



President and CEO's review

Annual General Meeting
March 26, 2014

Pasi Laine, President and CEO

Agenda

Annual General Meeting

- 1 Valmet today
- 2 2013 in brief
- 3 Valmet's strategy and financial targets
- 4 The key strengths of Valmet
- 5 Short-term market outlook and guidance
- 6 Summary



Valmet today

Growing consumption of pulp, energy, tissue, and board creates growth opportunities

Net sales

EUR 2,613 m

EBITA¹ (before NRI²)

EUR 54 m

Gearing

0%

Equity ratio

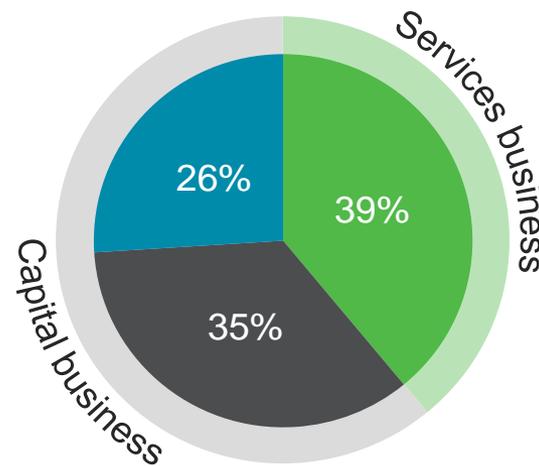
41%

Employees

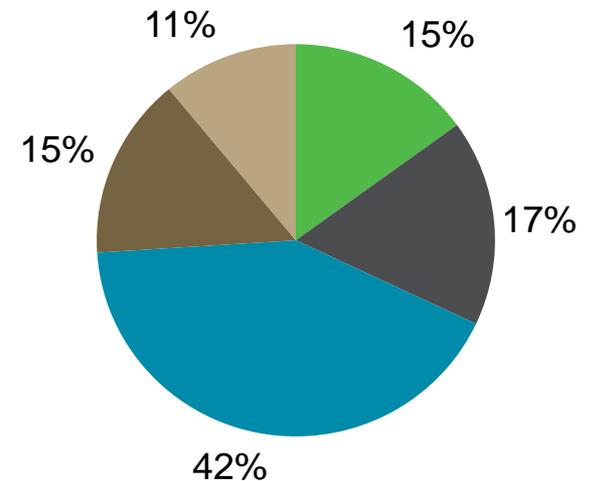
11,765

1) EBITA = operating profit + amortization
2) NRI = Non-recurring items

Net sales



■ Services
■ Pulp and Energy
■ Paper



■ North America
■ South America
■ EMEA
■ China
■ Asia-Pacific

The balance sheet and its related key figures on December 31, 2013 are based on actual figures, while the income statement, cash flow and comparison figures are based on financial carve-out data.

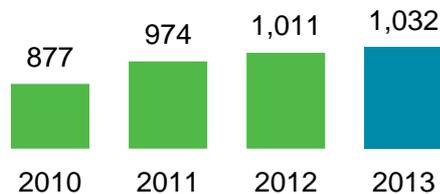
Our three business lines serve the same customer base



Services

Net sales¹ 1.0 bn, 39%

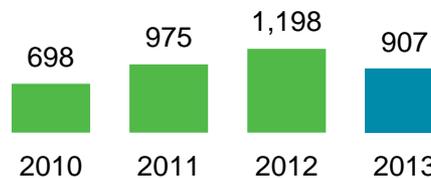
- Mill and plant improvements
- Roll and workshop services
- Parts and fabrics
- Life-cycle services



Pulp and Energy

Net sales¹ 0.9 bn, 35%

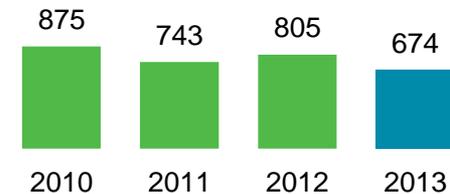
- Technologies and solutions for
- Pulp production
 - Power generation
 - Biomass conversion



Paper

Net sales¹ 0.7 bn, 26%

- Technologies and solutions for
- Board
 - Tissue
 - Paper



1) Net sales by business line on a carve-out basis for the periods indicated (excl. Intra-Metso net sales)

Strong global presence – good platform for growth

North America

- Large installed base to be serviced
- Growth opportunity in increased outsourcing
- Capital project opportunities in tissue and board

1,147 employees



Net sales¹⁾ EUR 401 m



EMEA

- Large installed base to be serviced
- Growth opportunity in increased outsourcing
- Machine closures in printing and writing
- Capital project opportunities in pulp, tissue, and bioenergy

7,514 employees



Net sales¹⁾ EUR 1,096 m



China

- Capital project opportunities in board and tissue
- Good services market with growth potential

2,061 employees



Net sales¹⁾ EUR 389 m



South America

- Capital project opportunities in pulp, tissue and bioenergy
- Good services growth potential

418 employees



Net sales¹⁾ EUR 442 m



Asia Pacific

- Capital project opportunities in pulp, tissue, and board
- Good services market with growth potential

625 employees



Net sales¹⁾ EUR 285 m



1) Net sales breakdown by area on a carve-out basis for 2013 and breakdown of employees by area on a carve-out basis as at December 31, 2013

Experienced management team

Corporate functions



Pasi Laine
President and CEO



Markku Honkasalo
Chief Financial Officer



Kari Saarinen
Head of Strategy and
Operational Development



Julia Macharey
Head of Human
Resources



Anu Salonsaari-Posti
Head of Marketing &
Communications

Business lines



Jukka Tiitinen
Business Line President,
Services



Jyrki Holmala
Business Line President,
Pulp and Energy



Jari Vähäpesola
Business Line President,
Paper

Areas



William Bohn
Area President,
North America



Celso Tacla
Area President,
South America



Hannu Mälkiä
Area President,
EMEA



Aki Niemi
Area President,
China



Hannu T. Pietilä
Area President,
Asia Pacific



2013 in brief

Summary of Financial Statements 2013

Solid performance in services

- Stable order intake
- Services net sales on previous year's level, over EUR 1 billion
- Profitability on the same level as in 2012

Challenging year in capital business

- Orders received in 2013 declined in Energy, and Board and Paper business units
- Net sales declined in Pulp and Energy, and Paper business lines
- Profitability declined from 2012 in both business lines

Profitability improvement program proceeding according to plan

- Profitability improvement program, targeting EUR 100 million in savings by the end of 2014, proceeding according to plan
- Operational excellence: Further savings potential in procurement and quality

Strong balance sheet supports the future

- Net debt EUR -1 million
- Gearing 0%

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Key figures 2013

EUR million	2013	2012	Change
Orders received	2,182	2,445	-11%
Order backlog	1,398	1,918 ¹	-27%
Net sales	2,613	3,014	-13%
EBITA ²	54	192	-72%
% of net sales	2.1%	6.4%	
EBIT ³	-59	138	
% of net sales	-2.2%	4.6%	
Earnings per share, EUR	-0.42	0.51	
Dividend per share, EUR	0.15 ⁴		
Net debt	-1		
Gearing	0%		
Net working capital	-195		

Non-recurring items: EUR -86 million in 2013 (EUR -24 million in 2012)

- 1) Cancelled Fibria order excluded (EUR 331 million)
- 2) Before non-recurring items
- 3) After non-recurring items
- 4) Proposal made by the Board of Directors

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Good development in sustainability key figures

Environmental and social responsibility

	2013	2012	Change
 CO ₂ emissions (tons)	97,000	106,000	-8%
 Energy (TJ)	1,332	1,457	-9%
 Waste (tons)	31,730	41,270	-23%
 Water (m ³)	539,210	750,610	-28%
 Lost-time incident frequency (LTIF)	6.5	8.2	-21%

Sustainability is a cornerstone of Valmet's strategy and business operations.

The health, safety and wellbeing of our people and our partners is at the core of our operations.

Valmet's comprehensive environmental management system ensures our continuous work to reduce our environmental impacts.





Valmet's strategy and financial targets

Valmet's way forward

Mission



Converting renewable resources into sustainable results

Strategy



Competitive technologies and services to the pulp, paper and energy industries.

Strong commitment to moving our customers' performance forward.

Must-wins



- > Customer excellence
- > Leader in technology and innovation
- > Excellence in processes
- > Winning team

Vision



To become the global champion in serving our customers

Financial targets

Growth



Net sales growth to exceed market growth

Profitability



EBITA¹ before non-recurring items: 6-9%

ROCE

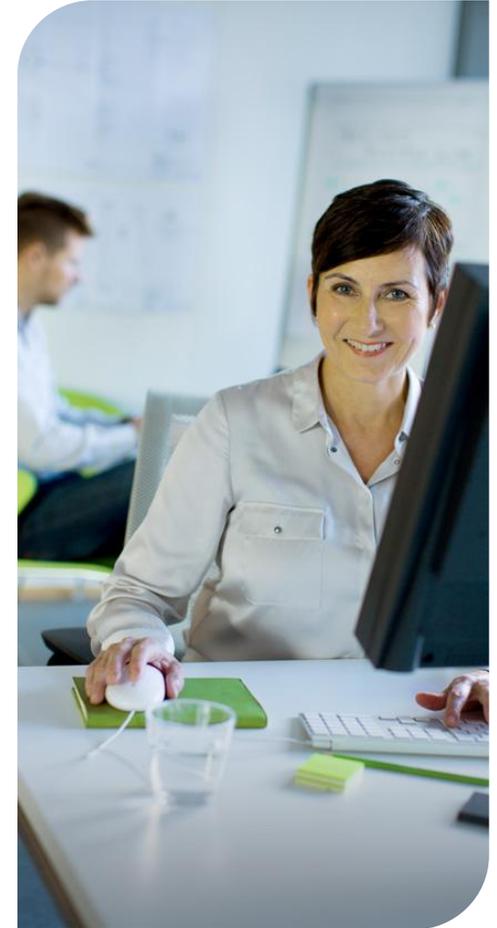


Return on capital employed (pre-tax),
ROCE²: minimum of 15%

Dividend policy



Dividend payout at least 40% of net profit



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



The key strenghts of Valmet

Established market leader with #1-2 market positions in all markets served

Services (>EUR 1 bn)¹



Market position

Services
#1-2

Capital (~EUR 1.6 bn)¹



Pulping
#1-2



Bioenergy generation
#1-2



Machines

Board	Tissue	Paper
#1-2	#1	#1-2

Superior technological know-how

Consistent investments in R&D
2013: EUR 65 million (2.2% of sales)

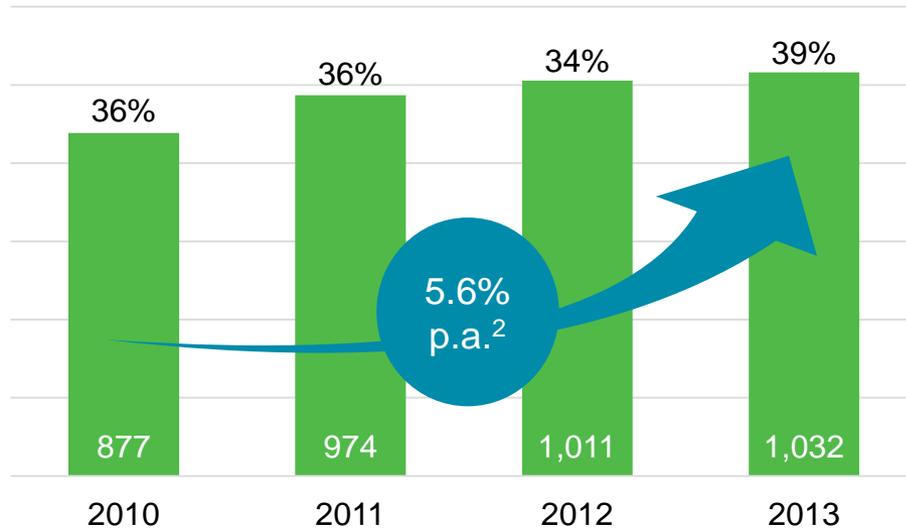
>70 new products launched per year

Extensive Intellectual Property Portfolio
~1,800 protected inventions

1) Net sales in 2013 on a carve-out basis

EUR 1 billion of net sales from stable and growing services

Net sales, Services Business Line
(EUR million, % of total)¹

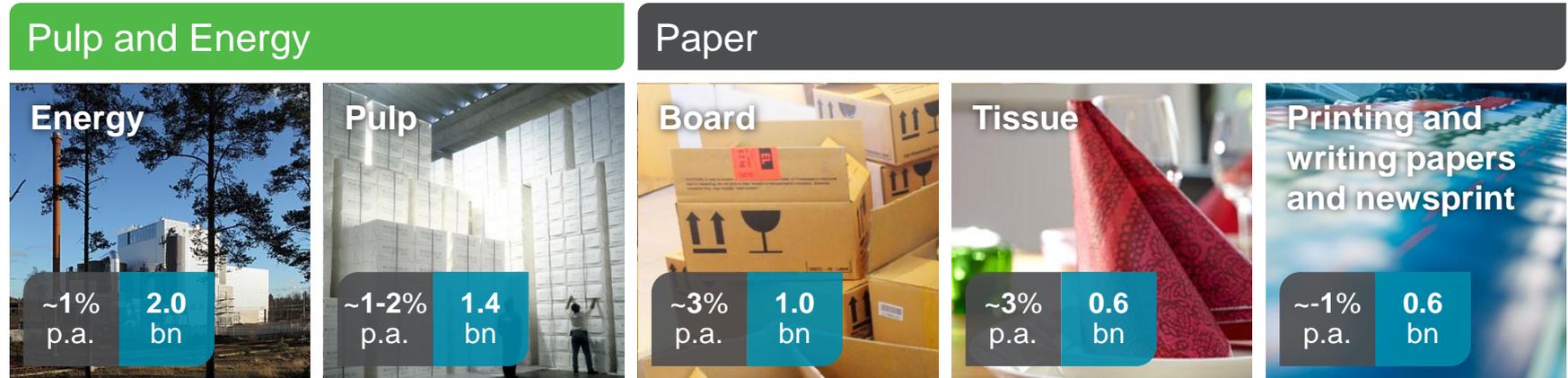


Strong trends, such as outsourcing of non-core operations and high capacity utilization rates, drive services market expansion



1) Carve-out figures
2) Net sales growth per annum in 2010-2013.

Long-term growth potential in capital business



- Structural changes in operating environment have lead to short- to mid-term challenges in energy, printing and writing and newsprint businesses
- Pulp, energy, board and tissue capital business on a long term growth trajectory
- Additional long term growth potential in market for biomass conversion technologies

■ Anticipated long-term market growth
■ Estimated market size for current offering in 2012 (EUR)

Source: Leading consulting firms, RISI, management estimates



Short-term market outlook and guidance

Short-term market outlook and guidance for 2014

Guidance for 2014

Guidance for 2014



Valmet estimates that net sales in 2014 will decline from the 2013 level and EBITA before non-recurring items will increase in comparison with 2013

Given in Annual Statements Review 2013, published on February 6, 2014

Short-term market outlook

Services	Pulp and Energy		Paper	
Satisfactory	Pulp	Energy	Board and Paper	Tissue
	Satisfactory	Satisfactory	Satisfactory	Satisfactory

In the Financial Statements Review on February 6, 2014, the short-term market outlook for Energy, and Board and Paper was upgraded to 'satisfactory' from 'weak', due to improved market activity

Customer activity has increased in early 2014

OKI's pulp mill project

- › Key technology for a pulp mill project in Indonesia
- › Commercial production is expected to begin in 2016
- › Value of the order: approximately EUR 340 million
- › Employment impact: around 1,000 man years

Letter of intent regarding Klabin's pulp mill project

- › Two pulp drying lines to a new plant in Brazil
- › The start-up is scheduled to be in the first half of 2016
- › Value of the order: Not disclosed, typically EUR ~150-200 million
- › Employment impact: around 500 man years

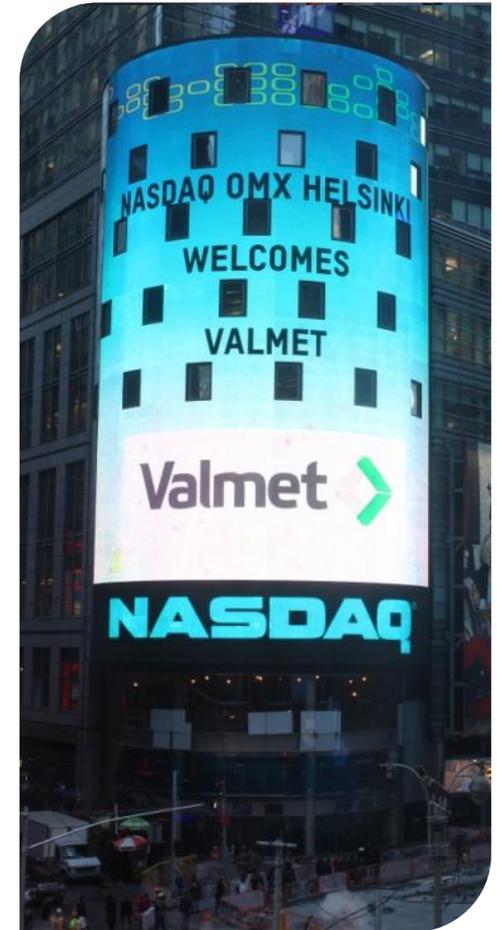
Date	Description	Business line	Country
Jan 9	Prehydrolysis system (pilot scale)	Pulp and Energy	Netherlands
Jan 27	Multi-fuel boiler	Pulp and Energy	Finland
Jan 31	Upgrade of recovery boiler and power boiler	Pulp and Energy	Sweden and Bulgaria
Feb 10	Paper machine rebuild	Paper	Austria
Feb 13	Heat recovery steam generator	Pulp and Energy	Sweden
Feb 17	Bleach plant rebuild	Pulp and Energy	Portugal
Feb 27	Wood-chip-fired heating plant	Pulp and Energy	Finland
Mar 7	Containerboard line	Paper	Vietnam
Mar 19	Advantage tissue production line	Paper	Mexico



Summary

Summary

- Valmet was ready to start as an independent listed company according to plan in the beginning of 2014
- 2013 was a challenging year in capital businesses
- Valmet has a strong market position in capital businesses and a stable and growing services business
- Customer activity has improved in the beginning of 2014



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