

Valmet – focus on profitability improvement

Roadshow material
September 2014

Agenda

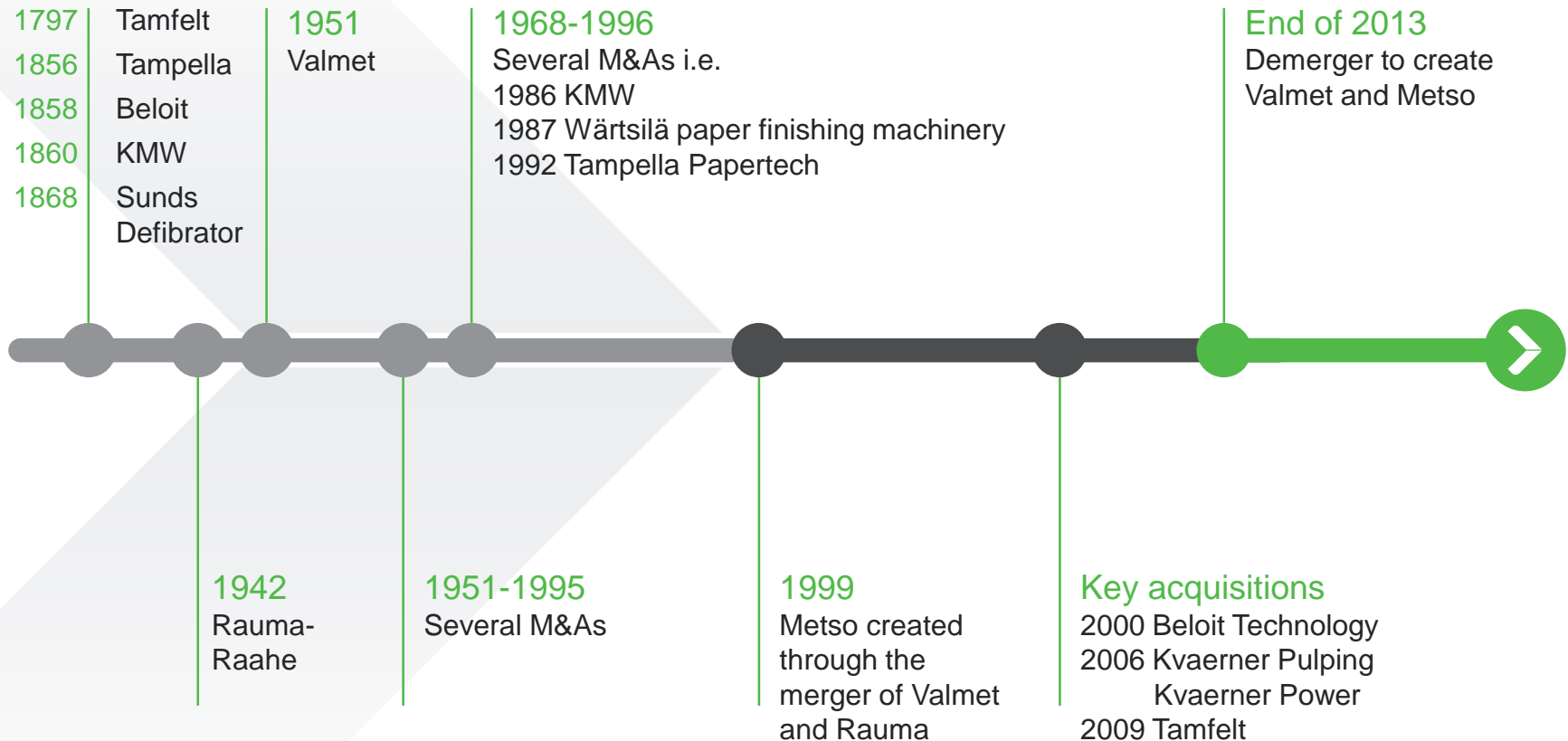
Valmet Roadshow

- 1 Valmet overview
- 2 Investment highlights
- 3 Financials
- 4 Conclusions
- 5 Appendix



Valmet overview

Valmet's road to becoming a global market leader



Capitalizing on the growing pulp, energy, tissue, and packaging board needs globally

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

Stable, growing and profitable EUR 1 billion services business

High barrier to entry capital business with good long-term growth potential in businesses such as board, tissue, pulp, and biotechnology

2013 figures¹

Net sales EUR 2,613 m

Profit² EUR 54 m

Employees 11,765

Position

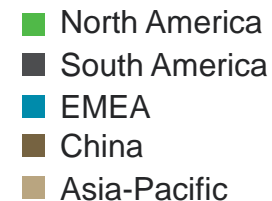
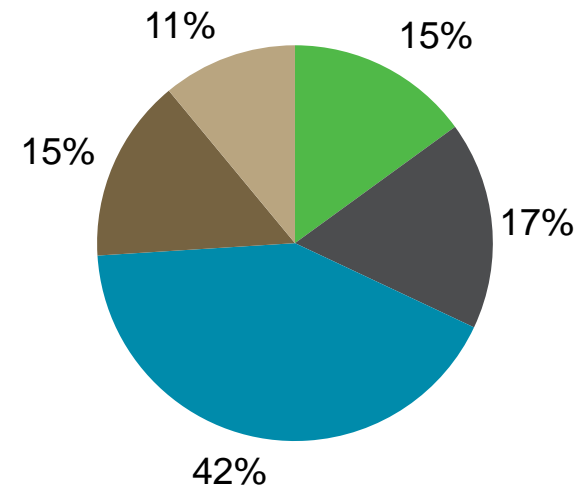
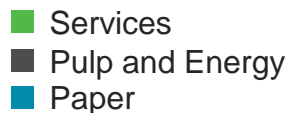
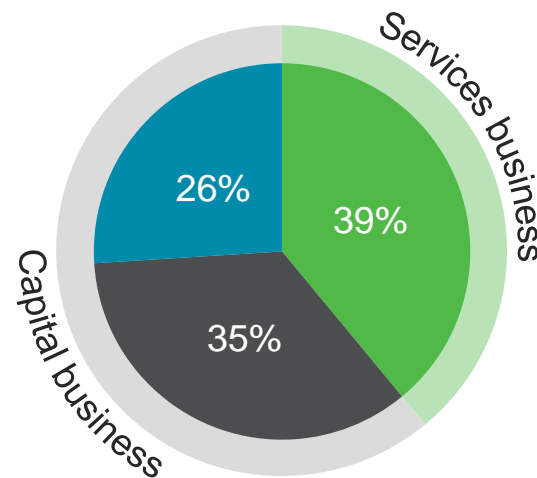
#1-2 Services

#1-2 Pulping

#1-2 Bioenergy generation

#1-2 Paper, board, tissue

Sales¹



1) Carve-out figures for the year of 2013

2) EBITA before non-recurring items

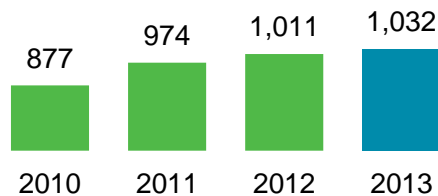
Our three business lines serve the same customer base



Services

Net sales¹ 1.0 bn, 39%

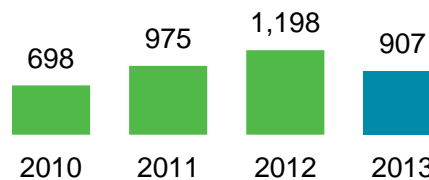
- Mill and plant improvements
- Roll and workshop services
- Parts and fabrics
- Life-cycle services



Pulp and Energy

Net sales¹ 0.9 bn, 35%

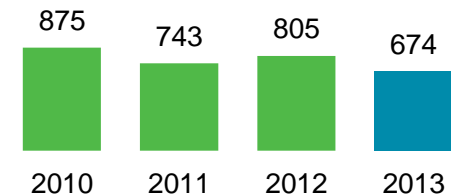
- Technologies and solutions for
- Pulp production
 - Power generation
 - Biomass conversion



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

1,133 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

6,670 employees



Net sales¹⁾ EUR 1,096 m



China

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

1,974 employees



Net sales¹⁾ EUR 389 m



South America

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

427 employees



Net sales¹⁾ EUR 442 m



Asia Pacific

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

597 employees



Net sales¹⁾ EUR 285 m



1) Net sales breakdown by area on a carve-out basis for 2013. Breakdown of employees by area as at June 30, 2014.

Serving global customer base



Key customers



Key customers



Key customers



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Valmet's way forward

Mission



Converting renewable resources into sustainable results

Strategy



Valmet develops and supplies competitive technology and services to the pulp, paper and energy industries.

We are committed 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



Investment highlights

Investment highlight summary

1

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

2

Stable, growing, and profitable **services business** with over **EUR 1 billion sales** provides good visibility and resilience

3

Long-term growth potential in capital business from increase in pulp, energy, board and tissue consumption and from substitution of fossil fuels

4

Global diversified footprint with large exposure to growing emerging markets

5

Strong **focus on profitability** improvement



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

Services (>EUR 1 bn)¹



Market position

Services #1-2

Large installed base

- 3,800 pulp and paper mills in the world
- Over 50% purchase services from Valmet

Capital (~EUR 1.6 bn)¹



Pulp

Pulping #1-2

- 200 wood-handling systems
- 470 cooking systems
- 300 complete fiber lines
- 400 evaporation systems
- 350 recovery islands
- 200 mechanical pulping lines



Energy

Bioenergy generation #1-2

- 270 fluidized bed boilers
- 120 BioGrate boilers
- 400 environmental protection systems



Paper

Machines

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

- 700 board machines
- 180 tissue machines
- 900 paper machines

Superior technological know-how

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

Extensive IP portfolio
~1,800 protected inventions

>70 new products launched per year

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

EUR 1 billion of net sales from stable and growing services

Strong trends driving services market expansion

- Customers outsource non-core operations
- Capacity increases in China, South America and Asia-Pacific
- Customer cost pressure and efficiency requirements increase demand for process improvements and maintenance services
- Machine closures in EMEA region and North America

Large target market¹

➤ EUR 7.0 bn

1) Management estimate based on the size of Valmet's services markets using an average services cost per volume produced, based on Valmet's existing customers and estimates of current and forecasted growth in total production volumes
2) Annual growth between 2010 and 2013 based on available carve-out financials

Comprehensive offering



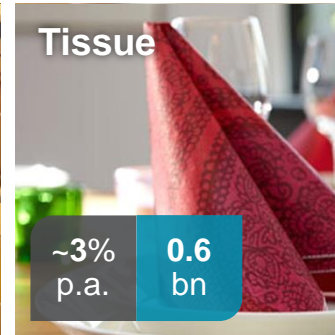
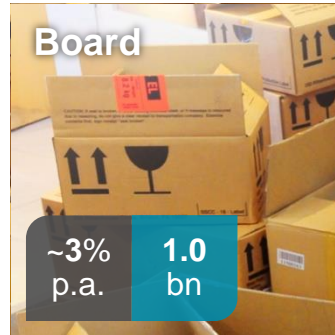
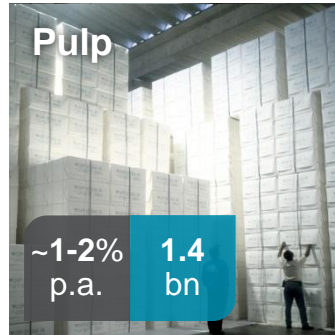
>5.6%
2010-2013
p.a.²

Valmet services
business line growth

Pulp, energy, board, and tissue capital business on long-term growth trajectory

Pulp and Energy

Paper



Demand drivers

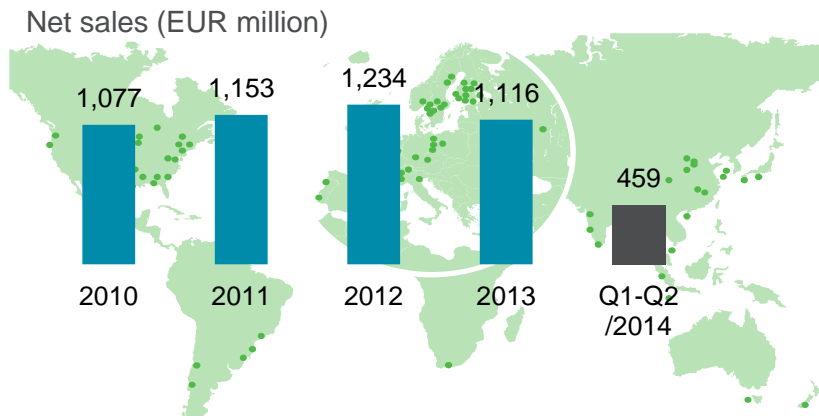
- Growth in energy consumption
- Demand for sustainable energy
- Modernization of aging plants
- Incentives and regulation
- Shale gas in North America and the recession in Europe reducing demand
- Growth in paper, board, and tissue consumption in Asia
- Need for virgin wood pulp, as recycling rates can not grow infinitely
- Increased size of pulp lines and mills
- Growth in pulping in Asia and South America
- World trade, e-commerce and emerging markets growth drive packaging
- Shift from plastic packaging to renewable materials
- Growth in emerging markets
- Rise in purchasing power and living standards in emerging markets
- Increasing role of digital media decreases demand for printing and writing papers
- Some growth in emerging markets

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

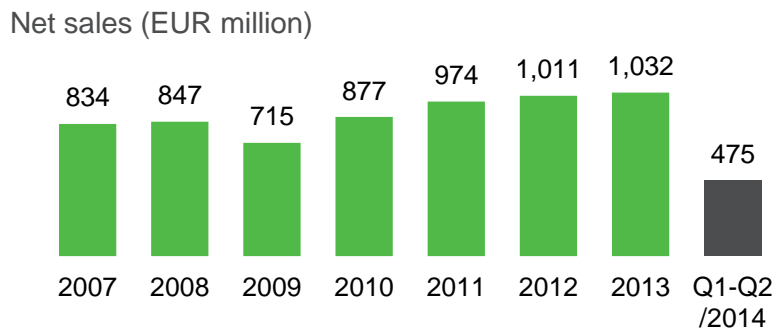
Source: Leading consulting firms, RISI, management estimates

Global diversified footprint with large exposure to growing emerging markets

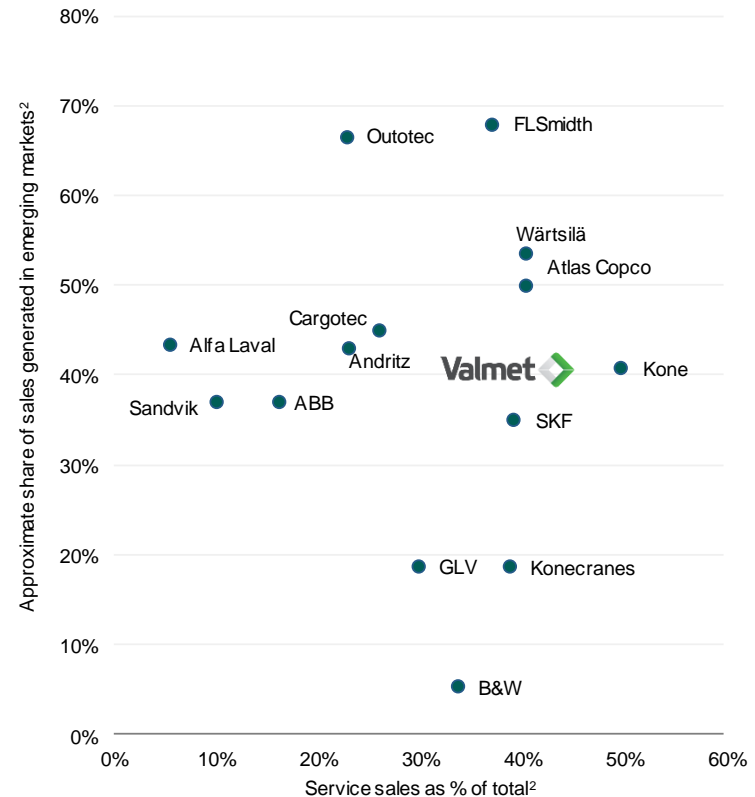
Emerging markets expansion¹



Services expansion³



Exposure to emerging markets²



- 1) Illustrative exposure to emerging markets calculated by combining net sales in following areas: Asia Pacific, China and South America. Q1-Q2/2014 figure is actual, while others are on a carve-out basis
- 2) Estimate based on latest reported annual financials and other investor relations material where geographic split and service sales / service order data is available. Estimated emerging market exposure based on company announcement (e.g. Outotec) or otherwise incl. Africa, Asia, Asia Pacific, Latin America, Middle East, South America, and depending on the reporting structure of the companies parts of 'Rest of the world' or 'Other' (the method applied may lead to potential biases in the estimate, which are thus only indicative)
- 3) Q1-Q2/2014 figure is actual. Carve-out figures for Services business line for 2010-2013; as reported for Metso Pulp, Paper and Power -segment services sales for 2007-2009

Strong focus on profitability improvement

We are addressing the current decline in the capital business



- Cost-savings program EUR 100 million by the end of 2014

Valmet is re-shaping its operations to become leaner, more flexible, and agile



- Capacity being adjusted to meet the new level of demand
- Current level of SG&A expense base to be lowered
- Additional actions to increase operational efficiency
- Target to reach historical gross margin levels

Short- to mid-term profitability improvement through cost-reduction program with clearly defined steps that take profitability towards the targeted level





Financials

Q2/2014 in brief

Stable development in services

- Services orders received on a par with Q2/2013
- Net sales stable compared with Q2/2013

Success in orders received continued in capital business

- Orders received increased in the Paper, and Pulp and Energy business lines
- Net sales remained on a par with Q2/2013 in Pulp and Energy
- Net sales declined in Paper compared with Q2/2013

Order backlog continued to increase

- Order backlog at the end of June EUR 2,406 million – 28% higher than in Q2/2013, 22% higher than in Q1/2014, and approximately EUR 1 billion higher than at the end of 2013

Profitability improved according to plan

- EBITA margin improved compared with Q2/2013 and Q1/2014, but is still below the targeted level of 6–9%
- EBITA at last year's level, but increased compared with Q1/2014
- 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 and good cash flow

- Net debt EUR -54 million, and gearing -7%
- Cash flow provided by operating activities EUR 46 million

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

Key figures Q2/2014

EUR million	Q2/2014	Q2/2013	Change	Q1-Q2/2014	Q1-Q2/2013	Change
Orders received	1,023	861	19%	2,124	1,372	55%
Order backlog ¹	2,406	1,883	28%	2,406	1,883	28%
Net sales	588	714	-18%	1,107	1,345	-18%
EBITA ²	22	22	-3%	26	48	-47%
% of net sales	3.7%	3.1%		2.3%	3.4%	
EBIT ³	16	5	>100%	9	24	-63%
% of net sales	2.8%	0.7%		0.8%	1.8%	
Earnings per share, EUR	0.07	0.01	>100%	0.03	0.09	-67%
Return on capital employed (ROCE), before taxes ⁴				3%	5%	
Cash flow provided by operating activities	46	-12		89	-17	
Gearing ¹				-7%	8%	

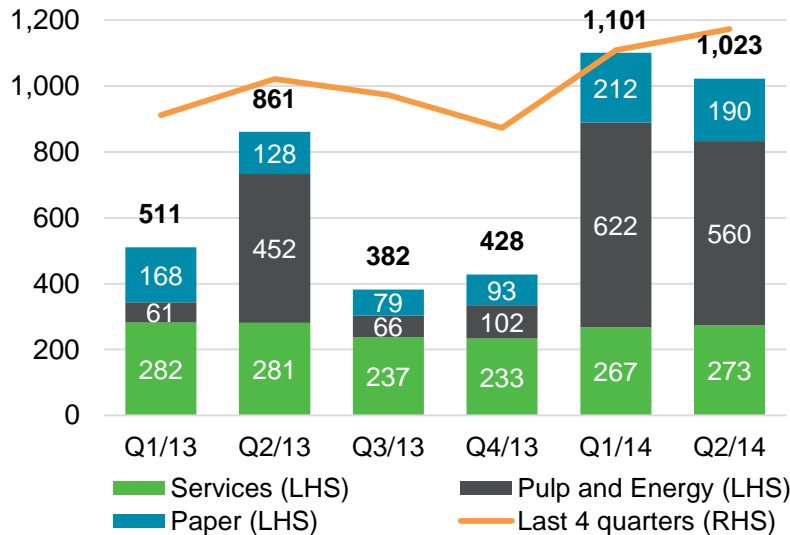
Non-recurring items: EUR 0 million in Q2/2014 (EUR -11 million in Q2/2013), EUR -6 million in Q1-Q2/2014 (EUR -11 million in Q1-Q2/2013)

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

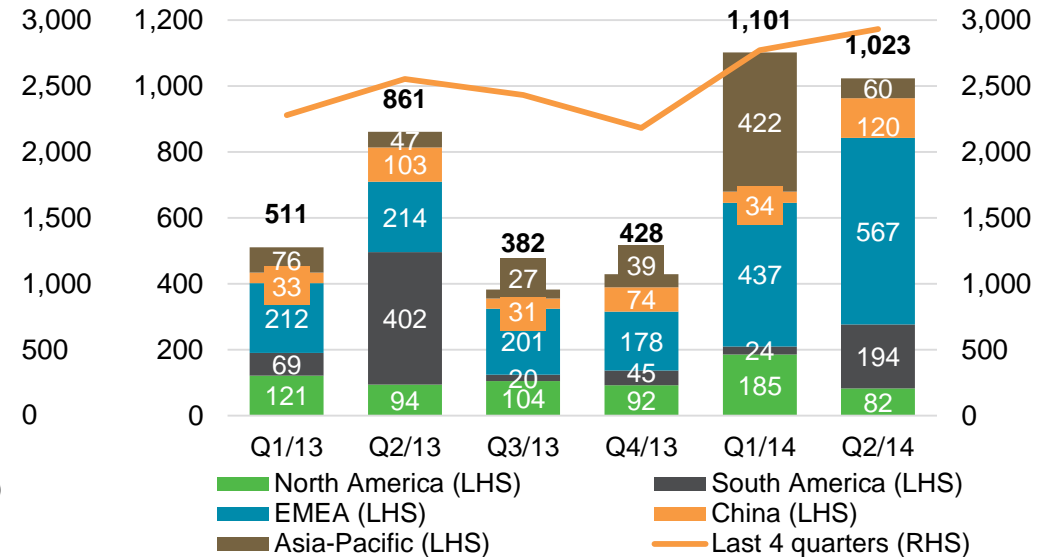
The comparison figures are based on financial carve-out data. The balance sheet and its related key figures as at December 31, 2013 are based on actual figures.

Continued strong development in orders received

Orders received (EUR million),
by business line



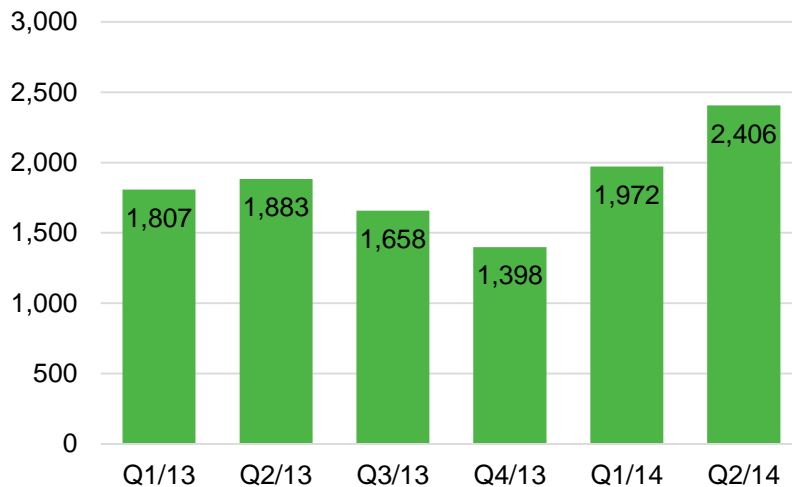
Orders received (EUR million),
by area



- Stable development in orders received in Services
- Good development in Pulp and Energy
- Good development in Paper
- Approximately EUR 1 billion of orders received in EMEA during the first half of 2014

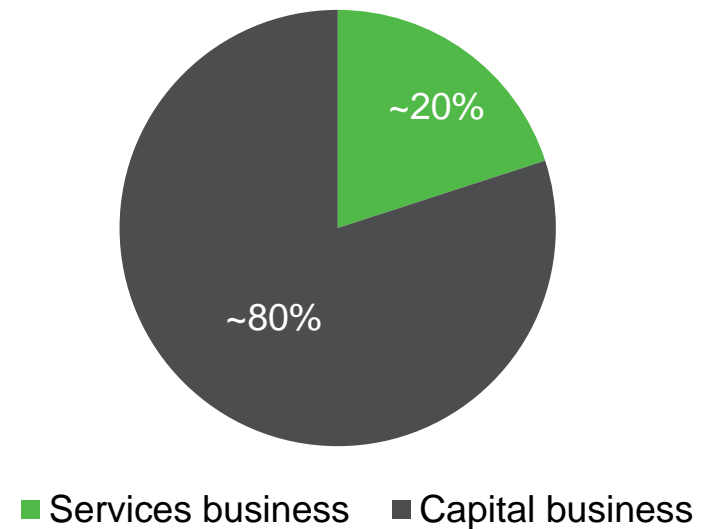
Order backlog increased by EUR 434 million compared with Q1/2014

Order backlog (EUR million)



Cancelled Fibria order of EUR 331 million excluded from Q1/2013 figures

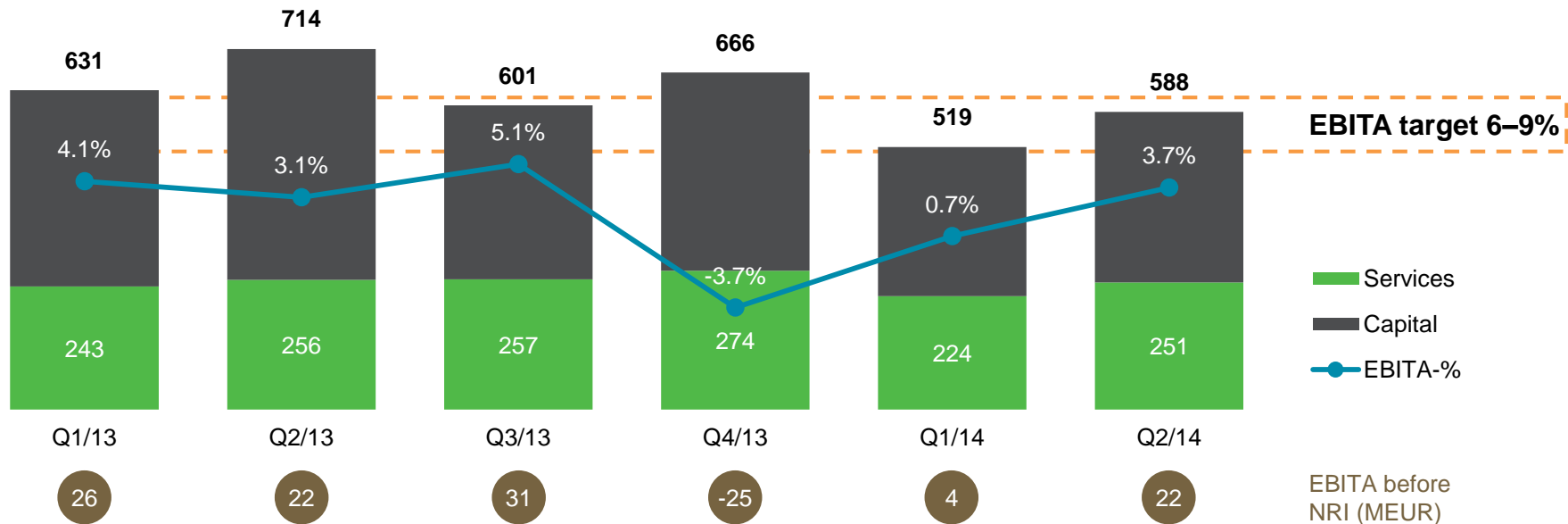
Structure of order backlog



- About 40-50% of the order backlog is currently expected to be realized as sales during 2014
- Approximately 20% of the order backlog relates to the Services business line

Net sales and profitability development

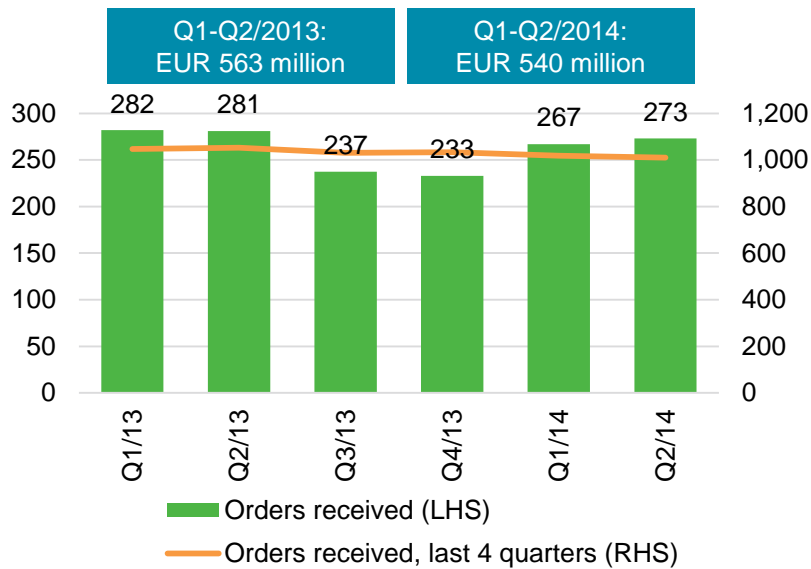
Net sales and EBITA before NRI (EUR million)



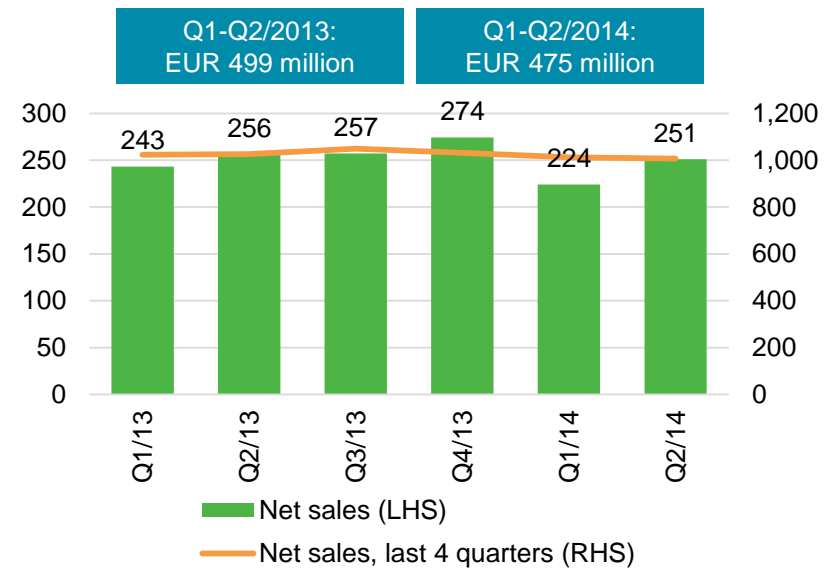
- Net sales declined compared with Q2/2013, but increased compared with Q1/2014
- Profitability improved compared with Q2/2013 and Q1/2014 due to cost savings

Stable development in Services business line

Orders received (EUR million)



Net sales (EUR million)

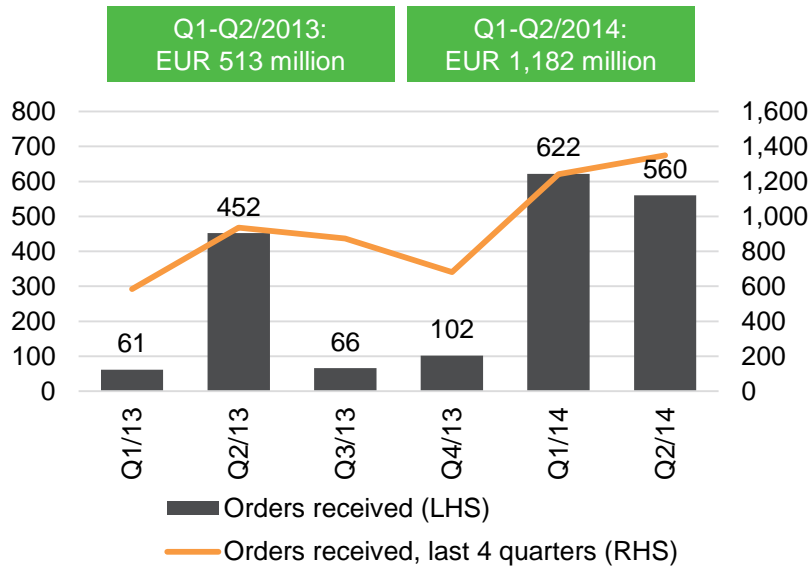


- Orders received on a par with Q2/2013
 - Orders received increased in EMEA and declined in South America and China
 - In the business units, orders received increased in Mill Improvements, and declined in Energy and Environmental, and in Fabrics
- Net sales stable compared with Q2/2013, and increased compared with Q1/2014

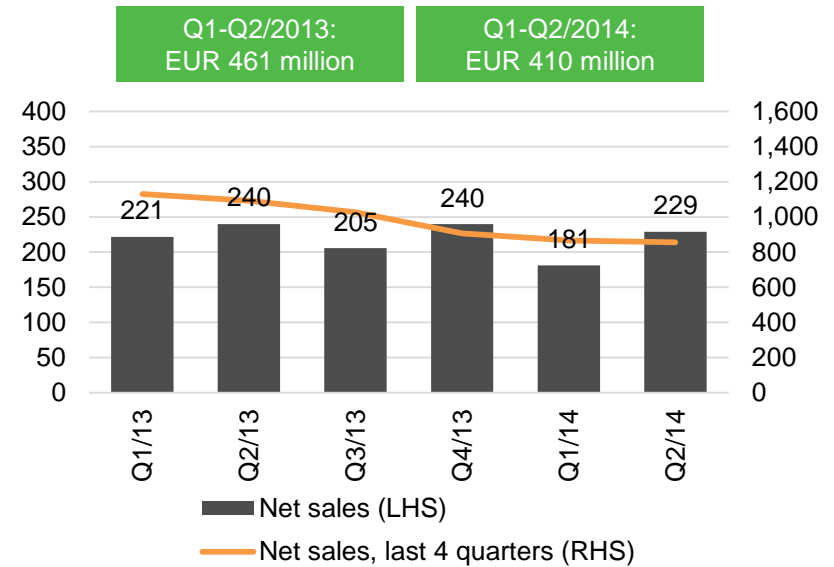


Orders received continued on a good level in Pulp and Energy

Orders received (EUR million)



Net sales (EUR million)

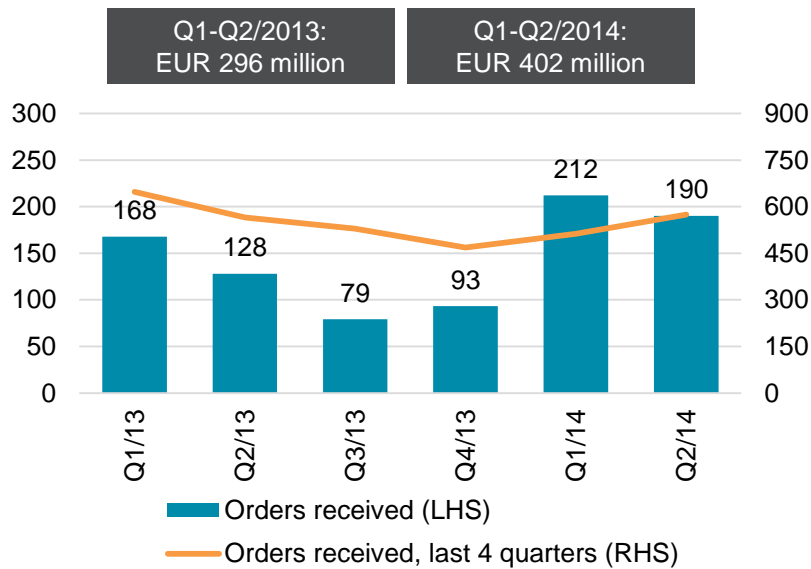


- Orders received increased 24%
 - Orders received increased especially in EMEA and Asia-Pacific and declined from the high level in Q2/2013 in South America
 - Orders received increased in Energy and remained on a good level in Pulp
- Sales remained on a par with Q2/2013, and increased compared to Q1/2014

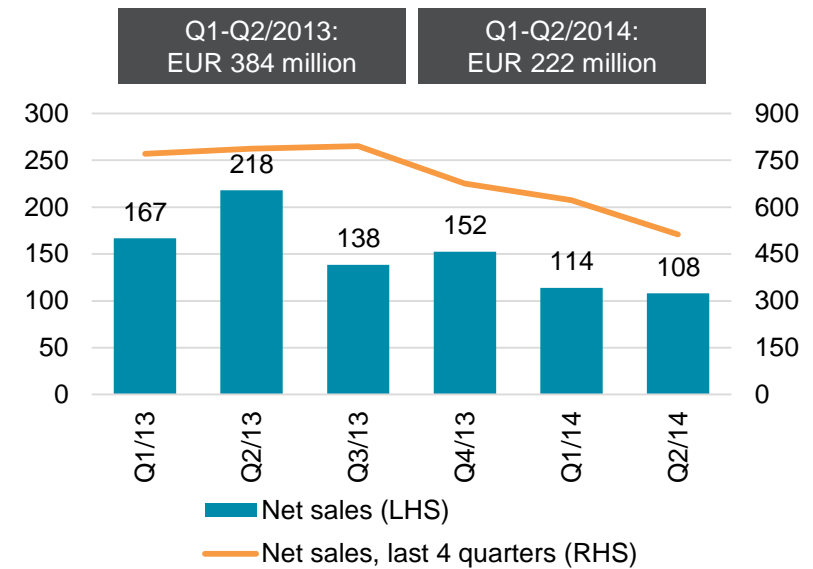


Strong development in orders received in Paper

Orders received (EUR million)



Net sales (EUR million)



- Orders received increased strongly, by 48%
 - Orders received increased in EMEA and China, and decreased in North America and Asia-Pacific
 - Orders received increased in both Board and Paper, and Tissue
- Sales declined from Q2/2013

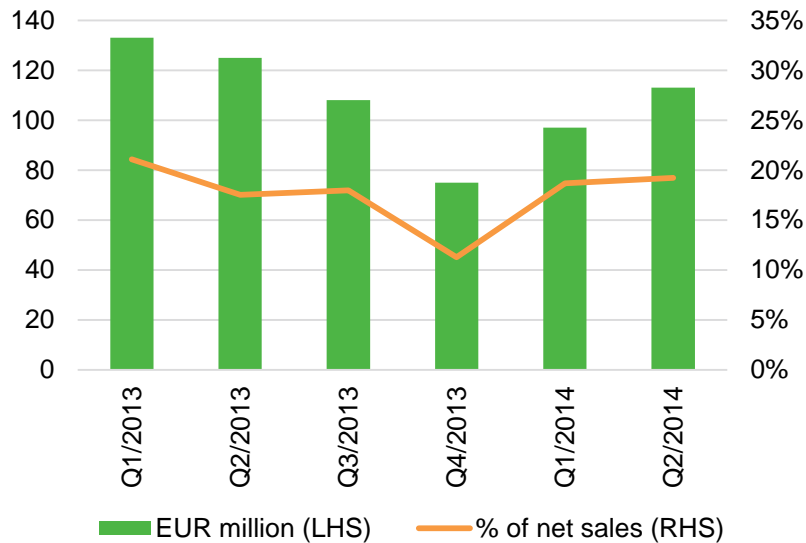


Customer activity has increased in 2014

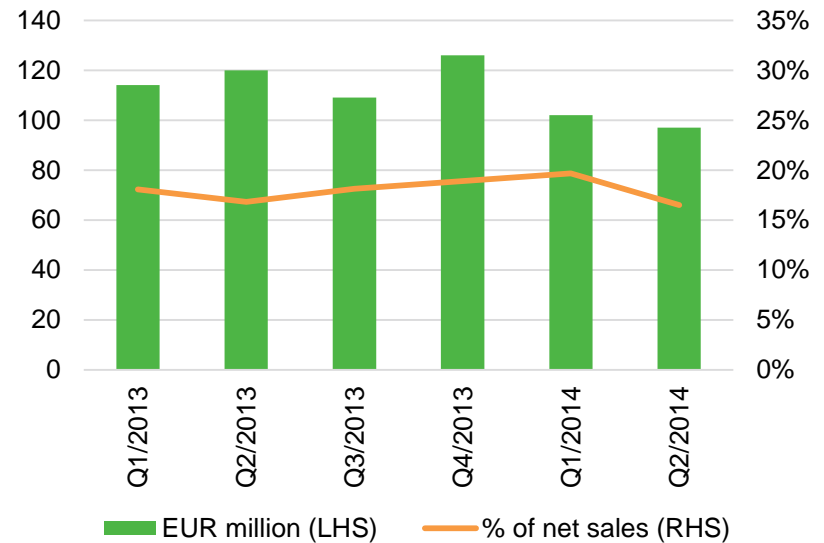
Date	Description	Business line	Country	Value
Jan 9	Prehydrolysis system (pilot scale)	Pulp and Energy	Netherlands	Not disclosed
Jan 27	Multi-fuel boiler	Pulp and Energy	Finland	Not disclosed
Jan 31	Upgrade of recovery boiler and power boiler	Pulp and Energy	Sweden and Bulgaria	Not disclosed
Feb 7	Key technology for pulp mill	Pulp and Energy	Indonesia	Approximately EUR 340 million
Feb 10	Paper machine rebuild	Paper	Austria	Not disclosed (typically above EUR 20 million)
Feb 13	Heat recovery steam generator	Pulp and Energy	Sweden	Nearly EUR 10 million
Feb 17	Bleach plant rebuild	Pulp and Energy	Portugal	Not disclosed (typically above EUR 20 million)
Feb 27	Wood-chip-fired heating plant	Pulp and Energy	Finland	Around EUR 27 million
Mar 7	Containerboard line	Paper	Vietnam	Not disclosed
Mar 19	Tissue production line	Paper	Mexico	Not disclosed (typically EUR 20-40 million)
Mar 27	CompactCooking G2 cooking plant	Pulp and Energy	Sweden	About EUR 30 million
Mar 27	Waste to energy boiler	Pulp and Energy	Sweden	Not disclosed
Apr 3	Advantage tissue production line	Paper	Turkey	Not disclosed
Apr 28	Large-scale boiler plant	Pulp and Energy	Finland	Typically one third of the total investment of EUR 260 million.
May 5	Pulp and board production lines	Paper, and Pulp and Energy	China	Around EUR 115 million
May 6	Finalized order agreement for pulp dryers	Pulp and Energy	Brazil	A project of this size and scope is typically valued at EUR 150-200 million.
May 13	Paper machine grade conversion rebuild	Paper	Finland	Around EUR 30 million
May 20	Complete boiler plant	Pulp and Energy	Hungary	About EUR 50 million
May 20	Complete boiler plant	Pulp and Energy	Czech Republic	About EUR 50 million
May 21	Part of a major pulp mill rebuild	Pulp and Energy	Thailand	Around EUR 30 million
May 21	A boiler plant	Pulp and Energy	Finland	Around EUR 30 million
Jun 3	Major rebuild and new equipment for pulp mill	Pulp and Energy	Sweden	Around EUR 200 million
Jun 16	Part of a pulp mill upgrade	Pulp and Energy	Portugal	Not disclosed
Jun 24	New sizing technology	Paper	Germany	Not disclosed
Jun 27	Complete Advantage ThruAir tissue line	Paper	USA	Not disclosed
Jul 2	Advantage DCT 200 tissue line	Paper	Middle East	Not disclosed
Jul 8	Wood chipping plant	Pulp and Energy	Sweden	Around EUR 20 million
Aug 4	Advantage NTT line	Paper	USA	Not disclosed
Aug 15	Paper machine grade conversion rebuild	Paper	Thailand	Typically valued at around EUR 20 million
Aug 18	OptiConcept M board production line	Paper	USA	Not disclosed
Aug 20	Tissue production line	Paper	Turkey	Not disclosed
Sep 11	Flue-gas cleaning system	Pulp and Energy	Finland	Roughly EUR 10 million

Profitability improvement continues to be a focus area for Valmet

Gross profit (EUR million and % of net sales)



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



- Full impact of savings program visible in selling, general and administrative expenses (SG&A)
- Further actions to improve gross profit through quality and procurement

Key Must-Win objectives to improve profitability to the targeted level of 6–9%

Improve project and service margin	Reduce quality costs and lead times	Savings in procurement	Continue to improve cost competitiveness	Improve product cost competitiveness to increase gross profit
<ul style="list-style-type: none">• Harmonization of processes• Localization of competencies• Better selection of sales cases• Development in project management	<ul style="list-style-type: none">• Common quality development approach• Quality tools and processes• Highlight the importance of quality initiatives and accountability	<ul style="list-style-type: none">• Increase sourcing from cost competitive countries• Increase use of sub-contracting• Consolidation of shipment and warehouse network	<ul style="list-style-type: none">• Focus on cost competitiveness also after the EUR 100 million program	<ul style="list-style-type: none">• Focus on cost efficient design• Modularity and standardization 

Financial targets

Growth



Net sales growth to exceed market growth

Profitability



EBITA¹ before non-recurring items: 6-9%

ROCE

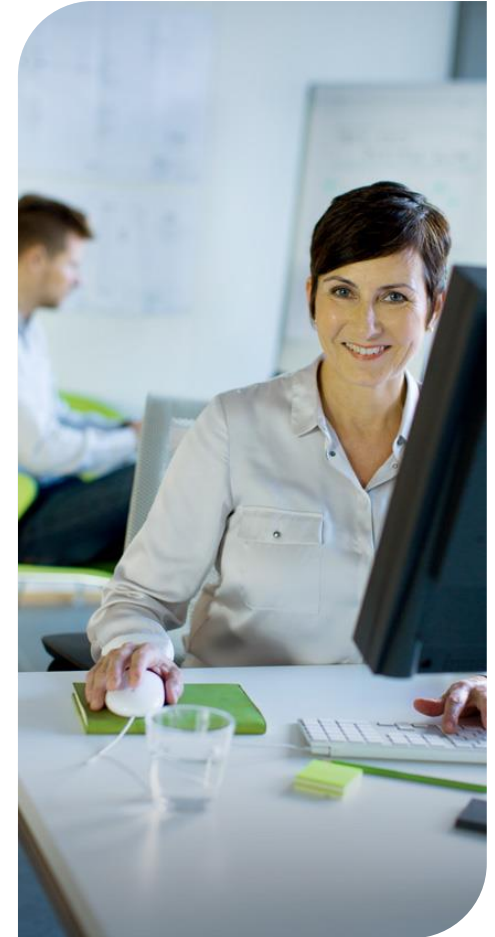


Return on capital employed (pre-tax),
ROCE²: minimum of 15%

Dividend policy



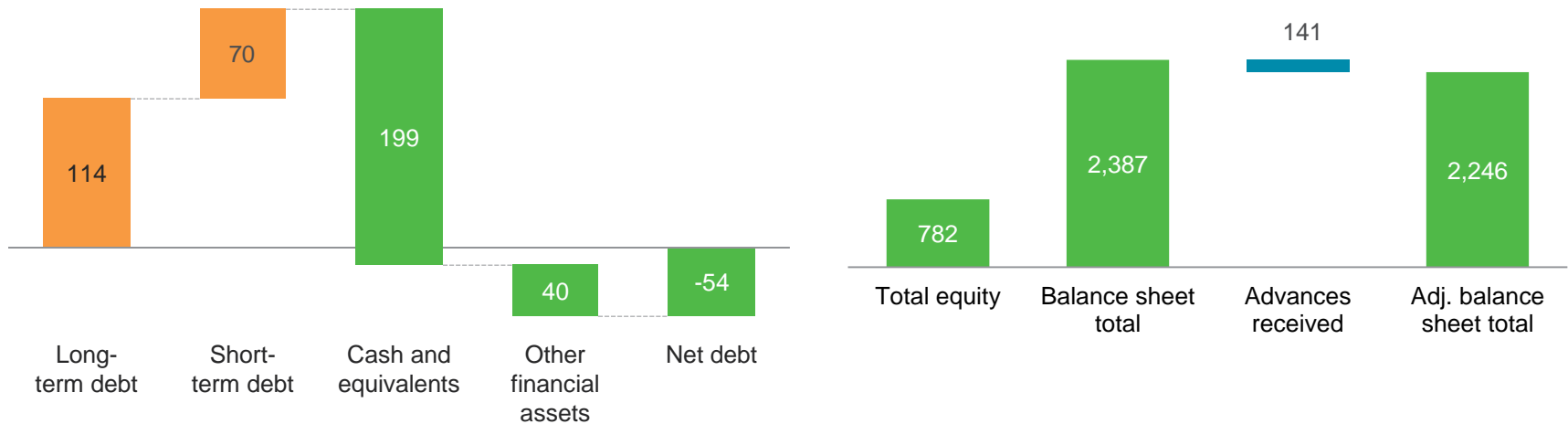
Dividend payout at least 40% of net profit



- 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)

Strong balance sheet to support large orders

Financial position as of June 30, 2014 (EUR million)



- Valmet has a strong balance sheet that enables it to participate in large projects
- Valmet has long-term liquidity in place

1) Total equity / (Balance sheet total - advances received - billings in excess of cost and earnings of projects under construction)

Guidance and short-term market outlook

Guidance for 2014 (as given on February 6, 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

Short-term market outlook

		Q3/2013	Q4/2013	Q1/2014	Q2/2014
Services		Satisfactory	Satisfactory	Satisfactory	Satisfactory
Pulp and Energy	Pulp	Satisfactory	Satisfactory	Satisfactory	Satisfactory
	Energy	Weak	Satisfactory	Satisfactory	Satisfactory
Paper	Board and Paper	Weak	Satisfactory	Satisfactory	Good
	Tissue	Satisfactory	Satisfactory	Satisfactory	Satisfactory



Conclusion

Valmet - unique combination of technology, capital equipment and services globally

Global, diversified customer base

Global organization close to customers

Growing end-markets

Services

- >EUR 1 bn business
- >2,000 customer plants worldwide
- ~70 service centers

Capital

- Established market leader
- Global, diversified footprint

Technology

- ~1,800 protected inventions
- High barrier to entry

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Appendix

1 Management and ownership

2 Financials






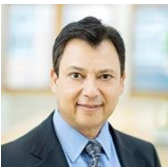







3 Market statistics



Appendix

Management and ownership

Experienced management team

Corporate	Business lines	Areas
 <p>Pasi Laine President and CEO Share ownership: 30,046</p>	 <p>Jukka Tiitinen Business Line President, Services Share ownership²: 13,748</p>	 <p>William Bohn Area President, North America Share ownership: -</p>
 <p>Markku Honkasalo Chief Financial Officer Share ownership: 700</p>	 <p>Jyrki Holmala Business Line President, Pulp and Energy Share ownership: 1,715</p>	 <p>Celso Tacla Area President, South America Share ownership: 4,740</p>
 <p>Kari Saarinen Head of Strategy and Operational Development Share ownership: -</p>	 <p>Jari Vähäpesola Business Line President, Paper Share ownership: 5,013</p>	 <p>Hannu Mälkiä Area President, EMEA Share ownership: 10,559</p>
 <p>Julia Macharey Head of Human Resources Share ownership: -</p>		 <p>Aki Niemi Area President, China Share ownership: -</p>
 <p>Anu Salonsaari-Posti Head of Marketing & Communications Share ownership¹: 100</p>		 <p>Hannu T. Pietilä Area President, Asia Pacific Share ownership: 1,000</p>

■ # years at Valmet / its predecessor
■ # years of experience in the sector

1) Includes 100 shares in Valmet owned by Ms. Salonsaari-Posti's family members
2) Includes 100 shares in Valmet owned by Mr. Tiitinen's family members

Board of Directors



Jukka Viinanen
(b. 1948)
Chairman of the Board
Finnish citizen

- MSc in Engineering
- Selected experience:
 - CoB of Metso since 2009, board member since 2008
 - CoB of Kemira
- Share ownership: 10,820
- Independent of company: Yes
- Independent of owners: Yes



Mikael Von Frenckell
(b. 1947)
Vice Chairman of the Board
Finnish citizen

- MSc in Social Sciences
- Selected experience:
 - Vice CoB of Metso since 2012, board member since 2010
 - Member of the BoD of Antti Ahlströmin Perilliset Oy and Sponsor Capital Oy
- Share ownership: 105,636
- Independent of company: Yes
- Independent of owners: Yes



Friederike Helfer
(b. 1976)
Board member
Austrian citizen

- MSc in Real Estate Development, Diplom-Ingenieur in Urban Planning, CFA charterholder
- Selected experience:
 - Partner at Cevian Capital, joined Cevian Capital in 2008
 - Engagement Manager at McKinsey (2004-2008)
- Share ownership¹: 2,305
- Independent of company: Yes
- Independent of owners: not independent of a significant shareholder



Erkki Pehu-Lehtonen
(b. 1950)
Board member
Finnish citizen

- MSc in Mechanical Engineering
- Selected experience:
 - Member of Metso board since 2010
 - CoB of Raute Corporation
 - President and CEO of Pöyry (1999-2008)
- Share ownership: 5,484
- Independent of company: Yes
- Independent of owners: Yes



Pekka Lundmark
(b. 1963)
Board member
Finnish Citizen

- MSc in Engineering
- Selected experience:
 - President and CEO of Konecranes
 - CoB of Marimekko and Vice COB of the Federation of Finnish Technology Industries (CoB in 2011 and 2012)
- Share ownership²: 2,309
- Independent of company: Yes
- Independent of owners: Yes



Lone Fønss Schrøder
(b. 1960)
Board member
Danish citizen

- MSc in Economics, Accounting; LL.M.
- Selected experience:
 - Member of the BoD of Saxobank A/S, Aker Solutions, Volvo PV AB, NKT Holding A/S, Schneider SE, Bilfinger Berger SE
- Share ownership: 2,882
- Independent of company: Yes
- Independent of owners: Yes



Rogério Ziviani
(b. 1956)
Board member
Brazilian citizen

- BSc in Business Management, MSc in Business Administration
- Selected experience:
 - Member of the BoD of Contax Participações S.A and HSBC – SRI – FI – Sustainability Fund
 - Member of the Brazilian Institute of Corporate Governance
- Share ownership: 2,305
- Independent of company: Yes
- Independent of owners: Yes

1) Ms. Helfer is employed by Cevian Capital. The total holding of Cevian funds amounted to 20,813,714 shares in Valmet Corporation on March 10, 2013.

2) Includes 4 shares in Valmet owned by Mr. Lundmark's family members

Largest shareholders on August 31, 2014

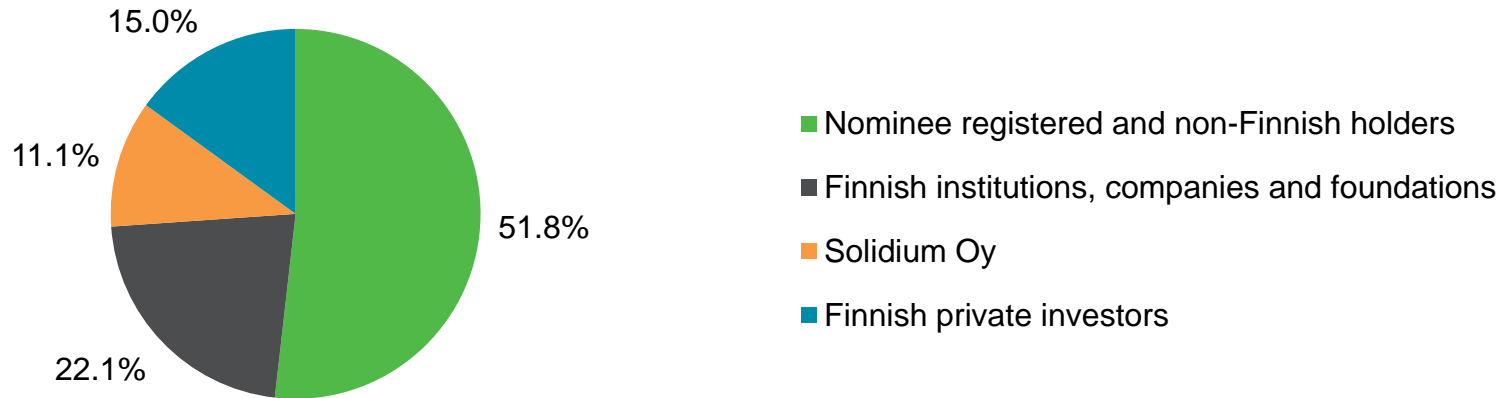
Based on the information given by Euroclear Finland Ltd.

Largest shareholders

#	Shareholder name	Number of shares	% of shares and votes
1	Cevian Capital	20,813,714	13.89%
2	Solidium Oy ¹	16,695,287	11.14%
3	Nordea Funds	7,266,835	4.85%
4	Ilmarinen Mutual Pension Insurance Company	4,292,126	2.86%
5	Varma Mutual Pension Insurance Company	2,908,465	1.94%
6	The State Pension Fund	1,720,000	1.15%
7	Keva	1,543,015	1.03%
8	Mandatum Life Insurance Company Limited	1,500,307	1.00%
9	Skagen Global Verdipapirfond	882,429	0.59%
10	OP Funds	749,950	0.50%
	10 largest shareholders, total	58,372,128	38.95%
	Other shareholders	91,492,491	61.05%
	Total	149,864,619	100.00%

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

Ownership structure on August 31, 2014

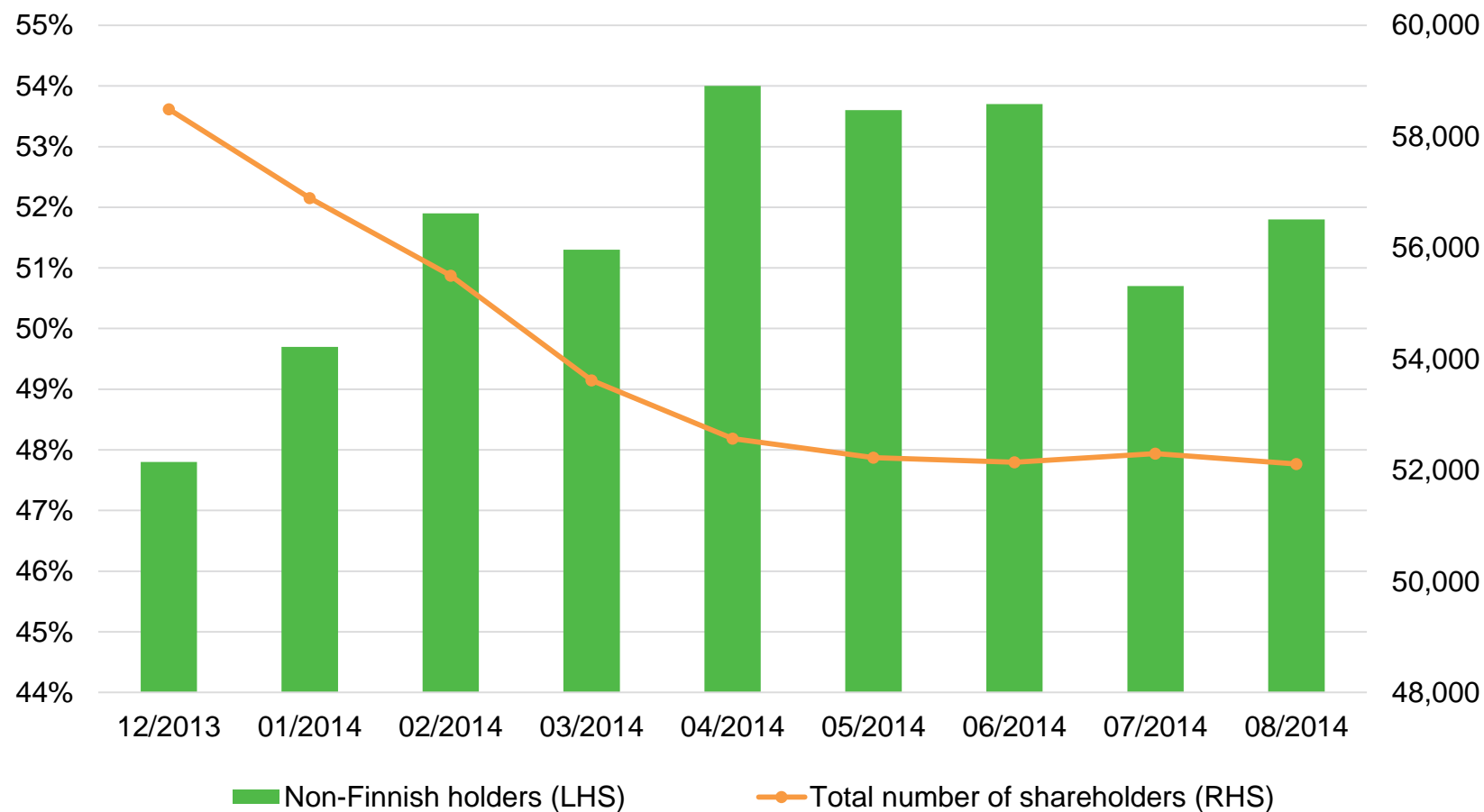


Sector	Number of shareholders	% of total shareholders	Number of shares	% of shares
Nominee registered and non-Finnish holders	323	0.6%	77,636,787	51.8%
Finnish institutions, companies and foundations	3,151	6.1%	33,100,439	22.1%
Solidium Oy ¹	0	0.0%	16,695,287	11.1%
Finnish private investors	48,637	93.3%	22,432,106	15.0%
Total	52,111	100%	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

Non-Finnish holders and number of shareholders





Appendix

Financials

Profitability improvement program proceeding according to plan

Profitability improvement program



- Announced in April 2013, targeting EUR 100 million in savings by the end of 2014
- Impact on all business lines, especially in the Board and Paper, and Energy business units
- ~1/3 of the program targets SG&A and ~2/3 COGS
- In 2013, decided personnel reduction: 1,400

Restructuring costs



- One-off restructuring costs amounted to EUR 29 million in Q4/2013, EUR 76 million in 2013, EUR 6 million in Q1/2014, and EUR 0 million in Q2/2014

Additional flexibility



- Additional organizational flexibility through the possibility of temporary lay-offs in Finland

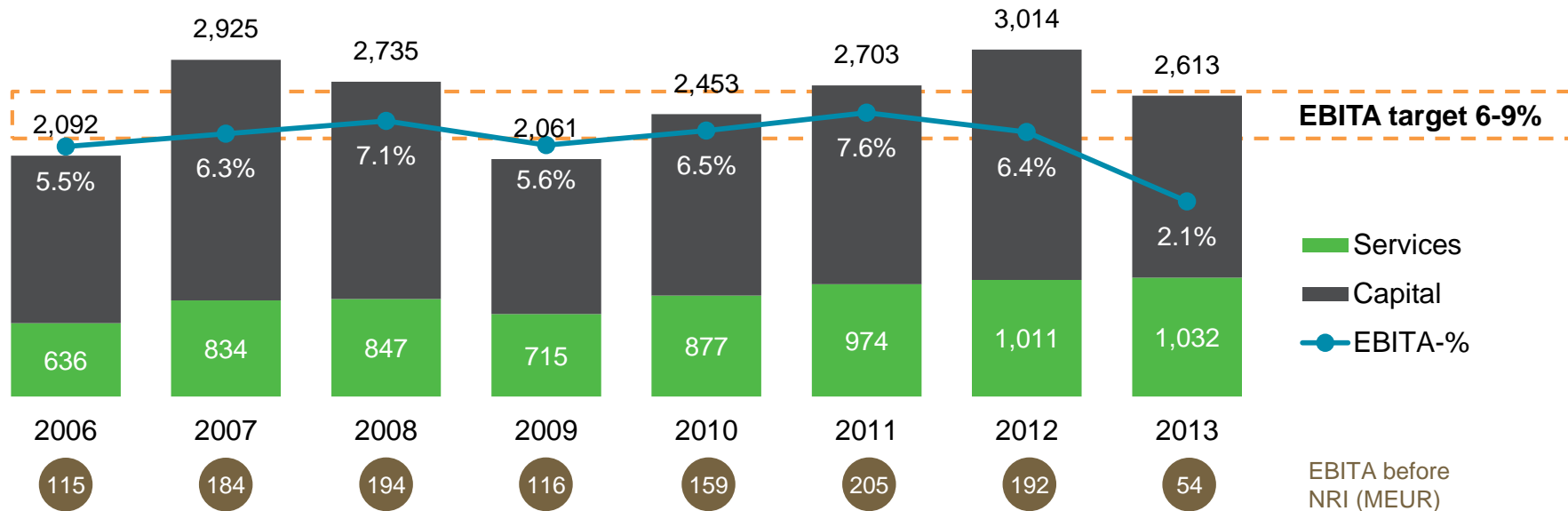
Process excellence



- Further savings potential in procurement and quality

Net sales and profitability development, annual

Net sales and EBITA before NRI (EUR million)¹

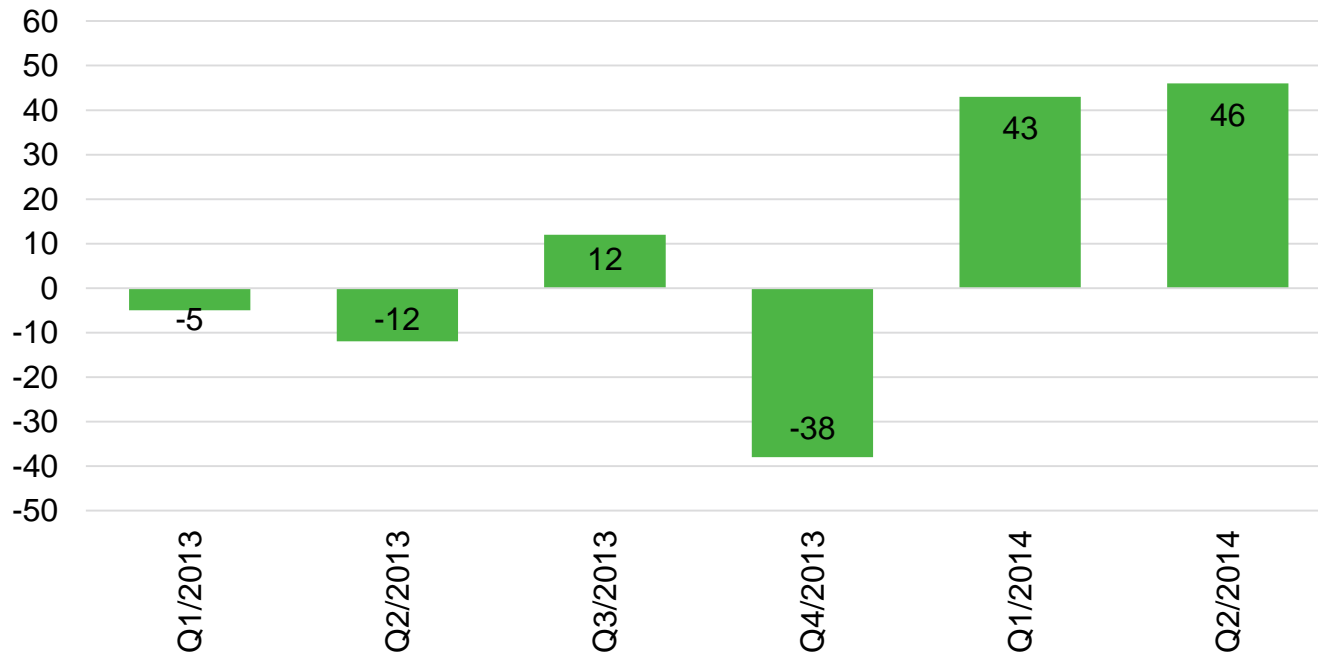


- Timing of large projects has had an impact on the level of net sales
- The paper machine market has shifted to smaller and lower-cost machines
- In 2013, the power generation market was affected by low-cost shale gas and political and economical uncertainty in Europe
- Intensified competition has had an impact on profitability

¹⁾ Carve-out figures for 2010-2013; as reported for Metso's Pulp, Paper and Power segment for 2006-2009

Positive cash flow

Cash flow provided by operating activities (EUR million)

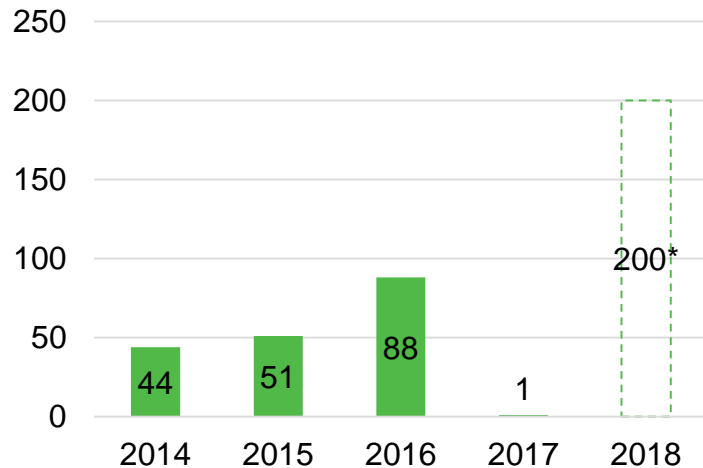


- At the end of June 2014, net working capital was EUR -249 million
- CAPEX less than depreciation

Structure of loans and borrowings

Amount of outstanding interest-bearing debt: EUR 185 million (Jun 30, 2014)

Maturity profile of interest-bearing debt (EUR millions)



*) EUR 200 million syndicated revolving credit facility, of which none is outstanding as of June 30, 2014.

- Average maturity of long-term loans is 2.7 years

Main financing sources

EUR 89 million EIB loan

- Maturing in: H2/2016

EUR 72 million bank loan

- Maturing in: H1/2016

EUR 24 million other financing sources

Back-up facilities

EUR 200 million domestic commercial paper program

- EUR 195 million undrawn

EUR 200 million syndicated revolving credit facility

- None outstanding
- Maturity: December 2018

Key ratios

	Q1-Q2/ 2014	Q1-Q2/ 2013 Carve-out	Q1-Q4/ 2013 Carve-out
Earnings per share, EUR	0.03	0.09 ¹	-0.42
Diluted earnings per share, EUR	0.03	0.09 ¹	-0.42
Equity per share at end of period, EUR	5.19	5.65	5.39
Return on equity (ROE), % (annualized)	1%	3% ²	-7% ²
Return on capital employed (ROCE) before taxes, % (annualized)	3%	5%	-4%
Equity to assets ratio at end of period, %	40%	39%	41%
Gearing at end of period, %	-7%	8%	0%
Cash flow provided by operating activities, EUR million	89	-17	-43
Cash flow after investments, EUR million	71	-44	-97
Gross capital expenditure (excl. business acquisitions), EUR million	-21	-23	-54
Business acquisitions, net of cash acquired, EUR million	-	-3	-3
Depreciation and amortization, EUR million	-36	-42	-82
Number of outstanding shares at end of period	149,864,220	149,864,619	149,864,619
Average number of outstanding shares	149,862,269	149,864,619	149,864,619
Average number of diluted shares	149,862,269	149,864,619	149,864,619
Net interest-bearing liabilities at end of period, EUR million	-54	71	-1

1) The earnings per share information was computed as if the shares issued in conjunction with the Demerger had been outstanding for the comparison period.

2) In calculating these key ratios, an adjustment of EUR 468 million has been made from 'Long-term debt, Metso Group' to 'equity' in order to reflect the conversion of Metso Svenska AB's long term debt to Metso Group which took place in January 2013.

Consolidated statement of income

	Q2/2014	Q2/2013	Q1-Q2/ 2014	Q1-Q2/ 2013
EUR million		Carve-out		Carve-out
Net sales	588	714	1,107	1,345
Cost of goods sold	-475	-589	-897	-1,087
Gross profit	113	125	210	258
Selling, general and administrative expenses	-97	-120	-200	-234
Other operating income and expenses, net	1	0	-1	-1
Share in profits and losses of associated companies	0	-	0	1
Operating profit	16	5	9	24
Financial income and expenses, net	0	-2	-2	-3
Profit before taxes	16	3	7	21
Income taxes	-5	0	-2	-7
Profit / loss	11	2	5	14
Attributable to:				
Owners of the parent	11	2	5	14
Non-controlling interests	0	0	0	0
Profit / loss	11	2	5	14
Earnings per share attributable to owners of the parent				
Earnings per share, EUR	0.07	0.01 ¹	0.03	0.09 ¹
Diluted earnings per share, EUR	0.07	0.01 ¹	0.03	0.09 ¹

1) The earnings per share information was computed as if the shares issued in conjunction with the Demerger had been outstanding for the comparison period.

Balance sheet as at June 30, 2014

Assets	As at June 30, 2014	As at June 30, 2013	As at December 31, 2013
EUR million		Carve-out	
Non-current assets			
Intangible assets			
Goodwill	441	446	443
Other intangible assets	99	124	107
Total intangible assets	540	570	550
Property, plant and equipment			
Land and water areas	22	21	21
Buildings and structures	131	149	137
Machinery and equipment	197	242	210
Assets under construction	27	14	21
Total property, plant and equipment	376	426	389
Financial and other non-current assets			
Investments in associated companies	5	5	5
Available-for-sale equity investments	3	4	3
Available-for-sale financial assets	10	-	-
Loan and other interest-bearing receivables	2	1	1
Deferred tax asset	88	67	80
Other non-current assets	14	110	8
Total financial and other non-current assets	122	187	97
Total non-current assets	1,038	1,183	1,036
Current assets			
Inventories	480	514	431
Receivables			
Trade and other receivables	437	450	436
Cost and earnings of projects under construction in excess of advance billings	176	171	159
Loan and other interest-bearing receivables	0	97	-
Available-for-sale financial assets	28	1	1
Derivative financial instruments	13	1	18
Income tax receivables	17	35	21
Total receivables	671	755	635
Cash and cash equivalents	199	211	211
Total current assets	1,349	1,480	1,277
Total assets	2,387	2,663	2,313

Balance sheet as at June 30, 2014

Equity and liabilities	As at June 30, 2014	As at June 30, 2013	As at December 31, 2013
EUR million		Carve-out	
Equity			
Share capital	100	-	100
Reserve for invested unrestricted equity	403	-	402
Cumulative translation adjustments	-4	9	2
Fair value and other reserves	-2	4	5
Retained earnings	281	-	299
Invested equity and retained earnings	-	834	-
Equity attributable to owners of the parent	777	847	808
Non-controlling interests	5	5	5
Total equity	782	852	813
Liabilities			
Non-current liabilities			
Long-term debt	114	162	140
Post-employment benefits	107	120	103
Provisions	27	27	32
Derivative financial instruments	2	2	2
Deferred tax liability	25	33	29
Other long-term liabilities	1	1	1
Total non-current liabilities	276	345	307
Current liabilities			
Current portion of long-term debt	57	93	63
Short-term debt	13	126	8
Trade and other payables	695	668	673
Provisions	89	91	105
Advances received	141	205	139
Billings in excess of cost and earnings of projects under construction	297	249	176
Derivative financial instruments	23	3	8
Income tax liabilities	13	31	21
Total current liabilities	1,329	1,466	1,193
Total liabilities	1,605	1,811	1,500
Total equity and liabilities	2,387	2,663	2,313



Appendix

Market statistics

Comprehensive life-cycle services offering and large customer base with significant potential

Comprehensive life-cycle services offering



Comprehensive life-cycle services offering serving global customer base with over 2,000 plants purchasing services from Valmet annually

Spare and wear parts

- All OEM spare parts and standard parts in Valmet deliveries
- Inventory management services and process parts, such as consumables and auxiliary products

Fabrics

- Paper machinery clothing
- Filter fabrics used in the pulp and paper, mining and chemical industries and power plants for various filtration purposes as well as in commercial laundries

Mill and plant improvements

- Plant upgrades
- Modifications and environmental improvements
- Troubleshooting
- Shutdown maintenance
- Maintenance outsourcing for the entire customer plant

Roll and workshop services

- Maintenance services on rotating equipment: roll covers, spare rolls and roll upgrades
- Rebuilds for all manufacturers' board, tissue, pulp and paper machines
- Workshop services: pressure part manufacturing, boiler component services, parts to protect and enhance boiler performance and fiber equipment refurbishing

Energy and environmental

- Services for evaporation plants, power and recovery boilers, and environmental equipment

Services market

Market trends

Cost pressure and outsourcing

- ▶ Customer cost pressure and machine closures increase demand for solutions decreasing costs, net working capital, and raw material and energy consumption
- ▶ Increased demand for more competitive processes and decreasing in-house customer competencies expected to provide growth in demand for services

Packaging growth

- ▶ Growing demand for containerboard expected to increase need for services

Closure of graphic machines

- ▶ Reduces demand for spare parts and process consumables, but instead
- ▶ Increases demand for expert and outsourcing services
- ▶ Increases demand for process improvements and debottlenecking of the remaining machines

EMEA and North America

- ▶ Largest market for the Services BL where majority of installed base is located
- ▶ Customer cost pressure and machine closures key drivers

South and Central America

- ▶ Important growth market, together with China and Asia Pacific

Asia Pacific

- ▶ Important growth market, together with China and South and Central America

Total market for Valmet's services offering ~EUR 7bn¹

- Pulp and paper services = ~EUR 6bn
- Power services market = ~EUR 1bn

China

- ▶ Largest single country for Valmet
- ▶ The services market expected to grow by ~5% in 2012-2016 in China, South America and Asia Pacific region
- ▶ Growth supported by significant amounts of new capacity being installed in these areas during the last ten years and the installed base is aging

The total market for Valmet's services offering estimated to grow to EUR 7.7 billion by the end of 2016, corresponding to an annual global growth rate of about 2.0%¹

1) Global market size for current offering in 2012 estimated by using an average services cost per volume produced based on Valmet's existing customers and estimates of current and forecasted growth in total production volumes

Pulp market

Market trends

Virgin wood pulp growth due to limitations of recycled paper growth and growing demand for tissue

- ▶ Growth of pulp produced from recycled paper limited by increasing marginal costs and the decreasing quality of recovered paper³
- ▶ Management expects demand for pulp to be driven primarily by tissue production growth

Increased size of pulp lines and mills

- ▶ Typical greenfield pulp mill size up from avg. capacity of ~0.7-1.0m metric tons of pulp p.a. in 2000-2007 to ~1.3-1.5m metric tons of pulp p.a. in 2007-2013
- ▶ Expected to benefit technology providers, such as Valmet and Andritz with good references of large project deliveries and comprehensive product offering covering complete plant solutions

EMEA and North America

- ▶ Chemical pulp production growing by ~1% p.a. in 2010-2020 in the EMEA region and decline by ~0.2% p.a. in North America³
- ▶ Demand in Europe and North America mainly focused on upgrades and conversions

South and Central America

- ▶ Chemical wood pulp production growing by ~3.4% p.a. in 2011-2025³
- ▶ Main markets for larger pulp plant deliveries are South America and Asia Pacific region
- ▶ Growing virgin fiber demand expected to be met primarily by increase in new hardwood pulp production capacity, especially in South America

Asia Pacific

- ▶ Chemical pulp production growing by ~3% p.a. in 2010-2020³
- ▶ Main markets for larger pulp plant deliveries are South America and Asia Pacific region
- ▶ Especially mid-sized plants market segment growing in Asia
- ▶ Increase in new hardwood pulp production capacity second largest in Asia after South America

Total market for Valmet's pulp technology ~EUR 1.4bn¹

- Chemical pulp accounts for ~70% of the total volume of virgin papermaking fiber raw materials²

China

- ▶ Chemical pulp production growing by ~6% p.a. in 2010-2020³
- ▶ Chemical wood pulp production growing by ~2.4% p.a. in Asia in 2011-2025³
- ▶ Especially mid-sized plants market segment growing in Asia
- ▶ Increase in new hardwood pulp production capacity second largest in Asia after South America
- ▶ Increasing standard of living in Asia driving demand for paper, board and tissue based products, expected to increase the demand for fiber
- ▶ Paper, board and tissue growing fastest in Asia, especially China and India, which do not have sufficient indigenous fiber resources³

Total market for Valmet's pulp technology estimated to be around EUR 1.4bn¹ and virgin pulp consumption is estimated to grow 1.0% annually on average between 2010 and 2025³

1) Management estimate for total market size for Valmet's pulp production technology offering based on historical and projected pulp capacity increases

2) Virgin papermaking fibre raw materials in 2011, where virgin papermaking fibre raw materials include chemical wood pulp, mechanical and semi-mechanical wood pulp and non-wood pulp (source: Leading consulting firm)

3) Source: Leading consulting firm

Energy market

Market trends

Growth in energy consumption and demand for sustainable energy

- ▶ Global electricity demand to grow 2.2% p.a. from 18,443 TWh in 2010 to 31,859 TWh in 2035³
- ▶ Fossil fuels continue to be the predominant fuel in energy production, but the share of fossil fuels in energy production expected to decrease from 68% in 2010 to 58% in 2035³
- ▶ Biomass-based electricity generation represented ~1.6% of global electricity generation in 2011, but is forecast to grow 6.9% p.a. between 2011 and 2018³

Incentives and regulation supporting biomass and new biomass conversion technology-based solutions

- ▶ Aim to reduce emissions and mitigate climate change has resulted in targeted reductions of CO2 emissions and use of fossil fuel-based energy production in many countries
- ▶ Policy decisions also impacted by governments' objectives to increase the energy security and decrease dependence on imported energy

EMEA and North America

- ▶ EMEA region and North America, represent ~50% of the global market⁴
- ▶ Totals ~ EUR 2.3bn in 2013-2015 on average⁴
- ▶ Expected to grow to an average of EUR 2.6bn in next 3 years⁴
- ▶ North American market impacted by low price of natural gas
- ▶ EMEA region impacted by slow economy and political uncertainty around renewable energy support schemes
- ▶ EU target of 20% share of energy from renewable sources in overall EU energy consumption by 2020

South and Central America

- ▶ Market in Asia-Pacific, China and South America, estimated to EUR 2.1bn between 2013 and 2015⁴
- ▶ Expected to grow to EUR 3.6bn in next 3 year period⁴

Asia Pacific

- ▶ Market in Asia-Pacific, China and South America, estimated to EUR 2.1bn between 2013 and 2015⁴
- ▶ Expected to grow to EUR 3.6bn in next 3 year period⁴

Global biomass and waste power plant market ~EUR 4.5bn¹

- Average estimate for global biomass and waste power plant market between 2013-2015

Biomass conversion technology market >EUR 1.5bn by 2020²

- Management estimate for Valmet's offering

China

- ▶ Market in Asia-Pacific, China and South America, estimated to EUR 2.1bn between 2013 and 2015⁴
- ▶ Expected to grow to EUR 3.6bn in next 3 year period⁴
- ▶ China's current 5 year plan targets 13,000 MW of biomass power production capacity by 2015, a substantial increase from the 5,500 MW installed biomass-based power capacity in 2010

The global biomass and waste power plant market estimated to be some EUR 4.5 billion on average in 2013-2015 and increase to EUR 6.2 billion on average in 2016-2018

1) Global biomass and waste power plant market estimated by Management to total ~ EUR 4.5bn on average between 2013 and 2015, a decline from an average of EUR 5.0bn between 2010 and 2012. The market is forecast to recuperate and reach an average of EUR 6.2bn between 2016 and 2018

2) Management estimates that the market for its biomass conversion technology solutions will exceed EUR 1.5 billion in 2020

3) Source: IEA, 2012

4) Source: Leading consulting firm

Paper market

Market trends

General: Demand for increased energy, water and raw material efficiency

- ▶ Focus on environmental responsibilities and stricter energy and environmental regulations drive demand for machines that use less energy, water and raw materials, as well as use of renewable energy sources

Board: Increased demand due to growth in packaging and emerging markets

- ▶ Containerboard demand driven by GDP growth and industrial manufacturing
- ▶ Demand for carton board driven by increased retail sales, consumer packaging and urbanization³

Tissue: Growth driven by increasing standard of living and tissue consumption

- ▶ Use of tissue-based hygiene products generally correlated with economic growth, population growth and standard of living
- ▶ Increased product penetration from improved product quality drive tissue consumption e.g. in China³
- ▶ Tissue products not conducive to long-distance transportation due to their bulky nature, thus the size of tissue mills expected to continue to be relatively small while the number of mills is expected to increase

EMEA and North America

- ▶ Market expected to mainly relate to rebuilds of existing installed capacity
- ▶ Changes in consumer demographics and shopping behavior expected to create additional demand for board in developed countries²
- ▶ Tissue consumption growth 1.4% p.a. in North America, 5-9% p.a. in Eastern Europe and 3.5% p.a. in Western Europe in 2010-2021³

South and Central America

- ▶ Tissue consumption growing 5-9% between 2010-2021 in Latin America³

Newsprint and writing and printing papers: Decreased demand due to growth of digital media

- ▶ Ongoing structural change resulting in production overcapacity in EMEA region and North America has weakened demand for writing and printing paper machines and shifted demand to lower-cost solutions, mid-sized machines and machine rebuilds

Asia Pacific

- ▶ Emerging markets expected to account for largest share of capacity growth for carton board³

China

- ▶ Emerging markets, e.g. China, expected to drive containerboard demand
- ▶ Higher product penetration together with improved product quality drive tissue consumption e.g. in China
- ▶ Tissue consumption growing 5-9% between 2010-2021³

Total market for Valmet's¹: Board technology ~EUR 1bn

- Containerboard consumption growing by ~2.7% and carton board by ~2.4% p.a. in 2010-2025⁵

Tissue technology ~EUR 0.6bn

- Global tissue paper consumption growing by ~3% p.a. through 2025²

Newsprint and P&W paper technology ~EUR 0.6bn

- P&W paper demand growing marginally while global consumption of newsprint declines ~1-2% p.a. in 2010-2025²

General demand driven by increased need for energy, water and raw material efficiency; board and tissue demand growing with packaging and emerging markets

1) Management estimate based on current machine demand

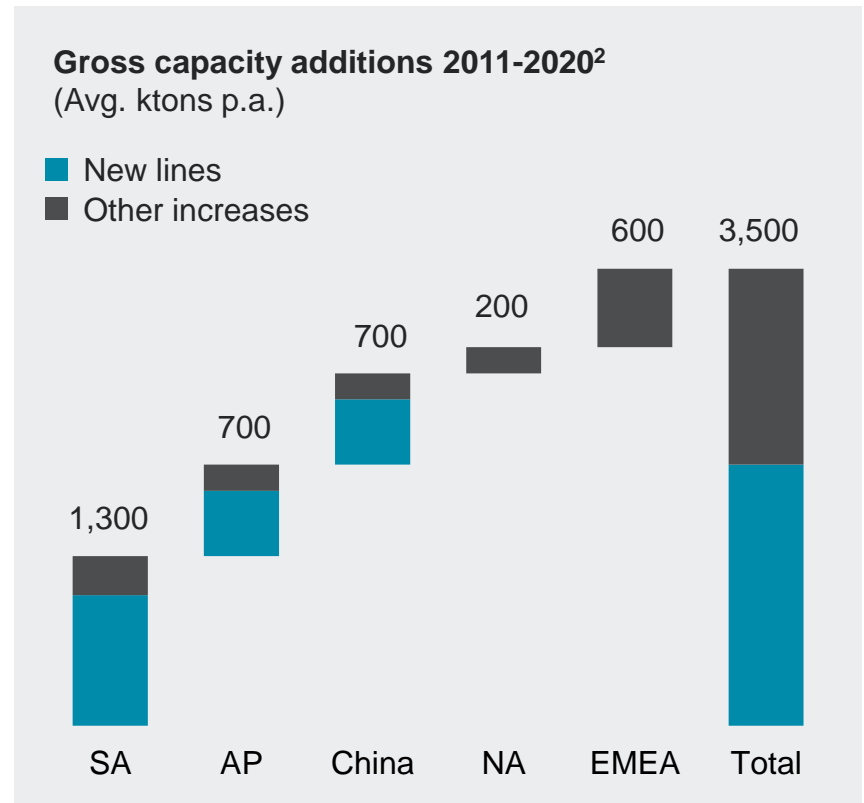
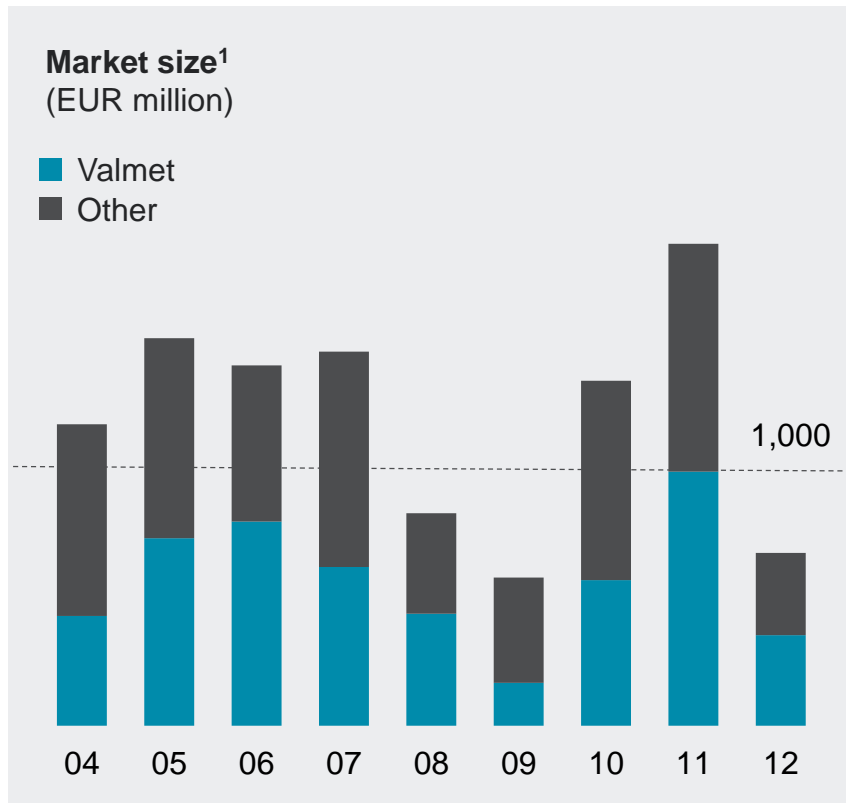
2) Source: Leading consulting firms

3) RISI

The majority of new pulp lines are being built in South America and Asia

Market fluctuates from year to year

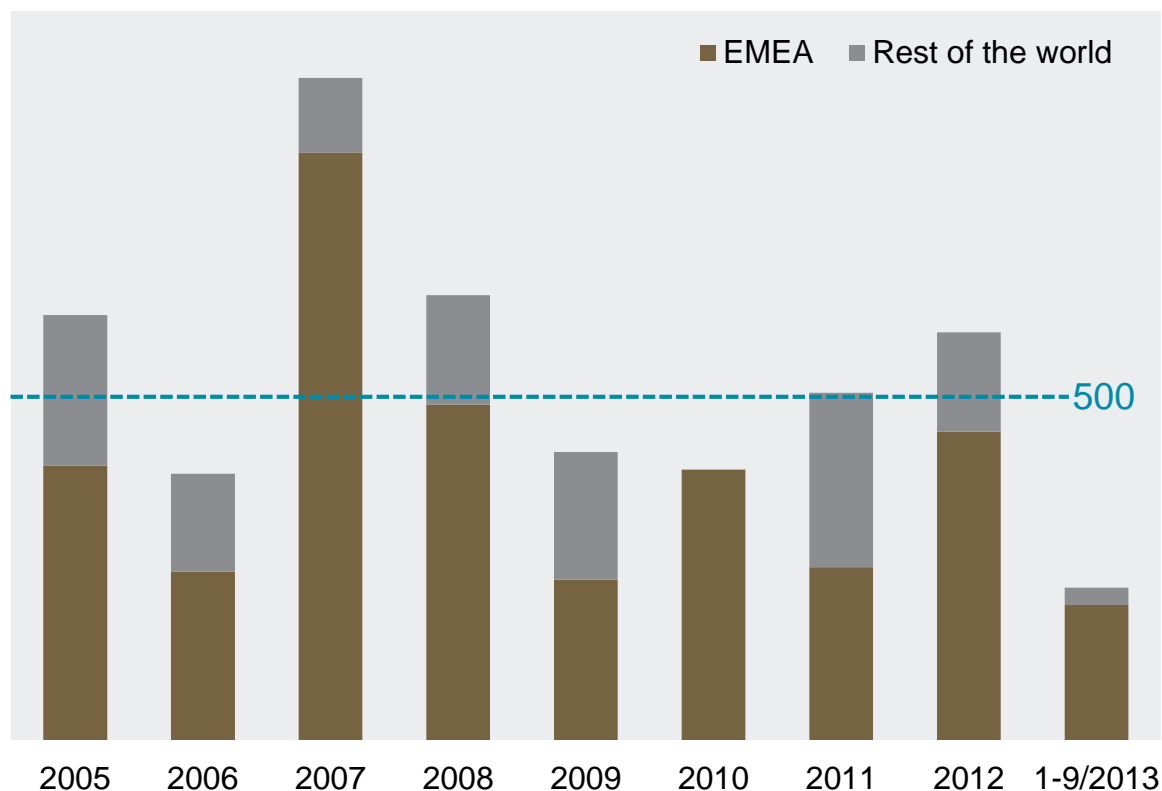
New chemical pulp lines in SA and Asia



1) Market size based on orders received. Includes all pulp business units, recovery boilers, and evaporation plants
 2) Average capacity additions p.a. 2011-2020. Only positive capacity changes included, not shutdowns
 Source: Valmet, Pöyry

Market for larger size (> 50 MWth) biomass boilers has significantly declined in EMEA and North America

New boiler market served by Valmet¹ (EUR million)
(only projects where Valmet has been involved)



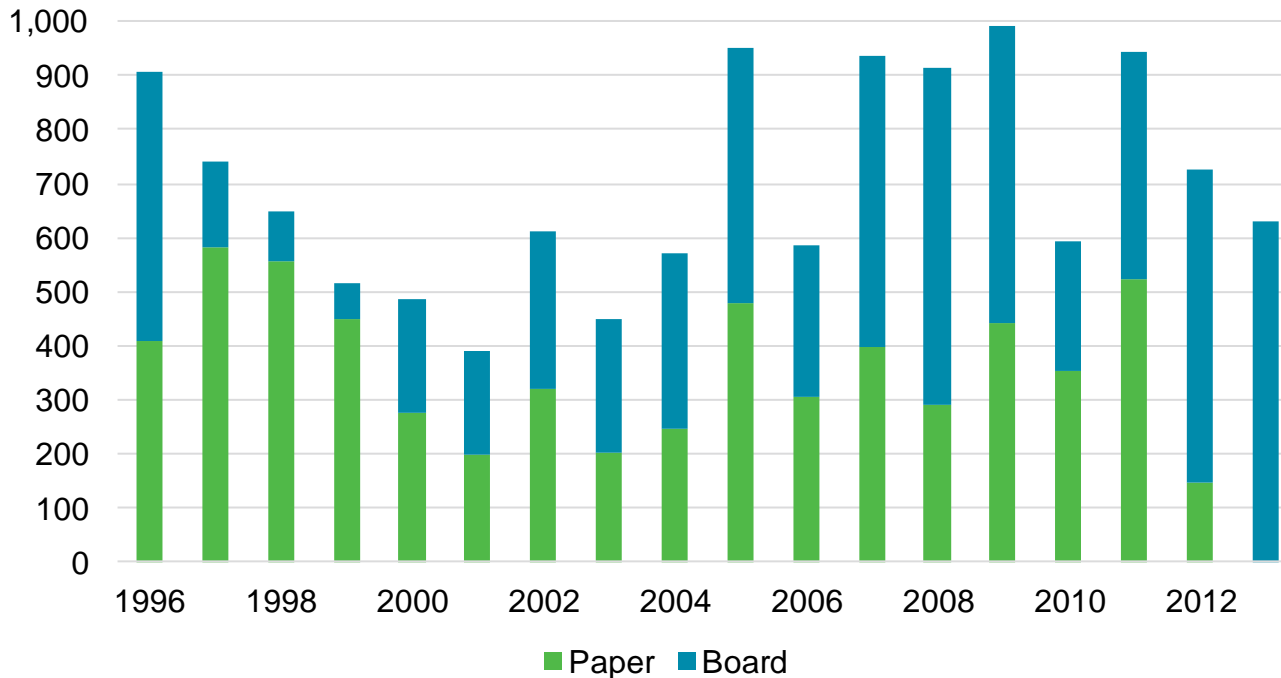
Key messages and implications

- Strong market decline in 2013 and unclear future market development
- Increased political uncertainty about meeting CO₂ targets and reduced ability to finance support schemes
- Price of coal has reduced, making it more attractive for power generation in Europe and elsewhere
- North American biomass power market has declined significantly
- Price of energy has dropped and previous subsidy schemes supporting biomass have expired

1) Note: Includes the power boiler market served by Valmet excluding small power plants < 50MW (EUR 200-300 million), air pollution control (EUR 50-100 million p.a.), retrofits (EUR 100-200 million), and projects where Valmet has not competed (boilers ~EUR 1 billion p.a.)
Source: Valmet

Major changes in the paper and board market

Estimated net sales¹ (EUR millions)



Board machines:

Narrow, slow, and lower technology

Paper machines:

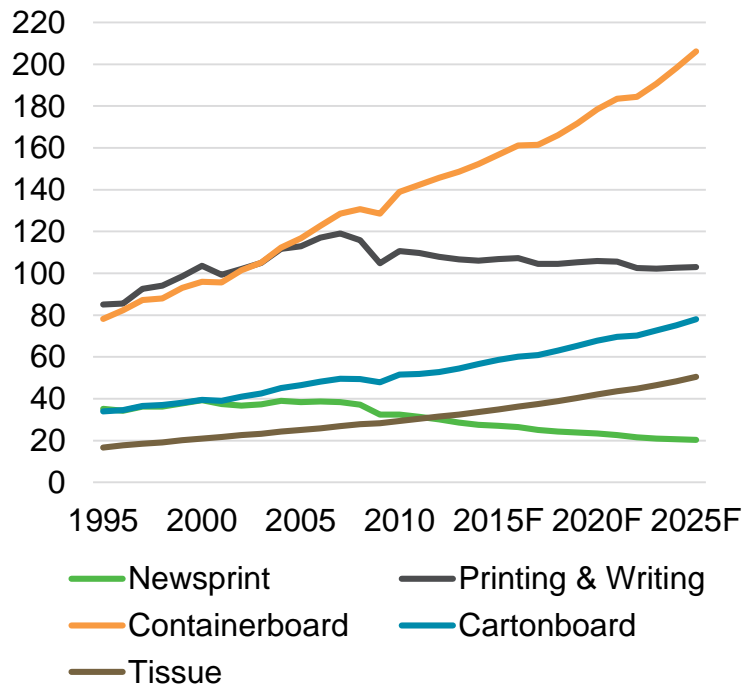
Wide, fast, and high technology

1) Company estimate based on estimated capacity by start-up year and estimated average price per ton (constant value of EUR180/ton used over time)

Consumption development

Growth in board and tissue consumption is expected to continue while newsprint is declining

Paper consumption¹ (Mton)

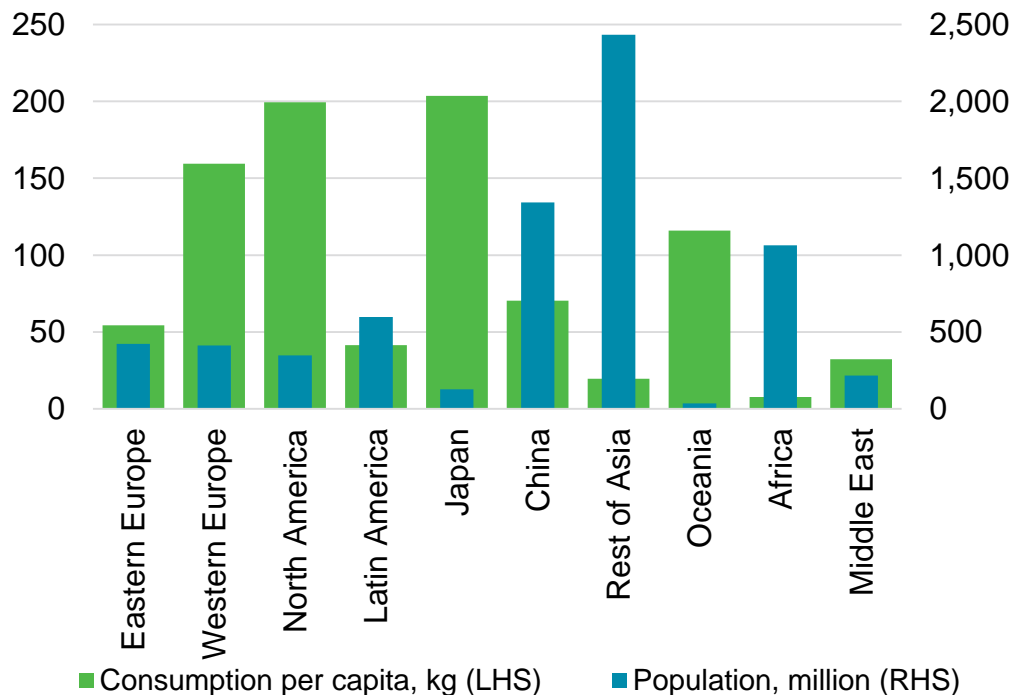


CAGR	2001-2013	2013-2025F
Containerboard	+3.4%	+2.5%
Printing & Writing	+0.5%	-0.3%
Cartonboard	+2.6%	+2.8%
Tissue	+3.1%	+3.5%
Newsprint	-2.1%	-2.6%

1) Source: RISI

Paper and board consumption growth trends

Paper and board consumption per capita vs. population¹



Average global consumption: 53 kg per capita

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

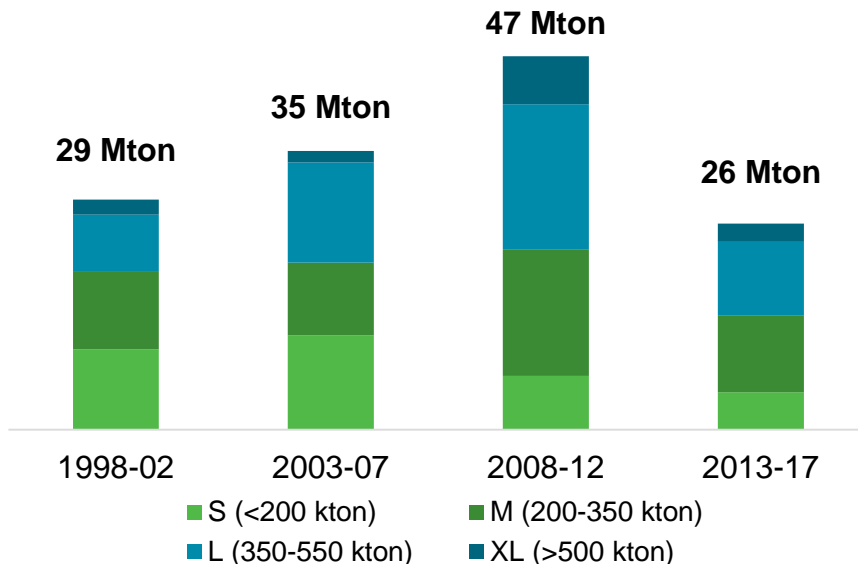
This offers us long-term growth potential

1) Source: PPI Annual Review 2013 (2012 figures)

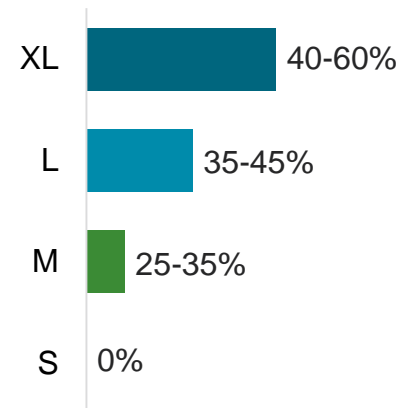
Demand has shifted more towards smaller paper and board machines

- We are focusing more on modularized and standardized solutions
- Competition is higher in smaller machines

Capacity of start-ups¹, by machine size



Valmet's market share¹, by machine size



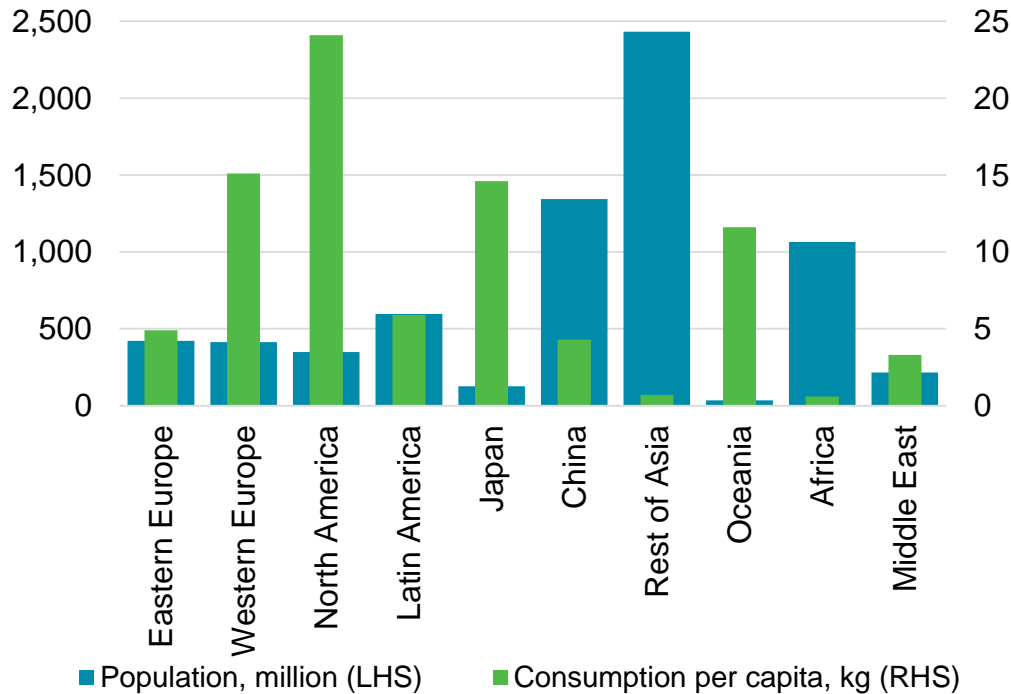
Competition is lower in larger machine sizes.

Higher number of players in smaller machines.

1) Source: Pöyry, Valmet

Tissue consumption growth trends

Tissue consumption per capita vs. population¹



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

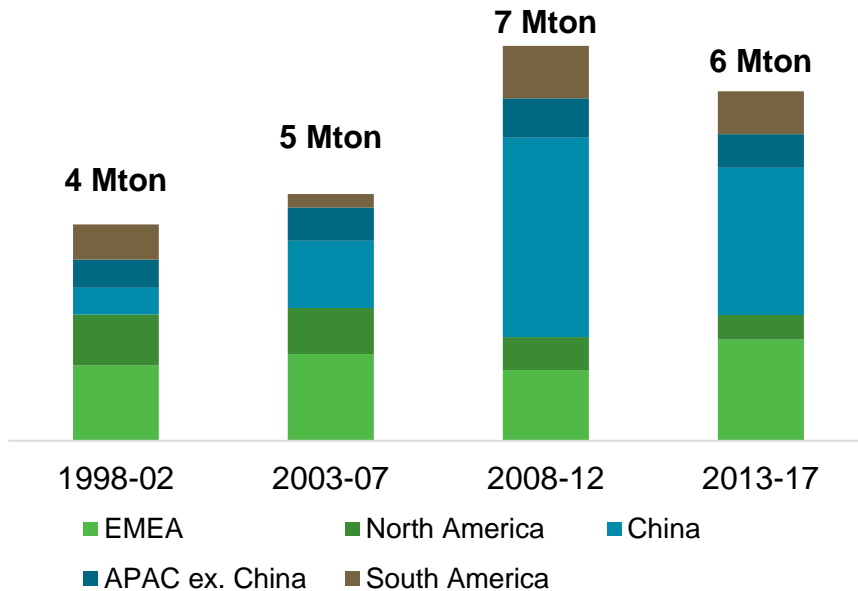
Offers us long-term growth potential in both developed and emerging markets

1) Source: PPI Annual Review 2013 (2012 figures)

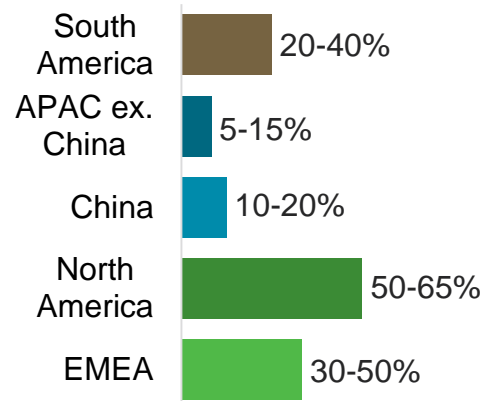
Tissue market growing long term

- Recent market reduction due to heavy Chinese investments
- Competition is high in all areas, Valmet is strongest in North America

Capacity of start-ups¹, by area



Valmet's market share¹, by area



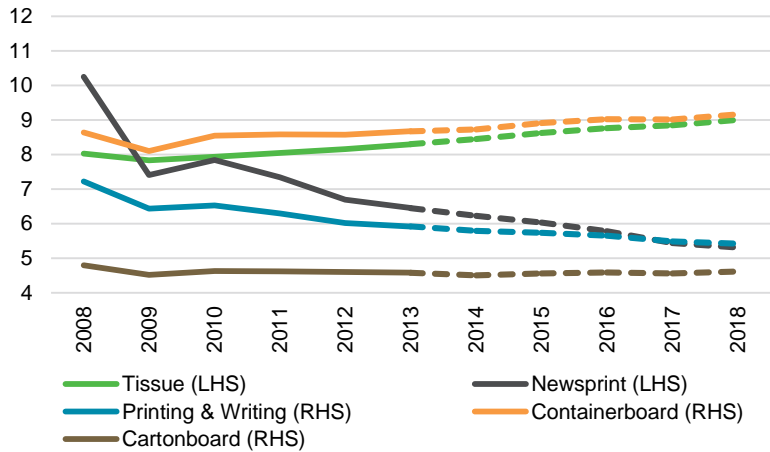
Number of competitors is low in the Americas and EMEA.

Smaller Chinese companies present in China and Asia.

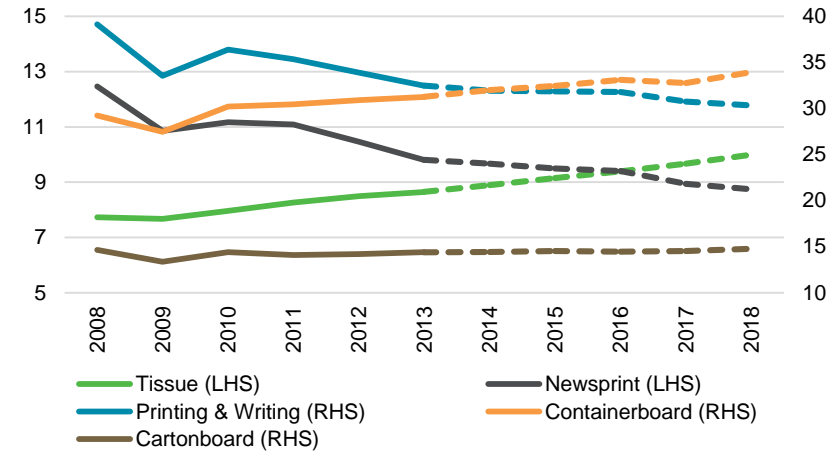
1) Source: Pöyry, Valmet

Paper, board, and tissue production trends

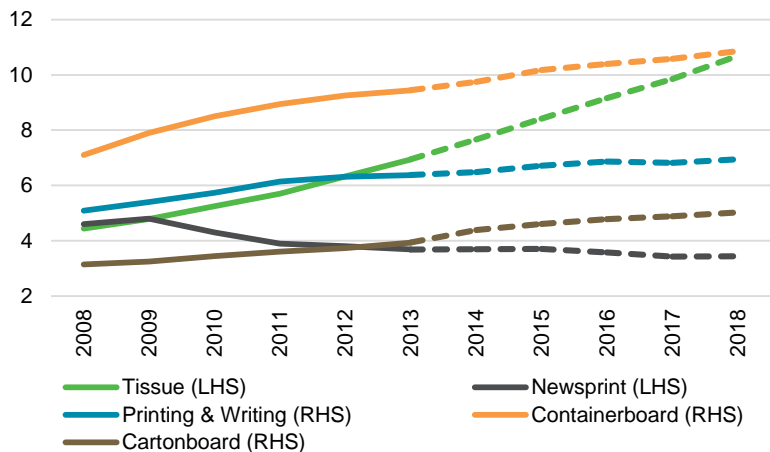
North America (million tonnes)



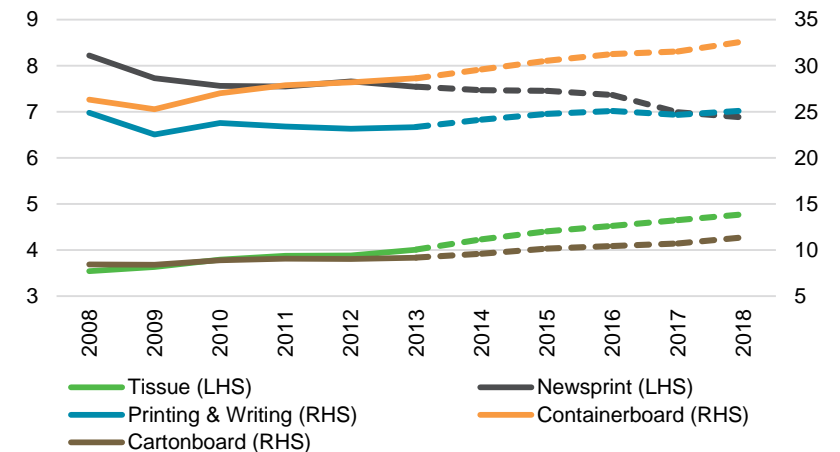
Europe (million tonnes)



China (million tonnes)



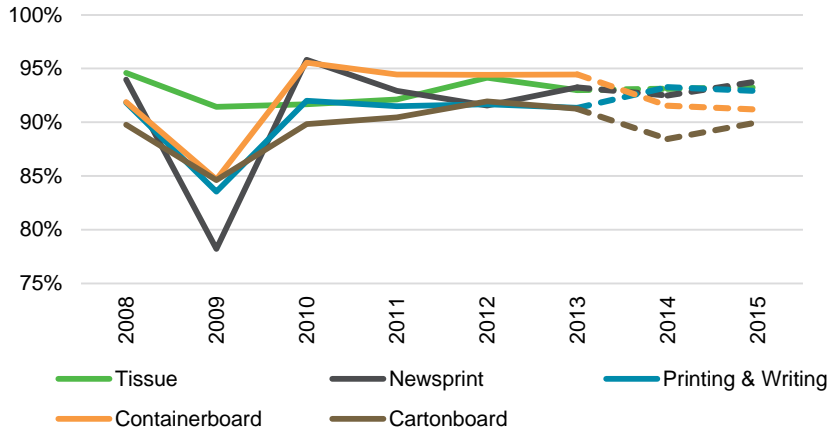
Asia-Pacific (million tonnes)



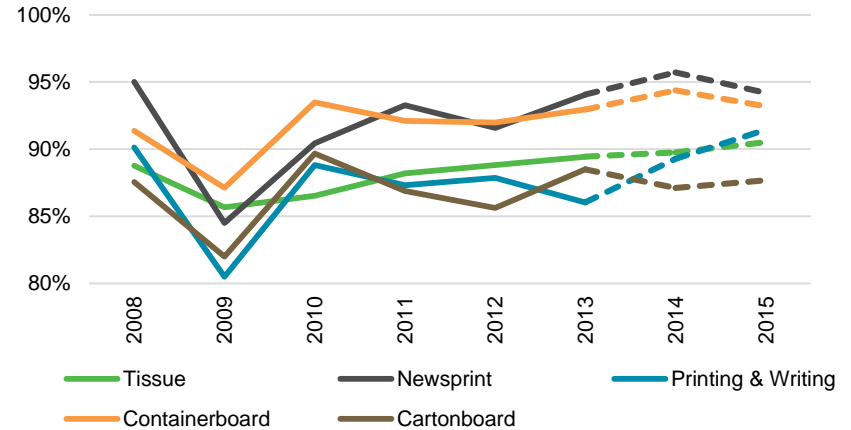
Source: RISI

Paper, board, and tissue operating rates

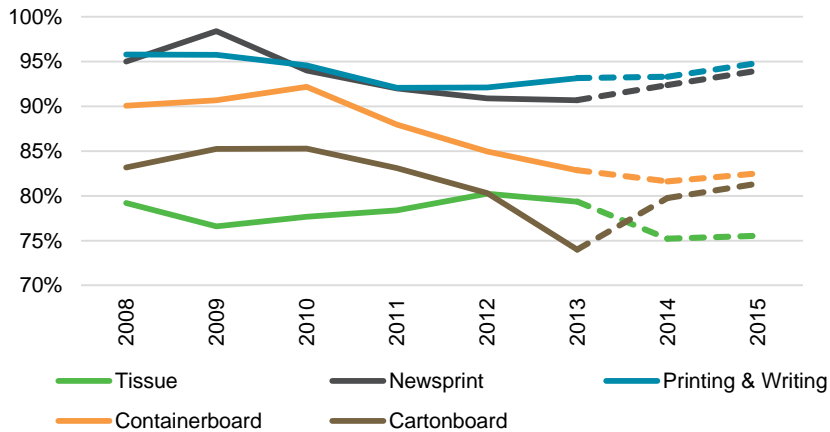
North America



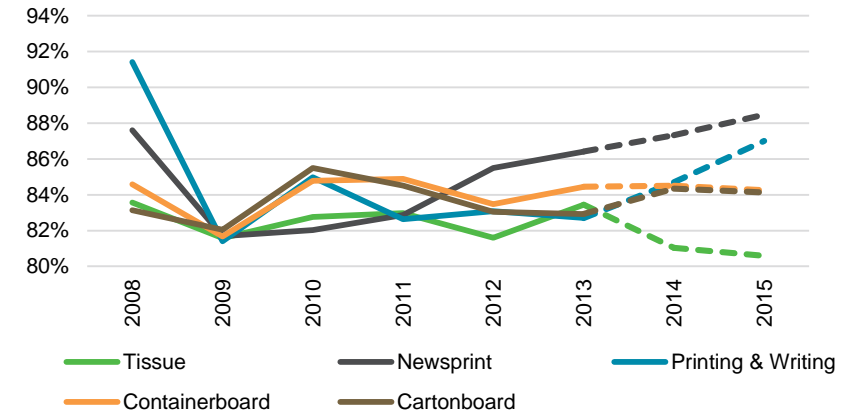
Europe



China

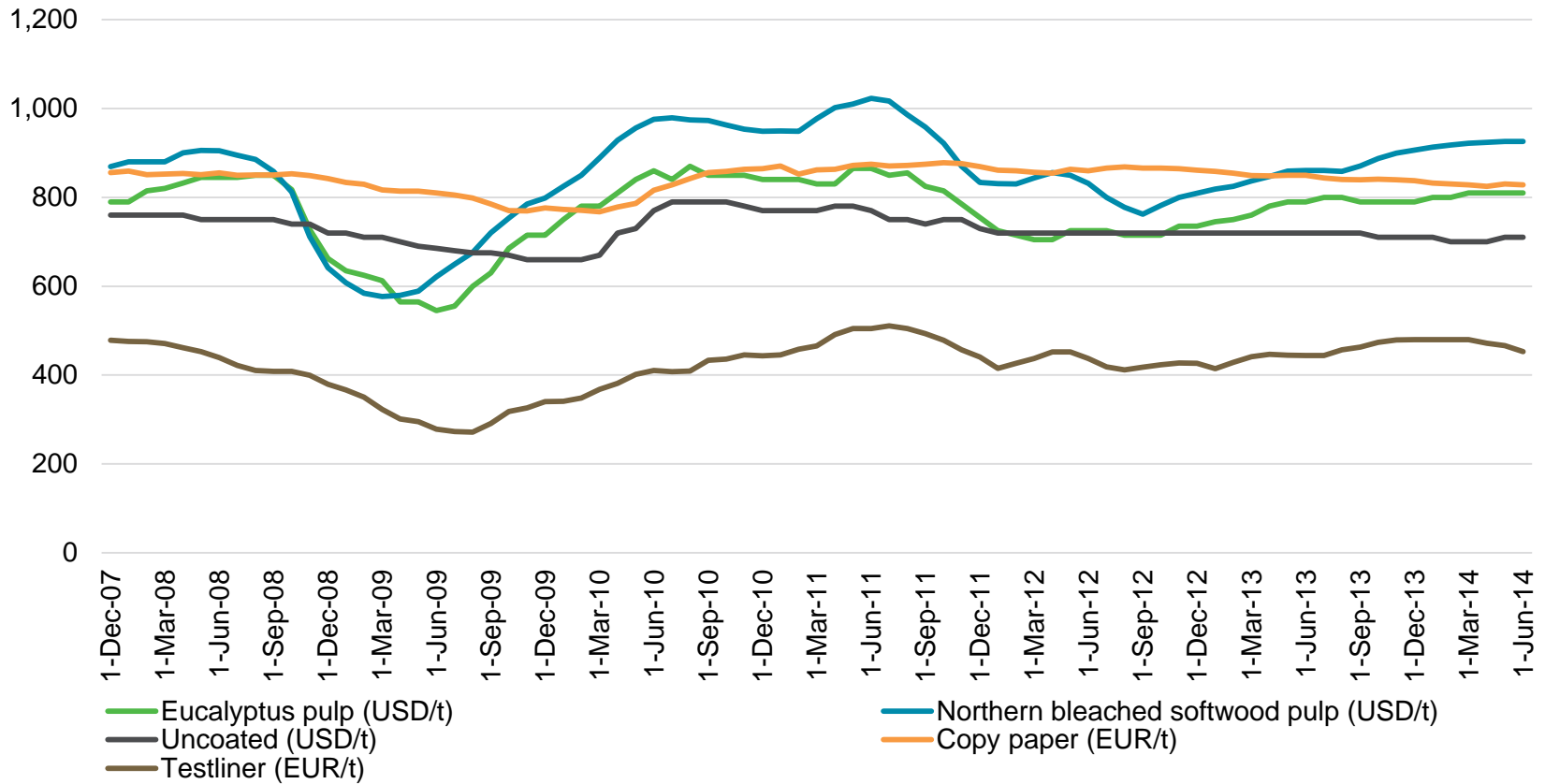


Asia-Pacific



Source: RISI

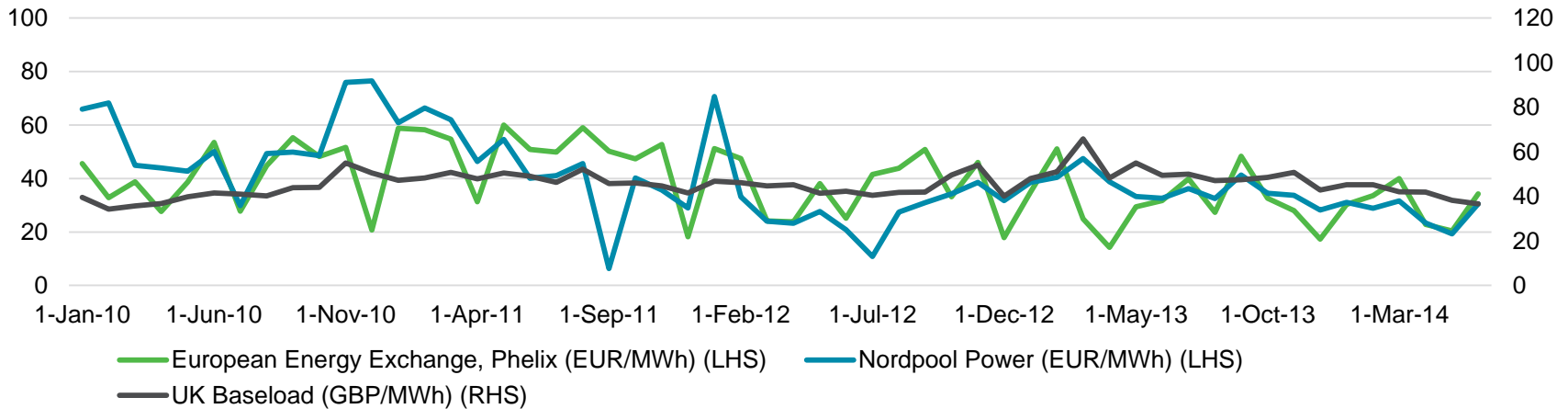
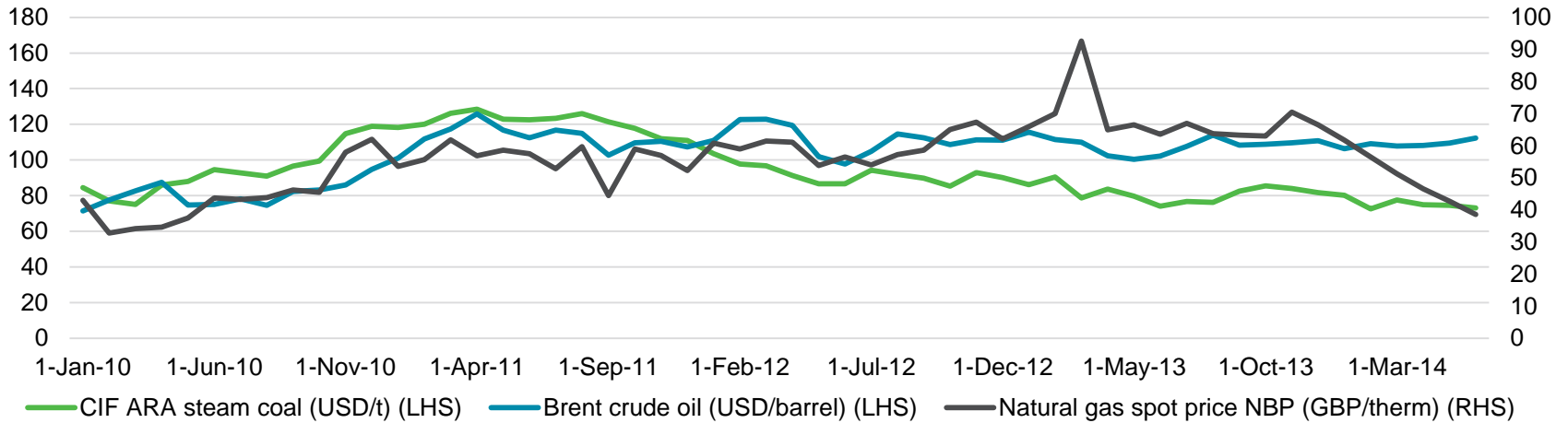
Pulp and paper price trends



Source: Bloomberg

Crude oil, steam coal, natural gas and electricity

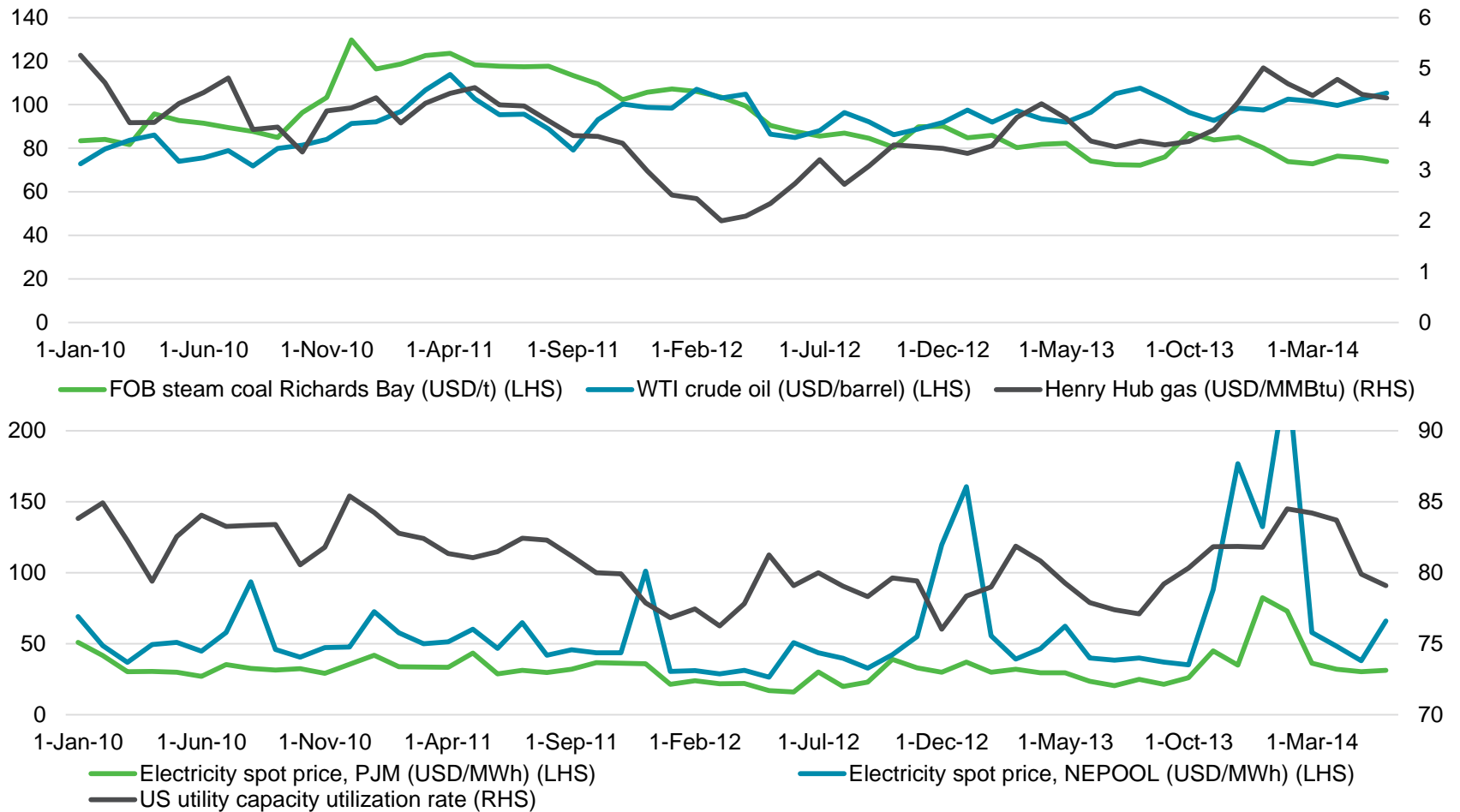
Europe



Source: Bloomberg

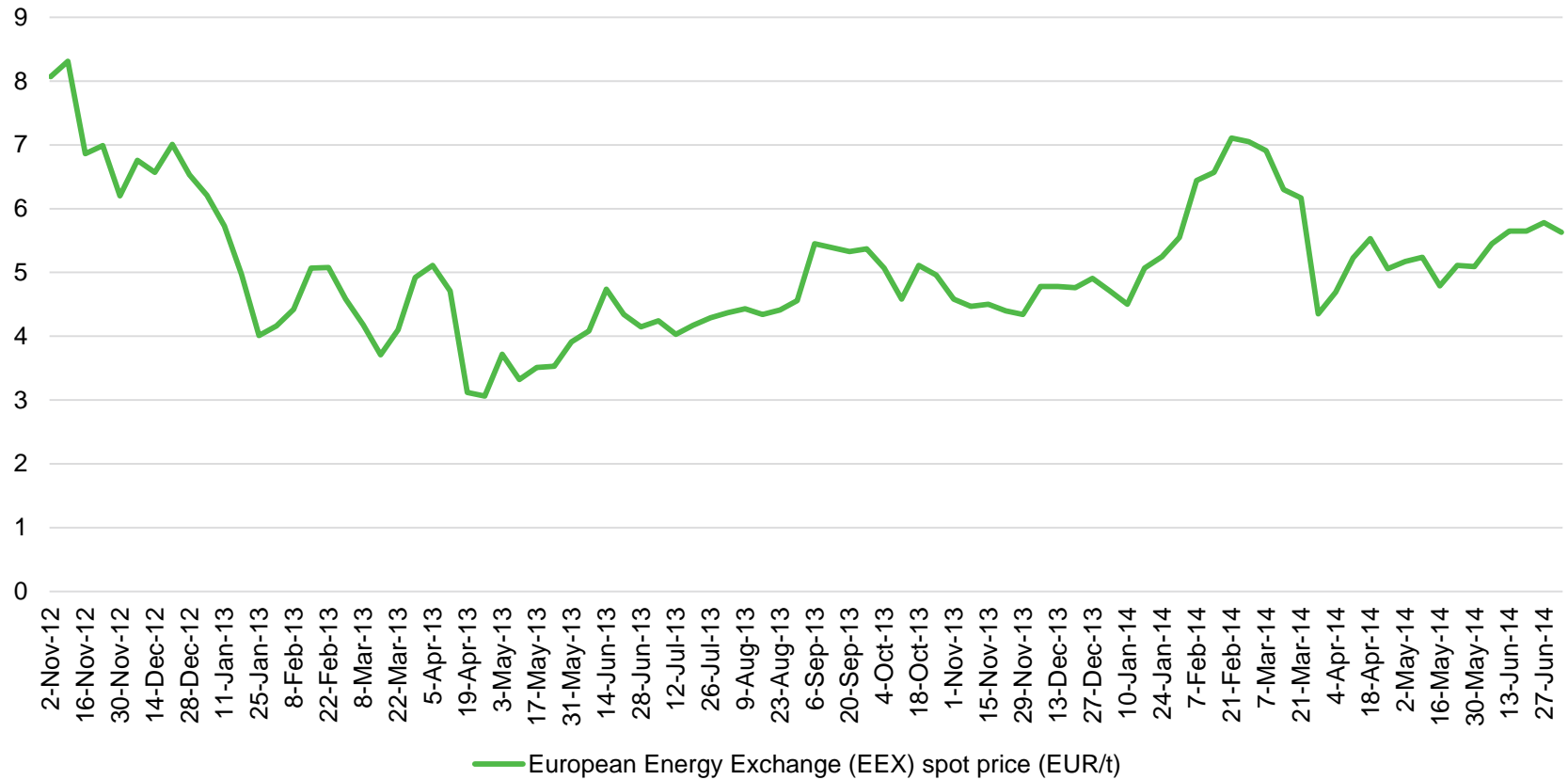
Crude oil, steam coal, natural gas and electricity

United States



Source: Bloomberg

European Carbon Emission Allowance



Source: Bloomberg

