Orders received increased – especially in the Paper business line

Interim Review, January–March 2017

April 25, 2017

Pasi Laine, President and CEO
Kari Saarinen, CFO
Agenda
Interim Review, January–March 2017

1. Q1/2017 in brief
2. Business lines’ development
3. Financial development
4. Guidance and short-term market outlook
5. Summary of Interim Review Q1/2017
6. Appendix
Q1/2017 in brief
Q1/2017 in brief

- Orders received increased to EUR 427 million in stable business\(^1\)
- Orders received increased to EUR 578 million in capital business\(^2\)
- Net sales remained at the previous year’s level at EUR 671 million
- Order backlog increased to EUR 2.6 billion
- Profitability improved – Comparable EBITA margin at 5.1%
- Gearing was -3%

\(^1\) Stable business = Services business line and Automation business line
\(^2\) Capital business = Pulp and Energy business line and Paper business line
Valmet in Q1/2017

Orders received
EUR 1,005 million

Net sales
EUR 671 million

Comparable EBITA
EUR 35 million

Comparable EBITA margin
5.1%

Employees
12,051

Orders received by business line
- Services 31%
- Automation 7%
- Pulp and Energy 26%
- Paper 35%

Orders received by area
- North America 13%
- South America 9%
- EMEA 50%
- China 3%
- Asia-Pacific 24%
Orders received increased to EUR 1,005 million in Q1/2017

Orders received increased in all business lines compared to Q1/2016
Orders received increased in Asia-Pacific, North America and EMEA, remained at the previous year's level in China and decreased in South America
Stable business orders received totaled EUR 1,567 million during the last 4 quarters

Orders received (EUR million) in stable business

- Total orders received in stable business increased 12% compared to Q1/2016

1) Including internal orders received for the Automation business line.
Order backlog at EUR 2,613 million at the end of Q1/2017

Order backlog (EUR million)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Order Backlog (EUR million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1/14</td>
<td>1,972</td>
</tr>
<tr>
<td>Q2/14</td>
<td>2,406</td>
</tr>
<tr>
<td>Q3/14</td>
<td>2,312</td>
</tr>
<tr>
<td>Q4/14</td>
<td>1,998</td>
</tr>
<tr>
<td>Q1/15</td>
<td>2,064</td>
</tr>
<tr>
<td>Q2/15</td>
<td>2,208</td>
</tr>
<tr>
<td>Q3/15</td>
<td>2,117</td>
</tr>
<tr>
<td>Q4/15</td>
<td>2,074</td>
</tr>
<tr>
<td>Q1/16</td>
<td>2,207</td>
</tr>
<tr>
<td>Q2/16</td>
<td>2,106</td>
</tr>
<tr>
<td>Q3/16</td>
<td>2,192</td>
</tr>
<tr>
<td>Q4/16</td>
<td>2,283</td>
</tr>
<tr>
<td>Q1/17</td>
<td>2,613</td>
</tr>
</tbody>
</table>

Structure of order backlog

- Approximately 70% of the order backlog is expected to be realized as net sales during 2017
- Approximately 25% of the order backlog relates to stable business

Order backlog EUR 329 million higher than at the end of Q4/2016
Business lines’ development
Services: Orders received increased and net sales remained at the previous year’s level

Orders received (EUR million)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Orders received (EUR million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1/14</td>
<td>267</td>
</tr>
<tr>
<td>Q2/14</td>
<td>224</td>
</tr>
<tr>
<td>Q3/14</td>
<td>252</td>
</tr>
<tr>
<td>Q4/14</td>
<td>242</td>
</tr>
<tr>
<td>Q1/15</td>
<td>273</td>
</tr>
<tr>
<td>Q2/15</td>
<td>304</td>
</tr>
<tr>
<td>Q3/15</td>
<td>278</td>
</tr>
<tr>
<td>Q4/15</td>
<td>304</td>
</tr>
<tr>
<td>Q1/16</td>
<td>293</td>
</tr>
<tr>
<td>Q2/16</td>
<td>268</td>
</tr>
<tr>
<td>Q3/16</td>
<td>314</td>
</tr>
<tr>
<td>Q4/16</td>
<td>286</td>
</tr>
<tr>
<td>Q1/17</td>
<td>316</td>
</tr>
</tbody>
</table>

Net sales (EUR million)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Net sales (EUR million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1/14</td>
<td>251</td>
</tr>
<tr>
<td>Q2/14</td>
<td>304</td>
</tr>
<tr>
<td>Q3/14</td>
<td>278</td>
</tr>
<tr>
<td>Q4/14</td>
<td>242</td>
</tr>
<tr>
<td>Q1/15</td>
<td>257</td>
</tr>
<tr>
<td>Q2/15</td>
<td>314</td>
</tr>
<tr>
<td>Q3/15</td>
<td>304</td>
</tr>
<tr>
<td>Q4/15</td>
<td>286</td>
</tr>
<tr>
<td>Q1/16</td>
<td>316</td>
</tr>
<tr>
<td>Q2/16</td>
<td>268</td>
</tr>
<tr>
<td>Q3/16</td>
<td>304</td>
</tr>
<tr>
<td>Q4/16</td>
<td>286</td>
</tr>
<tr>
<td>Q1/17</td>
<td>252</td>
</tr>
</tbody>
</table>

- Orders received increased compared with Q1/2016
  - Orders received increased in China, EMEA, Asia-Pacific and North America and remained at the previous year’s level in South America
  - Orders received remained at the previous year’s level in Fabrics and increased in other business units
- Net sales remained stable compared with Q1/2016
Automation: Orders received increased and net sales remained at the previous year’s level

Orders received\(^1\) (EUR million)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q1/15</th>
<th>Q2/15</th>
<th>Q3/15</th>
<th>Q4/15</th>
<th>Q1/16</th>
<th>Q2/16</th>
<th>Q3/16</th>
<th>Q4/16</th>
<th>Q1/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015:</td>
<td>62</td>
<td>85</td>
<td>70</td>
<td>67</td>
<td>66</td>
<td>82</td>
<td>72</td>
<td>78</td>
<td>72</td>
</tr>
<tr>
<td>2016:</td>
<td>81</td>
<td>88</td>
<td>80</td>
<td>87</td>
<td>88</td>
<td>101</td>
<td>6</td>
<td>9</td>
<td>16</td>
</tr>
</tbody>
</table>

Net sales\(^1\) (EUR million)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q1/15</th>
<th>Q2/15</th>
<th>Q3/15</th>
<th>Q4/15</th>
<th>Q1/16</th>
<th>Q2/16</th>
<th>Q3/16</th>
<th>Q4/16</th>
<th>Q1/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015:</td>
<td>55</td>
<td>11</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td>2016:</td>
<td>87</td>
<td>79</td>
<td>72</td>
<td>101</td>
<td>66</td>
<td>81</td>
<td>69</td>
<td>99</td>
<td>72</td>
</tr>
</tbody>
</table>

- Orders received increased compared with Q1/2016
  - Orders received increased in South America and EMEA, remained at the previous year’s level in China and North America and decreased in Asia-Pacific
  - Orders received increased in Pulp and Paper and remained at the previous year’s level in Energy and Process
- Net sales remained stable compared with Q1/2016

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 increased

Orders received increased compared with Q1/2016
- Orders received increased in North America, Asia-Pacific and EMEA and decreased in South America and China
- Orders received increased in Energy and remained at the previous year’s level in Pulp

Net sales increased compared with Q1/2016
Paper: Orders received increased and net sales remained at the previous year’s level

Orders received (EUR million)

Net sales (EUR million)

- Orders received increased compared with Q1/2016
  - Orders received increased in North America, Asia-Pacific and EMEA, remained at the previous year’s level in China and decreased in South America
  - Orders received increased in both Tissue, and Board and Paper

- Net sales remained stable compared with Q1/2016
Financial development
**Key figures**

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Q1/2017</th>
<th>Q1/2016</th>
<th>Change</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders received</td>
<td>1,005</td>
<td>803</td>
<td>25%</td>
<td>3,139</td>
</tr>
<tr>
<td>Order backlog(^1)</td>
<td>2,613</td>
<td>2,207</td>
<td>18%</td>
<td>2,283</td>
</tr>
<tr>
<td>Net sales</td>
<td>671</td>
<td>652</td>
<td>3%</td>
<td>2,926</td>
</tr>
<tr>
<td>Comparable EBITA</td>
<td>35</td>
<td>31</td>
<td>10%</td>
<td>196</td>
</tr>
<tr>
<td>% of net sales</td>
<td>5.1%</td>
<td>4.8%</td>
<td></td>
<td>6.7%</td>
</tr>
<tr>
<td>EBITA</td>
<td>37</td>
<td>30</td>
<td>26%</td>
<td>183</td>
</tr>
<tr>
<td>Operating profit (EBIT)</td>
<td>30</td>
<td>19</td>
<td>55%</td>
<td>147</td>
</tr>
<tr>
<td>% of net sales</td>
<td>4.4%</td>
<td>2.9%</td>
<td></td>
<td>5.0%</td>
</tr>
<tr>
<td>Earnings per share, EUR</td>
<td>0.12</td>
<td>0.08</td>
<td>61%</td>
<td>0.55</td>
</tr>
<tr>
<td>Return on capital employed (ROCE) before taxes(^2)</td>
<td>10%</td>
<td>7%</td>
<td></td>
<td>12%</td>
</tr>
<tr>
<td>Cash flow provided by operating activities</td>
<td>94</td>
<td>3</td>
<td>&gt;100%</td>
<td>246</td>
</tr>
<tr>
<td>Gearing(^1)</td>
<td>-3%</td>
<td>24%</td>
<td></td>
<td>6%</td>
</tr>
</tbody>
</table>


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

Gross profit (EUR million and % of net sales)

- Gross profit increased EUR 6 million compared to Q1/2016
- Selling, general & administrative (SG&A) expenses decreased EUR 3 million compared to Q1/2016
- Actions to improve gross profit through Must-Win implementation

SG&A (EUR million and % of net sales)
Comparable EBITA margin development

Net sales and Comparable EBITA (EUR million and %)

- Net sales remained stable and Comparable EBITA increased compared with Q1/2016
  - Profitability improved due to higher gross profit and lower selling, general and administrative expenses
Cash flow provided by operating activities

Cash flow provided by operating activities (EUR million)

- Change in net working capital\(^1\) EUR 70 million in Q1/2017
- Cash flow provided by operating activities EUR 94 million in Q1/2017
- CAPEX EUR -14 million in Q1/2017

\(^1\) Change in net working capital in the consolidated statement of cash flows.
Net working capital at -13% of rolling 12 months orders received

Net working capital and orders received (EUR million)

- Orders received (LHS)
- Net working capital (LHS)
- Average net working capital/rolling 12 months orders received (RHS)
- Net working capital/rolling 12 months orders received (RHS)

- Net working capital EUR -428 million, which equals -13% of rolling 12 months orders received
Net debt decreased compared with both Q1/2016 and Q4/2016

- Gearing (-3%) and net debt (EUR -27 million) decreased
- Equity to assets ratio increased compared with Q1/2016
- 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\(^1\) (%)

- **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 and short-term market outlook

#### Guidance for 2017 (net sales guidance revised upwards 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></th>
<th>Q2/2016</th>
<th>Q3/2016</th>
<th>Q4/2016</th>
<th>Q1/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Services</strong></td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>Good</td>
</tr>
<tr>
<td><strong>Automation</strong></td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
</tr>
<tr>
<td><strong>Pulp and Energy</strong></td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>Weak</td>
</tr>
<tr>
<td>Pulp</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td>Satisfactory</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
</tr>
<tr>
<td><strong>Paper</strong></td>
<td>Good</td>
<td>Satisfactory</td>
<td>Good</td>
<td>Good</td>
</tr>
<tr>
<td>Board and Paper</td>
<td>Good</td>
<td>Satisfactory</td>
<td>Good</td>
<td>Good</td>
</tr>
<tr>
<td>Tissue</td>
<td>Satisfactory</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 Interim Review Q1/2017
Q1/2017 in brief

- Orders received increased to EUR 427 million in stable business\(^1\)
- Orders received increased to EUR 578 million in capital business\(^2\)
- Net sales remained at the previous year’s level at EUR 671 million
- Order backlog increased to EUR 2.6 billion
- Profitability improved – Comparable EBITA margin at 5.1%
- Gearing was -3%

---

1) Stable business = Services business line and Automation business line
2) Capital business = Pulp and Energy business line and Paper business line
Appendix
Structure of loans and borrowings

Interest-bearing debt EUR 277 million as at March 31, 2017

Amount of outstanding interest-bearing debt (EUR million)

- Average maturity of long-term loans is 3.9 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 March 31, 2017
Based on the information given by Euroclear Finland Ltd.

<table>
<thead>
<tr>
<th>Shareholder name</th>
<th>Number of shares</th>
<th>% of shares and votes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solidium Oy¹</td>
<td>16,695,287</td>
<td>11.14%</td>
</tr>
<tr>
<td>Varma Mutual Pension Insurance Company</td>
<td>5,065,465</td>
<td>3.38%</td>
</tr>
<tr>
<td>Elo Pension Company</td>
<td>3,810,000</td>
<td>2.54%</td>
</tr>
<tr>
<td>Ilmarinen Mutual Pension Insurance Company</td>
<td>3,388,055</td>
<td>2.26%</td>
</tr>
<tr>
<td>OP Funds</td>
<td>2,269,576</td>
<td>1.51%</td>
</tr>
<tr>
<td>Nordea Funds</td>
<td>1,821,094</td>
<td>1.22%</td>
</tr>
<tr>
<td>The State Pension Fund</td>
<td>1,545,000</td>
<td>1.03%</td>
</tr>
<tr>
<td>Keva</td>
<td>1,502,166</td>
<td>1.00%</td>
</tr>
<tr>
<td>Danske Invest funds</td>
<td>1,331,038</td>
<td>0.89%</td>
</tr>
<tr>
<td>Mandatum Life Insurance Company Limited</td>
<td>922,537</td>
<td>0.62%</td>
</tr>
<tr>
<td>10 largest shareholders, total</td>
<td>38,350,218</td>
<td>25.59%</td>
</tr>
<tr>
<td>Other shareholders</td>
<td>111,514,401</td>
<td>74.41%</td>
</tr>
<tr>
<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 March 31, 2017

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

<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>317</td>
<td>0.7%</td>
<td>74,145,020</td>
<td>49.5%</td>
</tr>
<tr>
<td>Finnish institutions, companies and foundations</td>
<td>2,347</td>
<td>5.2%</td>
<td>38,752,638</td>
<td>25.9%</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>42,607</td>
<td>94.1%</td>
<td>20,263,554</td>
<td>13.5%</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>45,275</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 72,042,252 nominee registered shares

² A holding company that is wholly owned by the Finnish State
Share of non-Finnish holders and number of shareholders

[Graph showing the share of non-Finnish holders and the total number of shareholders from 12/2013 to 03/2017.]
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
European Carbon Emission Allowance

Source: Bloomberg
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