Finance update

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Valmet Capital Markets Day
March 19, 2015

Agenda

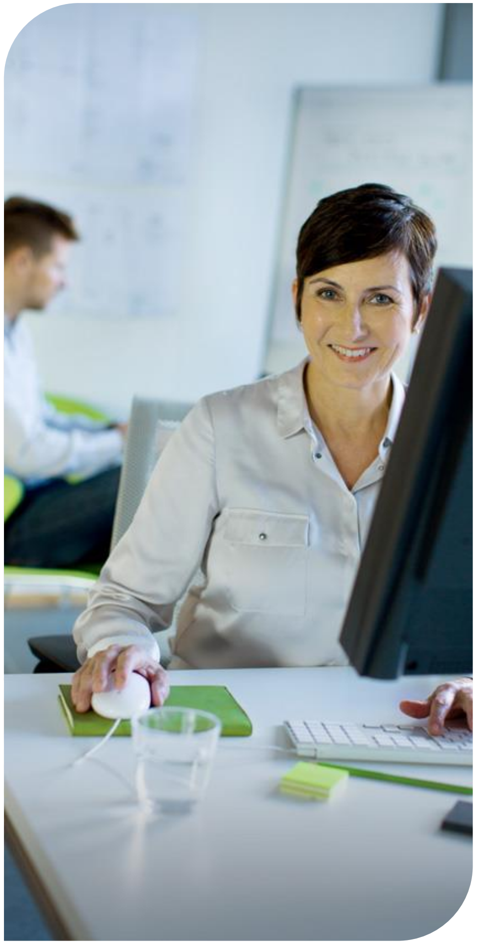
Capital Markets Day 2015

1. Financial targets and recent development
2. Working capital development and cash flow
3. Balance sheet and financing
4. Managing foreign exchange risks
5. Cost structure
6. Outlook and summary

Financial targets and recent development

Financial targets

Growth	Net sales growth to exceed market growth
Profitability	EBITA[1] before non-recurring items: 6–9%
ROCE	Return on capital employed (pre-tax), ROCE[2]: 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)

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Results of EUR 100 million savings program

- Impact on all business lines, especially in the Board and Paper, and Energy business units
- More flexible cost structure
  - Adjustment of capacity
  - Number of employees reduced by approximately 1,600
  - Smaller units closed down
- Selling, general and administrative (SG&A) expenses have decreased
  - At an annual level of approximately EUR 400 million

Result: more flexible cost-structure in capital business

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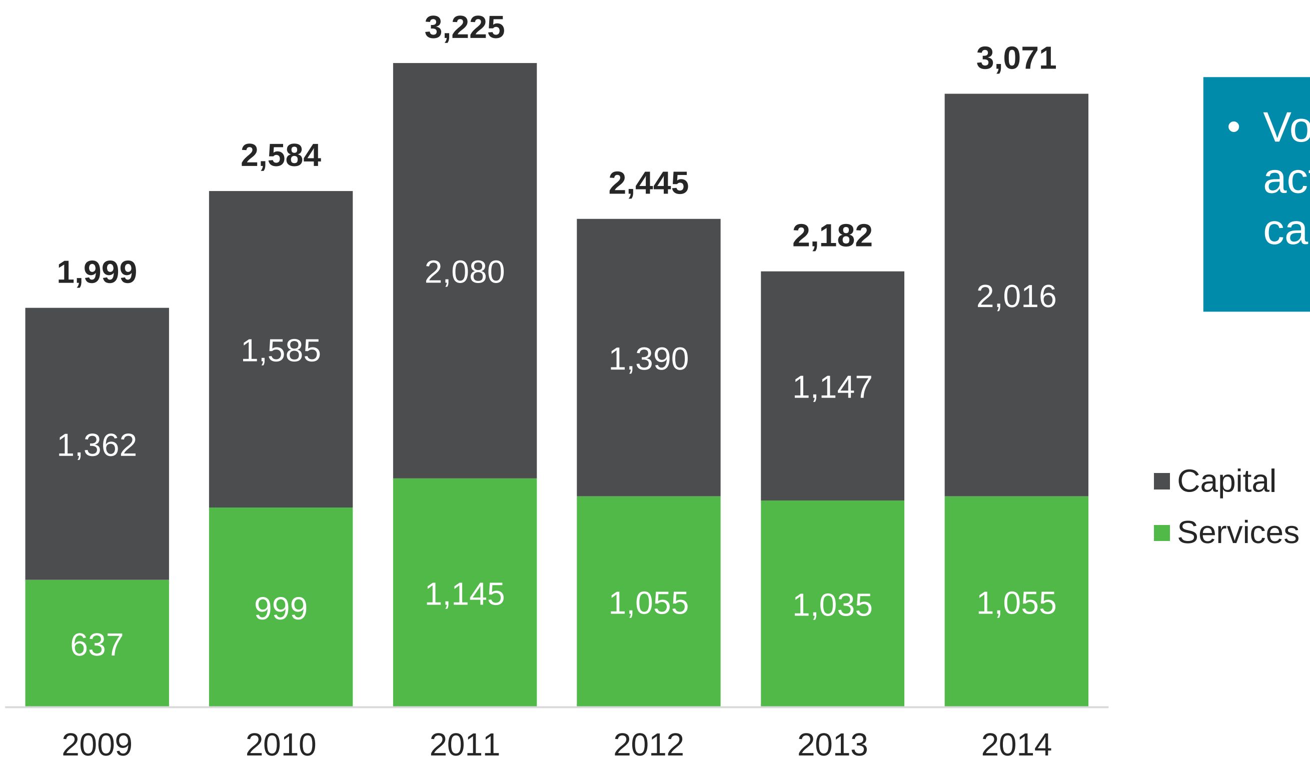
EBITA bridge 2013–2014

- The cost-savings program executed in 2013–2014 improved EBITA
  - Decrease in SG&As had the greatest impact on EBITA development in 2014
  - SG&As decreased by over 20 percent in Pulp and Energy, and Paper business lines
- In the future, the main effect on EBITA will come from increasing gross margin and Process Automation Systems business

High volatility in market activity

Orders received[1] (EUR million)

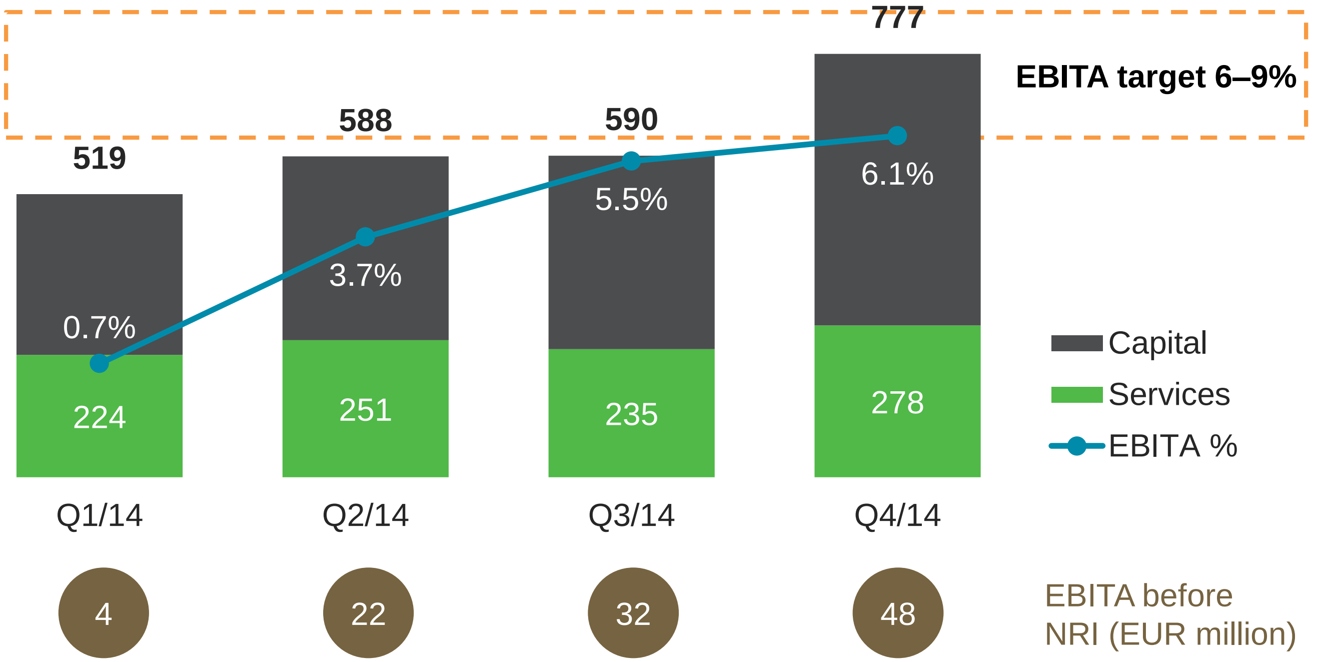


- Volatility in market activity is high in the capital business

1) 2014 actual figures, 2012–2013 carve-out figures, 2009–2011 Metso's Pulp, Paper and Power segment figures

Fewer POC milestones expected in Q1/2015

Net sales and EBITA before NRI (EUR million)



The timing of POC[1] milestones in capital business has a large effect on net sales

- Many POC[1] milestones in Q4/2014 pushed net sales and profitability up
- Fewer milestones expected in Q1/2015, impacting both net sales and profitability

1) Percentage of completion

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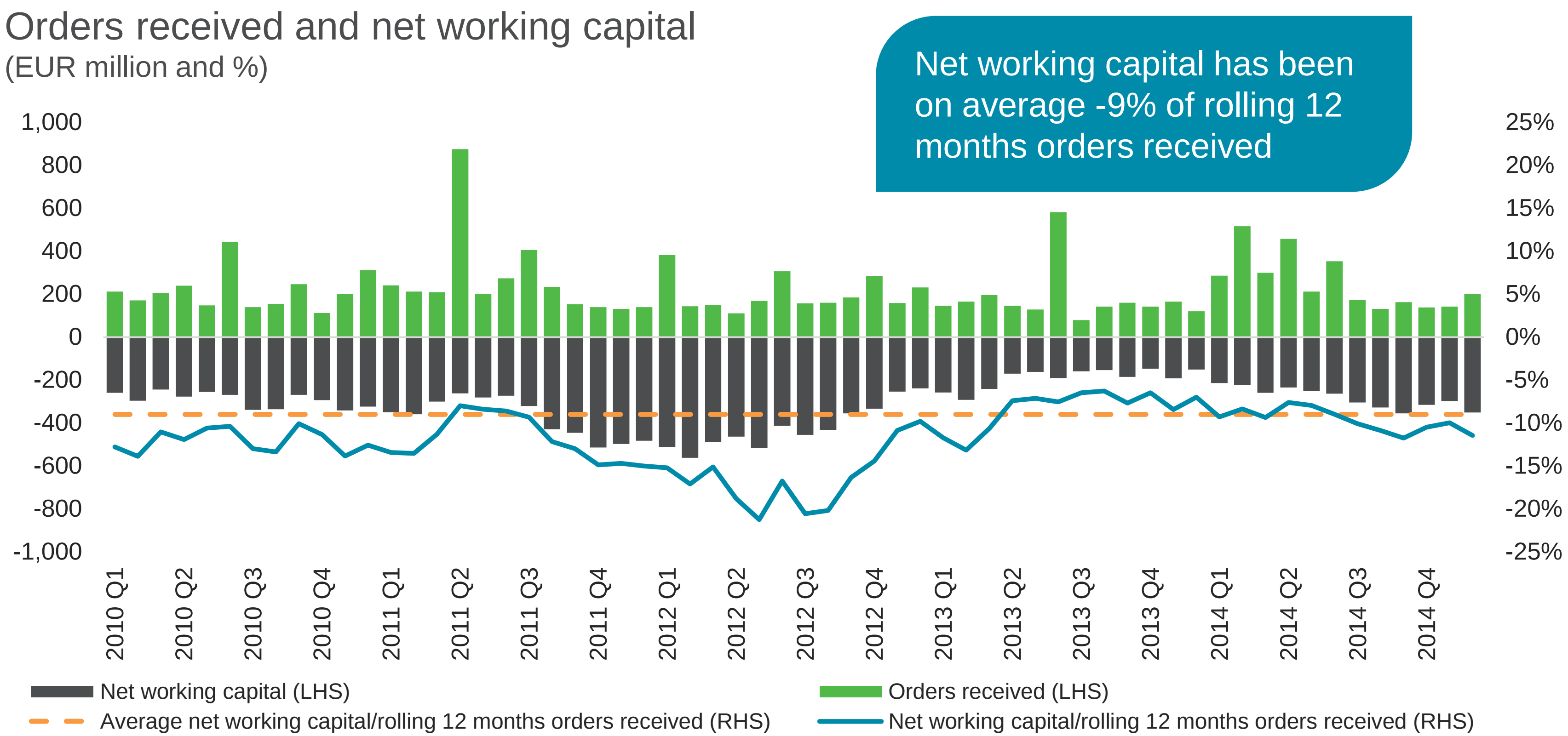
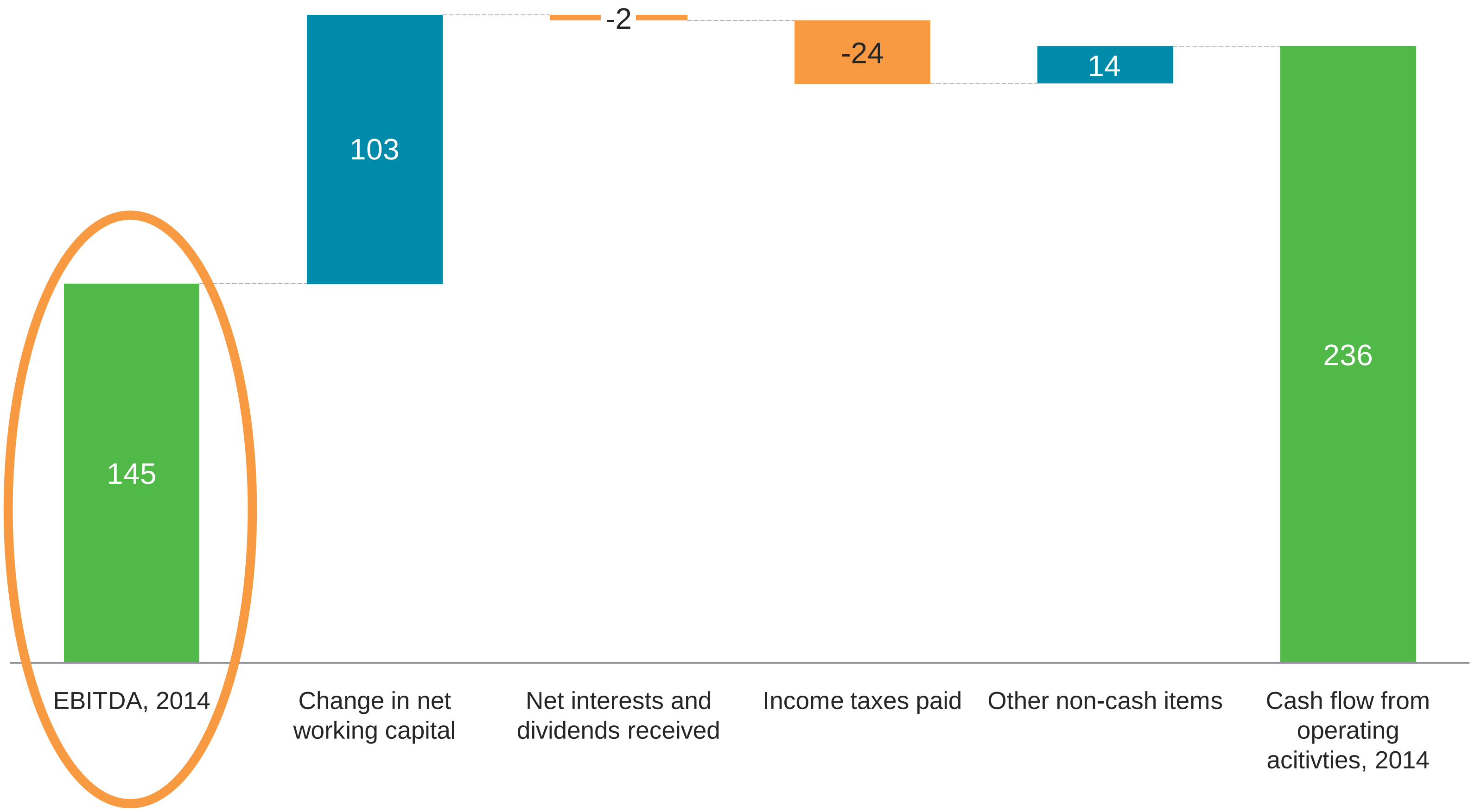
Working capital development and cash flow

Strong development in net working capital in 2014



- Net working capital has always been negative
- Single big orders have a significant influence on variation of net working capital

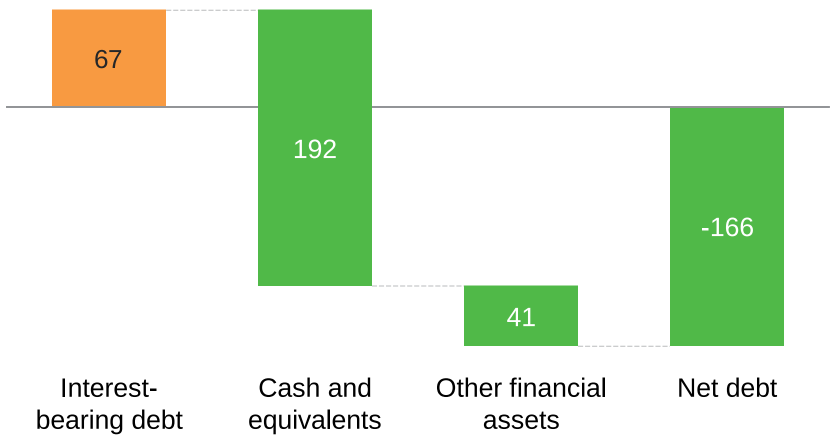
Largest part of cash flow from EBITDA

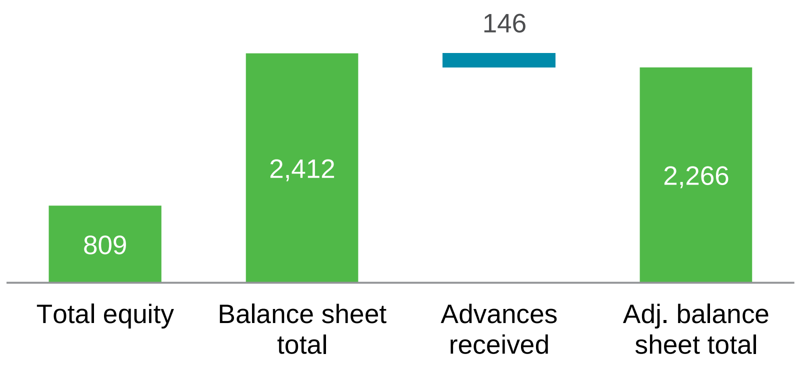


Balance sheet and financing

Strong balance sheet to support large orders

Financial position as of December 31, 2014 (EUR million)





Net debt	EUR -166 million	Equity to assets ratio[1]	42%
Gearing	-21%		

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

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

Balance sheet structure after the acquisition of Process Automation Systems

Enterprise value of acquisition EUR 340 million	Process Automation Systems' net asset value[1] approximately EUR 55 million • Difference between enterprise value and net asset value will be split roughly equally between goodwill and purchase price allocation • Valmet's amortization will increase by approximately EUR 15 million on an annual basis
Long-term financing in place	Average maturity will increase to over 4 years
Capital employed increases	Capital employed will increase with approximately EUR 285 million
Illustrative figures	Effect on gearing 43 percentage points and on equity ratio 6 percentage points • If the transaction would have taken place on December 31, 2014, gearing would be 22% and equity ratio 36% (illustrative figures)

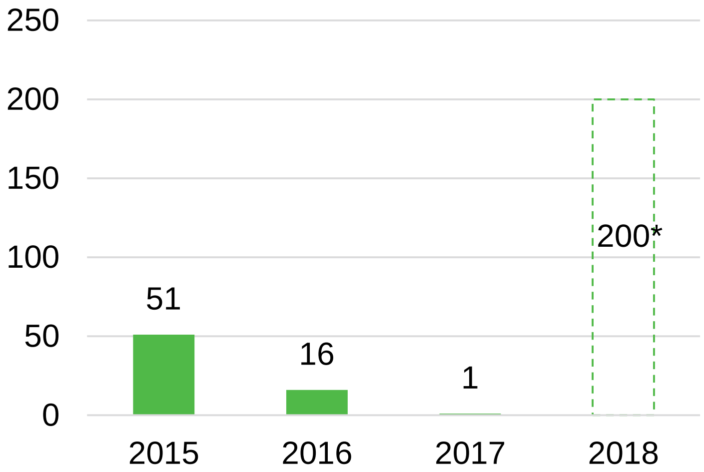
1) Net asset value on June 30, 2014

Financing

Structure of loans and borrowings

Amount of outstanding interest-bearing debt: EUR 68 million (Dec 31, 2014)

Maturity profile of interest-bearing debt (EUR millions)



*) EUR 200 million syndicated revolving credit facility, of which none is outstanding as of December 31, 2014.

- Average maturity of long-term loans is 3.2 years

Main financing sources

EUR 64 million EIB loan

- Maturing in: H2/2016

EUR 4 million other financing sources

Back-up facilities

EUR 200 million domestic commercial paper program

- None outstanding

EUR 200 million syndicated revolving credit facility

- None outstanding
- Maturity: December 2018

New financing facilities

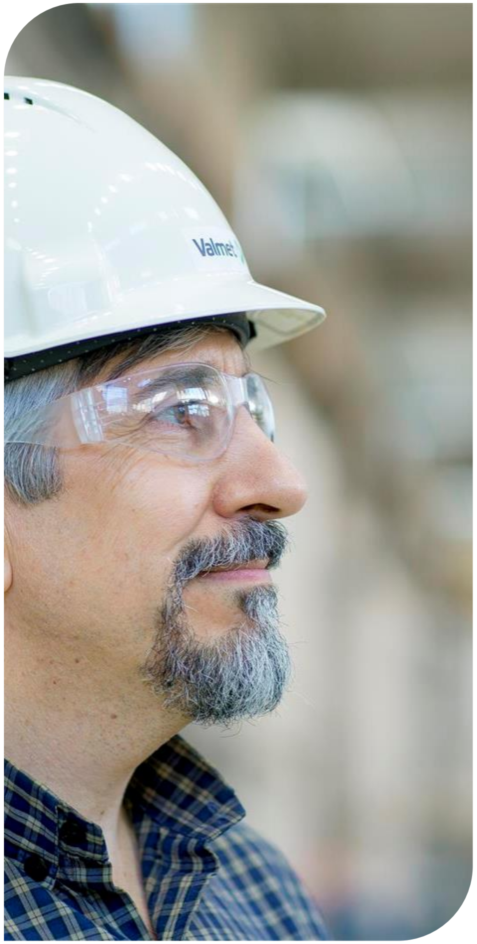
To extend tenor of current financing structure and to finance the acquisition of Process Automation Systems

Amount	Loan	Maturity
EUR 100 million	Amortized loan from Scandinaviska Enskilda Banken	Q1/2019
EUR 95 million	Amortized loan from Nordic Investment Bank	Q1/2023
EUR 90 million	Amortized loan from European Investment Bank	In 10 years from the loan disbursement day
EUR 70 million	Amortized loan from Swedish Export Kredit AB	Q1/2022

Managing foreign exchange risks

Foreign exchange risk management in Valmet

- All operating units are required to hedge in full their foreign currency exposures
- Hedging takes place when firm commitment arises or at the latest immediately after operating units have reported their monthly currency exposure
- Valmet is not hedging any translation risk arising from subsidiaries' equity
- Intra corporate dividends, loans and deposits shall be hedged when internal decisions have been made
- Treasury acts as an internal bank for subsidiaries and manages corporate wide foreign currency exposure by hedging Corporate level net exposure towards banks



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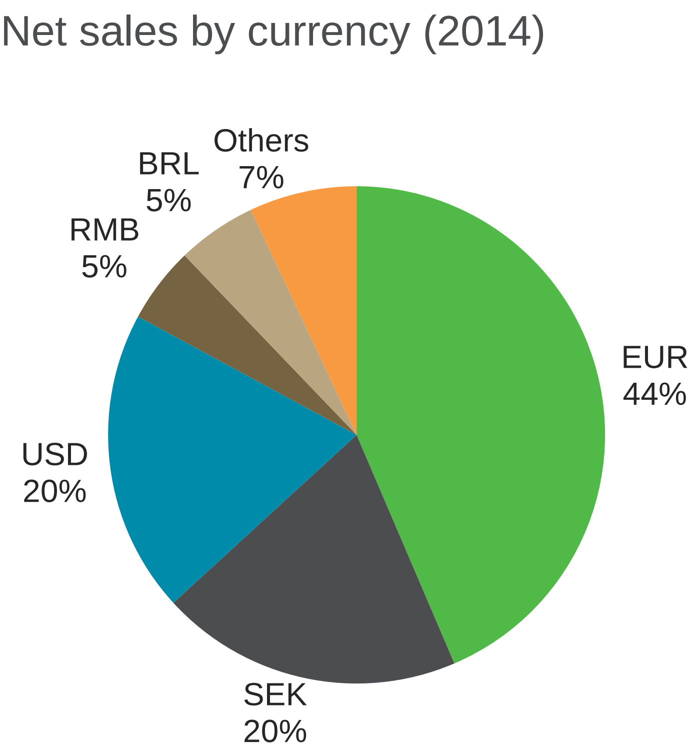
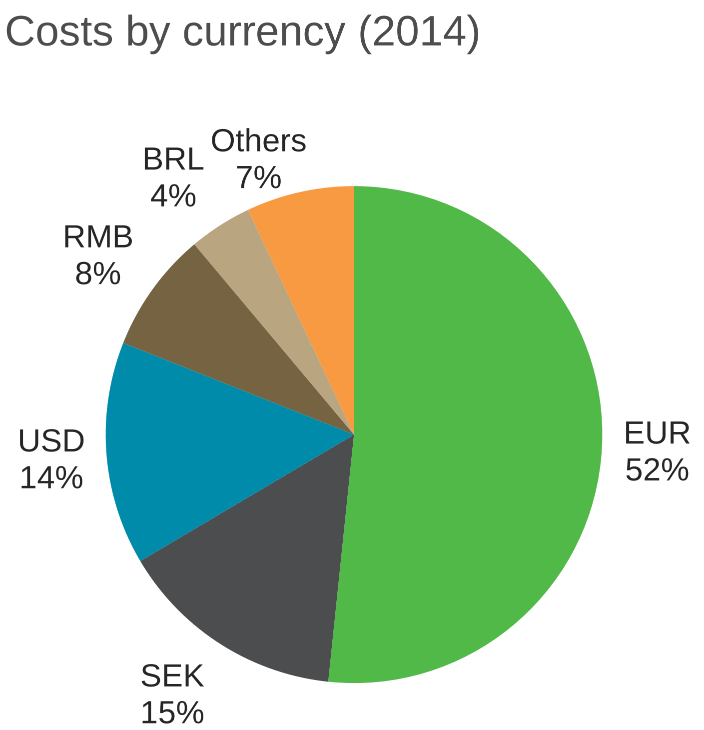
Foreign currency exposure

- The exposure is a net of all assets and liabilities denominated in foreign currencies derived from sales and purchase contracts, projected cash flows and firm commitments
- A 10 percent appreciation or depreciation of EUR against all other currencies would have an effect of, net of taxes, -/+ EUR 1.5 million on EBITA

Split of net sales and costs per currency in 2014



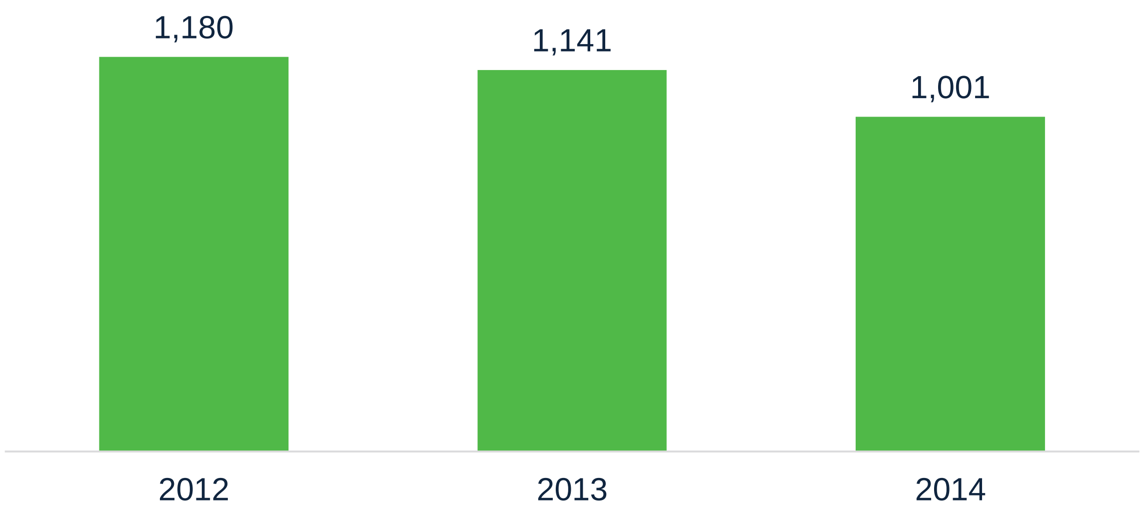


- Sales and costs in different currencies fairly balanced
- More costs than sales in EUR, vice versa in USD

Cost structure

Cost structure

Capacity costs (EUR million)



- Capacity costs have decreased in 2013 and 2014
- Savings program in 2013–2014 generated higher than planned capacity cost savings
- Capacity costs expected to be flat in 2015

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
• Harmonization of processes • Localization of competencies • Better selection of sales cases • Development in project management	• Common quality development approach • Quality tools and processes • Highlight the importance of quality initiatives and accountability	• Increase sourcing from cost competitive countries • Increase use of sub-contracting • Consolidation of shipment and warehouse network	• Focus on cost competitiveness also after the EUR 100 million program	• Focus on cost efficient design • Modularity and standardization

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Outlook and summary

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 Systems[1], 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

- After restructuring Valmet has more flexible cost structure
- Profitability improvement potential through the implementation of must wins
- Acquisition of Process Automation Systems business will increase profitability
- Strong balance sheet will support Valmet in the future

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FORWARD