



Strong development in orders
received in China –
profitability in the targeted
range in Q3/2015

Interim Review,
January–September 2015

October 28, 2015

Pasi Laine, President and CEO

Markku Honkasalo, CFO

Agenda

Interim Review, January–September 2015

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- 2 Business lines' development
- 3 Financial development
- 4 Guidance and short-term market outlook
- 5 Summary of Interim Review Q3/2015
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Q3/2015 in brief

Q3/2015 in brief



Orders received and net sales increased in stable business¹

- Orders received remained stable compared with Q3/2014 in Services, orders received EUR 70 million in Automation
- Net sales increased in Services compared with Q3/2014, net sales EUR 66 million in Automation



Orders received and net sales increased in capital business

- Orders received increased compared with Q3/2014 in Pulp and Energy, and Paper business lines
- Net sales increased in Paper and decreased in Pulp and Energy compared with Q3/2014



Order backlog at EUR 2.1 billion

- Order backlog EUR 90 million lower than at the end of Q2/2015



Good development in profitability

- EBITA² increased to EUR 47 million
- EBITA²-margin improved and was in the targeted range at 6.4 percent



Net debt EUR 229 million

- Gearing 28%
- Cash flow provided by operating activities EUR 16 million

1) Stable business = Services and Automation business lines

2) EBITA = Earnings before interest, taxes and amortization and non-recurring items

Net sales split in Q3/2015

Stable business net sales EUR 334 million

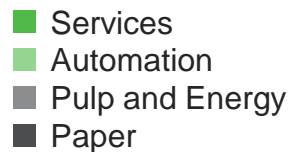
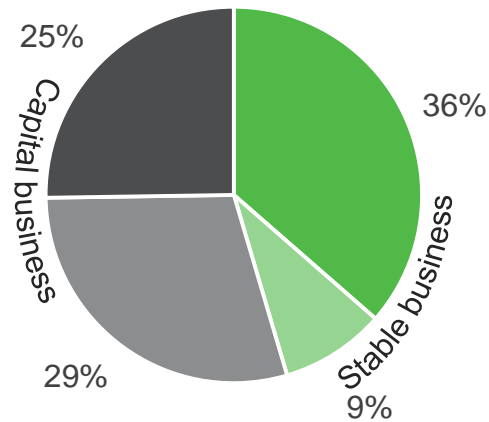
Orders received
EUR 725 million

Net sales
EUR 734 million

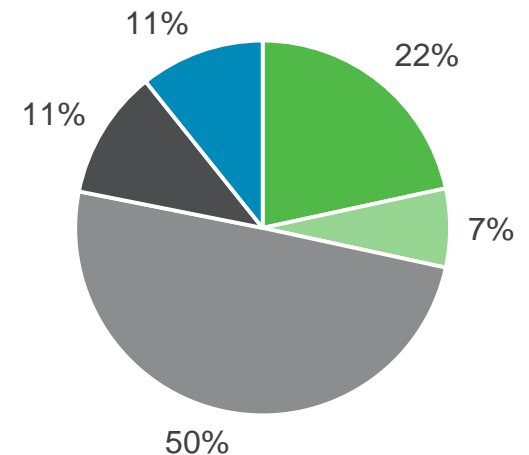
EBITA before NRI¹
EUR 47 million

Employees
12,296

Net sales split by
business line



Net sales split by
geographic area



1) NRI = non-recurring items

Key figures Q3/2015

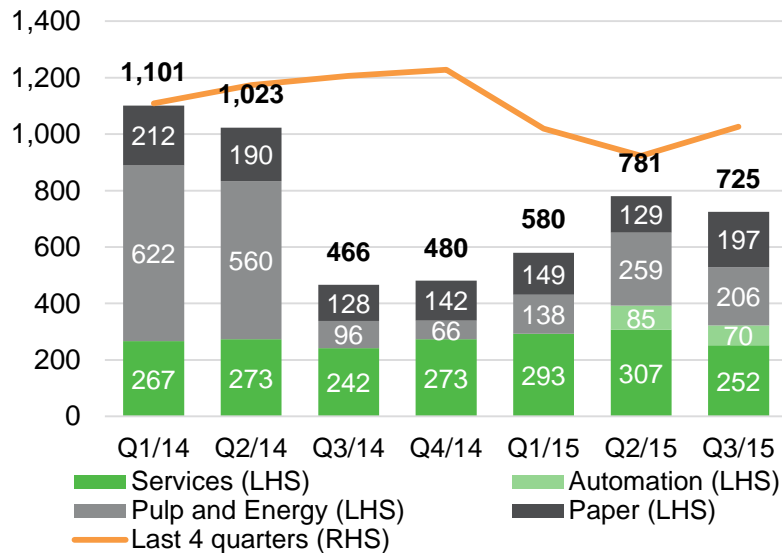
EUR million	Q3/2015	Q3/2014	Change	Q1–Q3/2015	Q1–Q3/2014	Change
Orders received	725	466	56%	2,085	2,590	-19%
Order backlog ¹	2,117	2,312	-8%	2,117	2,312	-8%
Net sales	734	590	25%	2,074	1,697	22%
EBITA ²	47	32	45%	120	58	>100%
% of net sales	6.4%	5.5%		5.8%	3.4%	
EBIT ³	33	26	25%	78	35	>100%
% of net sales	4.4%	4.4%		3.8%	2.1%	
Earnings per share, EUR	0.14	0.11	25%	0.33	0.14	>100%
Return on capital employed (ROCE), before taxes ⁴				11%	6%	
Cash flow provided by operating activities	16	117	-86%	14	206	-93%
Gearing ¹				28%	-20%	

Non-recurring items: EUR -4 million in Q3/2015 (EUR -1 million in Q3/2014), EUR -16 million in Q1–Q3/2015 (EUR -7 million in Q1–Q3/2014).

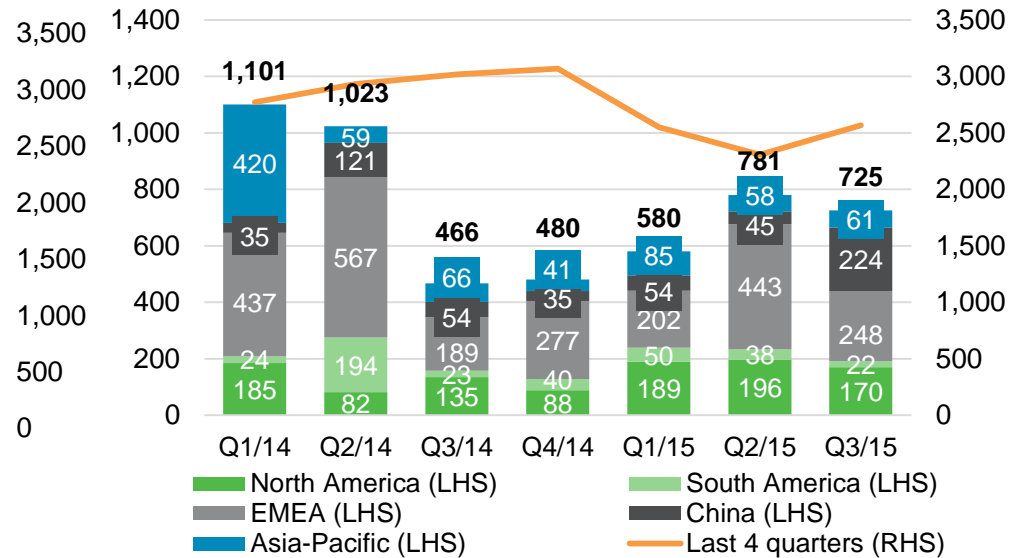
- 1) At the end of period
- 2) Before non-recurring items
- 3) After non-recurring items
- 4) Annualized

Orders received increased especially in China, stable business orders received EUR 322 million

Orders received (EUR million), by business line



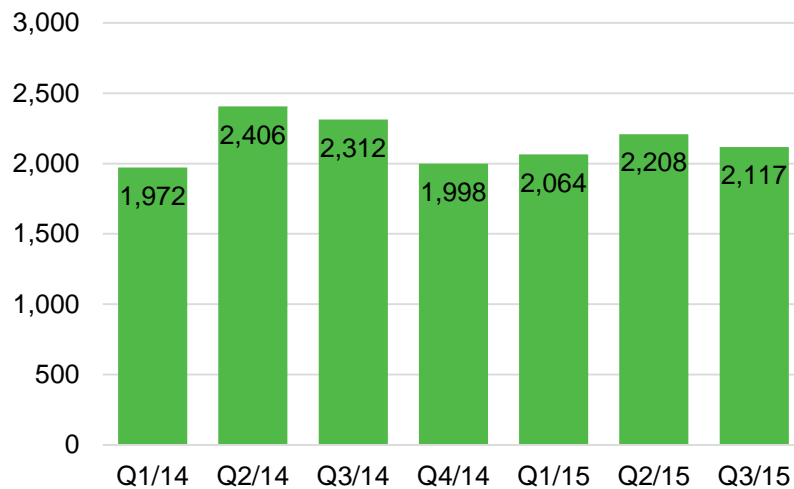
Orders received (EUR million), by area



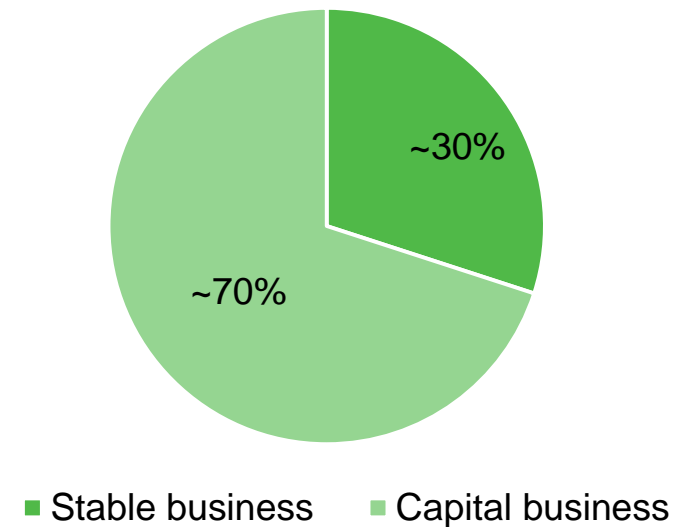
- Orders received stable in Services: Year-to-date growth at 9%
- Orders received EUR 70 million in Automation
- Orders received increased in Pulp and Energy: Main equipment to a pulp mill project in China
- Orders received increased in Paper: One board machine and three tissue machines
- Orders received more than doubled in China, and increased in EMEA and North America

Order backlog at EUR 2.1 billion

Order backlog (EUR million)



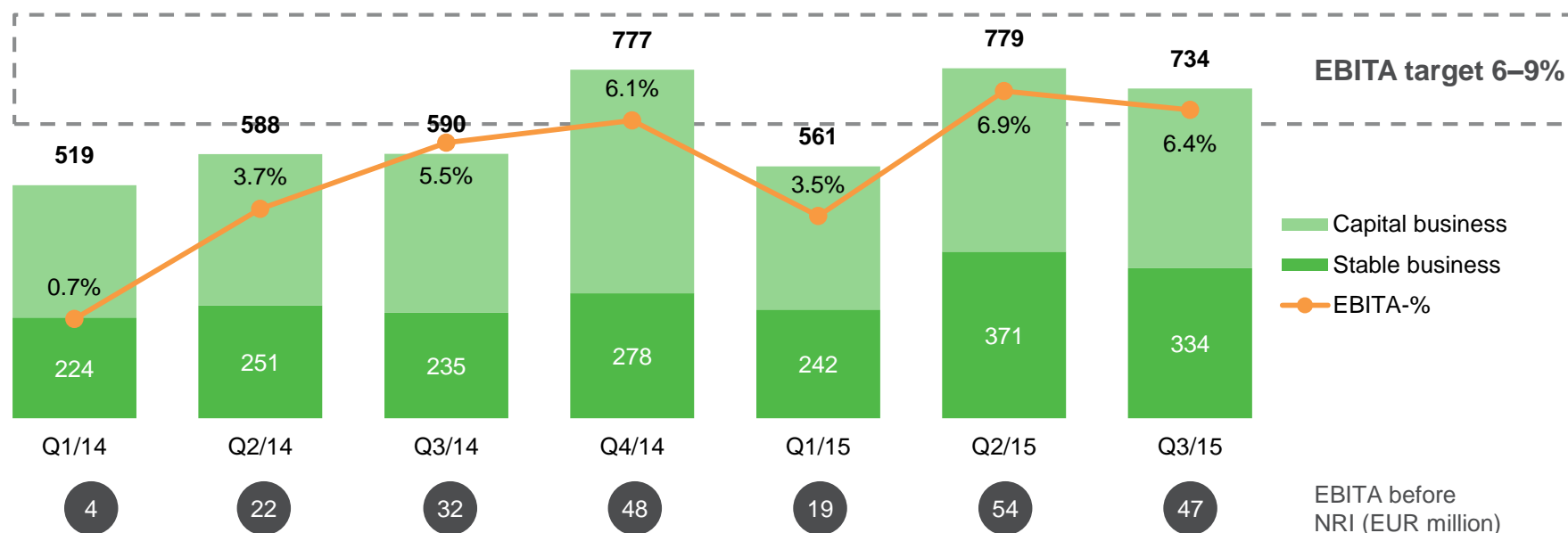
Structure of order backlog



- Order backlog EUR 90 million lower than at the end of Q2/2015
- Approximately 30% of the order backlog relates to stable business

EBITA margin in the targeted range

Net sales and EBITA before NRI (EUR million)



- Net sales and profitability increased compared with Q3/2014

- Profitability improved due to the higher level of net sales, improved gross profit, and the acquisition of Automation
- Changes in foreign exchange rates¹ increased net sales by approximately EUR 14 million and EBITA by approximately EUR 1 million²

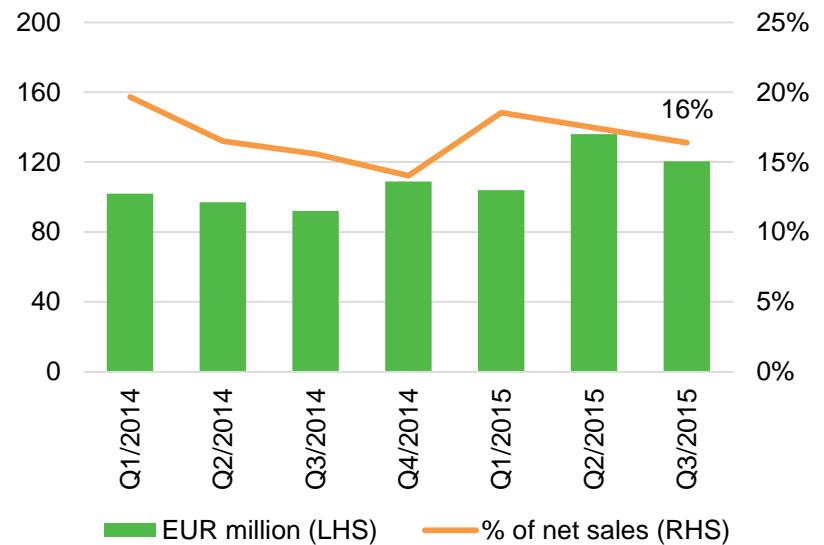
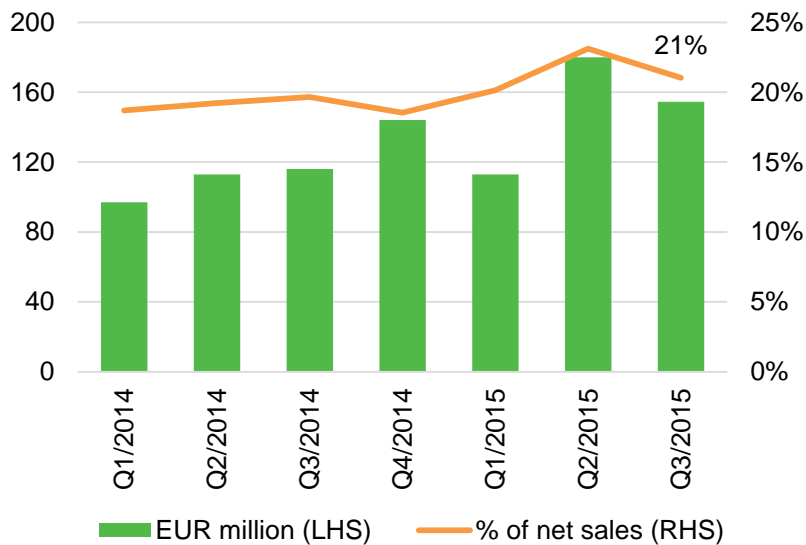
1) Compared with the exchange rates for July–September 2014

2) Indicative only

Good development in gross profit compared to Q3/2014

Gross profit (EUR million and % of net sales)

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



- Gross profit increased, also when excluding the impact of Automation
- Selling, general & administrative (SG&A) expenses under control
- Further actions to improve gross profit through Must-Win implementation

Key Must-Win objectives to develop Valmet further and continue to improve profitability

Must-Wins

Customer excellence

Must-Win implementation objectives for 2016

- Strengthen our presence close to customers and growth markets
- Strengthen Key Account Management to serve customers with our full offering
- Provide customer benefits by combining process technology, automation and services
- Develop Valmet service concept, remote services and drive growth through service agreements

Leader in technology and innovation

- Improve product cost competitiveness to increase gross profit and reduce customer investment and operational costs
- Develop new products and technologies to create new revenue

Excellence in processes

- Sales and project management process to improve product margin
- Implement Lean to reduce quality costs and lead times
- Save in procurement and ensure sustainable supply chain
- Improve health and safety
- Continue to improve cost competitiveness

Winning team

- Nurture shared values
- Drive high performance
- Continue globalization of our capabilities

Leader in technology and innovation: Examples of our R&D results

OptiConcept M board and paper machine

- Cost-efficient, high-quality, safe and flexible board making concept
- Significant savings in energy, water and raw material use
 - Energy efficiency improvement up to 30%
- Modular and compact size
 - Short delivery times, quick start-ups, and less production space
- Functional design brings increased safety and accessibility



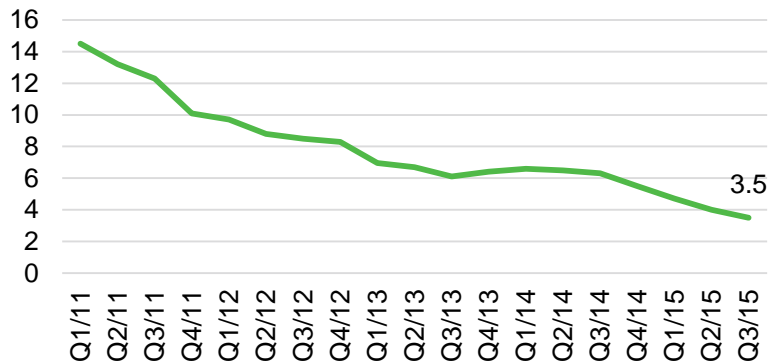
Advantage NTT tissue machine

- High flexibility and energy efficiency
 - Swing from production of conventional to textured tissue in a few hours
 - Low energy consumption
- Premium product quality
- Fiber savings
 - 10–30% less fiber consumption
- High speed and capacity
 - 2,000 m/min in conventional mode, 1,800 m/min in textured mode



Excellence in processes: Good development in work safety and sustainability

Lost time incident frequency (LTIF)¹



- Valmet has made excellent progress in health and safety
 - LTIF has declined to 3.5 in Q3/2015

Valmet is committed to the safety and wellbeing of our employees, customers and partners. Together, we take safety forward

Long-term goal
ZERO
harm

Sustainability

- Valmet has been included in the Dow Jones Sustainability Index (DJSI) for the second consecutive year
 - Valmet maintains its position among 317 companies recognized as world's sustainability leaders in Dow Jones Sustainability Index
 - Valmet was listed both in the Dow Jones Sustainability World and Europe indices
 - In addition to Valmet, three other companies from Finland are included in the World index this year

MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM

1) Lost time incident frequency (LTIF) reflects the number of injuries resulting in an absence of at least one workday per million hours worked. The LTIF numbers are for own employees and calculated for the last 12 months.

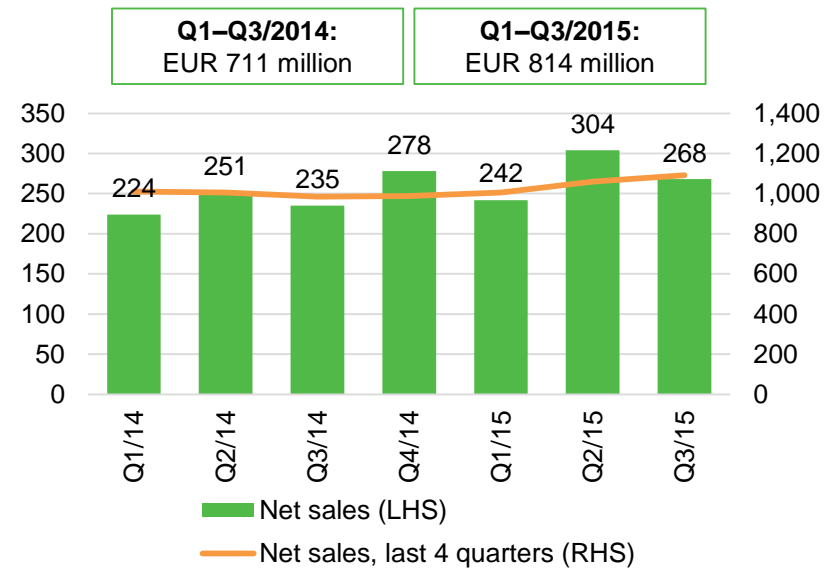
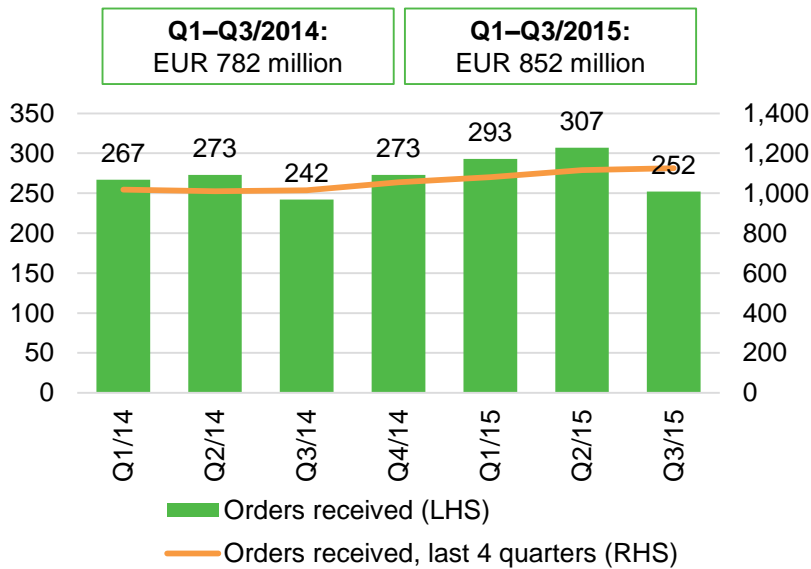


Business lines' development

Orders received remained stable and net sales increased in Services in Q3/2015

Orders received (EUR million)

Net sales (EUR million)



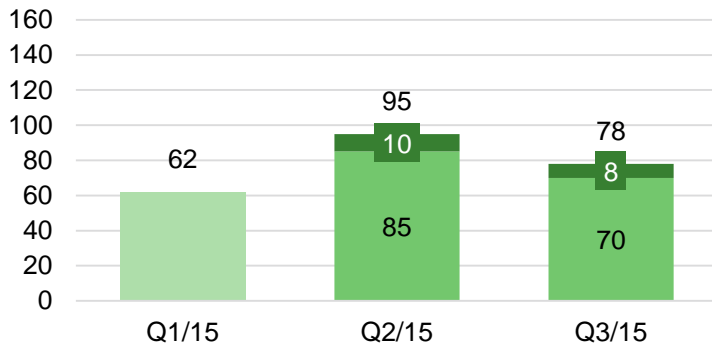
- Services orders received remained stable compared with Q3/2014
 - Orders received increased in China, remained stable compared with Q3/2014 in North America, EMEA and Asia-Pacific, and decreased in South America
 - Orders received increased in Mill Improvements and Fabrics, remained stable compared with Q3/2014 in Performance Parts and decreased in Energy and Environmental, and Rolls
 - Changes in foreign exchange rates¹ increased orders received by approximately EUR 11 million
- Net sales increased compared with Q3/2014



1) Compared with the exchange rates for July–September 2014

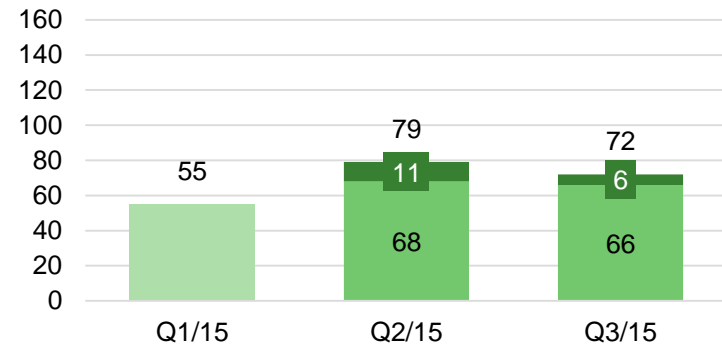
Orders received in Automation totaled EUR 78 million in Q3/2015

Orders received¹ (EUR million)



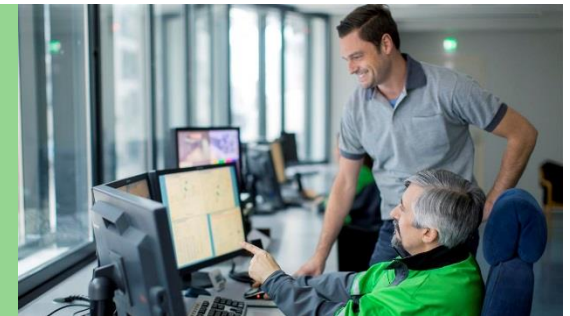
- Orders received, internal (from other business lines)
- Orders received, reported
- Orders received, total (including internal)

Net sales (EUR million)



- Net sales, internal (from other business lines)
- Net sales, reported
- Net sales, total (including internal)

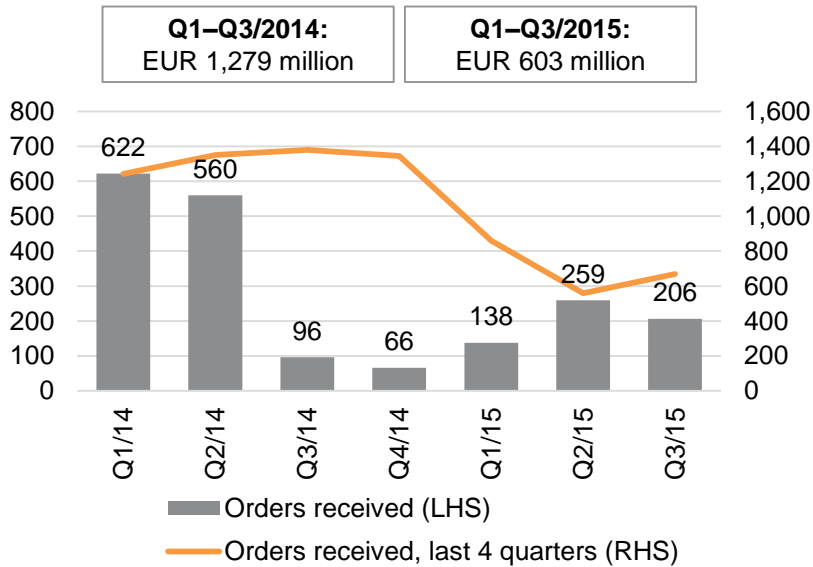
- Orders received EUR 78 million in Q3/2015
 - Internal orders received amounted to EUR 8 million
 - EMEA accounted for ~50% and North America for ~30% of orders received
 - Pulp and Paper accounted for ~70% and Energy and Process for ~30% of orders received
- Net sales EUR 72 million in Q3/2015
 - Internal net sales amounted to EUR 6 million



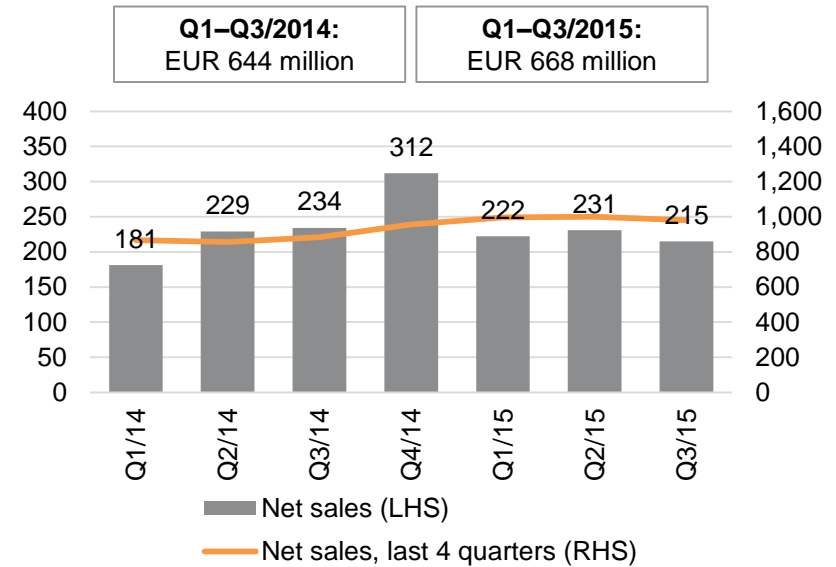
1) Q1/2015 orders received is calculated from Metso's reported figures and pro forma figures excluding Process Automation Systems and are therefore indicative only. Q2/2015 and Q3/2015 figures are Automation business line figures.

Orders received increased in Pulp and Energy in Q3/2015

Orders received (EUR million)



Net sales (EUR million)



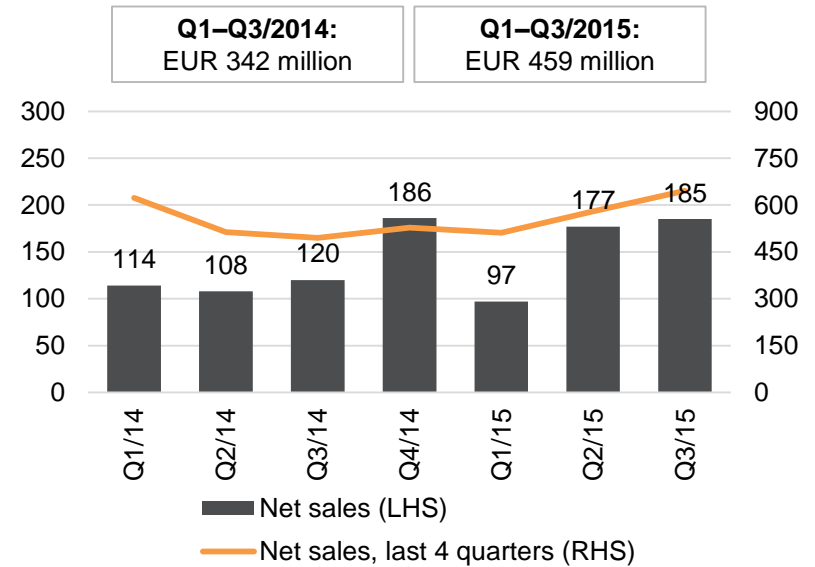
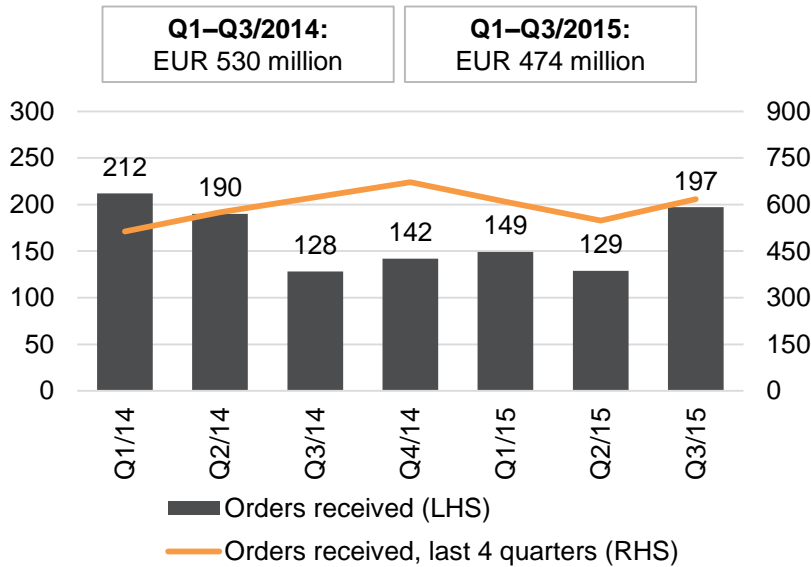
- Orders received more than doubled compared with Q3/2014
 - Orders received increased in China and North America, remained stable in EMEA and decreased in Asia-Pacific and South America
 - Orders received increased in Pulp and remained stable compared with Q3/2014 in Energy
- Net sales decreased compared with Q3/2014



Orders received and net sales increased in Paper in Q3/2015

Orders received (EUR million)

Net sales (EUR million)



- Orders received increased compared with Q3/2014
 - Orders received increased in China, EMEA, Asia-Pacific and North America
 - Orders received increased in both Tissue, and Board and Paper
- Net sales increased compared with Q3/2014

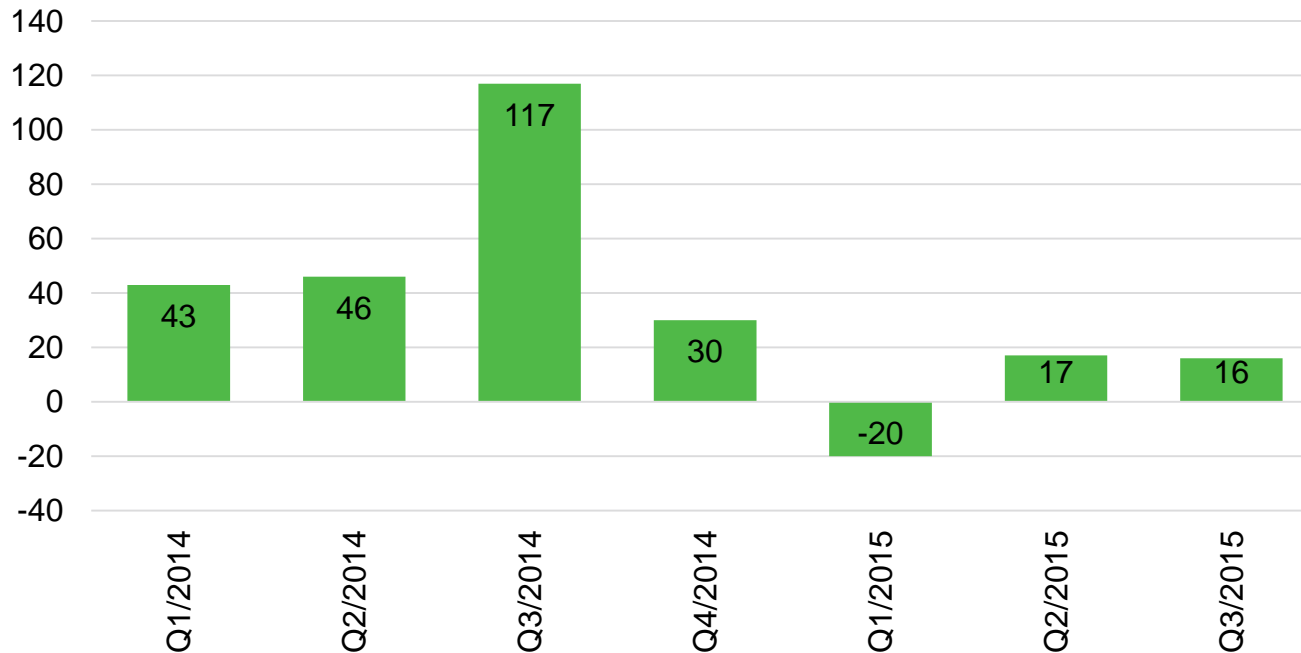




Financial development

Cash flow provided by operating activities

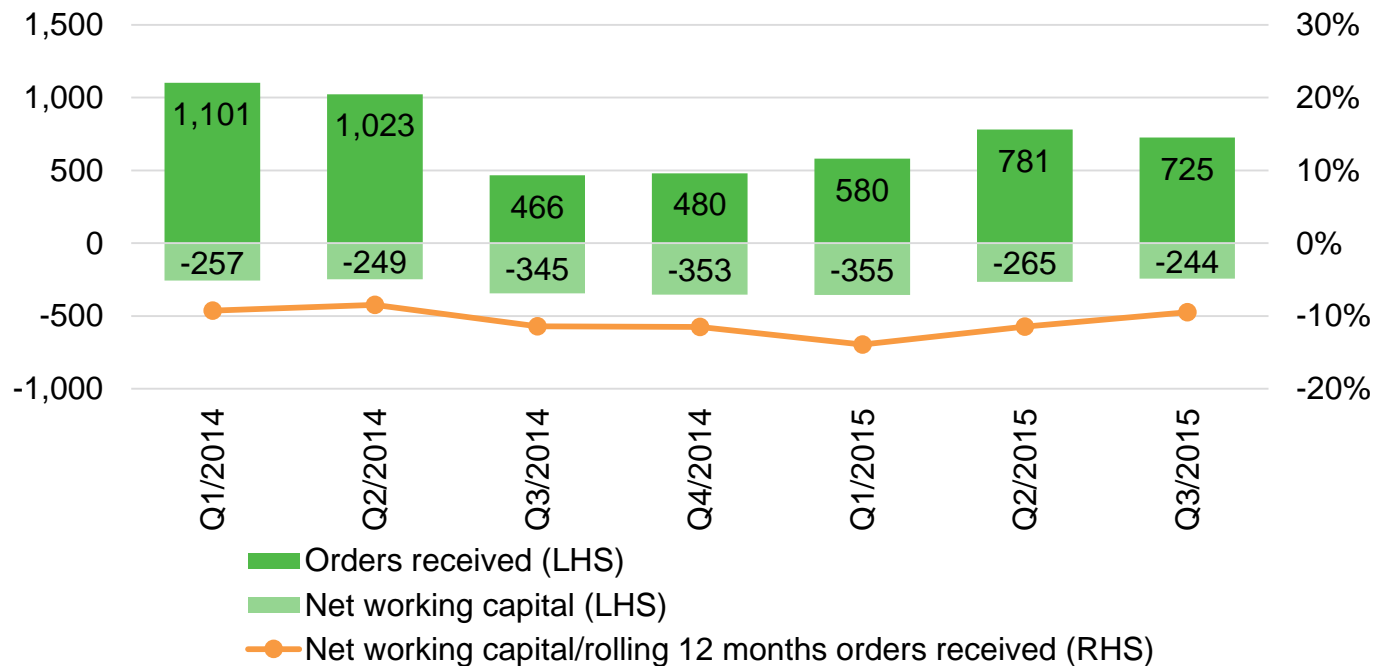
Cash flow provided by operating activities (EUR million)



- CAPEX excluding business acquisitions (EUR -11 million) less than depreciation (EUR -14 million)

Net working capital development

Net working capital and orders received (EUR million)

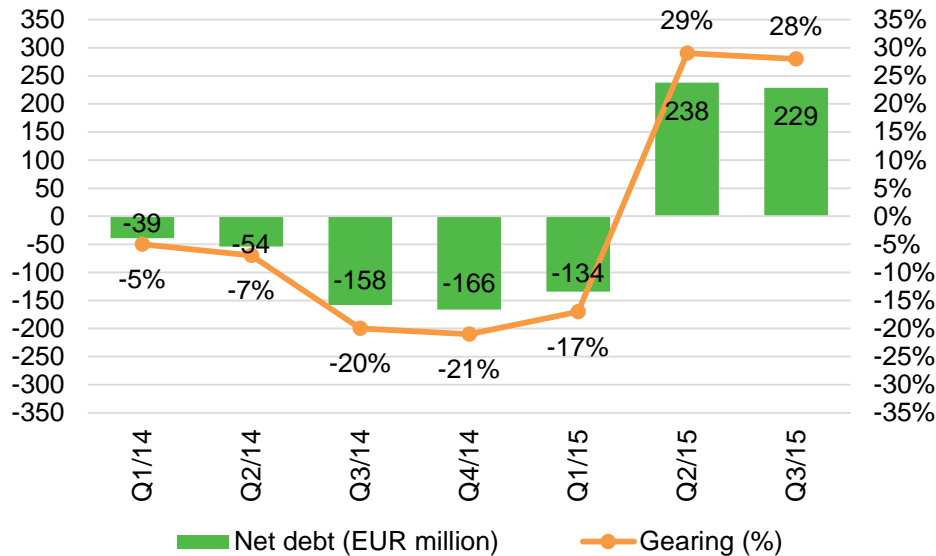


Historically, net working capital has been on average -9% of rolling 12 months orders received

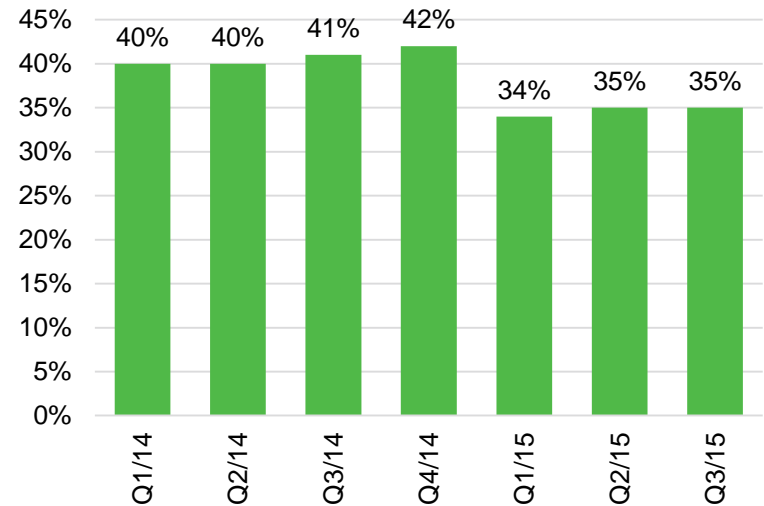
- Net working capital EUR -244 million, which equals -10% of rolling 12 months orders received

Net debt increased due to Automation acquisition

Net debt (EUR million) and gearing (%)



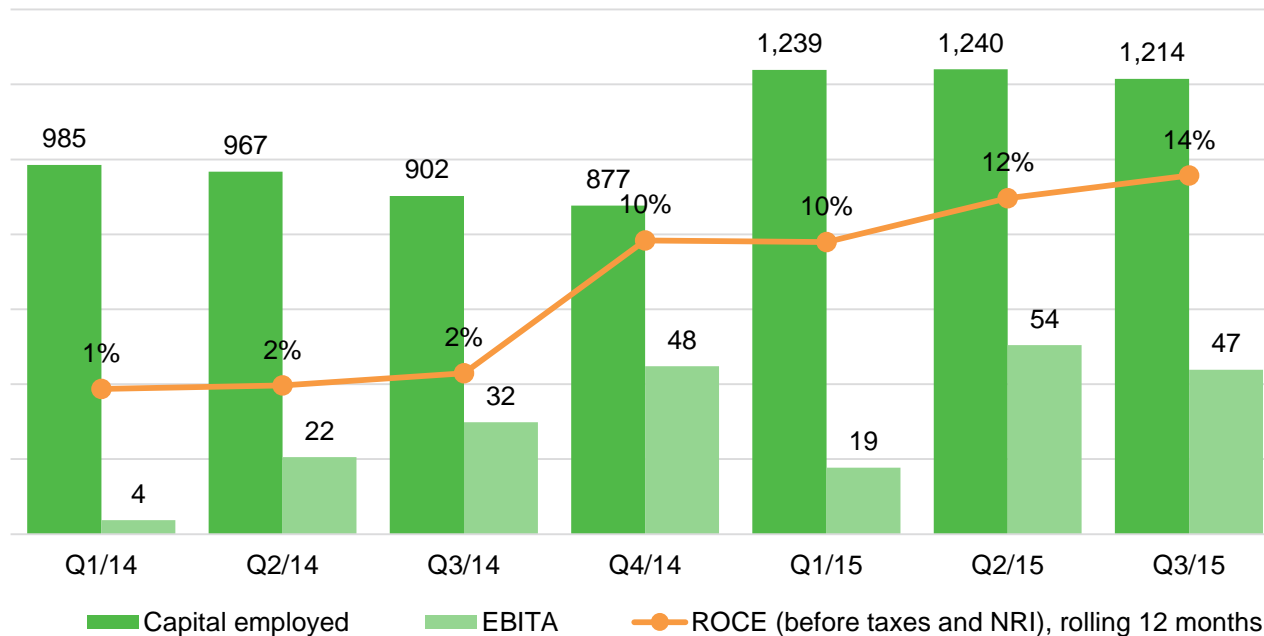
Equity to assets ratio (%)



- Gearing (28%) and net debt (EUR 229 million) increased due to the acquisition of Automation
- Equity to assets ratio at the same level as in Q2/2015

Capital employed and ROCE

Return on capital employed¹ (ROCE), before taxes and NRI²



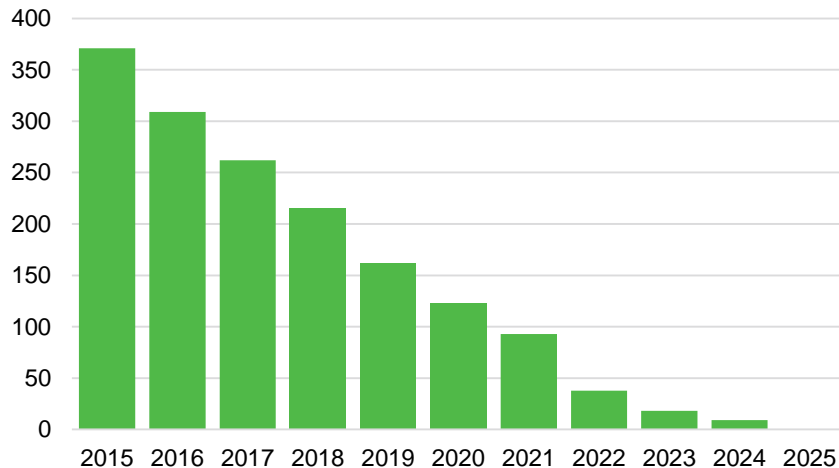
- Return on capital employed (ROCE) on an improving trend

- 1) Return on capital employed (ROCE), before taxes, rolling 12 months. Carve-out figures from 2013 have been used in calculating figures for Q1/14, Q2/14 and Q3/14.
- 2) NRI = non-recurring items

Structure of loans and borrowings

Interest-bearing debt EUR 399 million as at September 30, 2015

Amount of outstanding interest-bearing debt (EUR millions)



Main financing sources

Amount	Lender
EUR 122 million	European Investment Bank
EUR 100 million	Skandinaviska Enskilda Banken
EUR 70 million	Swedish Export Kredit
EUR 95 million	Nordic Investment Bank

Back-up facilities

Amount	Outstanding
EUR 200 million syndicated revolving credit facility	EUR 0 million
EUR 200 million domestic commercial paper program	EUR 10 million

- Average maturity of long-term loans is 3.6 years
- Average interest rate is 1.4%



Guidance and short-term market outlook

Guidance and short-term market outlook

Guidance for 2015 (as given on February 6, 2015)


Guidance for 2015



Valmet estimates that, including the acquisition of Process Automation Systems, net sales in 2015 will increase in comparison with 2014 (EUR 2,473 million) and EBITA before non-recurring items in 2015 will increase in comparison with 2014 (EUR 106 million).

Short-term market outlook

		Q4/2014	Q1/2015	Q2/2015	Q3/2015
Services		Satisfactory	Satisfactory	Satisfactory	Satisfactory
Automation		-	Satisfactory	Satisfactory	Satisfactory
Pulp and Energy	Pulp	Satisfactory	Good	Good	Good
	Energy	Satisfactory	Weak	Weak	Weak
Paper	Board and Paper	Good	Good	Good	Satisfactory
	Tissue	Satisfactory	Satisfactory	Satisfactory	Satisfactory



Summary of Interim Review Q3/2015

Q3/2015 in brief



Orders received and net sales increased in stable business¹

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- Net sales increased in Services compared with Q3/2014, net sales EUR 66 million in Automation



Orders received and net sales increased in capital business

- Orders received increased compared with Q3/2014 in Pulp and Energy, and Paper business lines
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Order backlog at EUR 2.1 billion

- Order backlog EUR 90 million lower than at the end of Q2/2015



Good development in profitability

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- EBITA²-margin improved and was in the targeted range at 6.4 percent



Net debt EUR 229 million

- Gearing 28%
- Cash flow provided by operating activities EUR 16 million

1) Stable business = Services and Automation business lines

2) EBITA = Earnings before interest, taxes and amortization and non-recurring items



Financial Statements Review 2015

February 9, 2016

www.valmet.com/investors

Upcoming site visit:

Automation

Tampere, Finland

November 26, 2015



Appendix

Announced orders in 2015

Date	Description	Business line	Country	Value
Jan 23	Key board machine solutions	Paper	China	Not disclosed
Feb 4	Flue-gas cleaning and condensation plant	Pulp and Energy	Finland	Around EUR 8 million
Feb 17	Equipment for fluff conversion project	Pulp and Energy, and Paper	USA	Not disclosed
Mar 2	OptiConcept M containerboard line	Paper	Taiwan	Not disclosed
Mar 3	Softwood line rebuild	Pulp and Energy	Sweden	Not disclosed
Mar 11	Biomass based boiler plant	Pulp and Energy	Finland	Not disclosed
Mar 30	Tissue machine rebuild	Paper	Turkey	Not disclosed
Apr 20	Key technologies for paper machine grade conversion	Paper	Finland	Not disclosed
Apr 22	Key technologies to bioproduct mill	Pulp and Energy	Finland	About EUR 125–150 million
Jun 9	Modernize automation and remote control	Automation	Finland	Not disclosed ¹
Jun 16	Upgrade of the evaporation plant	Pulp and Energy	Sweden	Not disclosed
Jun 23	Repeat order for two energy recovery systems	Paper	Italy and Poland	Not disclosed
Jun 24	Automation to a new waste-to-energy plant	Automation	UK	Not disclosed ¹
Jun 29	Two orders for automation technology	Automation	Finland	Not disclosed ¹
Jun 30	OptiConcept M fine paper making line	Paper	Indonesia	Not disclosed
Jul 6	Winding technology for paper machine grade conversion rebuild	Paper	Netherlands	Not disclosed
Jul 7	White liquor handling system	Pulp and Energy	Sweden	Not disclosed
Aug 18	Main equipment to a pulp mill project	Pulp and Energy	China	Approximately EUR 110 million
Aug 20	Tissue machine rebuild	Paper	Germany	Not disclosed
Aug 21	OptiConcept M paper making line	Paper	China	Not disclosed
Aug 24	Analyzers and quality control system	Automation	Finland	Not disclosed ¹
Aug 27	Flue gas desulphurization and denitrification installation	Pulp and Energy	Poland	Approximately EUR 40 million
Sep 2	Automation to new power plant	Automation	Finland	Not disclosed ¹
Sep 3	Advantage NTT tissue production line	Paper	USA	Not disclosed
Sep 7	Consumables and roll service agreement	Services	Sweden	Not disclosed
Sep 8	Automation for new-generation LNG-powered fast ferry	Automation	Finland	Not disclosed
Sep 14	Advantage NTT tissue production line	Paper	Portugal	Not disclosed
Sep 15	Two Advantage DCT tissue production lines	Paper	China	Not disclosed
Sep 24	District heat network optimization and a production planning system	Automation	Finland	Not disclosed
Oct 2	Pulp cooking system	Pulp and Energy	USA	Not disclosed
Oct 7	Solids measurement and sludge dewatering optimizer	Automation	Finland	Not disclosed
Oct 14	Online fiber analyzer	Automation	USA	Not disclosed

1) Typically the order value of automation system deliveries ranges from below EUR 1 million to EUR 3 million

Largest shareholders on September 30, 2015

Based on the information given by Euroclear Finland Ltd.

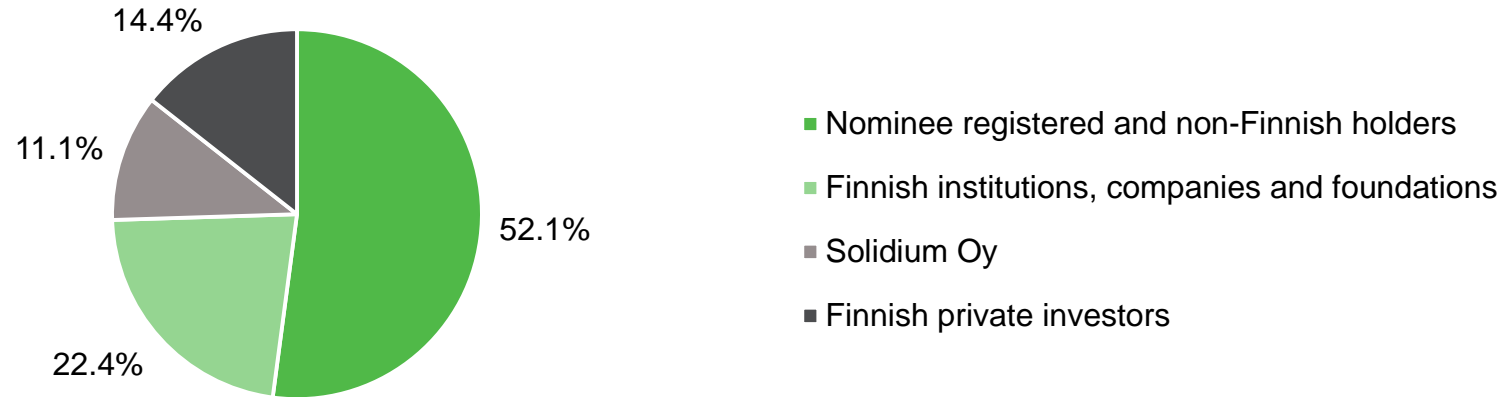
Largest shareholders

#	Shareholder name	Number of shares	% of shares and votes
1	Solidium Oy ¹	16,695,287	11.14%
2	Solero Luxco S.A.R.L	5,349,756	3.57%
3	Varma Mutual Pension Insurance Company	4,208,465	2.81%
4	Nordea Funds	3,681,332	2.46%
5	Ilmarinen Mutual Pension Insurance Company	2,980,055	1.99%
6	The State Pension Fund	1,520,000	1.01%
7	Keva	1,502,166	1.00%
8	OP Funds	1,298,549	0.87%
9	Danske Invest funds	1,269,000	0.85%
10	Mandatum Life Insurance Company Limited	1,217,307	0.81%
	10 largest shareholders, total	39,721,917	26.51 %
	Other shareholders	110,142,702	73.49 %
	Total	149,864,619	100.00%

- The holding of Franklin Templeton Institutional, LLC decreased on June 9, 2015 to 7,196,324 shares (previously 7,517,629 shares), corresponding to an ownership of 4.80% (previously 5.02%) of Valmet's shares.
- The holding of Capital Partners Ltd. decreased on February 12, 2015 to 10,323,191 shares (previously 20,813,714 shares), corresponding to an ownership of 6.89% (previously 13.89%) of Valmet's shares.

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

Ownership structure on September 30, 2015

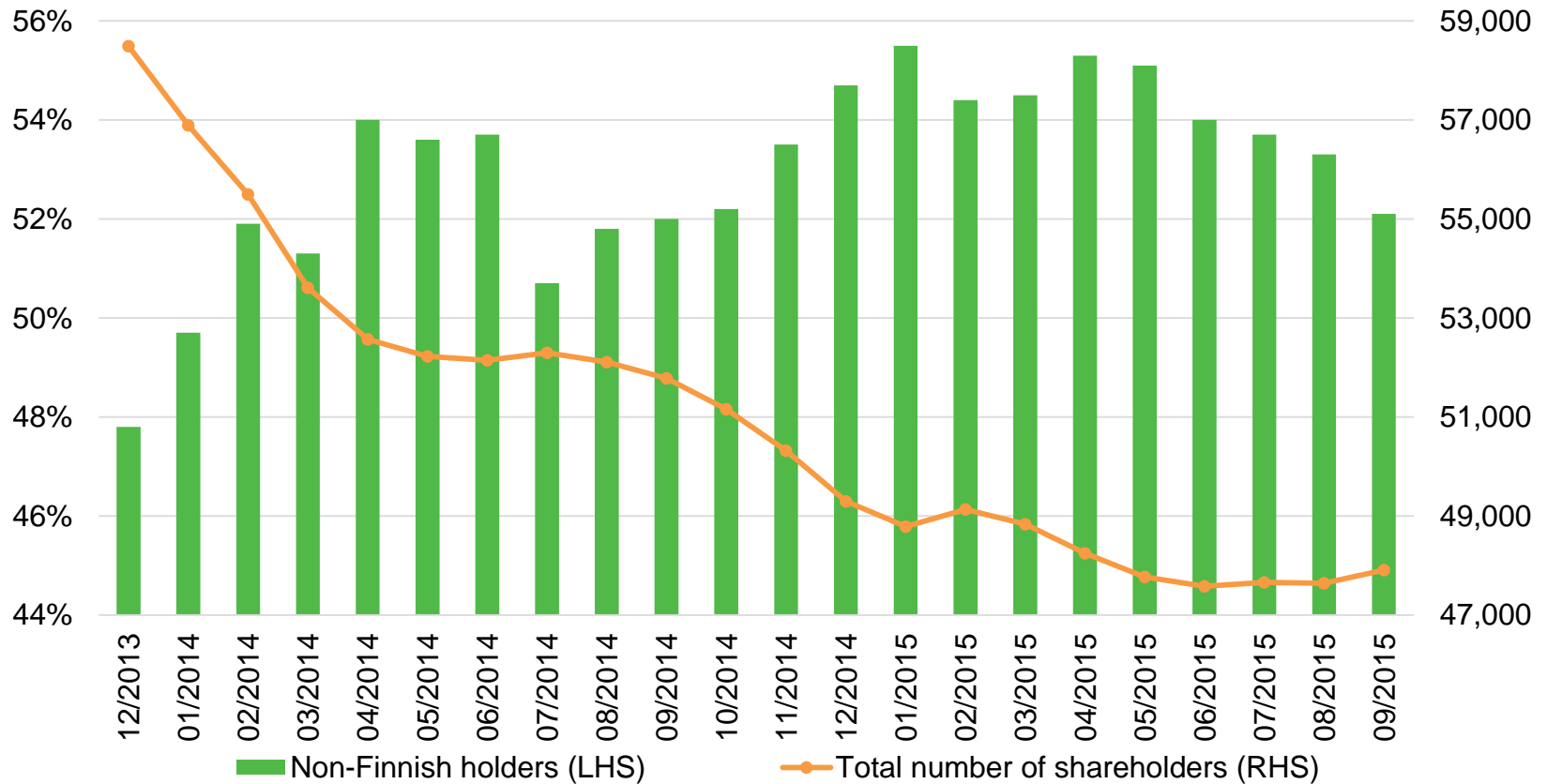


Sector	Number of shareholders	% of total shareholders	Number of shares	% of shares
Nominee registered and non-Finnish holders	293	0.6%	78,047,951	52.1%
Finnish institutions, companies and foundations	2,630	5.5%	33,564,662	22.4%
Solidium Oy ¹	0	0.0%	16,695,287	11.1%
Finnish private investors	44,984	93.9%	21,556,719	14.4%
Total	47,907	100.0%	149,864,619	100.0%

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

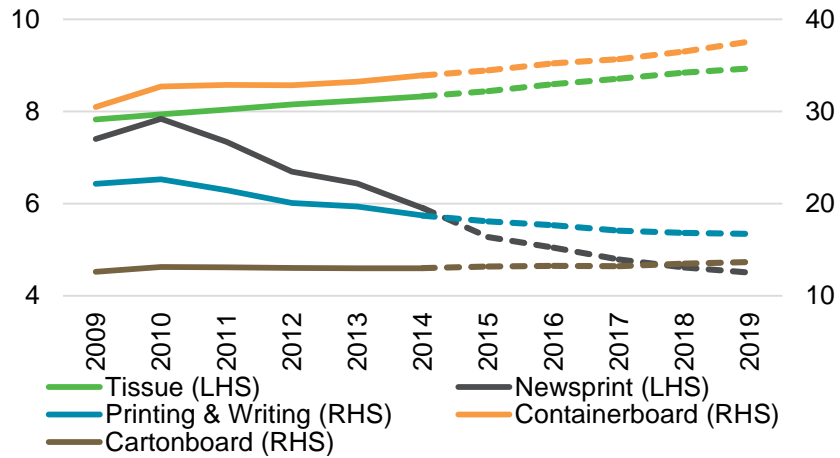
1) A holding company that is wholly owned by the Finnish State

Share of non-Finnish holders and number of shareholders

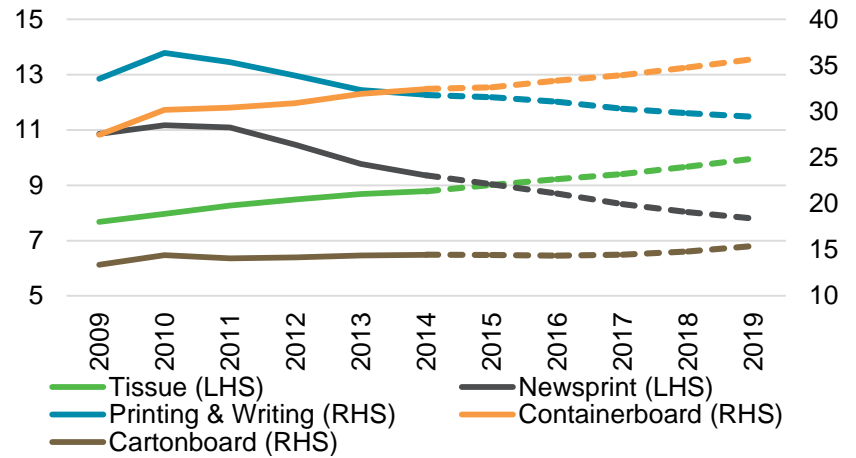


Paper, board, and tissue production trends

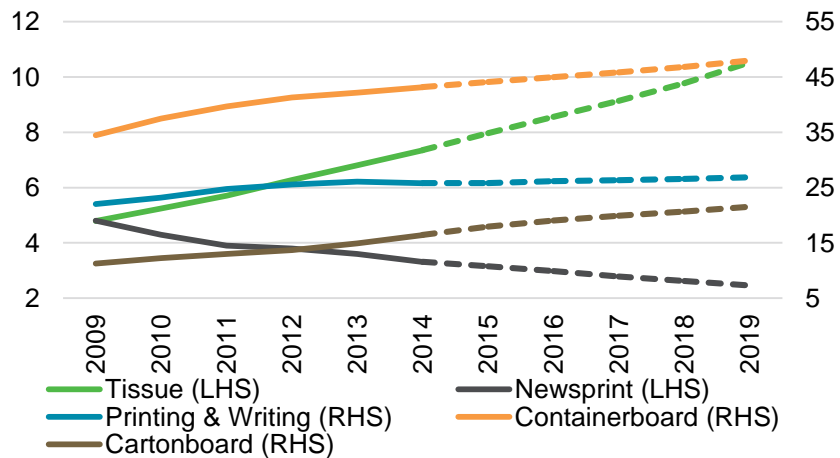
North America (million tonnes)



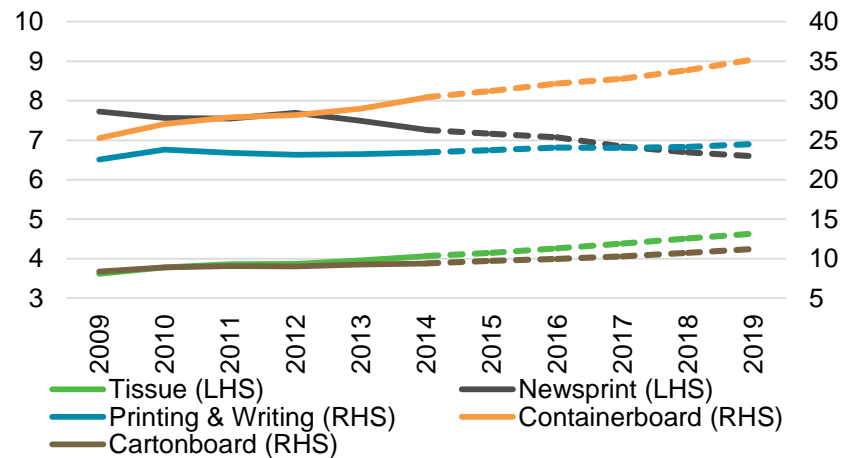
Europe (million tonnes)



China (million tonnes)



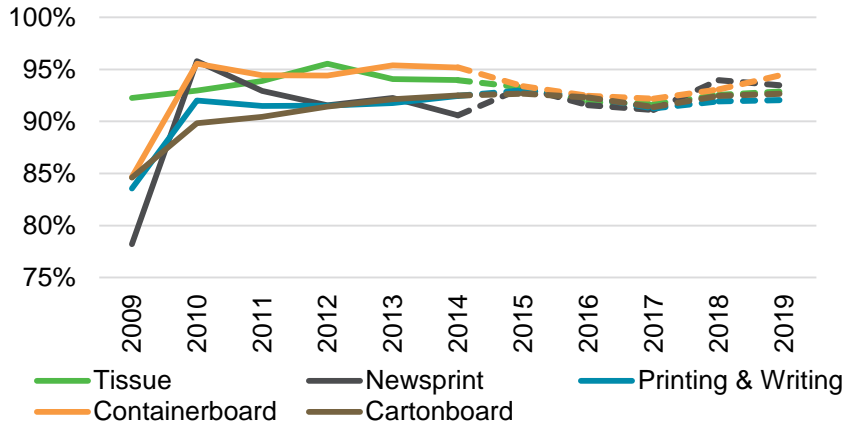
Asia-Pacific (million tonnes)



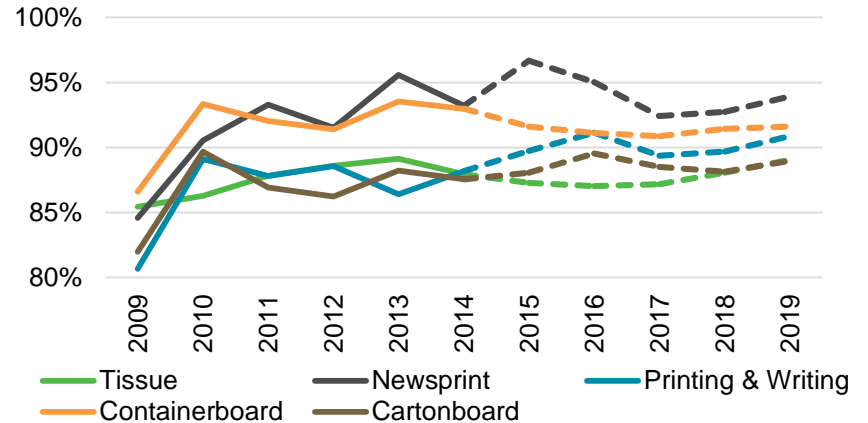
Source: RISI

Paper, board, and tissue operating rates

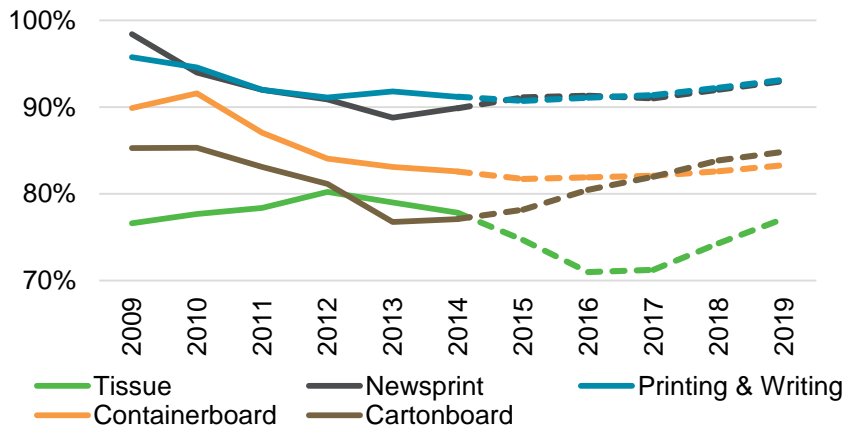
North America



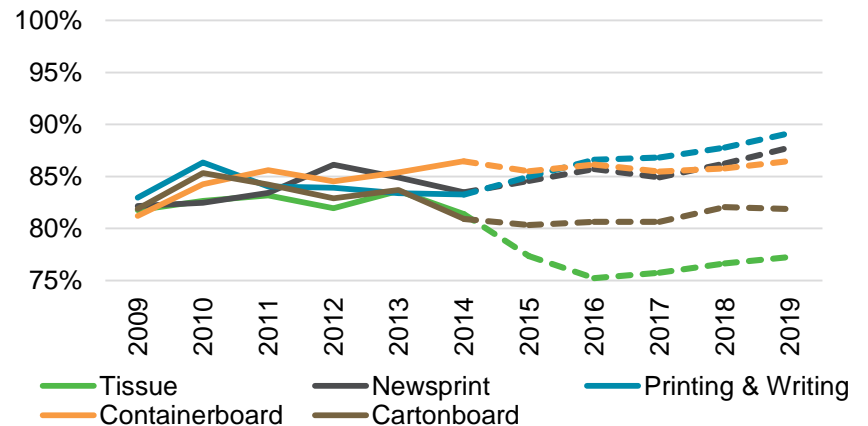
Europe



China



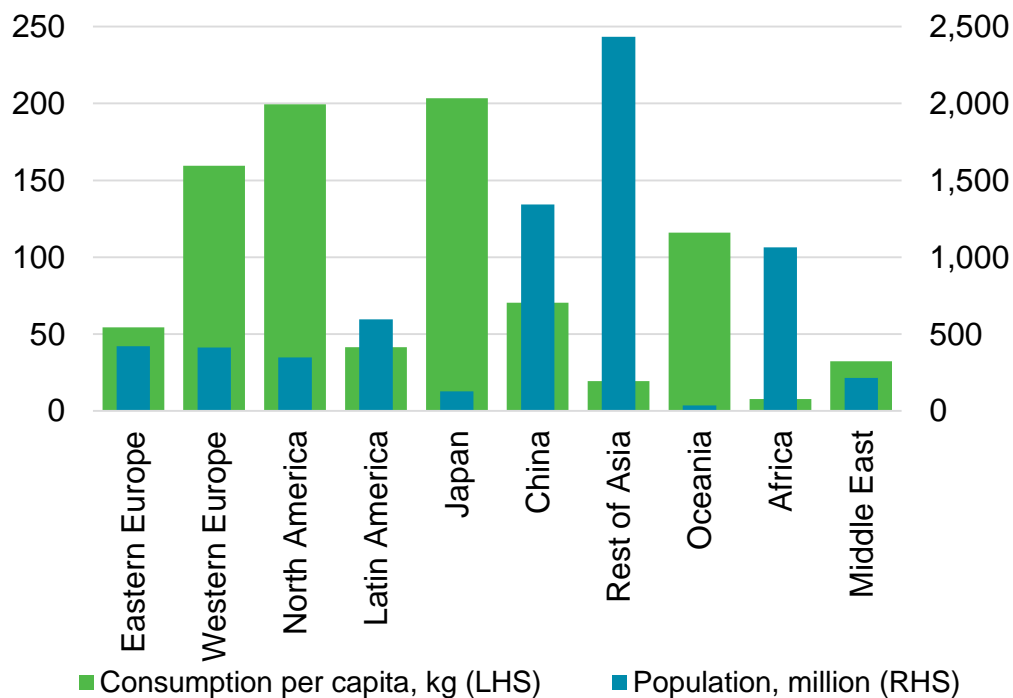
Asia-Pacific



Source: RISI

Paper and board consumption growth trends

Paper and board consumption per capita vs. population



Population growth in emerging markets is larger than in developed markets

Level of consumption per capita in emerging markets clearly below that in developed markets

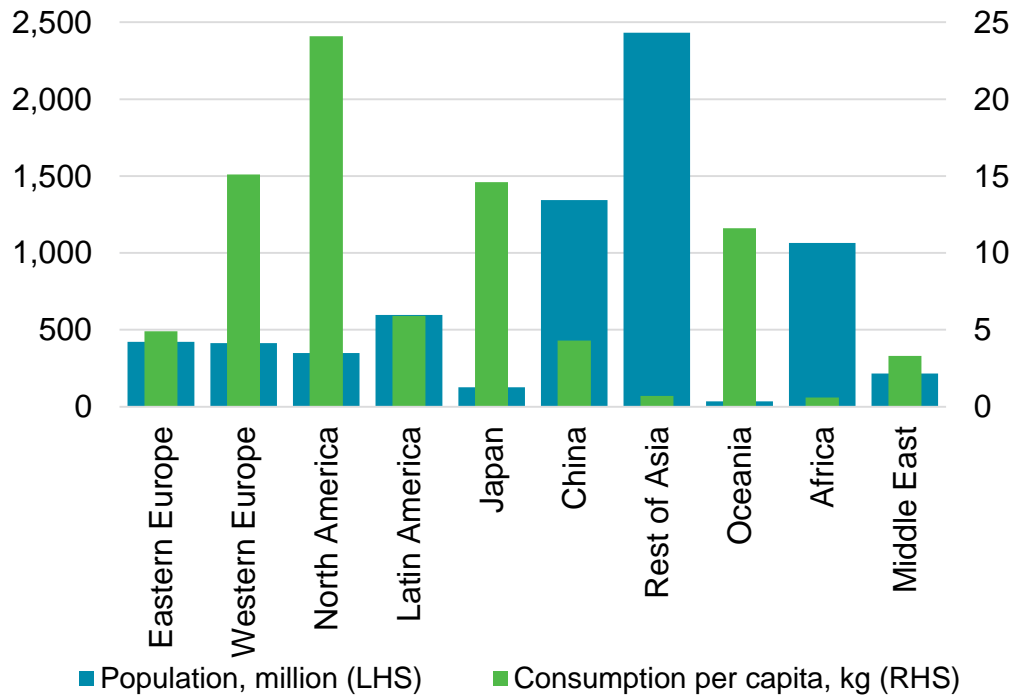
This offers us long-term growth potential

Average global consumption: 53 kg per capita

Source: RISI

Tissue consumption growth trends

Tissue consumption per capita vs. population



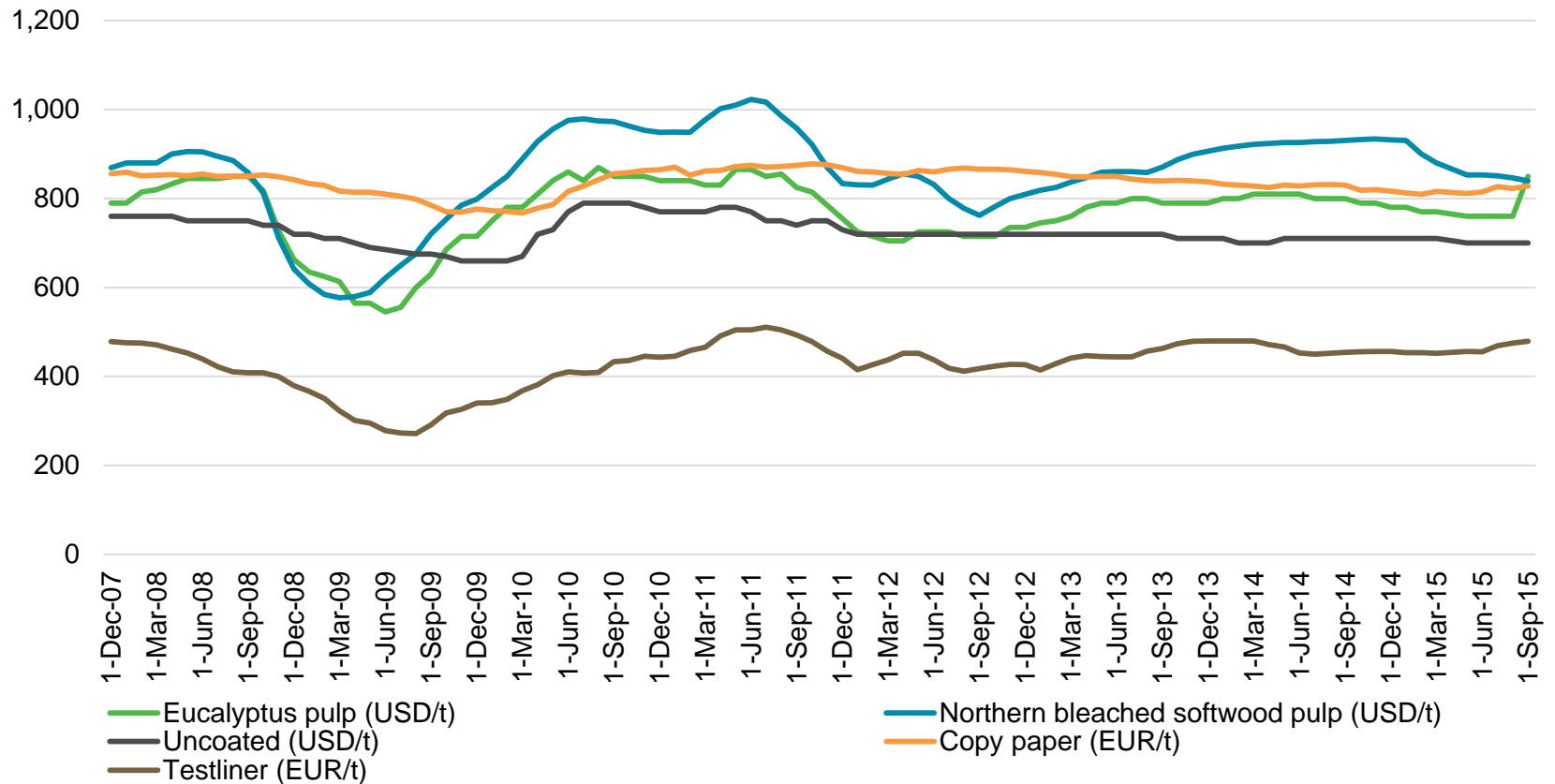
Average global consumption: 4.5 kg per capita

New products and consumption models based on tissue are helping increase consumption in developed markets

Consumption in emerging markets is still low, but growing

Offers us long-term growth potential in both developed and emerging markets

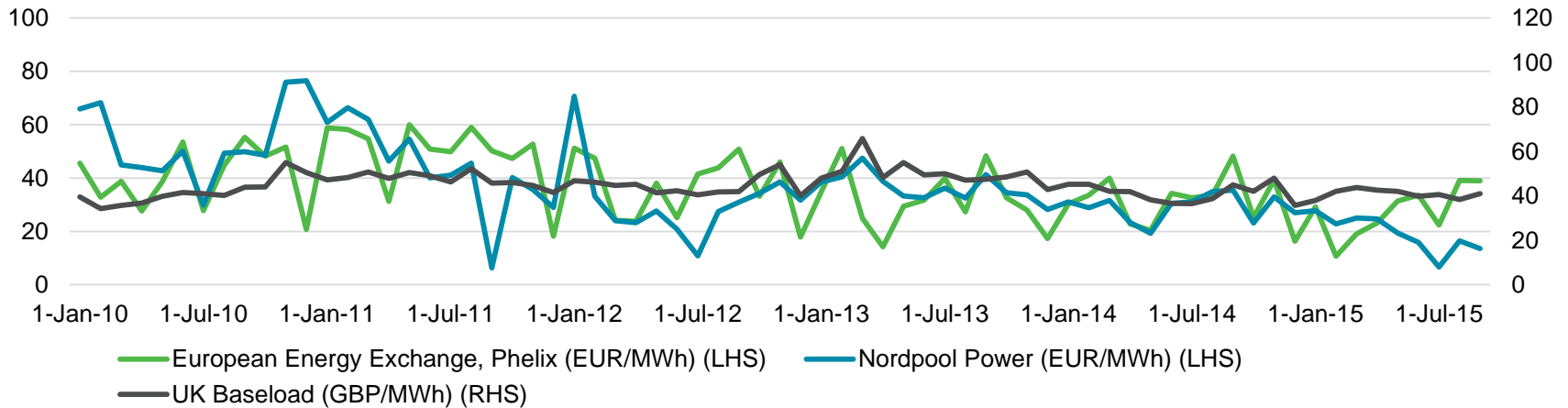
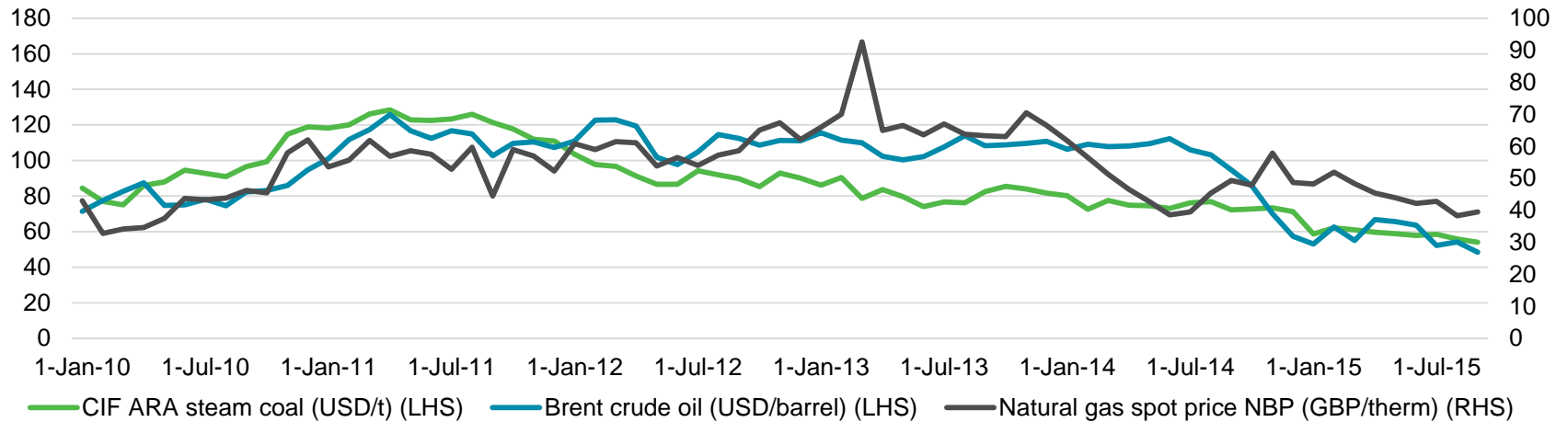
Pulp and paper price trends



Source: Bloomberg

Crude oil, steam coal, natural gas and electricity

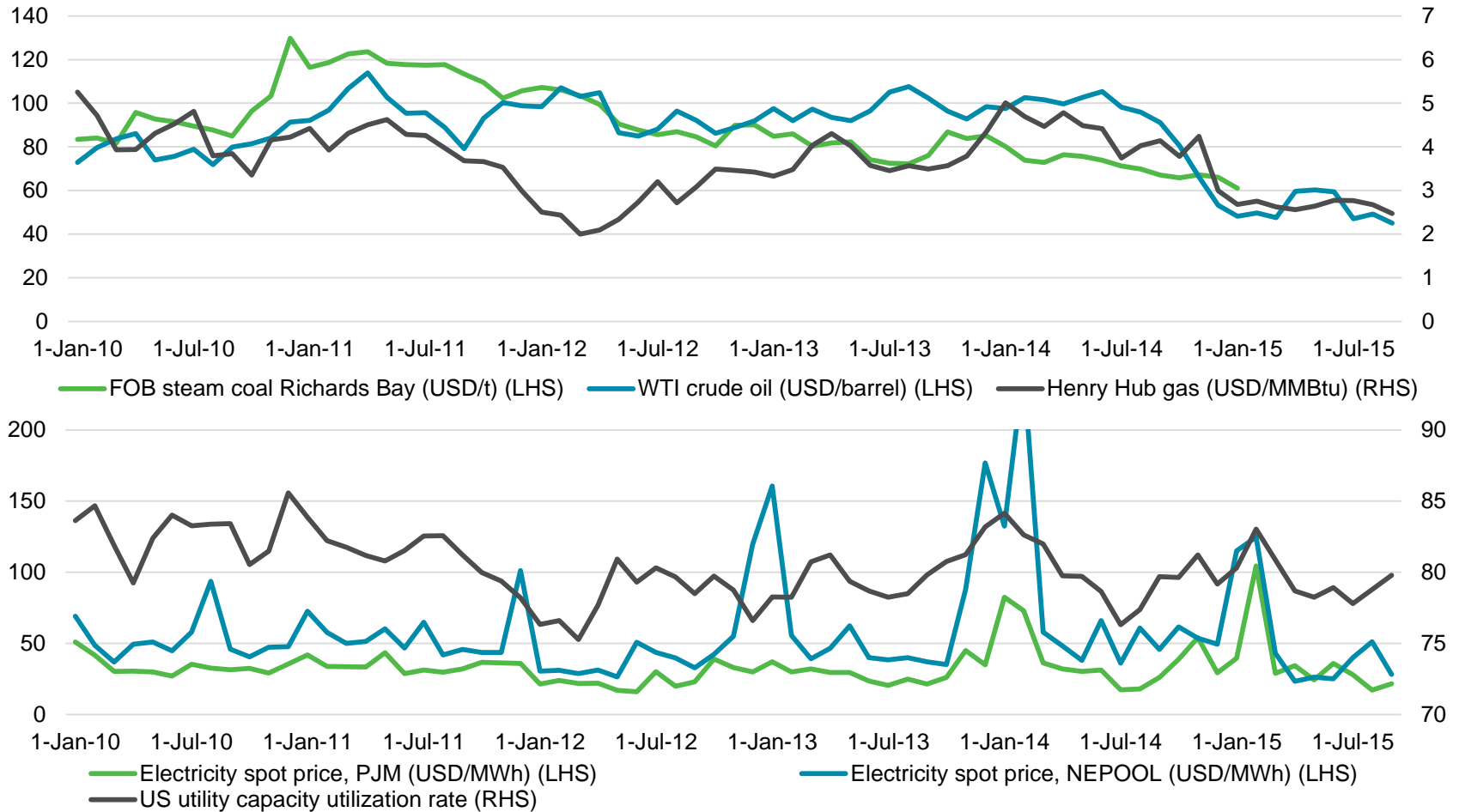
Europe



Source: Bloomberg

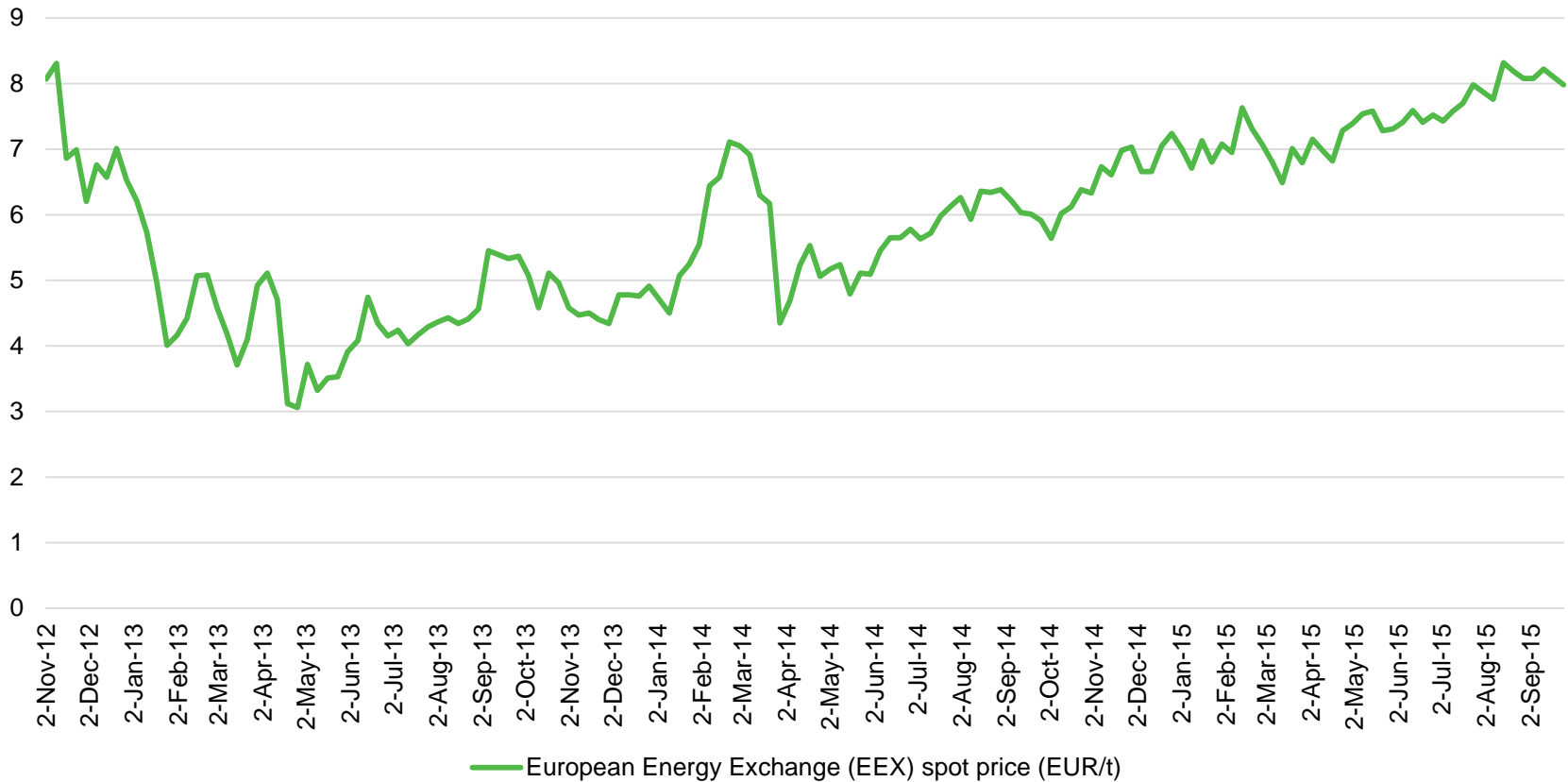
Crude oil, steam coal, natural gas and electricity

United States



Source: Bloomberg

European Carbon Emission Allowance



Source: Bloomberg

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