

Growth continued in the Paper business line – Valmet's profitability improved

Interim Review
January–September 2017

October 24, 2017

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Agenda

Interim Review, January–September 2017

- 1 Q3/2017 in brief
- 2 Development of business lines
- 3 Recent achievements in sustainability
- 4 Financial development
- 5 Guidance and short-term market outlook
- 6 Summary of Interim Review Q3/2017
- 7 Appendix



Q3/2017 in brief

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- Orders received remained at the previous year's level at EUR 346 million in stable business¹
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- Net sales increased to EUR 748 million
- Order backlog increased to EUR 2.5 billion
- Profitability improved – Comparable EBITA margin was 7.9%
- Gearing was -3%

1) Stable business = Services business line and Automation business line

2) Capital business = Pulp and Energy business line and Paper business line

Valmet in Q3/2017

Orders received
EUR 743 million

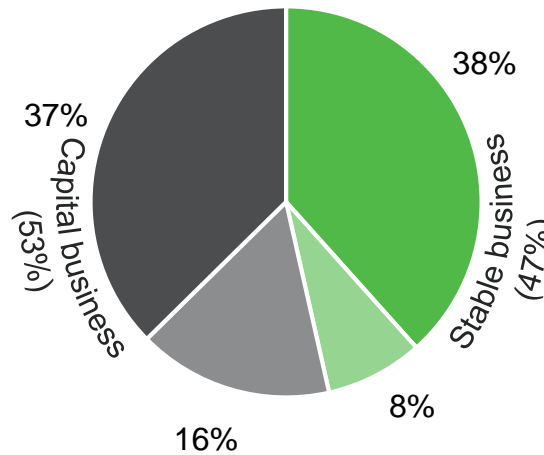
Net sales
EUR 748 million

Comparable EBITA
EUR 59 million

Comparable EBITA margin
7.9%

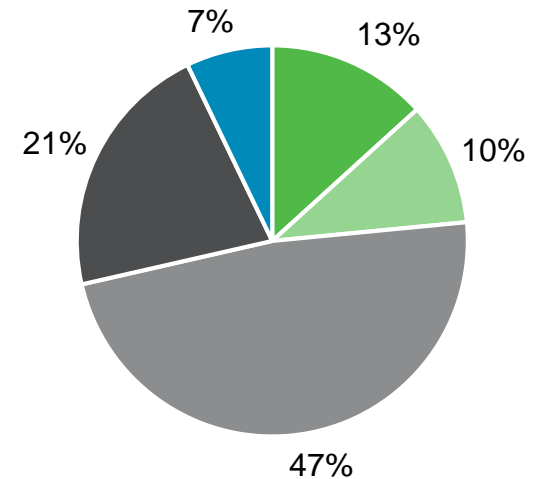
Employees
12,246

Orders received by business line



- Services
- Automation
- Pulp and Energy
- Paper

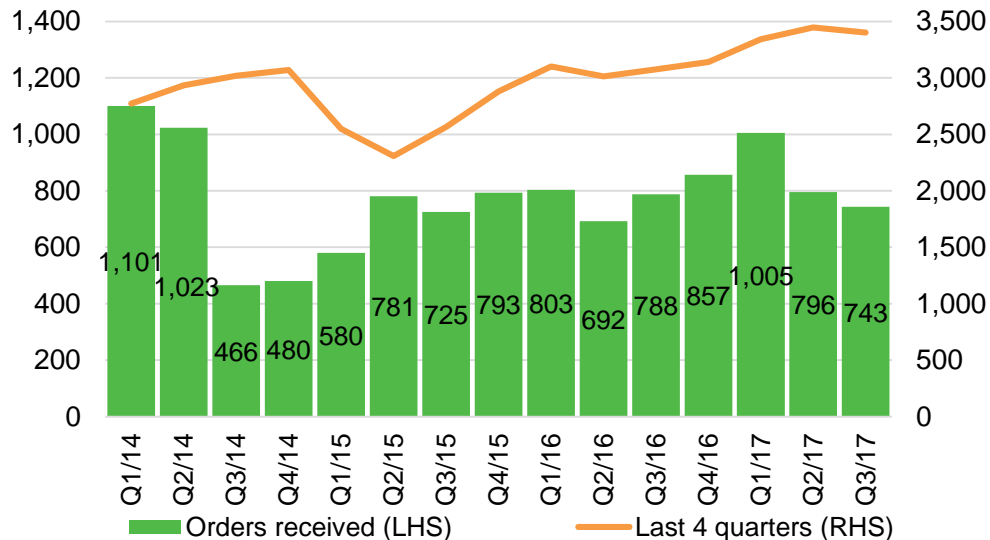
Orders received by area



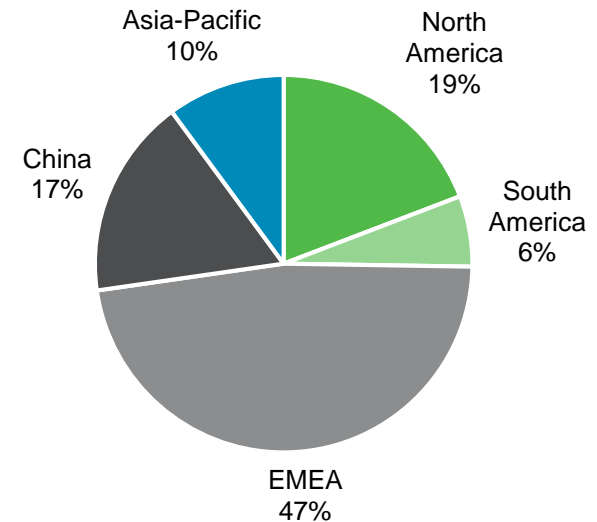
- North America
- South America
- EMEA
- China
- Asia-Pacific

Orders received decreased to EUR 743 million in Q3/2017

Orders received (EUR million)



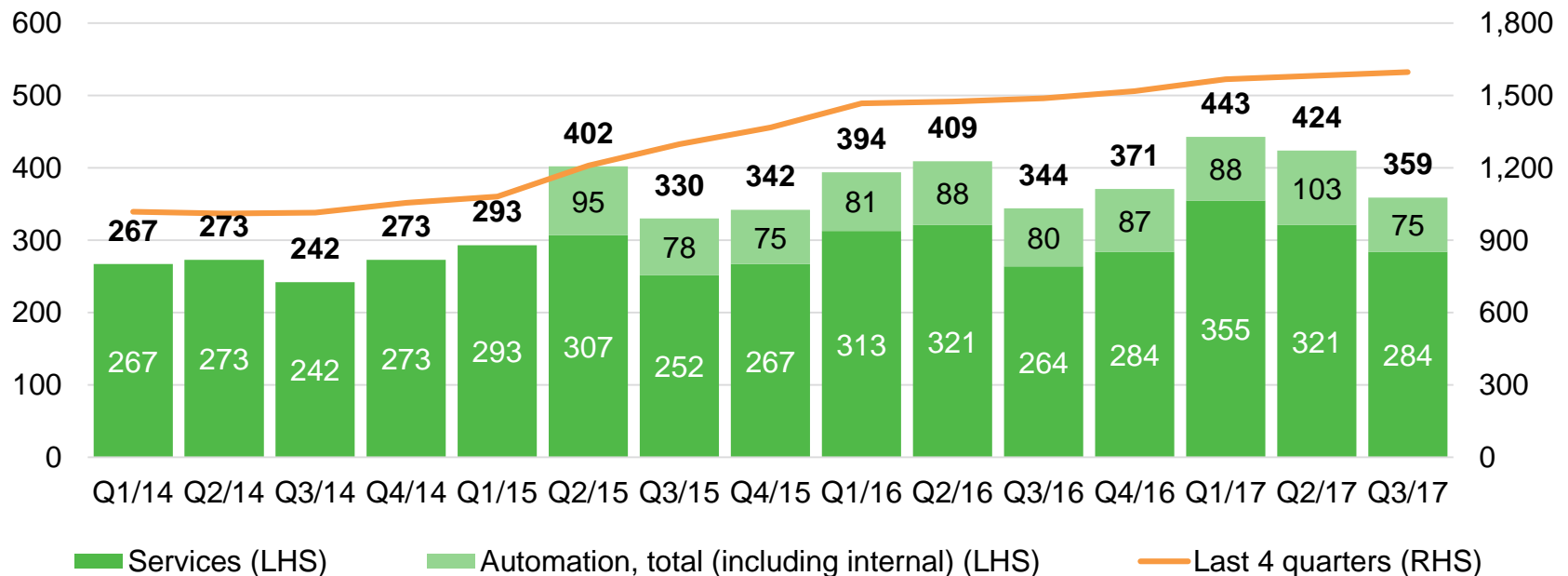
Orders received in Q1–Q3/2017 by area



- Orders received increased in the Paper and Services business lines and decreased in the Pulp and Energy, and Automation business lines compared with Q3/2016
- Orders received increased in China and South America and decreased in North America, Asia-Pacific and EMEA compared with Q3/2016

Stable business orders received totaled EUR 1,598 million during the last 4 quarters

Orders received (EUR million) in stable business¹

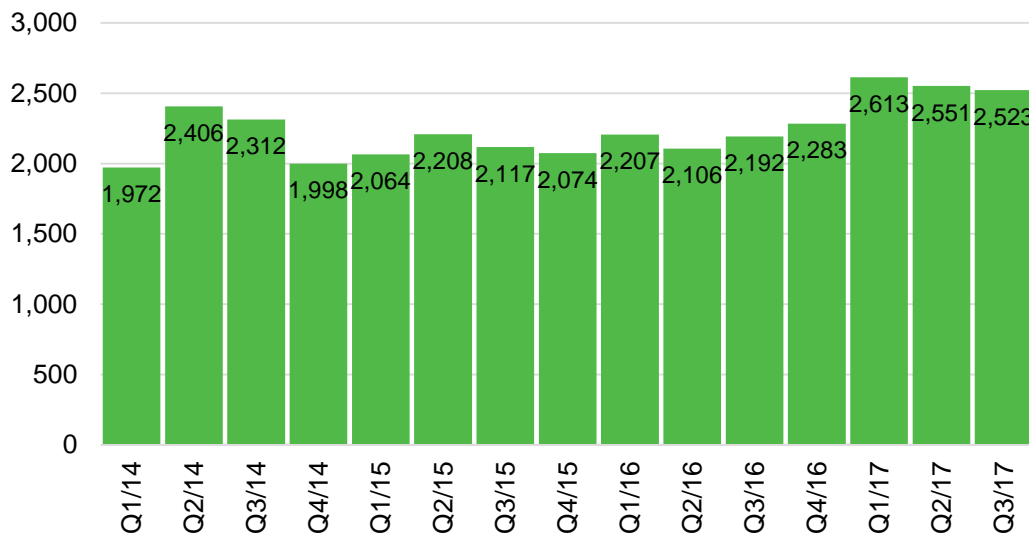


- In Q3/2017, total orders received in stable business remained at the previous year's level

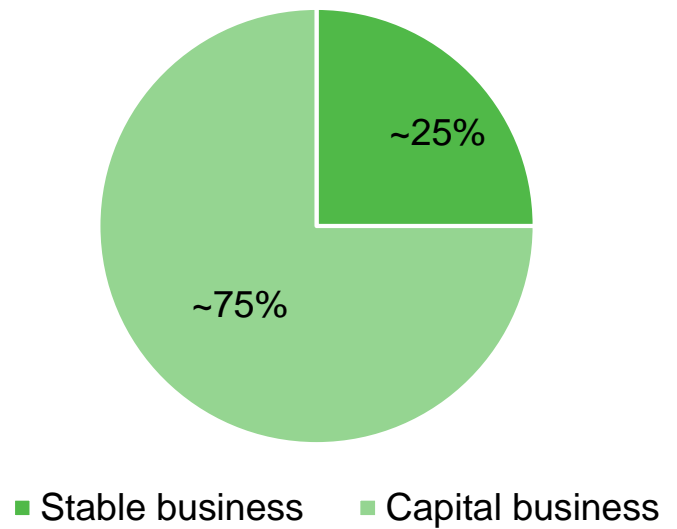
1) Including internal orders received for the Automation business line.

Order backlog at EUR 2,523 million at the end of Q3/2017

Order backlog (EUR million)



Structure of order backlog



- Order backlog EUR 27 million lower than at the end of Q2/2017 but EUR 332 million higher than a year ago
- Approximately 25% of the order backlog relates to stable business

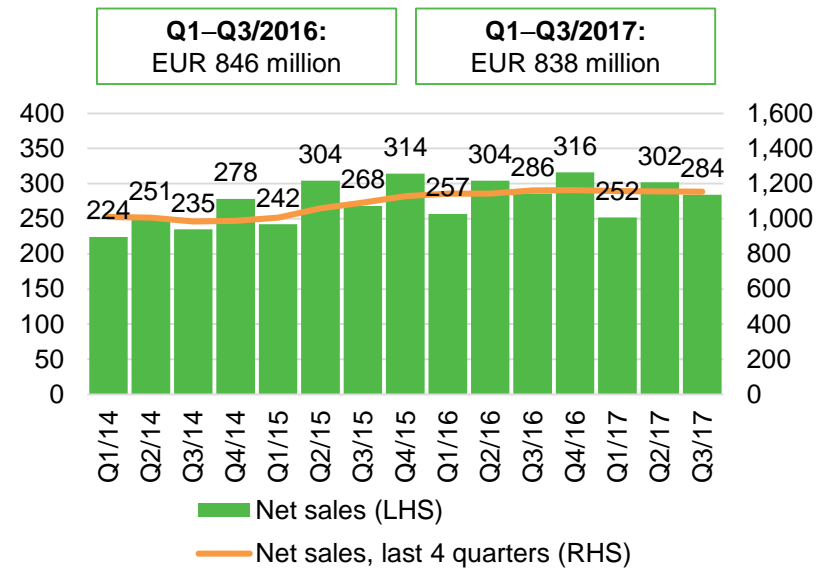
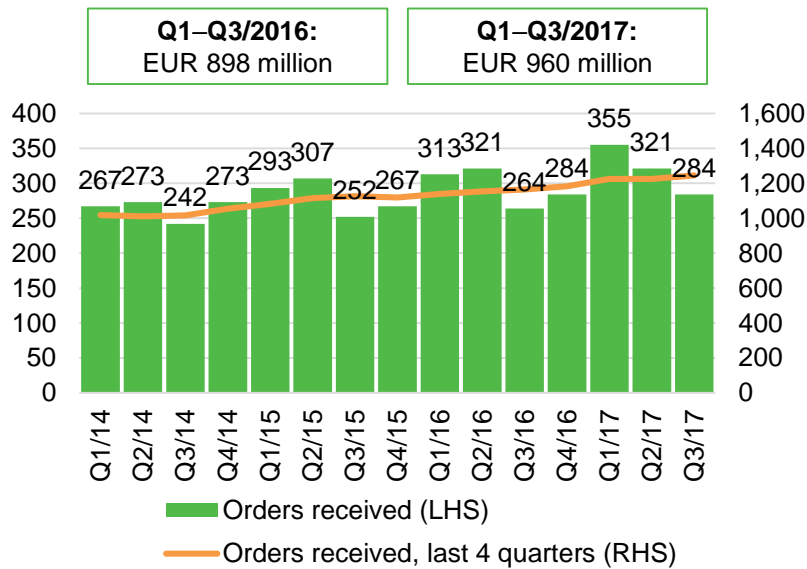


Development of business lines

Services: Orders received increased and net sales remained at the previous year's level

Orders received (EUR million)

Net sales (EUR million)

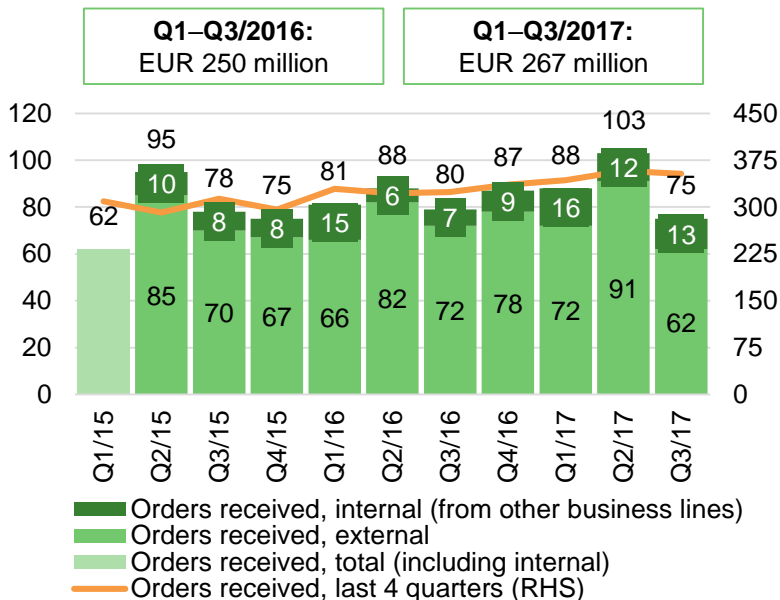


- Orders received increased compared with Q3/2016
 - Orders received increased in South America, Asia-Pacific and EMEA, remained at the previous year's level in North America and decreased in China
 - Orders received increased in Energy and Environmental, Fabrics, and Mill Improvements, remained at the previous year's level in Performance Parts and decreased in Rolls
- Net sales remained at the same level as in Q3/2016

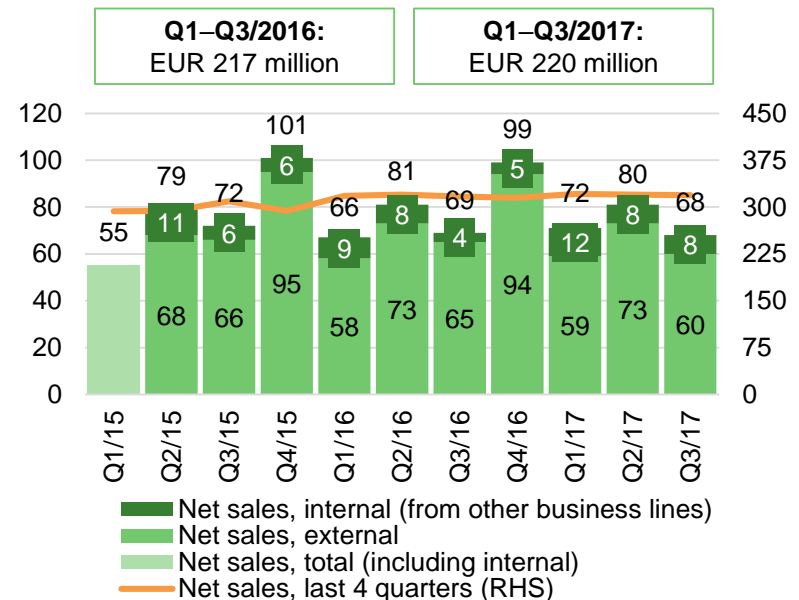


Automation¹: Orders received decreased and net sales remained at the previous year's level

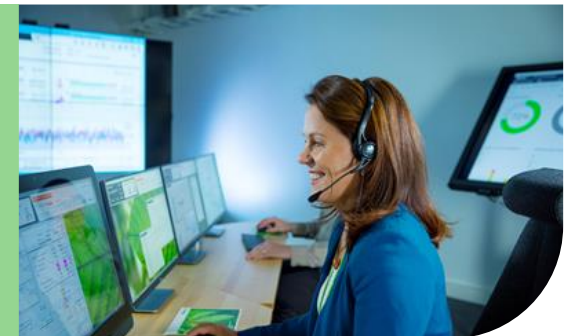
Orders received² (EUR million)



Net sales² (EUR million)



- Orders received decreased compared with Q3/2016
 - Orders received remained at the previous year's level in EMEA and decreased in all other areas
 - Orders received increased in Pulp and Paper and decreased in Energy and Process
- Net sales remained at the same level as in Q3/2016

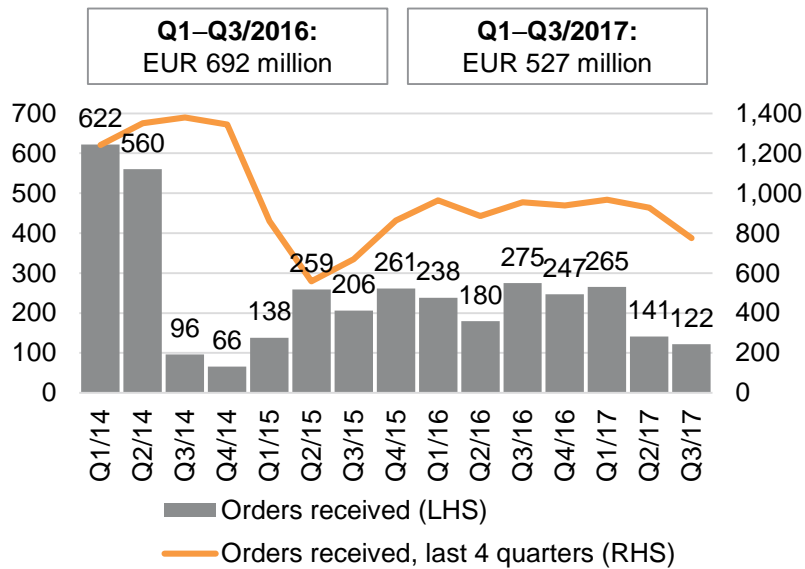


1) Comments refer to orders received and net sales including also internal orders received and net sales.

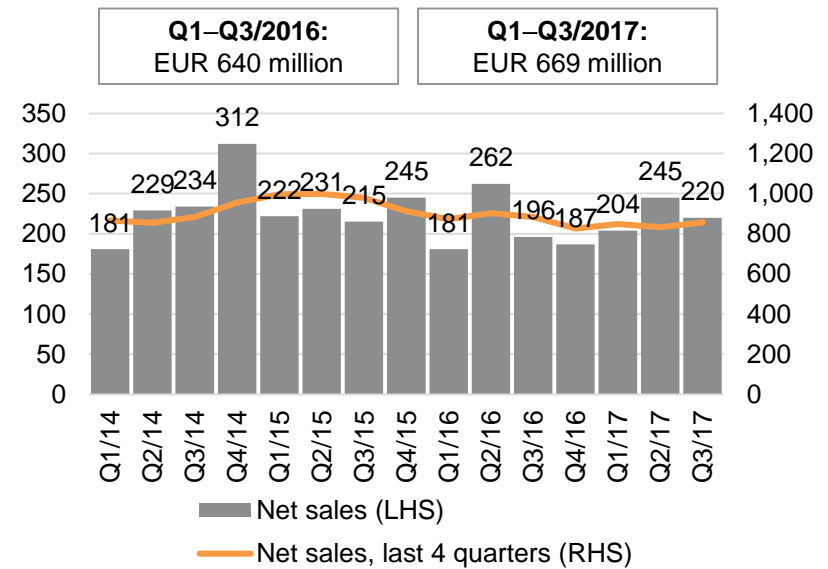
2) Q1/2015 orders received and the underlying figures for 'Orders received, last 4 quarters' and 'Net sales, last 4 quarters' are calculated based on Metso's reported figures and pro forma figures excluding Process Automation Systems and are therefore indicative only.

Pulp and Energy: Orders received decreased and net sales increased

Orders received (EUR million)



Net sales (EUR million)

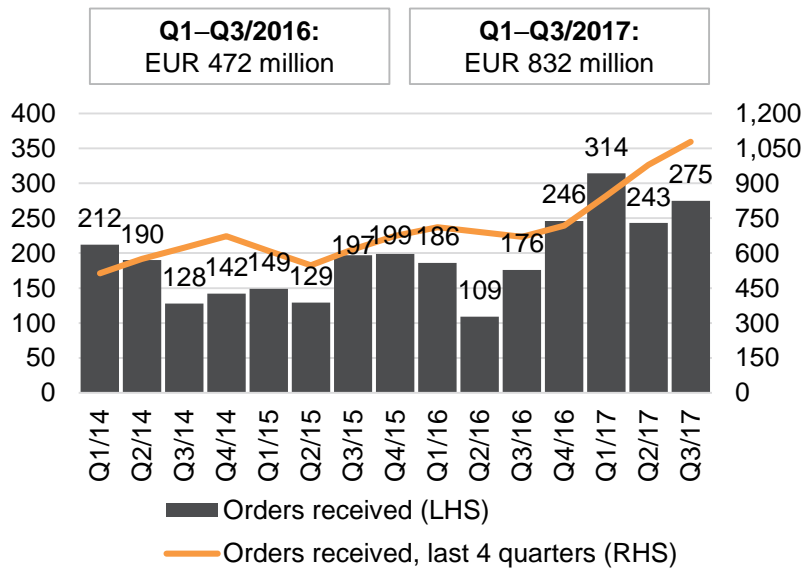


- Orders received decreased compared with Q3/2016
 - Orders received increased in South America and decreased in North America, EMEA and Asia-Pacific
 - Orders received increased in Pulp and decreased in Energy
- Net sales increased compared with Q3/2016

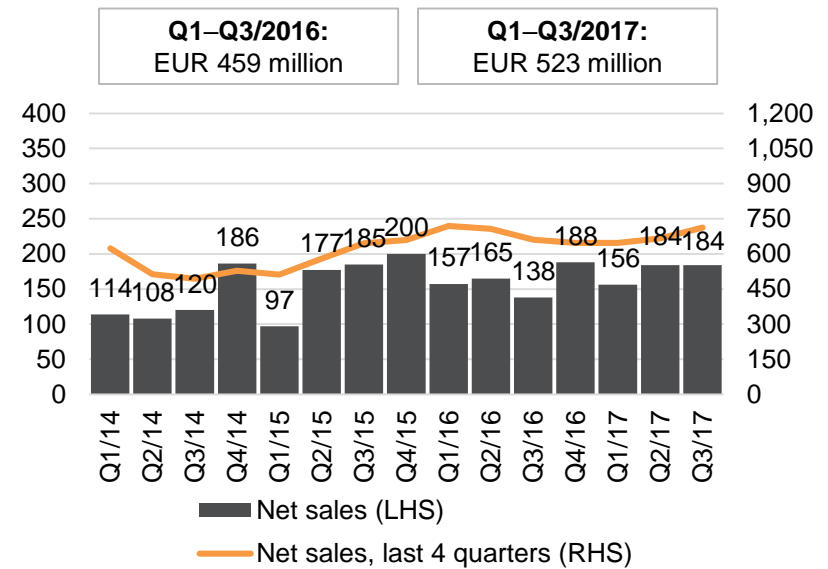


Paper: Orders received and net sales increased

Orders received (EUR million)



Net sales (EUR million)



- Orders received for the last 12 months amount to EUR 1,078 million
- Orders received increased compared with Q3/2016
 - Orders received increased in China and EMEA and decreased in Asia-Pacific and North America
 - Orders received increased in Board and Paper and decreased in Tissue
- Net sales increased compared with Q3/2016





Recent achievements in sustainability

Valmet's recent achievements in sustainability

Sustainability contributing to business growth

Recent achievements

- Inclusion in the Dow Jones World Sustainability Index (DJSI) for the fourth consecutive year
- Valmet reconfirmed as a constituent of the Ethibel Sustainability Index Excellence Europe
- Global process for managing suppliers' sustainability performance – 39 audits done by the end of September 2017
- Renewed environmental targets for own operations spanning to year 2030 to drive continuous improvement in the long term

Valmet's Sustainability360° agenda





Financial development

Key figures

EUR million	Q3/2017	Q3/2016	Change	Q1–Q3/2017	Q1–Q3/2016	Change
Orders received	743	788	-6%	2,544	2,282	11%
Order backlog ¹	2,523	2,192	15%	2,523	2,192	15%
Net sales	748	685	9%	2,223	2,141	4%
Comparable EBITA	59	52	15%	150	140	8%
% of net sales	7.9%	7.5%		6.8%	6.5%	
EBITA	53	49	7%	146	135	8%
Operating profit (EBIT)	45	41	9%	122	107	14%
% of net sales	6.0%	6.0%		5.5%	5.0%	
Earnings per share, EUR	0.20	0.17	14%	0.54	0.46	19%
Return on capital employed (ROCE) before taxes ²				14%	12%	
Cash flow provided by operating activities	78	122	-36%	203	158	29%
Gearing ¹				-3%	15%	

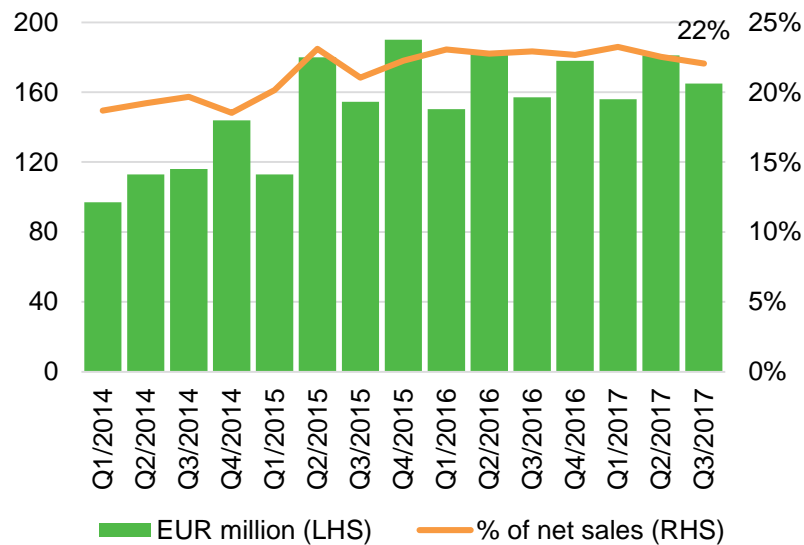
Items affecting comparability: EUR -6 million in Q3/2017 (EUR -2 million in Q3/2016), EUR -5 million in Q1–Q3/2017 (EUR -5 million in Q1–Q3/2016)

1) At the end of period

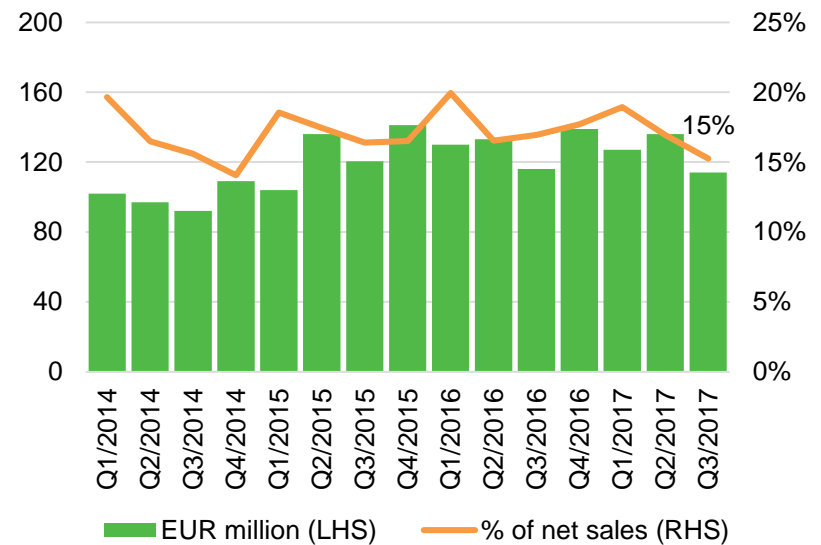
2) Annualized

Gross profit margin and SG&A development

Gross profit (EUR million and % of net sales)



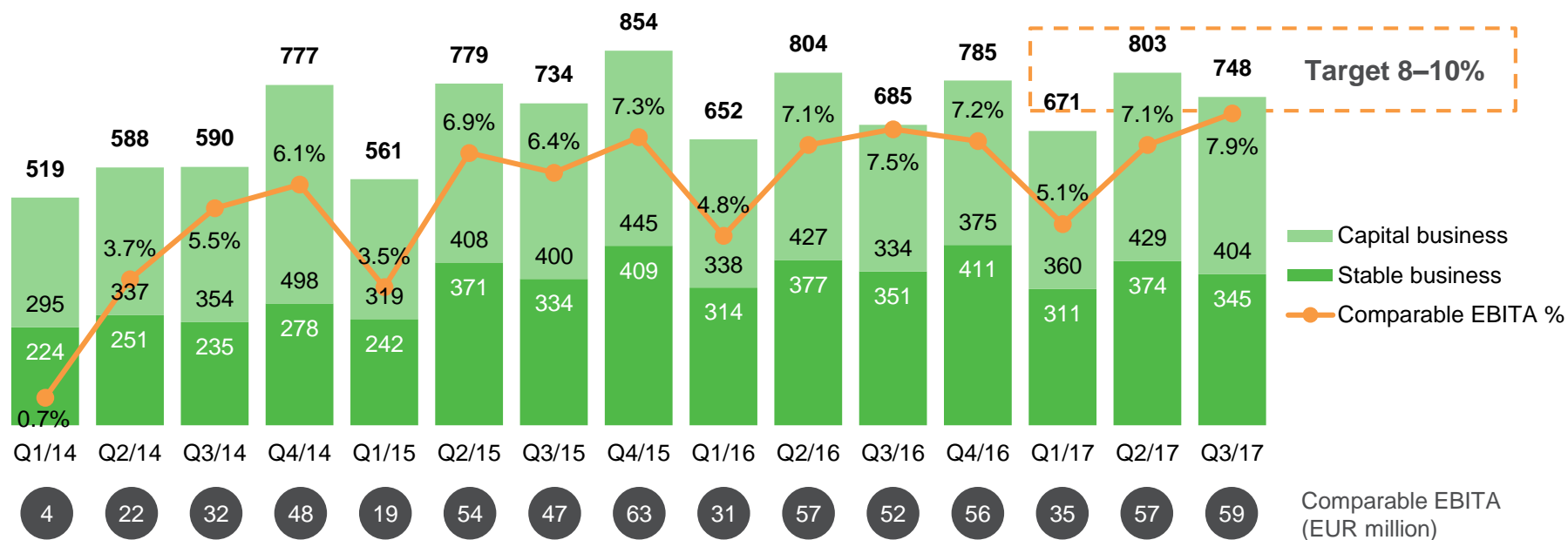
SG&A (EUR million and % of net sales)



- Gross profit margin decreased compared with Q3/2016
 - Capital business had a higher share of net sales in Q3/2017
- Selling, general & administrative (SG&A) expenses decreased by EUR 2 million compared with Q3/2016
- Actions to improve gross profit through Must-Win implementation

Comparable EBITA margin development

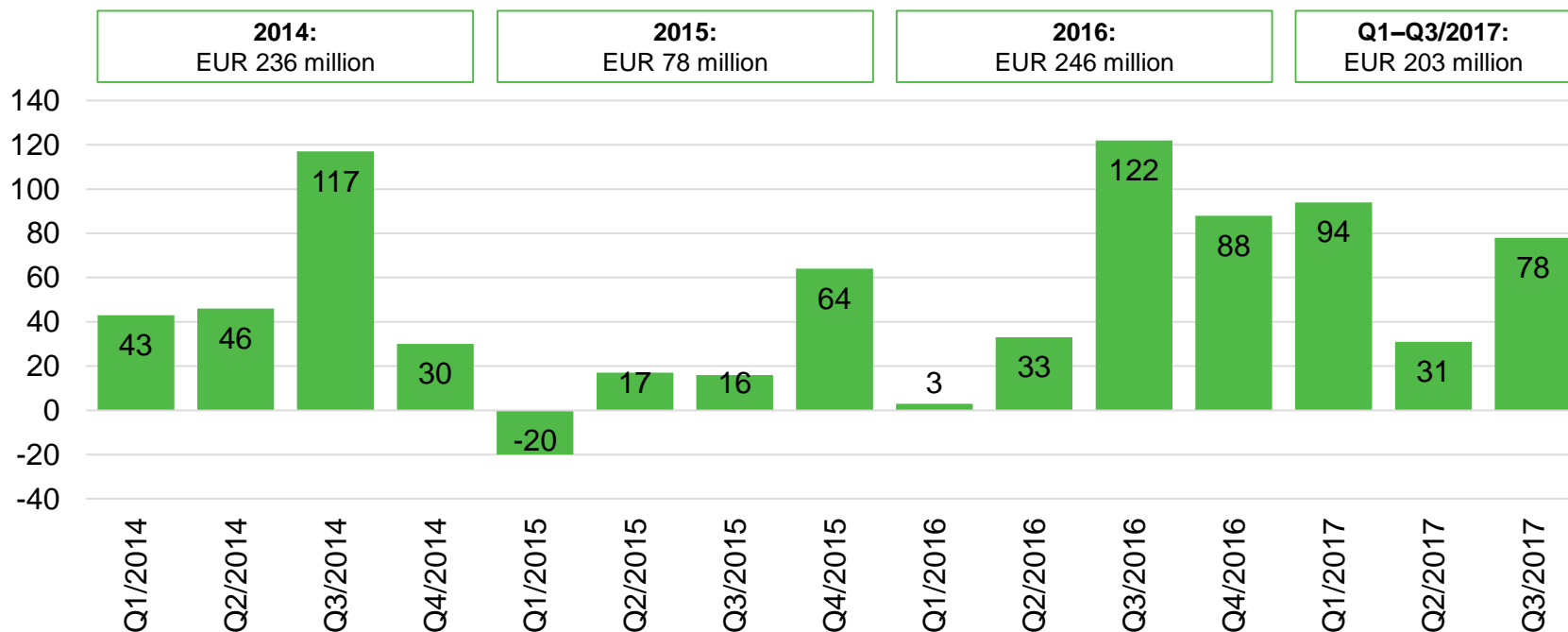
Net sales and Comparable EBITA (EUR million and %)



- Net sales and Comparable EBITA increased compared with Q3/2016
 - Profitability improved due to higher net sales and lower SG&A expenses

Cash flow provided by operating activities

Cash flow provided by operating activities (EUR million)

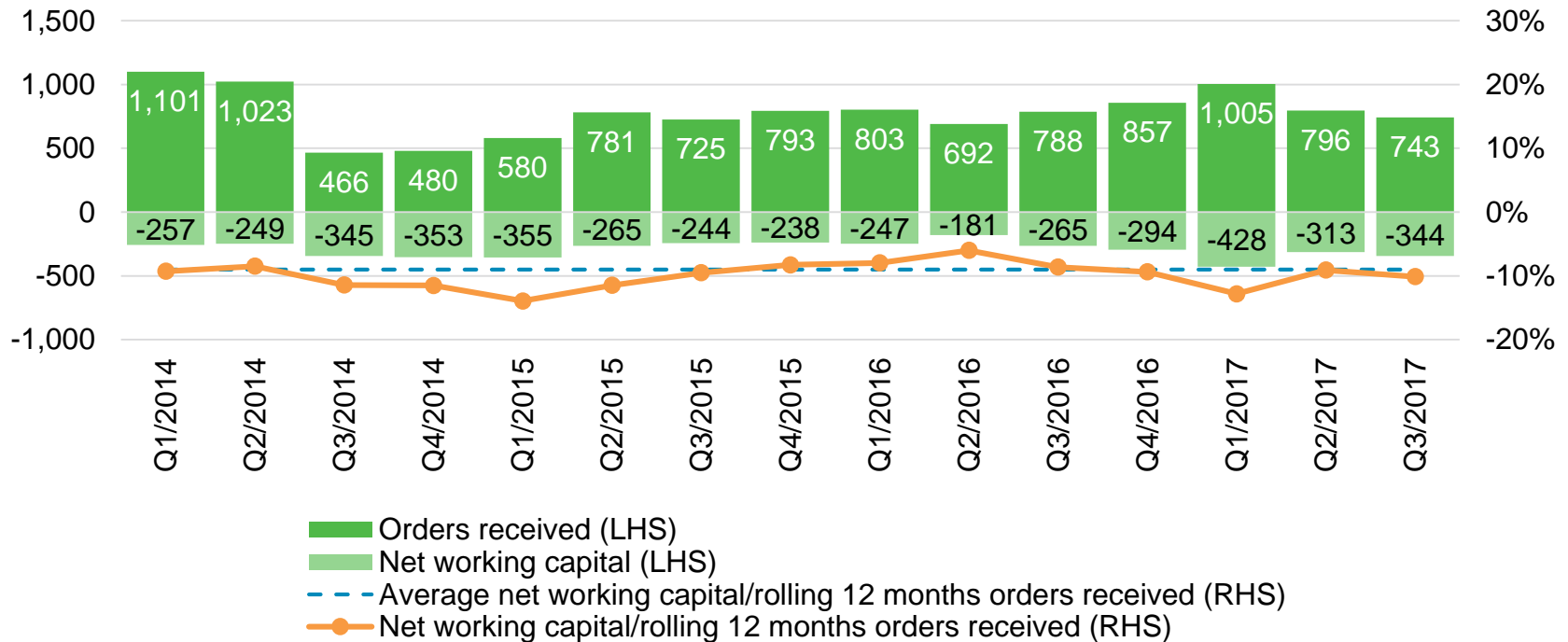


- Change in net working capital¹ EUR 34 million in Q3/2017
- Cash flow provided by operating activities EUR 78 million in Q3/2017
- CAPEX EUR 16 million in Q3/2017

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

Net working capital at -10% of rolling 12 months orders received

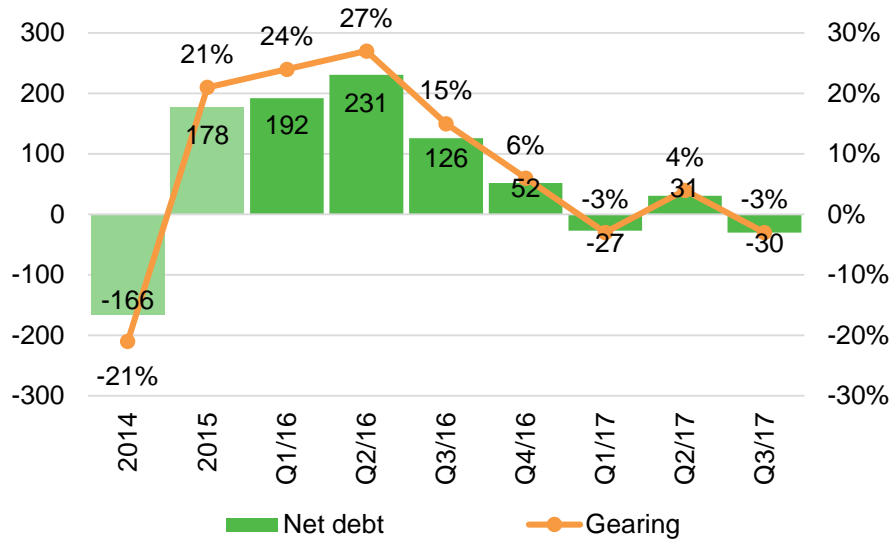
Net working capital and orders received (EUR million)



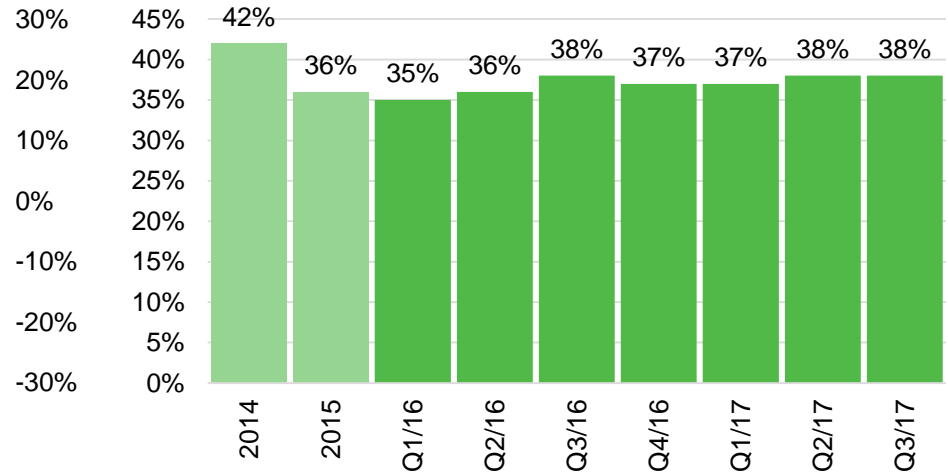
- Net working capital EUR -344 million, which equals -10% of rolling 12 months orders received

Net debt decreased compared with both Q3/2016 and Q2/2017

Net debt (EUR million) and gearing (%)



Equity to assets ratio (%)

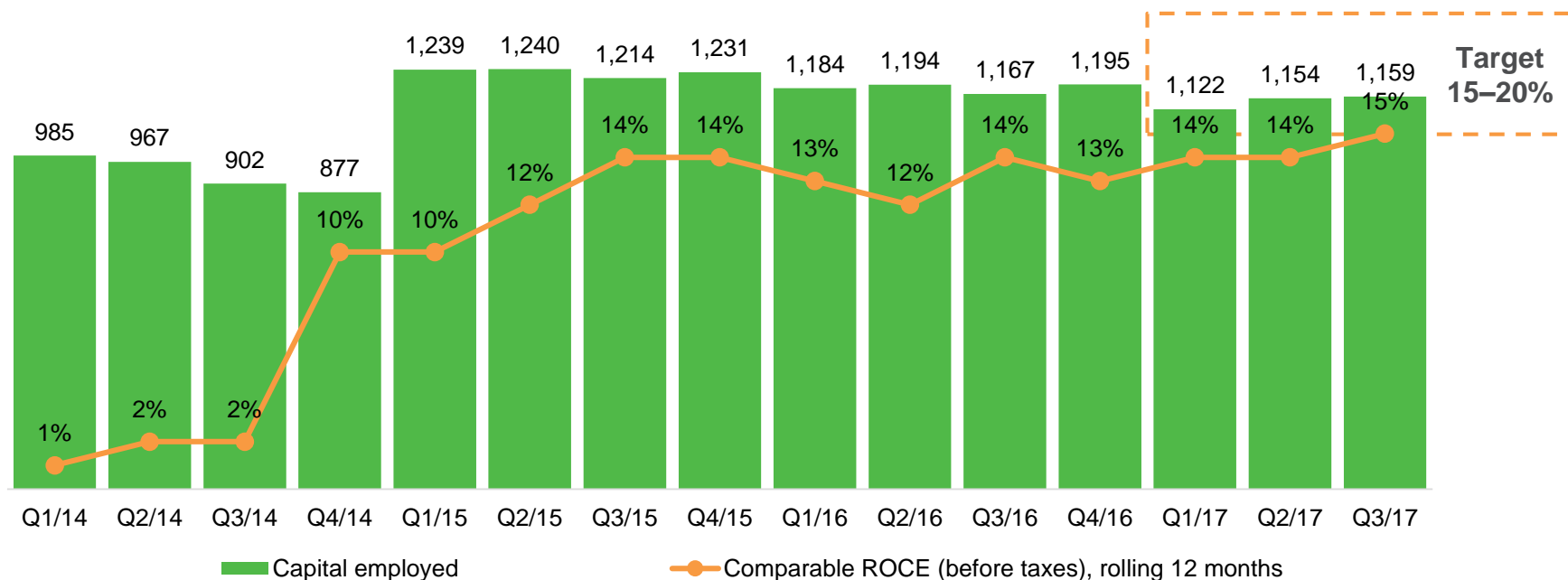


- Gearing (-3%) and net debt (EUR -30 million) decreased
- Equity to assets ratio remained at the previous year's level

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.



Guidance and short-term market outlook

Guidance and short-term market outlook

Guidance for 2017 (as given on April 12, 2017)

Guidance for 2017




Valmet estimates that net sales in 2017 will increase in comparison with 2016 (EUR 2,926 million) and Comparable EBITA in 2017 will increase in comparison with 2016 (EUR 196 million).

Short-term market outlook

		Q4/2016	Q1/2017	Q2/2017	Q3/2017
Services		Satisfactory	Good	Good	Good
Automation		Satisfactory	Satisfactory	Satisfactory	Satisfactory
Pulp and Energy	Pulp	Satisfactory	Weak	Weak	Weak
	Energy	Good	Good	Good	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 Interim Review Q3/2017

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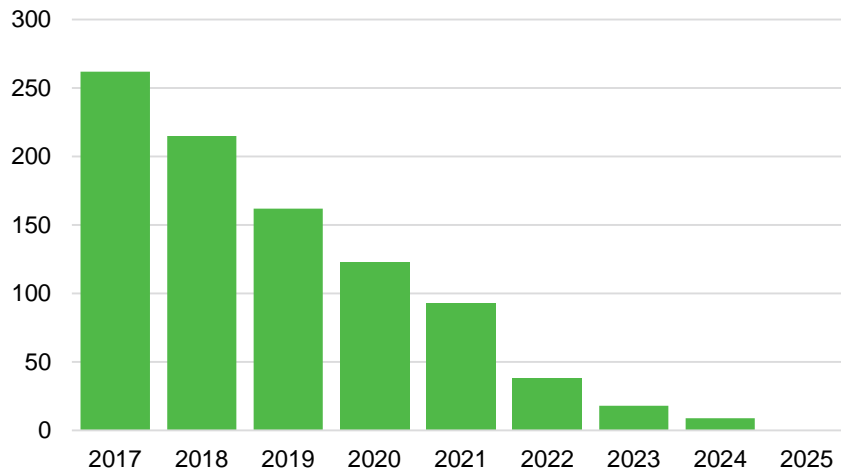


Appendix

Structure of loans and borrowings

Interest-bearing debt EUR 262 million as at September 30, 2017

Amount of outstanding interest-bearing debt (EUR million)



Main financing sources and facilities

Source	Amount outstanding
Loans from banks and financial institutions	EUR 262 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, 2022 with two 1-year extension options.

- Average maturity of long-term loans is 3.5 years
- Average interest rate is 1.3%

Largest shareholders on September 30, 2017

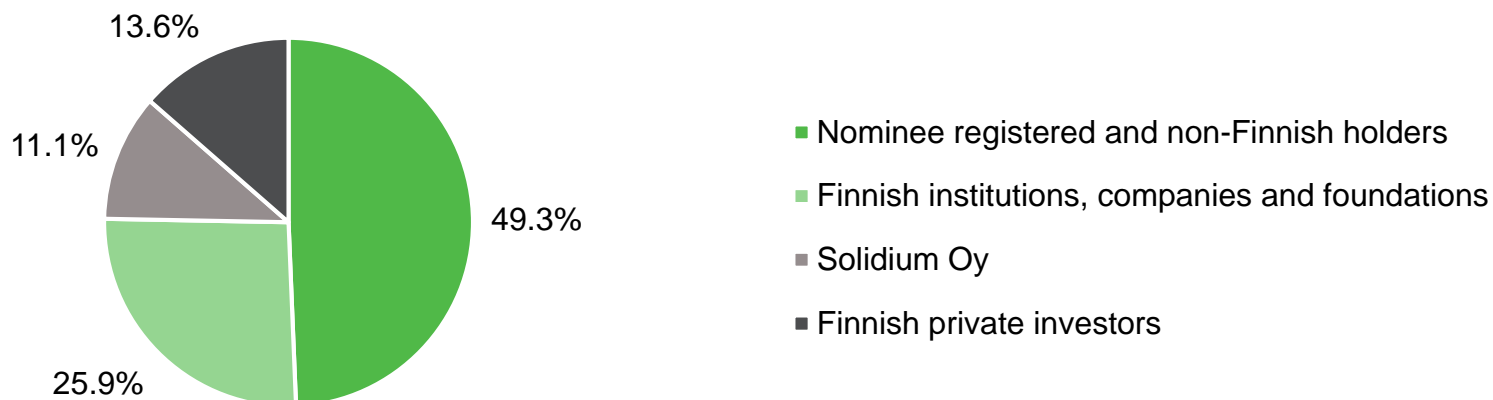
Based on the information given by Euroclear Finland Ltd.

Largest shareholders

#	Shareholder name	Number of shares	% of shares and votes
1	Solidium Oy ¹	16,695,287	11.14%
2	Elo Pension Company	4,210,000	2.81%
3	Varma Mutual Pension Insurance Company	4,165,465	2.78%
4	OP Funds	3,316,901	2.21%
5	Ilmarinen Mutual Pension Insurance Company	3,103,000	2.07%
6	The State Pension Fund	1,545,000	1.03%
7	Keva	1,502,166	1.00%
8	Danske Invest funds	1,065,296	0.71%
9	Mandatum Life Insurance Company Limited	922,537	0.62%
10	Odin Funds	915,239	0.61%
	10 largest shareholders, total	37,440,891	24.98%
	Other shareholders	112,423,728	75.02%
	Total	149,864,619	100%

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

Shareholder structure on September 30, 2017



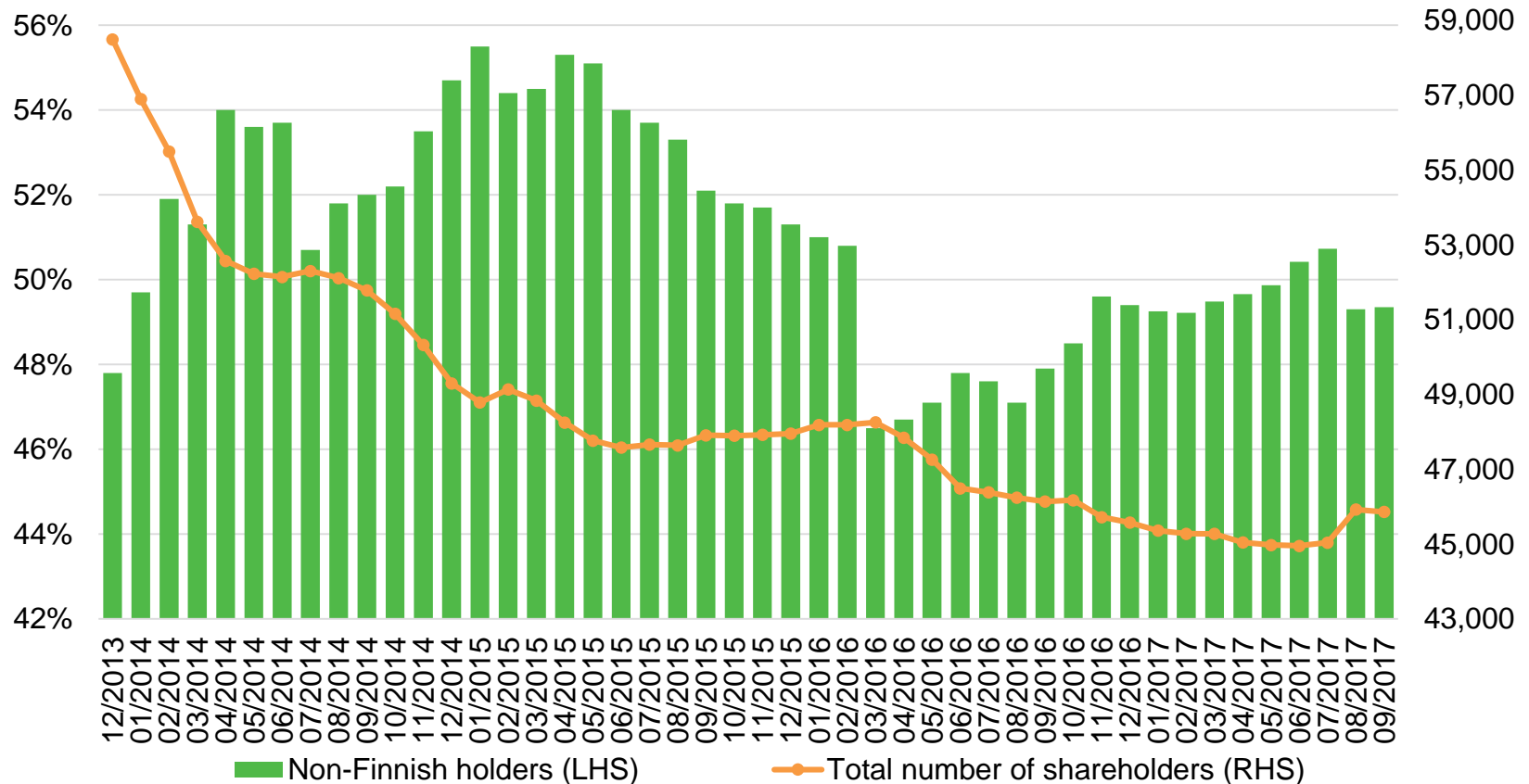
Sector	Number of shareholders	% of total shareholders	Number of shares	% of shares
Nominee registered and non-Finnish holders ¹	323	0.7%	73,953,391	49.3%
Finnish institutions, companies and foundations	2,399	5.2%	38,884,851	25.9%
Solidium Oy ²	0	0.0%	16,695,287	11.1%
Finnish private investors	43,138	94.1%	20,322,990	13.6%
In the issuer account	0	0.0%	8,100	0.0%
Total	45,860	100%	149,864,619	100%

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

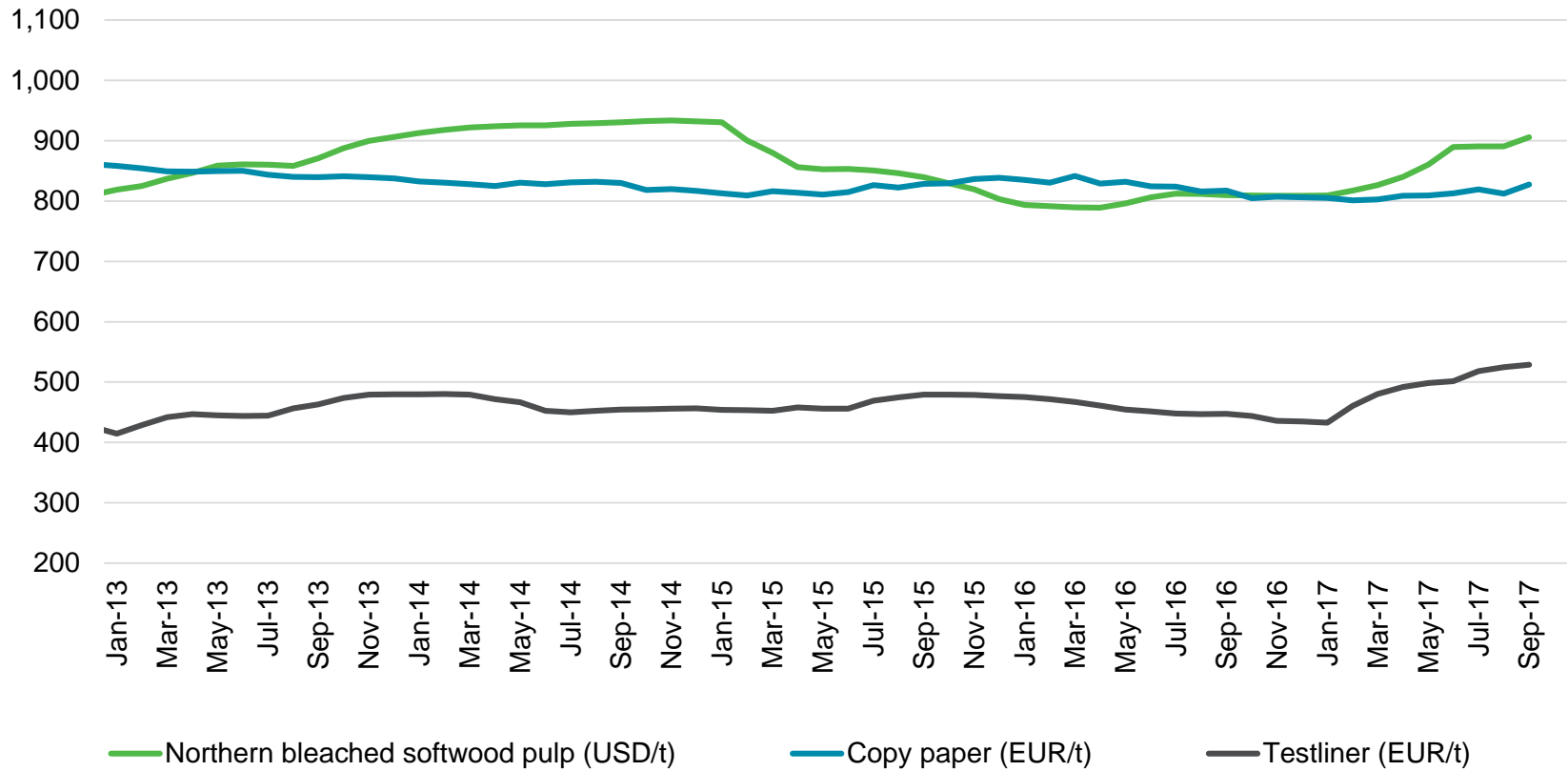
1) Of which 71,983,066 nominee registered shares

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

Share of non-Finnish holders and number of shareholders



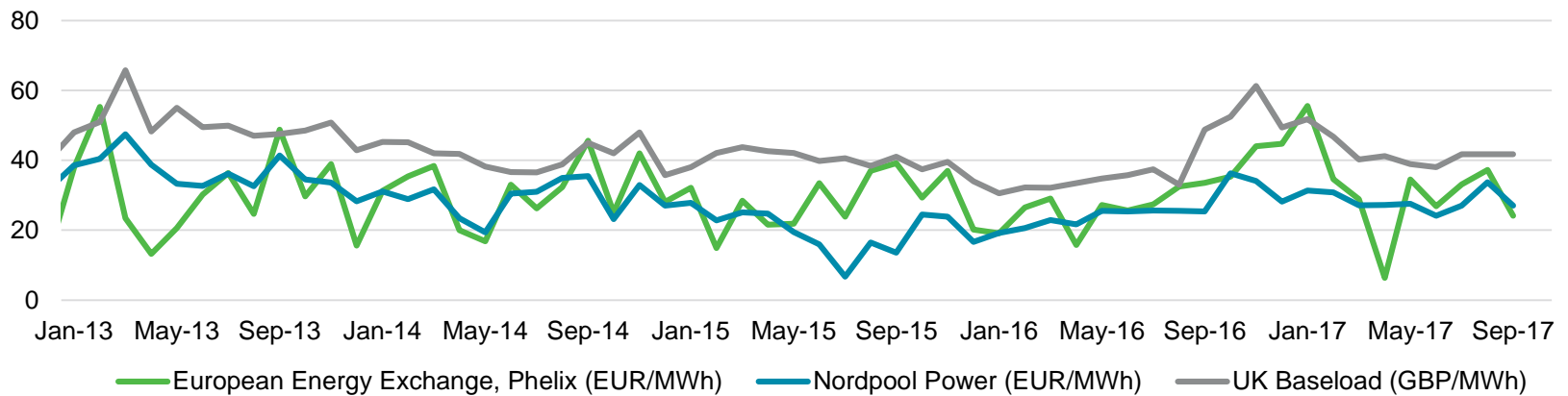
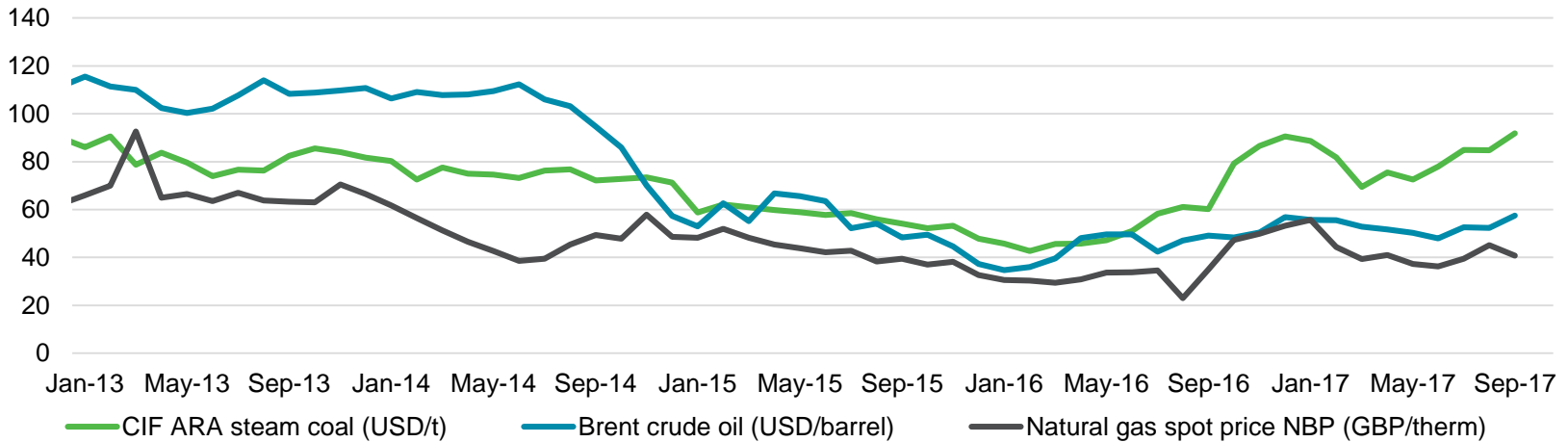
Pulp and paper price trends



Source: Bloomberg

Crude oil, steam coal, natural gas and electricity

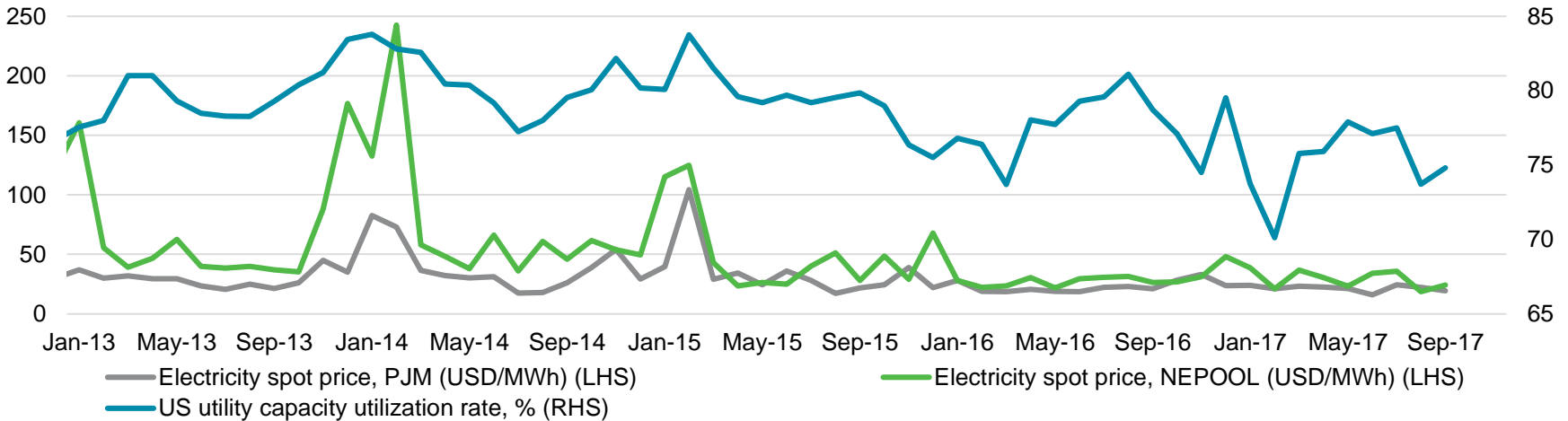
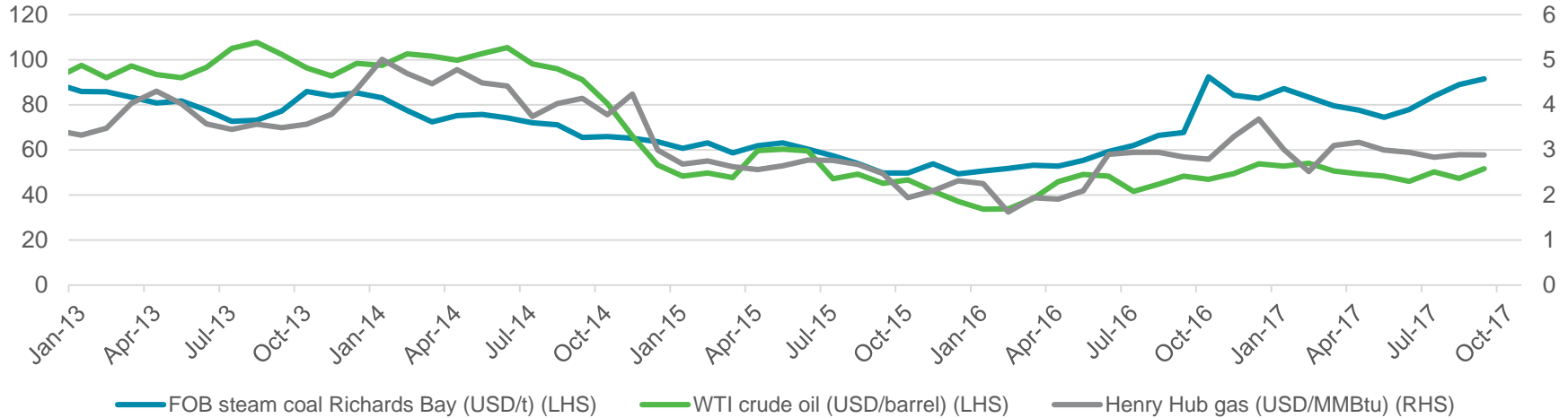
Europe



Source: Bloomberg

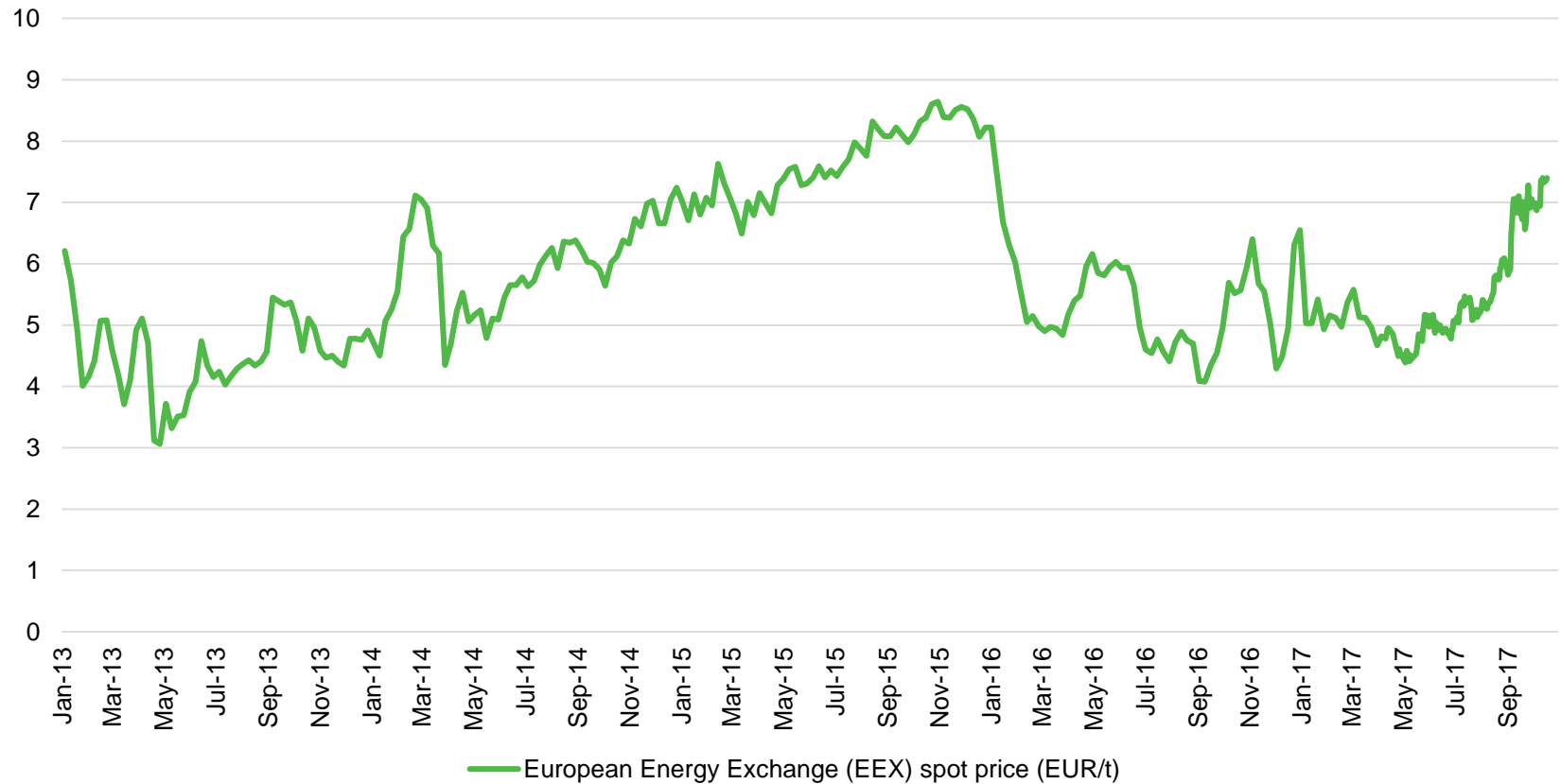
Crude oil, natural gas and electricity

United States



Source: Bloomberg

European Carbon Emission Allowance



Source: Bloomberg

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