



Profitability continued to
improve and is moving
towards the targeted level

Interim Review,
January–September 2014

October 24, 2014

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Agenda

Interim Review, January–September 2014

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- 2 Business lines' development
- 3 Financial development
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Q3/2014 in brief

Q3/2014 in brief



Orders received on a par with Q3/2013 in services

- Services orders on a par with Q3/2013
- Net sales decreased compared with Q3/2013



Orders received slowed down in capital business from high level in H1/2014

- Orders received increased in Paper, and Pulp and Energy compared with Q3/2013
- Net sales increased in Pulp and Energy and decreased in Paper compared with Q3/2013



Order backlog at EUR 2.3 billion

- Order backlog EUR 914 million higher than at the beginning of the year



Profitability continued to improve according to plan

- EBITA margin improved compared with Q3/2013 and Q2/2014
- EBITA increased compared with Q2/2014
- SG&A expenses decreased by EUR 17 million compared with Q3/2013
- Gross profit increased by EUR 9 million compared with Q3/2013
- Further profitability improvement potential through savings in procurement and quality, by actions to improve project and service margin, by continuing to improve cost competitiveness, and by improving product cost competitiveness to increase gross profit



Strong balance sheet and good cash flow

- Net debt EUR -158 million, and gearing -20%
- Cash flow provided by operating activities EUR 117 million

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

Key figures Q3/2014

EUR million	Q3/2014	Q3/2013	Change	Q1-Q3/2014	Q1-Q3/2013	Change
Orders received	466	382	22%	2,590	1,754	48%
Order backlog ¹	2,312	1,658	39%	2,312	1,658	39%
Net sales	590	601	-2%	1,697	1,946	-13%
EBITA ²	32	31	4%	58	79	-27%
% of net sales	5.5%	5.1%		3.4%	4.1%	
EBIT ³	26	-17		35	7	>100%
% of net sales	4.4%	-2.8%		2.1%	0.4%	
Earnings per share, EUR	0.11	-0.10 ⁵		0.14	-0.01 ⁵	
Return on capital employed (ROCE), before taxes ⁴				6%	1%	
Cash flow provided by operating activities	117	12	>100%	206	-5	
Gearing ¹				-20%	0%	

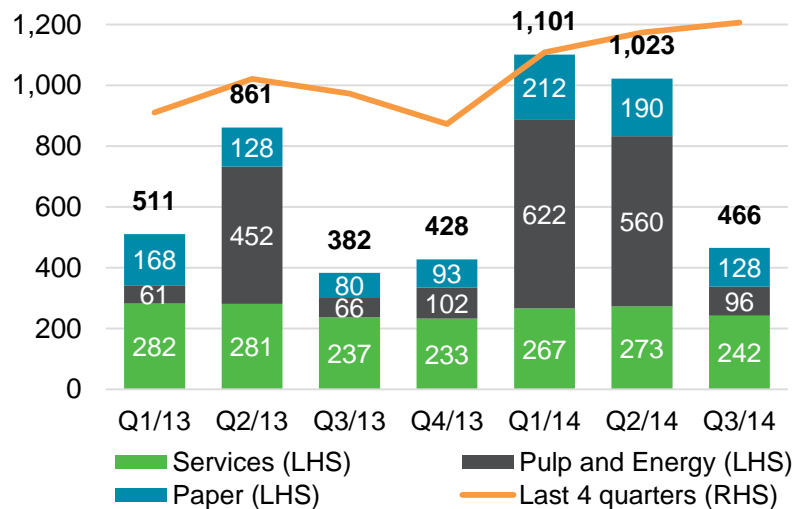
Non-recurring items: EUR -1 million in Q3/2014 (EUR -41 million in Q3/2013), EUR -7 million in Q1-Q3/2014 (EUR -52 million in Q1-Q3/2013)

- 1) At the end of period
- 2) Before non-recurring items
- 3) After non-recurring items
- 4) Annualized
- 5) The earnings per share information was computed as if the shares issued in conjunction with the Demerger had been outstanding for the comparison period.

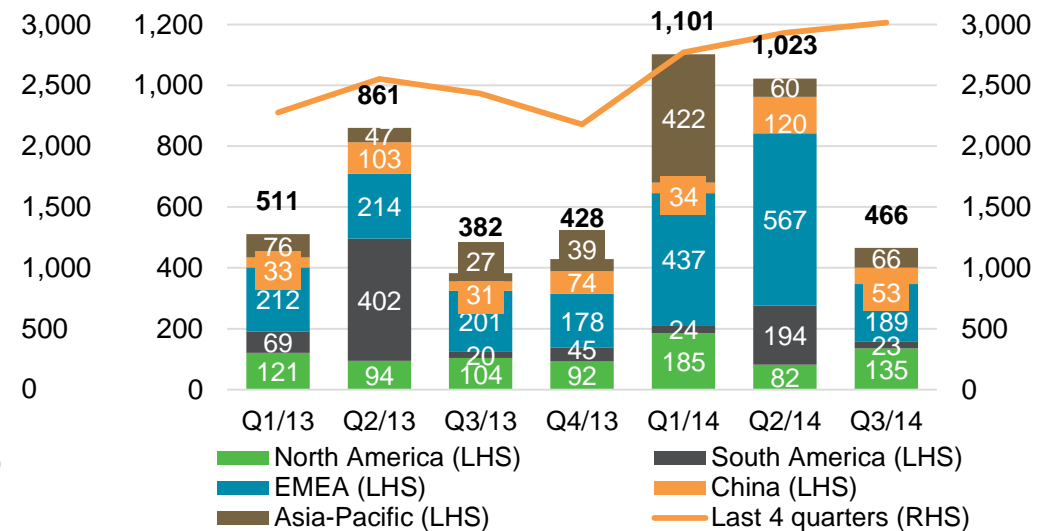
The comparison figures are based on financial carve-out data. The balance sheet and its related key figures as at December 31, 2013 are based on actual figures.

Orders received EUR 2.6 billion in Q1-Q3/2014

Orders received (EUR million),
by business line



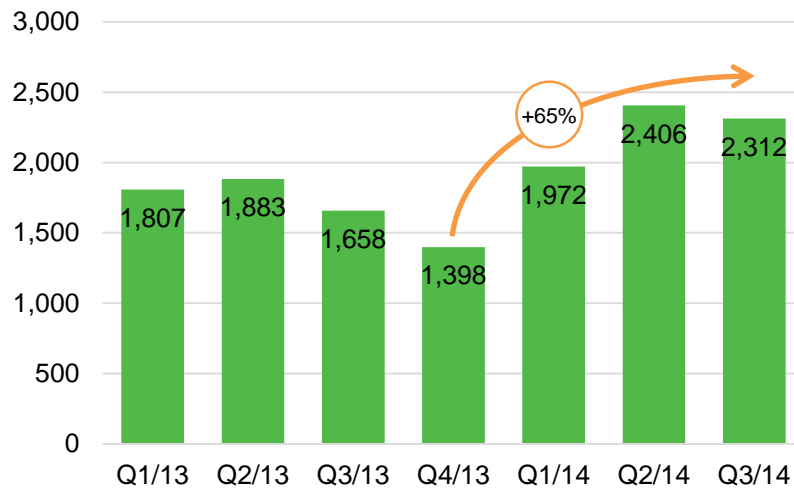
Orders received (EUR million),
by area



- Orders received at the previous year's level in Services
- Orders received increased in Pulp and Energy
- Orders received increased in Paper
- Orders received increased in North America, Asia-Pacific, and China

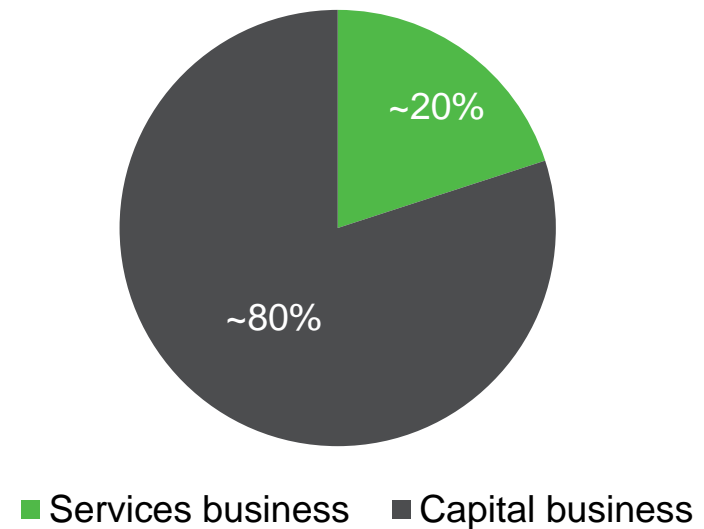
Order backlog at EUR 2.3 billion

Order backlog (EUR million)



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

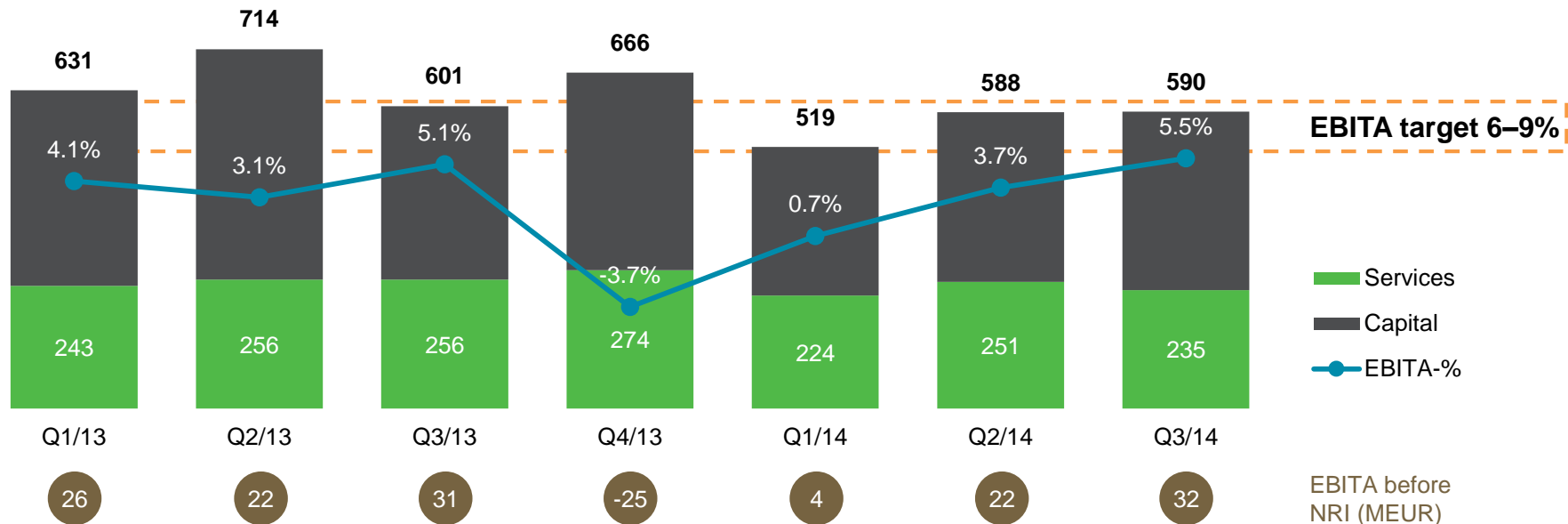
Structure of order backlog



- Order backlog EUR 914 million higher than at the end of 2013
- Approximately 20% of the order backlog relates to the Services business line

Net sales and profitability development

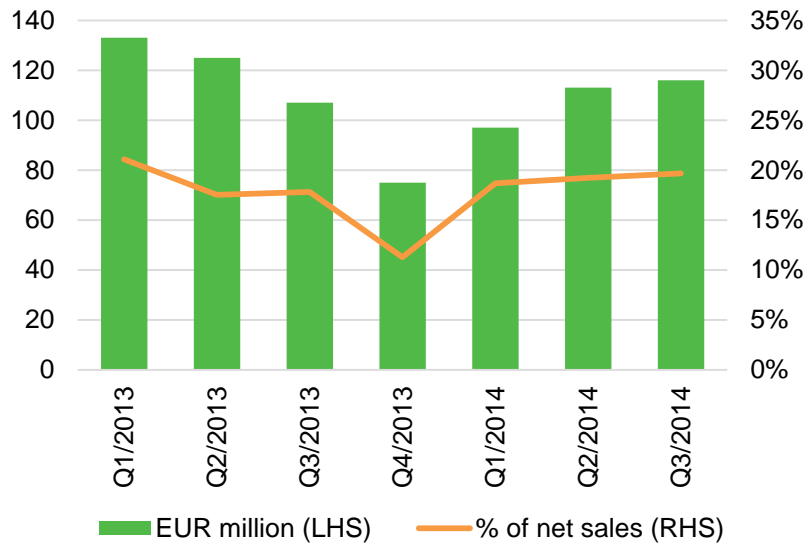
Net sales and EBITA before NRI (EUR million)



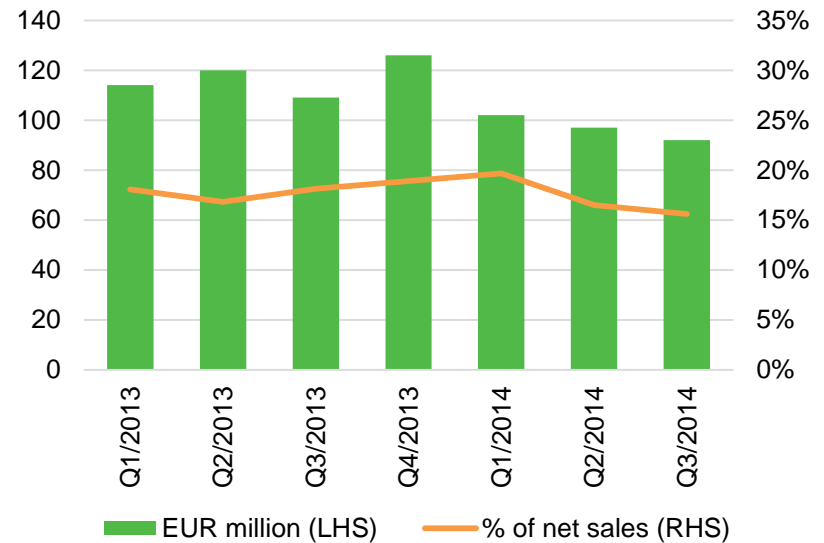
- Net sales stable compared with Q3/2013
- Profitability on an improving trend since Q4/2013

Good development in gross profit and SG&A expenses

Gross profit (EUR million and % of net sales)



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



- Selling, general and administrative expenses (SG&A) declined further
- Gross profit improved
- Further actions to improve gross profit through Must-Win implementation

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

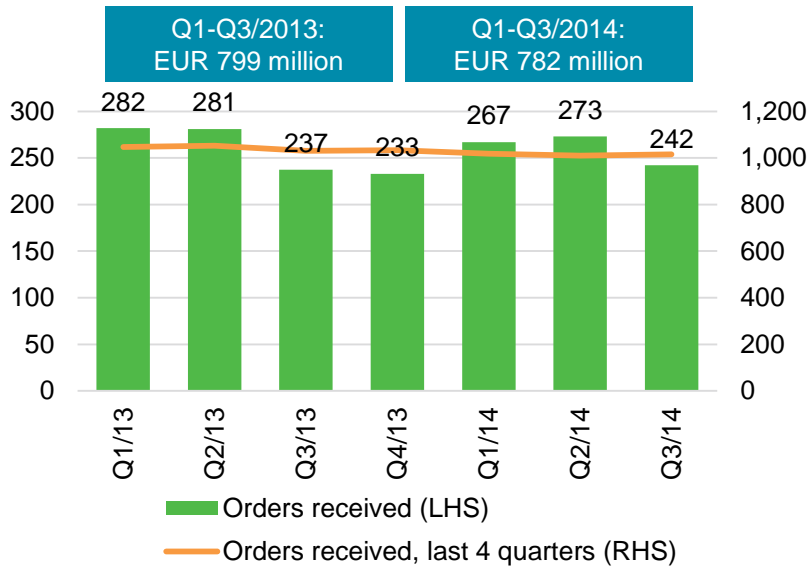
Improve project and service margin	Reduce quality costs and lead times	Savings in procurement	Continue to improve cost competitiveness	Improve product cost competitiveness to increase gross profit
<ul style="list-style-type: none">• Harmonization of processes• Localization of competencies• Better selection 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 



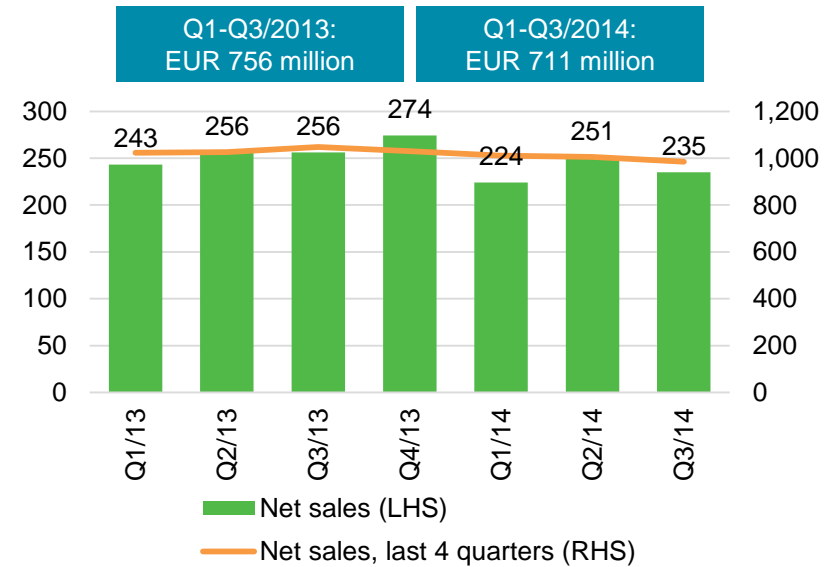
Business lines' development

Stable development in Services

Orders received (EUR million)



Net sales (EUR million)

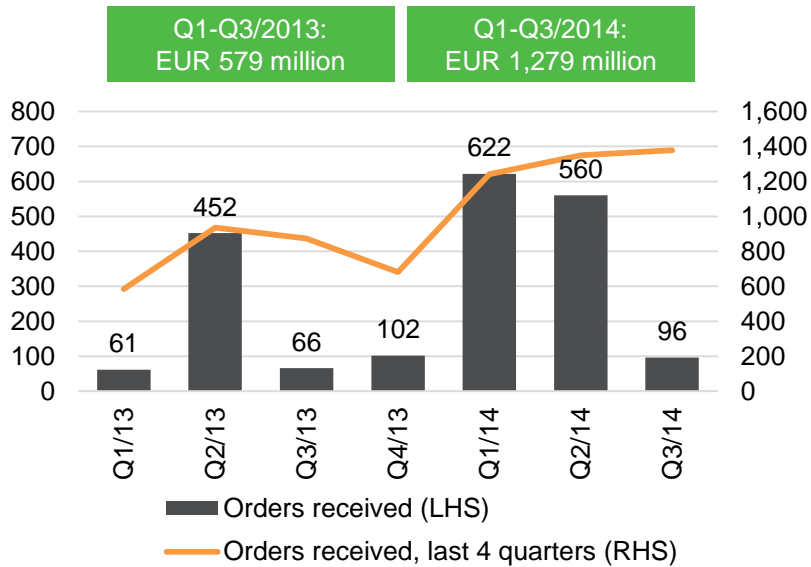


- Services orders received stable compared with Q3/2013
 - Orders received increased in South America, Asia-Pacific and China, and remained stable in other areas
 - Orders received increased in Mill Improvements, and Rolls business units, and declined in Fabrics
- Orders received stable in Q1-Q3/2014 compared with Q1-Q3/2013
- Net sales decreased compared with Q3/2013

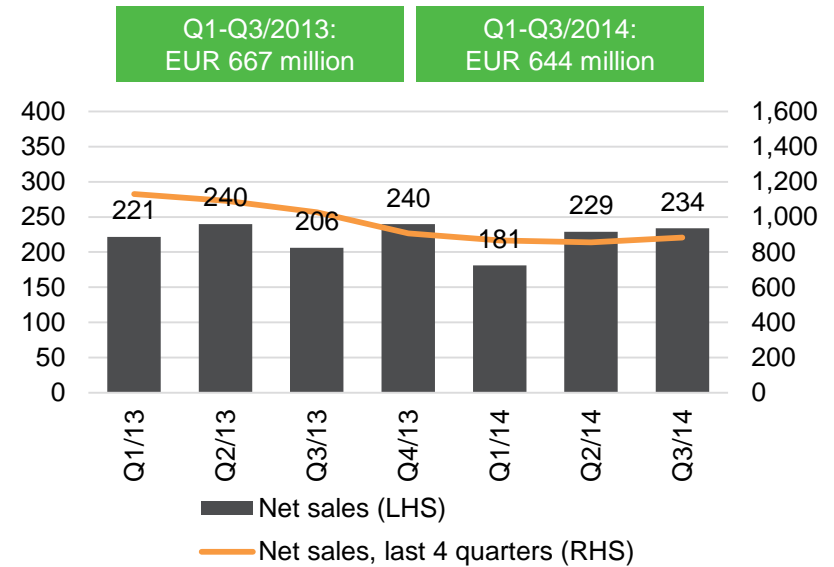


Orders received about EUR 1.3 bn in Q1-Q3/2014 in Pulp and Energy

Orders received (EUR million)



Net sales (EUR million)

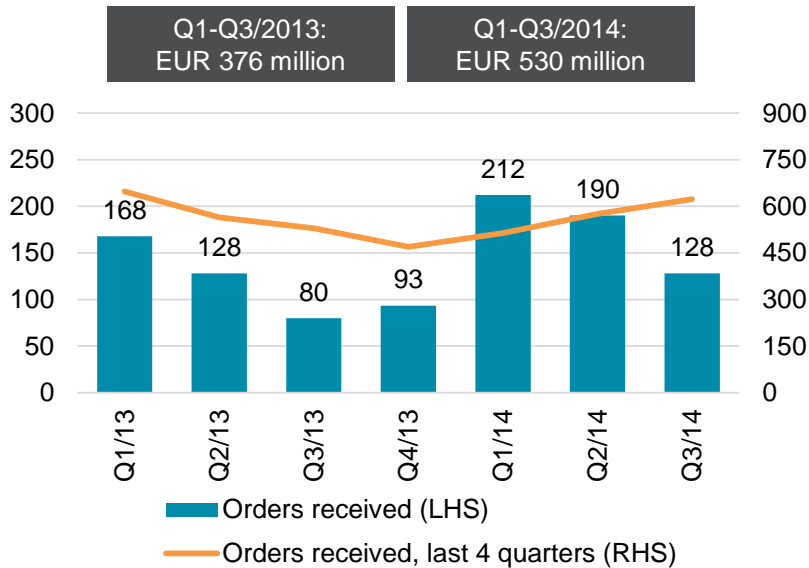


- Orders received increased compared with Q3/2013
 - Orders received increased in EMEA and Asia-Pacific, and declined in North America
 - Orders received increased in Pulp, and remained stable compared with Q3/2013 in Energy
- Orders received more than doubled in Q1-Q3/2014 compared with Q1-Q3/2013
- Net sales increased compared with Q3/2013

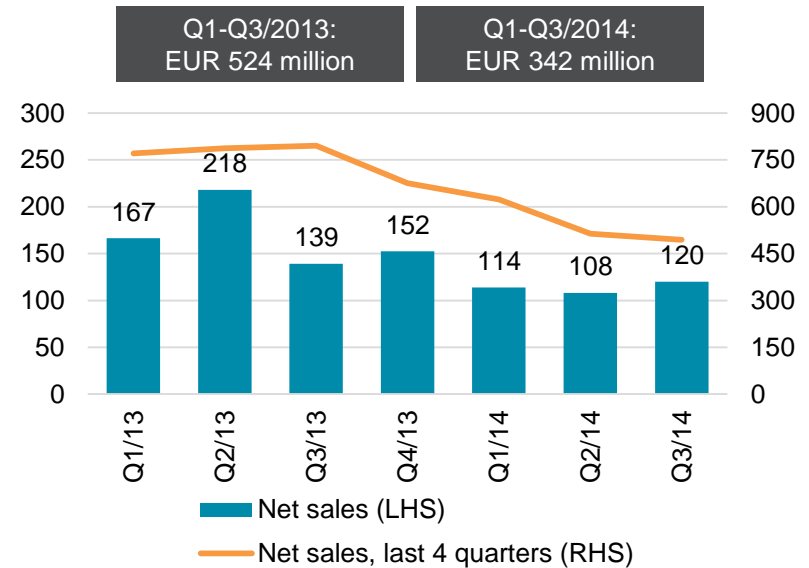


Orders received exceeded EUR 500 million in Q1-Q3/2014 in Paper

Orders received (EUR million)



Net sales (EUR million)

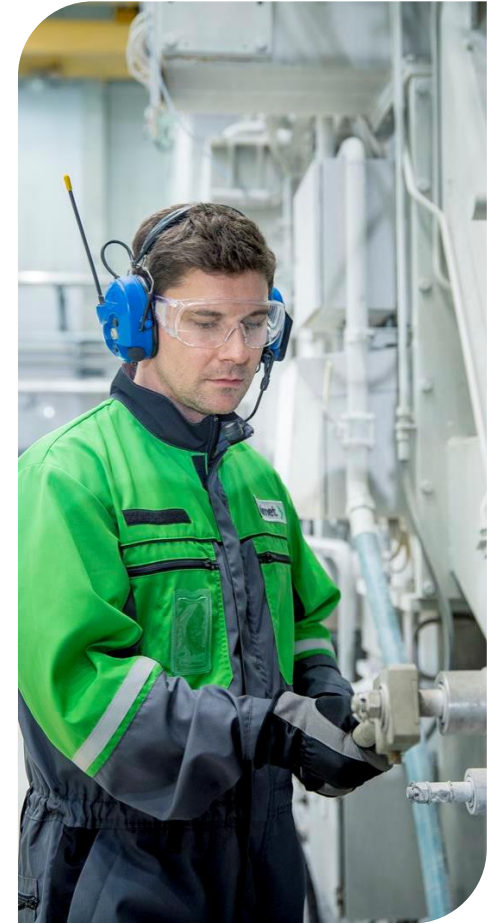


- Orders received increased compared with Q3/2013
 - Orders received increased in North America, Asia-Pacific, and China, and declined in EMEA
 - Orders received increased in Board and Paper, and declined in Tissue
- Orders received increased in Q1-Q3/2014 compared with Q1-Q3/2013
- Net sales decreased compared with Q3/2013



Latest development in sustainability

- Valmet has defined a sustainability agenda as part of the implementation of its business strategy
- Valmet has been selected for the world's leading Dow Jones Sustainability Index among three (3) other Finnish companies
- Valmet scored high points in CDP climate change index and was included in the Nordic Climate Disclosure Leadership Index (CDLI)
- Join the discussion to develop Valmet's sustainability performance further at Valmet's website

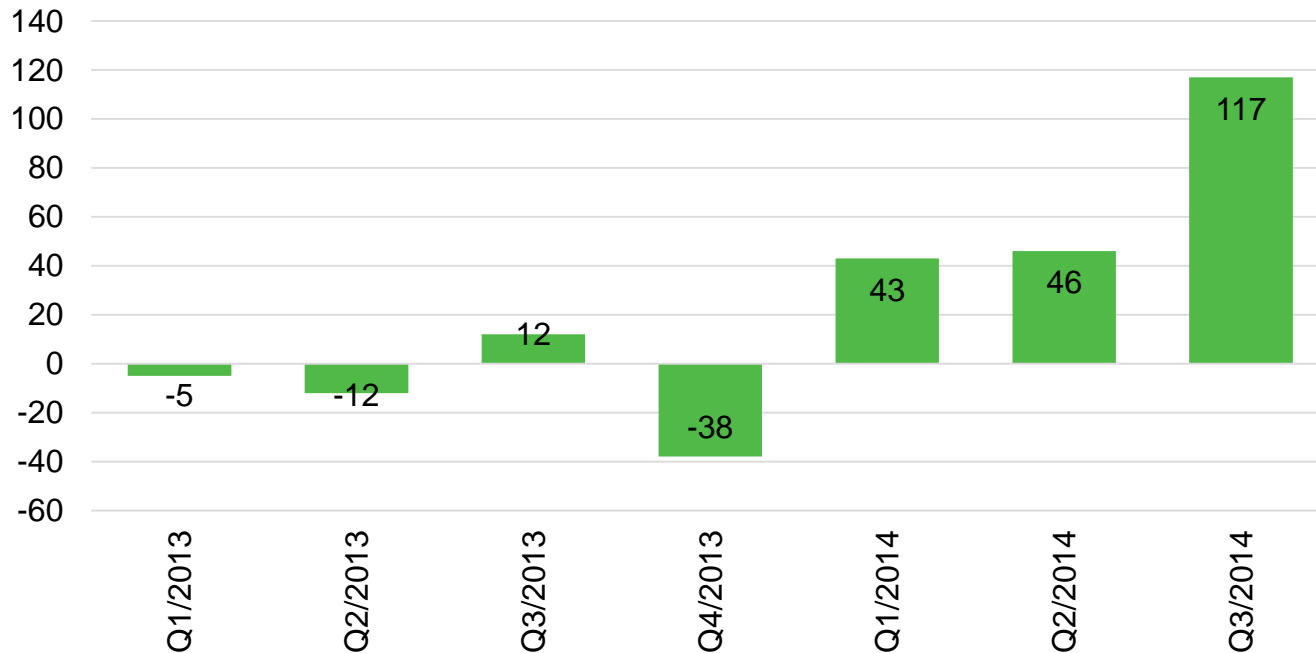




Financial development

Good cash flow

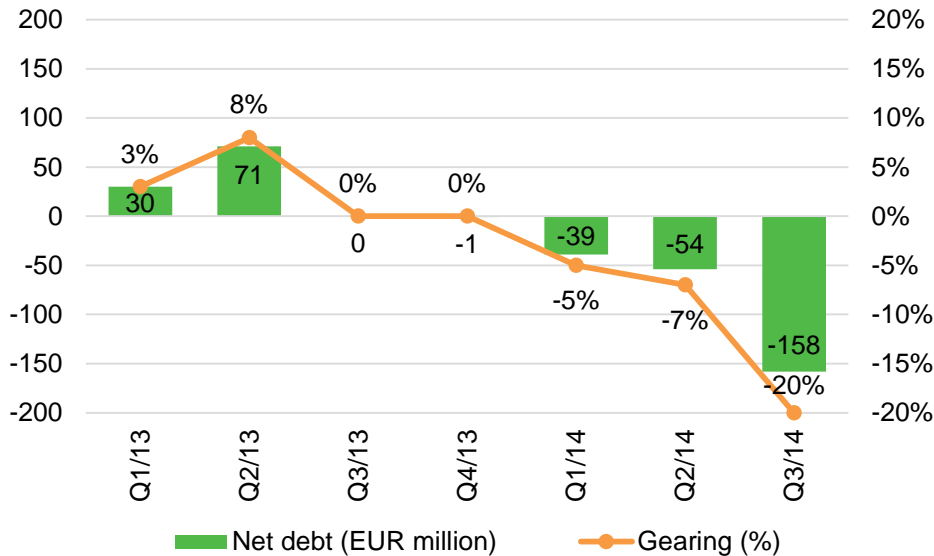
Cash flow provided by operating activities (EUR million)



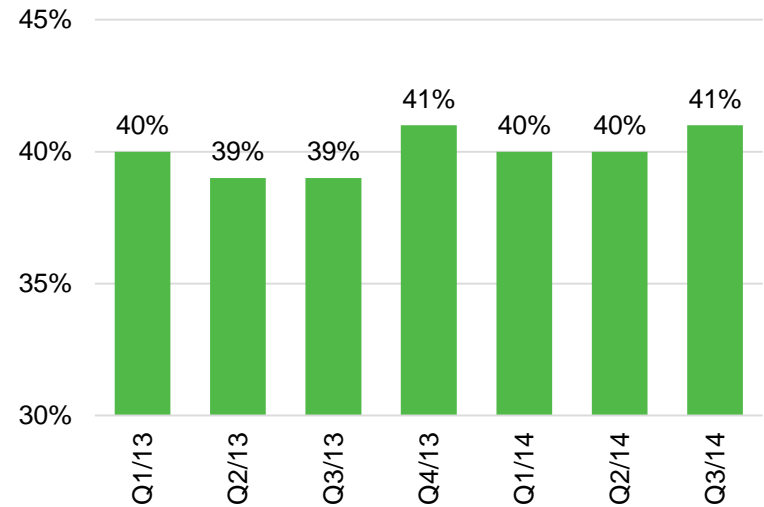
- At the end of September 2014, net working capital was EUR -345 million
- CAPEX less than depreciation

Net debt, gearing and equity to assets ratio

Net debt (EUR million) and gearing (%)



Equity to assets ratio (%)

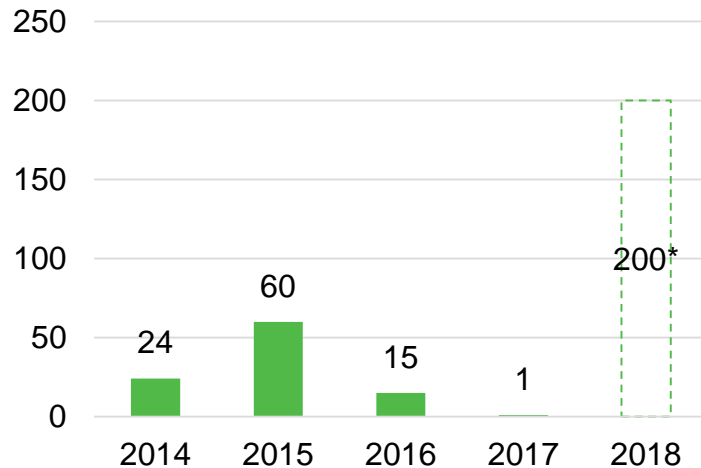


- Negative gearing (-20%) and net debt EUR -158 million

Structure of loans and borrowings

Amount of outstanding interest-bearing debt: EUR 100 million (Sep 30, 2014)

Maturity profile of interest-bearing debt (EUR millions)



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

- Average maturity of long-term loans is 2.8 years

Main financing sources

EUR 82 million EIB loan

- Maturing in: H2/2016

EUR 18 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



Guidance and short-term market outlook

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

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



Summary of Interim Review Q3/2014

Summary of Interim Review Q3/2014

- Orders received stable in services and slowed down in capital business from high level in H1/2014
- Net sales on previous year's level in Q3/2014
- Order backlog at EUR 2.3 billion
- Profitability improved according to plan
- Strong balance sheet and good cash flow



Questions & Answers

Financial Statements Review for
2014 will be published on
February 6, 2015

Capital Markets Day 2015

March 19, London



Appendix

Largest shareholders on September 30, 2014

Based on the information given by Euroclear Finland Ltd.

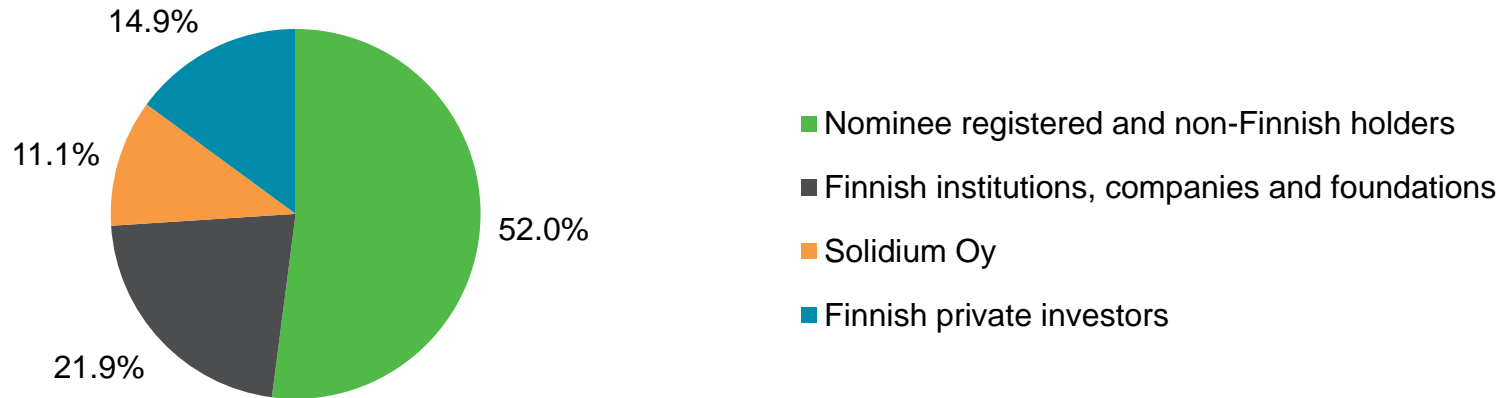
#	Shareholder name	Number of shares	% of shares and votes
1	Solidium Oy ¹	16,695,287	11.14%
2	Nordea Funds	7,400,342	4.94%
3	Solero Luxco Sarl	5,349,756	3.57%
4	Ilmarinen Mutual Pension Insurance Company	3,092,126	2.06%
5	Varma Mutual Pension Insurance Company	2,908,465	1.94%
6	The State Pension Fund	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	999,190	0.67%
10	OP Funds	841,911	0.56%
	10 largest shareholders, total	42,050,399	28.06%
	Other shareholders	107,814,220	71.94%
	Total	149,864,619	100.00%

Flagging notifications

Date	Shareholder name	Number of shares	% of shares and votes
October 15, 2014	Franklin Templeton Institutional, LLC	7,517,629	5.02%
September 4, 2014	Nordea Funds Oy	7,513,864	5.01%
March 10, 2014	Cevian Capital Partners Ltd.	20,813,714	13.89%

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

Ownership structure on September 30, 2014

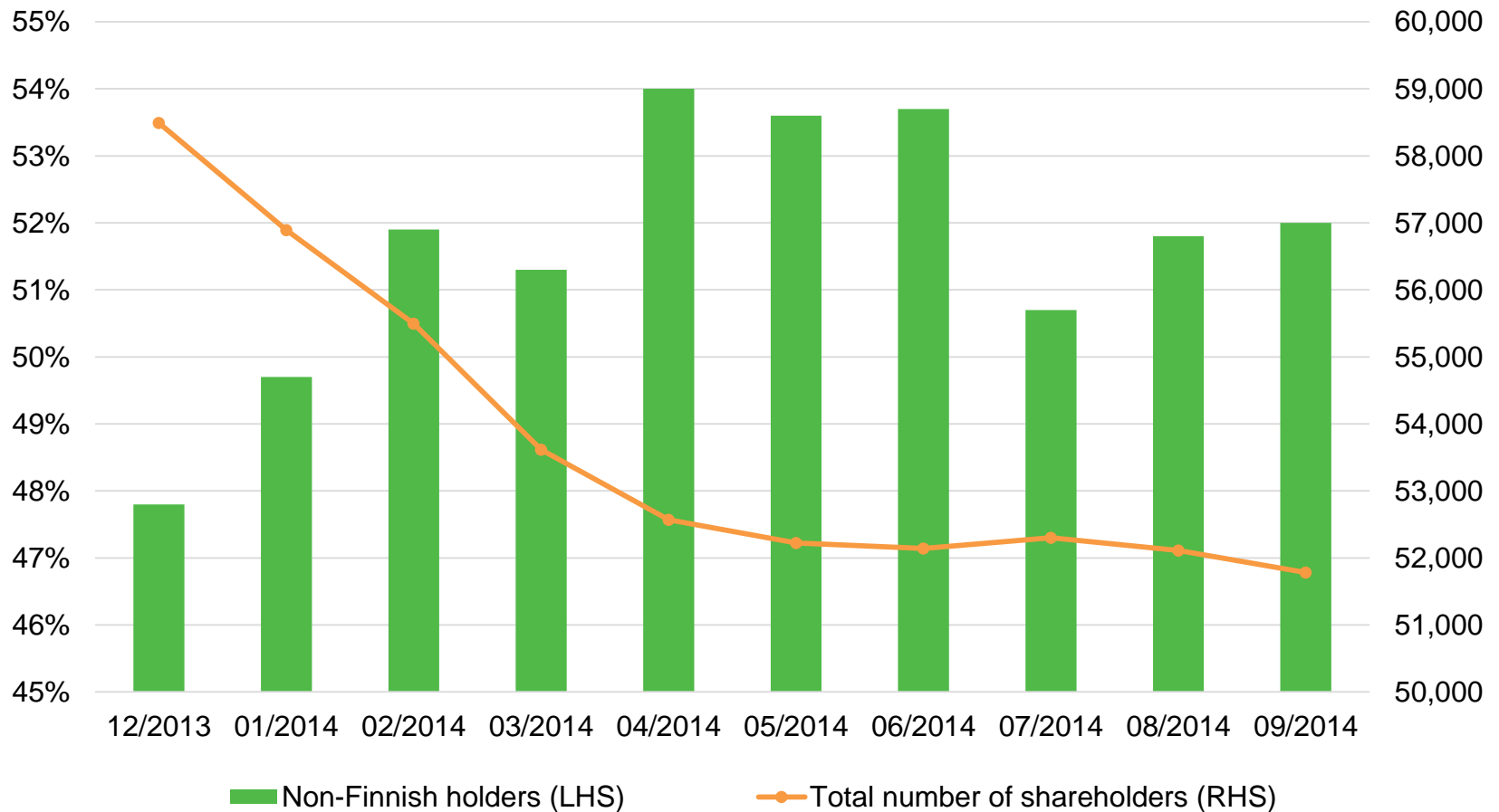


Sector	Number of shareholders	% of total shareholders	Number of shares	% of shares
Nominee registered and non-Finnish holders	315	0.6%	77,935,075	52.0%
Finnish institutions, companies and foundations	3,107	6.0%	32,835,062	21.9%
Solidium Oy ¹	0	0.0%	16,695,287	11.1%
Finnish private investors	48,360	93.4%	22,399,195	14.9%
Total	51,782	100.0%	149,864,619	100.0%

The ownership structure is based on the classification of sectors determined by Statistics Finland.

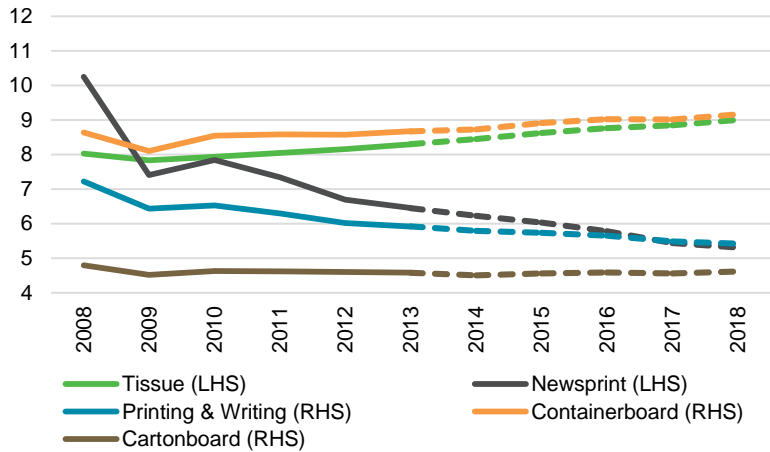
1) A holding company that is wholly owned by the Finnish State

Share of non-Finnish holders and number of shareholders

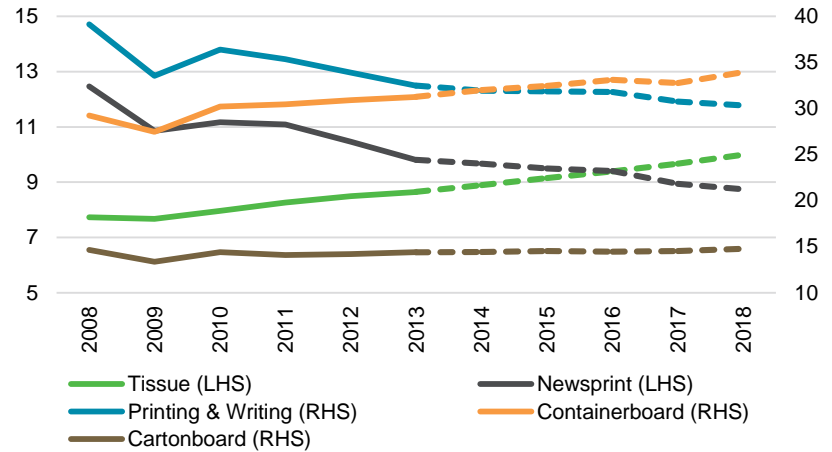


Paper, board, and tissue production trends

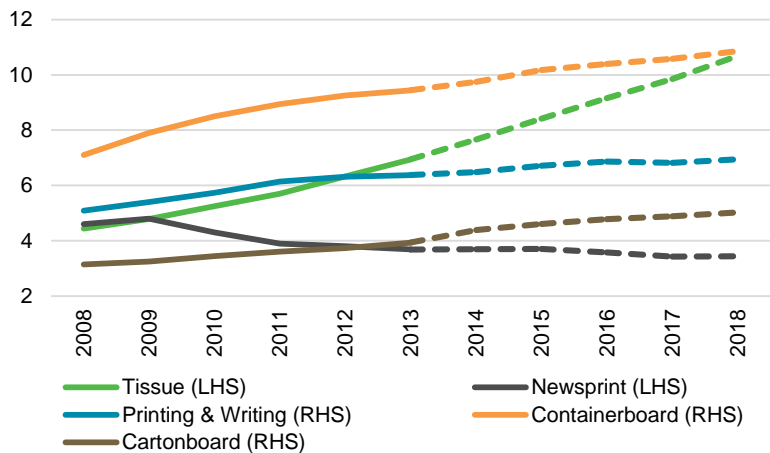
North America (million tonnes)



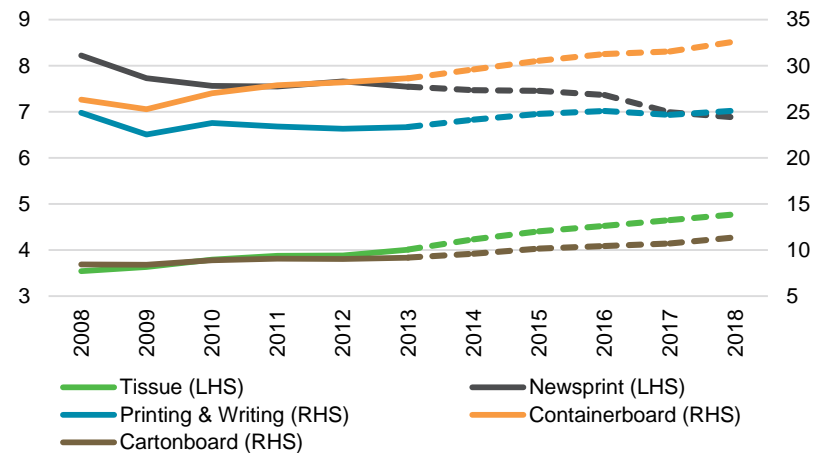
Europe (million tonnes)



China (million tonnes)



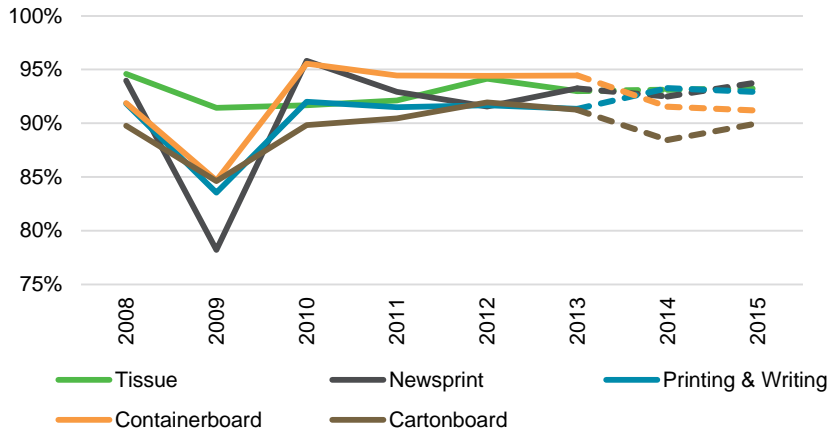
Asia-Pacific (million tonnes)



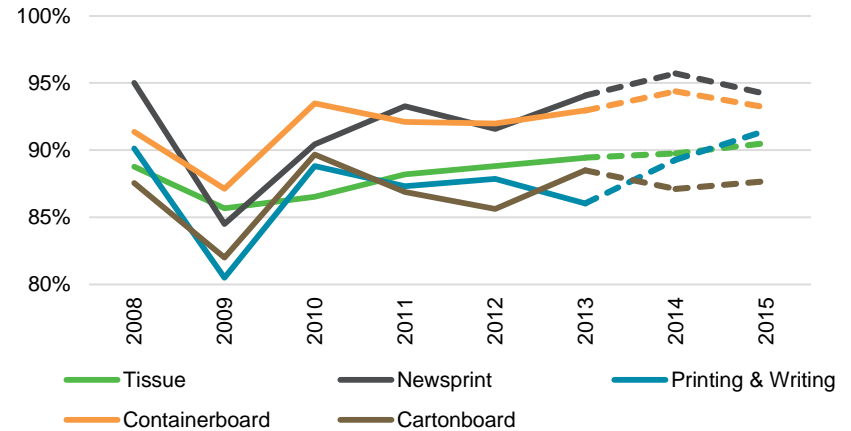
Source: RISI

Paper, board, and tissue operating rates

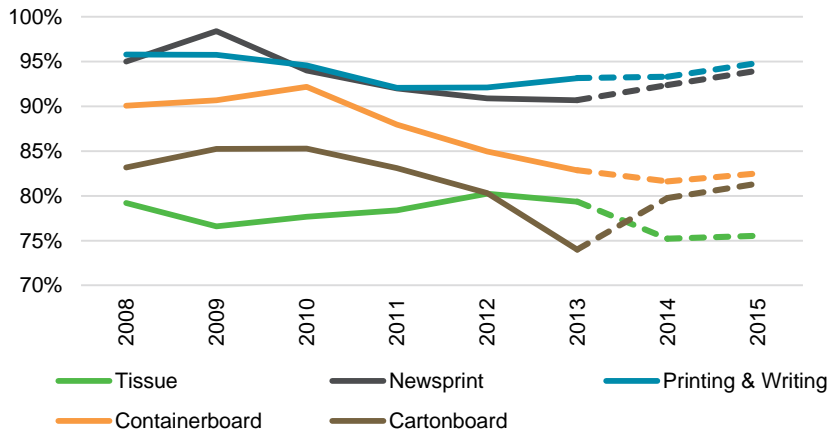
North America



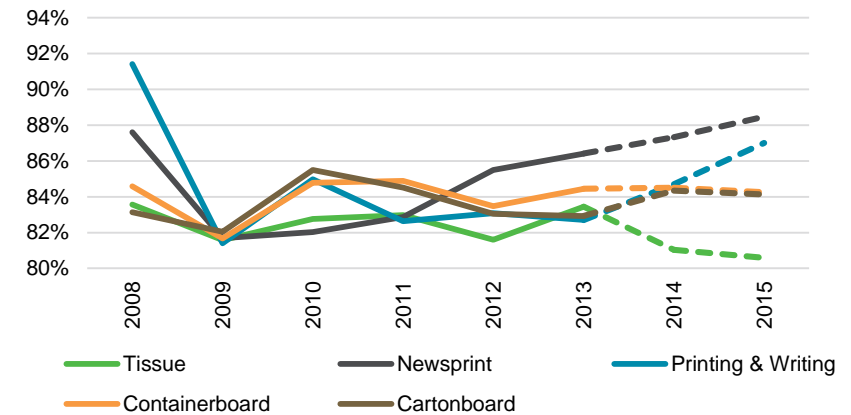
Europe



China



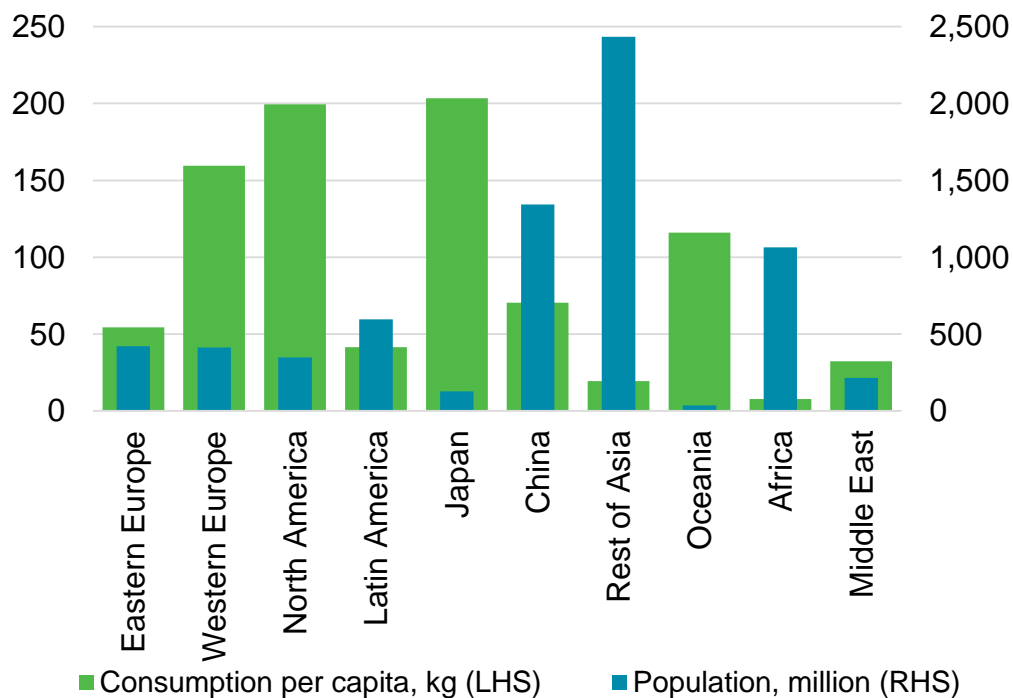
Asia-Pacific



Source: RISI

Paper and board consumption growth trends

Paper and board consumption per capita vs. population



Population growth in emerging markets is larger than in developed markets

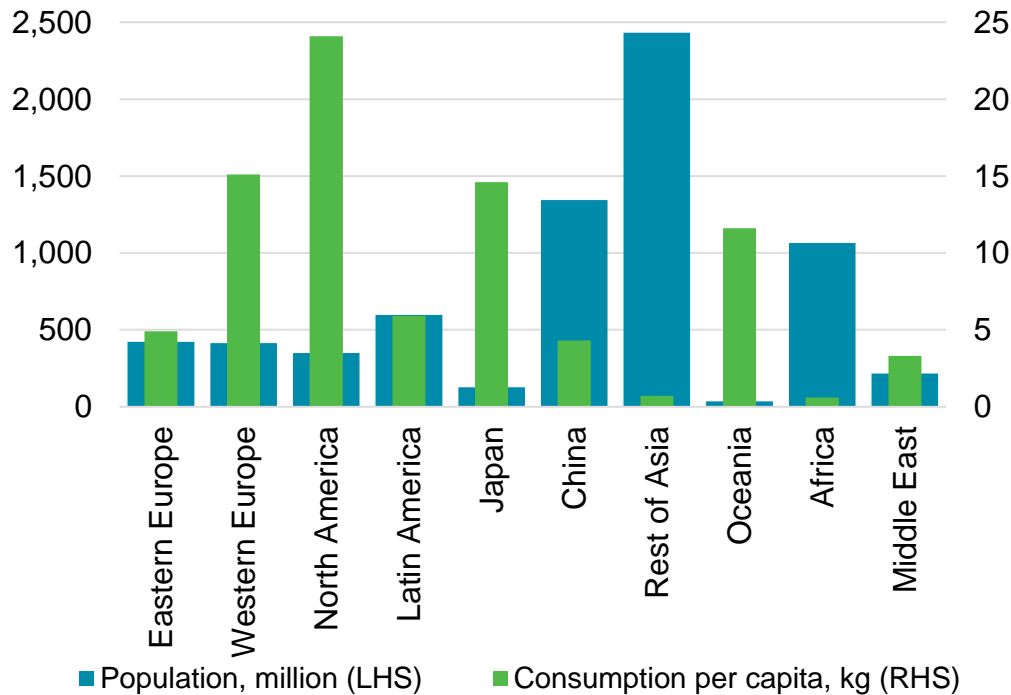
Level of consumption per capita in emerging markets clearly below that in developed markets

This offers us long-term growth potential

Average global consumption: 53 kg per capita

Tissue consumption growth trends

Tissue consumption per capita vs. population



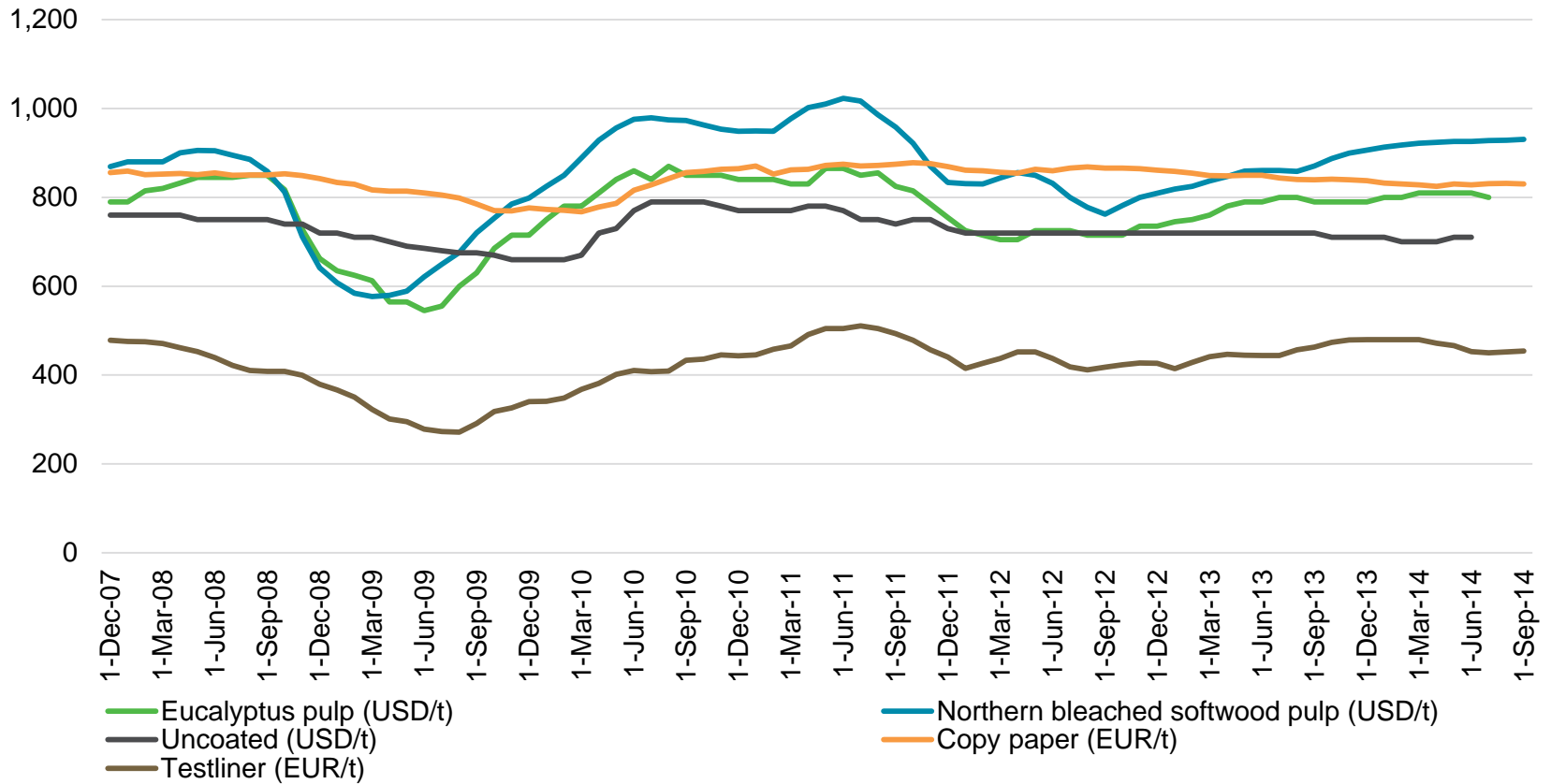
Average global consumption: 4.5 kg per capita

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

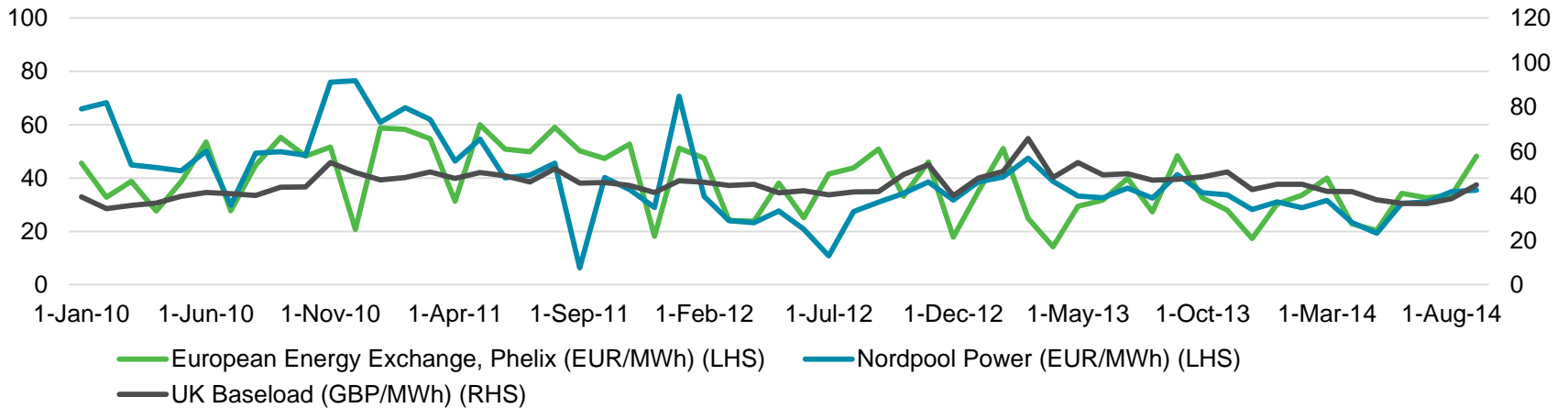
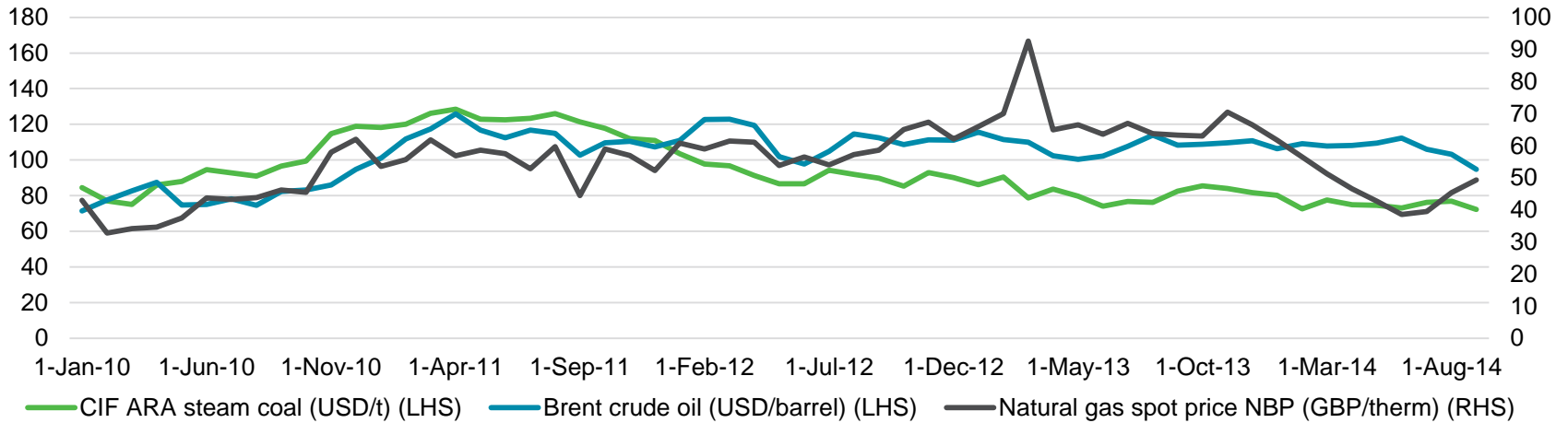
Pulp and paper price trends



Source: Bloomberg

Crude oil, steam coal, natural gas and electricity

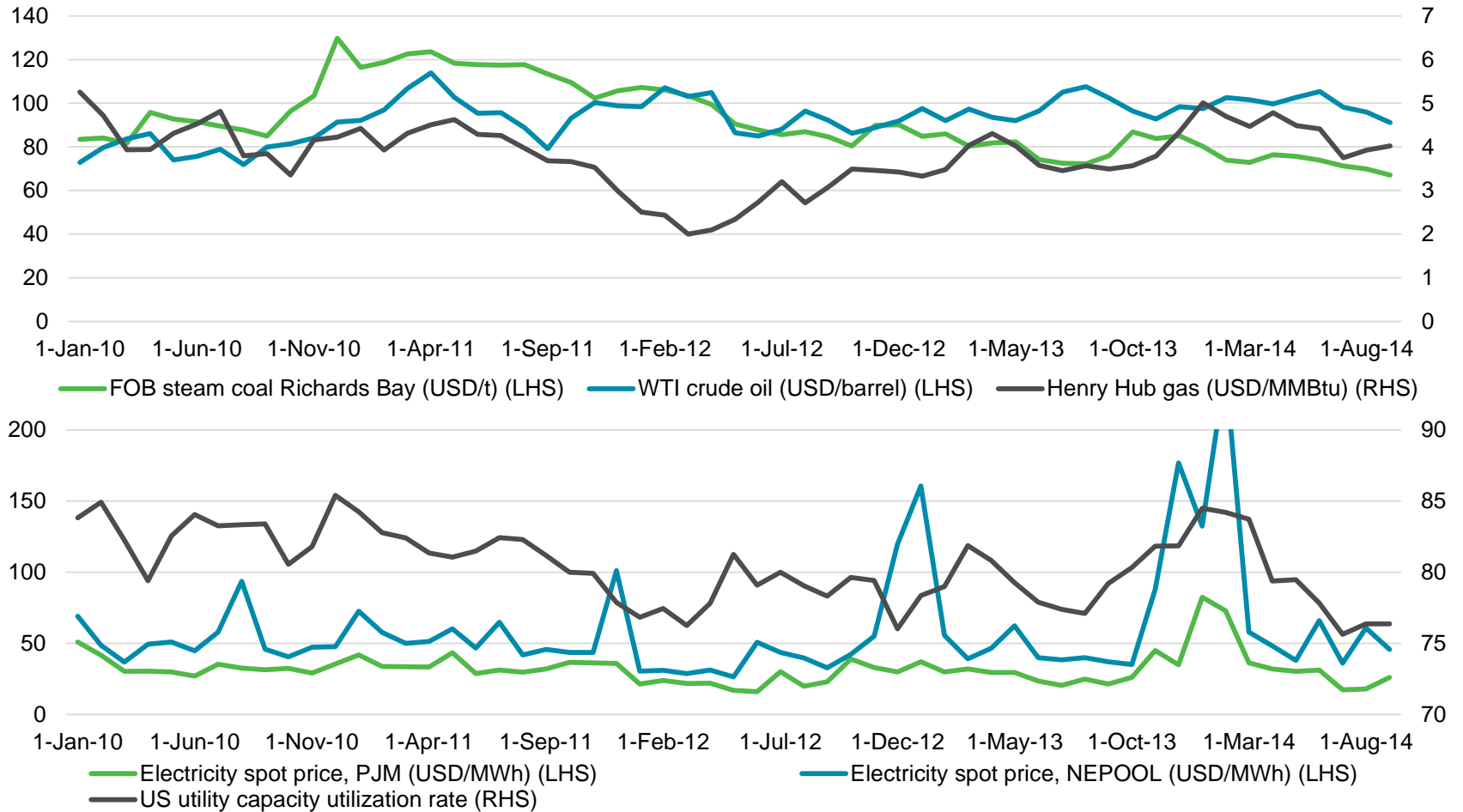
Europe



Source: Bloomberg

Crude oil, steam coal, natural gas and electricity

United States



Source: Bloomberg

European Carbon Emission Allowance



Source: Bloomberg

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