% of net sales</td>
<td>7.1%</td>
<td>7.1%</td>
<td>-</td>
<td>6.2%</td>
<td>6.1%</td>
<td>-</td>
</tr>
<tr>
<td>EBITA</td>
<td>56</td>
<td>55</td>
<td>1%</td>
<td>93</td>
<td>85</td>
<td>9%</td>
</tr>
<tr>
<td>Operating profit (EBIT)</td>
<td>48</td>
<td>47</td>
<td>2%</td>
<td>77</td>
<td>66</td>
<td>17%</td>
</tr>
<tr>
<td>% of net sales</td>
<td>6.0%</td>
<td>5.8%</td>
<td>-</td>
<td>5.2%</td>
<td>4.5%</td>
<td>-</td>
</tr>
<tr>
<td>Earnings per share, EUR</td>
<td>0.22</td>
<td>0.21</td>
<td>8%</td>
<td>0.34</td>
<td>0.28</td>
<td>22%</td>
</tr>
<tr>
<td>Return on capital employed (ROCE) before taxes&lt;sup&gt;2&lt;/sup&gt;</td>
<td>13%</td>
<td>11%</td>
<td>-</td>
<td>13%</td>
<td>11%</td>
<td>-</td>
</tr>
<tr>
<td>Cash flow provided by operating activities</td>
<td>31</td>
<td>33</td>
<td>-7%</td>
<td>125</td>
<td>36</td>
<td>&gt;100%</td>
</tr>
<tr>
<td>Gearing&lt;sup&gt;1&lt;/sup&gt;</td>
<td></td>
<td></td>
<td>-</td>
<td>4%</td>
<td>27%</td>
<td>-</td>
</tr>
</tbody>
</table>


1) At the end of period
2) Annualized
Gross profit margin and SG&A development

- Gross profit margin at the previous year’s level at 23%
- Selling, general & administrative (SG&A) expenses at the previous year’s level at 17% of net sales
- Actions to improve gross profit through Must-Win implementation
Comparable EBITA margin development

Net sales and Comparable EBITA (EUR million and %)

• Net sales and Comparable EBITA remained at the previous year’s level
Cash flow provided by operating activities

Cash flow provided by operating activities (EUR million)

- Change in net working capital\(^1\) EUR -46 million in Q2/2017
- Cash flow provided by operating activities EUR 31 million in Q2/2017
- CAPEX EUR -15 million in Q2/2017

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\(^1\) Change in net working capital in the consolidated statement of cash flows.
Net working capital at -9% of rolling 12 months orders received

Net working capital and orders received (EUR million)

- Net working capital EUR -313 million, which equals -9% of rolling 12 months orders received
Net debt decreased compared with Q2/2016

Net debt (EUR million) and gearing (%)

- Gearing (4%) and net debt (EUR 31 million) increased compared with Q1/2017 due to dividend payout of EUR 63 million
- Equity to assets ratio increased compared with Q1/2017
- Automation acquisition was completed on April 1, 2015
Capital employed and Comparable ROCE

Capital employed (EUR million) and Comparable return on capital employed (ROCE), before taxes\(^1\) (%)

- **Capital employed**
  - Q1/14: 985
  - Q2/14: 967
  - Q3/14: 902
  - Q4/14: 877
  - Q1/15: 1,239
  - Q2/15: 1,240
  - Q3/15: 1,214
  - Q4/15: 1,231
  - Q1/16: 1,184
  - Q2/16: 1,194
  - Q3/16: 1,167
  - Q4/16: 1,195
  - Q1/17: 1,122
  - Q2/17: 1,154

- **Comparable ROCE (before taxes), rolling 12 months**
  - Q1/14: 1%
  - Q2/14: 2%
  - Q3/14: 2%
  - Q4/14: 10%
  - Q1/15: 10%
  - Q2/15: 12%
  - Q3/15: 14%
  - Q4/15: 14%
  - Q1/16: 13%
  - Q2/16: 12%
  - Q3/16: 14%
  - Q4/16: 13%
  - Q1/17: 14%
  - Q2/17: 14%

- **Target for Comparable return on capital employed (ROCE): 15–20%**

1) Rolling 12 months. Carve-out figures for 2013 have been used in the calculation of Q1–Q3/2014 figures.
Guidance and short-term market outlook
### Guidance for 2017 (as given on April 12, 2017)

Valmet estimates that net sales in 2017 will increase in comparison with 2016 (EUR 2,926 million) and Comparable EBITA in 2017 will increase in comparison with 2016 (EUR 196 million).

### Short-term market outlook

<table>
<thead>
<tr>
<th>Services</th>
<th>Q3/2016</th>
<th>Q4/2016</th>
<th>Q1/2017</th>
<th>Q2/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>Good</td>
<td>Good</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pulp</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>Weak</td>
<td>Weak</td>
</tr>
<tr>
<td>Energy</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
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<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Board and Paper</td>
<td>Satisfactory</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
</tr>
<tr>
<td>Tissue</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
</tr>
</tbody>
</table>

The short-term market outlook is given for the next six months from the ending of the respective quarter.
Summary of Q2/2017
Q2/2017 in brief

Orders received remained at the previous year’s level at EUR 412 million in stable business\(^1\)

Orders received increased to EUR 384 million in capital business\(^2\)

Net sales remained at the previous year’s level at EUR 803 million

Order backlog increased to EUR 2.6 billion

Profitability remained at the previous year’s level – Comparable EBITA margin was 7.1%

Gearing was 4%

\(^1\) Stable business = Services business line and Automation business line
\(^2\) Capital business = Pulp and Energy business line and Paper business line
Structure of loans and borrowings
Interest-bearing debt EUR 277 million as at June 30, 2017

Amount of outstanding interest-bearing debt (EUR million)

- Average maturity of long-term loans is 3.7 years
  - Average interest rate is 1.3%

Main financing sources and facilities

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans from banks and financial institutions</td>
<td>EUR 277 million</td>
</tr>
<tr>
<td>EUR 200 million committed syndicated revolving credit facility</td>
<td>None outstanding</td>
</tr>
<tr>
<td>EUR 200 million domestic commercial paper program</td>
<td>None outstanding</td>
</tr>
</tbody>
</table>

1) EUR 200 million syndicated revolving credit facility agreement matures on January 14, 2022 with two 1-year extension options.
## Largest shareholders on June 30, 2017
Based on the information given by Euroclear Finland Ltd.

<table>
<thead>
<tr>
<th>#</th>
<th>Shareholder name</th>
<th>Number of shares</th>
<th>% of shares and votes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Solidium Oy(^1)</td>
<td>16,695,287</td>
<td>11.14%</td>
</tr>
<tr>
<td>2</td>
<td>Varma Mutual Pension Insurance Company</td>
<td>4,165,465</td>
<td>2.78%</td>
</tr>
<tr>
<td>3</td>
<td>Elo Pension Company</td>
<td>3,810,000</td>
<td>2.54%</td>
</tr>
<tr>
<td>4</td>
<td>Ilmarinen Mutual Pension Insurance Company</td>
<td>3,388,055</td>
<td>2.26%</td>
</tr>
<tr>
<td>5</td>
<td>OP Funds</td>
<td>2,796,901</td>
<td>1.87%</td>
</tr>
<tr>
<td>6</td>
<td>The State Pension Fund</td>
<td>1,545,000</td>
<td>1.03%</td>
</tr>
<tr>
<td>7</td>
<td>Keva</td>
<td>1,502,166</td>
<td>1.00%</td>
</tr>
<tr>
<td>8</td>
<td>Danske Invest funds</td>
<td>1,197,428</td>
<td>0.80%</td>
</tr>
<tr>
<td>9</td>
<td>Mandatum Life Insurance Company Limited</td>
<td>922,537</td>
<td>0.62%</td>
</tr>
<tr>
<td>10</td>
<td>Odin Funds</td>
<td>915,239</td>
<td>0.61%</td>
</tr>
<tr>
<td></td>
<td><strong>10 largest shareholders, total</strong></td>
<td><strong>36,938,078</strong></td>
<td><strong>24.65%</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Other shareholders</strong></td>
<td><strong>112,926,541</strong></td>
<td><strong>75.35%</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>149,864,619</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

1) A holding company that is wholly owned by the Finnish State
Ownership structure on June 30, 2017

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

### Sector Summary

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of shareholders</th>
<th>% of total shareholders</th>
<th>Number of shares</th>
<th>% of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominee registered and non-Finnish holders¹</td>
<td>321</td>
<td>0.7%</td>
<td>75,549,585</td>
<td>50.4%</td>
</tr>
<tr>
<td>Finnish institutions, companies and foundations</td>
<td>2,307</td>
<td>5.1%</td>
<td>37,683,254</td>
<td>25.1%</td>
</tr>
<tr>
<td>Solidium Oy²</td>
<td>0</td>
<td>0.0%</td>
<td>16,695,287</td>
<td>11.1%</td>
</tr>
<tr>
<td>Finnish private investors</td>
<td>42,324</td>
<td>94.2%</td>
<td>19,928,373</td>
<td>13.3%</td>
</tr>
<tr>
<td>In the issuer account</td>
<td>0</td>
<td>0.0%</td>
<td>8,120</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>44,952</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>149,864,619</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

¹ Of which 73,540,448 nominee registered shares
² A holding company that is wholly owned by the Finnish State
Share of non-Finnish holders and number of shareholders

- Non-Finnish holders (LHS)
- Total number of shareholders (RHS)
Pulp and paper price trends

Source: Bloomberg
Crude oil, steam coal, natural gas and electricity

Europe

Source: Bloomberg
Crude oil, natural gas and electricity

United States

Source: Bloomberg
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January–September 2017
Interim Review

October 24, 2017

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