Orders received amounted to EUR 835 million and Comparable EBITA to EUR 47 million in Q1/2019

Interim Review, January–March 2019

April 26, 2019

Pasi Laine, President and CEO
Kari Saarinen, CFO
Agenda
Interim Review, January–March 2019

1. Q1/2019 in brief
2. Development of the business lines
3. Financial development
4. Guidance and short-term market outlook
5. Summary of Interim Review Q1/2019
6. Appendix
Q1/2019 in brief
Q1/2019 in brief

Orders received remained at the previous year’s level at EUR 461 million in stable business

Orders received decreased to EUR 382 million in capital business

Net sales decreased to EUR 686 million

Order backlog increased to EUR 3.0 billion

Comparable EBITA increased to EUR 47 million and margin was 6.9%

Gearing was -20%

As of January 1, 2019, Valmet has adopted IFRS 16 without restating the figures for the comparison period.

1) Stable business = Services business line and Automation business line. For Automation, this figure includes internal orders received from other business lines.

2) Capital business = Pulp and Energy business line and Paper business line
Valmet in Q1/2019

Orders received EUR 835 million

Net sales EUR 686 million

Comparable EBITA EUR 47 million

Comparable EBITA margin 6.9%

Order backlog EUR 3,001 million

Employees 12,539

Orders received by business line

- Services 43%
- Automation 22%
- Pulp and Energy 24%
- Paper 11%

Orders received by area

- North America 39%
- South America 11%
- EMEA 26%
- China 20%
- Asia-Pacific 5%
Orders received decreased to EUR 835 million in Q1/2019

Orders received (EUR million)

- In stable business, orders received remained at the previous year’s level at EUR 461 million in Q1/2019\(^1\)
- In capital business, orders received decreased to EUR 382 million in Q1/2019
- Orders received increased in emerging markets and decreased in developed markets in Q1/2019
  - South America, China and Asia-Pacific together accounted for 41% of orders received

---

1) Including internal orders received for the Automation business line.
Stable business orders received totaled EUR 1,722 million during last four quarters

Orders received (EUR million) in stable business

- Total orders received in stable business increased by EUR 21 million in Q1/2019

1) Including internal orders received for the Automation business line.
Order backlog was EUR 172 million higher than at the end of Q4/2018
Approximately 65% of the order backlog is currently expected to be realized as net sales during 2019 (at the end of Q1/2018, ~65% during 2018)
Approximately 30% of the order backlog relates to stable business (~30% at the end of Q1/2018)
Development of the business lines
Services: Orders received remained at the previous year’s level and net sales increased

Orders received (EUR million)

- Orders received remained at the previous year’s level compared with Q1/2018
  - Orders received increased in Asia-Pacific and North America, remained at the previous year’s level in South America and EMEA, and decreased in China
  - Orders received increased in Energy and Environmental, Fabrics and Rolls, remained at the previous year’s level in Performance Parts, and decreased in Mill Improvements

Net sales (EUR million)

- Net sales increased compared with Q1/2018
Automation¹: Orders received and net sales increased

Orders received² (EUR million)

<table>
<thead>
<tr>
<th>2017: EUR 368 million</th>
<th>2018: EUR 386 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>62</td>
<td>85</td>
</tr>
</tbody>
</table>

Net sales² (EUR million)

<table>
<thead>
<tr>
<th>2017: EUR 335 million</th>
<th>2018: EUR 357 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>55</td>
<td>68</td>
</tr>
</tbody>
</table>

- Orders received increased compared with Q1/2018
  - Orders received increased in North America, South America and EMEA, and decreased in China and Asia-Pacific
  - Orders received increased in both Pulp and Paper, and Energy and Process
- Net sales increased compared with Q1/2018

¹ Comments refer to orders received and net sales including also internal orders received and net sales.
² 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 remained at the previous year’s level and net sales decreased

- Orders received remained at the previous year’s level compared with Q1/2018
  - Orders received increased in China, South America and Asia-Pacific, and decreased in EMEA and North America
  - Orders received increased in Pulp and decreased in Energy
- Net sales decreased compared with Q1/2018
Orders received decreased compared with Q1/2018
- Orders received increased in Asia-Pacific and EMEA, and decreased in South America, North America and China
- Orders received increased in Tissue and decreased in Board and Paper

Net sales decreased compared with Q1/2018
Valmet strengthens its stable business by acquiring GL&V

The acquisition was announced on February 26, 2019 and completed on April 1, 2019

- GL&V is a supplier of technologies, upgrade and process optimization services, rebuilds and spare parts for the pulp and paper industry globally
  - Focus in chemical pulping, stock preparation, papermaking and finishing
  - Key locations in the US and Canada, operations also in Europe, India and South America

- The acquisition has an excellent strategic fit
  - Strengthens Valmet’s global services business, complements technology offering and builds further local presence and capabilities especially in North America

- The acquired operations form a new business unit within the Services business line called Mill Process Solutions
  - A majority of the business will be reported in the Services business line

Key information about the acquired operations

<table>
<thead>
<tr>
<th>Net sales in 2018</th>
<th>EUR ~160 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITA margin in 2018</td>
<td>~11%</td>
</tr>
<tr>
<td>Number of employees</td>
<td>~630</td>
</tr>
<tr>
<td>Value of acquisition¹</td>
<td>EUR ~113 million</td>
</tr>
</tbody>
</table>

¹ Value on a cash and debt free basis subject to ordinary post-closing adjustments

Approximate split of net sales

- North America: 21%
- Asia-Pacific: 4%
- South America: 3%
- China: 15%
- EMEA: 15%
- Rest of world: 71%

Approximate split of employees

- North America: 11%
- EMEA: 8%
- Asia-Pacific: 51%
- South America: 15%
- China: 15%
- Rest of world: 4%

Global footprint, with largest locations in North America
Financial development
## Key figures

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Q1/2019¹</th>
<th>Q1/2018</th>
<th>Change</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders received</td>
<td>835</td>
<td>890</td>
<td>-6%</td>
<td>3,722</td>
</tr>
<tr>
<td>Order backlog</td>
<td>3,001</td>
<td>2,583</td>
<td>16%</td>
<td>2,829</td>
</tr>
<tr>
<td>Net sales</td>
<td>686</td>
<td>732</td>
<td>-6%</td>
<td>3,325</td>
</tr>
<tr>
<td>Comparable EBITA</td>
<td>47</td>
<td>22</td>
<td>&gt;100%</td>
<td>257</td>
</tr>
<tr>
<td>% of net sales</td>
<td>6.9%</td>
<td>3.0%</td>
<td>7.7%</td>
<td></td>
</tr>
<tr>
<td>EBITA</td>
<td>49</td>
<td>19</td>
<td>&gt;100%</td>
<td>241</td>
</tr>
<tr>
<td>Operating profit (EBIT)</td>
<td>43</td>
<td>12</td>
<td>&gt;100%</td>
<td>211</td>
</tr>
<tr>
<td>% of net sales</td>
<td>6.2%</td>
<td>1.6%</td>
<td>6.4%</td>
<td></td>
</tr>
<tr>
<td>Earnings per share, EUR</td>
<td>0.21</td>
<td>0.05</td>
<td>&gt;100%</td>
<td>1.01</td>
</tr>
<tr>
<td>Return on capital employed (ROCE) before taxes²</td>
<td>15%</td>
<td>5%</td>
<td>19%</td>
<td></td>
</tr>
<tr>
<td>Cash flow provided by operating activities</td>
<td>30</td>
<td>19</td>
<td>59%</td>
<td>284</td>
</tr>
<tr>
<td>Gearing²</td>
<td>-20%</td>
<td>-12%</td>
<td>-23%</td>
<td></td>
</tr>
</tbody>
</table>

Items affecting comparability: EUR 2 million in Q1/2019 (EUR -3 million in Q1/2018)

1) Valmet implemented IFRS 16 – Leases as of January 1, 2019 by applying the simplified transition method and therefore 2018 figures are not restated.
2) At the end of period
3) Annualized
Gross profit and SG&A development

- Gross profit was 26% of net sales (20% in Q1/2018)
  - Stable business had a higher share of net sales in Q1/2019
  - Better execution in all businesses in Q1/2019
- Selling, general & administrative (SG&A) expenses decreased by EUR 1 million
  - SG&A was 19% of net sales (18% in Q1/2018)
Net sales and Comparable EBITA, rolling 12 months (EUR million and %)¹

- Net sales decreased and Comparable EBITA increased compared with Q1/2018
  - Profitability improved due to improved sales mix, higher gross profit and unchanged level of SG&A costs

¹) Rolling 12 months. Carve-out figures for 2013 have been used in the calculation of Q1–Q3/2014 figures. In the calculation of 2017 figures, data points from 2016 that have not been restated have been used.
Cash flow provided by operating activities

Cash flow provided by operating activities (EUR million)

- Change in net working capital¹ EUR -20 million in Q1/2019
- Cash flow provided by operating activities EUR 30 million in Q1/2019
- CAPEX² EUR 18 million in Q1/2019

As of January 1, 2019, Valmet has adopted IFRS 16 without restating the figures for the comparison period.

1) Change in net working capital in the consolidated statement of cash flows.
2) Excluding business combinations and leased assets.
Net working capital at -13% of rolling 12 months orders received

Net working capital and orders received (EUR million)

- Net working capital EUR -459 million, which equals -13% of rolling 12 months orders received

Net working capital excluding non-cash net working capital impact from dividend liability.
Net debt and gearing decreased compared with Q1/2018

- Gearing (-20%) and net debt (EUR -174 million) decreased compared with Q1/2019
  - Without the effect from IFRS 16 gearing would have been -26%
- Equity to assets ratio decreased compared with Q1/2018

As of January 1, 2019, Valmet has adopted IFRS 16 without restating the figures for the comparison period.
Capital employed and Comparable ROCE

Capital employed (EUR million) and Comparable return on capital employed (ROCE), before taxes¹ (%)

As of January 1, 2019, Valmet has adopted IFRS 16 without restating the figures for the comparison period.

¹) Rolling 12 months. Carve-out figures for 2013 have been used in the calculation of Q1–Q3/2014 figures. In the calculation of 2017 figures, data points from 2016 that have not been restated have been used.

• Target for Comparable return on capital employed (ROCE): 15–20%
Effects of IFRS 16

- IFRS 16, effective as of January 1, 2019, requires to recognize almost all lease contracts as an asset and liability

<table>
<thead>
<tr>
<th>Approximate effects of IFRS 16 for 2019$^{1}$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation</td>
</tr>
<tr>
<td>EBITA</td>
</tr>
<tr>
<td>Net debt</td>
</tr>
<tr>
<td>Fixed assets</td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
</tr>
<tr>
<td>Cash flow from financing activities</td>
</tr>
</tbody>
</table>

$^{1}$ Approximate effects for the full year and are subject to change.
Guidance and short-term market outlook
Guidance and short-term market outlook

Guidance for 2019 (confirmed on April 1, 2019 following the completion of the acquisition of GL&V)

Valmet estimates that net sales in 2019 will increase in comparison with 2018 (EUR 3,325 million) and Comparable EBITA in 2019 will increase in comparison with 2018 (EUR 257 million).

Short-term market outlook

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

The short-term market outlook is based on customer activity (50%) and Valmet's capacity utilization (50%) and is given for the next six months from the end of the respective quarter. The scale is 'weak–satisfactory–good'.

Valmet estimates that net sales in 2019 will increase in comparison with 2018 (EUR 3,325 million) and Comparable EBITA in 2019 will increase in comparison with 2018 (EUR 257 million).
Summary of Interim Review Q1/2019
Q1/2019 in brief

- Orders received remained at the previous year’s level at EUR 461 million in stable business
- Orders received decreased to EUR 382 million in capital business
- Net sales decreased to EUR 686 million
- Order backlog increased to EUR 3.0 billion
- Comparable EBITA increased to EUR 47 million and margin was 6.9%
- Gearing was -20%

As of January 1, 2019, Valmet has adopted IFRS 16 without restating the figures for the comparison period.
1) Stable business = Services business line and Automation business line. For Automation, this figure includes internal orders received from other business lines.
2) Capital business = Pulp and Energy business line and Paper business line
Structure of loans and borrowings

Interest-bearing debt EUR 307 million as at March 31, 2019

Amount of outstanding interest-bearing debt (EUR million)

Main financing sources and facilities

- Average maturity of long-term loans is 3.7 years
  - Average interest rate is 0.8%

Lease liabilities are excluded in the calculation of the figures.
### Largest shareholders on March 31, 2019

Based on information given by Euroclear Finland Ltd

<table>
<thead>
<tr>
<th>#</th>
<th>Shareholder name</th>
<th>Number of shares</th>
<th>% of shares</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>Elo Pension Company</td>
<td>3,600,000</td>
<td>2.40%</td>
</tr>
<tr>
<td>3</td>
<td>Ilmarinen Mutual Pension Insurance Company</td>
<td>3,160,000</td>
<td>2.11%</td>
</tr>
<tr>
<td>4</td>
<td>Varma Mutual Pension Insurance Company</td>
<td>3,012,465</td>
<td>2.01%</td>
</tr>
<tr>
<td>5</td>
<td>Keva</td>
<td>1,502,166</td>
<td>1.00%</td>
</tr>
<tr>
<td>6</td>
<td>The State Pension Fund</td>
<td>1,345,000</td>
<td>0.90%</td>
</tr>
<tr>
<td>7</td>
<td>Evli Funds</td>
<td>780,000</td>
<td>0.52%</td>
</tr>
<tr>
<td>8</td>
<td>Danske Invest funds</td>
<td>690,943</td>
<td>0.46%</td>
</tr>
<tr>
<td>9</td>
<td>Nordea Funds</td>
<td>671,604</td>
<td>0.45%</td>
</tr>
<tr>
<td>10</td>
<td>Sigrid Jusélius Foundation</td>
<td>610,865</td>
<td>0.41%</td>
</tr>
<tr>
<td>11</td>
<td>Odin Funds</td>
<td>574,945</td>
<td>0.38%</td>
</tr>
<tr>
<td>12</td>
<td>The Finnish Cultural Foundation</td>
<td>508,902</td>
<td>0.34%</td>
</tr>
<tr>
<td>13</td>
<td>Sijoitusrahasto Aktia Capital</td>
<td>500,000</td>
<td>0.33%</td>
</tr>
<tr>
<td>14</td>
<td>Foundation of Brita Maria Renlund's minne</td>
<td>423,000</td>
<td>0.28%</td>
</tr>
<tr>
<td>15</td>
<td>The Social Insurance Institution of Finland, KELA</td>
<td>396,316</td>
<td>0.26%</td>
</tr>
<tr>
<td>16</td>
<td>SEB Finlandia Investment Fund</td>
<td>371,172</td>
<td>0.25%</td>
</tr>
<tr>
<td>17</td>
<td>Evli Europe Fund</td>
<td>369,454</td>
<td>0.25%</td>
</tr>
<tr>
<td>18</td>
<td>Mandatum Life Insurance Company Limited</td>
<td>341,673</td>
<td>0.23%</td>
</tr>
<tr>
<td>19</td>
<td>Samfundet folkhälsan i Svenska Finland rf</td>
<td>320,985</td>
<td>0.21%</td>
</tr>
<tr>
<td>20</td>
<td>Ingman Finance Oy Ab</td>
<td>300,000</td>
<td>0.20%</td>
</tr>
</tbody>
</table>

#### 20 largest shareholders, total

<table>
<thead>
<tr>
<th></th>
<th>Number of shares</th>
<th>% of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 largest</td>
<td>36,174,777</td>
<td>24.14%</td>
</tr>
<tr>
<td>Other shareholders</td>
<td>113,689,842</td>
<td>75.86%</td>
</tr>
</tbody>
</table>

#### Total

<table>
<thead>
<tr>
<th></th>
<th>Number of shares</th>
<th>% of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>149,864,619</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

---

\(^1\) A holding company that is wholly owned by the Finnish State

© Valmet | Interim Review, January–March 2019
Shareholder structure on March 31, 2019

- Nominee registered and non-Finnish holders 56.2%
- Solidium Oy 11.1%
- Finnish private investors 12.5%
- Finnish institutions, companies and foundations 20.2%

<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>335</td>
<td>0.78%</td>
<td>84,180,328</td>
<td>56.17%</td>
</tr>
<tr>
<td>Finnish institutions, companies and foundations</td>
<td>2,167</td>
<td>4.98%</td>
<td>30,200,405</td>
<td>20.15%</td>
</tr>
<tr>
<td>Solidium Oy²</td>
<td>0</td>
<td>0.00%</td>
<td>16,695,287</td>
<td>11.14%</td>
</tr>
<tr>
<td>Finnish private investors</td>
<td>41,039</td>
<td>94.25%</td>
<td>18,780,519</td>
<td>12.53%</td>
</tr>
<tr>
<td>On issuer account</td>
<td>0</td>
<td>0.00%</td>
<td>8,080</td>
<td>0.01%</td>
</tr>
<tr>
<td>Total</td>
<td>43,541</td>
<td>100.00%</td>
<td>149,864,619</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

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

¹ Of which 82,703,597 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)

- 01/2014: 43,000
- 04/2014: 45,000
- 07/2014: 47,000
- 10/2014: 49,000
- 01/2015: 51,000
- 04/2015: 53,000
- 07/2015: 55,000
- 10/2015: 57,000
- 01/2016: 59,000
- 04/2016: 51,000
- 07/2016: 53,000
- 10/2016: 55,000
- 01/2017: 57,000
- 04/2017: 59,000
- 07/2017: 61,000
- 10/2017: 63,000
- 01/2018: 65,000
- 04/2018: 67,000
- 07/2018: 69,000
- 10/2018: 71,000
- 01/2019: 73,000

Graph: Non-Finnish holders (LHS) and Total number of shareholders (RHS) from 01/2014 to 01/2019.
Pulp and paper price trends

Northern bleached softwood pulp (USD/t)  
Copy paper (EUR/t)  
Testliner (EUR/t)
Crude oil, steam coal, natural gas and electricity

Europe

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

United States
European Carbon Emission Allowance

European Energy Exchange (EEX) spot price (EUR/t)

Source: Bloomberg
IMPORTANT: The following applies to this document, the oral presentation of the information in this document by Valmet (the "Company") or any person on behalf of the Company, and any question-and-answer session that follows the oral presentation (collectively, the "Information"). In accessing the Information, you agree to be bound by the following terms and conditions.

The Information is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident of, or located in, any locality, state, country or other jurisdiction where such distribution or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction. The Information is not for publication, release or distribution in the United States, the United Kingdom, Australia, Canada or Japan.

The Information does not constitute or form part of, and should not be construed as an offer or the solicitation of an offer to subscribe for or purchase any securities, and nothing contained therein shall form the basis of or be relied on in connection with any contract or commitment whatsoever, nor does it constitute a recommendation regarding any securities. Prospective investors are required to make their own independent investigations and appraisals of the business and financial condition of the Company before taking any investment decision with respect to securities of the Company.

No securities of the Company are being offered or sold, directly or indirectly, in or into the United States and no shares in the Company have been, or will be, registered under the Securities Act of 1933, as amended (the "Securities Act"), or under the securities laws of any state of the United States and, accordingly, may not be offered or sold, directly or indirectly, in or into the United States (as defined in Regulation S under the Securities Act), unless registered under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act and in compliance with any applicable state securities laws of the United States.

The Information is directed solely at: (i) persons outside the United Kingdom, (ii) persons with professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 as amended (the “Order”), (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order and (iv) persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities of the Company or any member of its group may otherwise lawfully be communicated or caused to be communicated (all such persons in (i)-(iv) above being "Relevant Persons"). Any investment activity to which the Information relates will only be available to and will only be engaged with Relevant Persons. Any person who is not a Relevant Person should not act or rely on the Information. By accessing the Information, you represent that you are a Relevant Person.

The Information contains forward-looking statements. All statements other than statements of historical fact included in the Information are forward-looking statements. Forward-looking statements give the Company’s current expectations and projections relating to its financial condition, results of operations, plans, objectives, future performance and business. These statements may include, without limitation, any statements preceded by, followed by or including words such as "target," "believe," "expect," "aim," "intend," "may," "anticipate," "estimate," "plan," "project," "will," "can have," "likely," "should," "would," "could" and other words and terms of similar meaning or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company’s control that could cause the Company’s actual results, performance or achievements to be materially different from the expected results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company’s present and future business strategies and the environment in which it will operate in the future.

No representation, warranty or undertaking, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the Information or the opinions contained therein. The Information has not been independently verified and will not be updated. The Information, including but not limited to forward-looking statements, applies only as of the date of this document and is not intended to give any assurances as to future results. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to the Information, including any financial data or forward-looking statements, and will not publicly release any revisions it may make to the Information that may result from any change in the Company’s expectations, any change in events, conditions or circumstances on which these forward-looking statements are based, or other events or circumstances arising after the date of this document. Market data used in the Information not attributed to a specific source are estimates of the Company and have not been independently verified.