



Orders received amounted to
EUR 3.3 billion and
Comparable EBITA to
EUR 226 million in 2017

Financial Statements Review 2017

February 6, 2018

Pasi Laine, President and CEO

Kari Saarinen, CFO

Agenda

Financial Statements Review 2017

- 1 2017 in brief
- 2 Development of business lines
- 3 Financial development
- 4 Dividend proposal, guidance and short-term market outlook
- 5 Summary of Financial Statements Review 2017
- 6 Appendix



2017 in brief

2017 in brief

- Orders received increased to EUR 1,609 million in stable business¹
- Orders received remained at the previous year's level at EUR 1,713 million in capital business²
- Net sales increased to EUR 3,159 million
- Order backlog remained at the previous year's level at EUR 2.3 billion
- Comparable EBITA increased to EUR 226 million (margin 7.2%)
- Gearing was -11%

1) Stable business = Services business line and Automation business line. For Automation, this figure includes internal orders received from other business lines.
2) Capital business = Pulp and Energy business line and Paper business line

Valmet in 2017

Orders received
EUR 3,272 million

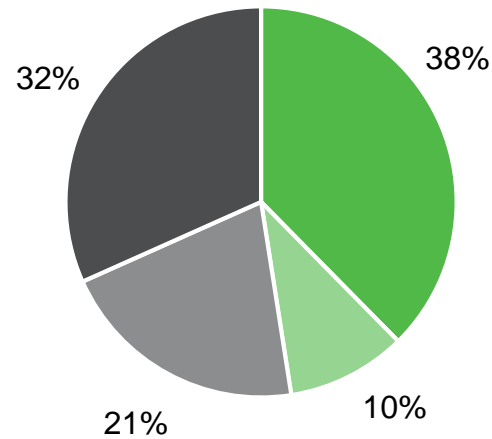
Net sales
EUR 3,159 million

Comparable EBITA
EUR 226 million

Comparable EBITA margin
7.2%

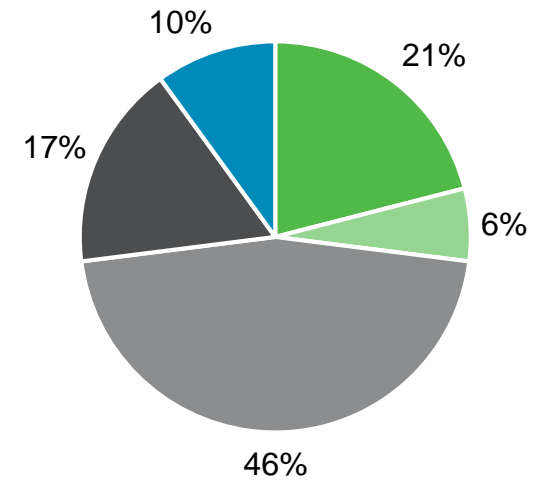
Employees
12,268

Orders received by business line



- Services
- Automation
- Pulp and Energy
- Paper

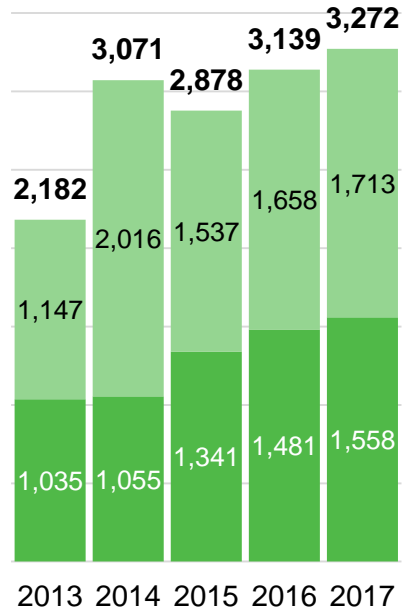
Orders received by area



- North America
- South America
- EMEA
- China
- Asia-Pacific

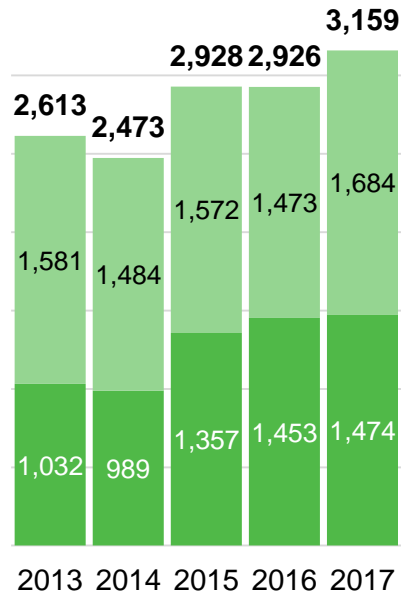
Valmet's development

Orders received
(EUR million)¹



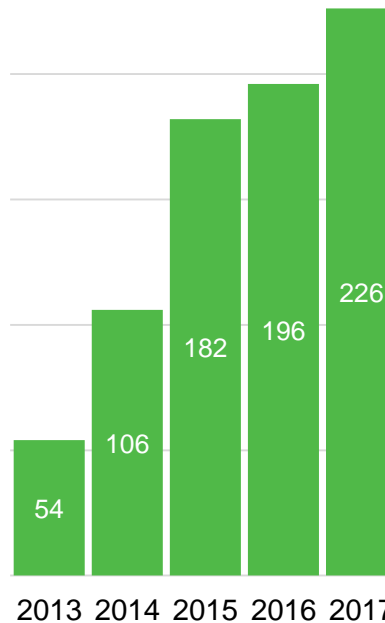
■ Pulp and Energy, and Paper business lines
■ Services and Automation business lines

Net sales
(EUR million)¹



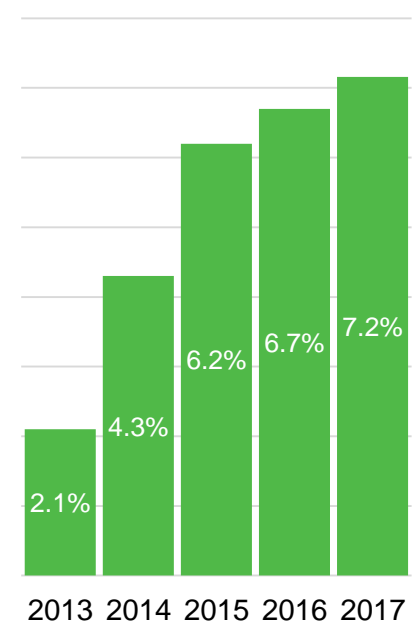
■ Pulp and Energy, and Paper business lines
■ Services and Automation business lines

Comparable EBITA
(EUR million)¹



■ Comparable EBITA

Comp. EBITA margin
(%)¹

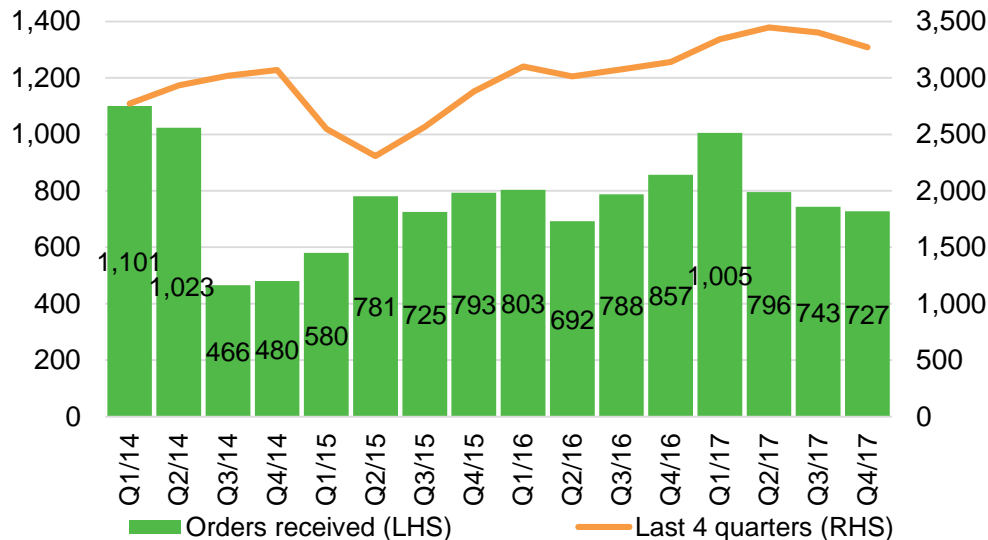


■ Comparable EBITA margin

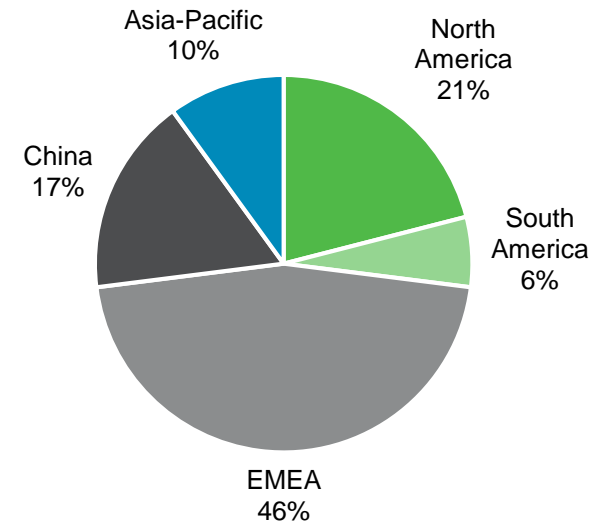
1) 2013 figures on carve-out basis

Orders received increased to EUR 3,272 million in 2017

Orders received (EUR million)



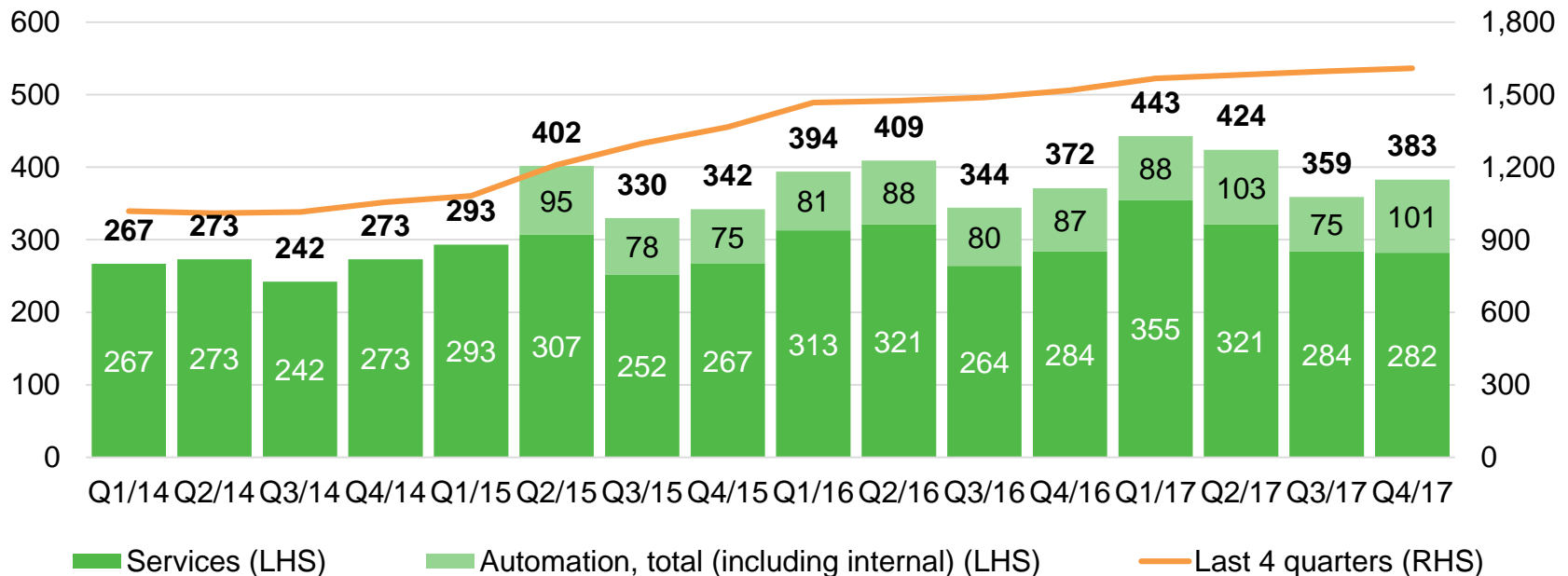
Orders received in 2017 by area



- In stable business, orders received increased to EUR 1.6 billion in 2017
- In capital business, orders received remained at the previous year's level at EUR 1.7 billion in 2017
- EMEA and North America accounted for 67% of orders received in 2017

Stable business orders received amounted to EUR 1,609 million in 2017

Orders received (EUR million) in stable business¹

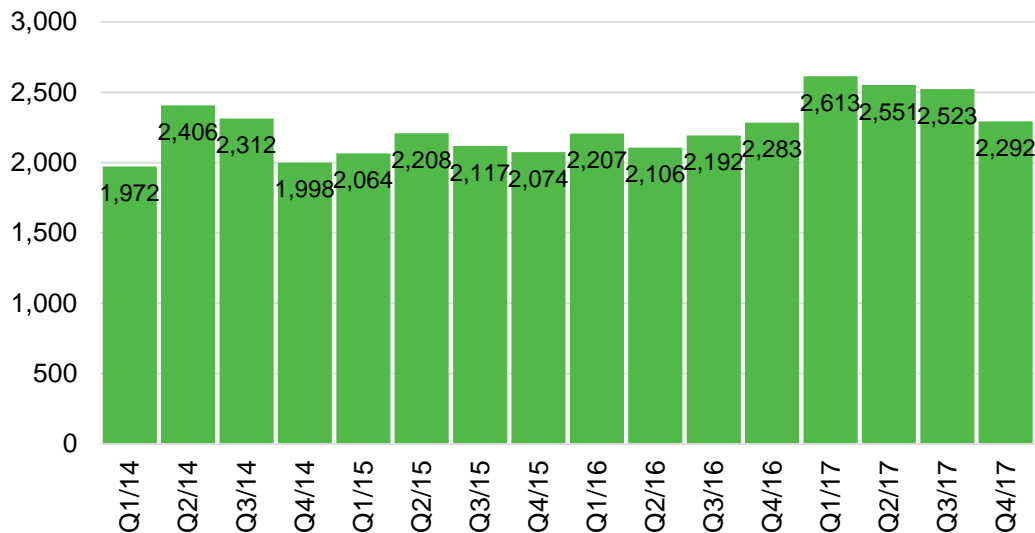


- Orders received in stable business increased by EUR 90 million in 2017

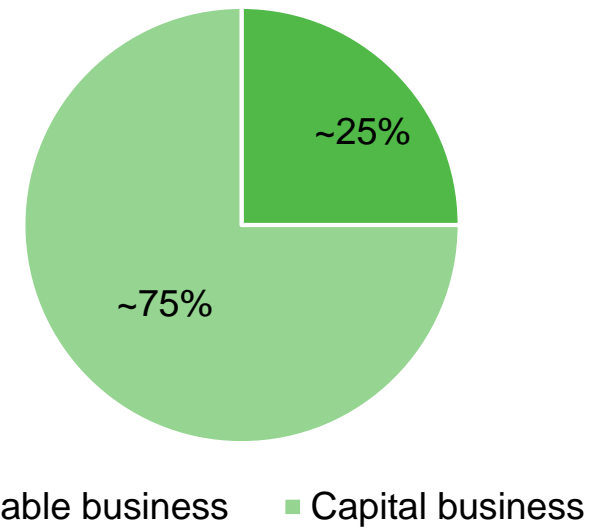
1) Stable business = Services business line and Automation business line. For Automation, this figure includes internal orders received from other business lines.

Order backlog was EUR 2,292 million at the end of 2017

Order backlog (EUR million)



Structure of order backlog



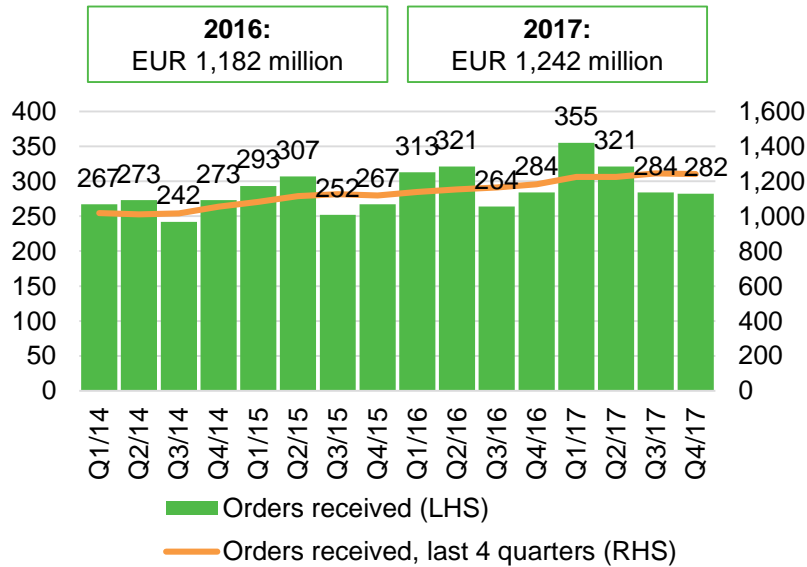
- Order backlog was EUR 231 million lower than at the end of Q3/2017
- Approximately 80% of the order backlog is currently expected to be realized as net sales during 2018
- Approximately 25% of the order backlog relates to stable business



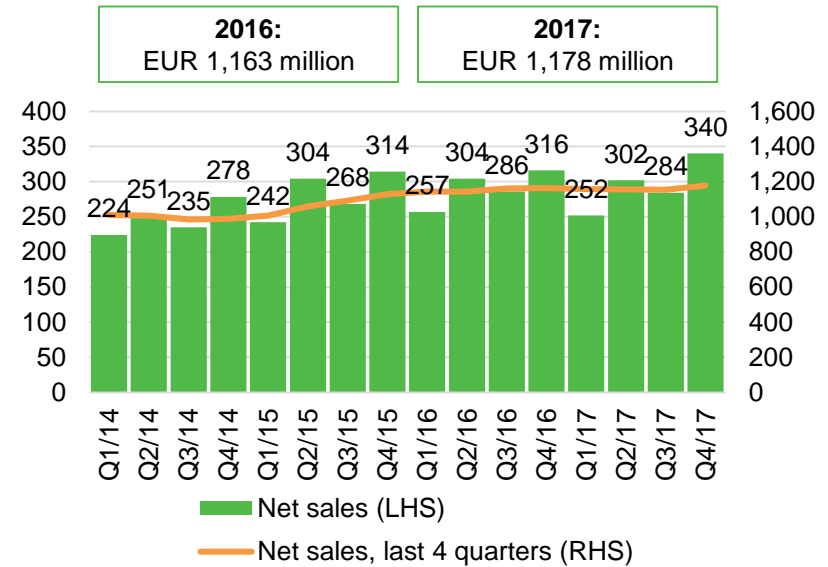
Development of business lines

Services: Orders received increased to EUR 1,242 million in 2017

Orders received (EUR million)



Net sales (EUR million)



- Orders received remained at the same level as in Q4/2016
 - Orders received increased in Asia-Pacific, remained at the previous year's level in EMEA and decreased in North America, China and South America
 - Orders received increased in Performance Parts, and Energy and Environmental, remained at the previous year's level in Mill Improvements and decreased in Rolls, and Fabrics
- Net sales increased compared with Q4/2016



Services business line in 2017

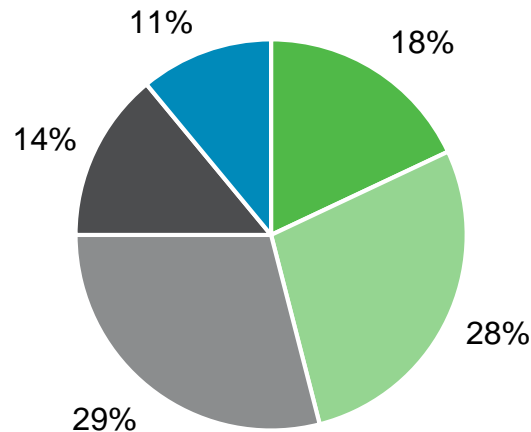
Orders received
EUR 1,242 million

Net sales
EUR 1,178 million

Employees
5,472

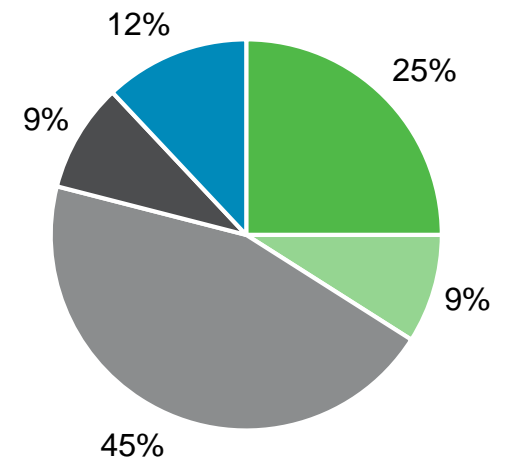
Market position
#1–2 Services

Orders received
by business



- Rolls
- Mill Improvements
- Performance Parts
- Fabrics
- Energy and Environment

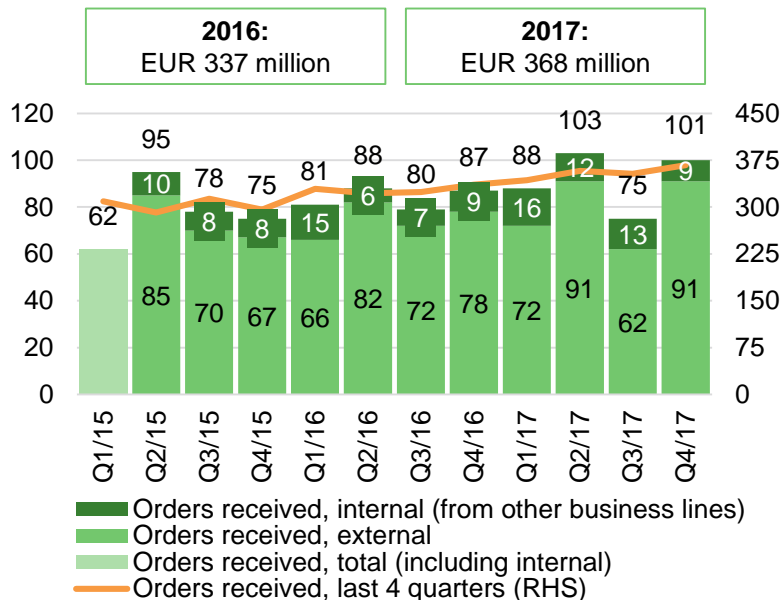
Orders received
by area



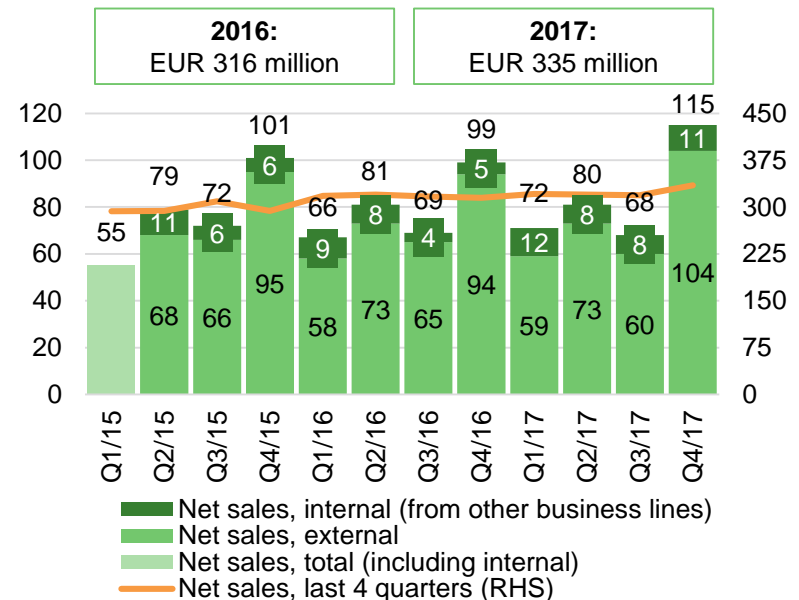
- North America
- South America
- EMEA
- China
- Asia-Pacific

Automation¹: Orders received increased to EUR 368 million in 2017

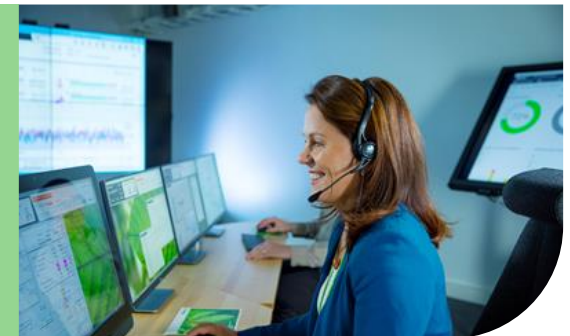
Orders received² (EUR million)



Net sales² (EUR million)



- Orders received increased compared with Q4/2016
 - Orders received increased in China, North America and EMEA and decreased in Asia-Pacific and South America
 - Orders received increased in both Pulp and Paper, and Energy and Process
- Net sales increased compared with Q4/2016



1) Comments refer to orders received and net sales including also internal orders received and net sales.

2) Q1/2015 orders received and the underlying figures for 'Orders received, last 4 quarters' and 'Net sales, last 4 quarters' are calculated based on Metso's reported figures and pro forma figures excluding Process Automation Systems and are therefore indicative only.

Automation business line in 2017

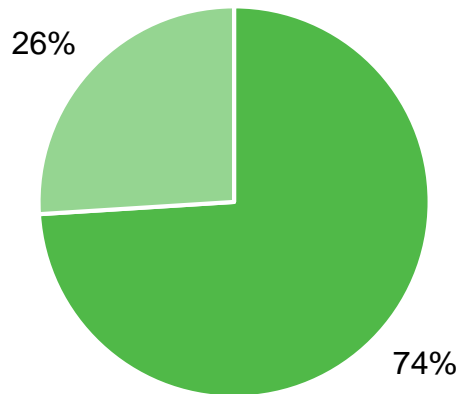
Orders received
EUR 368 million

Net sales
EUR 335 million

Employees
1,708

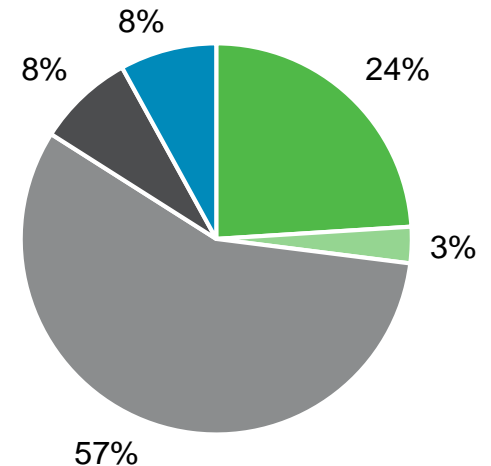
Market position
#1–3 Pulp and paper

Orders received
by business



- Pulp and Paper
- Energy and Process

Orders received
by area

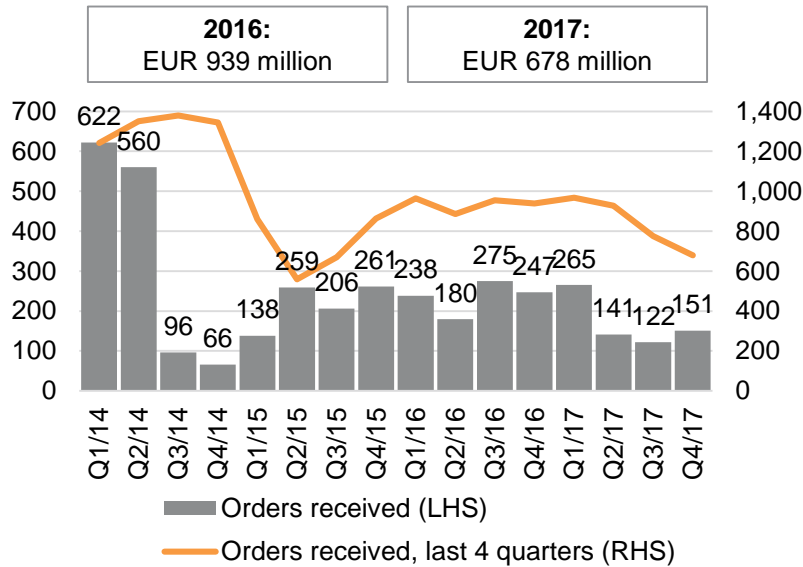


- North America
- South America
- EMEA
- China
- Asia-Pacific

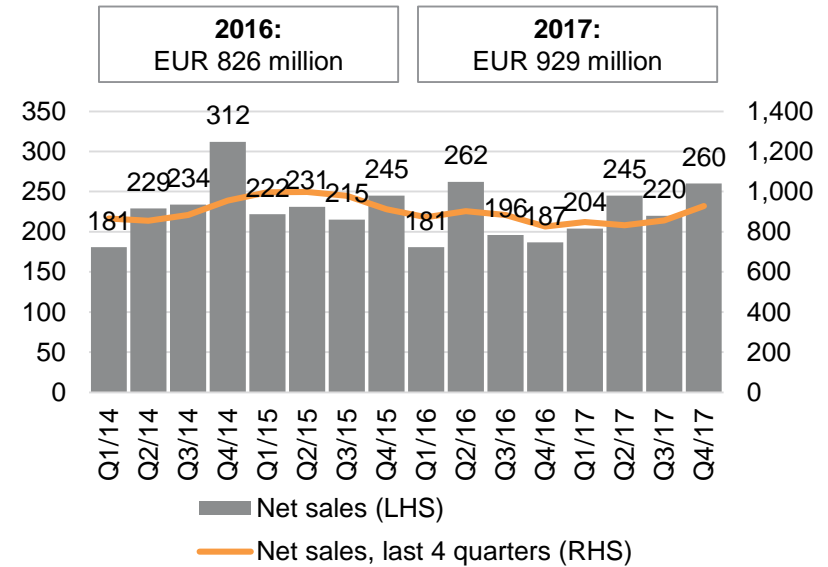
Orders received EUR 368 million includes internal orders received and net sales EUR 335 million includes internal net sales.

Pulp and Energy: Orders received decreased to EUR 678 million in 2017

Orders received (EUR million)



Net sales (EUR million)



- Orders received decreased compared with Q4/2016
 - Orders received increased in North America, EMEA and China and decreased in Asia-Pacific and South America
 - Orders received decreased in both Pulp and Energy
- Net sales increased compared with Q4/2016



Pulp and Energy business line in 2017

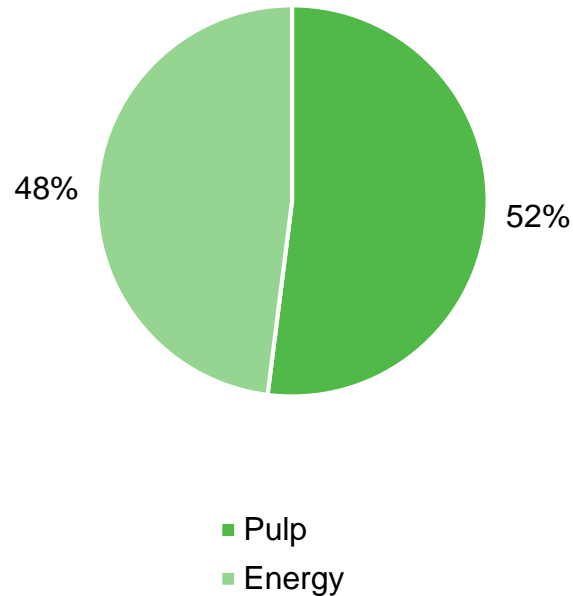
Orders received
EUR 678 million

Net sales
EUR 929 million

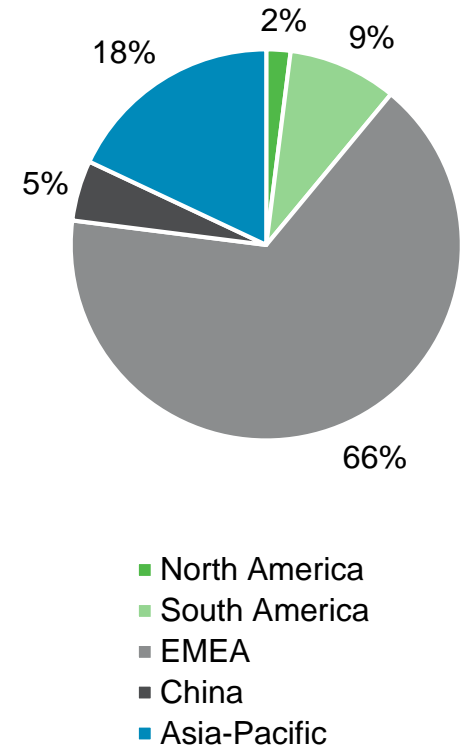
Employees
1,727

Market position
#1–2 Pulp
#1–3 Energy

Orders received
by business

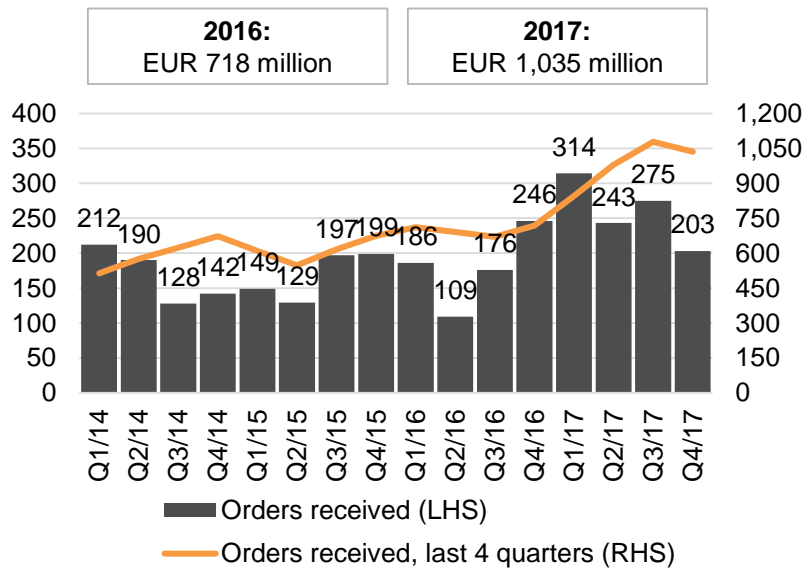


Orders received
by area

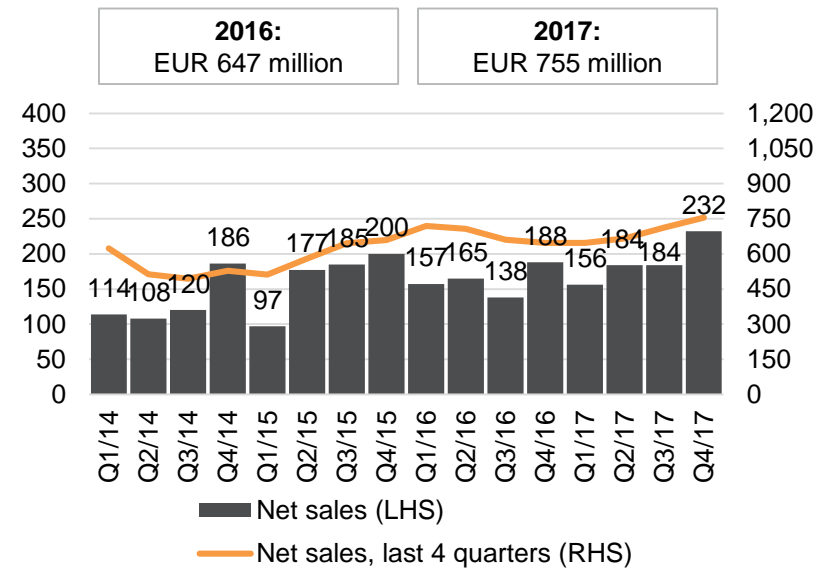


Paper: Orders received increased to EUR 1,035 million in 2017

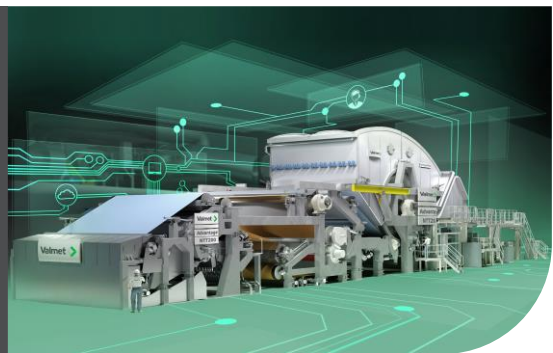
Orders received (EUR million)



Net sales (EUR million)



- Orders received decreased compared with Q4/2016
 - Orders received increased in North America and decreased in all other areas
 - Orders received remained at the previous year's level in Tissue and decreased in Board and Paper
- Net sales increased compared with Q4/2016



Paper business line in 2017

Orders received
EUR 1,035 million

Net sales
EUR 755 million

Employees
2,822

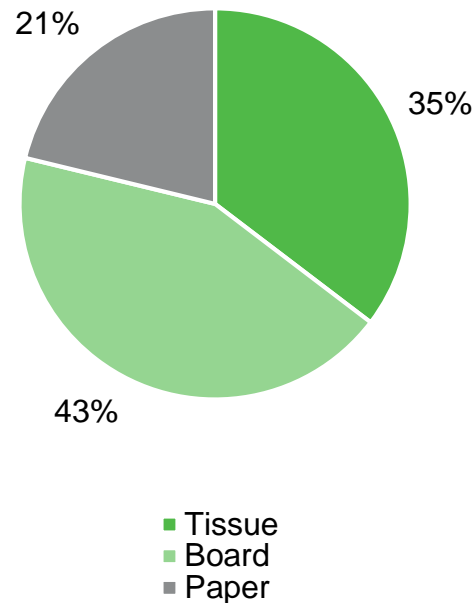
Market position

#1 Tissue

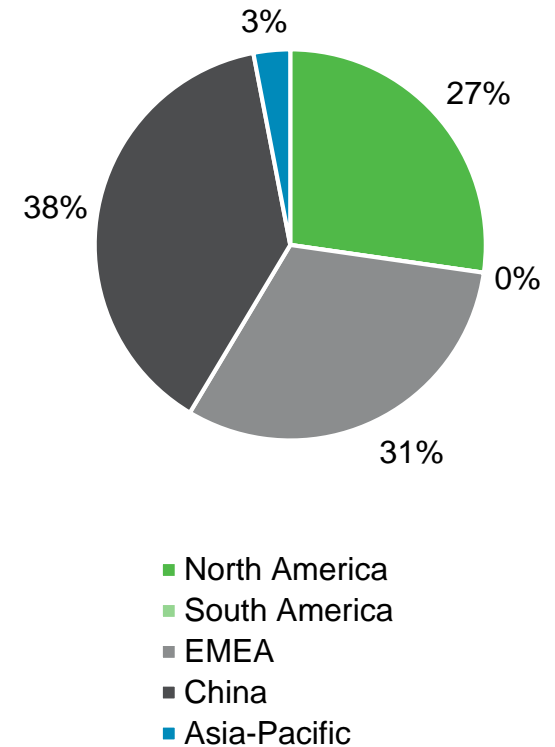
#1 Board

#1 Paper

Orders received
by business



Orders received
by area





Financial development

Q4/2017 in brief

- Orders received remained at the previous year's level at EUR 383 million in stable business¹
- Orders received decreased to EUR 354 million in capital business²
- Net sales increased to EUR 936 million
- Order backlog remained at the previous year's level at EUR 2.3 billion
- Comparable EBITA increased to EUR 76 million (margin 8.1%)
- Gearing was -11%

1) Stable business = Services business line and Automation business line. For Automation, this figure includes internal orders received from other business lines.
2) Capital business = Pulp and Energy business line and Paper business line

Key figures

| EUR million | Q4/2017 | Q4/2016 | Change | 2017 | 2016 | Change |
|---|--------------|---------|--------|--------------|-------|--------|
| Orders received | 727 | 857 | -15% | 3,272 | 3,139 | 4% |
| Order backlog ¹ | 2,292 | 2,283 | 0% | 2,292 | 2,283 | 0% |
| Net sales | 936 | 785 | 19% | 3,159 | 2,926 | 8% |
| Comparable EBITA | 76 | 56 | 34% | 226 | 196 | 15% |
| % of net sales | 8.1% | 7.2% | | 7.2% | 6.7% | |
| EBITA | 63 | 48 | 31% | 209 | 183 | 14% |
| Operating profit (EBIT) | 56 | 40 | 38% | 178 | 147 | 21% |
| % of net sales | 5.9% | 5.1% | | 5.6% | 5.0% | |
| Earnings per share, EUR | 0.30 | 0.10 | >100% | 0.84 | 0.55 | 53% |
| Return on capital employed (ROCE) before taxes ² | | | | 15% | 12% | |
| Cash flow provided by operating activities | 89 | 88 | 0% | 291 | 246 | 18% |
| Gearing ¹ | | | | -11% | 6% | |

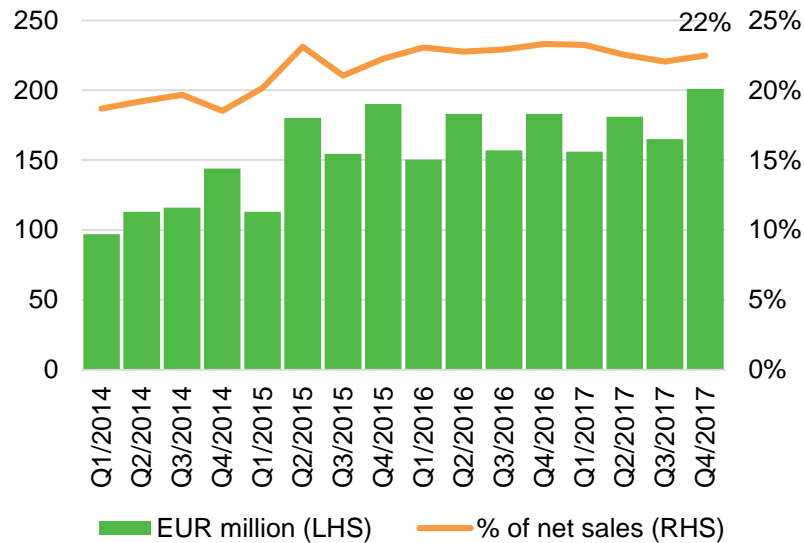
Items affecting comparability: EUR -12 million in Q4/2017 (EUR -8 million in Q4/2016), EUR -17 million in 2017 (EUR -13 million in 2016)

1) At the end of period

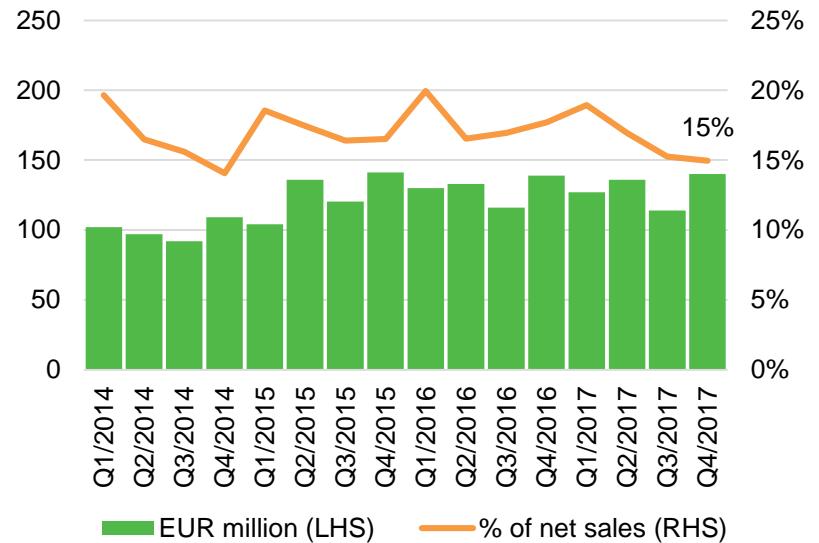
2) Annualized

Gross profit and SG&A development

Gross profit (EUR million and % of net sales)



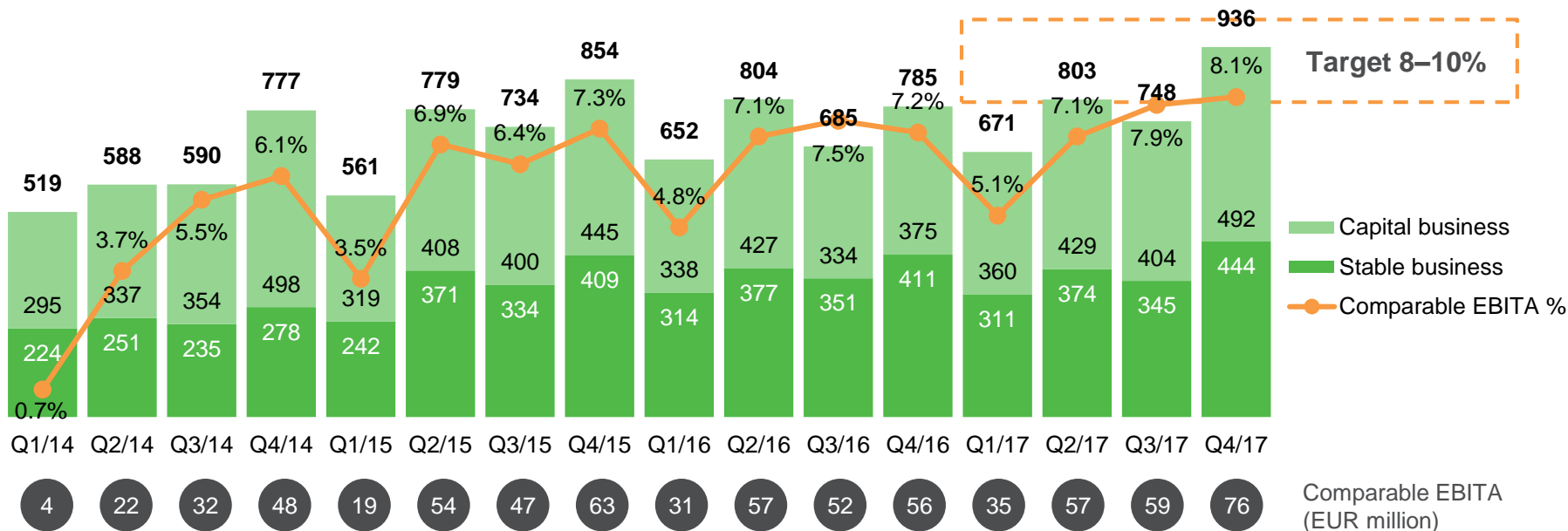
SG&A (EUR million and % of net sales)



- Gross profit percentage decreased compared with Q4/2016
 - Capital business had a higher share of net sales in Q4/2017
- Selling, general & administrative (SG&A) expenses to net sales decreased compared with Q4/2016
- Actions to improve gross profit through Must-Win implementation

Comparable EBITA margin development

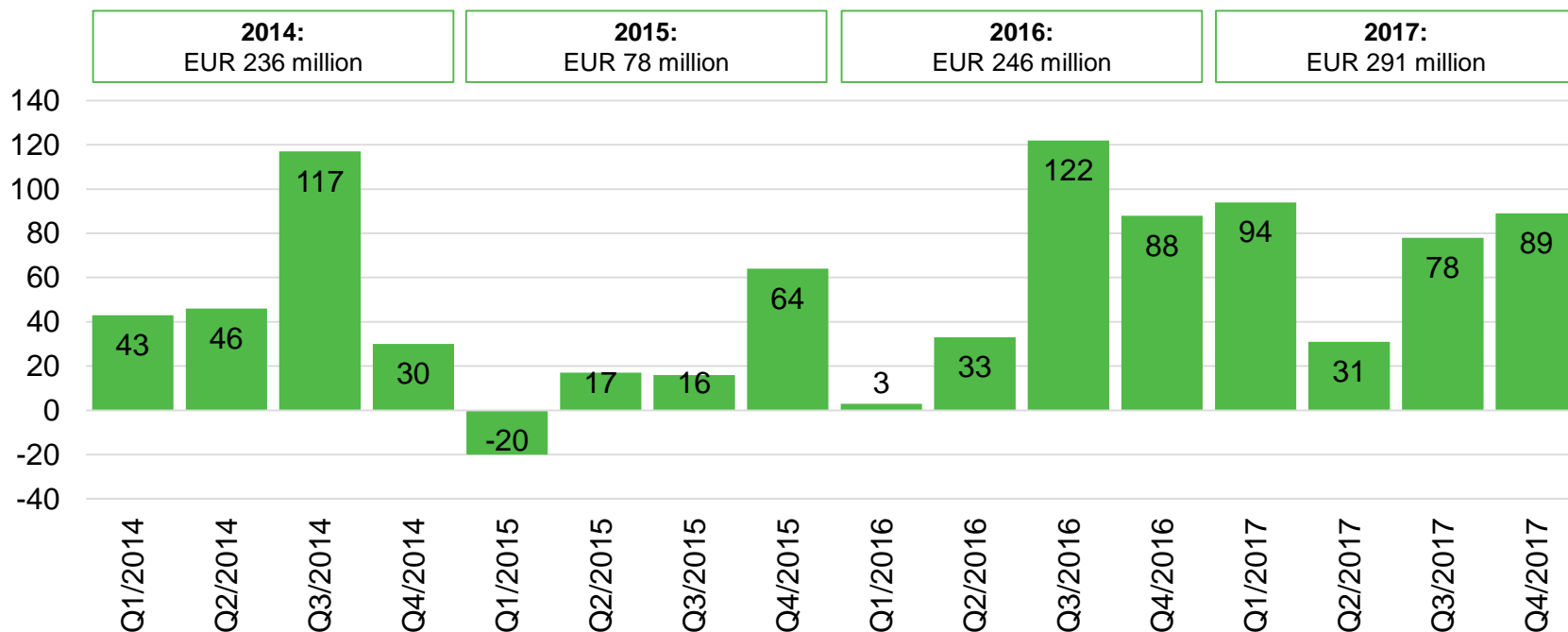
Net sales and Comparable EBITA (EUR million and %)



- Net sales and Comparable EBITA increased compared with Q4/2016
 - Profitability improved due to higher net sales

Cash flow provided by operating activities

Cash flow provided by operating activities (EUR million)

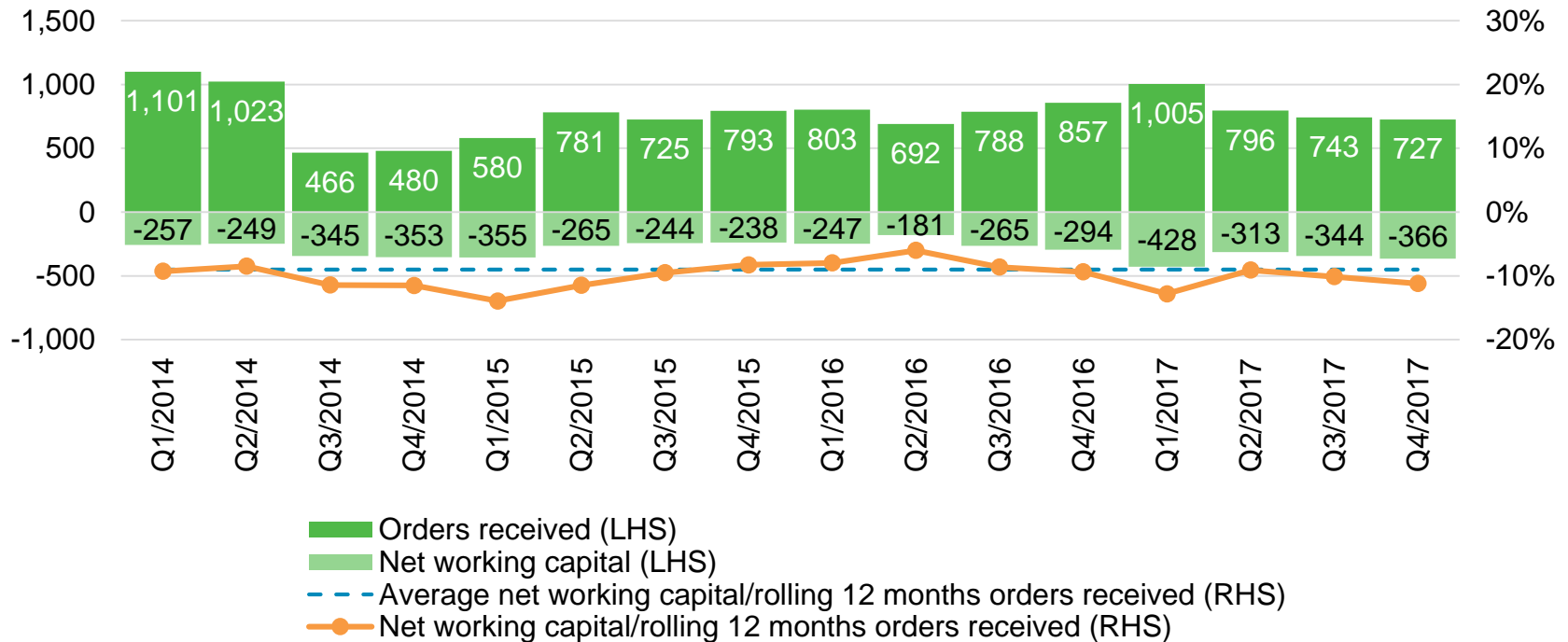


- Change in net working capital¹ EUR 18 million in Q4/2017
- Cash flow provided by operating activities EUR 89 million in Q4/2017
- CAPEX EUR 20 million in Q4/2017

1) Change in net working capital in the consolidated statement of cash flows.

Net working capital at -11% of rolling 12 months orders received

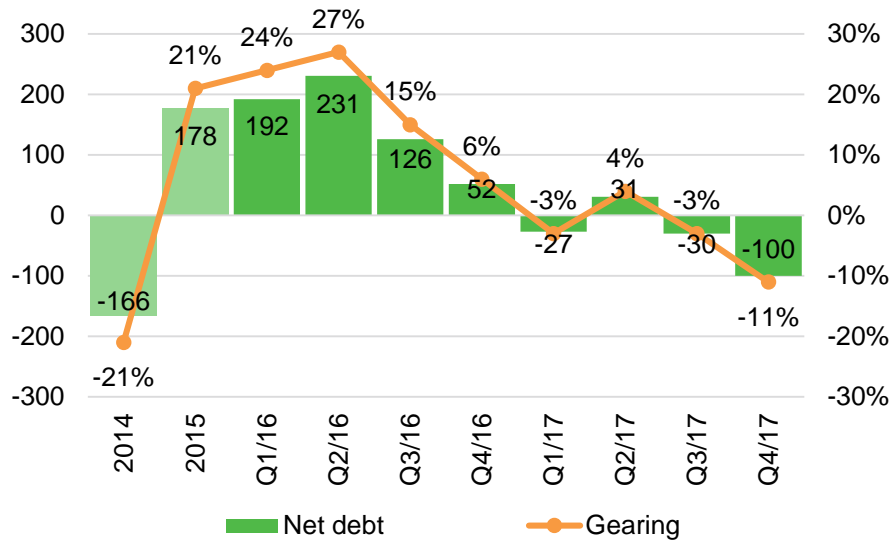
Net working capital and orders received (EUR million)



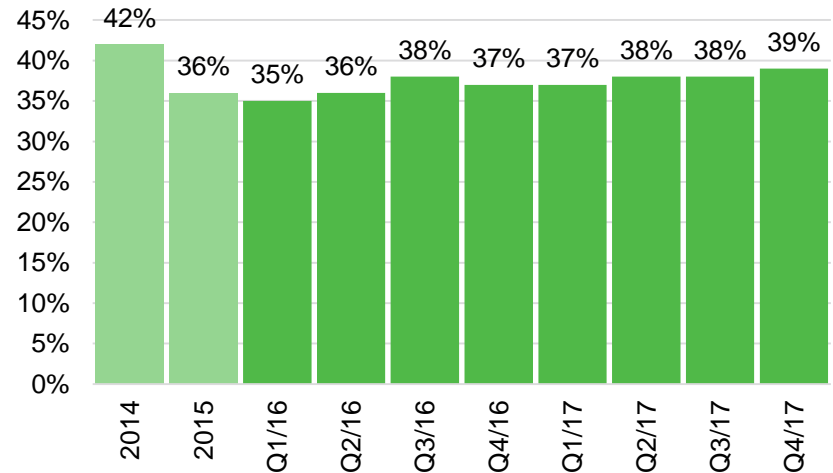
- Net working capital EUR -366 million, which equals -11% of rolling 12 months orders received

Net debt decreased compared with both Q4/2016 and Q3/2017

Net debt (EUR million) and gearing (%)



Equity to assets ratio (%)

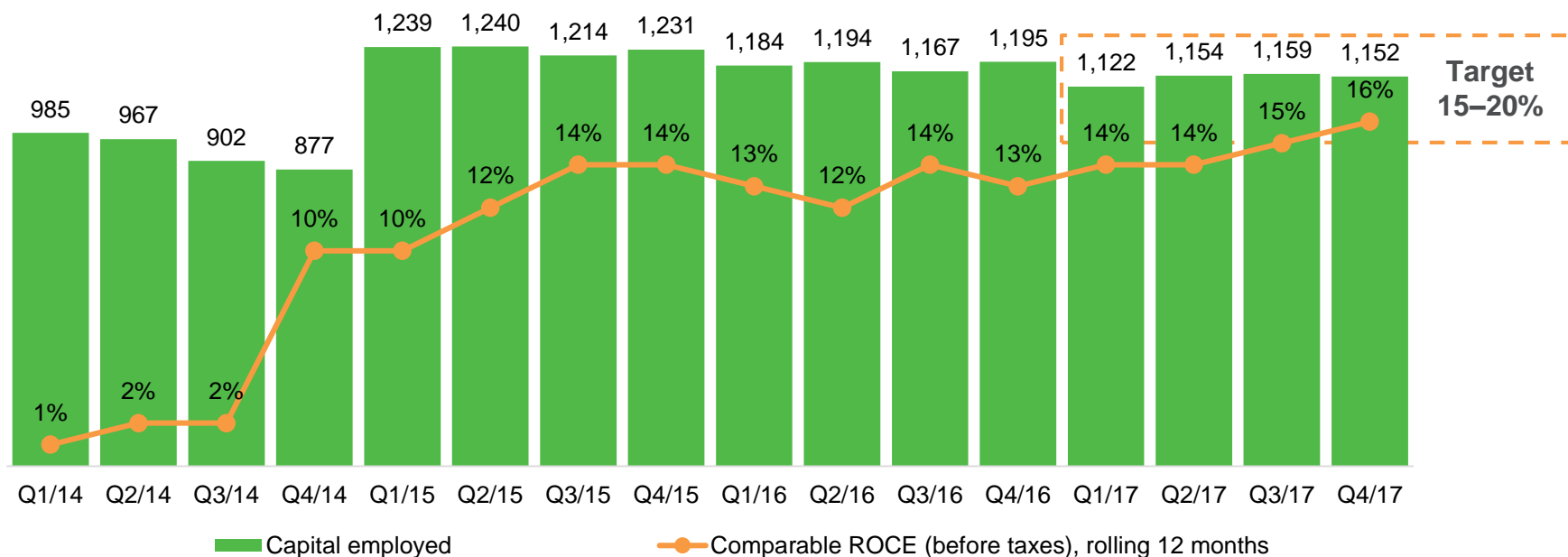


- Gearing (-11%) and net debt (EUR -100 million) decreased compared with both Q4/2016 and Q3/2017
- Equity to assets ratio increased compared with both Q4/2016 and Q3/2017

Automation acquisition was completed on April 1, 2015.

Capital employed and Comparable ROCE

Capital employed (EUR million) and Comparable return on capital employed (ROCE), before taxes¹ (%)



- Target for Comparable return on capital employed (ROCE): 15–20%

1) Rolling 12 months. Carve-out figures for 2013 have been used in the calculation of Q1–Q3/2014 figures.



Dividend proposal, guidance and short-term market outlook

Dividend proposal

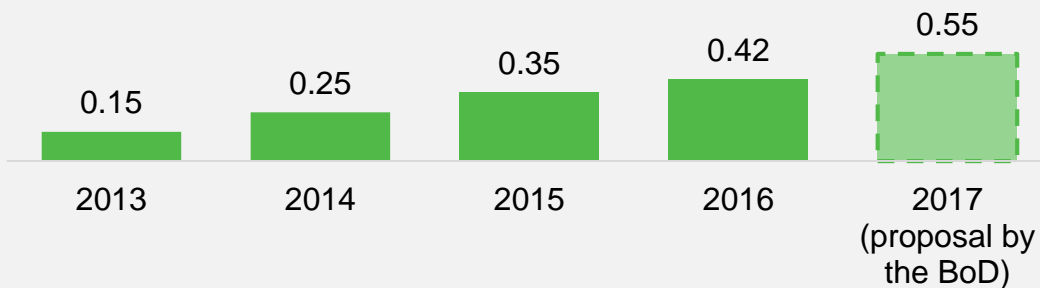
Dividend policy

Dividend payout at least 50% of net profit

Board of Directors' dividend proposal to the Annual General Meeting

EUR 0.55 per share

Dividend per share (euro)



Guidance and short-term market outlook

Guidance for 2018 to be announced in March 2018 at the latest

Guidance




Following the adoption of the new principles of IFRS 15, effective as of January 1, 2018, Valmet's revenue recognition will change in 2018. As a result, Valmet will publish restated figures for 2017 in March 2018 at the latest. Valmet will announce its financial guidance for 2018 in conjunction with the restated figures.

Short-term market outlook

| | | Q1/2017 | Q2/2017 | Q3/2017 | Q4/2017 |
|-----------------|-----------------|--------------|--------------|--------------|--------------|
| Services | | Good | Good | Good | Good |
| Automation | | Satisfactory | Satisfactory | Satisfactory | Good |
| Pulp and Energy | Pulp | Weak | Weak | Weak | Weak |
| | Energy | Good | Good | Satisfactory | Satisfactory |
| Paper | Board and Paper | Good | Good | Good | Good |
| | Tissue | Good | Good | Good | Good |

The short-term market outlook is given for the next six months from the end of the respective quarter. The scale is 'weak-satisfactory-good'.



Summary of Financial Statements Review 2017

2017 in brief

- Orders received increased to EUR 1,609 million in stable business¹
- Orders received remained at the previous year's level at EUR 1,713 million in capital business²
- Net sales increased to EUR 3,159 million
- Order backlog remained at the previous year's level at EUR 2.3 billion
- Comparable EBITA increased to EUR 226 million (margin 7.2%)
- Gearing was -11%

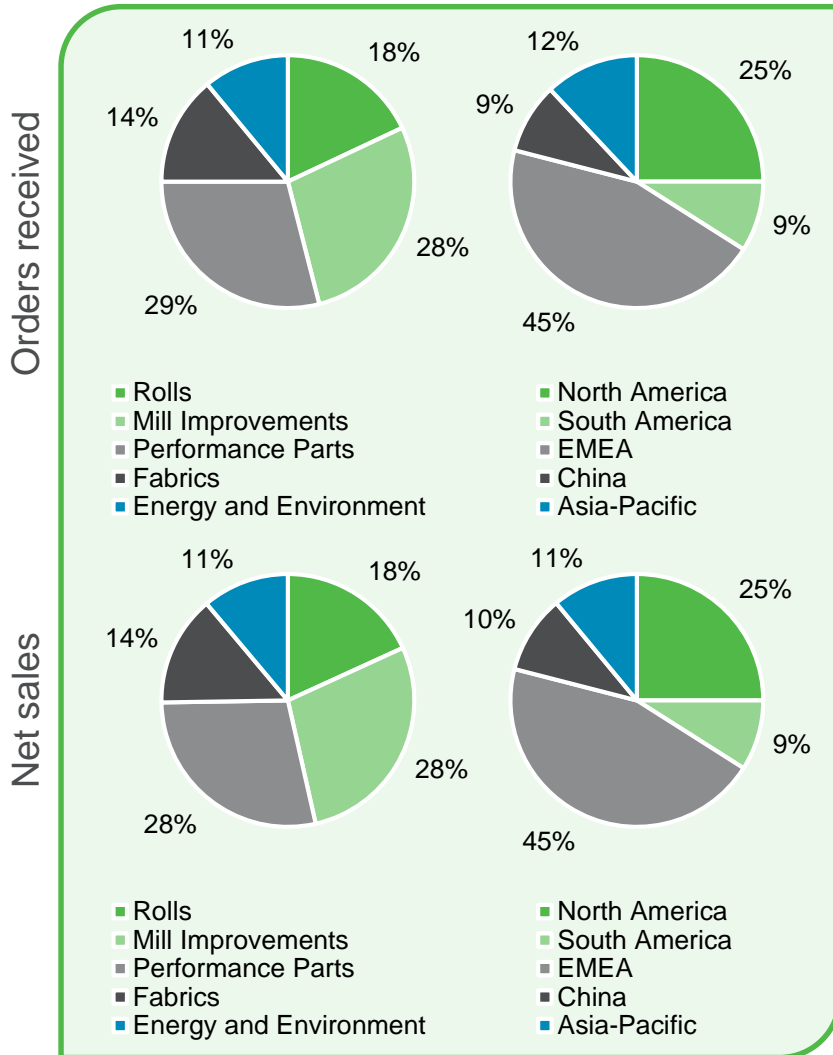
1) Stable business = Services business line and Automation business line. For Automation, this figure includes internal orders received from other business lines.
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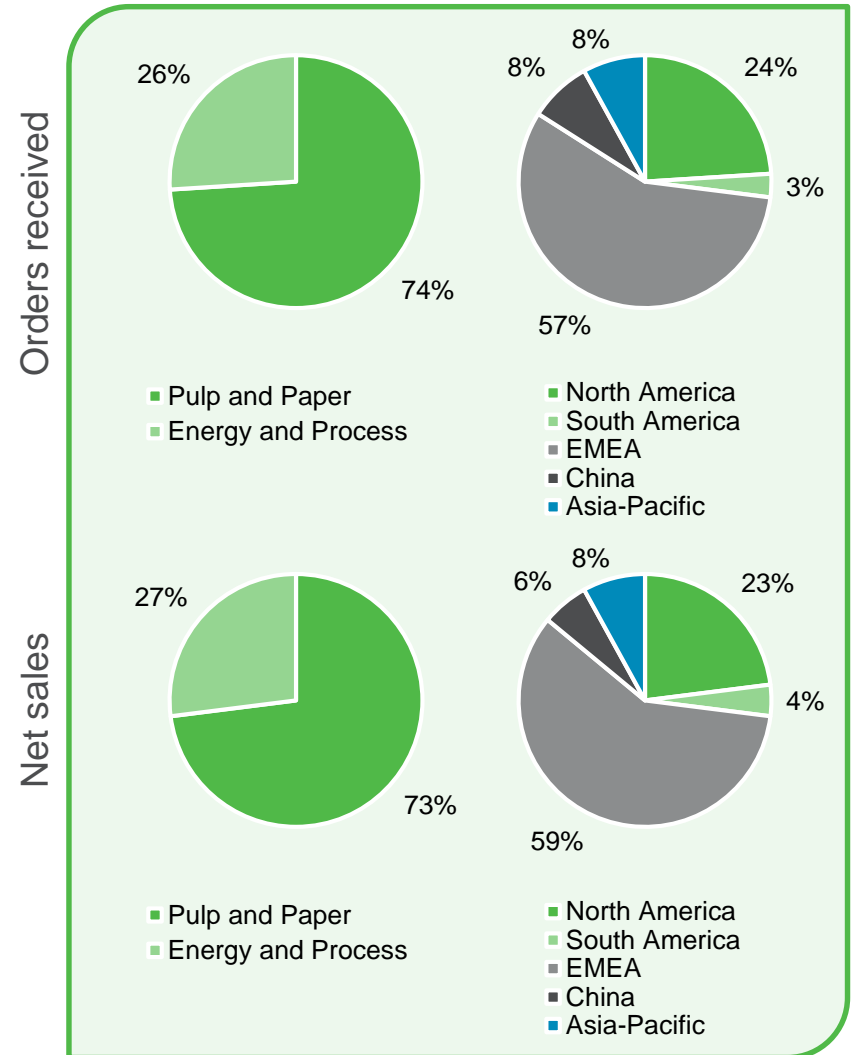
Appendix

Business lines in 2017: Stable business

Services business line

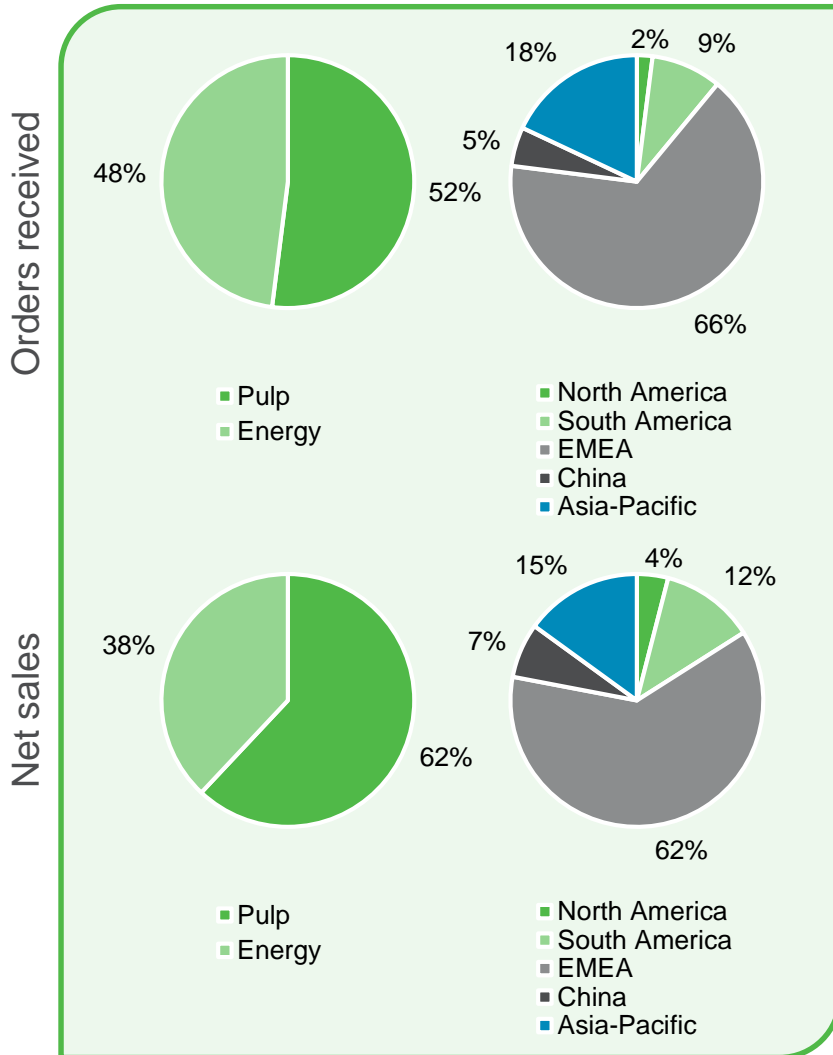


Automation business line

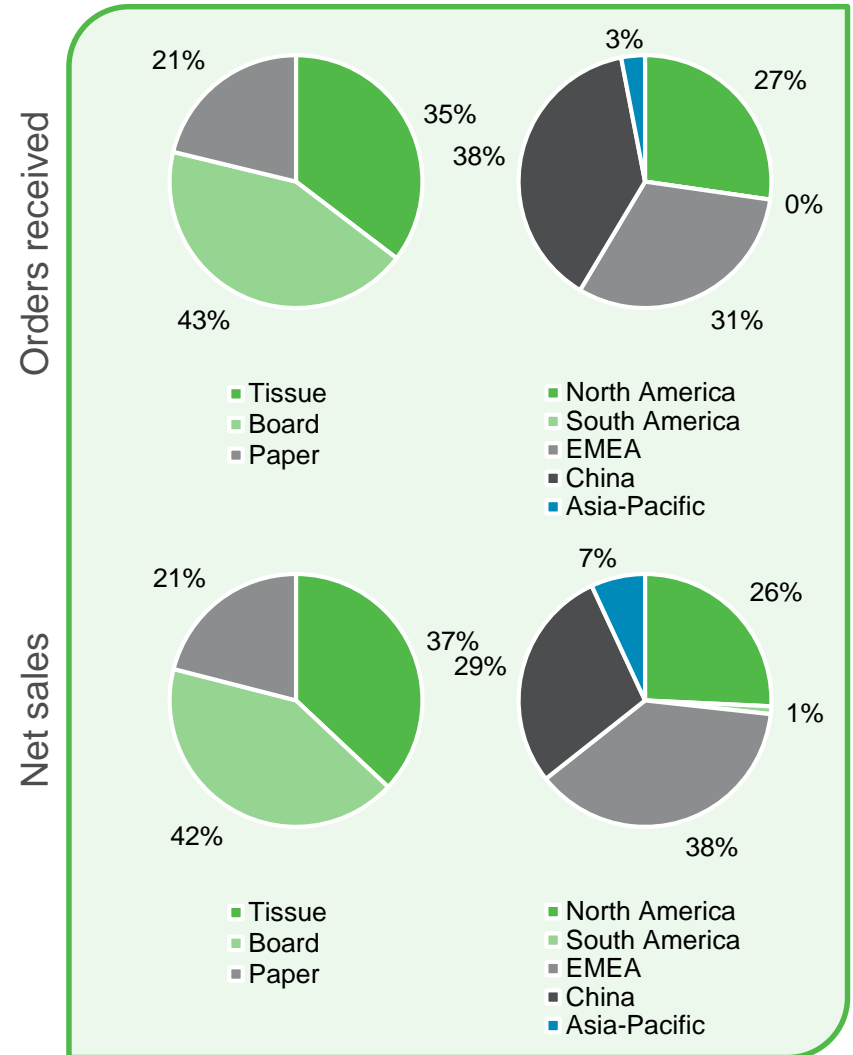


Business lines in 2017: Capital business

Pulp and Energy business line



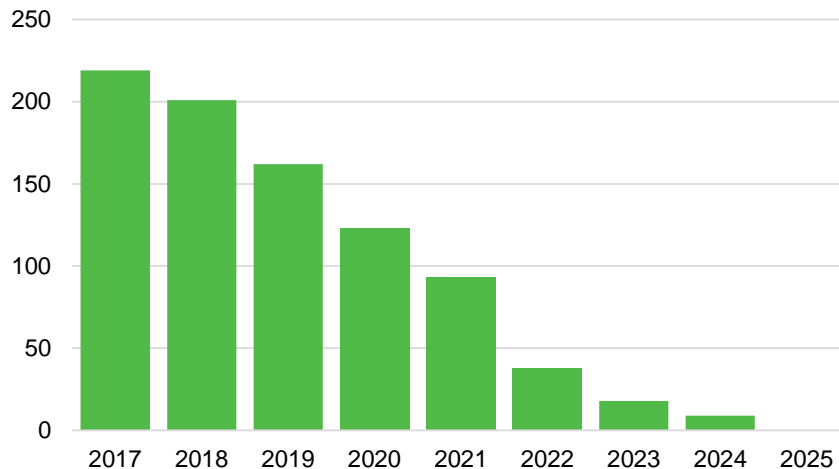
Paper business line



Structure of loans and borrowings

Interest-bearing debt EUR 219 million as at December 31, 2017

Amount of outstanding interest-bearing debt (EUR million)



Main financing sources and facilities

| Source | Amount outstanding |
|---|--------------------|
| Loans from banks and financial institutions | EUR 219 million |
| EUR 200 million committed syndicated revolving credit facility ¹ | None outstanding |
| EUR 200 million domestic commercial paper program | None outstanding |

1) EUR 200 million syndicated revolving credit facility agreement matures on January 14, 2023 with a 1-year extension option.

- Average maturity of long-term loans is 4.0 years
- Average interest rate is 1.3%

Largest shareholders on December 31, 2017

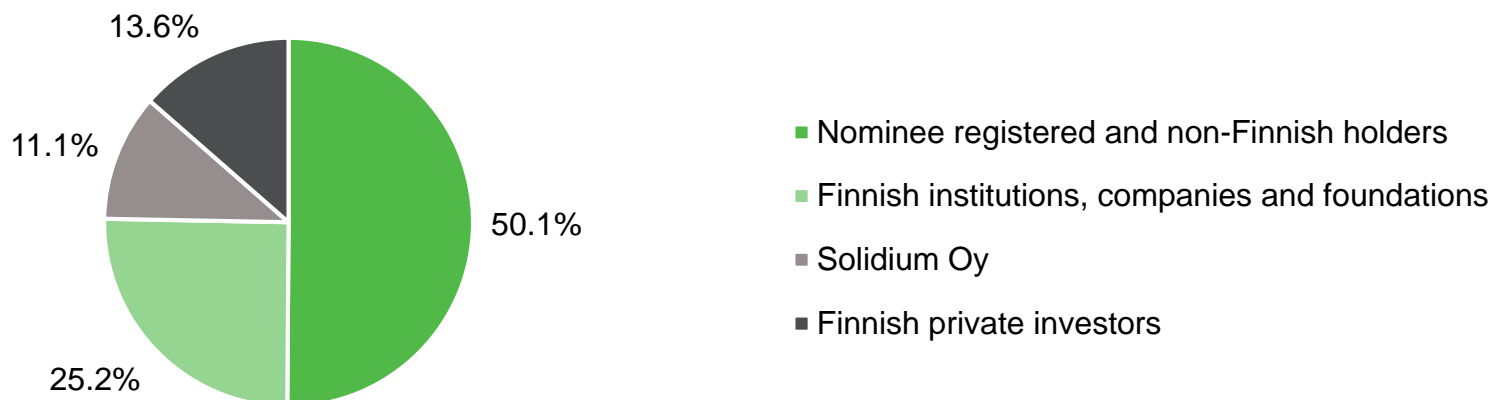
Based on the information given by Euroclear Finland Ltd.

Largest shareholders

| # | Shareholder name | Number of shares | % of shares and votes |
|----|--|--------------------|-----------------------|
| 1 | Solidium Oy ¹ | 16,695,287 | 11.14% |
| 2 | Elo Mutual Pension Insurance Company | 4,210,000 | 2.81% |
| 3 | Varma Mutual Pension Insurance Company | 4,165,465 | 2.78% |
| 4 | Ilmarinen Mutual Pension Insurance Company | 3,103,000 | 2.07% |
| 5 | OP Funds | 2,862,937 | 1.91% |
| 6 | The State Pension Fund | 1,545,000 | 1.03% |
| 7 | Keva | 1,502,166 | 1.00% |
| 8 | Mandatum Life Insurance Company Limited | 922,537 | 0.62% |
| 9 | Nordea funds | 888,210 | 0.59% |
| 10 | Odin Funds | 883,115 | 0.59% |
| | 10 largest shareholders, total | 36,777,717 | 24.54% |
| | Other shareholders | 113,086,902 | 75.46% |
| | Total | 149,864,619 | 100% |

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

Shareholder structure on December 31, 2017

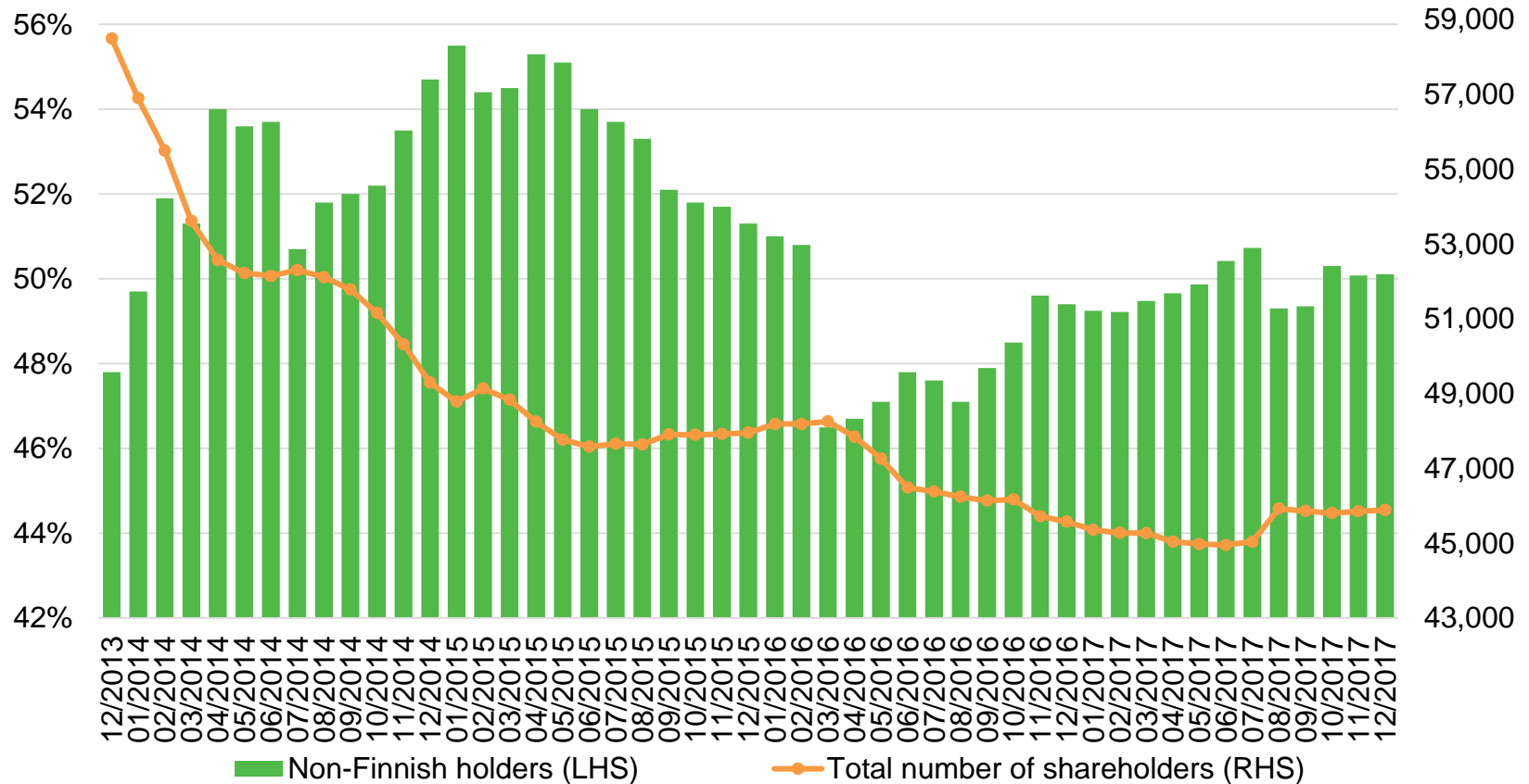


| Sector | Number of shareholders | % of total shareholders | Number of shares | % of shares |
|---|------------------------|-------------------------|--------------------|-------------|
| Nominee registered and non-Finnish holders ¹ | 312 | 0.7% | 75,094,795 | 50.1% |
| Finnish institutions, companies and foundations | 2,390 | 5.2% | 37,751,535 | 25.2% |
| Solidium Oy ² | 0 | 0.0% | 16,695,287 | 11.1% |
| Finnish private investors | 43,188 | 94.1% | 20,314,922 | 13.6% |
| In the issuer account | 0 | 0.0% | 8,080 | 0.0% |
| Total | 45,890 | 100% | 149,864,619 | 100% |

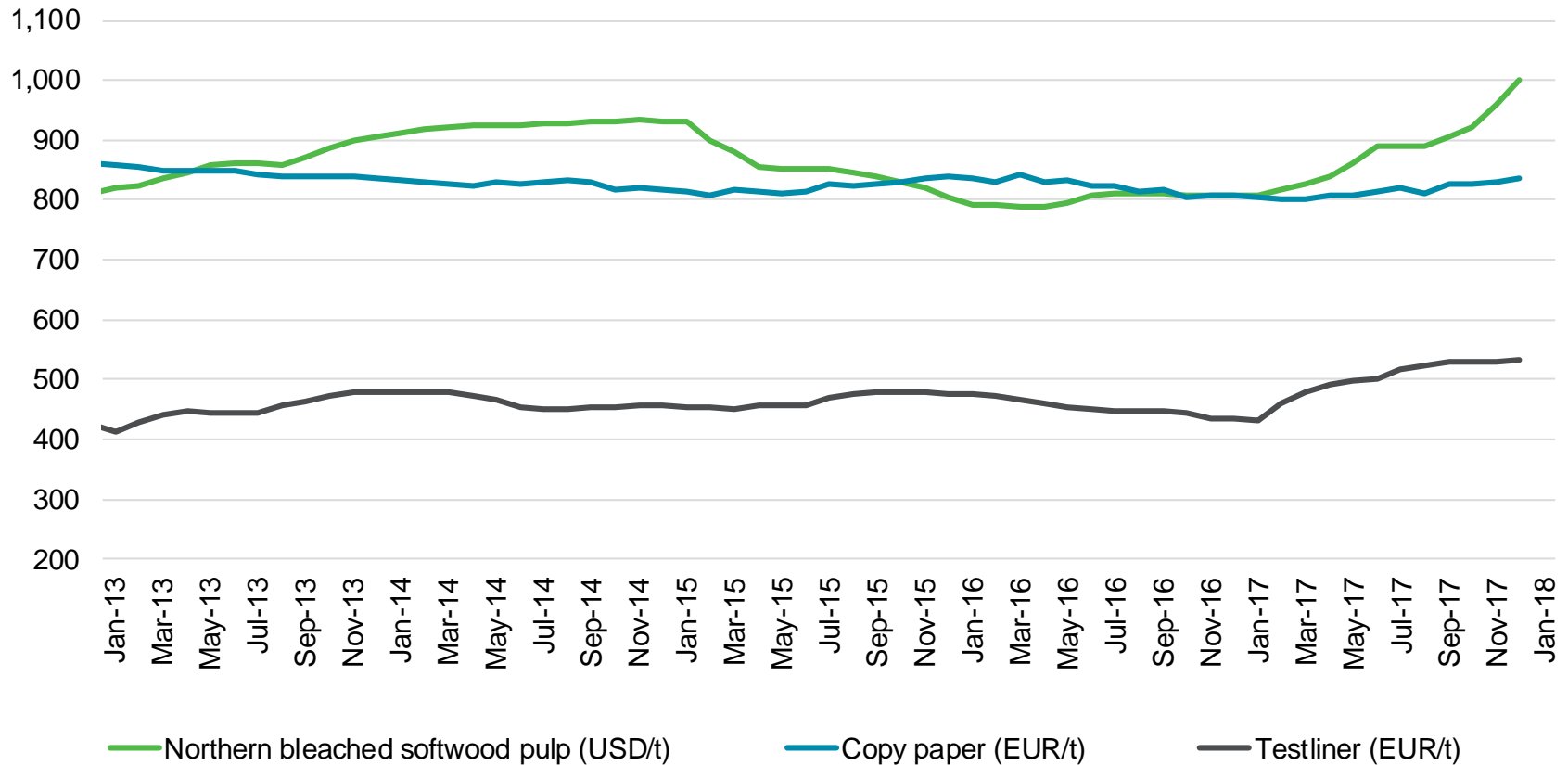
The shareholder structure is based on the classification of sectors determined by Statistics Finland.

1) Of which 73,152,725 nominee registered shares
 2) A holding company that is wholly owned by the Finnish State

Share of non-Finnish holders and number of shareholders

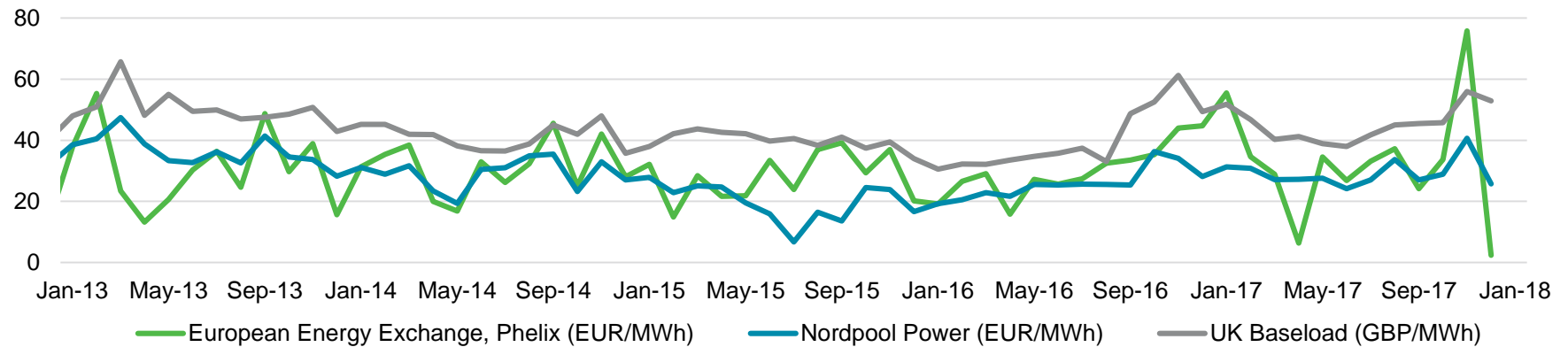
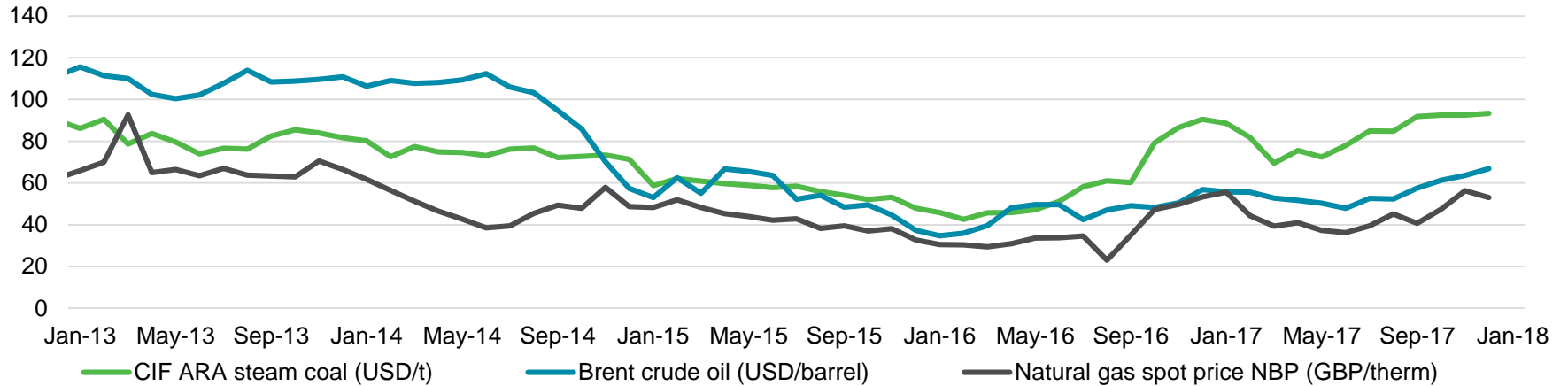


Pulp and paper price trends



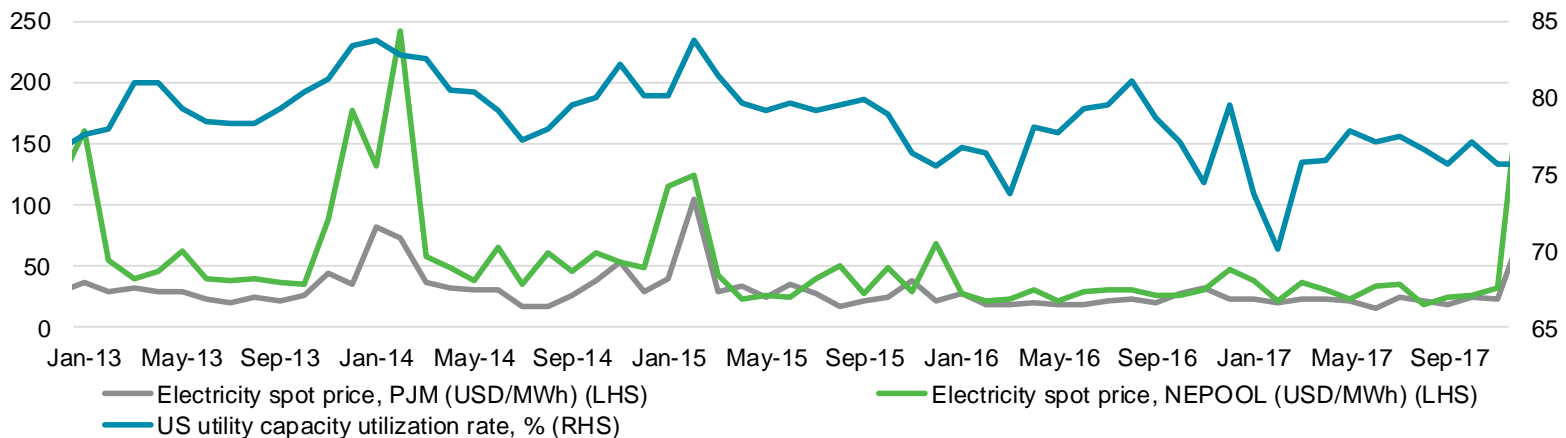
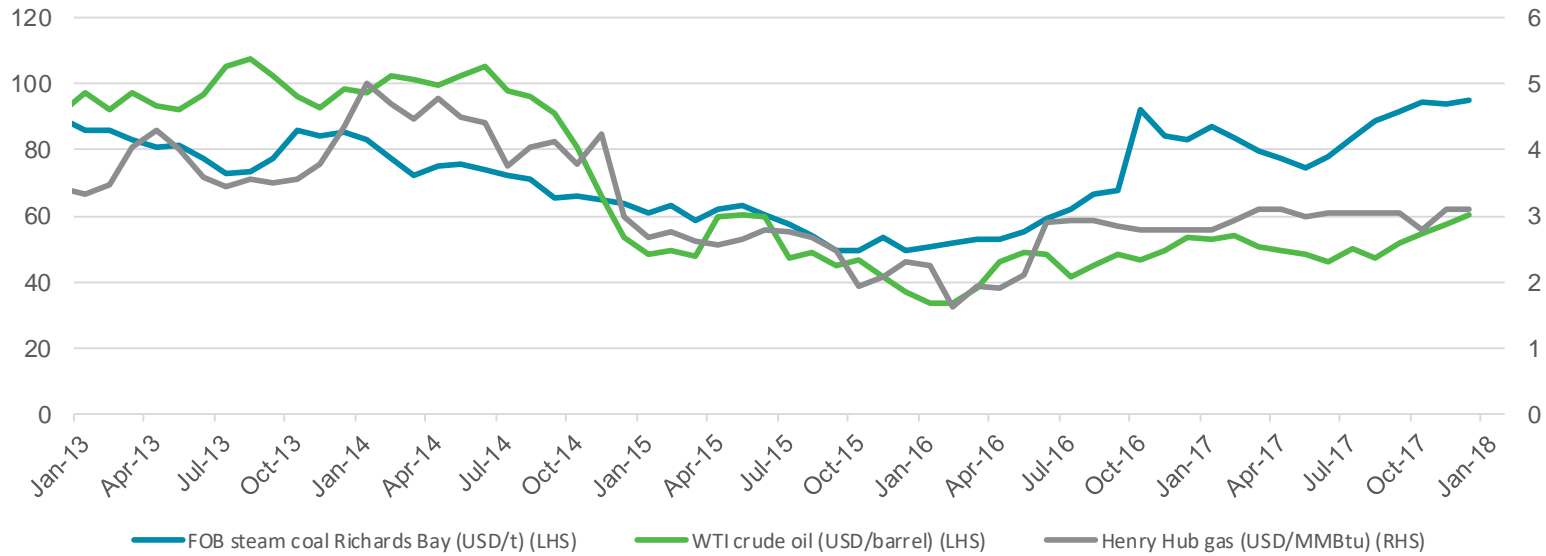
Crude oil, steam coal, natural gas and electricity

Europe

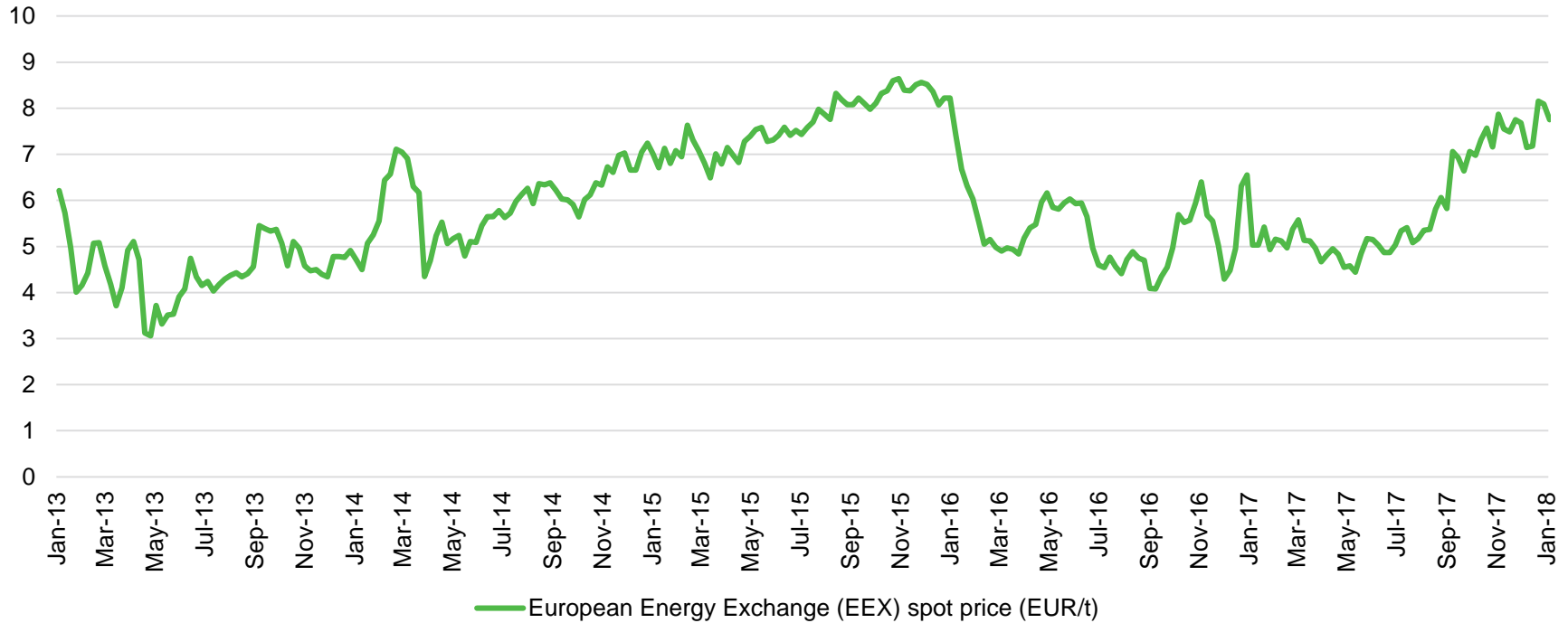


Crude oil, steam coal, natural gas and electricity

United States



European Carbon Emission Allowance



Important notice

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January–March 2018
Interim Review

April 27, 2018

www.valmet.com/investors

Save the date

Valmet's Capital
Markets Day

September 18, 2018
Helsinki, Finland

