



Moving forward after strong 2014

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President and CEO

Annual General Meeting
March 27, 2015

Agenda

Annual General Meeting 2015

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- 2 Performance in 2014
- 3 Valmet's strategy and financial targets
- 4 Automation
- 5 Investment highlights
- 6 Guidance and short-term market outlook
- 7 Summary





Valmet in brief

A leading service and technology company

Strong market position in all markets served

Stable, growing and profitable services business

Strong capital business with high technological know-how

2014 figures

Orders received EUR 3,071 M

Net sales EUR 2,473 M

EBITA¹ EUR 106 M

Employees 10,464

Market position

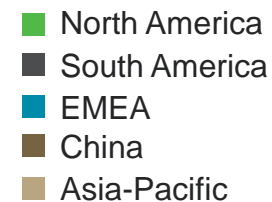
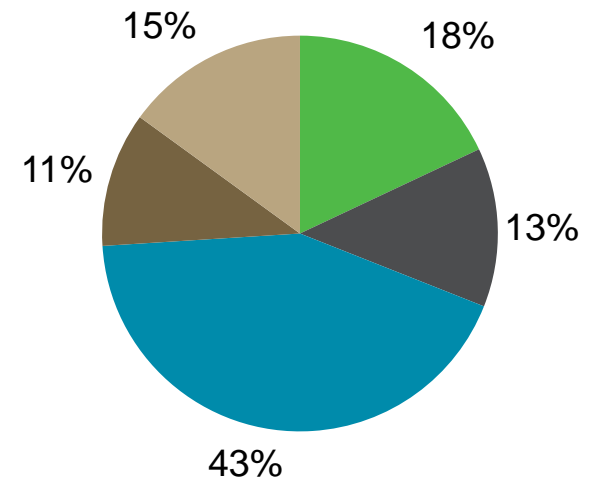
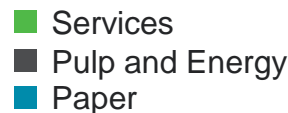
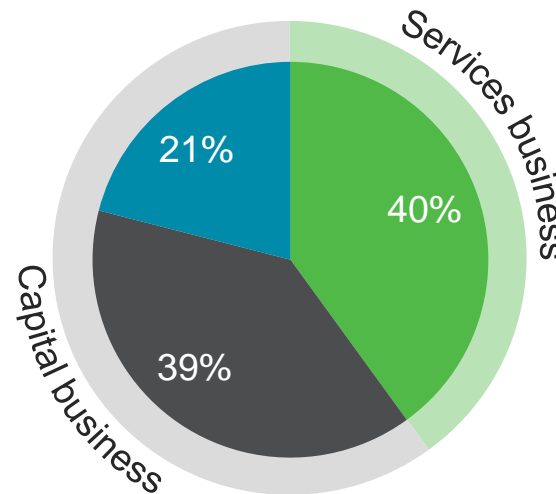
#1-2 Services

#1-2 Pulp

#1-3 Energy

#1-2 Paper, board, tissue

Net sales (2014)



1) EBITA before non-recurring items

Our three business lines serve the same customer base



Services

Net sales 1.0 bn, 40%

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



Pulp and Energy

Net sales 1.0 bn, 39%

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

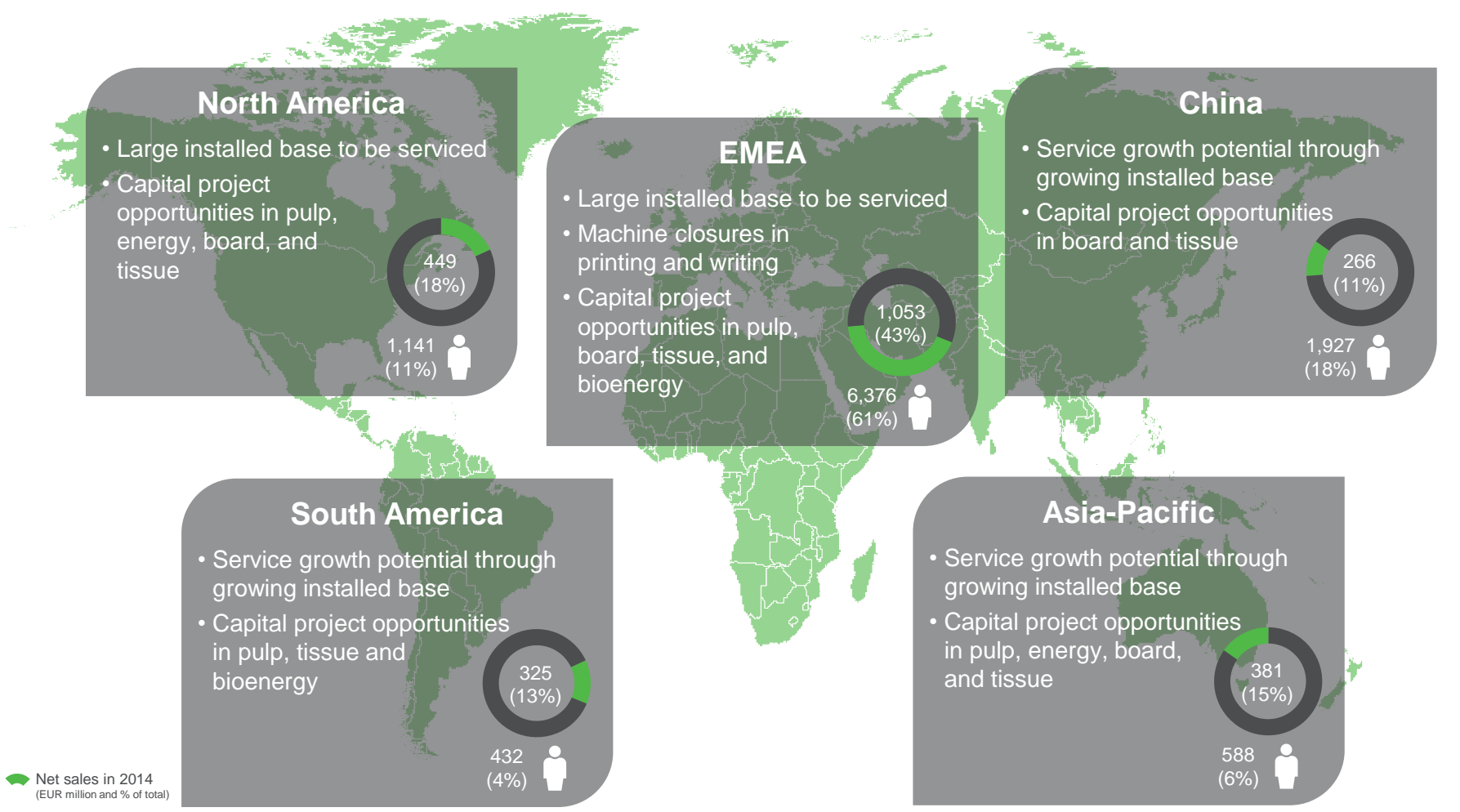


Paper

Net sales 0.5 bn, 21%

- Technologies and solutions for
- Board production
 - Tissue production
 - Paper production

Strong global presence – good platform for growth



Net sales in 2014
(EUR million and % of total)

Employees as at December 31, 2014
(number of employees and % of total)



Serving global customer base



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Performance in 2014

Summary of the year 2014

A successful first year as an independent company

EUR million	2014	2013	Change
Orders received	3,071	2,182	41%
Order backlog	1,998	1,398	43%
Net sales	2,473	2,613	-5%
EBITA ¹	106	54	94%
% of net sales	4.3%	2.1%	
Earnings per share, EUR	0.31	-0.42	
Dividend per share, EUR	0.25²	0.15	67%
Cash flow provided by operating activities	236	-43	
Gearing at the end of period	-21%	0%	






1) Before non-recurring items

2) Proposal made by the Board of Directors




Good development in sustainability key figures

Environmental and social responsibility

	2014	2013	Change
 CO ₂ emissions (1,000 t)	84	100	-16%
 Energy (TJ)	1,253	1,374	-9%
 Waste (1,000 t)	40	32	26%
 Water (1,000 m ³)	3,302	3,824	-14%
 Lost-time incident frequency (LTIF) ¹	5.5	6.5	-15%

1) Valmet employees per million hours worked





Valmet's strategy and financial targets

Valmet's way forward

Our Mission

Converting renewable resources into sustainable results

Our 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.

Our Must-Wins

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

Our Vision

To become the global champion in serving our customers

Our Values create and strengthen our culture

Customers - We move our customers' performance forward

Renewal – We promote new ideas to create the future

Excellence – We improve every day to deliver results

People – We work together to make a difference

Megatrends

- Need for renewable solutions
- Bio-economy and climate change
- Increase in standards of living

Financial targets

Growth



Net sales growth to exceed market growth

Profitability



EBITA¹ before non-recurring items: 6–9%

ROCE

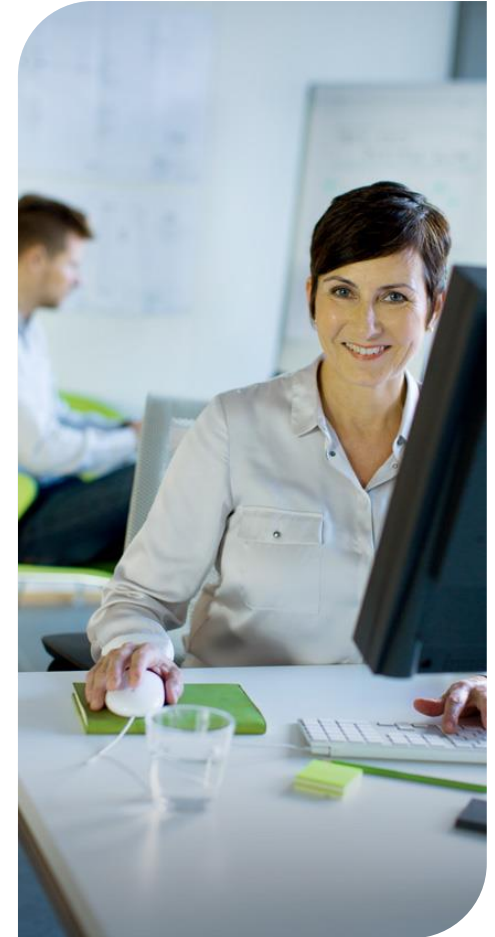


Return on capital employed (pre-tax),
ROCE²: minimum of 15%

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)



Automation

Valmet becomes a stronger company as a result of the acquisition of Process Automation Systems

The acquisition was announced on January 15, 2015

The acquisition has an excellent strategic fit

- Combination of Valmet and Automation creates a unique customer offering
- Automation is a strong, established business
- Acquisition makes Valmet more stable and more profitable





Investment highlights

Investment highlight summary

1 **Strong market position** in growing markets

2 **Growing, profitable and stable** service and automation business with **EUR 1.3 billion sales**

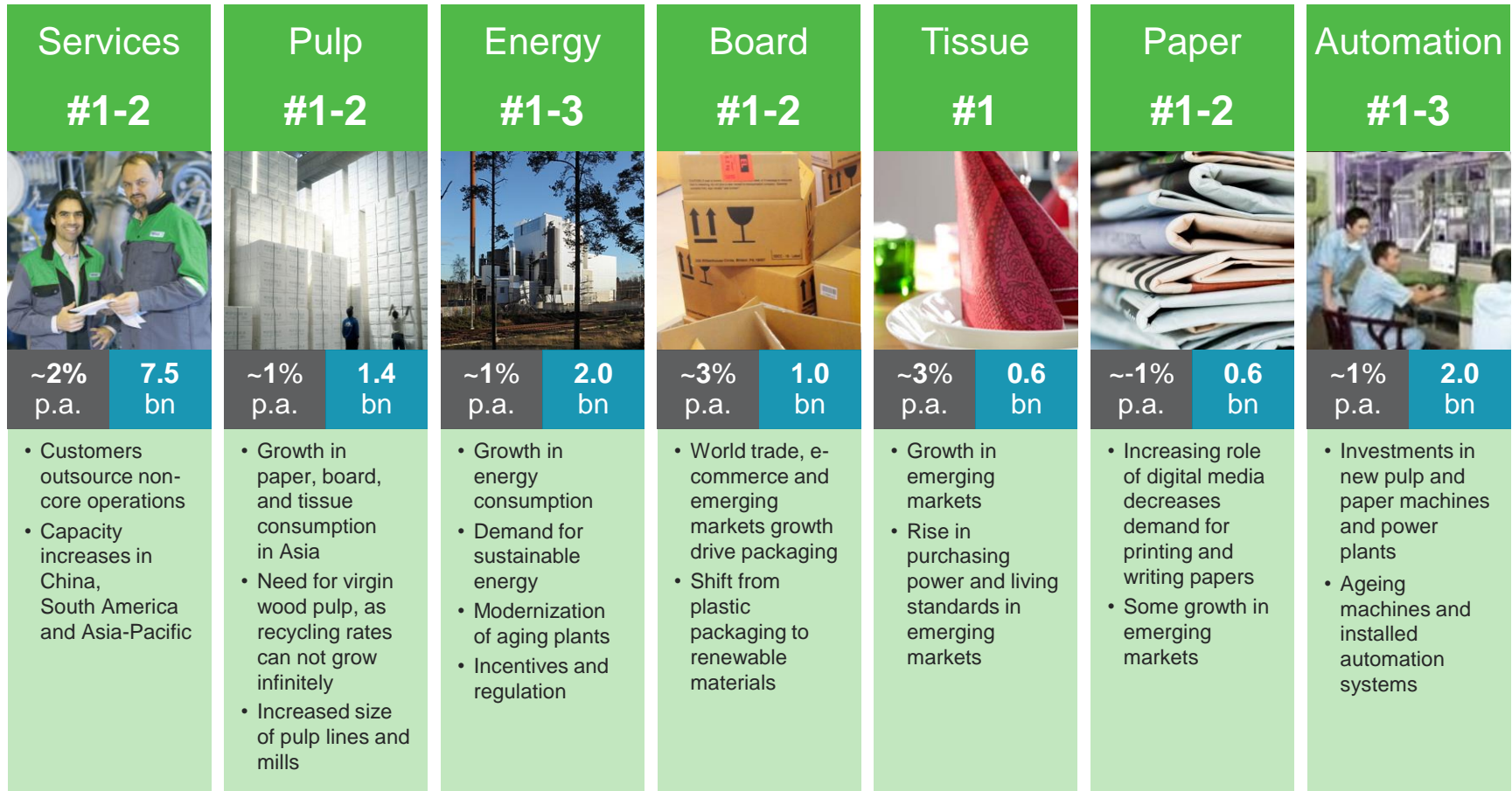
3 Strong in cyclical capital business with long-term **growth potential** and **increased flexibility in cost structure**

4 **Unique offering** with process technology, automation and services

5 Continued **focus on profitability**, more **effort into renewal**



Strong market position in growing markets



~12,000 professionals working globally close to customers

Source: Leading consulting firms, RISI, management estimates

■ Anticipated long-term market growth

■ Estimated market size for current offering (EUR)

Growing, profitable and stable service and automation business with EUR 1.3 billion sales



Growing

- Services net sales growth on average over 3% p.a. during the last 5 years
- Slight growth in Automation net sales over the last 10 years

Profitable

- Relatively stable margins in Automation during the last 10 years, EBITA margin 10–12%

Stable

- Services and Automation together approximately EUR 1.3 billion of stable business

Strong in cyclical capital business with long-term growth potential and increased flexibility in cost structure



Pulp and Energy

Market position:

#1-3

Headcount reduction¹:

~500

Capacity cost reduction:

10%

(Capacity cost to sales 24% in 2014)



Paper

Market position:

#1-2

Headcount reduction¹:

~800

Capacity cost reduction:

20%

(Capacity cost to sales 47% in 2014)



1) Reduction in number of employees during 2014

Unique offering with process technology, automation and services



- Valmet becomes a technology and service company with full automation offering
- Strengthened competitiveness from combining paper, pulp and power plant technology, process know-how and automation
- Full scope offering gives better differentiation from competitors

The completion of the transaction is subject to approval by the competition authorities.

Continued focus on profitability, more effort into renewal

Continued focus on profitability improvement measures

- Improve project and service margin
- Reduce quality costs and lead times
- Savings in procurement
- Continue to improve cost competitiveness
- Improve cost competitiveness to increase gross profit

Increased focus on renewal

- Constant improvement of technology and offering
- Results in research and development, e.g. OptiConcept M
- Improvement in customer relations
- Development of personnel
- Acquiring Process Automation Systems renews Valmet and strengthens know-how





Guidance and short-term market outlook

Guidance and short-term market outlook unchanged

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

Guidance for 2015



Valmet estimates that, including the acquisition of Process Automation Systems¹, 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).

1) The completion of the acquisition of Process Automation Systems is subject to approval by the competition authorities

Short-term market outlook (as given on February 6, 2015)

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



Summary

Summary

Moving forward after strong 2014

- Strong market position in growing markets
- Growing, profitable and stable service and automation business with EUR 1.3 billion sales
- Strong in cyclical capital business with long-term growth potential and increased flexibility in cost structure
- Unique offering with process technology, automation and services
- Continued focus on profitability, more effort into renewal



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