How Valmet will reach the new financial targets

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Key figures

EUR million	**LTM**	2015	2014	2013
Orders received	**3,012**	2,878	3,071	2,182
Order backlog[1]	**2,106**	2,074	1,998	1,398
Net sales	**3,044**	2,928	2,473	2,613
Comparable EBITA	**197**	182	106	54
% of net sales	**6.5%**	6.2%	4.3%	2.1%
EBITA	**181**	157	94	-32
Operating profit (EBIT)	**140**	120	72	-59
% of net sales	**4.6%**	4.1%	2.9%	-2.2%
Earnings per share, EUR	**0.60**	0.51	0.31	-0.42
Comparable return on capital employed (ROCE), before taxes	**12%**	14%	10%	
Cash flow provided by operating activities	**116**	78	236	-43
Gearing	**27%**	21%	-21%	0%

LTM = Last twelve months (July 1, 2015 – June 30, 2016)
2013 figures on carve-out basis

New financial targets from 2017 onwards

Growth	• Net sales for stable business to grow over two times the market growth • Net sales for capital business to exceed market growth
Profitability	• Comparable EBITA: 8–10%
ROCE	• Comparable return on capital employed (pre-tax), ROCE[1]: 15–20%
Dividend policy	• Dividend payout at least 50% of net profit

1) ROCE (pre-tax) = (profit before taxes + interests and other financial expenses) / (balance sheet total - non-interest-bearing liabilities)

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Summary of key actions by business

Stable business

- Net sales for stable business to grow over two times the market growth

Key actions in stable business

- Systematic promotion of whole offering – Valmet way to serve
- Localize the engineering resources in growing service areas
- New service center in Indonesia in 2017, strengthened presence in Mexico
- Increase market share in Services in Central and Eastern Europe
- Continue to win market share in pulp and paper via automation competitor replacements
- Grow DCS market share in Automation

Capital business

- Net sales for capital business to exceed market growth

Key actions in capital business

- Improve market share and solution competitiveness in pulp mills and rebuilds
- Expand global market presence in heat and power generation
- Maintain #1 position in the paper market, especially in North America and EMEA
- Increase market share in Paper in South America, grow in Tissue in China and Asia-Pacific

Summary of key actions by area

North America

- Strengthened service presence in Mexico
- Grow automation market share via competitor replacements
- Strengthen the role in pulp rebuilds
- Focus on maintaining #1 position in Paper

EMEA

- Increase services market share in Central and Eastern Europe
- Grow automation market share via competitor replacements
- Capitalize rebuild potential in Pulp, strengthen position in Energy
- Focus on maintaining #1 position in Paper

China

- Strengthen key account management to continue service growth
- New capacity projects in Automation
- Gain leading market share in pulp and develop position in energy
- Reduce capacity cost in production in Paper and grow tissue

South America

- Drive growth through long-term service agreements in pulping
- New capacity projects in Automation
- Capitalize opportunities in pulp mills
- Increase market share in Paper

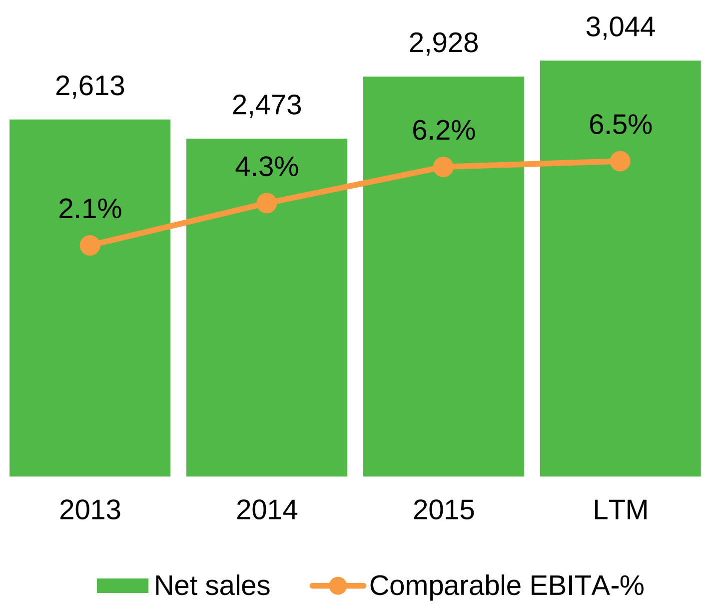
Asia-Pacific

- New service center in Indonesia in 2017
- New capacity projects in Automation
- Capitalize rebuilds in pulp, grow in energy
- Grow in tissue and develop supplier network in India in Paper

Actions to reach EBITA target

Reported EBITA margin in 2015	6.2%
Sales process management	~1%
Project management and project execution	~1%
Procurement & quality	~1%
Technology, R&D and ERP	~1%
Long-term EBITA target	8–10%

Net sales (EUR million) and Comparable EBITA margin (%)



Continuous operational development in 2016

Valmet is continuously developing its operations and fine-tuning its cost structure

China (Paper business line)	• Centralize assembly work to Shanghai • Headcount reduction: ~300
Poland (Services business line)	• Relocation of operations to Portugal • Headcount reduction: ~50
North America and China (Automation business line)	• Restructuring and relocation of operations to Finland • Headcount reduction: ~40

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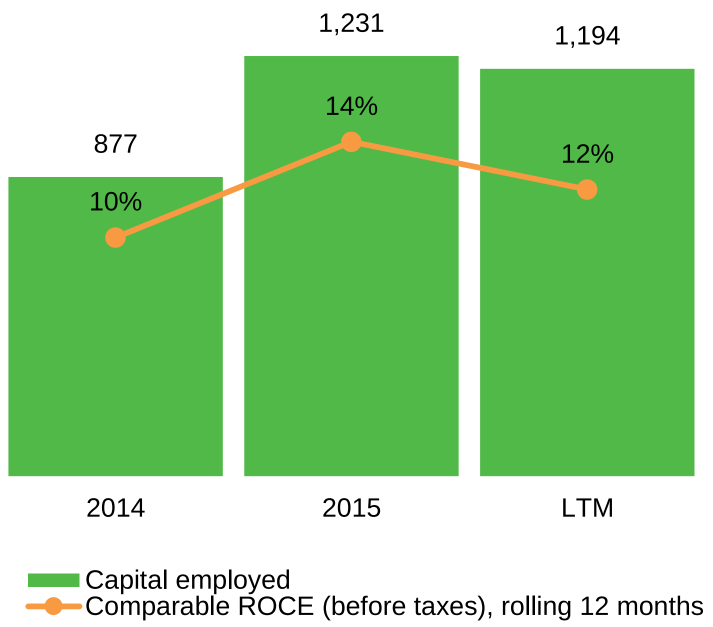
Actions to reach ROCE target

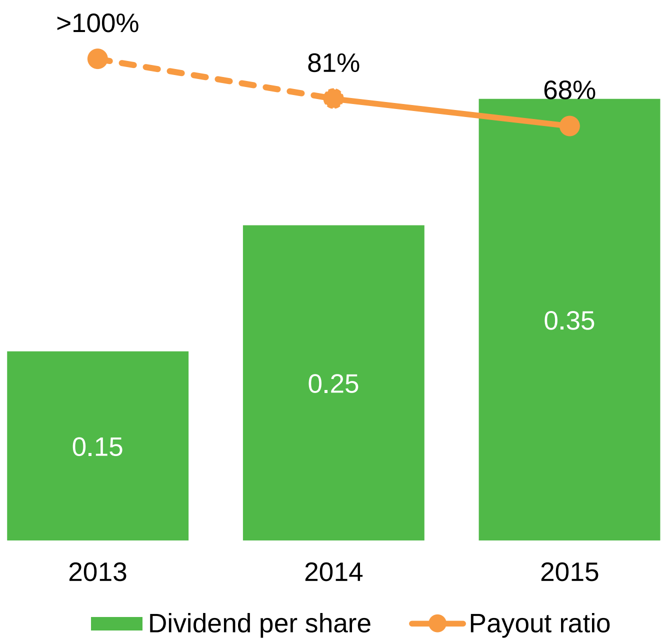
Comparable ROCE in 2015	14%
Profitability improvement • Sales process management • Project management and project execution • Procurement & quality • Technology, R&D and ERP	2–4%
NWC improvement	0.5–2%
Long-term ROCE target	15–20%

Capital employed and Comparable ROCE (before taxes), rolling 12 months (EUR million %)



Dividend and dividend payout ratio

Dividend per share (EUR) and payout ratio (%)



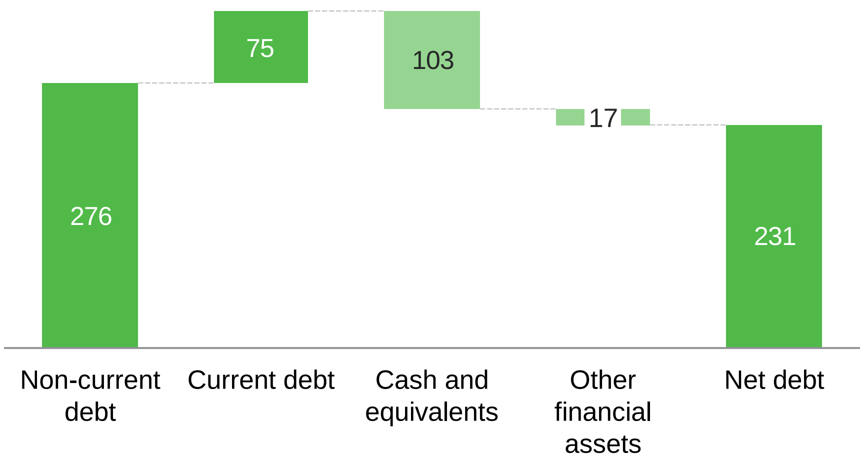
- New dividend target (from 2017 onwards) is to pay out at least 50% of net profit

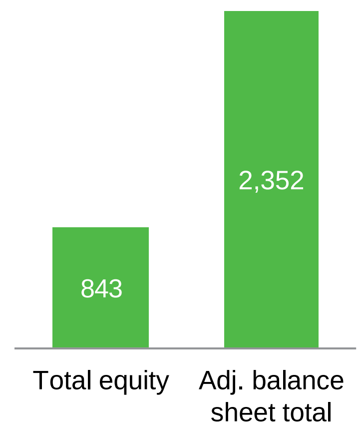
Why increased dividend payout target?

- Payout ratio has been over 40% every year
- Stable business has grown

Strong balance sheet

Financial position as of June 30, 2016 (EUR million)





Net debt
EUR 231 million

Gearing
27%

Equity to assets ratio[1]
36%

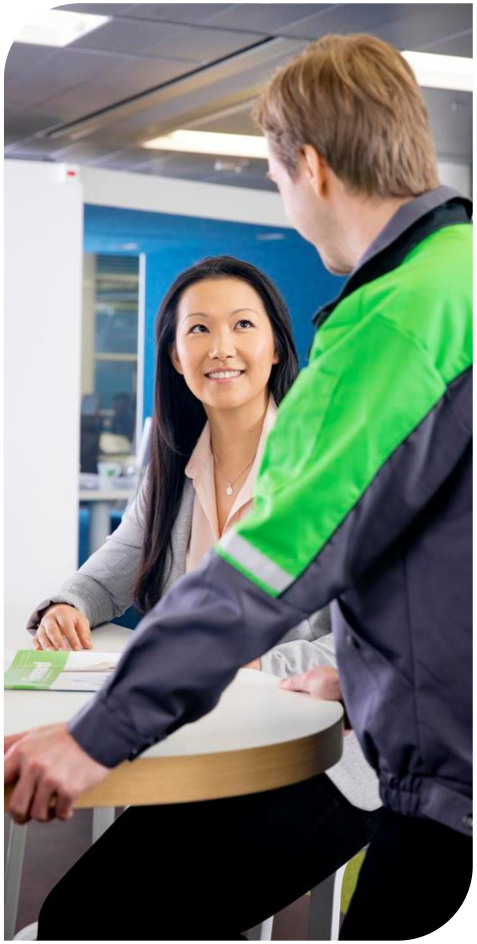
- Valmet has a strong balance sheet that enables it to participate in large projects
- Valmet has its long-term liquidity in place

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

Summary

Growth
- New Valmet way to serve
- Improved sales process
- Leverage strong installed base
- Innovation and new technology development

Profitability
- Reduce procurement and quality costs
- Focus on project management
- R&D and ERP



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FORWARD