



Orders received continued on a good level in Paper – Comparable EBITA was low

Interim Review, January–March 2018

April 27, 2018

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Agenda

Interim Review, January–March 2018

- 1 Q1/2018 in brief
- 2 Development of the business lines
- 3 Financial development
- 4 Guidance and short-term market outlook
- 5 Summary of Interim Review Q1/2018
- 6 Appendix



Q1/2018 in brief

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- Orders received remained at the previous year's level at EUR 439 million in stable business¹
- Orders received decreased to EUR 462 million in capital business²
- Net sales increased to EUR 732 million
- Order backlog remained at the previous year's level at EUR 2.6 billion
- Comparable EBITA decreased to EUR 22 million (margin 3.0%)
- Gearing was -12%

2017 financials have been restated following the adoption of IFRS 15.

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 Q1/2018

Orders received
EUR 890 million

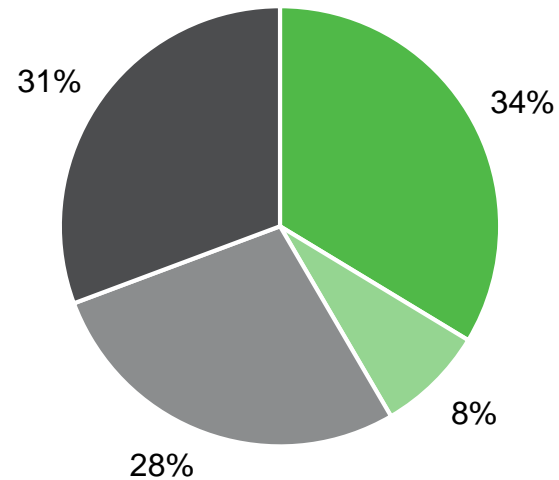
Net sales
EUR 732 million

Comparable EBITA
EUR 22 million

Comparable EBITA margin
3.0%

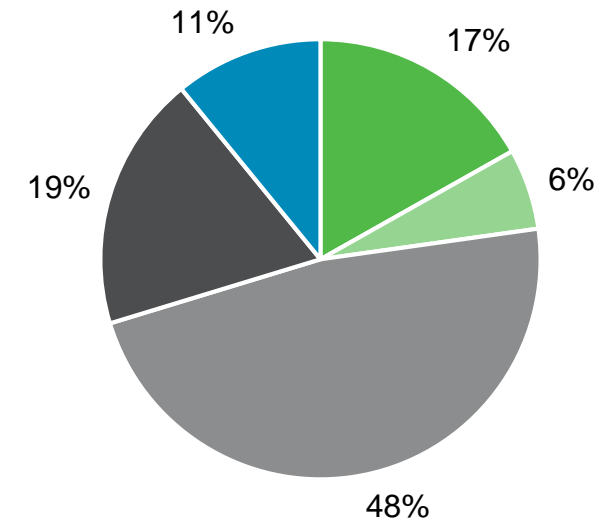
Employees
12,310

Net sales by business line



- Services
- Automation
- Pulp and Energy
- Paper

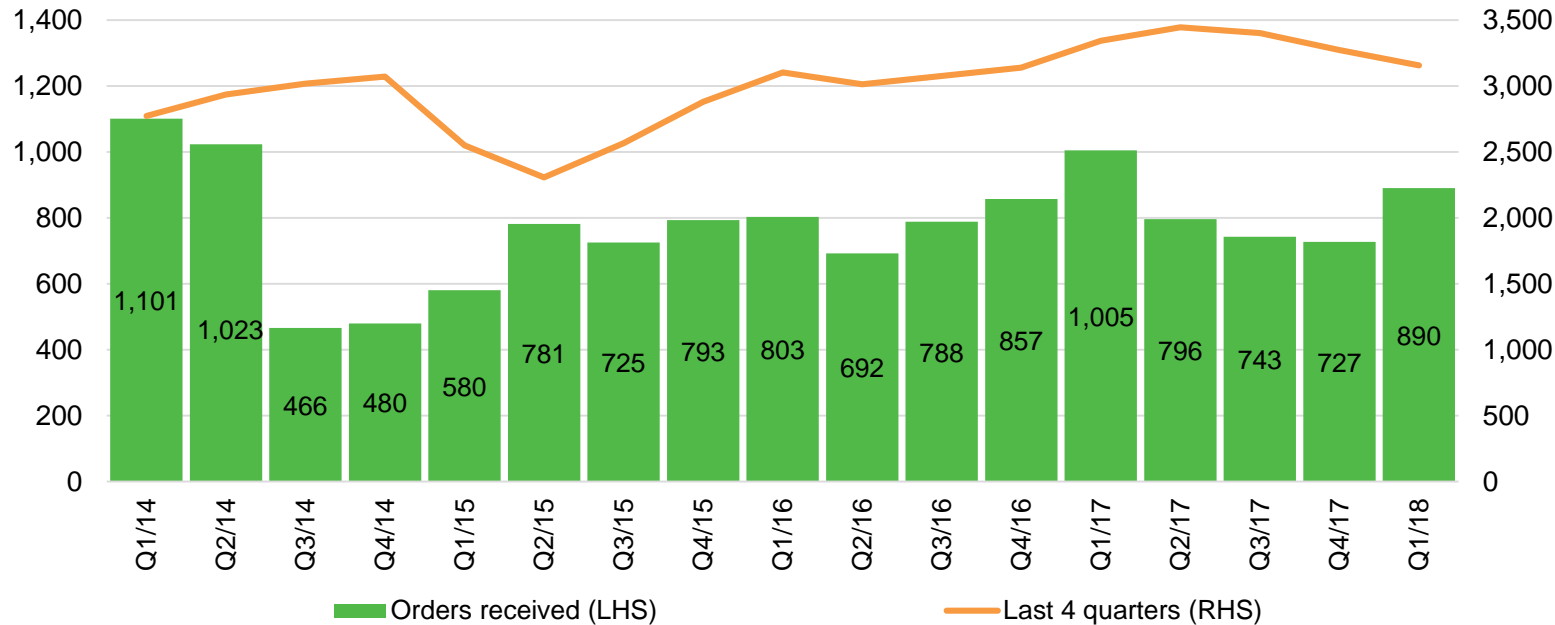
Net sales by area



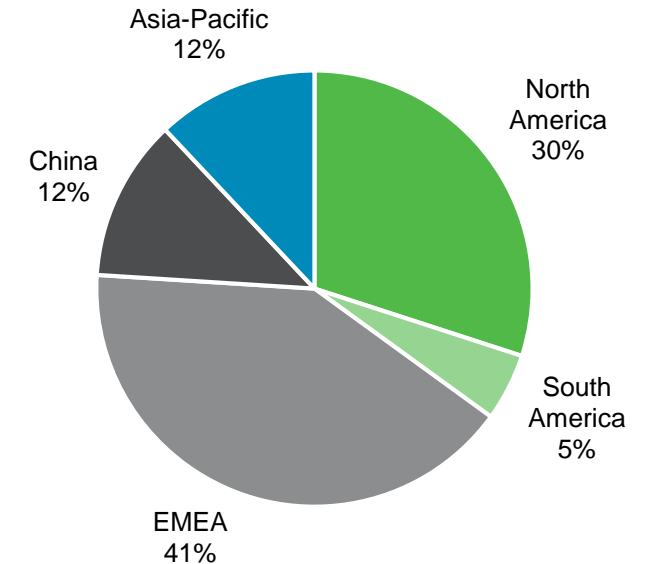
- North America
- South America
- EMEA
- China
- Asia-Pacific

Orders received decreased to EUR 890 million in Q1/2018

Orders received (EUR million)



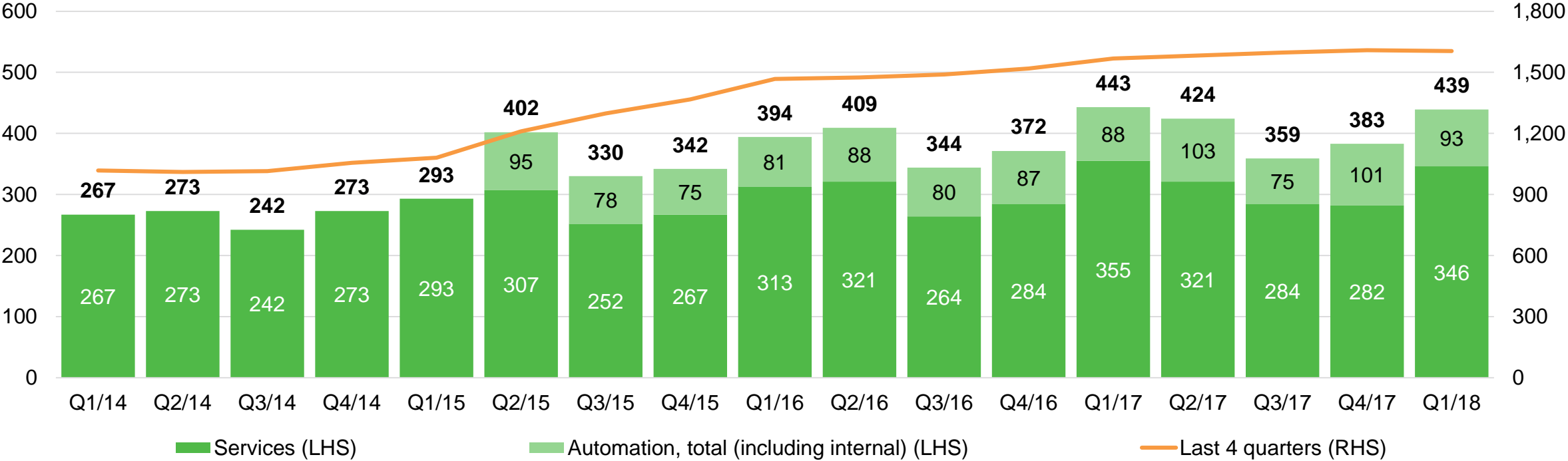
Orders received in Q1/2018 by area



- In stable business, orders received remained at the previous year's level at EUR 428 million in Q1/2018
- In capital business, orders received decreased to EUR 462 million in Q1/2018
- EMEA and North America accounted for 71% of orders received in Q1/2018

Stable business orders received totaled EUR 1,605 million during the last 4 quarters

Orders received (EUR million) in stable business¹



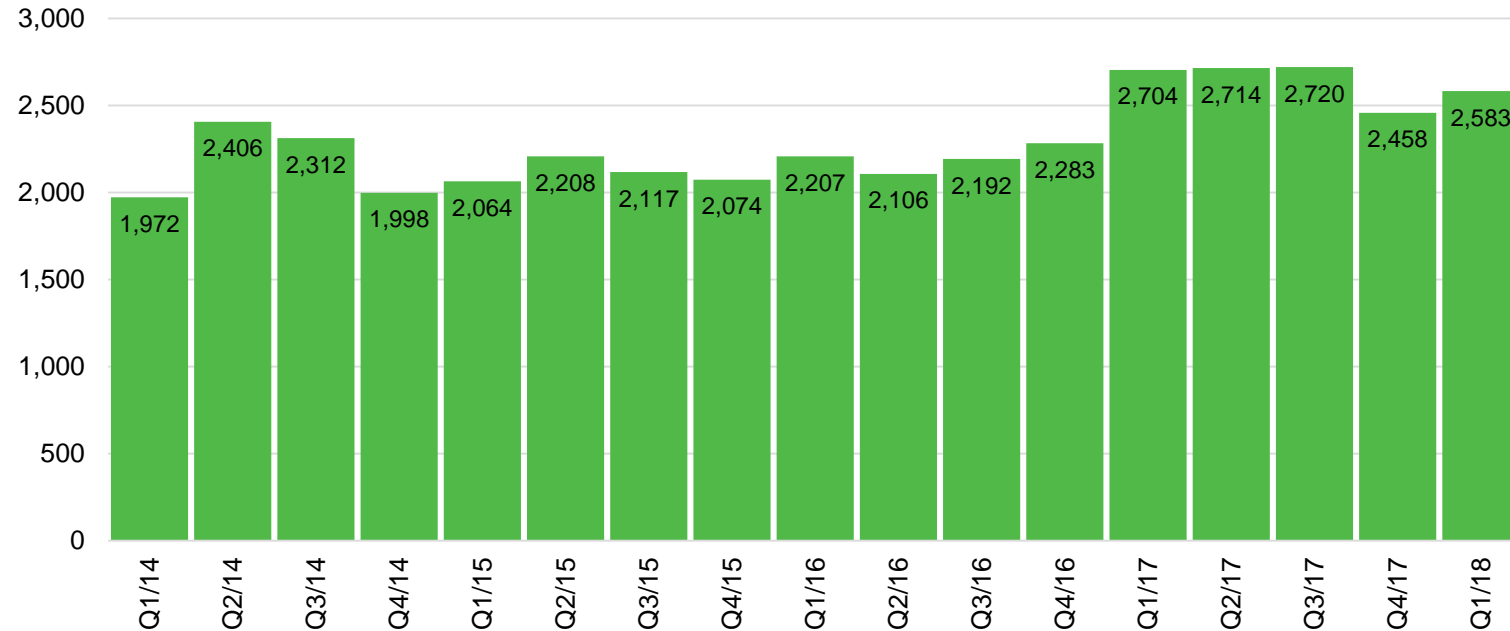
- In Q1/2018, total orders received in stable business remained at the previous year’s level

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

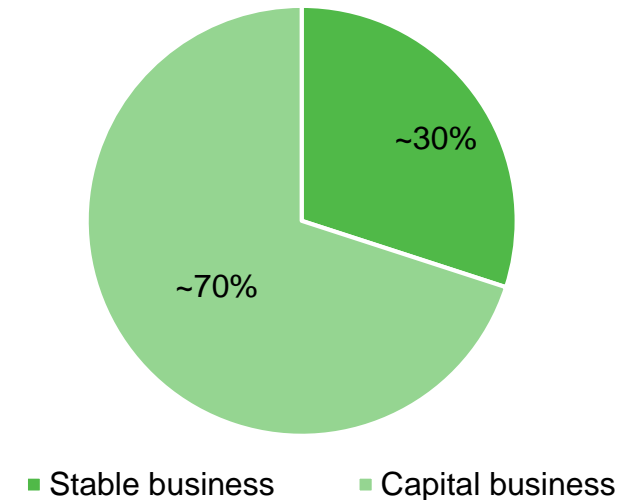


Order backlog at EUR 2,583 million at the end of Q1/2018

Order backlog (EUR million)



Structure of order backlog



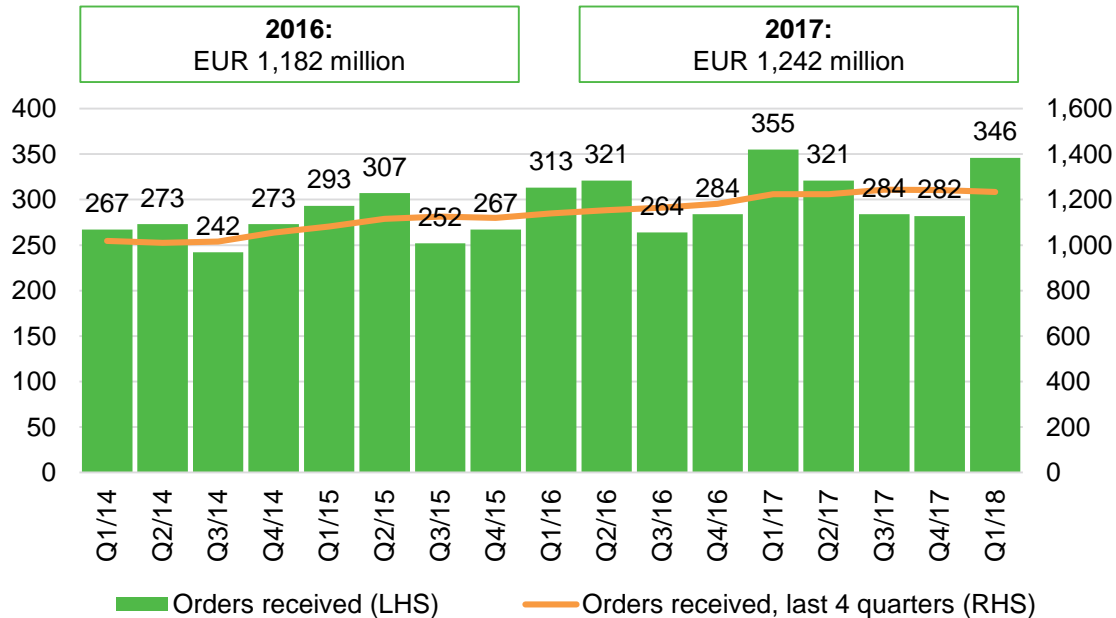
- Order backlog was EUR 126 million higher than at the end of Q4/2017
- Approximately 65% of the order backlog is currently expected to be recognized as net sales during 2018
- Approximately 30% of the order backlog relates to stable business



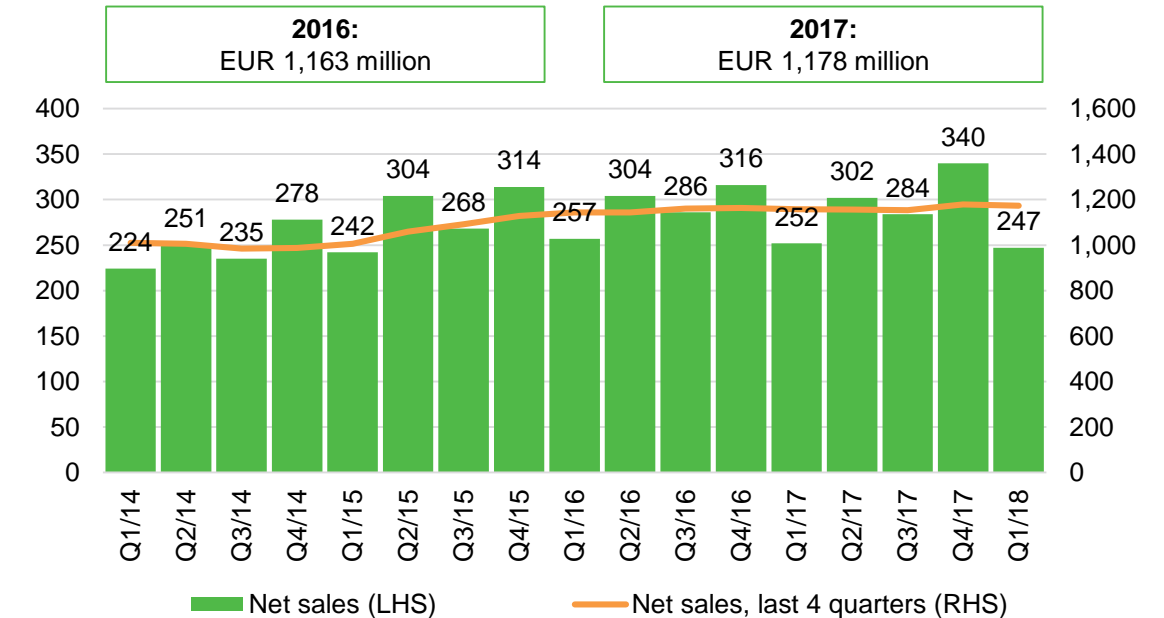
Development of the business lines

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

Orders received (EUR million)



Net sales (EUR million)



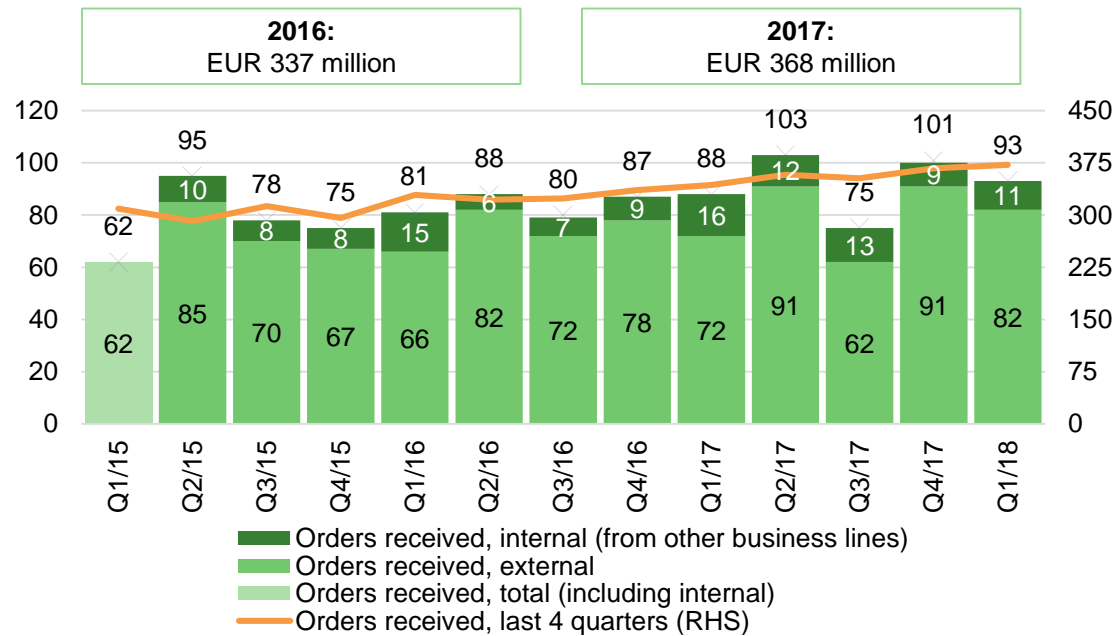
- Orders received remained at the previous year's level
 - Orders received remained at the previous year's level in EMEA and decreased in all other regions
 - Orders received increased in Mill Improvements, remained at the previous year's level in Performance Parts, and Fabrics, and decreased in Energy and Environmental, and Rolls
- Net sales remained at the previous year's level
- Changes in foreign exchange rates decreased orders received by EUR 21 million and net sales by EUR 16 million¹



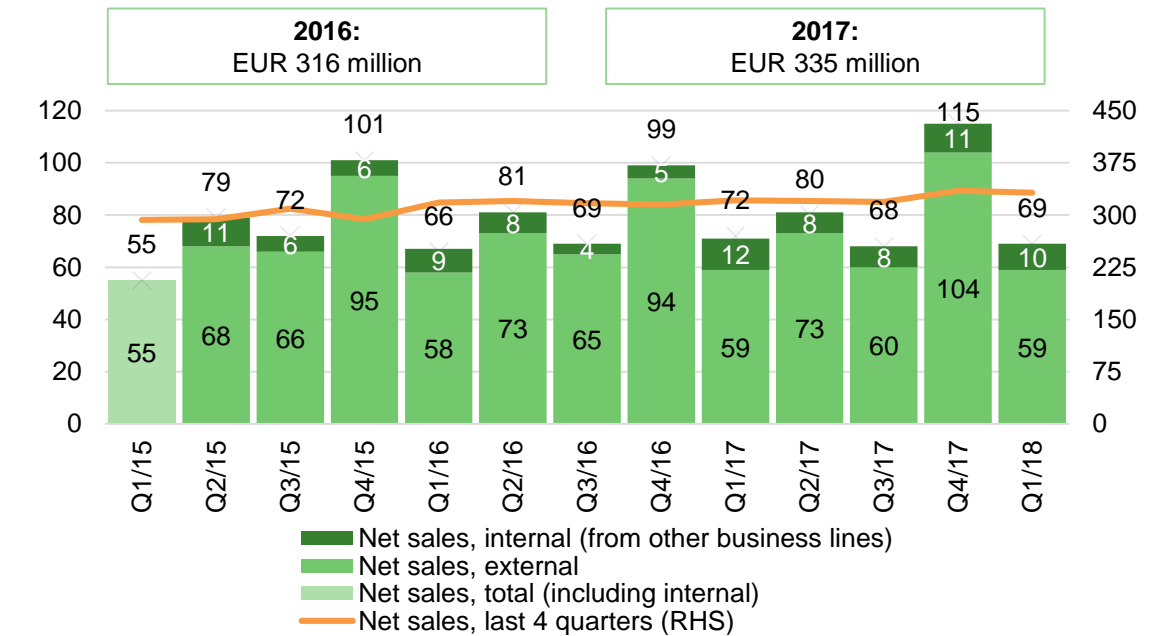
1) The effects of changes in foreign exchange rates are indicative only.

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

Orders received² (EUR million)



Net sales² (EUR million)



- Orders received increased compared with Q1/2017
 - Orders received increased in Asia-Pacific, China, and EMEA, and decreased in South America and North America
 - Orders received increased in Energy and Process and decreased in Pulp and Paper
- Net sales remained at the previous year's level
- Changes in foreign exchange rates decreased orders received by EUR 4 million and net sales by EUR 3 million³



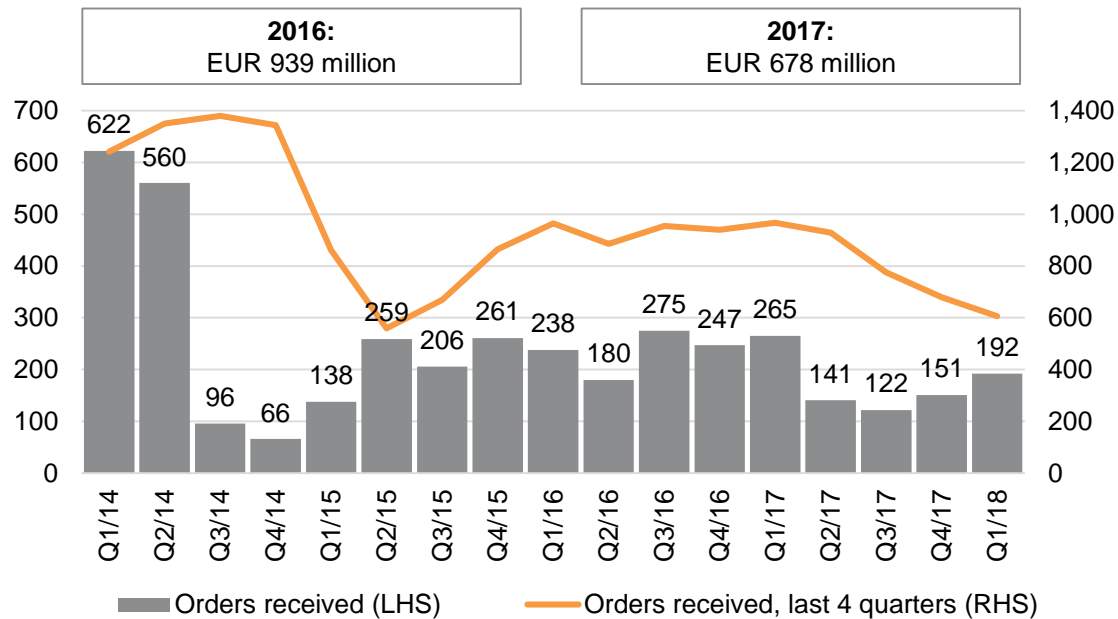
1) Comments refer to orders received and net sales including also internal orders received and net sales.

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.

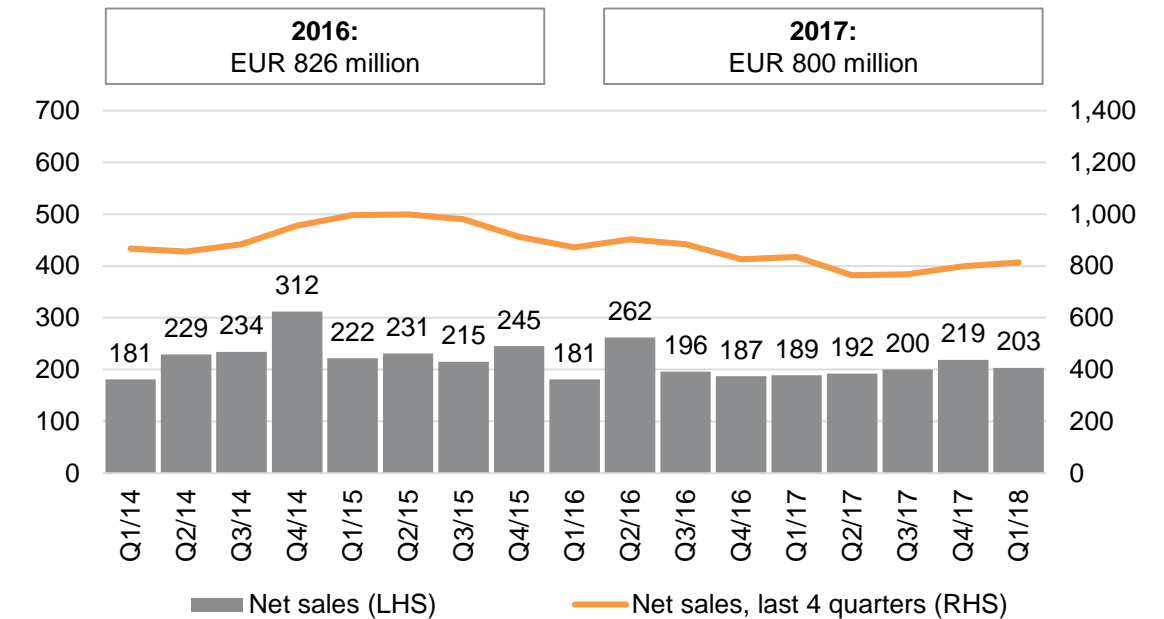
3) The effects of changes in foreign exchange rates are indicative only.

Pulp and Energy: Orders received decreased and net sales increased

Orders received (EUR million)



Net sales (EUR million)



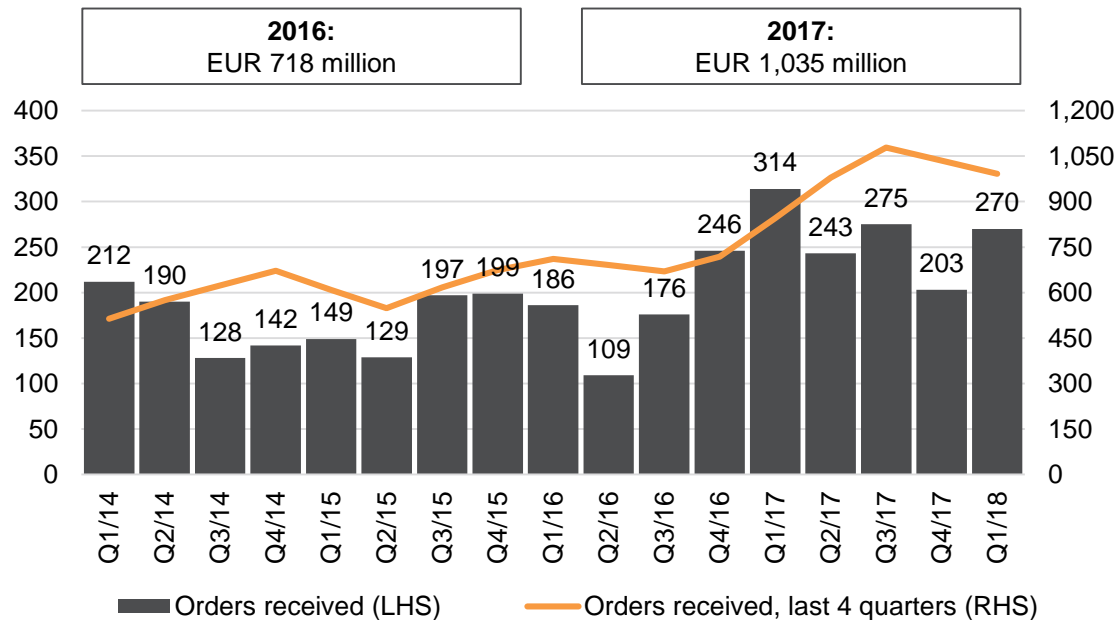
- Orders received decreased compared with Q1/2017
 - Orders received remained at the previous year's level in South America, and decreased in all other regions
 - Orders received remained at the previous year's level in Energy and decreased in Pulp
- Net sales increased compared with Q1/2017
- Changes in foreign exchange rates decreased orders received by EUR 2 million and net sales by EUR 4 million¹
- A loss of EUR 15 million recognized in a project in the Pulp and Energy business line in Q1/2018



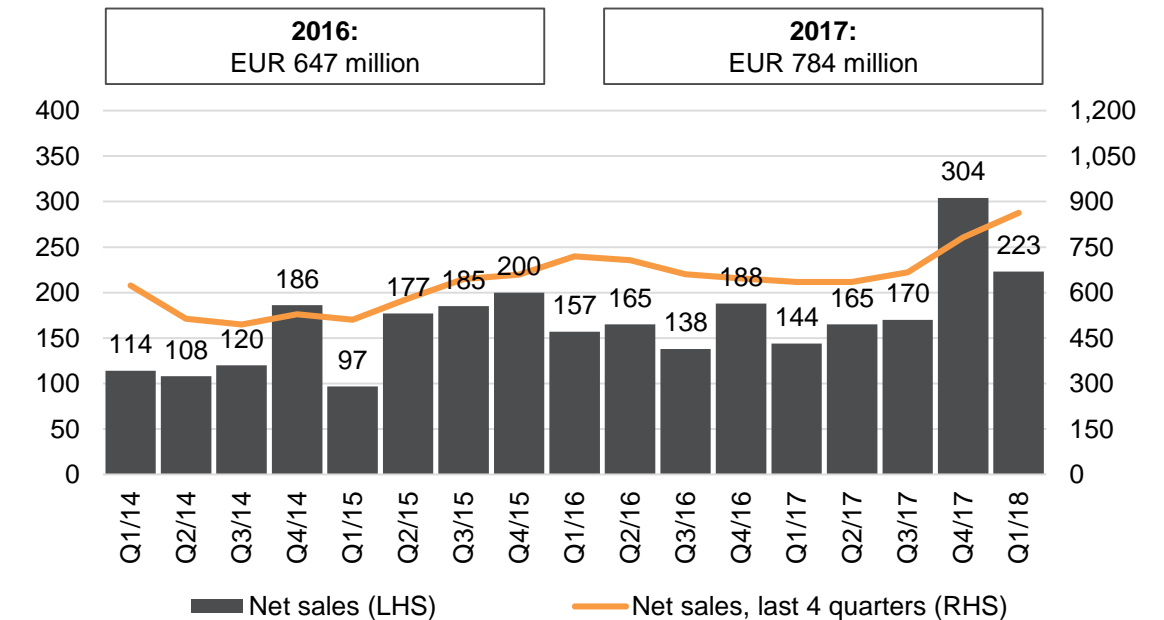
1) The effects of changes in foreign exchange rates are indicative only.

Paper: Orders received decreased and net sales increased

Orders received (EUR million)



Net sales (EUR million)



- Orders received decreased compared with Q1/2017
 - Orders received increased in North America, South America and China, and decreased in EMEA and Asia-Pacific
 - Orders received increased in Board and Paper, and decreased in Tissue
- Net sales increased compared with Q1/2017
- Changes in foreign exchange rates decreased orders received by EUR 28 million and net sales by EUR 11 million¹



1) The effects of changes in foreign exchange rates are indicative only.



Financial development

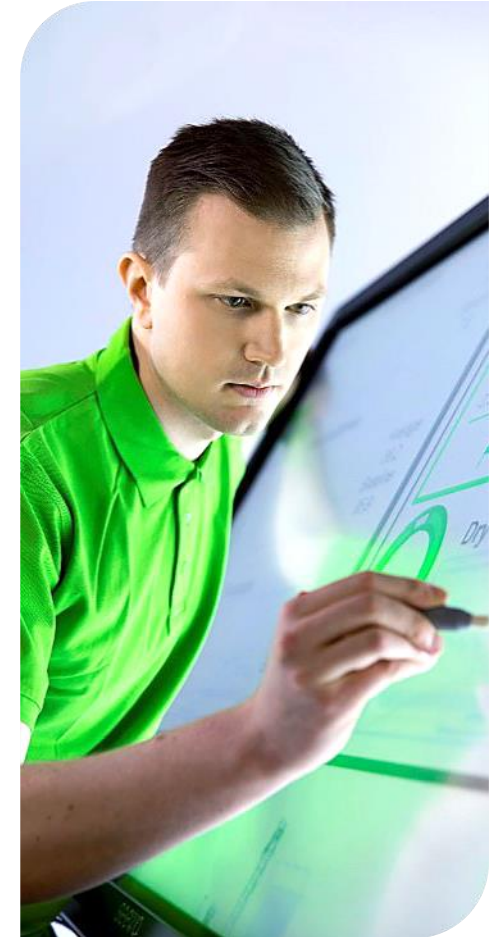
Key figures

EUR million	Q1/2018	Q1/2017	Change	2017
Orders received	890	1,005	-11%	3,272
Order backlog ¹	2,583	2,704	-4%	2,458
Net sales	732	645	13%	3,058
Comparable EBITA	22	34	-36%	218
% of net sales	3.0%	5.3%		7.1%
EBITA	19	37	-49%	202
Operating profit (EBIT)	12	29	-60%	170
% of net sales	1.6%	4.5%		5.6%
Earnings per share, EUR	0.05	0.12	-56%	0.81
Return on capital employed (ROCE) before taxes ²	5%	10%		14%
Cash flow provided by operating activities	19	94	-80%	291
Gearing ¹	-12%	-3%		-11%

Items affecting comparability: EUR -3 million in Q1/2018 (EUR 3 million in Q1/2017)

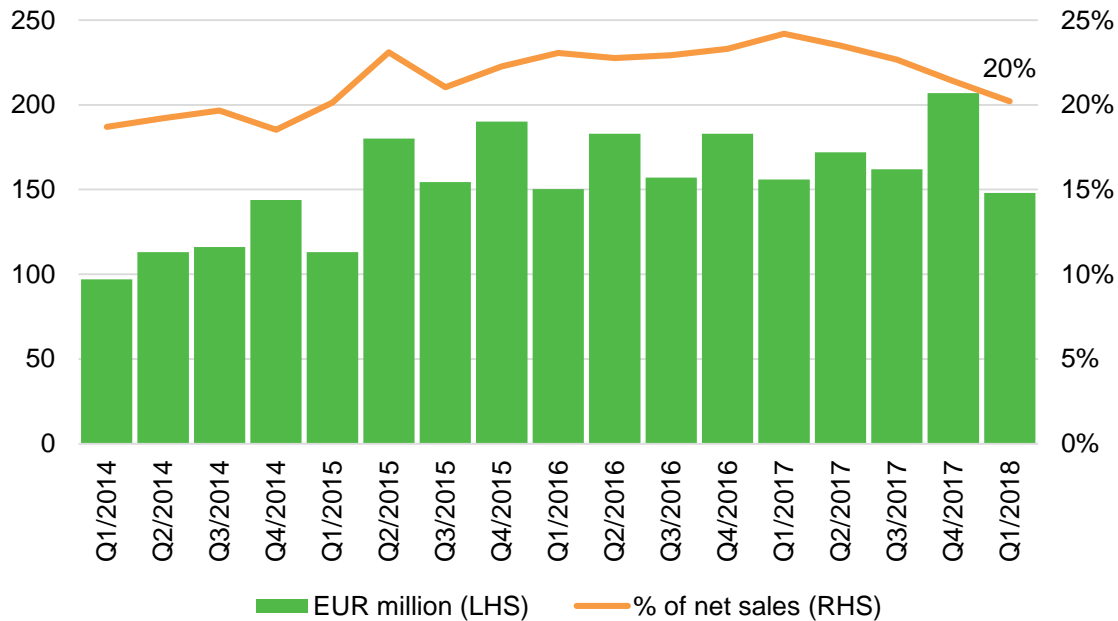
1) At the end of period

2) Annualized. In the calculation of 2017 figures, data points from 2016 that have not been restated have been used.

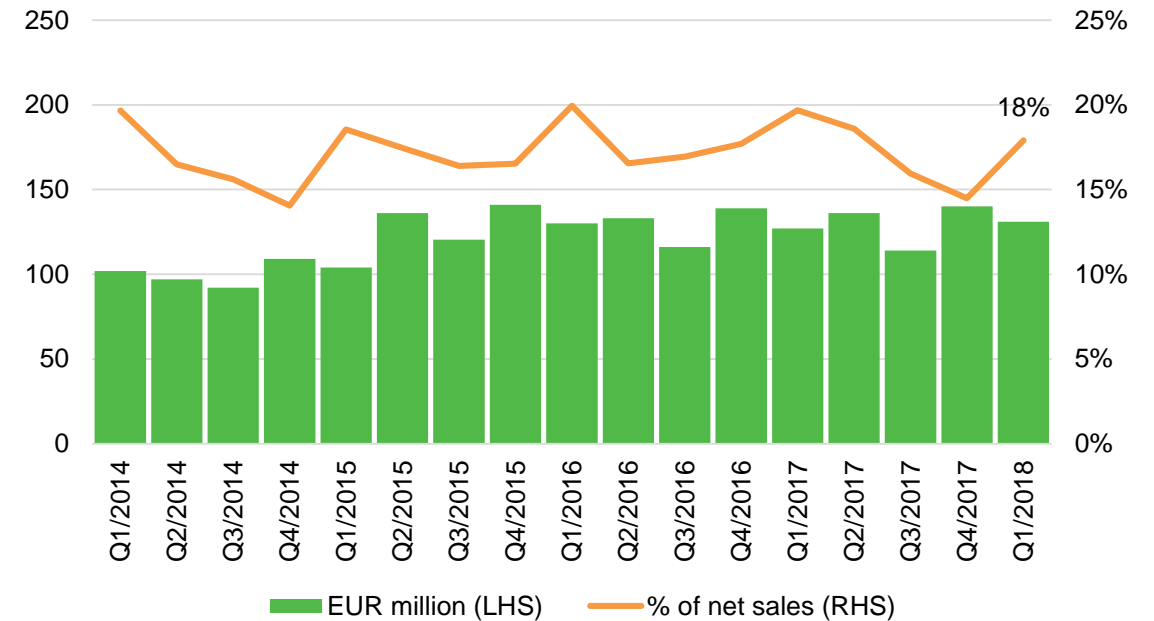


Gross profit and SG&A development

Gross profit (EUR million and % of net sales)



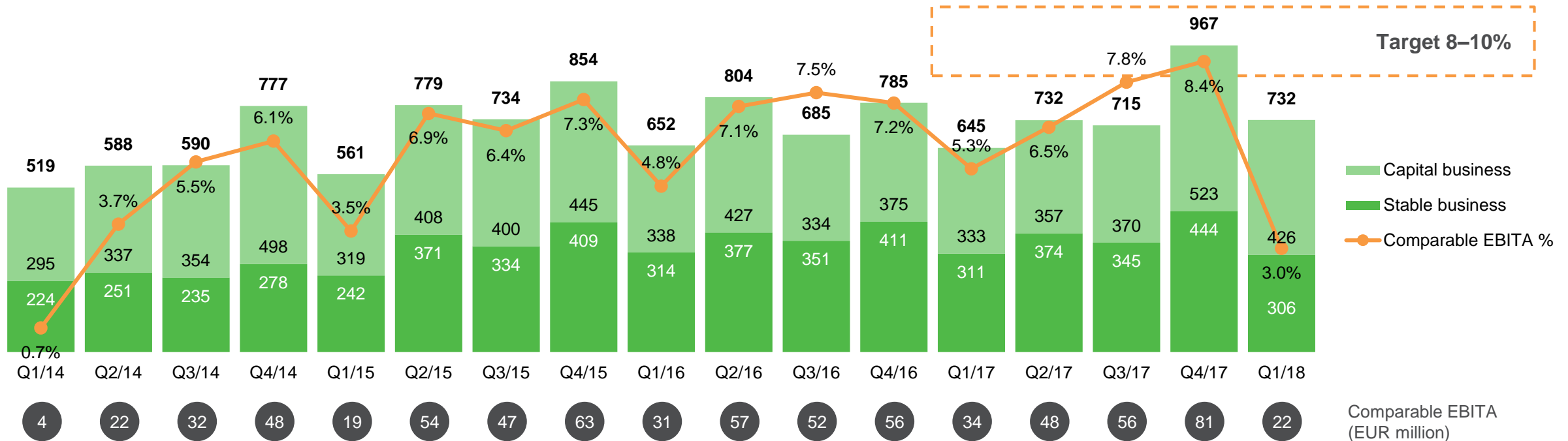
SG&A (EUR million and % of net sales)



- Gross profit percentage decreased compared with Q1/2017
 - A loss of EUR 15 million was recognized in a project in the Pulp and Energy business line
 - Capital business had a higher share of net sales in Q1/2018
- Selling, general & administrative (SG&A) expenses to net sales decreased compared with Q1/2017
- Actions to improve gross profit through Must-Win implementation

Comparable EBITA margin development

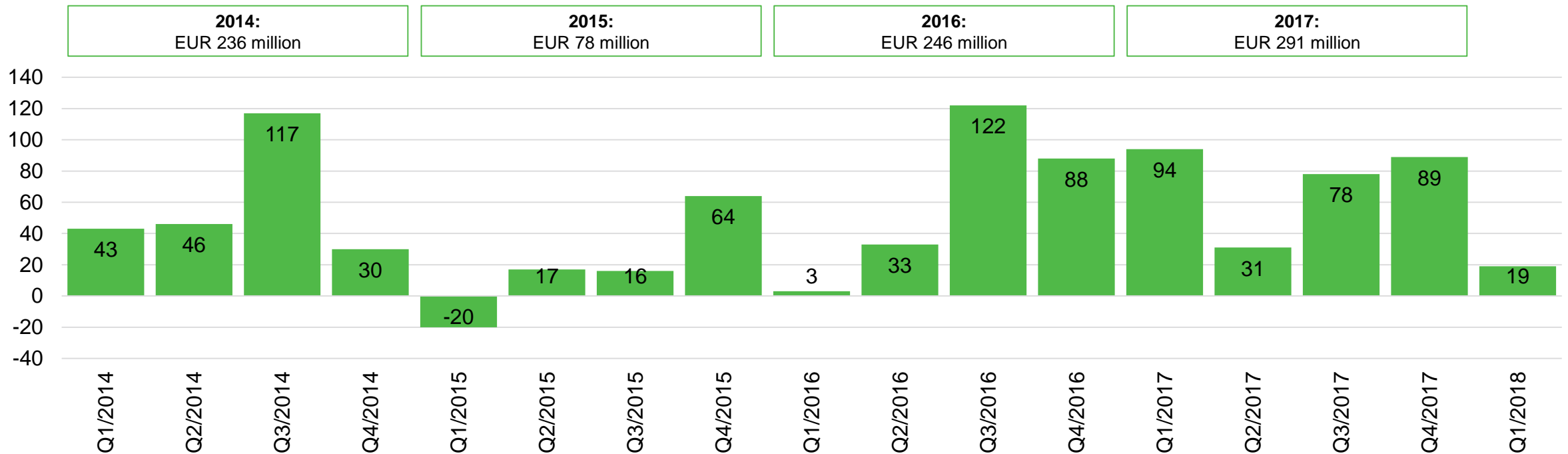
Net sales and Comparable EBITA (EUR million and %)



- Net sales increased and Comparable EBITA decreased compared with Q1/2017
 - Profitability decreased due to a loss of EUR 15 million recognized in a project in the Pulp and Energy business line

Cash flow provided by operating activities

Cash flow provided by operating activities (EUR million)

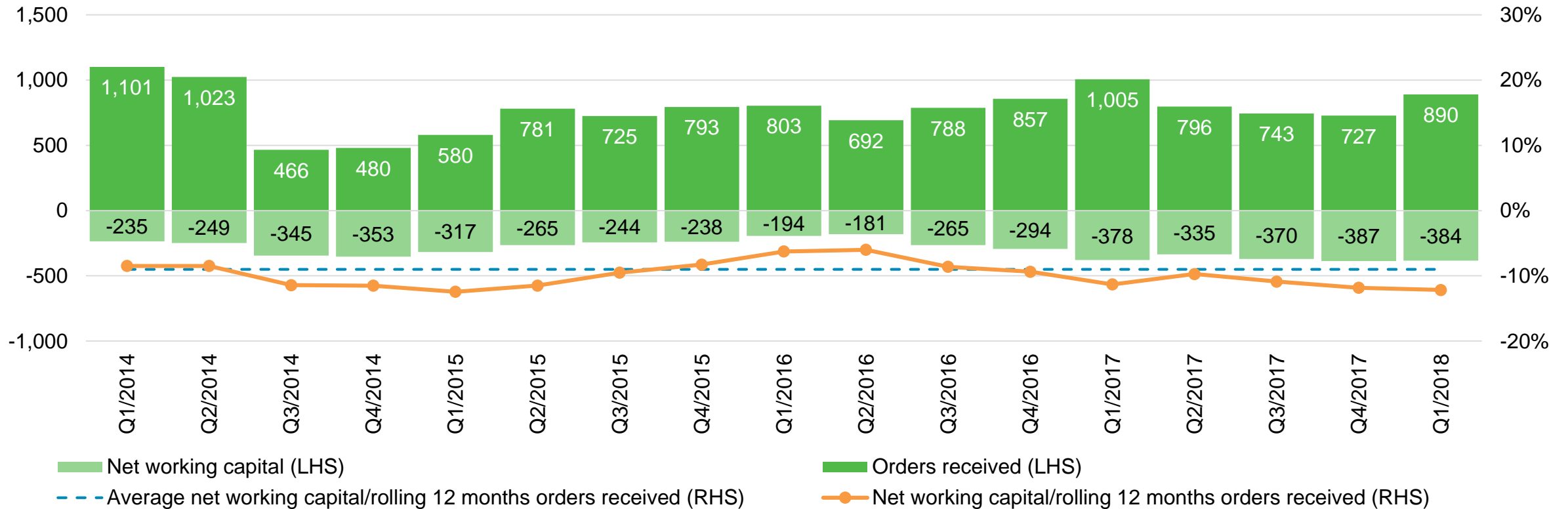


- Change in net working capital¹ EUR -2 million in Q1/2018
- Cash flow provided by operating activities EUR 19 million in Q1/2018
- CAPEX EUR 16 million in Q1/2018

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

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

Net working capital and orders received (EUR million)

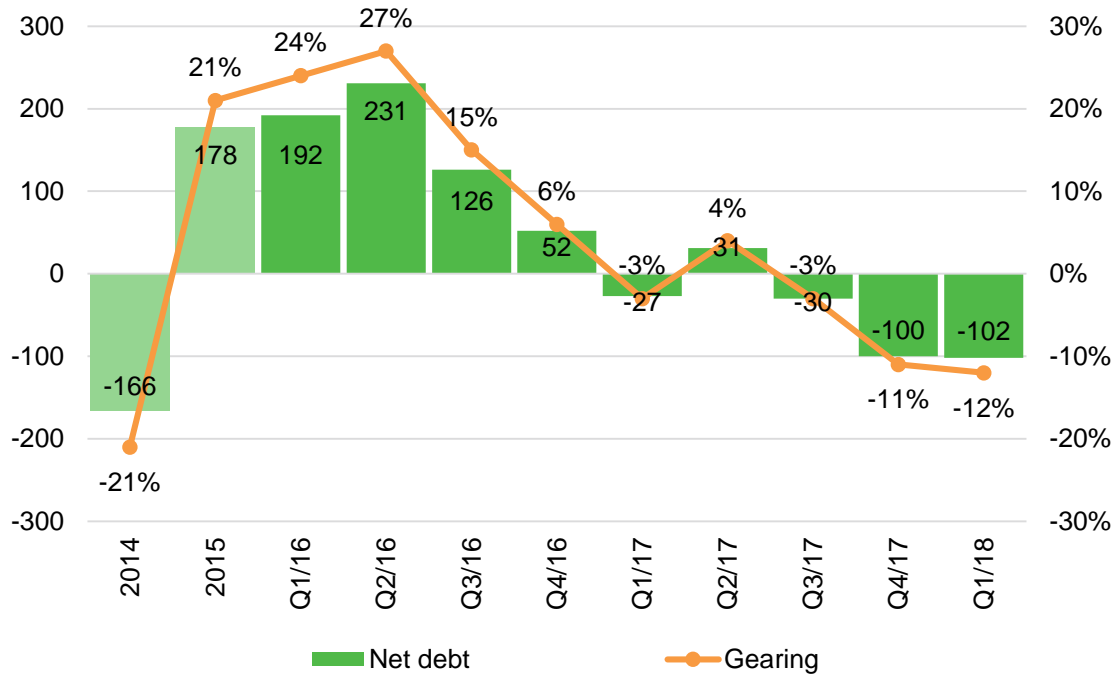


- Net working capital EUR -384 million, which equals -12% of rolling 12 months orders received

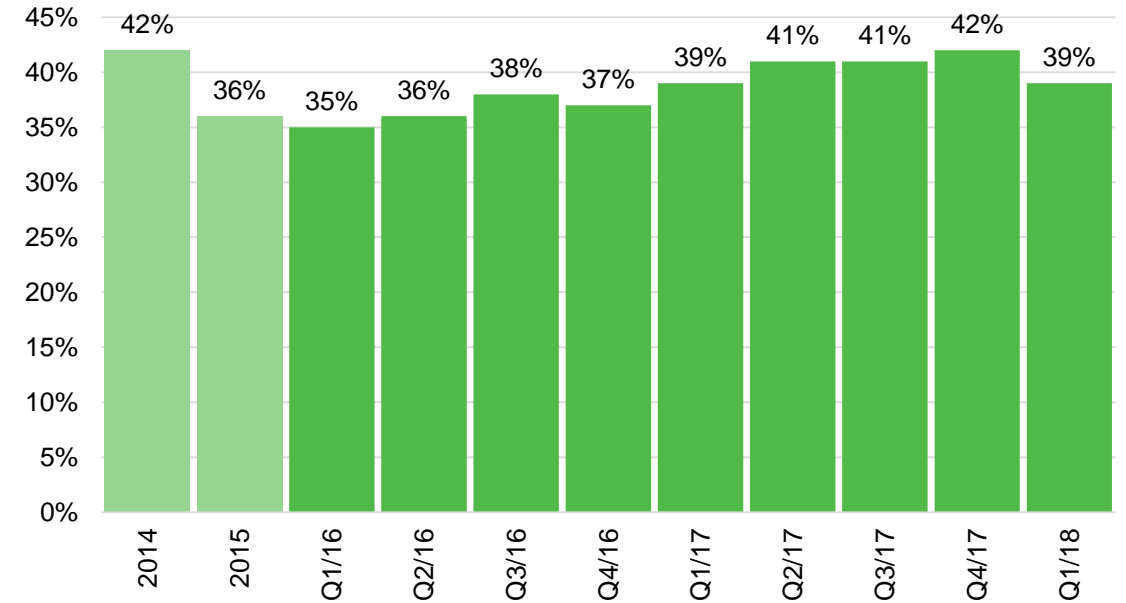
Net working capital excluding non-cash net working capital impact from dividend liability.

Net debt lower compared with both Q1/2017 and Q4/2017

Net debt (EUR million) and gearing (%)



Equity to assets ratio (%)

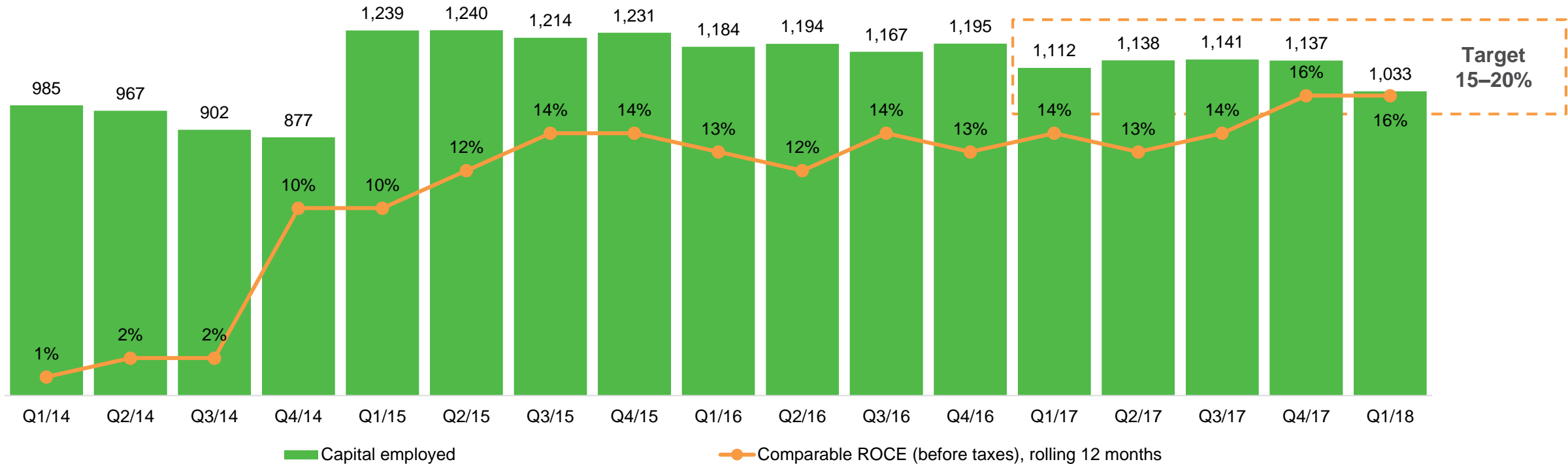


- Gearing (-12%) and net debt (EUR -102 million) lower than both in Q1/2017 and Q4/2017
- Equity to assets ratio remained at the same level as in Q1/2017

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. In the calculation of 2017 figures, data points from 2016 that have not been restated have been used.



Guidance and short-term market outlook

Guidance and short-term market outlook unchanged

Guidance for 2018 (as announced on March 21, 2018)

Guidance 	Valmet estimates that net sales in 2018 will remain at the same level as in 2017 (EUR 3,058 million) and Comparable EBITA in 2018 will increase in comparison with 2017 (EUR 218 million).
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Short-term market outlook

		Q2/2017	Q3/2017	Q4/2017	Q1/2018
Services		Good	Good	Good	Good
Automation		Satisfactory	Satisfactory	Good	Good
Pulp and Energy	Pulp	Weak	Weak	Weak	Weak
	Energy	Good	Satisfactory	Satisfactory	Satisfactory
Paper	Board and Paper	Good	Good	Good	Good
	Tissue	Good	Good	Good	Good

The short-term market outlook is based on customer activity (50%) and Valmet's capacity utilization (50%) and is given for the next six months from the end of the respective quarter. The scale is 'weak-satisfactory-good'.



Summary of Interim Review Q1/2018

Q1/2018 in brief

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- Orders received decreased to EUR 462 million in capital business²
- Net sales increased to EUR 732 million
- Order backlog remained at the previous year's level at EUR 2.6 billion
- Comparable EBITA decreased to EUR 22 million (margin 3.0%)
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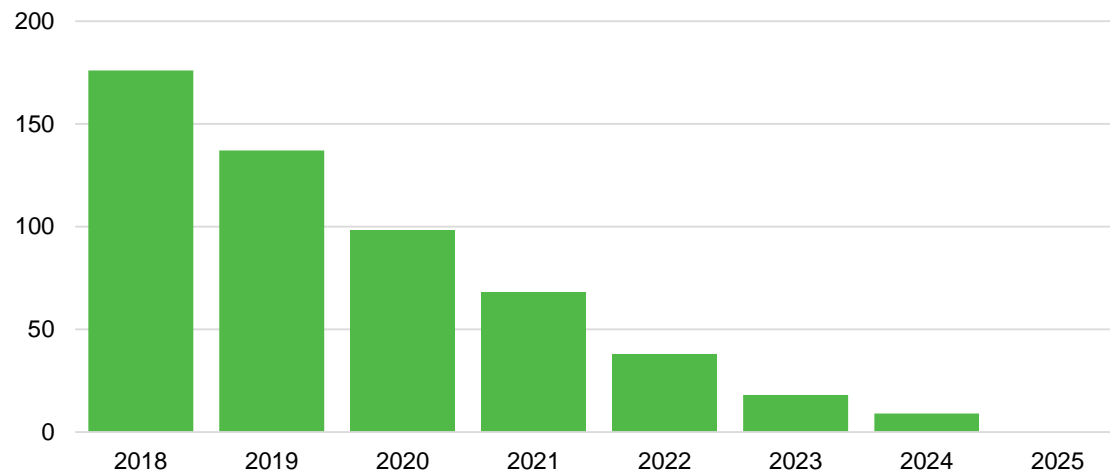


Appendix

Structure of loans and borrowings

Interest-bearing debt EUR 201 million as at March 31, 2018

Amount of outstanding interest-bearing debt (EUR million)



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

Main financing sources and facilities

Source	Amount outstanding
Loans from banks and financial institutions	EUR 201 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.

Largest shareholders on March 31, 2018

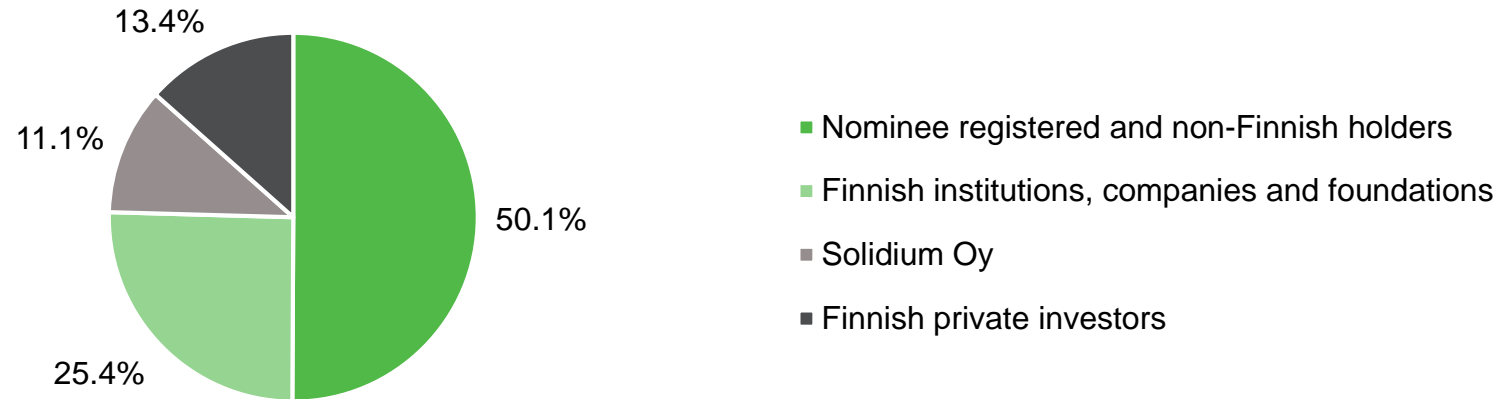
Based on the information given by Euroclear Finland Ltd.

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	Ilmarinen Mutual Pension Insurance Company	3,416,000	2.28%
5	OP Funds	2,145,691	1.43%
6	The State Pension Fund	1,545,000	1.03%
7	Keva	1,502,166	1.00%
8	Evli Funds	930,053	0.62%
9	Mandatum Life Insurance Company Limited	922,537	0.62%
10	Nordea Funds	918,024	0.61%
	10 largest shareholders, total	36,450,223	24.32%
	Other shareholders	113,414,396	75.68%
	Total	149,864,619	100%

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

Shareholder structure on March 31, 2018



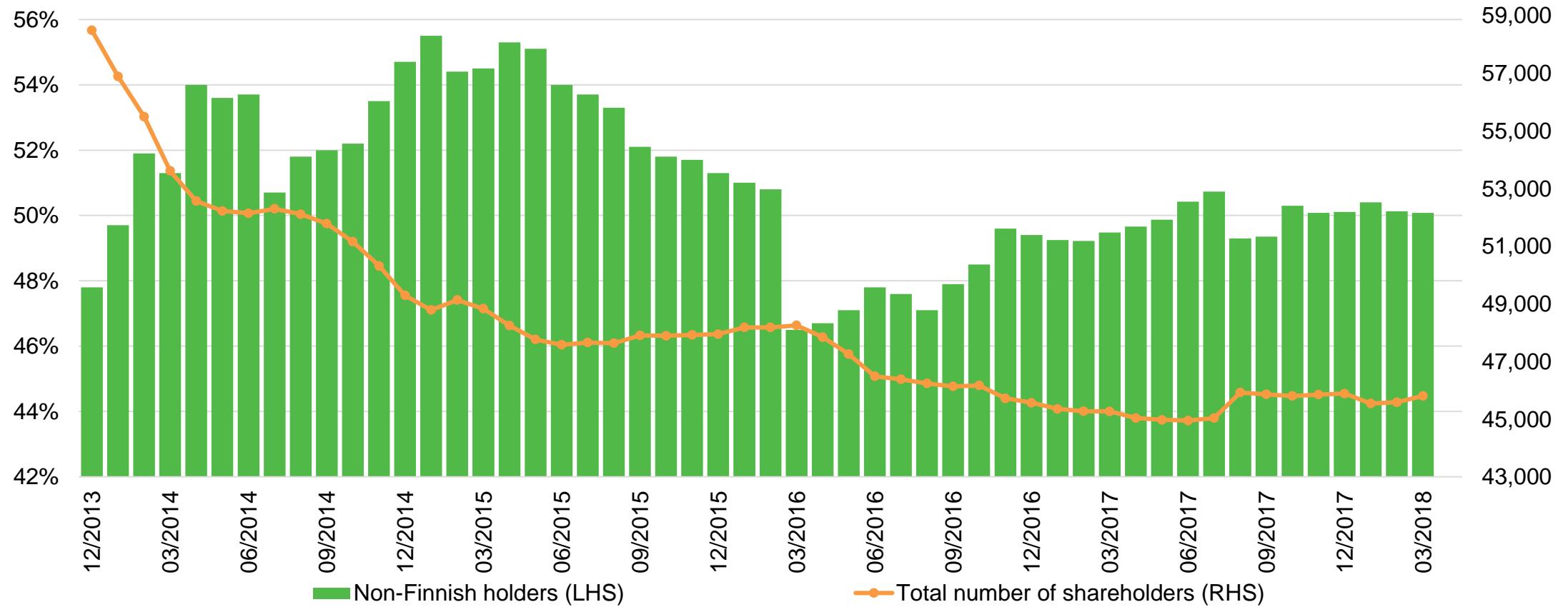
Sector	Number of shareholders	% of total shareholders	Number of shares	% of shares
Nominee registered and non-Finnish holders ¹	327	0.7 %	75,046,601	50.1%
Finnish institutions, companies and foundations	2,393	5.2 %	38,010,937	25.4%
Solidium Oy ²	0	0.0 %	16,695,287	11.1%
Finnish private investors	43,087	94.1 %	20,103,714	13.4%
In the issuer account	0	0.0 %	8,080	0.0%
Total	45,807	100.0 %	149,864,619	100.0%

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

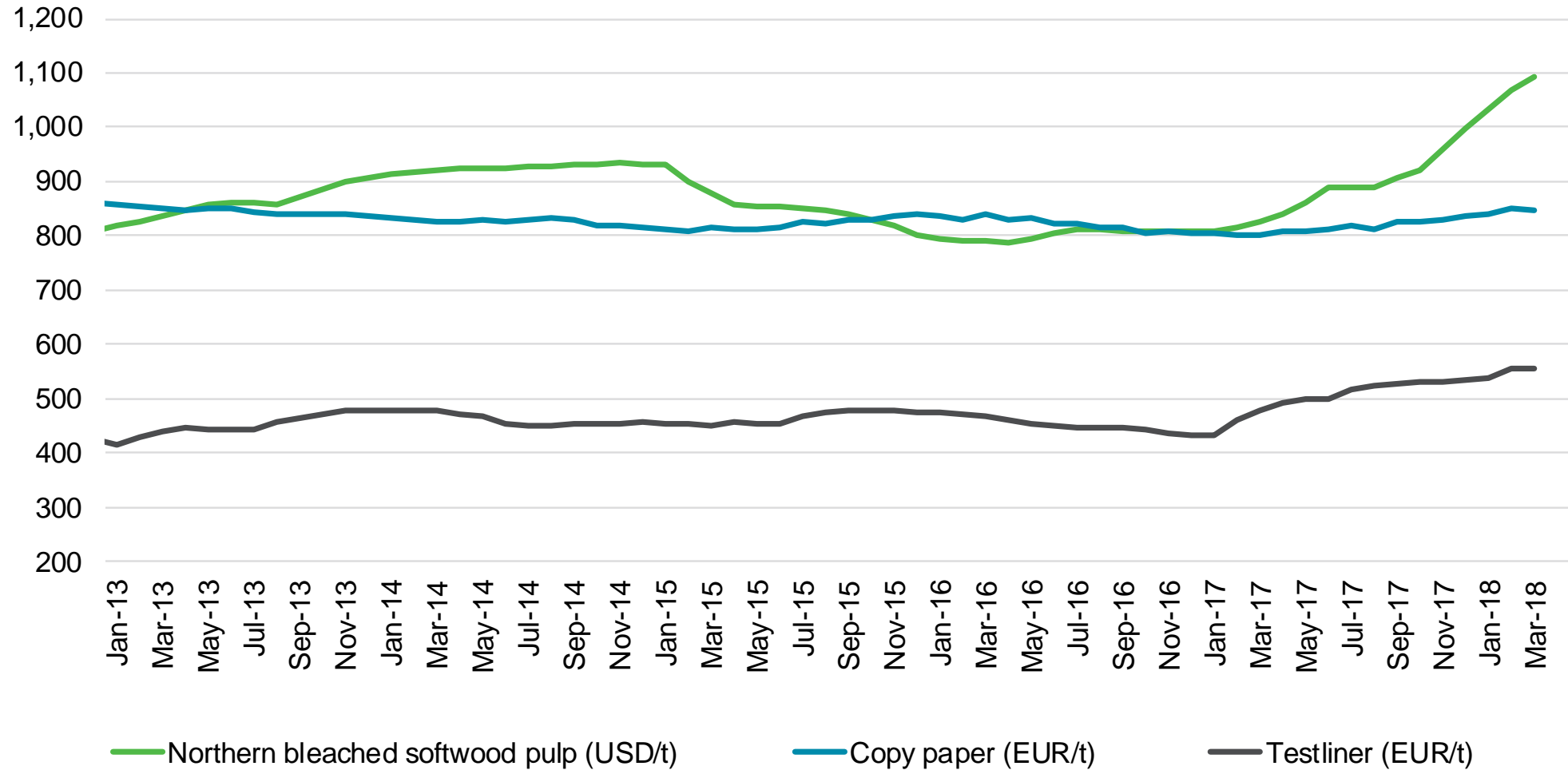
1) Of which 73,017,718 nominee registered shares

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

Share of non-Finnish holders and number of shareholders

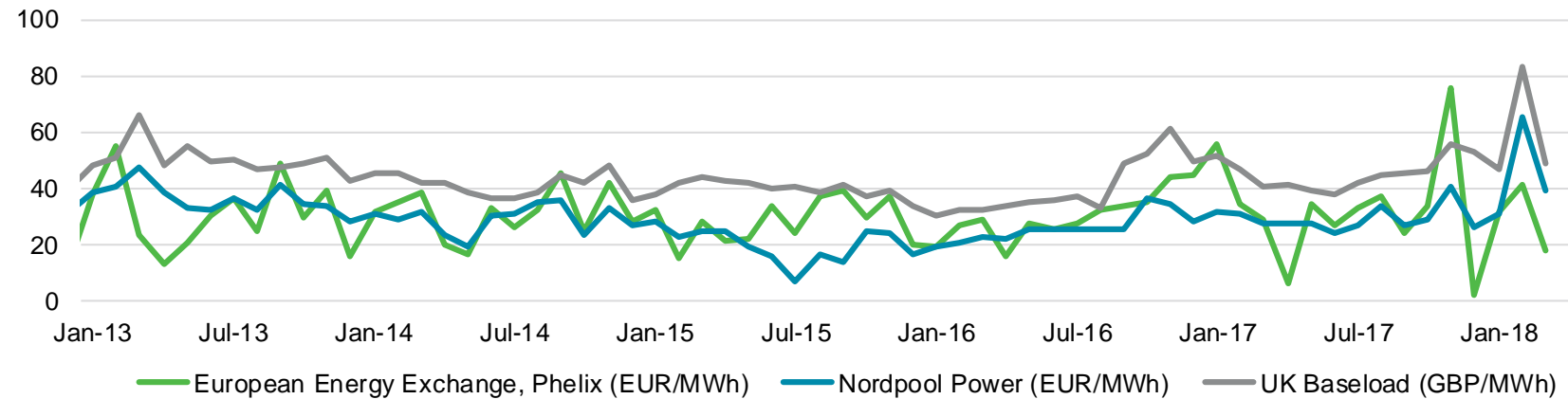
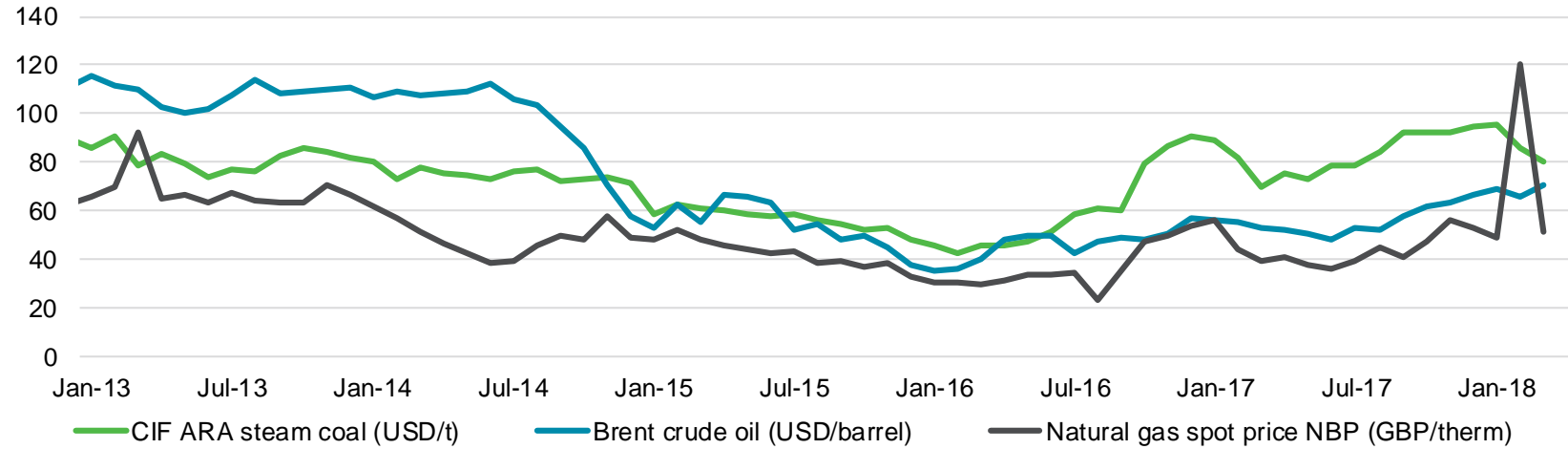


Pulp and paper price trends



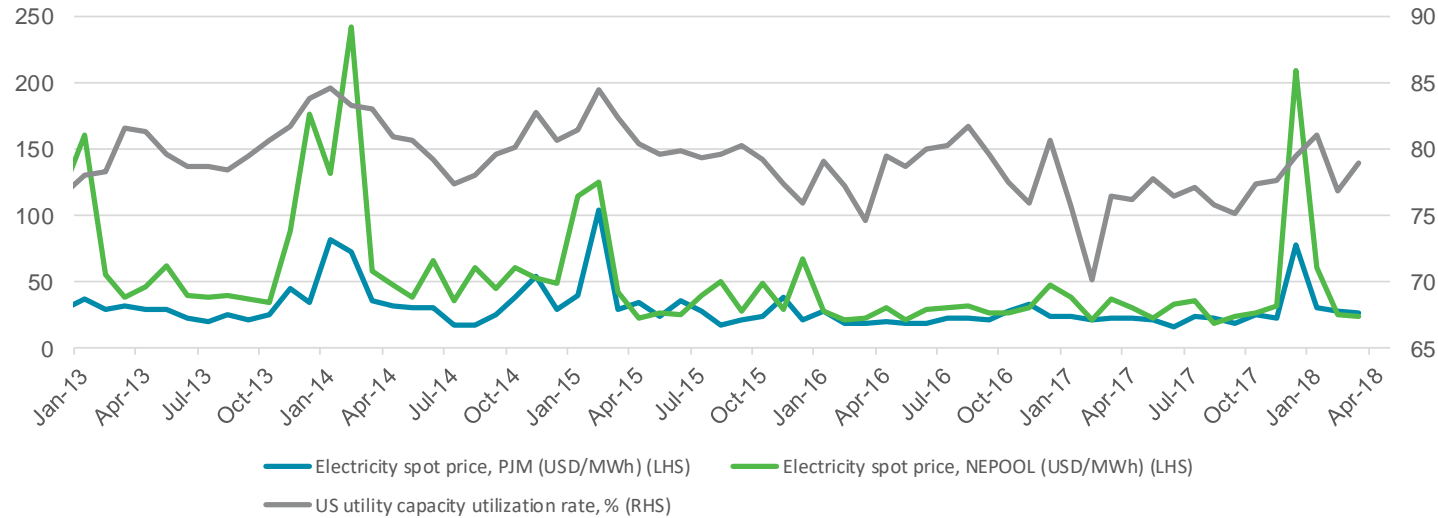
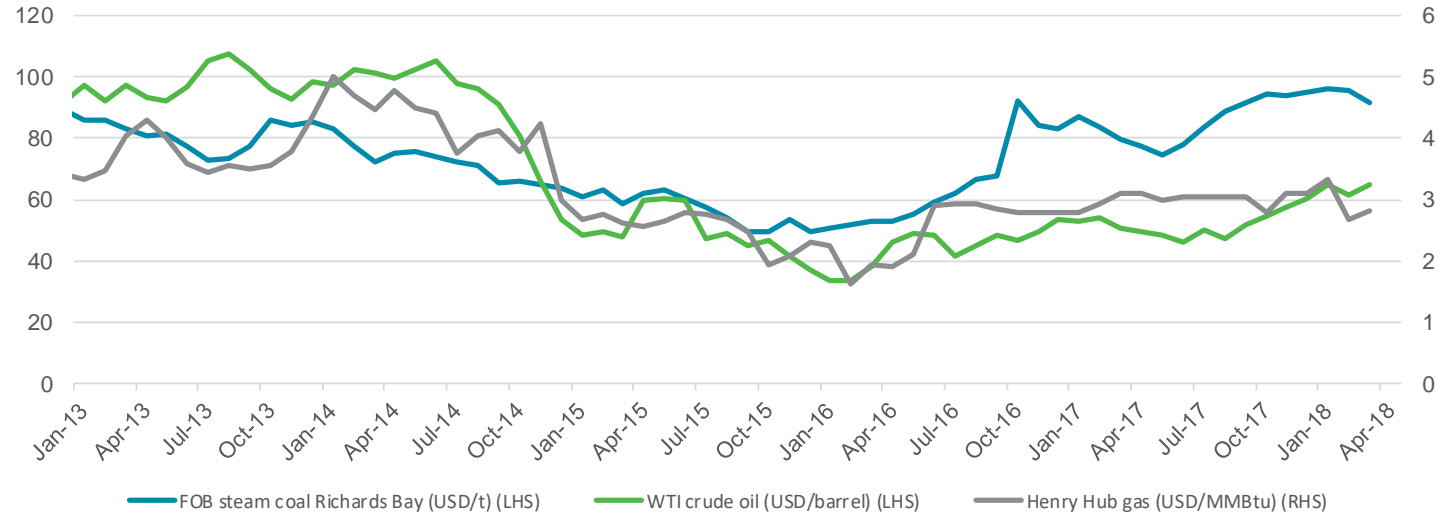
Crude oil, steam coal, natural gas and electricity

Europe

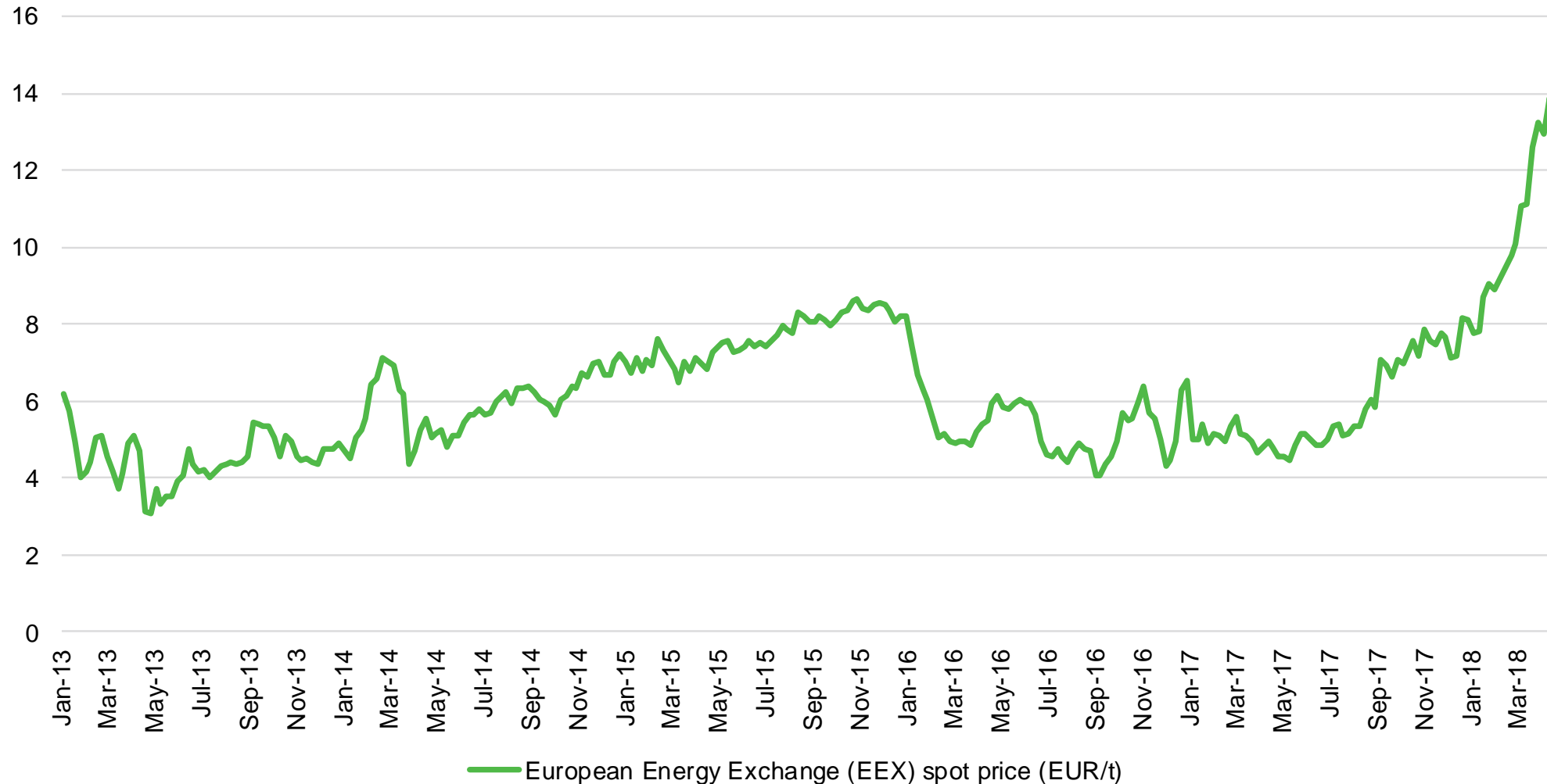


Crude oil, steam coal, natural gas and electricity

United States



European Carbon Emission Allowance



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January–June 2018
Interim Review

July 25, 2018

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Save the date

**Valmet's Capital
Markets Day**

September 18, 2018
Helsinki, Finland

