

Valmet – unique offering with process technology, automation and services

Investor Lunch
March 17, 2016

Kari Saarinen, CFO

Agenda

Investor lunch

1 Valmet's 2015 in brief

2 Investment highlights

3 Area development

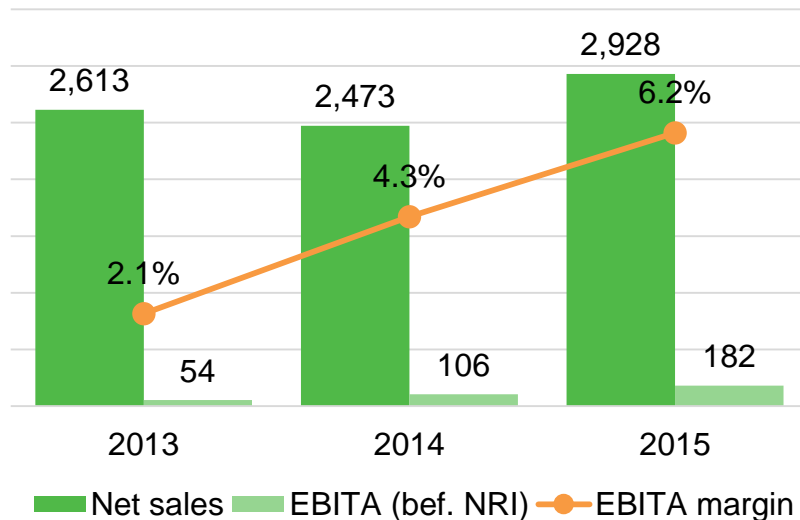
4 Conclusions



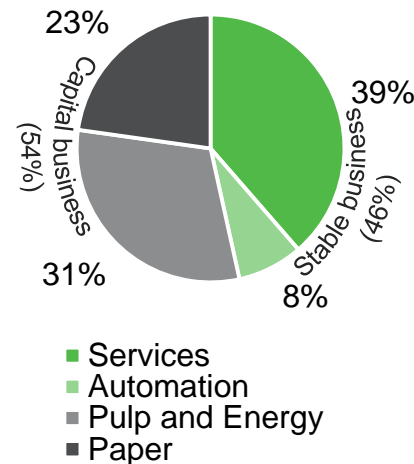
Valmet's 2015 in brief

Valmet's development

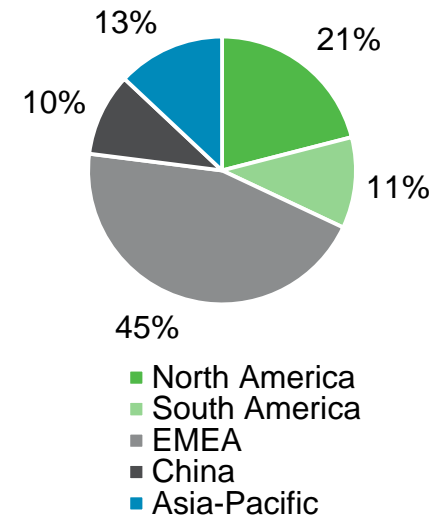
Net sales, EBITA (before non-recurring items), EBITA margin (EUR million and %)



Net sales by business line (2015)



Net sales by area (2015)



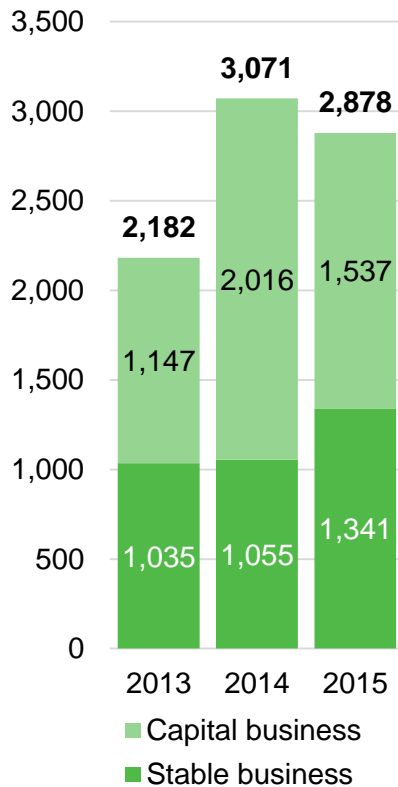
Key figures in 2015



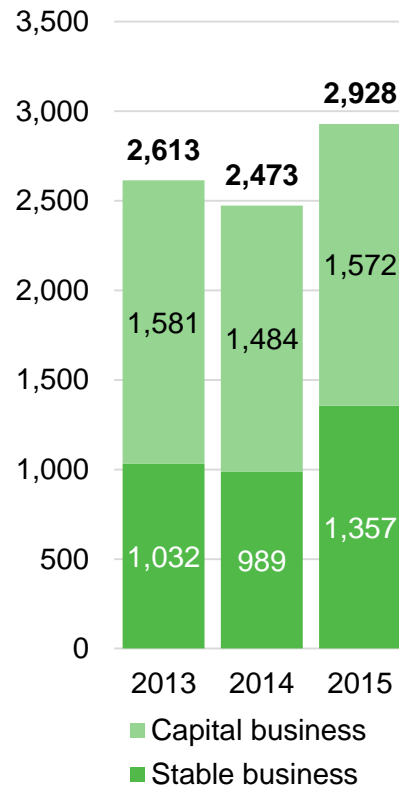
1) NRI = non-recurring items
Stable business = Services and Automation business lines
Capital business = Pulp and Energy, and Paper business lines

Valmet's development

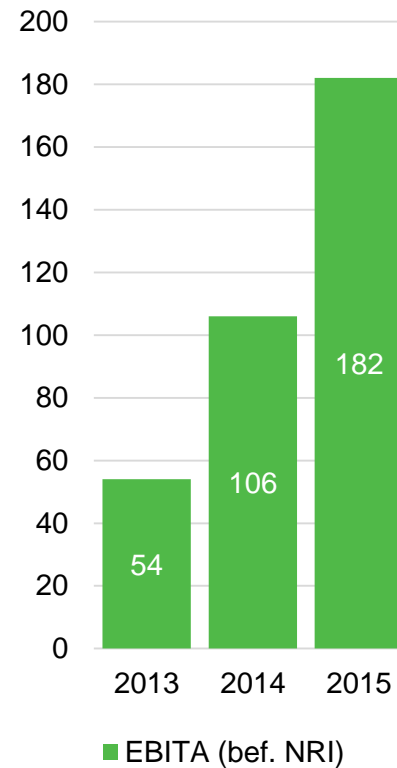
Orders received
(EUR million)¹



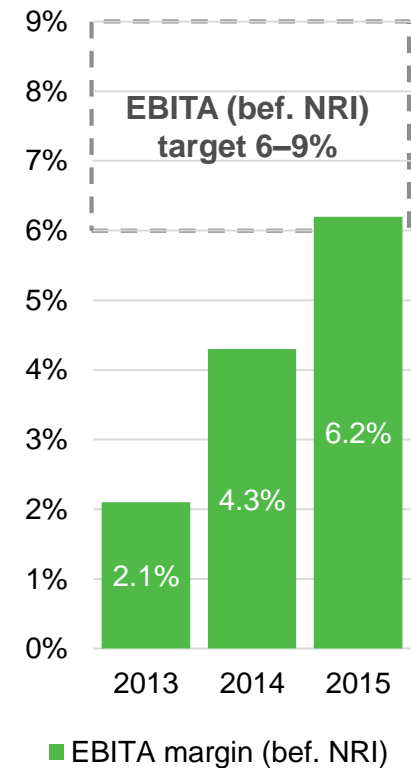
Net sales
(EUR million)¹



EBITA
(before non-recurring items, EUR million)¹



EBITA margin
(before non-recurring items, %)¹

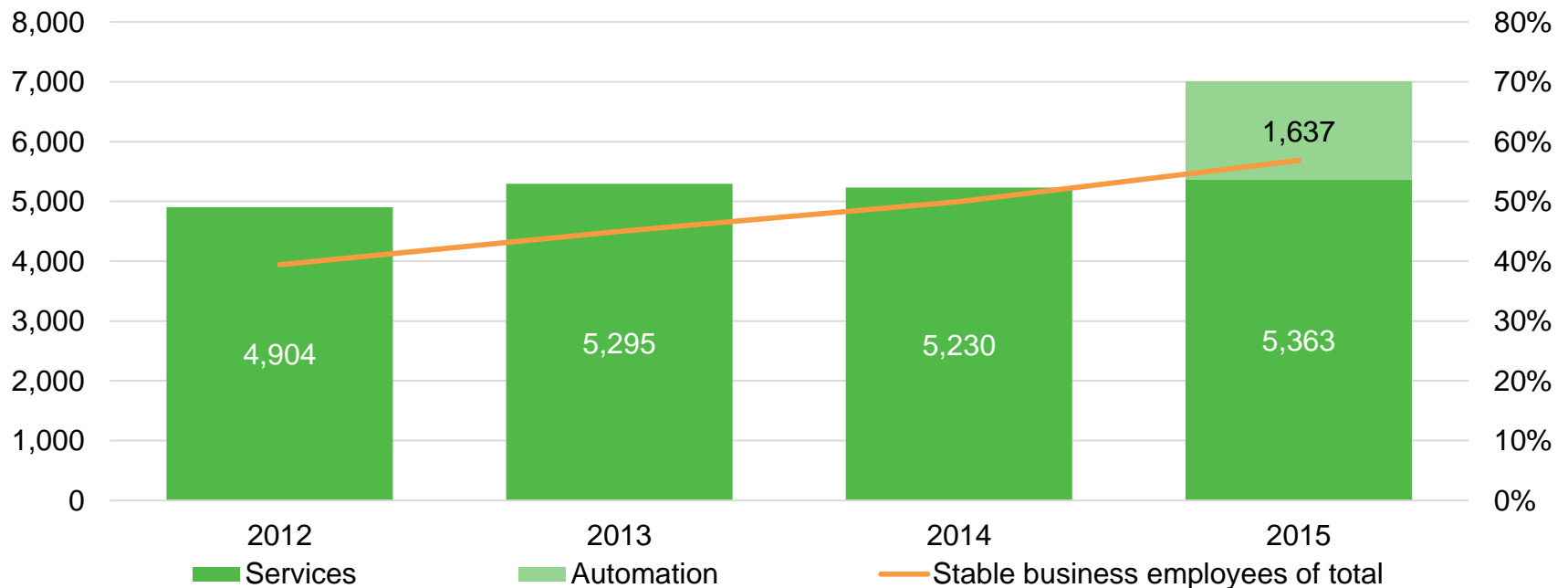


1) 2013 figures on carve-out basis
Stable business = Services and Automation business lines
Capital business = Pulp and Energy, and Paper business lines

Setting the stage for future growth

Employees in stable business has increased

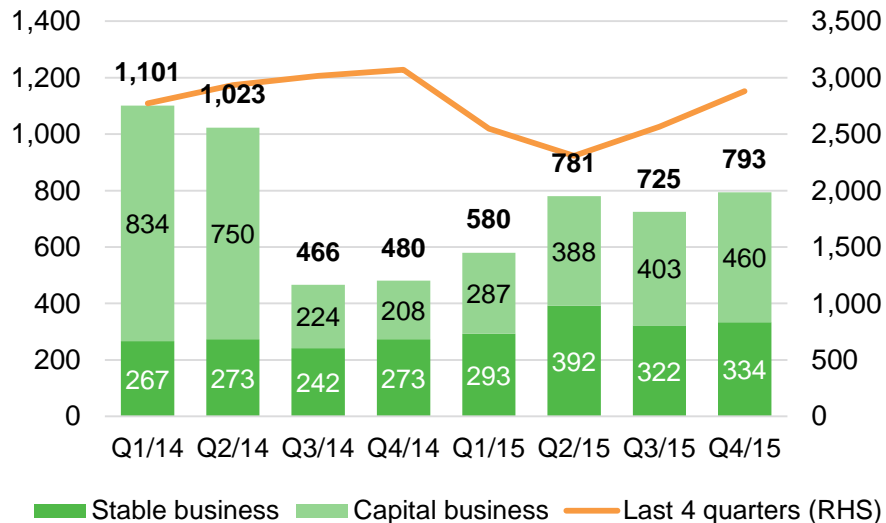
Number of employees and percent of Valmet total



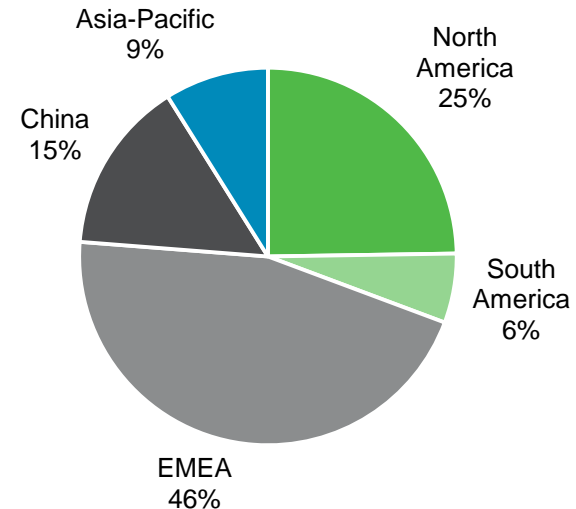
- Having enough people close to customers and at customers' mills is key in growing the business
- Number of stable business employees has increased
- Share of stable business employees of Valmet total has increased

Orders received EUR 2.9 billion in 2015, stable business orders received EUR 1.3 billion

Orders received (EUR million), split by stable and capital business



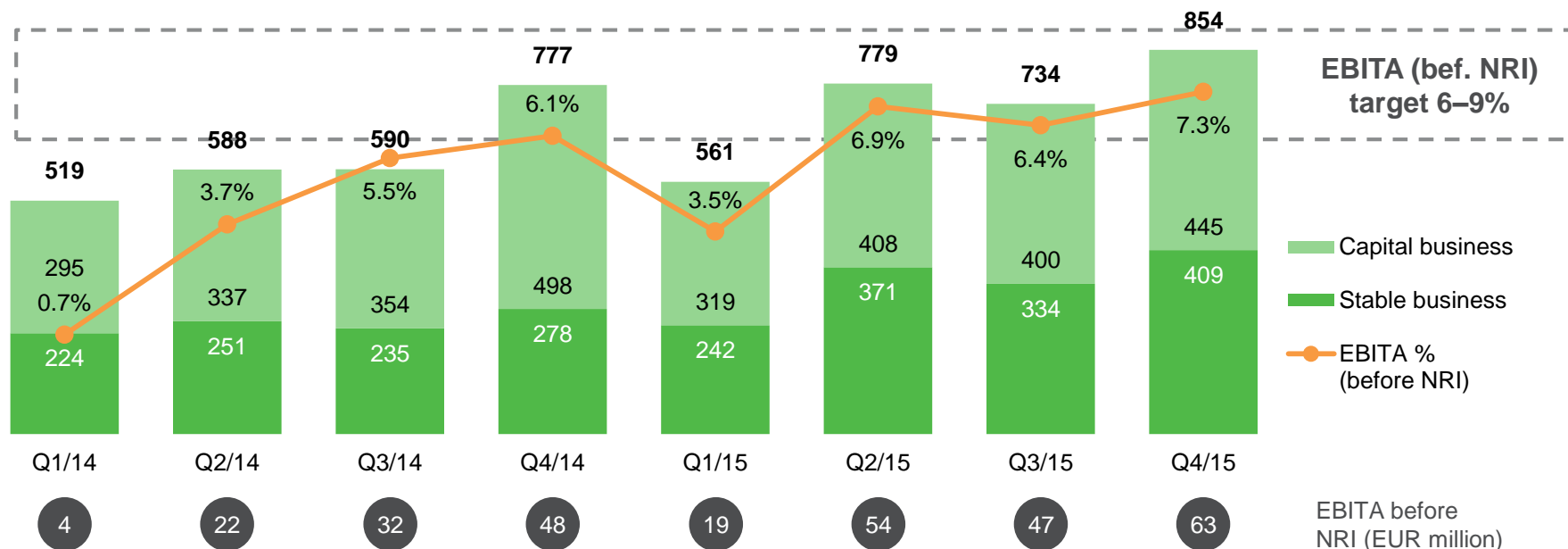
Orders received in 2015 (EUR million), by area



- Stable business orders increased to EUR 1.3 billion in 2015, corresponding to 47% of all orders received
- Capital business orders decreased to EUR 1.5 billion in 2015, corresponding to 53% of all orders received
- North America and EMEA accounted for 71% of orders received in 2015

EBITA margin in the targeted range

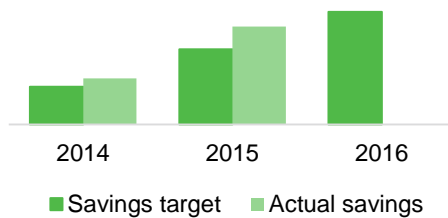
Net sales and EBITA before NRI (EUR million)



- Net sales and profitability increased compared with Q4/2014
 - Profitability improved due to increased net sales in Services and Paper business lines, improved gross profit, and the acquisition of Automation
- Net sales typically lowest in the first quarter of the year

Results in 'Excellence in processes'

Procurement

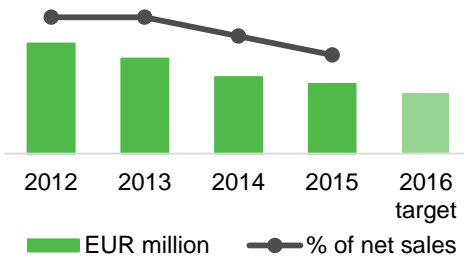


Target to save 10% in procurement by the end of 2016 (baseline 2013)

Results in 2015

- 2015 target exceeded
- Procurement activity has increased in all main cost-competitive areas: China, India, Eastern Europe and Mexico

Quality costs

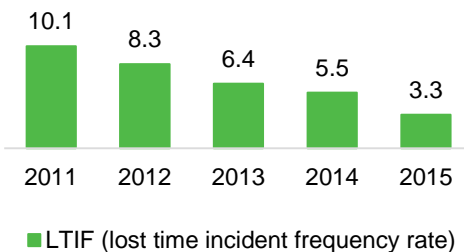


Target to reduce quality costs by 50% by the end of 2016 (baseline 2012)

Results in 2015

- 2015 results in line with target
- Active Lean training on all levels
- Over 100 Lean projects in process
- Change in quality mindset in all parts of the organization

Health and safety



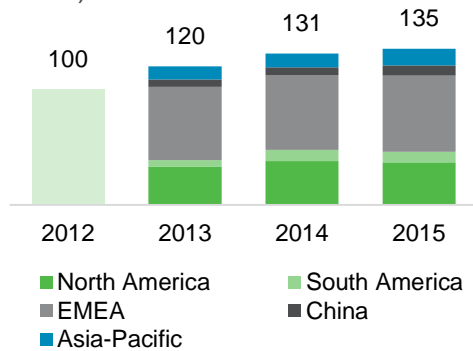
Target to reduce LTIF to <2 by the end of 2018

Results in 2015

- Focus on improving preventative safety measures, reinforcing safety awareness and leadership, and harmonizing health, safety and environment practices in customer project deliveries globally

Results in 'Customer excellence'

Services sales from long-term agreements (indexed)

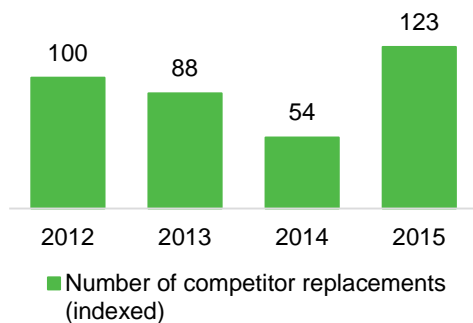


Sales from long-term agreements have increased by 35% in 3 years

Results in 2015

- Sales from long-term agreements increased 3 percent in 2015

Number of Automation competitor replacements (indexed)



Focus on competitor replacements has yielded results

Results in 2015

- Number of Automation competitor replacements more than doubled in 2015

Sustainability



Achievements in 2015

- Systematic execution of Valmet's sustainability agenda with five focus areas
- Year's focus in Sustainable supply chain program to ensure compliance, reduce negative impacts and support key suppliers towards more sustainable business operations
 - 100% of global supplier base assessed through sustainability risk evaluation tool
 - 11,000 suppliers informed globally of Valmet's sustainability requirements
 - 41 supplier sustainability audits executed to top spend & high risk country suppliers with certified 3rd party
 - 380 Valmet procurement professionals received sustainability training
- Valmet maintains its position among the world's sustainability leaders in Dow Jones Sustainability Index
- Sustainability reporting according to global G4 Core level with 3rd party assurance on data since 2010
- Renewed Code of Conduct and related processes

Focus in 2016

- Renew sustainability agenda for 2016–2018 compatible with industry and stakeholder requirements
- Focus continues in developing more sustainable business practices in Valmet's supply chain through a comprehensive program

Guidance and short-term market outlook

Guidance for 2016

Guidance for 2016



Valmet estimates that net sales in 2016 will remain at the same level with 2015 (EUR 2,928 million) and EBITA before non-recurring items in 2016 will increase in comparison with 2015 (EUR 182 million).

Short-term market outlook

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

The short-term market outlook is given for the next six months from the ending of the respective quarter.



Investment highlights

Investment highlight summary

- 1 **Strong market position** in growing markets
- 2 **Stable business**, with **EUR 1.4 billion** of net sales, offering **stability, growth** and **profitability**
- 3 **Strong market position** in **capital business**, with **cost structure** to meet **business requirements**
- 4 **Technology leader** with **unique offering**
- 5 Systematically **developing** the **company** and **profitability** with **Must-Wins**

Stable business = Services, and Automation business lines
Capital business = Pulp and Energy, and Paper business lines



Strong market position in growing markets

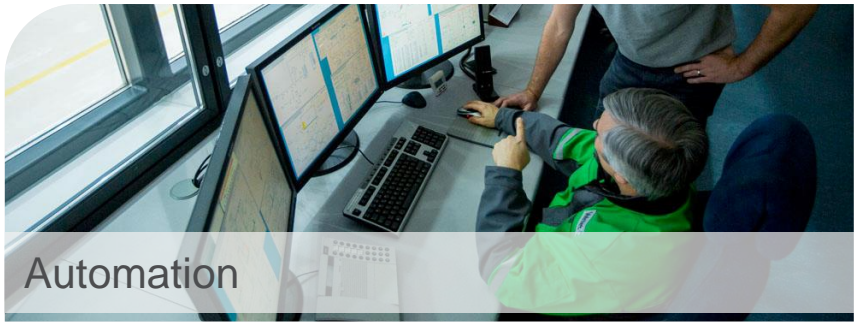
Services #1-2	Automation #1-3	Pulp #1-2	Energy #1-3	Board #1	Tissue #1	Paper #1
~2% p.a. 7.5 bn	~1% p.a. 2.0 bn	~1% p.a. 1.4 bn	~1% p.a. 2.0 bn	~3% p.a. 1.0 bn	~3% p.a. 0.6 bn	~1% p.a. 0.6 bn
<ul style="list-style-type: none"> Customers outsource non-core operations Capacity increases in China, South America and Asia-Pacific 	<ul style="list-style-type: none"> Investments in new pulp and paper machines and power plants Ageing machines and installed automation systems Demand for intelligent technology 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Growth in energy consumption Demand for sustainable energy Modernization of aging plants Incentives and regulation 	<ul style="list-style-type: none"> World trade, e-commerce and emerging markets growth drive packaging Shift from plastic packaging to renewable materials Demand for light-weight board globally 	<ul style="list-style-type: none"> Growth in emerging markets Rise in purchasing power and living standards in emerging markets 	<ul style="list-style-type: none"> Increasing role of digital media decreases demand for printing and writing papers Some growth in emerging markets
39% of net sales	8% of net sales	20% of net sales	11% of net sales	12% of net sales	8% of net sales	3% of net sales

■ Anticipated long-term market growth
 ■ Estimated market size for current offering (EUR)
 ■ Market drivers
 ■ % of net sales (2015)

Source: Leading consulting firms, RISI, management estimates



Stable business, with EUR 1.4 billion of net sales, offering stability, growth and profitability

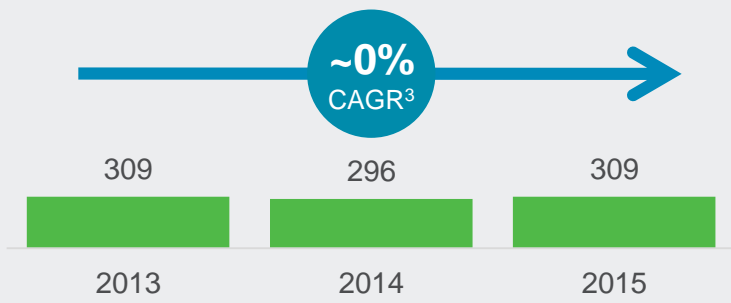
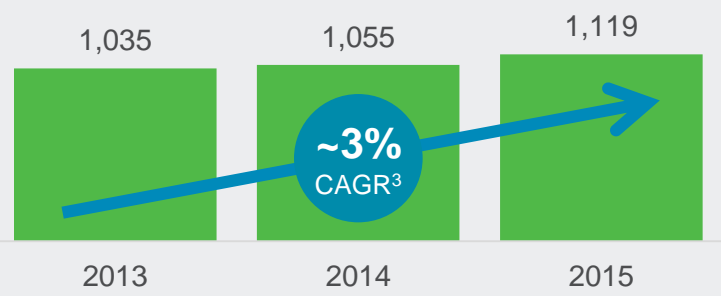


Services

Automation

Orders received¹ (EUR million)

Orders received² (illustrative, EUR million)



- Target to continue to grow

- Target to turn to growth

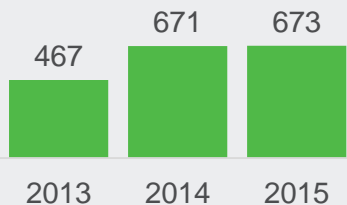
1) 2013 figures on a carve-out basis.
 2) Automation 2013, 2014 and Q1/2015 figures are stand-alone figures based on Metso's reported figures and pro forma figures excluding Process Automation Systems and are therefore indicative only. Q2/2015–Q4/2015 figures are Automation business line figures, including internal net sales. In 2015, Automation contributed to Valmet's orders received by EUR 222 million.
 3) CAGR = Cumulative annual growth rate



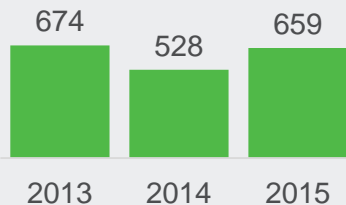
Strong market position in capital business, with cost structure to meet business requirements



Orders received¹
(EUR million)



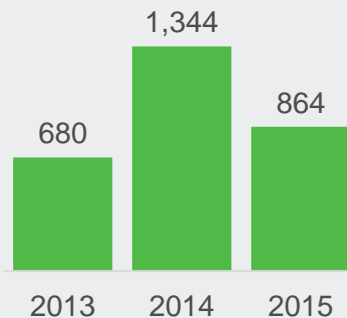
Net sales¹
(EUR million)



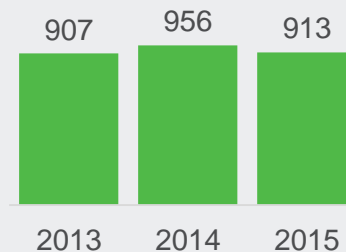
- Paper business line on a new, balanced level
- Capacity cost² to net sales was **41%** in 2015



Orders received¹
(EUR million)



Net sales¹
(EUR million)



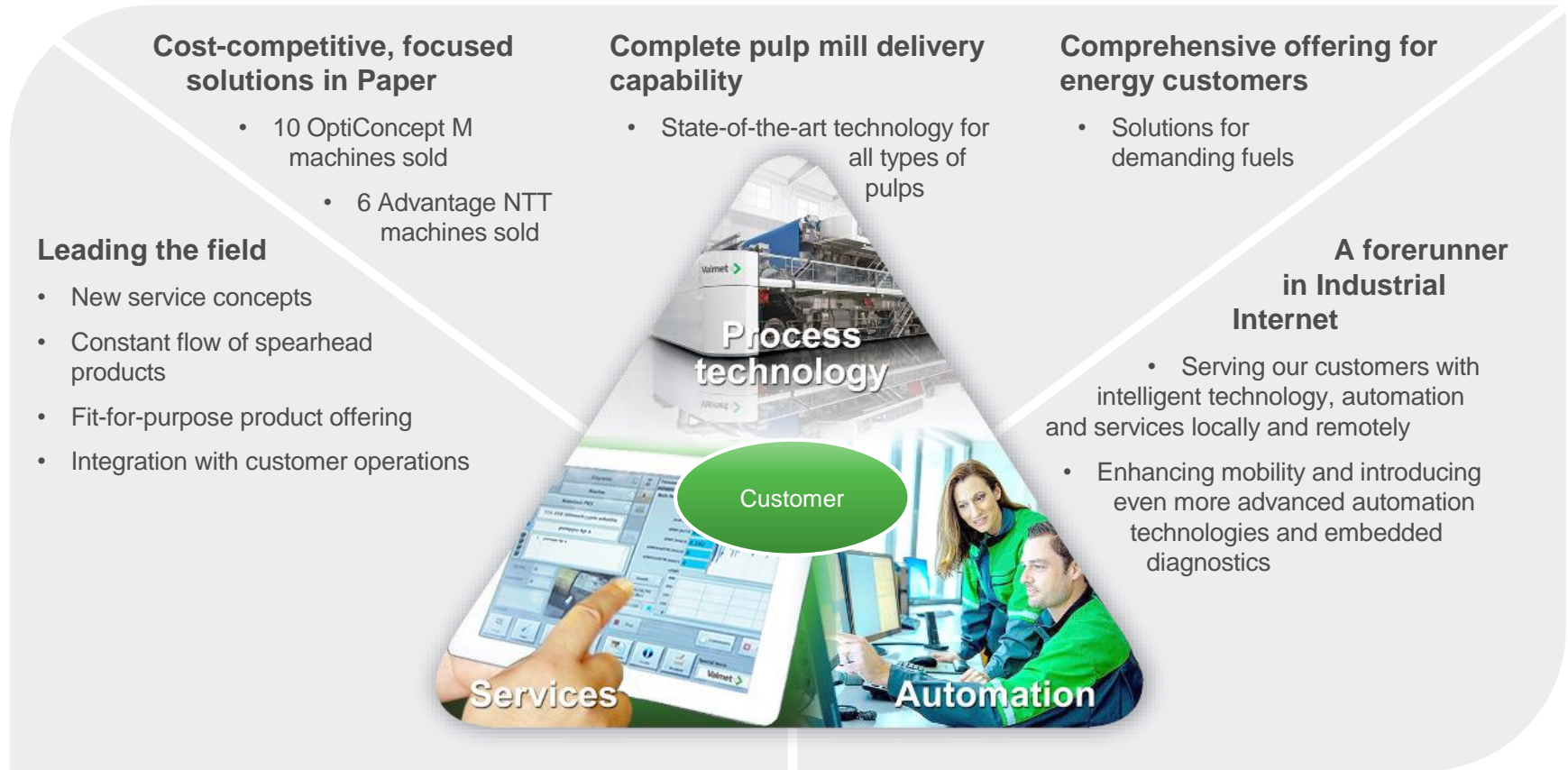
- High cyclicality in orders received, net sales more stable
- Valmet is prepared for the cyclicality with high flexibility in the cost structure: capacity cost² to net sales was **24%** in 2015

1) 2013 figures on a carve-out basis

2) Capacity cost means total fixed type of own costs which generally do not vary with production levels and which are based on present normal capacity, e.g. wages & salaries, rents & leases, estates & equipment, travel, common functions, telecom expenses, insurances and other outside services

Technology leader with unique offering

Acquisition of Automation strengthened Valmet's offering



Strong focus on customer benefits

Systematically developing the company and profitability with Must-Wins

Must-Wins

Customer excellence

Leader in technology and innovation

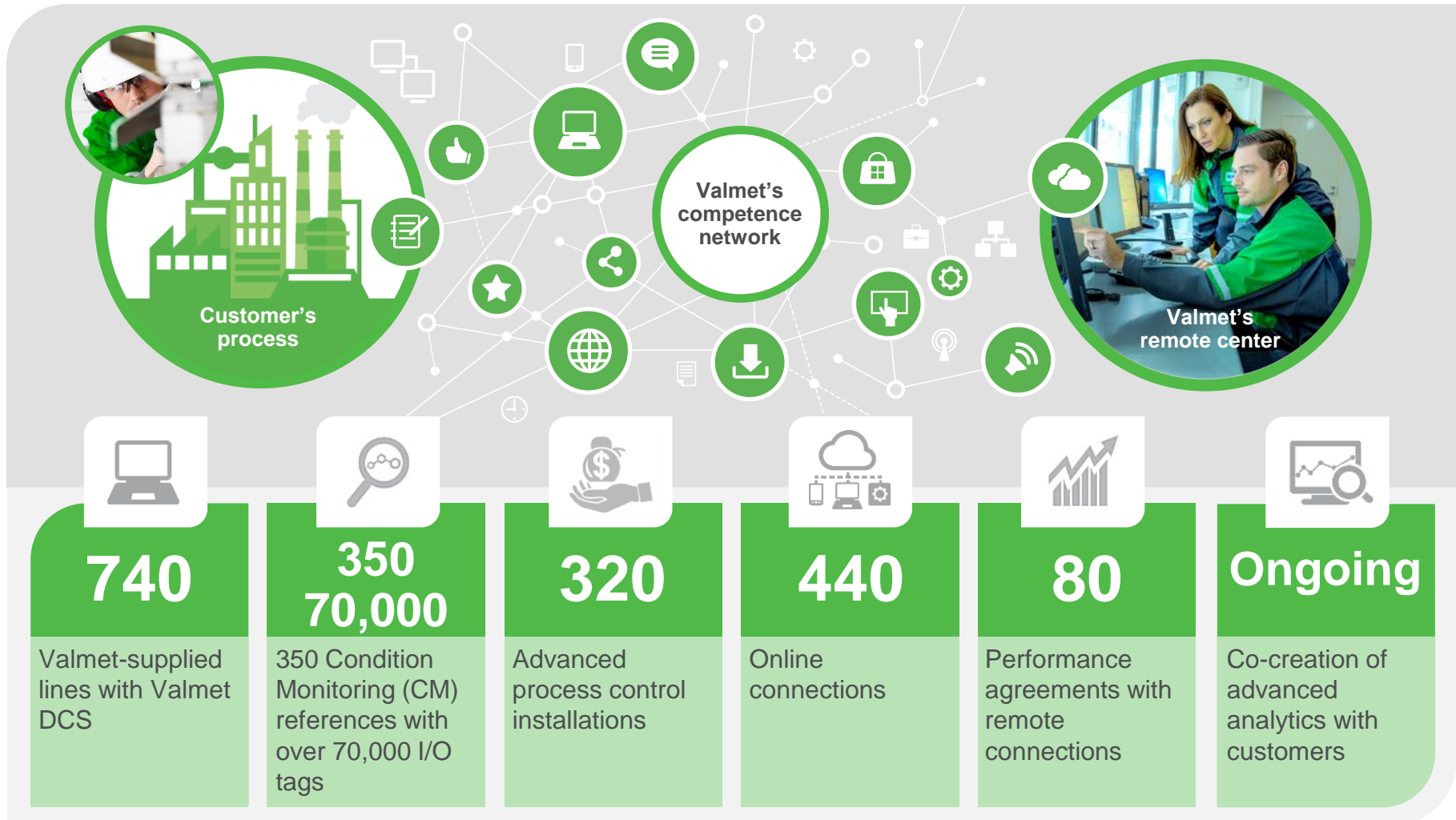
Excellence in processes

Winning team

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
-
- Improve product cost competitiveness to increase gross profit and reduce customer investment and operational costs
 - Develop new products and technologies to create new revenue
-
- 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
-
- Nurture shared values
 - Drive high performance
 - Continue globalization of our capabilities

Today, customers are extensively utilizing our Industrial Internet capabilities



Enhancing mobility and introducing even more advanced technologies

Today

We serve our customers with intelligent technology, automation and services locally and remotely

- Fully automated, intelligent machines with connectivity for Industrial Internet
- The Valmet DNA automation platform connects instruments, analyzers, vision systems and process controls
- Advanced Process Control enables real time optimization of core processes
- Expert support locally and through remote services
- Performance optimization and support agreements

2016–2018

We enhance mobility and introduce even more advanced automation technologies and embedded diagnostics

- Growing fleet of intelligent machines and mills leveraged
- More diagnostics embedded into processes
- Next generation analytics introduced to selected processes
- Valmet DNA evolves to include virtual and cloud-based applications and services
- Integrated customer portal and mobility enable secure access to all information and expertise anytime and anywhere
- Advanced benchmarking and best practice sharing tools



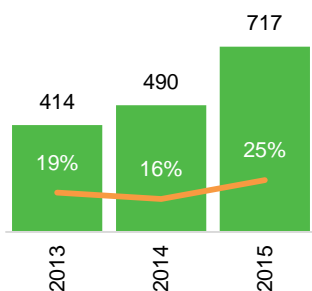


Area development

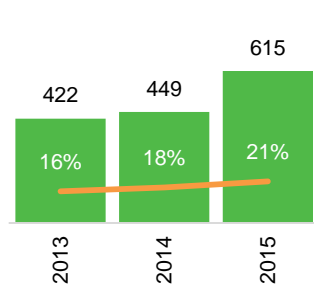
North America

Mature services focused market with recurring opportunities in paper, tissue and automation

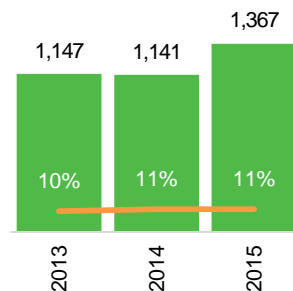
Orders received
(EUR million and % of total)



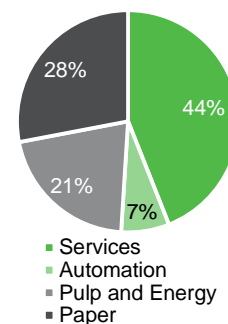
Net sales
(EUR million and % of total)



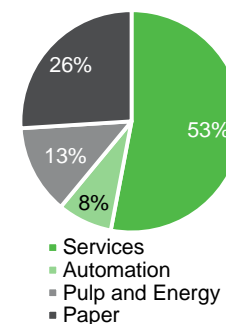
Employees
(number and % of total)



Orders received by business line (2015)



Net sales by business line (2015)



Market characteristics

- Mature, services-focused market with recurring opportunities in paper, tissue and automation
- Large installed base to be served
- Opportunities in customer agreement-based business
- Growth opportunities in increased outsourcing
- Capital project opportunities in tissue and board
- Capital project activity at high level

Valmet's position and competition

- Strong position and market share in Valmet's targeted technology businesses
- Well-established stable business
- Key competitors: Voith, Andritz, Emerson, ABB, Honeywell and US services players Albany, Xerium, Kadant, Asten Johnsson

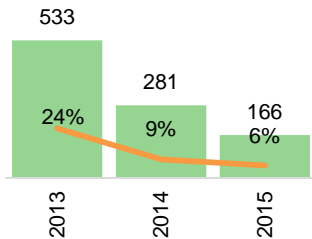
Target market size:
EUR **2.9** bn

2013 figures on a carve-out basis. Automation business line figures included as of Q2/2015.

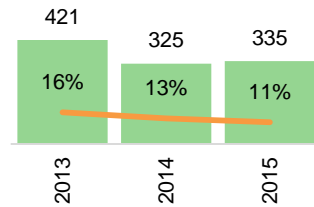
South America

Cyclical capital business relies on new pulp projects. Services, board and tissue provide growth opportunities

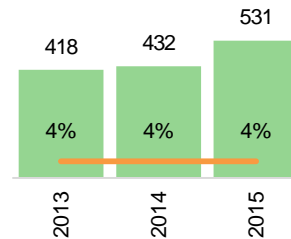
Orders received
(EUR million and % of total)



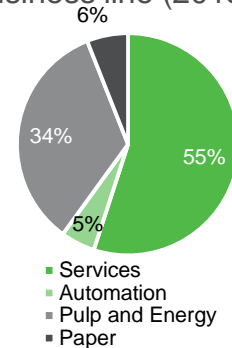
Net sales
(EUR million and % of total)



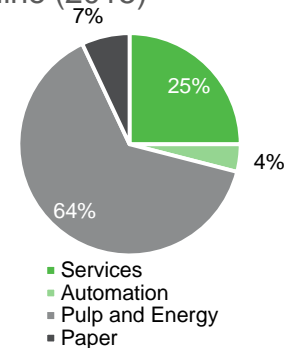
Employees
(number and % of total)



Orders received by business line (2015)



Net sales by business line (2015)



Market characteristics

- Cyclical capital business relies on new pulp projects
- Services, tissue and selected board applications provide growth opportunities
- Services growth potential through growing installed base and demand for more efficient customer operations
- Growing interest in optimization projects regarding e.g. energy, chemicals savings; efficiency of operations and availability of equipment

Valmet's position and competition

- Valmet has a strong position and installed basis in Pulp mills and Services
- Strong competition with local and global players in all businesses (Services, Pulp, Paper and Energy)
- Fierce competition with Andritz for large new pulp projects
- Local presence and solutions important

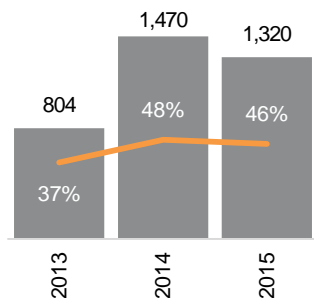
Target market size:
EUR 1.5 bn

2013 figures on a carve-out basis. Automation business line figures included as of Q2/2015. Automation business line figures included as of Q2/2015.

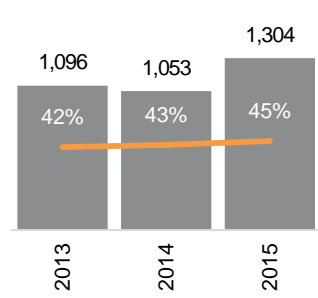
EMEA

Valmet's largest and most important area with significant services and technology markets in all Valmet's businesses

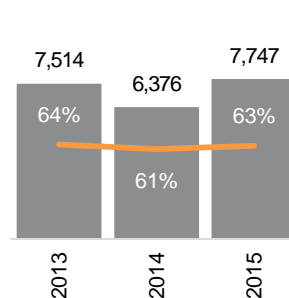
Orders received
(EUR million and % of total)



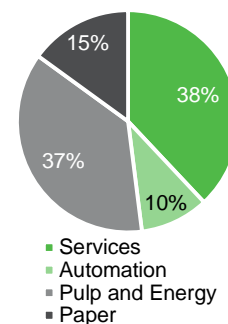
Net sales
(EUR million and % of total)



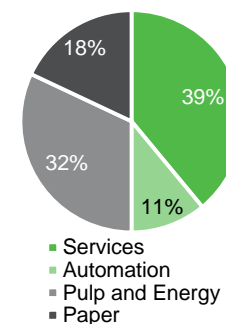
Employees
(number and % of total)



Orders received by
business line (2015)



Net sales by business
line (2015)



Market characteristics

- Valmet's largest and most important area with significant services and technology markets in all Valmet's businesses
- Large installed base to be served
- Growth opportunity in customer agreement-based business
- Declining printing and writing business, potential in conversions
- Capital project opportunities in board, pulp, tissue and bioenergy
- Uncertainties in regulation and low energy price postpone customers' decision making

Valmet's position and competitors

- Valmet has a strong position both in both capital business and services
- Small players have strengthened their offering through acquisitions

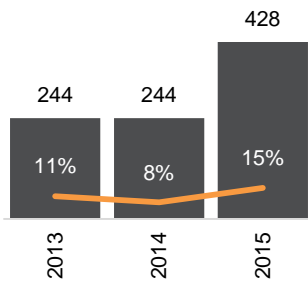
Target market
size:
EUR **6.0** bn

2013 figures on a carve-out basis. Automation business line figures included as of Q2/2015.

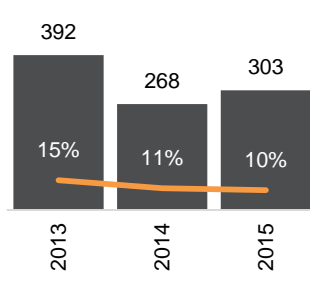
China

Capital business at new normal level, growth opportunities in Services

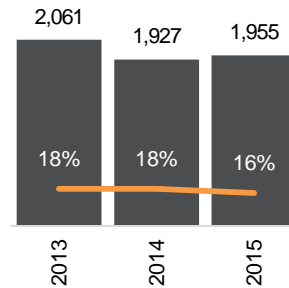
Orders received
(EUR million and % of total)



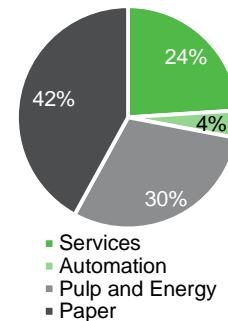
Net sales
(EUR million and % of total)



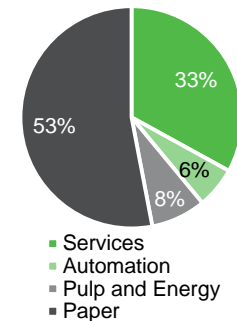
Employees
(number and % of total)



Orders received by
business line (2015)



Net sales by business
line (2015)



Market characteristics

- Market for capital projects flat and cyclical while services market growing
- Capital project opportunities in board and tissue, investments especially in lower-cost mid-sized machines and rebuilds
- Developing services market with growth potential through increasing installed base and aging machinery

Valmet's position and competition

- Valmet has a strong position in Paper. Recent successes with modular board machine (OptiConcept M)
- Continued competition: new competitors in mid-size segment, local competitors strengthening through partnering with western companies
- Large Valmet-installed base

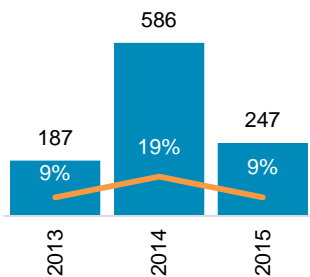
Target market
size:
EUR 2.1 bn

2013 figures on a carve-out basis. Automation business line figures included as of Q2/2015.

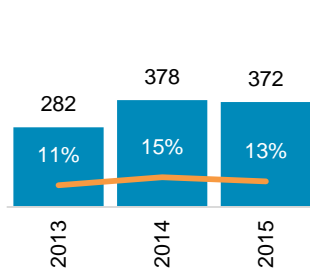
Asia-Pacific

Developing services market with growth potential

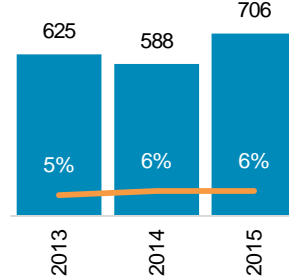
Orders received
(EUR million and % of total)



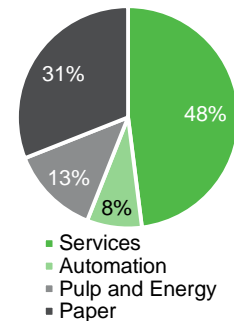
Net sales
(EUR million and % of total)



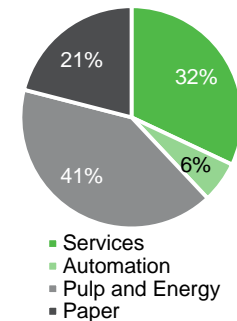
Employees
(number and % of total)



Orders received by
business line (2015)



Net sales by business
line (2015)



Market characteristics

- Increased investments in multifuel and plans for renewable energy development
- Capital project opportunities in energy and board through customers' portfolio changes or production line upgrades
- Developing services market with growth potential through capacity increases, larger installed base and higher market share

Valmet's position and competition

- Valmet has strong market position and is increasing its local presence
 - New Technology center in Indonesia
- Competitors are growing their local presence

Target market
size:
EUR 2.6 bn

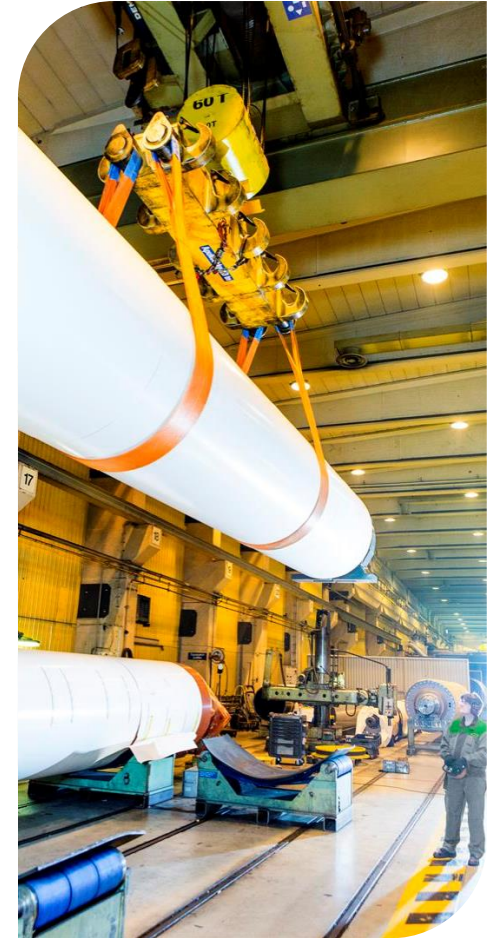
2013 figures on a carve-out basis. Automation business line figures included as of Q2/2015.



Conclusions

Conclusion

- Strong market position in growing markets
- Stable business, with EUR 1.4 billion of net sales, offering stability, growth and profitability
- Strong market position in capital business, with cost structure to meet business requirements
- Technology leader with unique offering
- Systematically developing the company and profitability with Must-Wins



Important notice

IMPORTANT: The following applies to this document, the oral presentation of the information in this document by Valmet (the “Company”) or any person on behalf of the Company, and any question-and-answer session that follows the oral presentation (collectively, the “Information”). In accessing the Information, you agree to be bound by the following terms and conditions.

The Information is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident of, or located in, any locality, state, country or other jurisdiction where such distribution or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction. The Information is not for publication, release or distribution in the United States, the United Kingdom, Australia, Canada or Japan.

The Information does not constitute or form part of, and should not be construed as an offer or the solicitation of an offer to subscribe for or purchase any securities, and nothing contained therein shall form the basis of or be relied on in connection with any contract or commitment whatsoever, nor does it constitute a recommendation regarding any securities. Prospective investors are required to make their own independent investigations and appraisals of the business and financial condition of the Company before taking any investment decision with respect to securities of the Company.

No securities of the Company are being offered or sold, directly or indirectly, in or into the United States and no shares in the Company have been, or will be, registered under the Securities Act of 1933, as amended (the “Securities Act”), or under the securities laws of any state of the United States and, accordingly, may not be offered or sold, directly or indirectly, in or into the United States (as defined in Regulation S under the Securities Act), unless registered under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act and in compliance with any applicable state securities laws of the United States.

The Information is directed solely at: (i) persons outside the United Kingdom, (ii) persons with professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 as amended (the “Order”), (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order and (iv) persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities of the Company or any member of its group may otherwise lawfully be communicated or caused to be communicated (all such persons in (i)-(iv) above being “Relevant Persons”). Any investment activity to which the Information relates will only be available to and will only be engaged with Relevant Persons. Any person who is not a Relevant Person should not act or rely on the Information. By accessing the Information, you represent that you are a Relevant Person.

The Information contains forward-looking statements. All statements other than statements of historical fact included in the Information are forward-looking statements. Forward-looking statements give the Company’s current expectations and projections relating to its financial condition, results of operations, plans, objectives, future performance and business. These statements may include, without limitation, any statements preceded by, followed by or including words such as “target,” “believe,” “expect,” “aim,” “intend,” “may,” “anticipate,” “estimate,” “plan,” “project,” “will,” “can have,” “likely,” “should,” “would,” “could” and other words and terms of similar meaning or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company’s control that could cause the Company’s actual results, performance or achievements to be materially different from the expected results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company’s present and future business strategies and the environment in which it will operate in the future.

No representation, warranty or undertaking, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the Information or the opinions contained therein. The Information has not been independently verified and will not be updated. The Information, including but not limited to forward-looking statements, applies only as of the date of this document and is not intended to give any assurances as to future results. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to the Information, including any financial data or forward-looking statements, and will not publicly release any revisions it may make to the Information that may result from any change in the Company’s expectations, any change in events, conditions or circumstances on which these forward-looking statements are based, or other events or circumstances arising after the date of this document. Market data used in the Information not attributed to a specific source are estimates of the Company and have not been independently verified.

