

Solid performance in
services – focus on
profitability improvement

Financial Statements 2013

February 6, 2014

Pasi Laine, President and CEO

Markku Honkasalo, CFO

Agenda

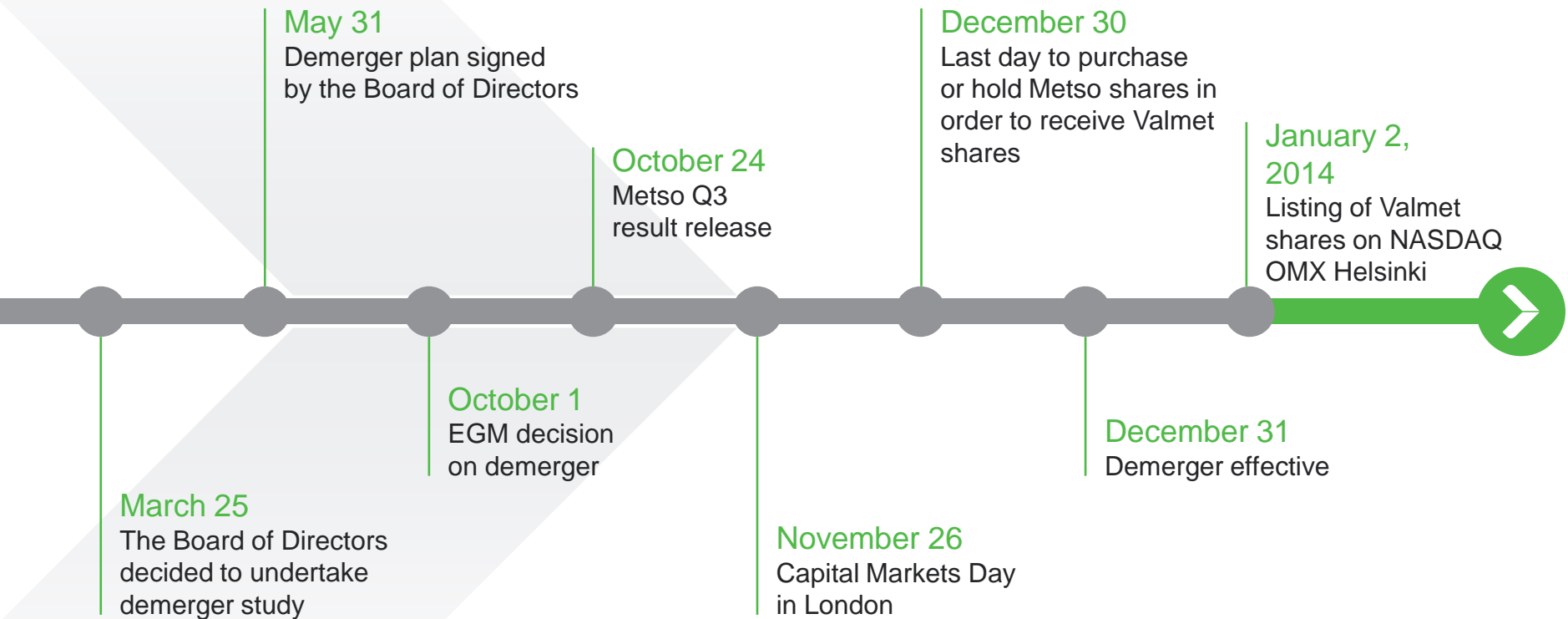
Financial Statements 2013

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2013 in brief

Partial demerger successfully finalized



Solid performance in services, challenging year in capital business

2013 figures

Net sales EUR 2,613 million

EBITA¹ EUR 54 million

Employees 11,765

Position

#1-2 Services

#1-2 Pulping

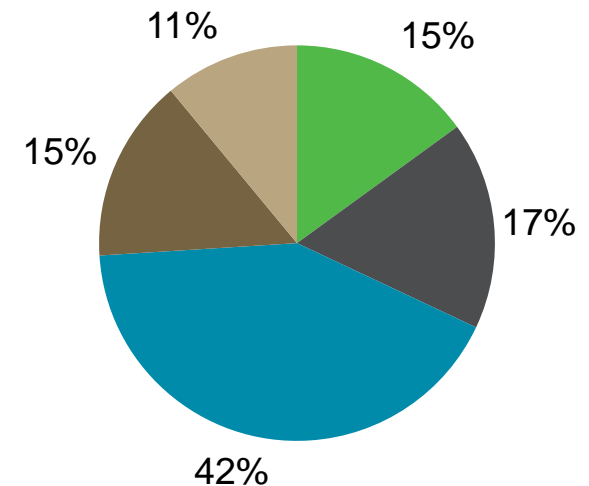
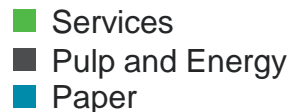
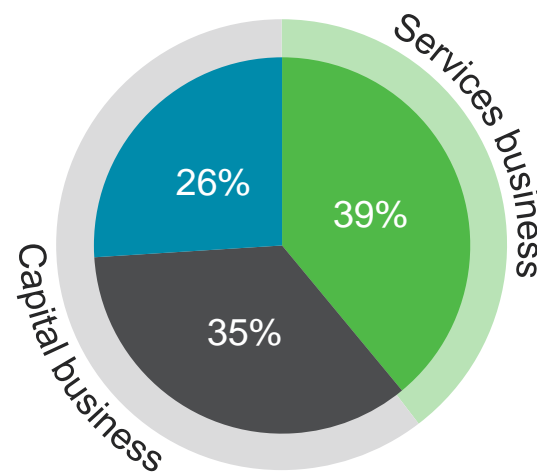
#1-2 Bioenergy generation

#1-2 Paper, board, tissue

- Services on previous year's level, approximately EUR 1 billion
- Sales declined in Pulp and Energy, and Paper business lines

1) EBITA before non-recurring items

Sales split (2013)



The balance sheet and its related key figures on December 31, 2013 are based on actual figures, while the income statement, cash flow and comparison figures are based on financial carve-out data.

2013 in brief



Solid performance in services

- Stable order intake
- Services net sales on previous year's level, over EUR 1 billion
- Profitability on the same level as in 2012



Challenging year in capital business

- Orders received in 2013 declined in Energy, and Board and Paper business units
 - CMPC's pulp order received in June, 2013 – value of around EUR 400 million
 - Orders increased in Tissue
- Net sales declined in Pulp and Energy, and Paper
- Profitability declined from 2012 in both business lines



Profitability improvement program proceeding according to plan

- Profitability improvement program, targeting EUR 100 million in savings by the end of 2014, proceeding according to plan
- Operational excellence: Further savings potential in procurement and quality



Strong balance sheet supports the future

- Net debt EUR -1 million
- Gearing 0%

Key figures 2013

EUR million	Q4/2013	Q4/2012	Change	2013	2012	Change
Orders received	428	678	-37%	2,182	2,445	-11%
Order backlog				1,398	1,918 ¹	-27%
Net sales	666	925	-28%	2,613	3,014	-13%
EBITA ²	-25	54		54	192	-72%
% of net sales	-3.7%	5.8%		2.1%	6.4%	
EBIT ³	-66	22		-59	138	
% of net sales	-9.9%	2.4%		-2.2%	4.6%	
Earnings per share, EUR	-0.41	0.04		-0.42	0.51	
Return on capital employed (ROCE), before taxes				-4%	12% ⁴	
Dividend per share, EUR				0.15⁵	-	
Operational cash flow	-38	-81		-43	-53	
Gearing at the end of period				0%	6% ⁴	

1) Cancelled Fibria order excluded (EUR 331 million)

2) Before non-recurring items

3) After non-recurring items

4) In calculating these key ratios, an adjustment of EUR 468 million has been made from 'Long-term debt, Metso Group' to 'equity' in order to reflect the conversion of Metso Svenska AB's long term debt to Metso Group which took place in January 2013.

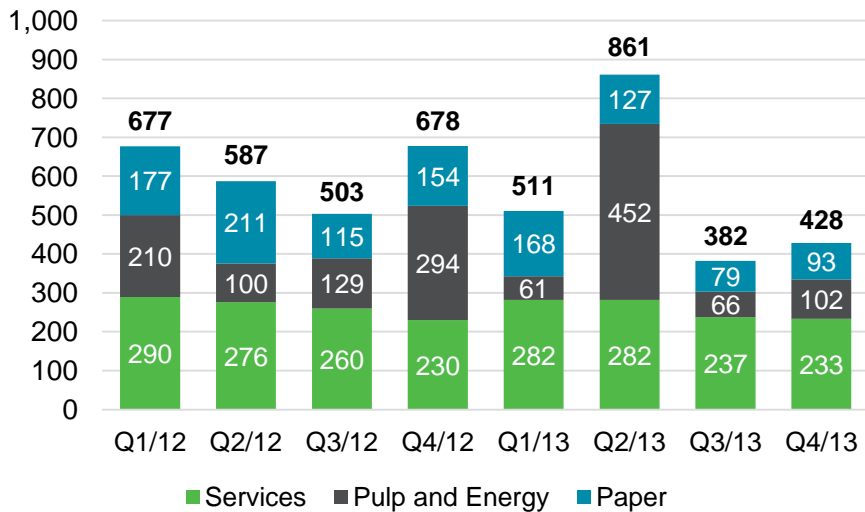
5) Proposal made by the Board of Directors

EBITA Q4/2013 decreased by approximately EUR 30 million related to a delay in a pulp mill project, and higher than expected costs related to that project. Capacity utilization in the Energy, and Board and Paper business units was also low.

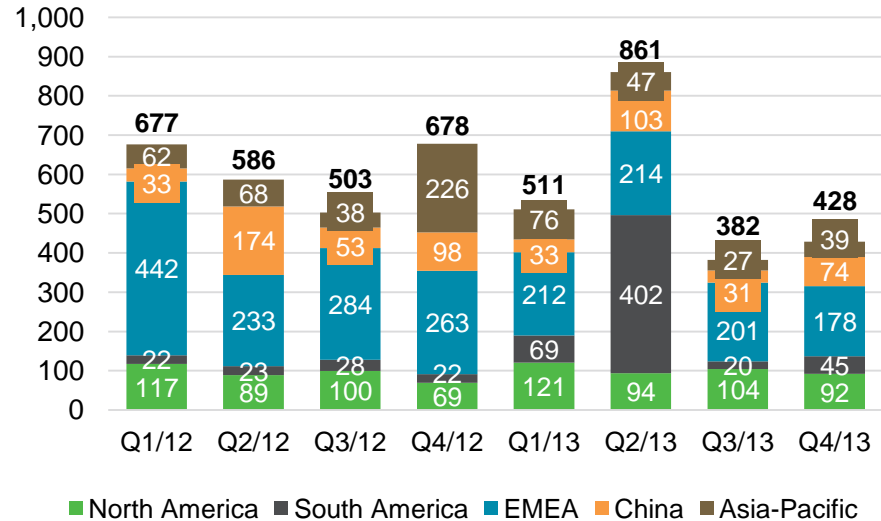
Non-recurring items: EUR -34 million in Q4/2013 (EUR -24 million in Q4/2012) EUR -86 million in 2013 (EUR -24 million in 2012)

Orders received declined in capital business, stable in services

Orders received (EUR million),
by business line



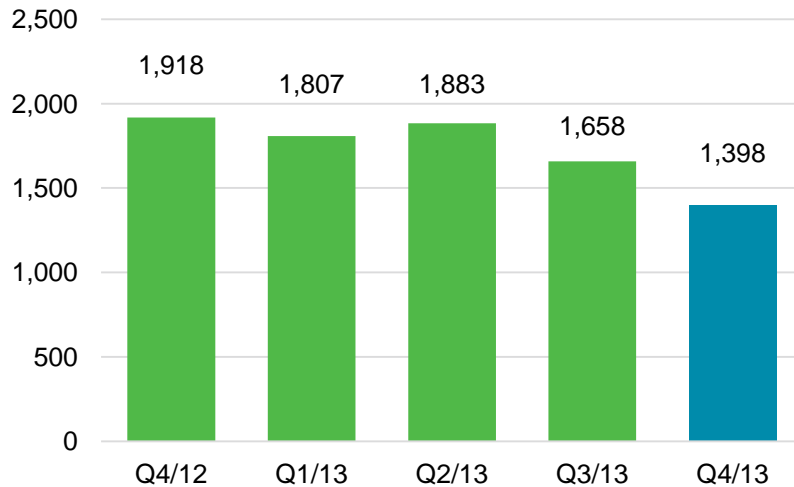
Orders received (EUR million),
by area



- Orders received declined 11% in 2013, mainly due to lower activity in the energy, and board and paper markets.
- Valmet has solid positions in services and emerging markets
 - 48% of orders received from services
 - 54% of orders received from emerging markets

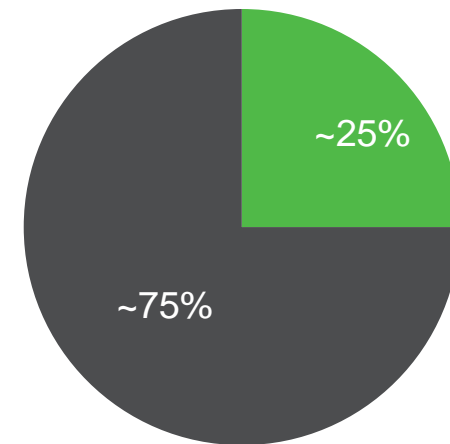
Order backlog

Order backlog (EUR million)



Cancelled Fibria order of EUR 331 million excluded

Structure of the order backlog

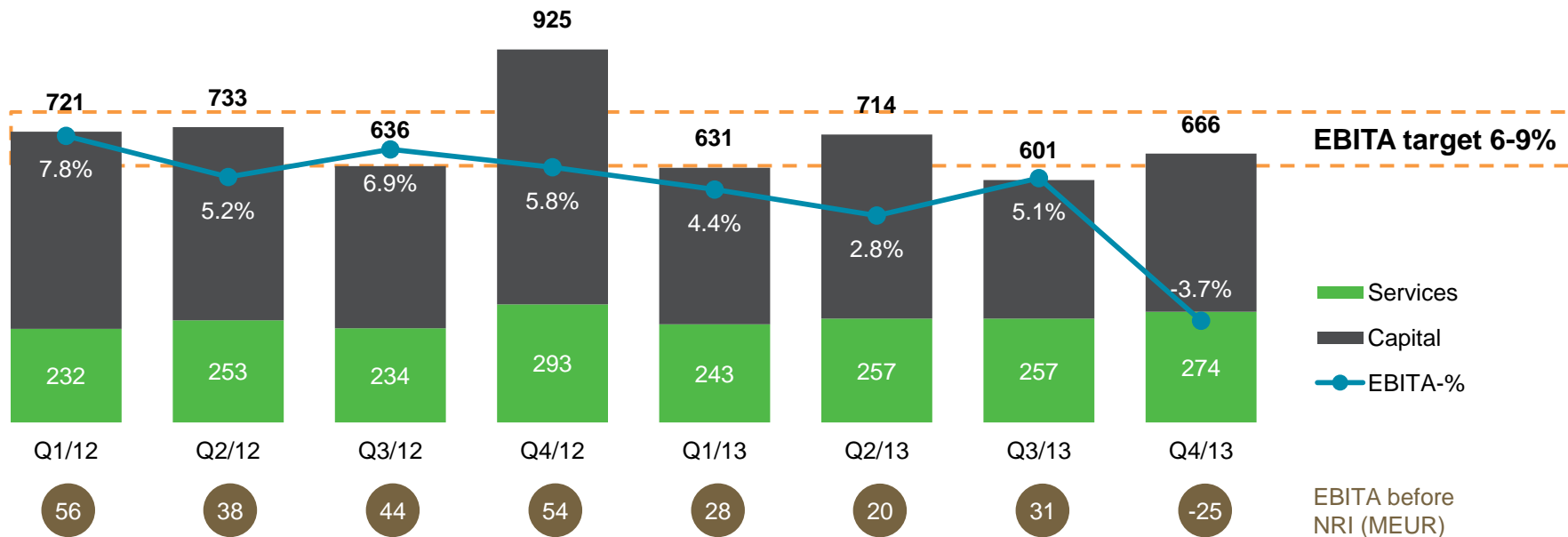


■ Services business ■ Capital business

- Management estimates that ~80% of the order backlog will be realized as sales during 2014
- Approximately 25% of the order backlog relates to the Services business line

Net sales and profitability development

Net sales and EBITA before NRI (EUR million)



- Share of services increasing
- Additional costs of about EUR 30 million related to individual pulp mill order in Q4/2013
- Excluding those costs, EBITA would have been positive
- Low utilization rate in Energy, and Board and Paper

Profitability improvement program proceeding according to plan

Profitability improvement program



- Announced in April 2013, targeting EUR 100 million in savings by the end of 2014
- Impact on all business lines, especially in the Board and Paper, and Energy business units
- ~1/3 of the program targets SG&A and ~2/3 COGS
- In 2013, decided personnel reduction: 1,400

Restructuring costs



- One-off restructuring costs amount to EUR 29 million in Q4/2013 and EUR 76 million in 2013

Additional flexibility



- Additional organizational flexibility through the possibility of temporary lay-offs in Finland

Process excellence



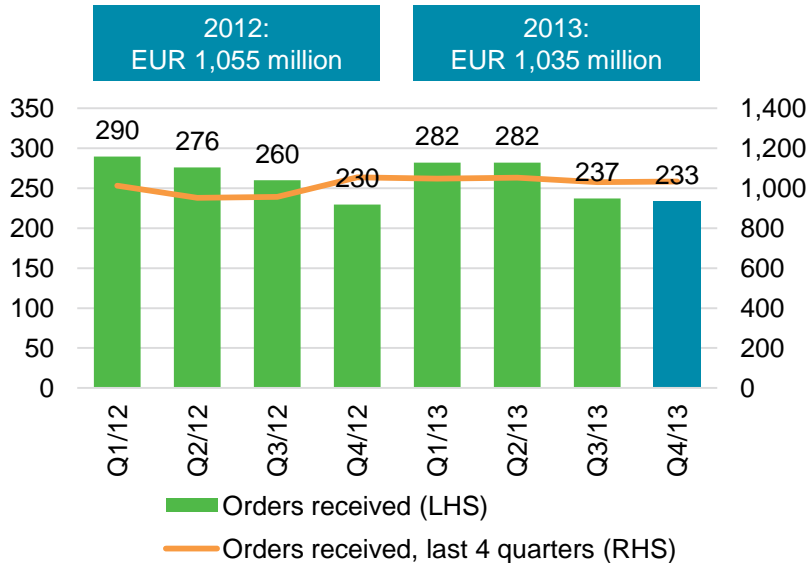
- Further savings potential in procurement and quality



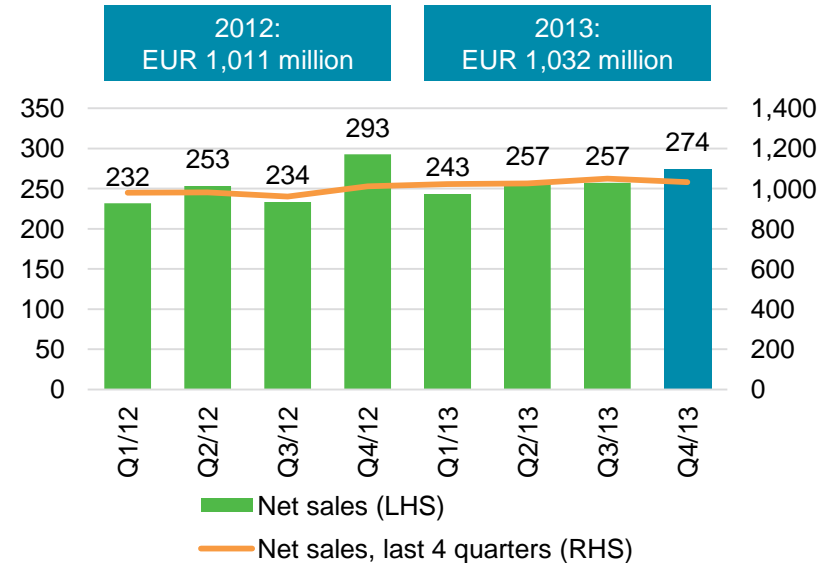
Business lines' development

Services business line

Orders received (EUR million)



Sales (EUR million)

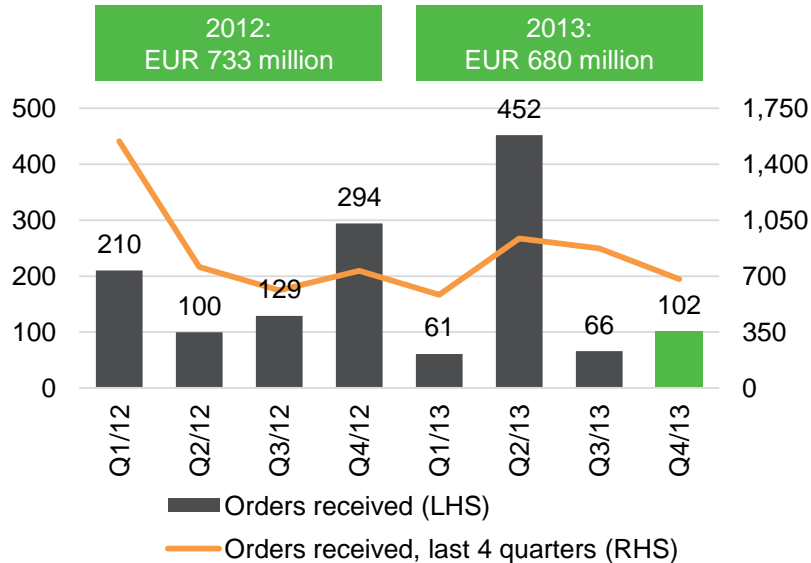


Current profitability: Satisfactory

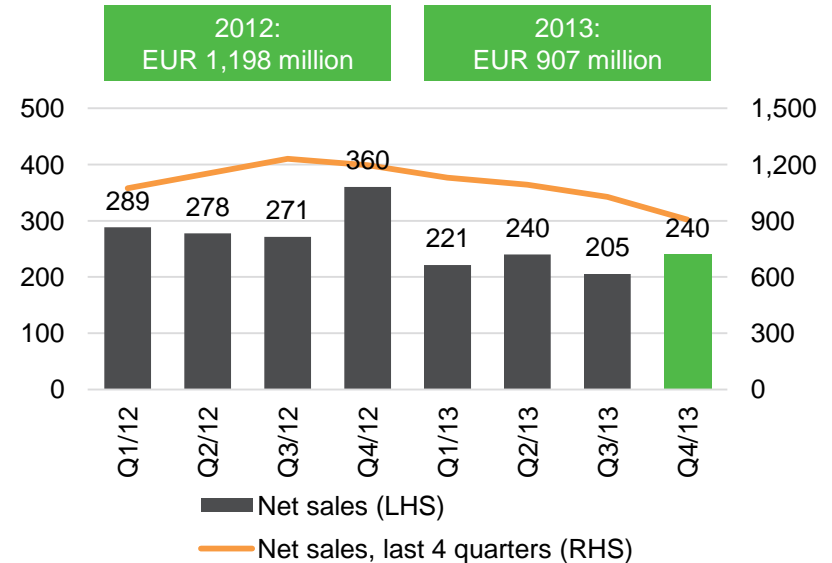
- Orders received in 2013 are on the same level as in previous year
 - Slight increase in orders received in North America, decrease in EMEA
 - In business units, orders received increased in Fabrics, and declined in Mill Improvements
- Net sales in 2013 stable at an annual level of over EUR 1 billion
- Profitability in 2013 remained at the same level as in previous year
- According to normal business seasonality, orders received are higher in H1 compared to H2 and sales are lower in H1 compared to H2
- Decided personnel reduction in 2013 related to profitability improvement program was approximately 200

Pulp and Energy business line

Orders received (EUR million)



Sales (EUR million)

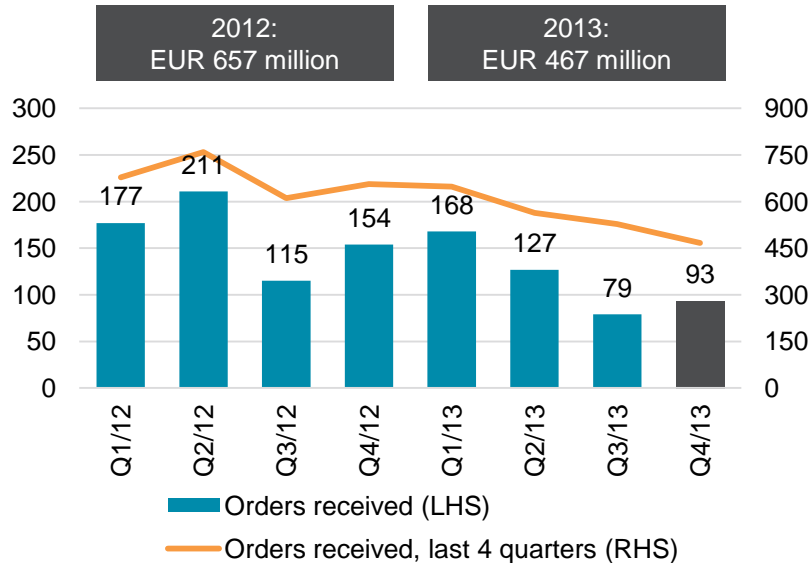


Current profitability: Weak

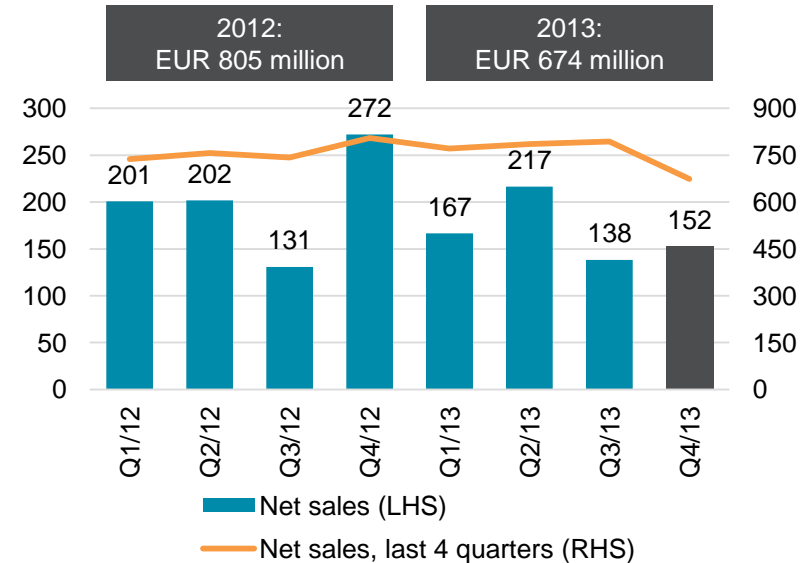
- Orders received declined in 2013
 - Pulp business unit received an order from CMPC in June, with a value of around EUR 400 million
 - In Energy business unit, orders on a weak level mainly due to the lower price of gas and coal and uncertainties in legislation and incentives in the countries within EMEA and North America
- Sales declined in 2013 from the previous year's level
- Profitability decreased in 2013 from the previous year's level
 - In Pulp, lower profitability mainly due to increased costs (EUR 30 million in Q4/2013) in one delayed pulp mill project in South America
- Decided personnel reduction in 2013 related to profitability improvement program was approximately 600
- Decision to divest small-scale heating plant business and related services operations in Finland, Russia and Sweden
- Some customers have announced investment plans in pulp

Paper business line

Orders received (EUR million)



Sales (EUR million)



Current profitability: Weak

- Orders received declined in 2013, especially in China, while growth in South America
 - Orders received declined in Board and Paper business unit
 - Orders received increased in Tissue business unit
- Sales declined in 2013
- Profitability in 2013 decreased from the previous year's level
- Profitability improvement program:
 - Decided personnel reduction in 2013 was approximately 600
 - Decided to centralize production in Finland to Jyväskylä

One of the world's largest pulp mills supplied by Valmet successfully started up in Brazil

- Suzano Papel e Celulose is one of the largest vertically integrated producers of pulp and paper in Latin America.
- The new pulp mill has the capacity to produce 1.5 million tons of bleached eucalyptus market pulp per year.
- The mill is the first complete pulp mill supplied by Valmet to South America.

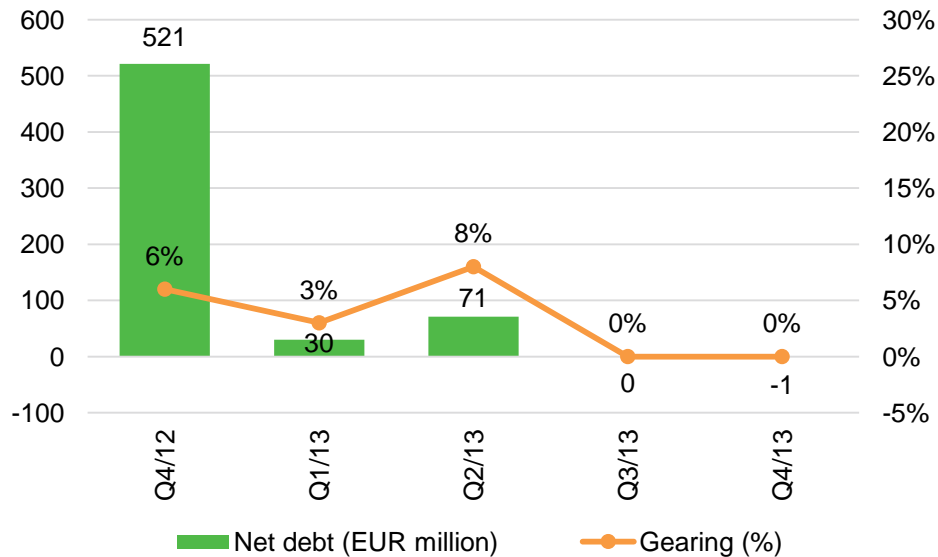




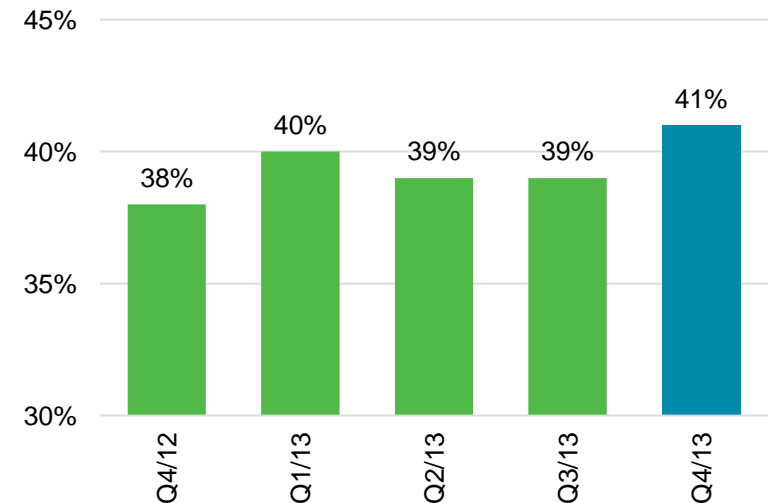
Financial development

Net debt, gearing and equity ratio

Net debt (EUR million) and gearing (%)



Equity ratio (%)

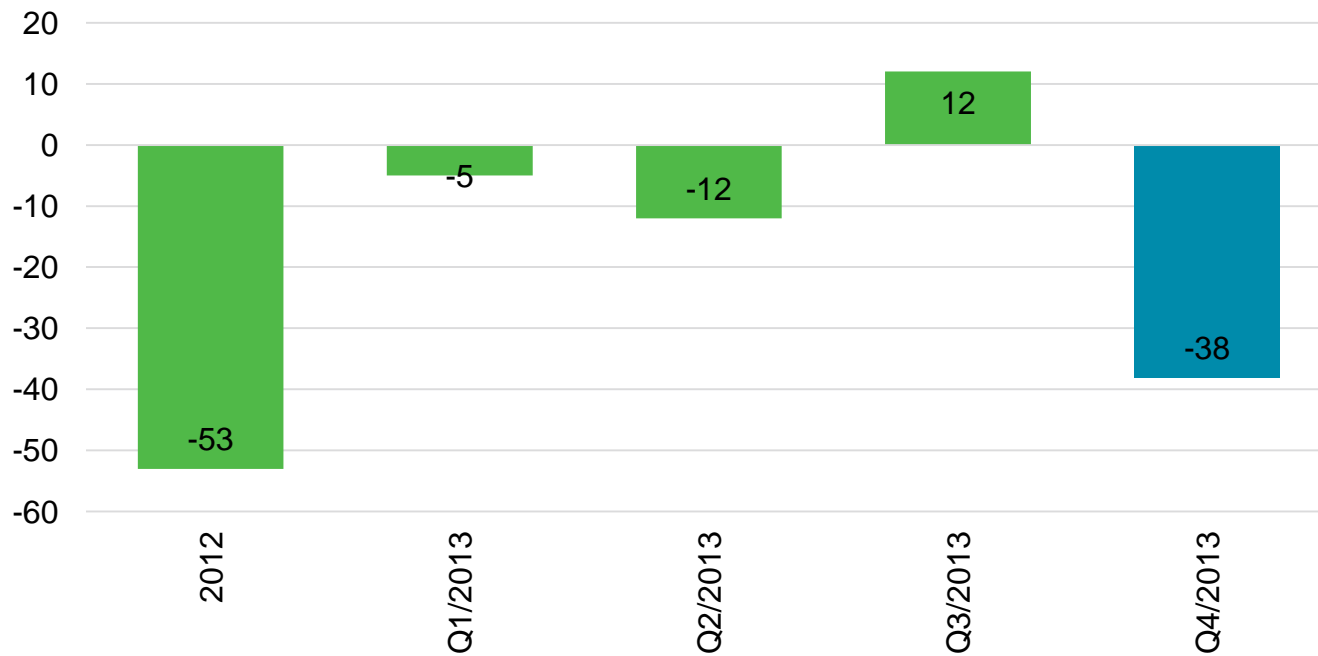


- Low gearing and strong balance sheet

Comparison figures are carve-out figures. In calculating these key ratios, an adjustment of EUR 468 million has been made from 'Long-term debt, Metso Group' to 'equity' in order to reflect the conversion of Metso Svenska AB's long term debt to Metso Group which took place in January 2013.

Cash flow

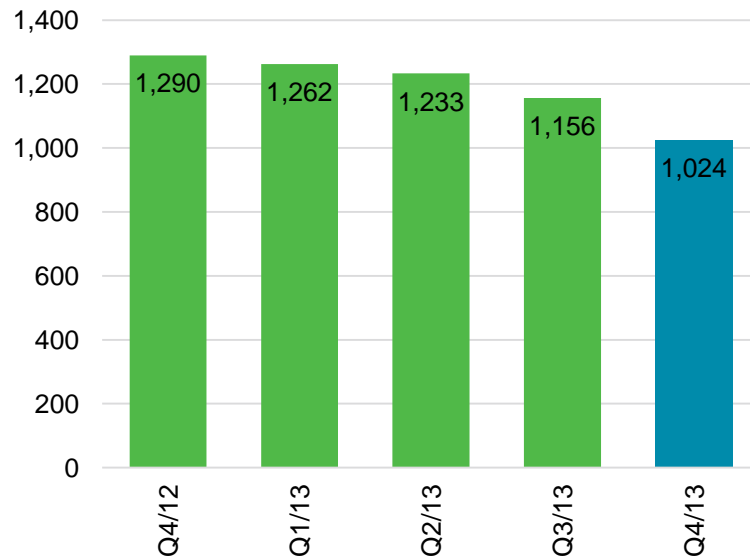
Operational cash flow (EUR million)



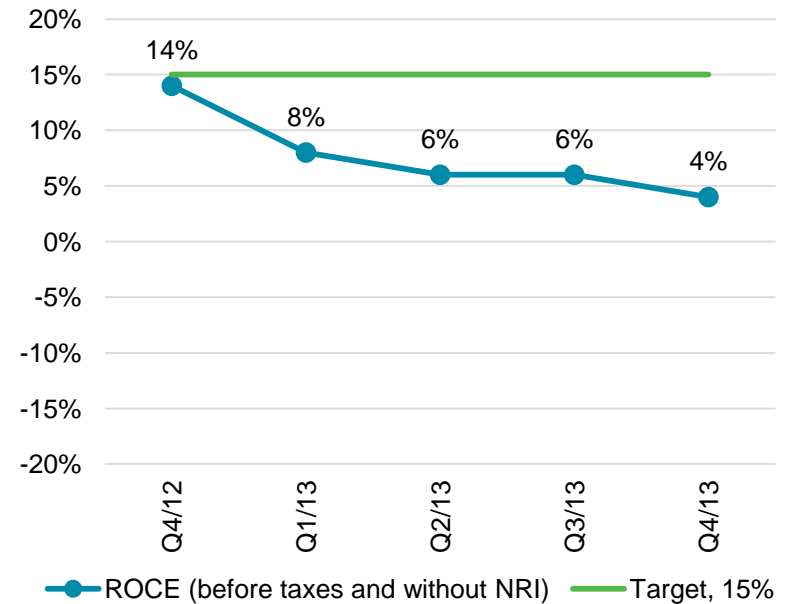
- At the end of 2013, net working capital was EUR -195 million

Capital employed and ROCE

Capital employed (EUR million)



Return on capital employed (ROCE), before taxes and without NRI¹



- Net working capital -7% of net sales

¹) Annualized year-to-date figures

Structure of loans and borrowings

Amount of outstanding interest-bearing debt: EUR 210 million
(Dec 31, 2013)

Main financing sources



EUR 114 million EIB loan

- Maturing in: H2/2016

EUR 72 million bank loan

- Maturing in: H1/2016

EUR 24 million other financing sources

Back-up facilities



EUR 200 million domestic commercial paper program

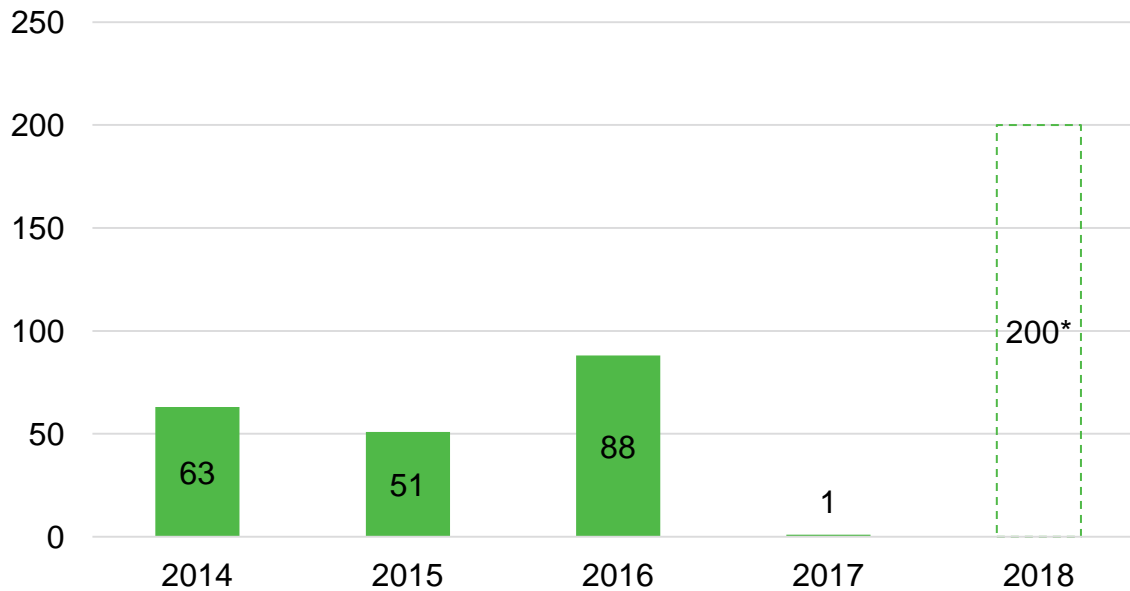
- None outstanding

EUR 200 million syndicated revolving credit facility

- None outstanding
- Maturity: 5 years from the demerger date

Maturity structure of long-term loans

Maturity profile (EUR millions)



*) EUR 200 million syndicated revolving credit facility, of which none is outstanding as of December 31, 2013.

- Average maturity of long-term loans is 3.0 years





Dividend proposal

Dividend proposal

Dividend policy




Dividend payout at least 40% of net profit

Board of Directors' dividend proposal to the
Annual General Meeting



EUR 0.15 per share





Guidance and short-term outlook

Guidance and short-term market outlook

Guidance for 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

Services	Pulp and Energy		Paper	
	Pulp	Energy	Board and Paper	Tissue
Satisfactory	Satisfactory	Satisfactory	Satisfactory	Satisfactory

- The short-term market outlook for Energy, and Board and Paper has been upgraded to 'satisfactory' from 'weak', due to improved market activity



Summary of Financial Statements 2013

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Strong balance sheet supports the future

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Improved short-term market outlook

- Improved customer activity in Energy, and Board and Paper business units



Appendix

Largest shareholders on January 31, 2014

Based on the information given by Euroclear Finland Ltd.

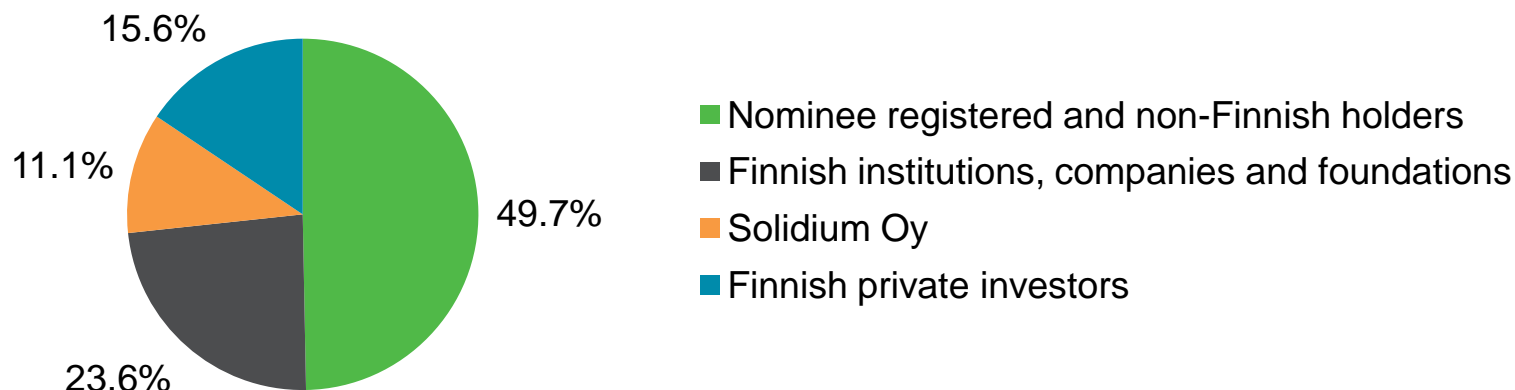
Largest shareholders

#	Shareholder name	Number of shares	% of shares and votes
1	Solidium Oy ¹	16,695,287	11.14%
2	Ilmarinen Mutual Pension Insurance Company	4,418,126	2.95%
3	Varma Mutual Pension Insurance Company	2,908,465	1.94%
4	Nordea Funds	2,159,380	1.44%
5	The State Pension Fund	1,720,000	1.15%
6	Tapiola Mutual Pension Insurance Company	1,671,000	1.12%
7	Keva	1,543,015	1.03%
8	Nordea Nordenfonden	1,422,801	0.95%
9	Mandatum Life Insurance Company Limited	1,400,307	0.93%
10	Svenska litteratursällskapet i Finland r.f.	1,188,076	0.79%
	10 largest shareholders, total	35,126,457	23.44%
	Other shareholders	114,738,162	76.56%
	Total	149,864,619	100.00%

Total holding of Cevian funds amounted to 20,813,714 shares in Metso Corporation on December 30, 2013. As no demerger consideration was issued in respect of treasury shares held by Metso, Cevian funds' ownership in Valmet corresponds to 13.89 percent of the total amount of shares and votes in Valmet.

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

Ownership structure on January 31, 2014



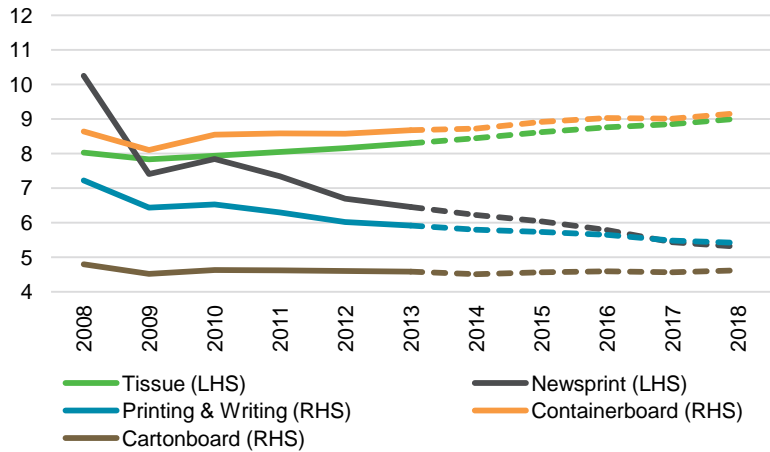
Sector	Number of shareholders	% of total shareholders	Number of shares	% of shares
Nominee registered and non-Finnish holders	367	0.7%	74,465,879	49.7%
Finnish institutions, companies and foundations	3,777	6.6%	35,314,088	23.6%
Solidium Oy ¹	0	0.0%	16,695,287	11.1%
Finnish private investors	52,749	92.8%	23,389,365	15.6%
Total	56,893	100.0%	149,864,619	100.0%

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

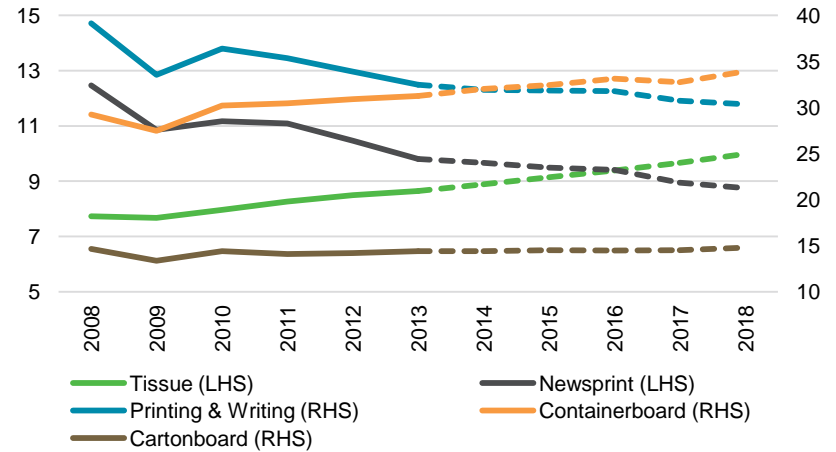
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Paper, board, and tissue production trends

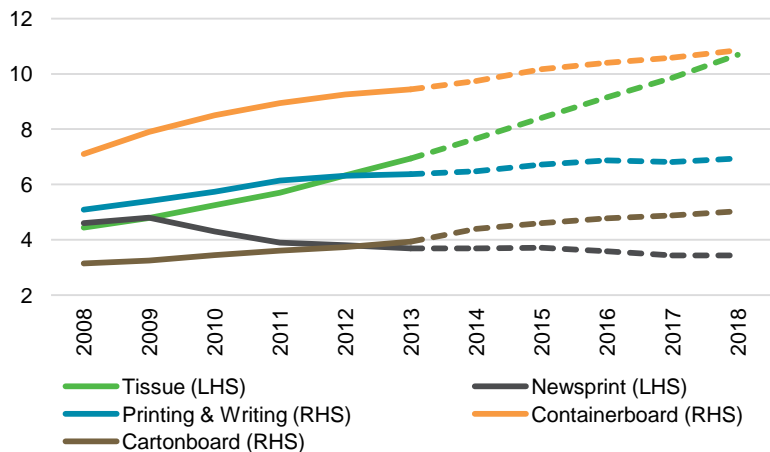
North America (million tonnes)



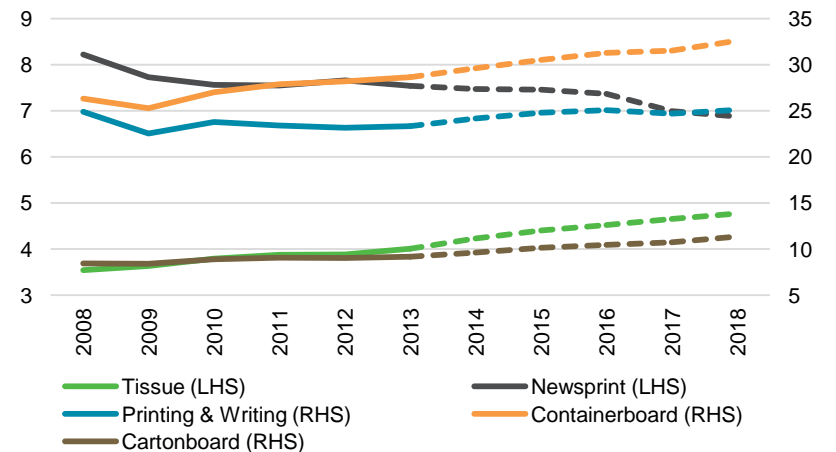
Europe (million tonnes)



China (million tonnes)



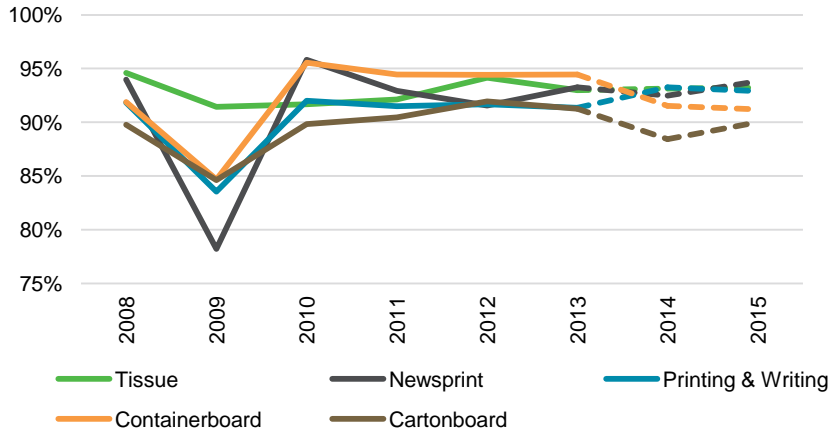
Asia-Pacific (million tonnes)



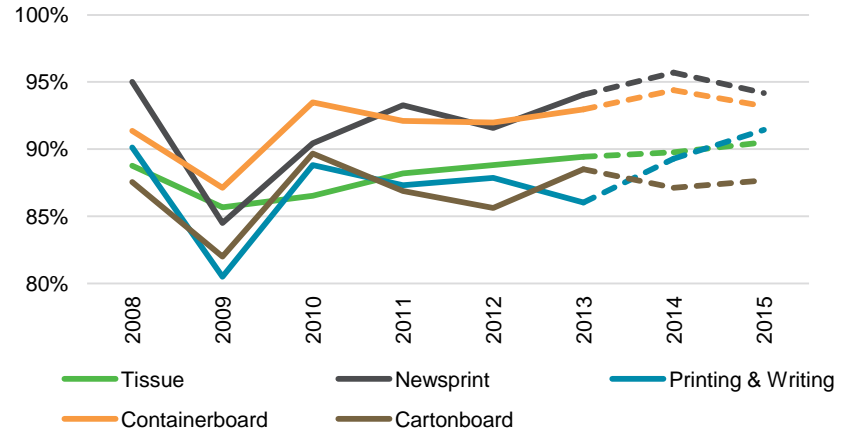
Source: RISI

Paper, board, and tissue operating rates

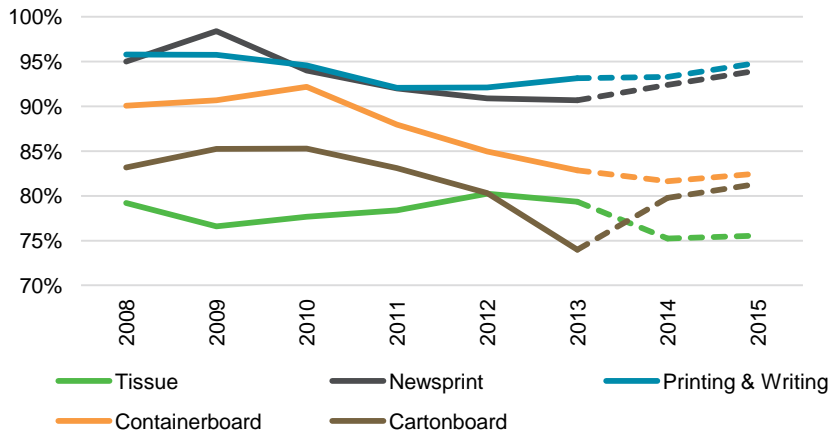
North America



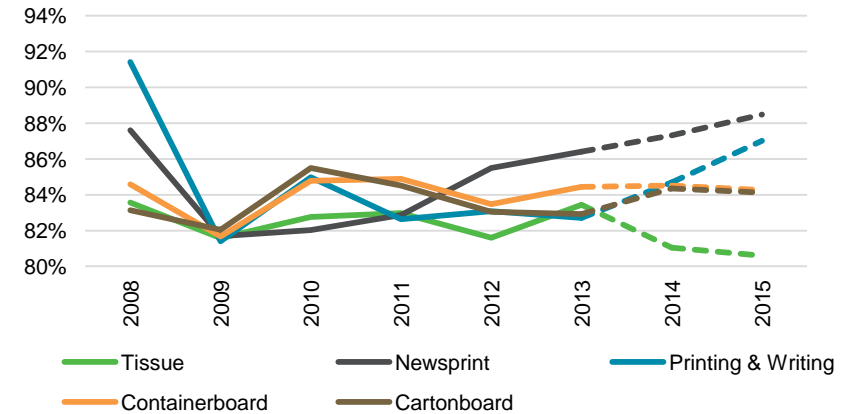
Europe



China



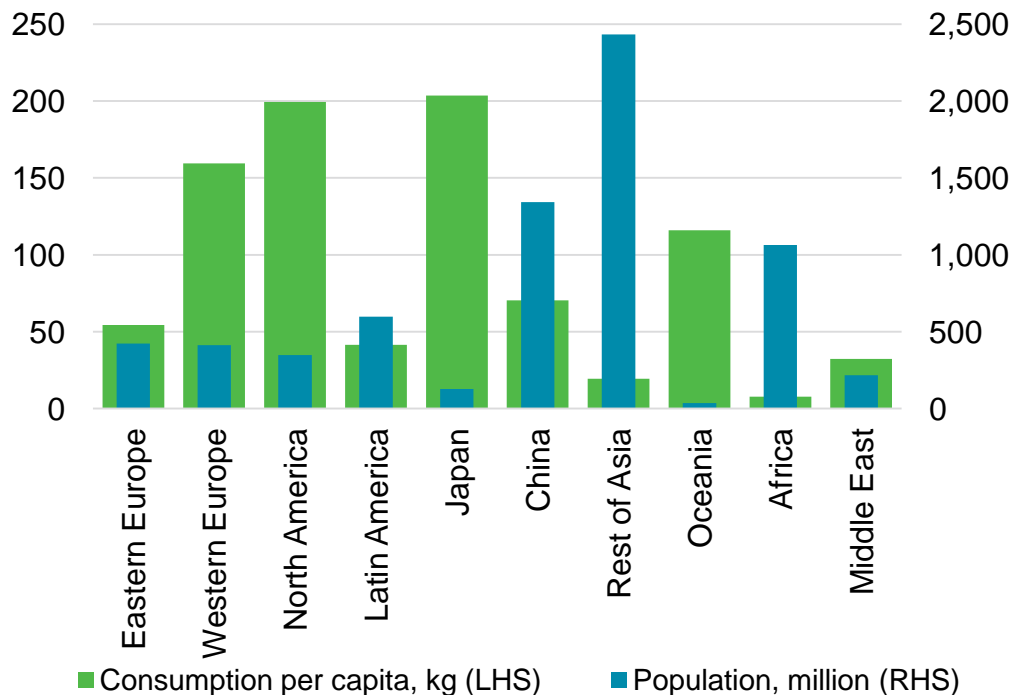
Asia-Pacific



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

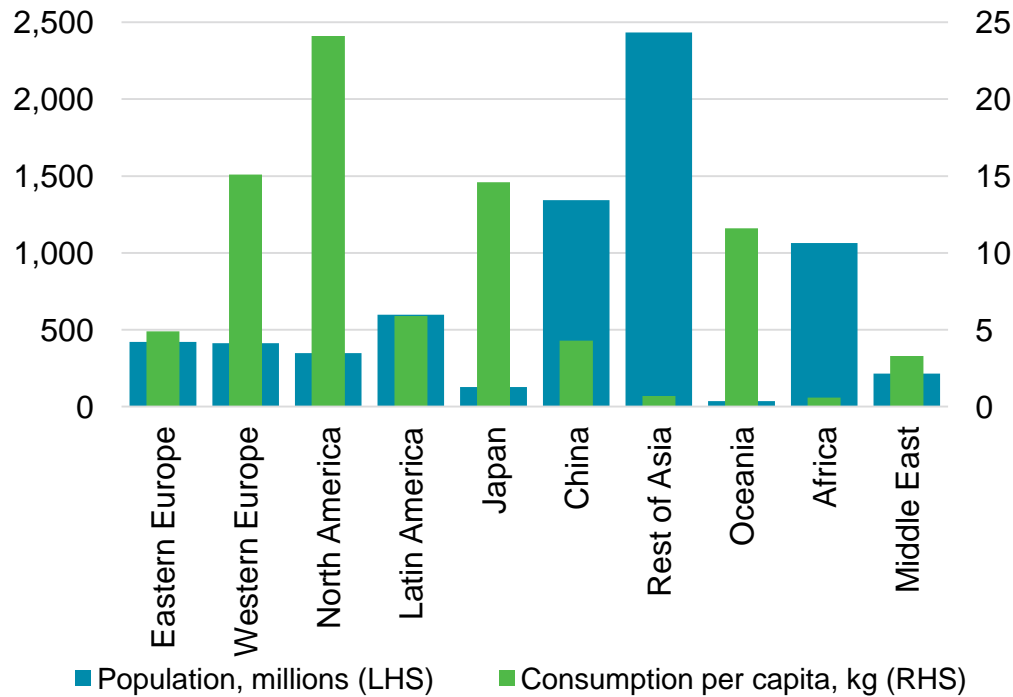
Level of consumption per capita in emerging markets clearly below that in developed markets

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

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