

Orders received
increased – especially in
the Paper business line

Interim Review,
January–March 2017

April 25, 2017

Pasi Laine, President and CEO

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Agenda

Interim Review, January–March 2017

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- 2 Business lines' development
- 3 Financial development
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Q1/2017 in brief

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- Orders received increased to EUR 427 million in stable business¹
- Orders received increased to EUR 578 million in capital business²
- 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

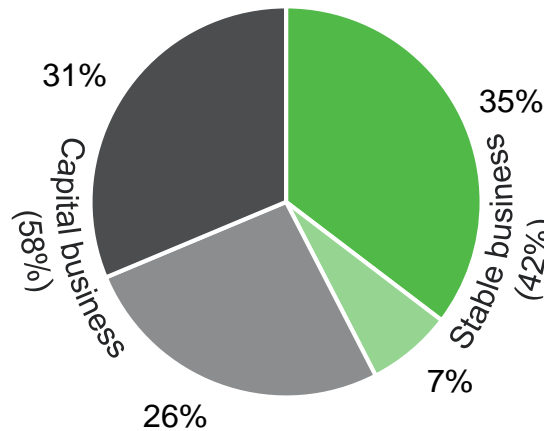
Net sales
EUR 671 million

Comparable EBITA
EUR 35 million

Comparable EBITA margin
5.1%

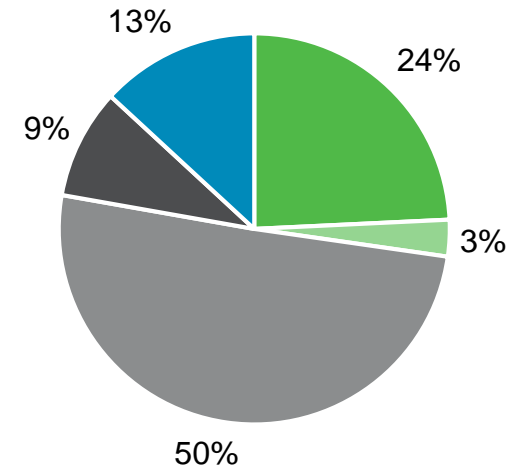
Employees
12,051

Orders received by business line



- Services
- Automation
- Pulp and Energy
- Paper

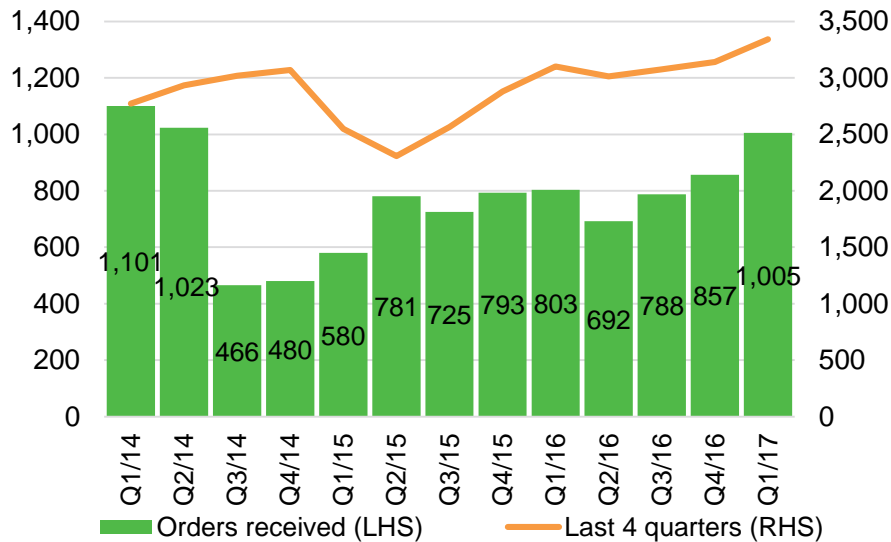
Orders received by area



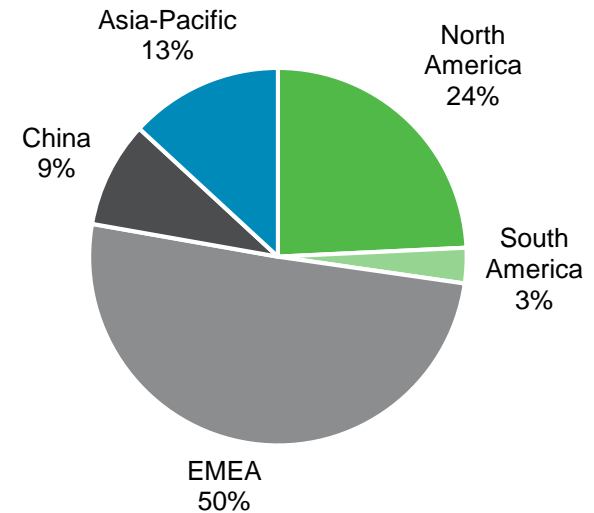
- North America
- South America
- EMEA
- China
- Asia-Pacific

Orders received increased to EUR 1,005 million in Q1/2017

Orders received (EUR million)



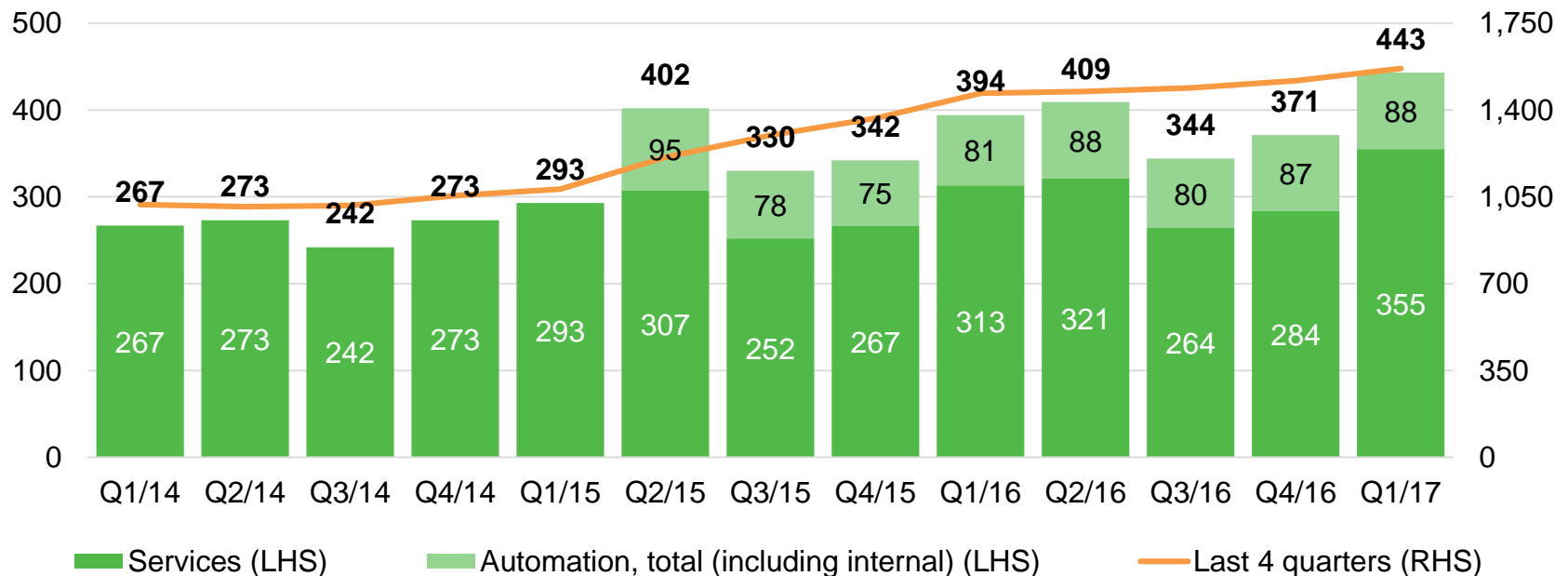
Orders received in Q1/2017 by area



- 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 business¹

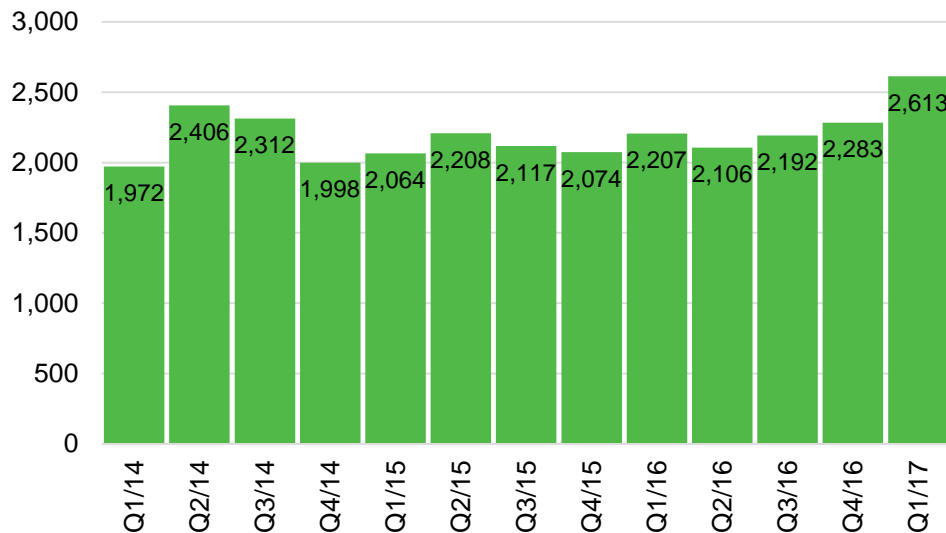


- Total orders received in stable business increased 12% compared to Q1/2016

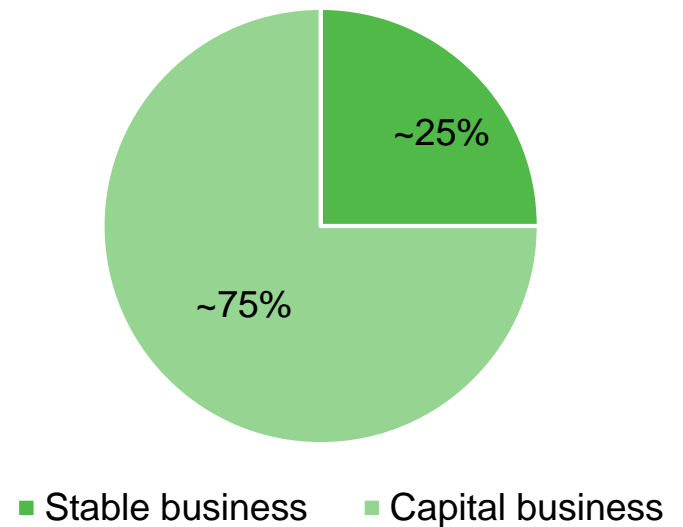
1) Including internal orders received for the Automation business line.

Order backlog at EUR 2,613 million at the end of Q1/2017

Order backlog (EUR million)



Structure of order backlog



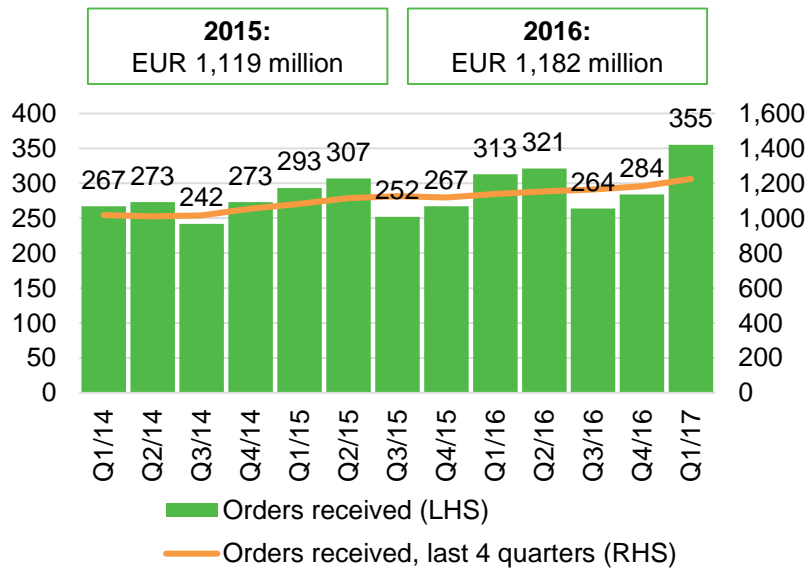
- Order backlog EUR 329 million higher than at the end of Q4/2016
- Approximately 70% of the order backlog is currently expected to be realized as net sales during 2017
- Approximately 25% of the order backlog relates to stable business



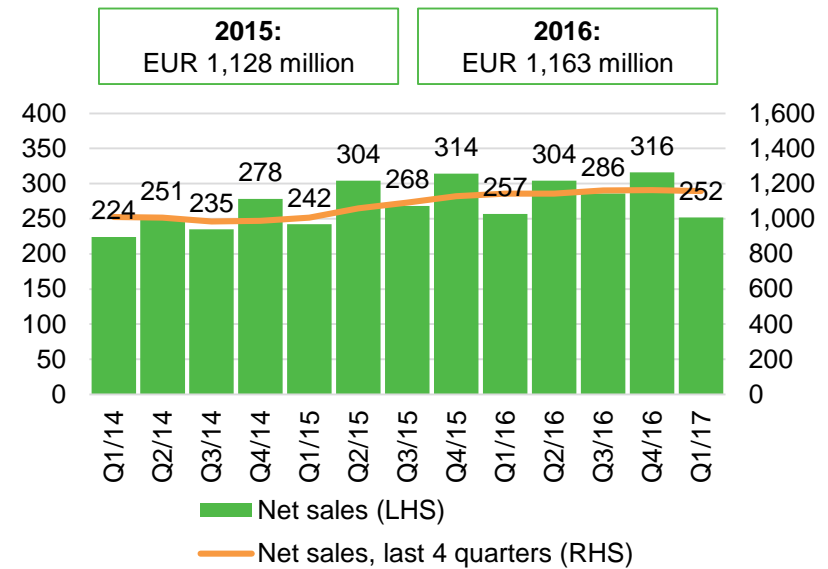
Business lines' development

Services: Orders received increased and net sales remained at the previous year's level

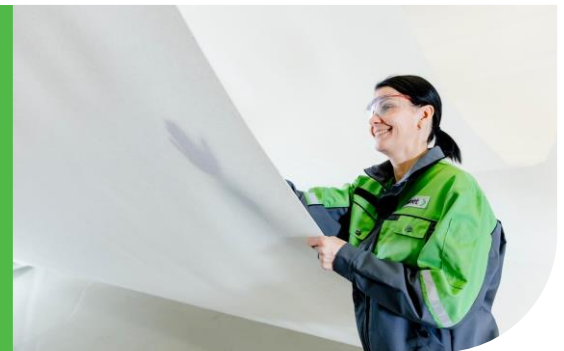
Orders received (EUR million)



Net sales (EUR million)

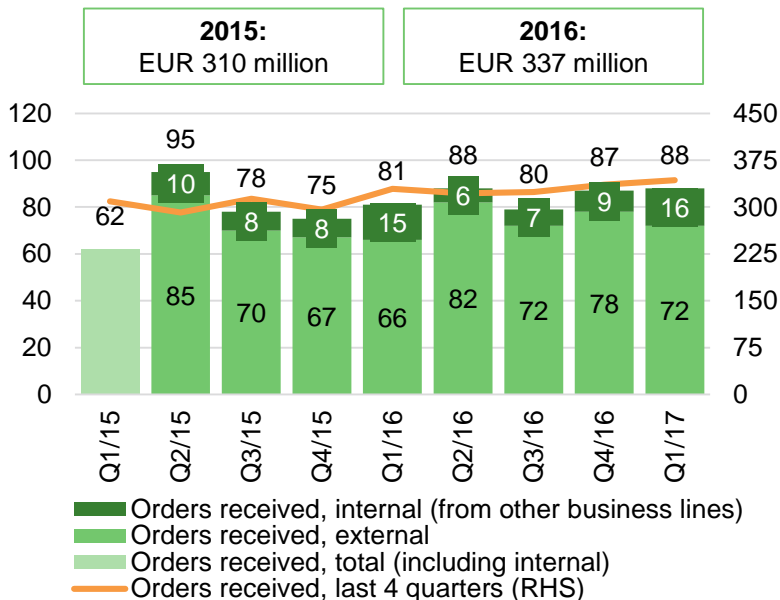


- Orders received increased compared with Q1/2016
 - Orders received increased in China, EMEA, Asia-Pacific and North America and remained at the previous year's level in South America
 - Orders received remained at the previous year's level in Fabrics and increased in other business units
- Net sales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

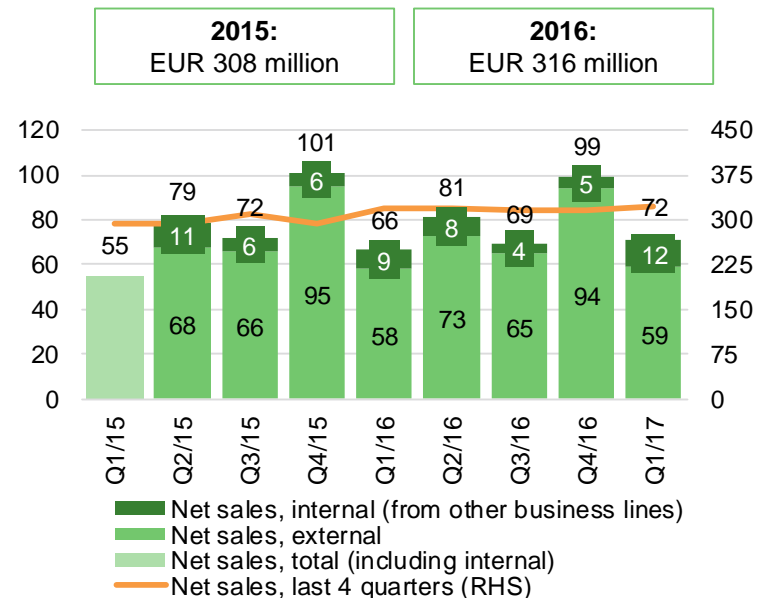


Automation: Orders received increased and net sales remained at the previous year's level

Orders received¹ (EUR million)



Net sales¹ (EUR million)



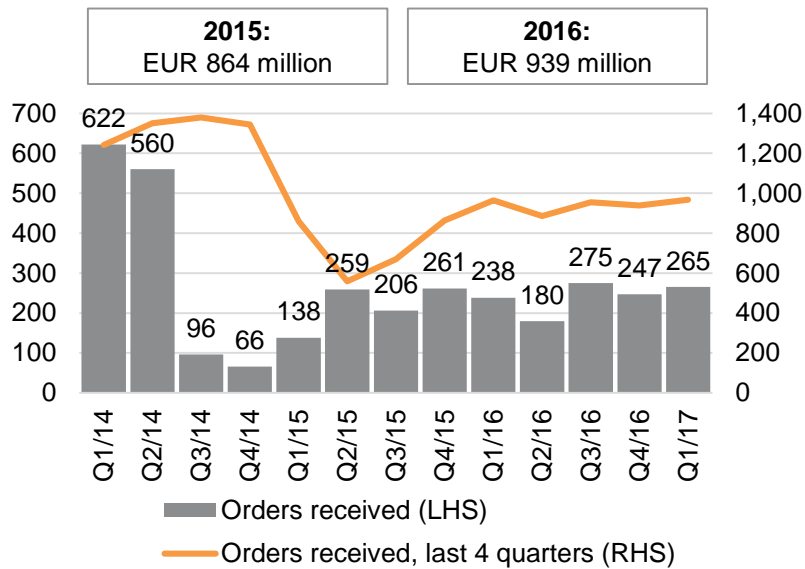
- Orders received increased compared with Q1/2016
 - Orders received increased in South America and EMEA, remained at the previous year's level in China and North America and decreased in Asia-Pacific
 - Orders received increased in Pulp and Paper and remained at the previous year's level in Energy and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



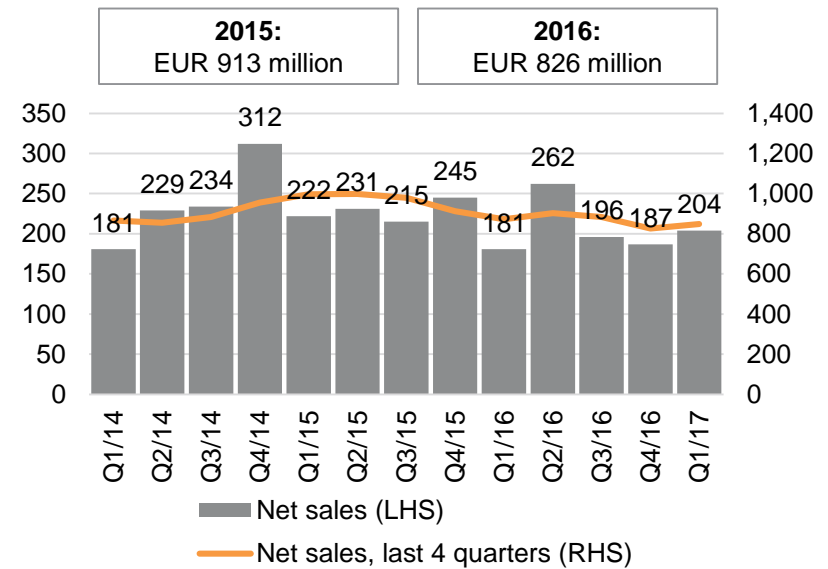
1) Q1/2015 orders received and the underlying figures for 'Orders received, last 4 quarters' and 'Net sales, last 4 quarters' are calculated based on Metso's reported figures and pro forma figures excluding Process Automation Systems and are therefore indicative only.

Pulp and Energy: Orders received and net sales increased

Orders received (EUR million)



Net sales (EUR million)

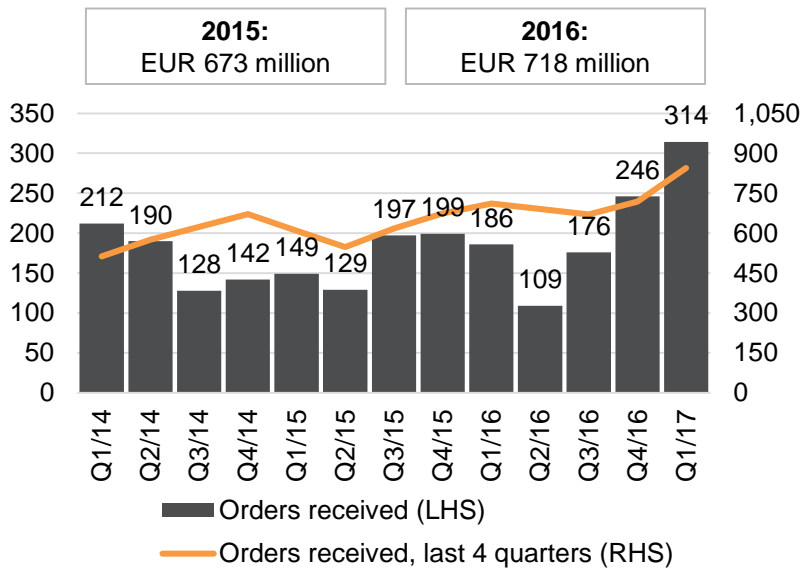


- Orders received increased compared with Q1/2016
 - Orders received increased in North America, Asia-Pacific and EMEA and decreased in South America and China
 - Orders received increased in Energy and remained at the previous year's level in Pulp
- Net sales increased compared with Q1/2016

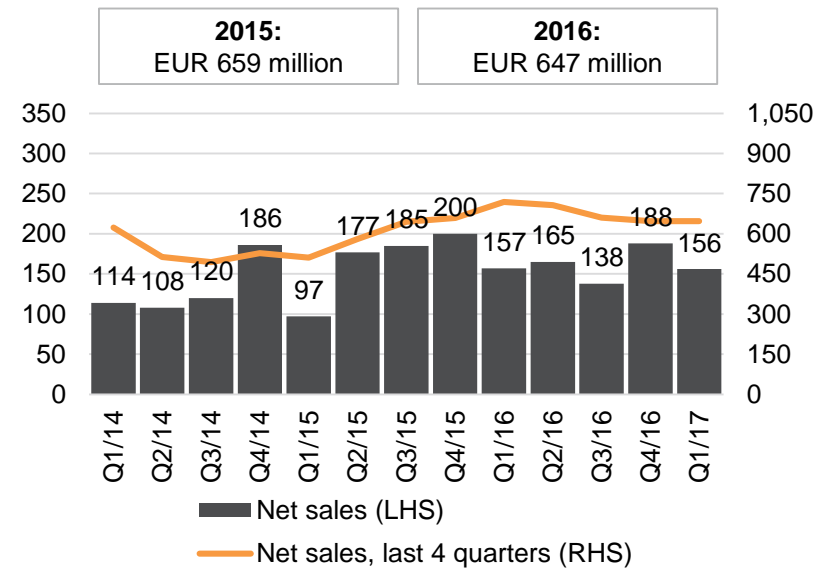


Paper: Orders received increased and net sales remained at the previous year's level

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

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

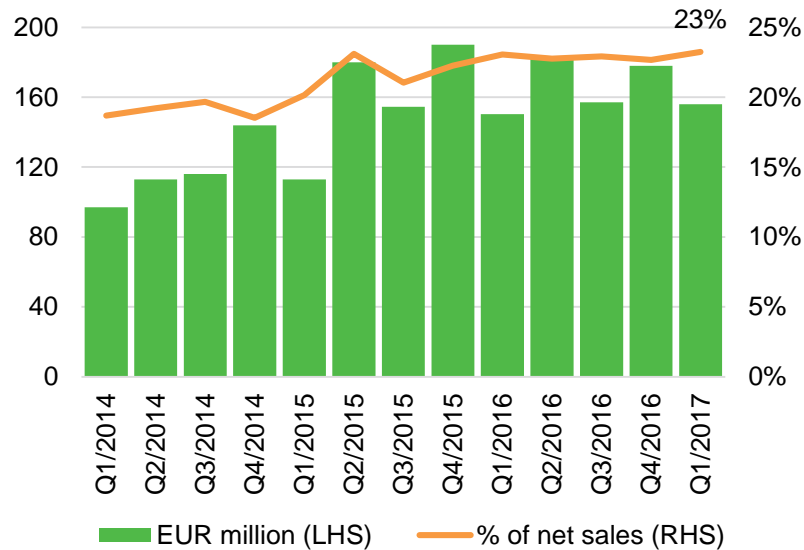
Items affecting comparability: EUR 3 million in Q1/2017 (EUR -2 million in Q1/2016, EUR -13 million in 2016)

1) At the end of period

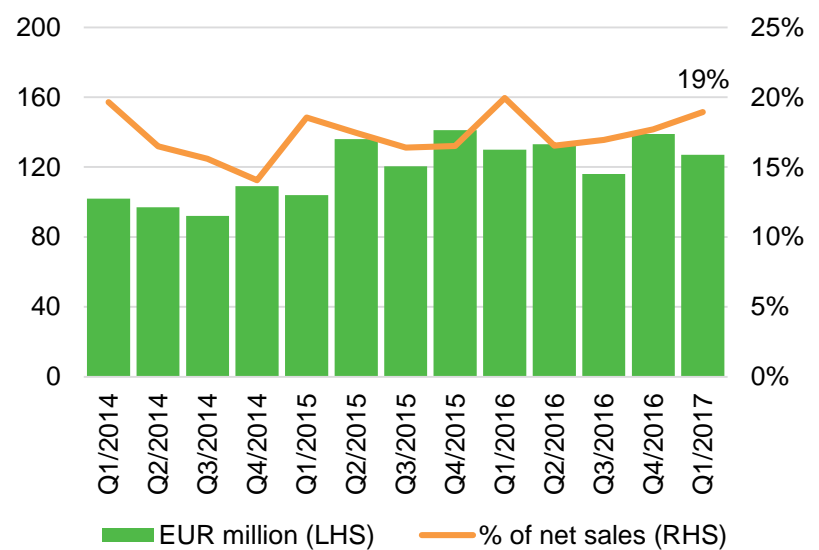
2) Annualized

Gross profit margin and SG&A development

Gross profit (EUR million and % of net sales)



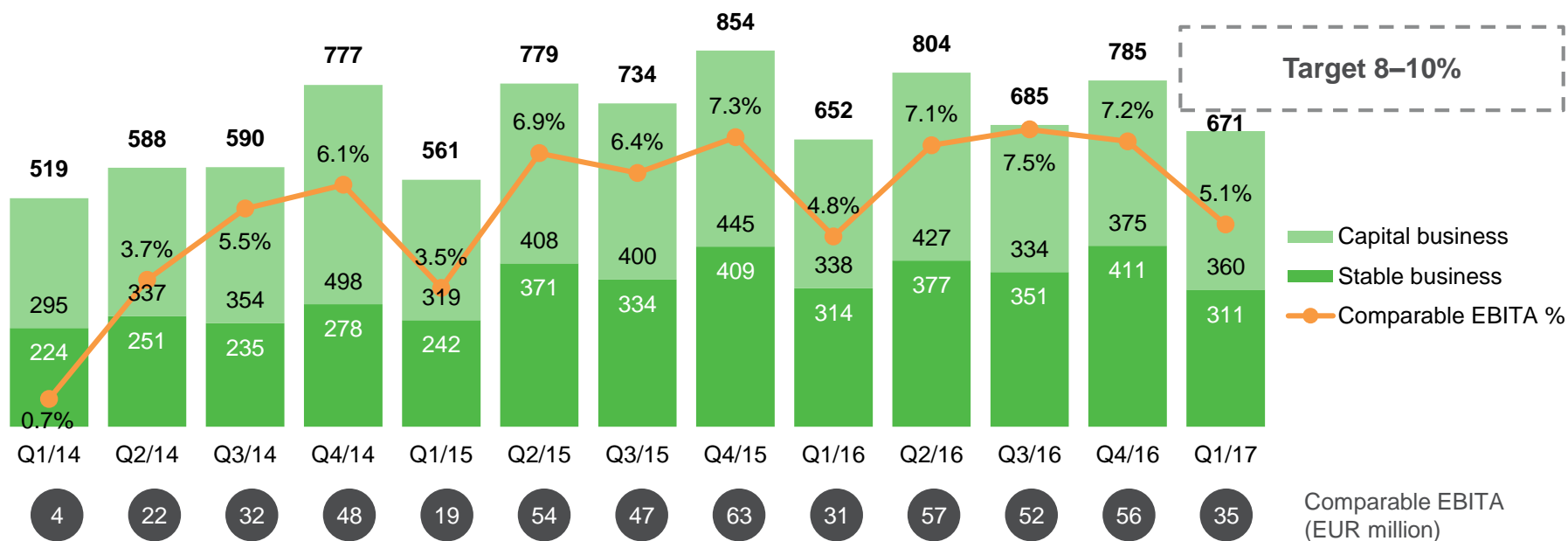
SG&A (EUR million and % of net sales)



- 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

Comparable EBITA margin development

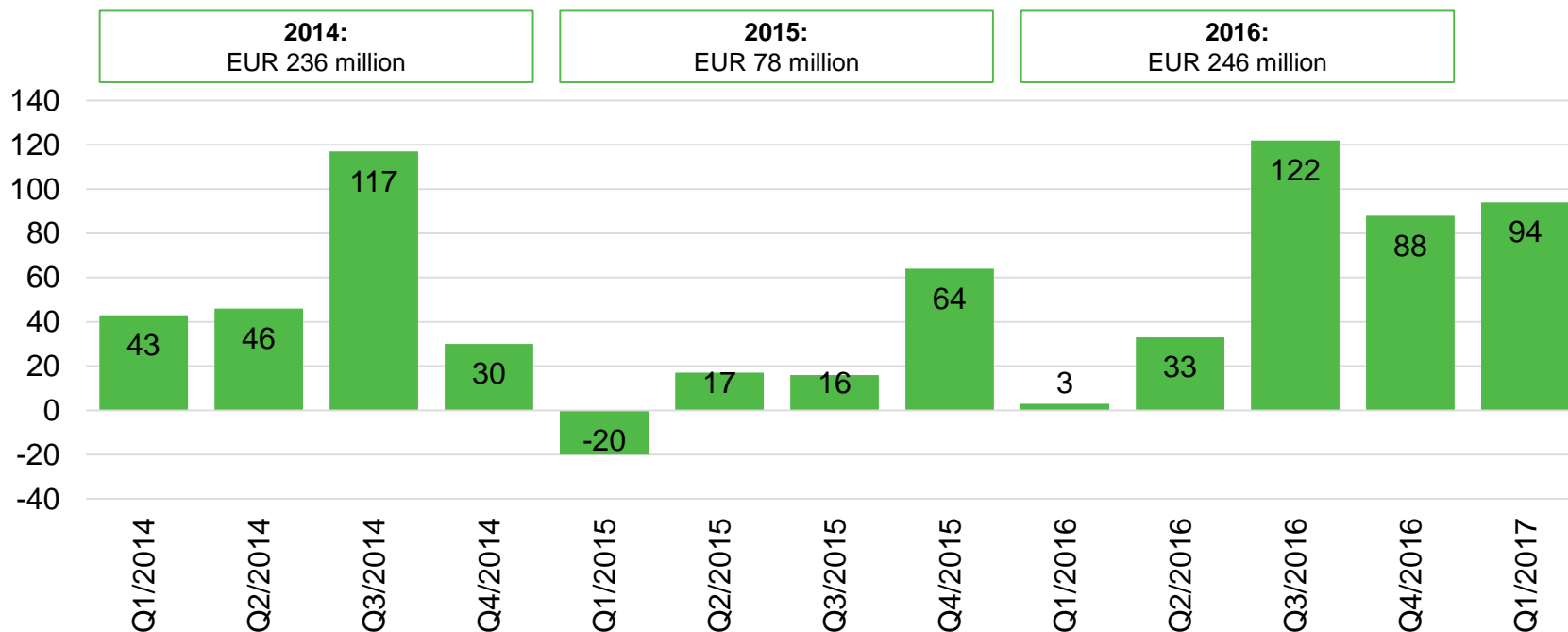
Net sales and Comparable EBITA (EUR million and %)



- 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)

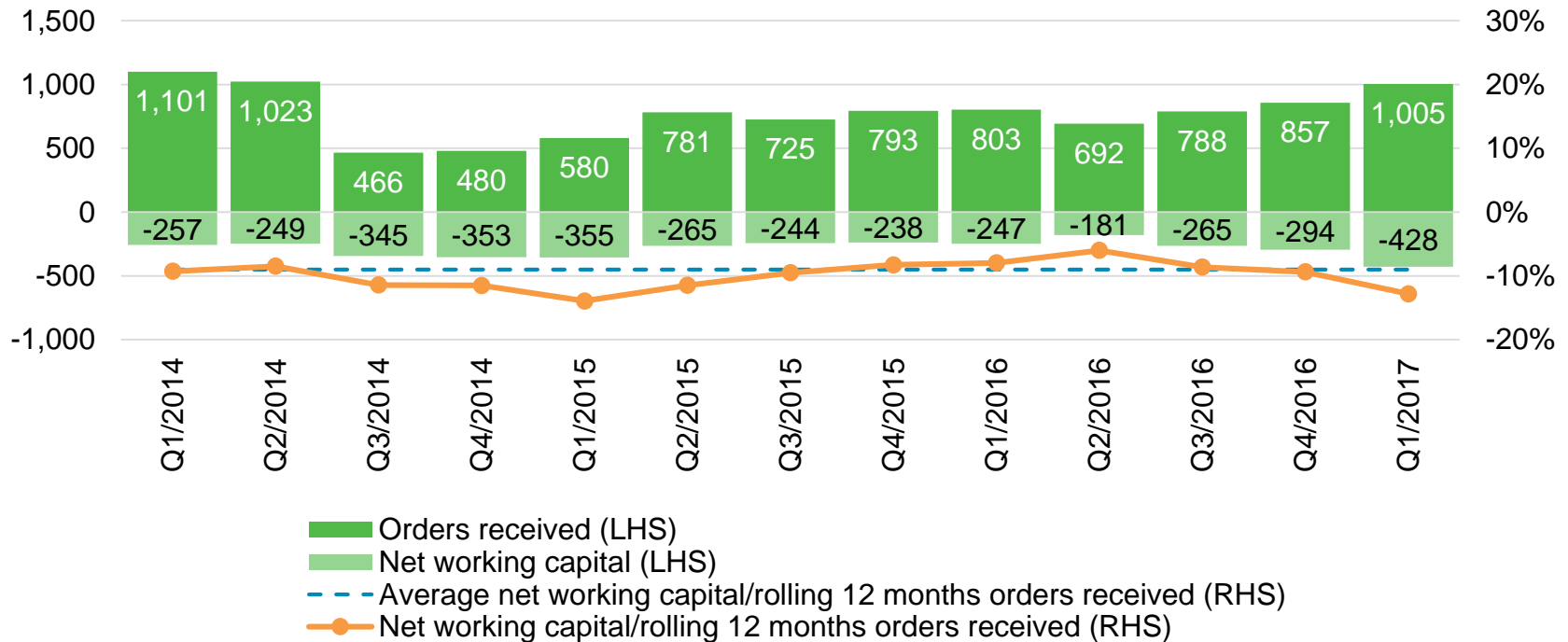


- Change in net working capital¹ EUR 70 million in Q1/2017
- Cash flow provided by operating activities EUR 94 million in Q1/2017
- CAPEX EUR -14 million in Q1/2017

1) Change in net working capital in the consolidated statement of cash flows.

Net working capital at -13% of rolling 12 months orders received

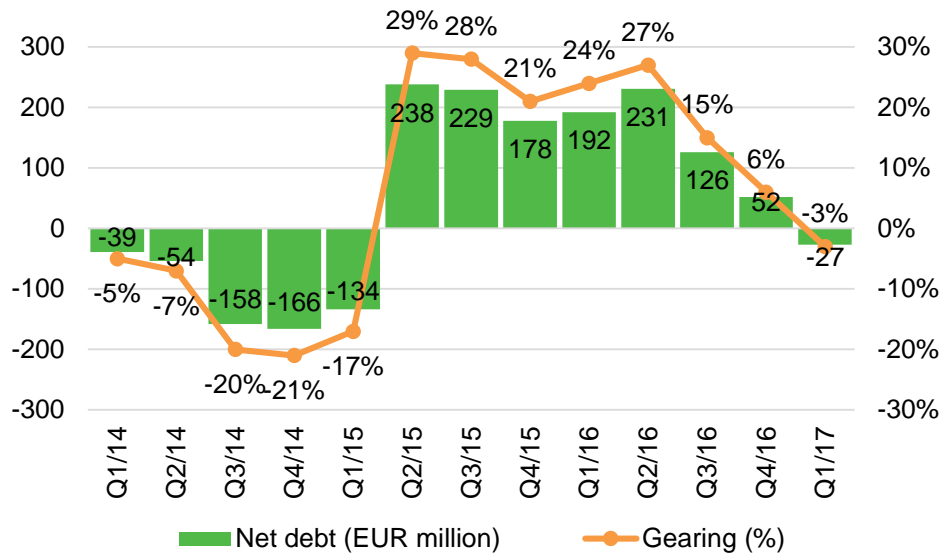
Net working capital and orders received (EUR million)



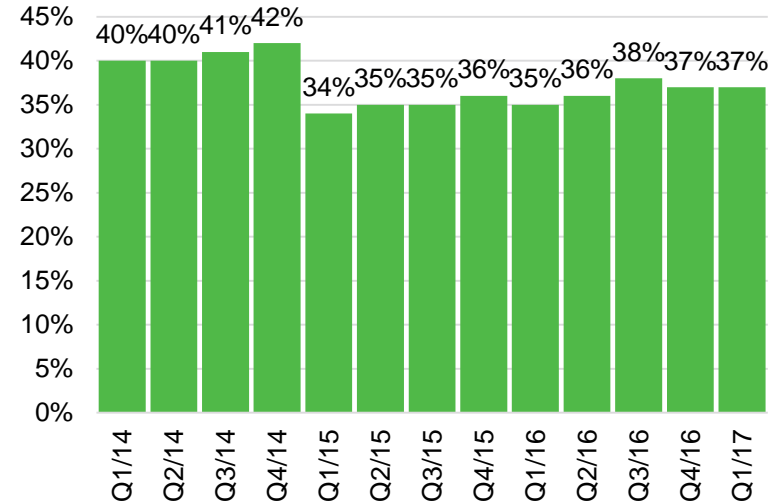
- Net working capital EUR -428 million, which equals -13% of rolling 12 months orders received

Net debt decreased compared with both Q1/2016 and Q4/2016

Net debt (EUR million) and gearing (%)



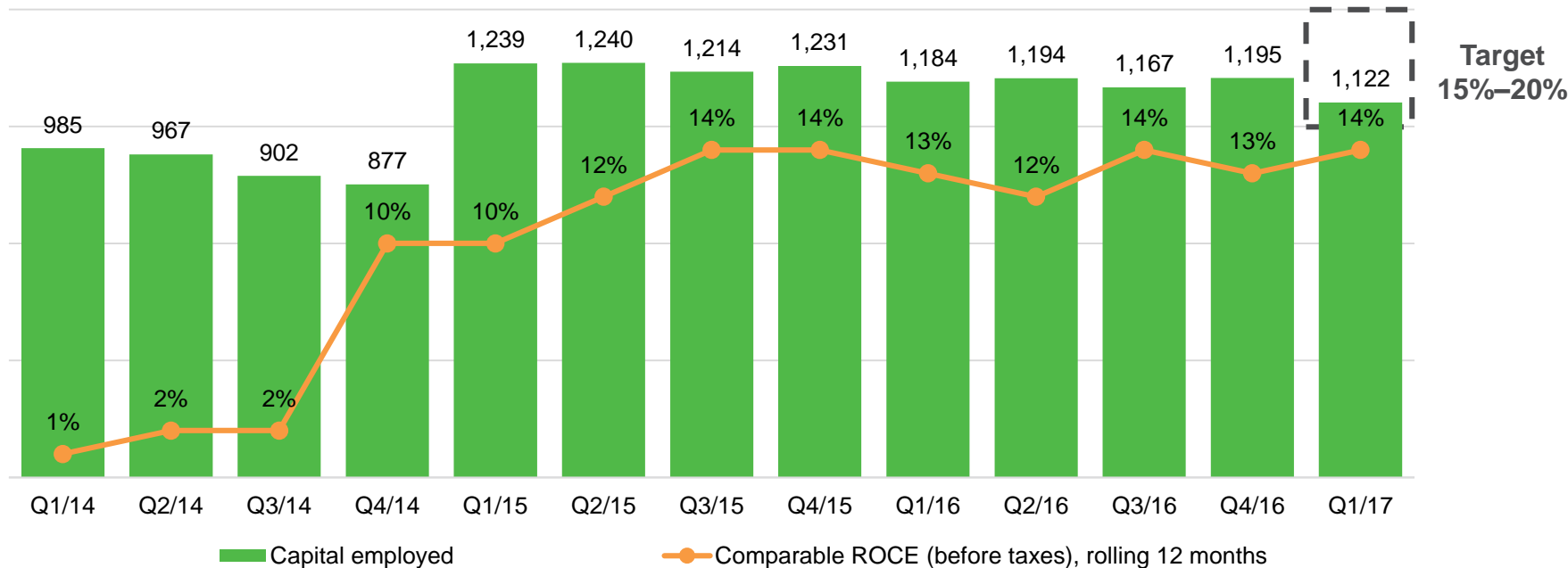
Equity to assets ratio (%)



- 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 taxes¹ (%)



- 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 and short-term market outlook

Guidance and short-term market outlook

Guidance for 2017 (net sales guidance revised upwards on April 12, 2017)

Guidance for 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

		Q2/2016	Q3/2016	Q4/2016	Q1/2017
Services		Satisfactory	Satisfactory	Satisfactory	Good
Automation		Satisfactory	Satisfactory	Satisfactory	Satisfactory
Pulp and Energy	Pulp	Satisfactory	Satisfactory	Satisfactory	Weak
	Energy	Satisfactory	Good	Good	Good
Paper	Board and Paper	Good	Satisfactory	Good	Good
	Tissue	Satisfactory	Good	Good	Good

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

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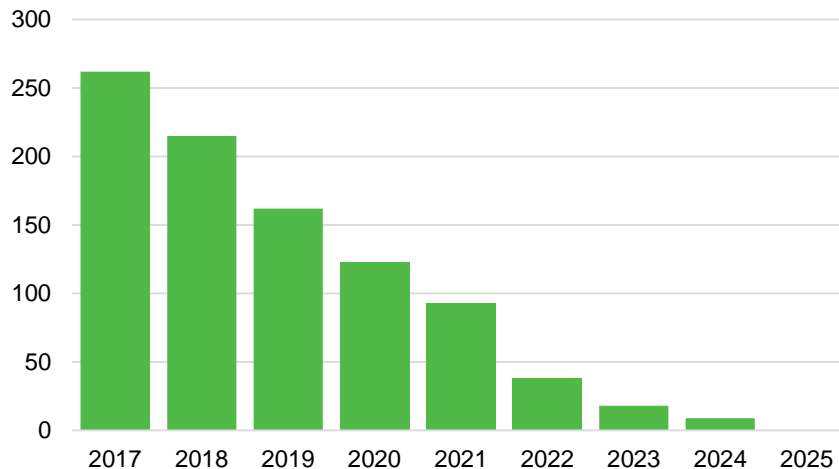


Appendix

Structure of loans and borrowings

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

Amount of outstanding interest-bearing debt (EUR million)



Main financing sources and facilities

Source	Amount outstanding
Loans from banks and financial institutions	EUR 277 million
EUR 200 million committed syndicated revolving credit facility ¹	None outstanding
EUR 200 million domestic commercial paper program	None outstanding

1) EUR 200 million syndicated revolving credit facility agreement matures on January 14, 2022 with two 1-year extension options.

- Average maturity of long-term loans is 3.9 years
- Average interest rate is 1.3%

Largest shareholders on March 31, 2017

Based on the information given by Euroclear Finland Ltd.

Largest shareholders

#	Shareholder name	Number of shares	% of shares and votes
1	Solidium Oy ¹	16,695,287	11.14%
2	Varma Mutual Pension Insurance Company	5,065,465	3.38%
3	Elo Pension Company	3,810,000	2.54%
4	Ilmarinen Mutual Pension Insurance Company	3,388,055	2.26%
5	OP Funds	2,269,576	1.51%
6	Nordea Funds	1,821,094	1.22%
7	The State Pension Fund	1,545,000	1.03%
8	Keva	1,502,166	1.00%
9	Danske Invest funds	1,331,038	0.89%
10	Mandatum Life Insurance Company Limited	922,537	0.62%
	10 largest shareholders, total	38,350,218	25.59%
	Other shareholders	111,514,401	74.41%
	Total	149,864,619	100.00%

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

Ownership structure on March 31, 2017



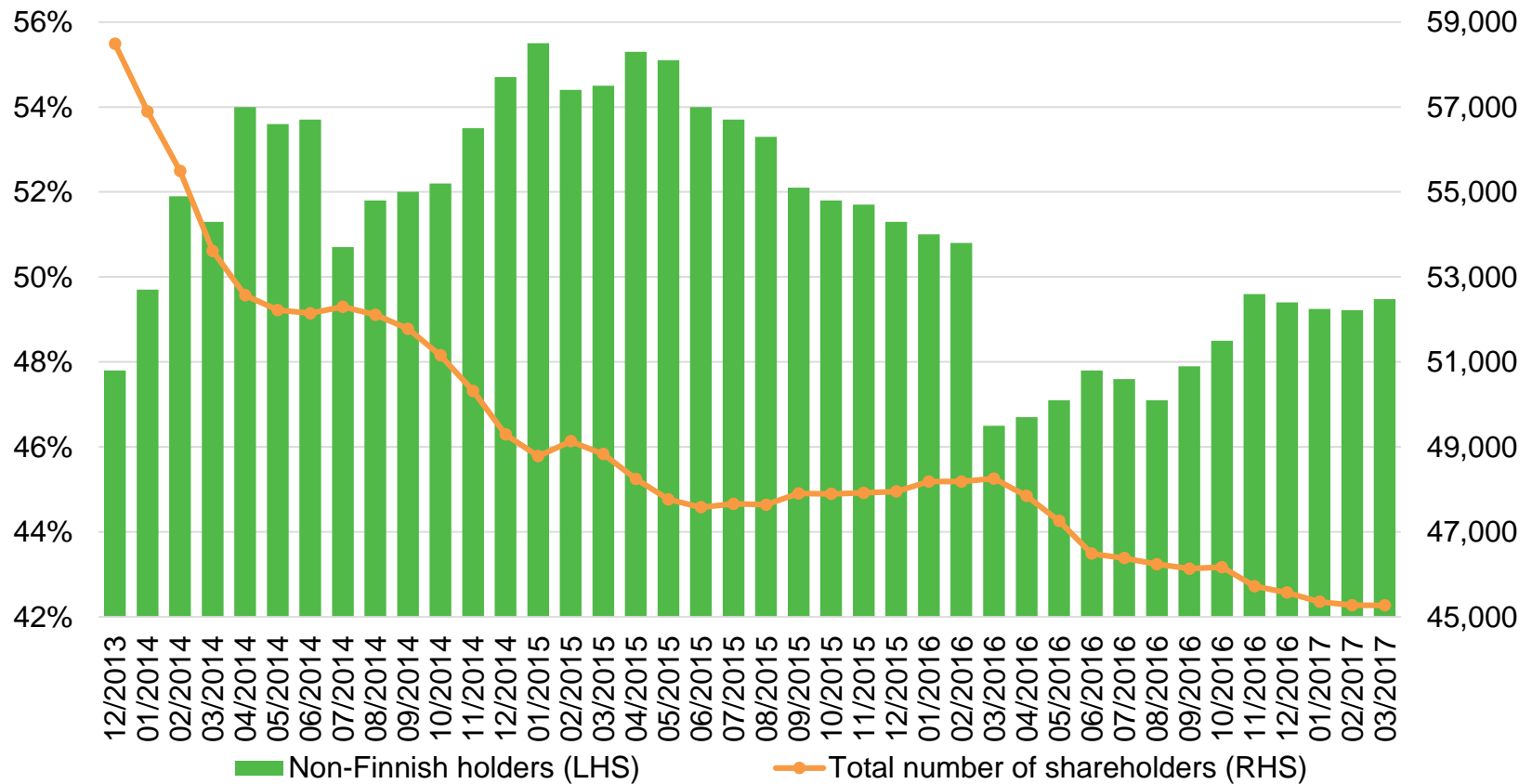
Sector	Number of shareholders	% of total shareholders	Number of shares	% of shares
Nominee registered and non-Finnish holders ¹	317	0.7%	74,145,020	49.5%
Finnish institutions, companies and foundations	2,347	5.2%	38,752,638	25.9%
Solidium Oy ²	0	0.0%	16,695,287	11.1%
Finnish private investors	42,607	94.1%	20,263,554	13.5%
In the issuer account	0	0.0%	8,120	0.0%
Total	45,275	100.0%	149,864,619	100.0%

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

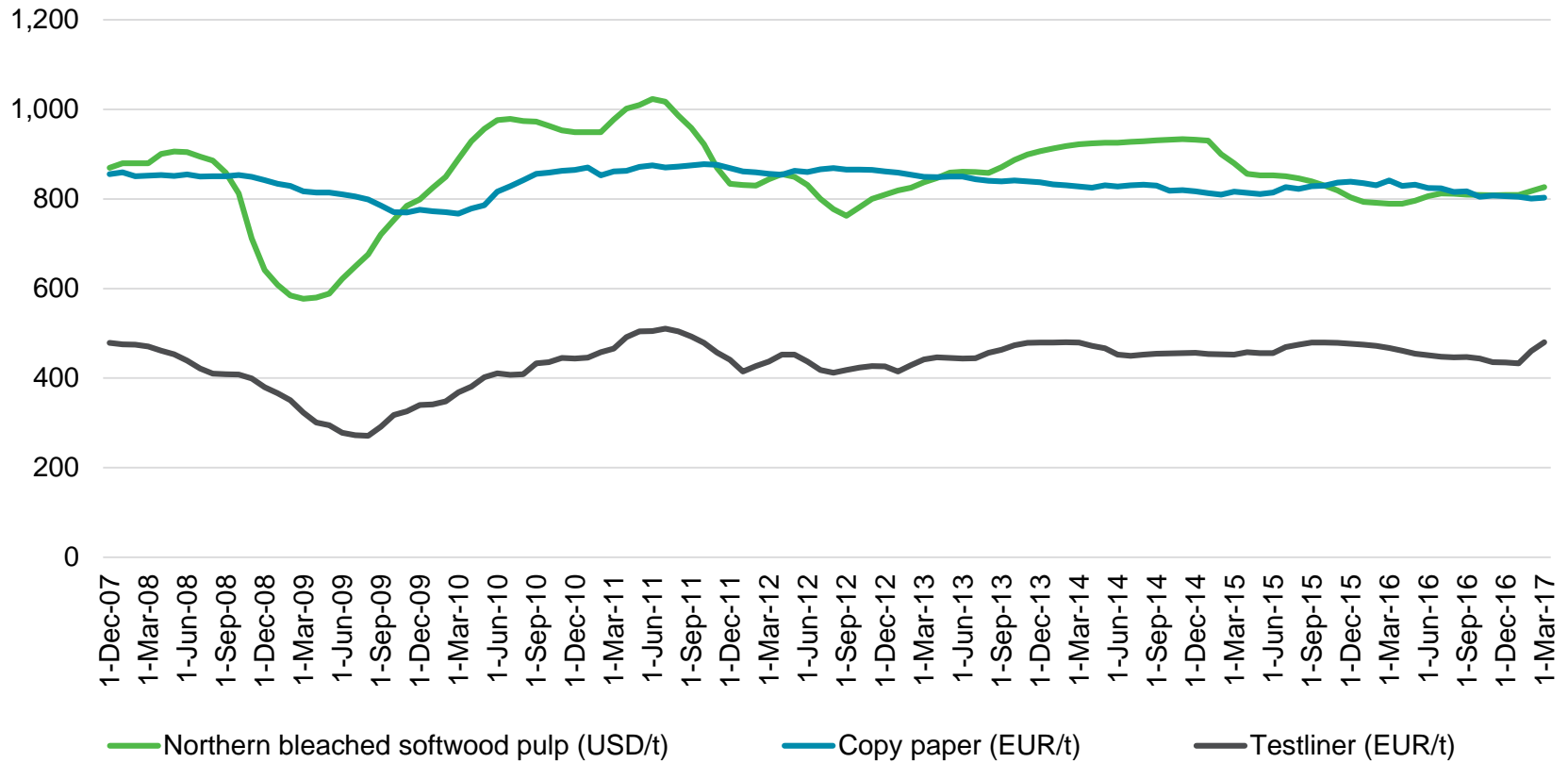
1) Of which 72,042,252 nominee registered shares

2) A holding company that is wholly owned by the Finnish State

Share of non-Finnish holders and number of shareholders



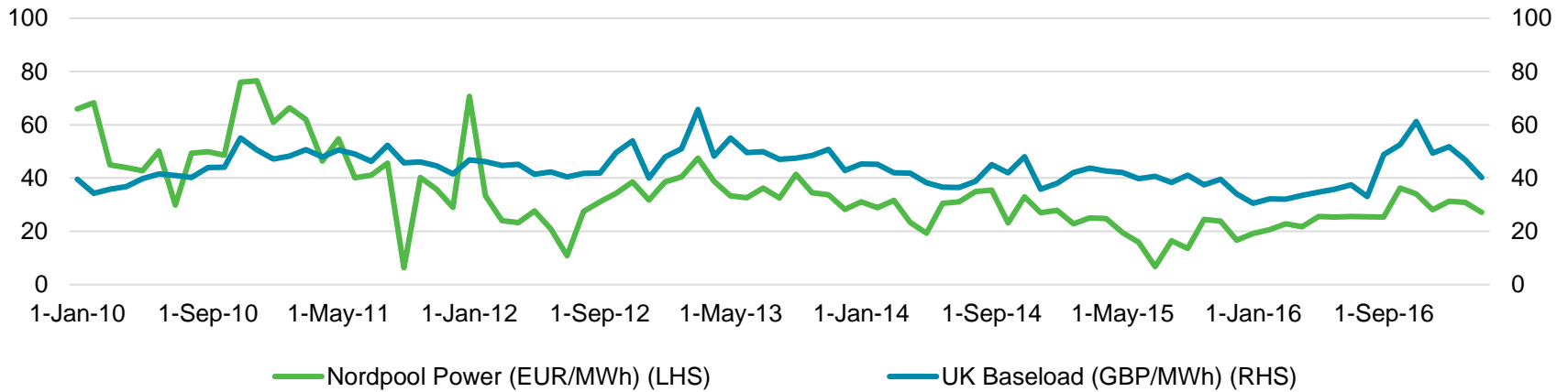
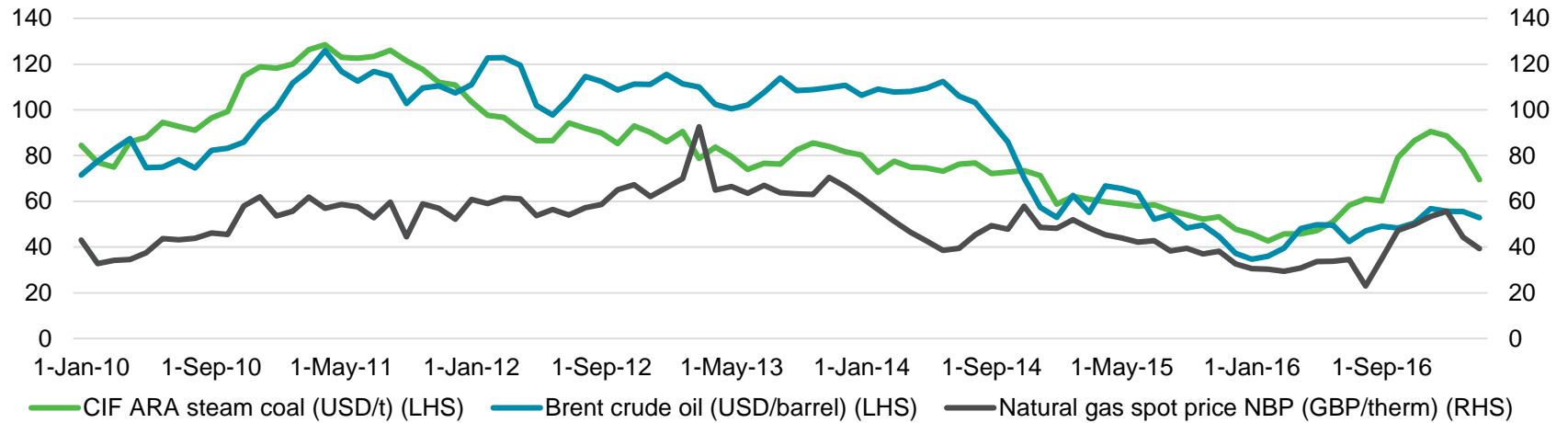
Pulp and paper price trends



Source: Bloomberg

Crude oil, steam coal, natural gas and electricity

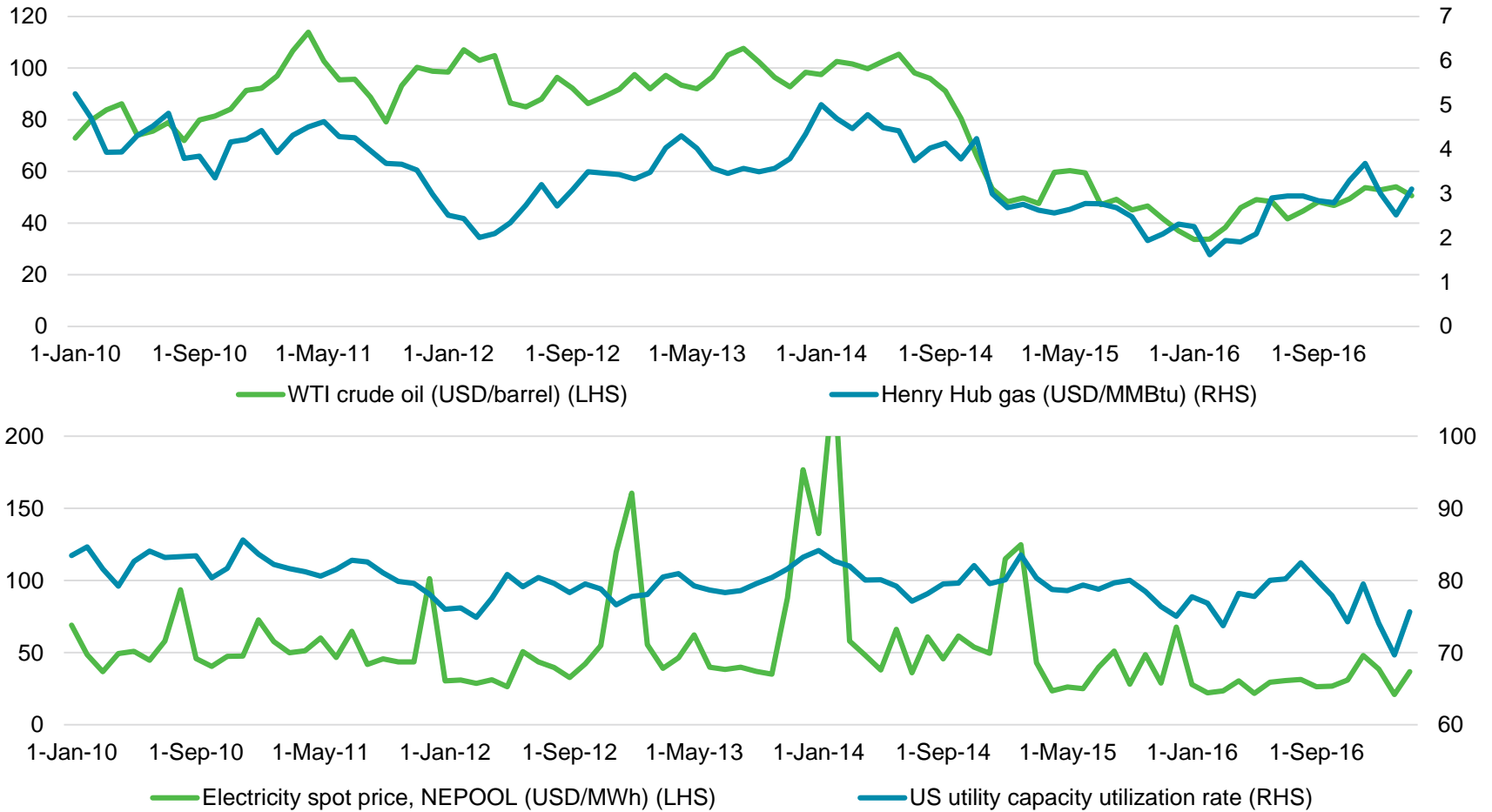
Europe



Source: Bloomberg

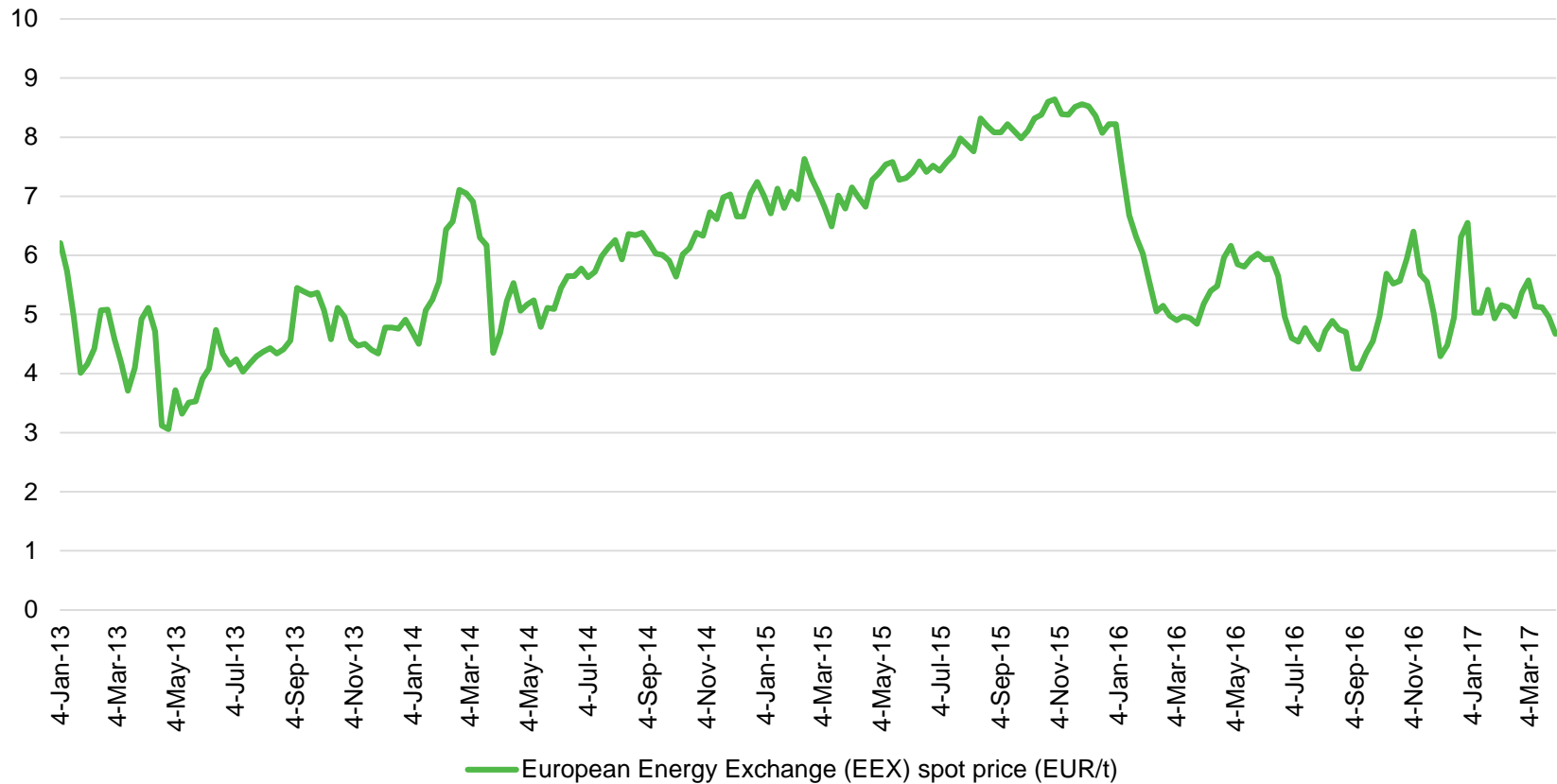
Crude oil, natural gas and electricity

United States



Source: Bloomberg

European Carbon Emission Allowance



Source: Bloomberg

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