

Profitability in the targeted
range in Q4/2014 – good
orders received in Services

Financial Statements Review 2014

February 6, 2015

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Agenda

Financial Statements Review 2014

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- 2 Business lines' development
- 3 Financial development
- 4 Dividend proposal
- 5 Guidance and short-term outlook
- 6 The acquisition of Process Automation Systems
- 7 Summary of Financial Statements Review 2014



2014 in brief

Profitability improved and orders received increased during Valmet's first year

Global market leader with #1-2 market positions in all markets served

Stable, growing and profitable EUR 1 billion services business

High barrier to entry capital business with good long-term growth potential in businesses such as board, tissue, pulp, and biotechnology

2014 figures

Orders received EUR 3,071 m

Net sales EUR 2,473 m

EBITA¹ EUR 106 m

Employees 10,464

Market position

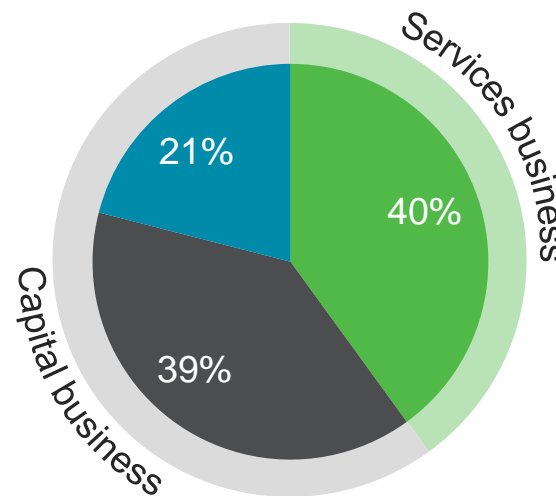
#1-2 Services

#1-2 Pulping

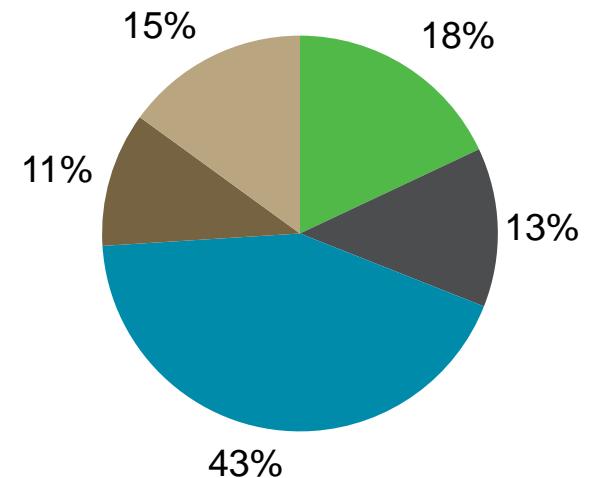
#1-2 Bioenergy generation

#1-2 Paper, board, tissue

Net sales (2014)



- Services
- Pulp and Energy
- Paper



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

1) EBITA before non-recurring items

2014 in brief



Services stable in 2014

- Orders received at the previous year's level
- Services net sales stable at approximately EUR 1 billion



Orders received increased in capital business

- Orders received almost doubled in Pulp and Energy and increased in Paper
- Net sales increased in Pulp and Energy and declined in Paper



Order backlog increased by 43 percent in 2014

- Order backlog approximately EUR 2 billion at the end of 2014



Profitability improved in every quarter of 2014

- EBITA¹ almost doubled in 2014
- SG&A expenses decreased as a result of the cost savings program
- Good development in gross profit
- 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 -166 million, and gearing -21% at the end of 2014
- Cash flow provided by operating activities EUR 236 million in 2014

1) EBITA before non-recurring items

Q4/2014 in brief



Orders received increased in services in Q4/2014

- Orders received increased by 17%
- Services net sales stable



Orders received increased in capital business

- Orders received increased in Paper and decreased in Pulp and Energy
- Net sales increased in Paper, and Pulp and Energy



Order backlog decreased compared with Q3/2014

- Order backlog approximately EUR 2 billion at the end of 2014



Profitability reached the targeted range in Q4/2014

- EBITA¹ increased in Q4/2014 compared with Q4/2013
- Profitability improved in every quarter of 2014
- 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



Balance sheet continues to be strong

- Net debt EUR -166 million, and gearing -21%
- Cash flow provided by operating activities EUR 30 million in Q4/2014

1) EBITA before non-recurring items

Key figures 2014

EUR million	Q4/2014	Q4/2013	Change	2014	2013	Change
Orders received	480	428	12%	3,071	2,182	41%
Order backlog				1,998	1,398	43%
Net sales	777	666	17%	2,473	2,613	-5%
EBITA ¹	48	-25		106	54	94%
% of net sales	6.1%	-3.7%		4.3%	2.1%	
EBIT ²	38	-66		72	-59	
% of net sales	4.8%	-9.9%		2.9%	-2.2%	
Earnings per share, EUR	0.17	-0.41		0.31	-0.42	
Return on capital employed (ROCE), before taxes				9%	-4%	
Dividend per share, EUR				0.25³	0.15	
Cash flow provided by operating activities	30	-38		236	-43	
Gearing at the end of period				-21%	0%	

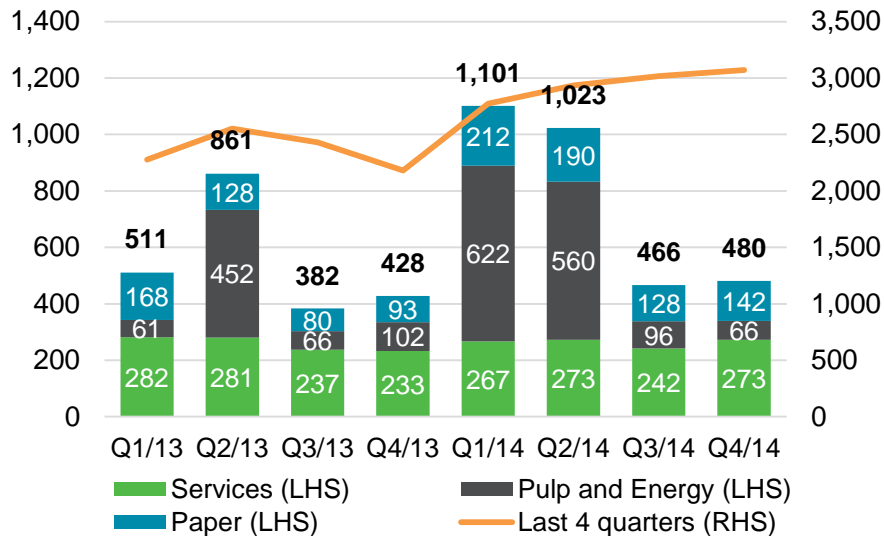
Non-recurring items: EUR -5 million in Q4/2014 (EUR -34 million in Q4/2013)
 EUR -12 million in 2014 (EUR -86 million in 2013)

- 1) Before non-recurring items
- 2) After non-recurring items
- 3) Proposal made by the Board of Directors

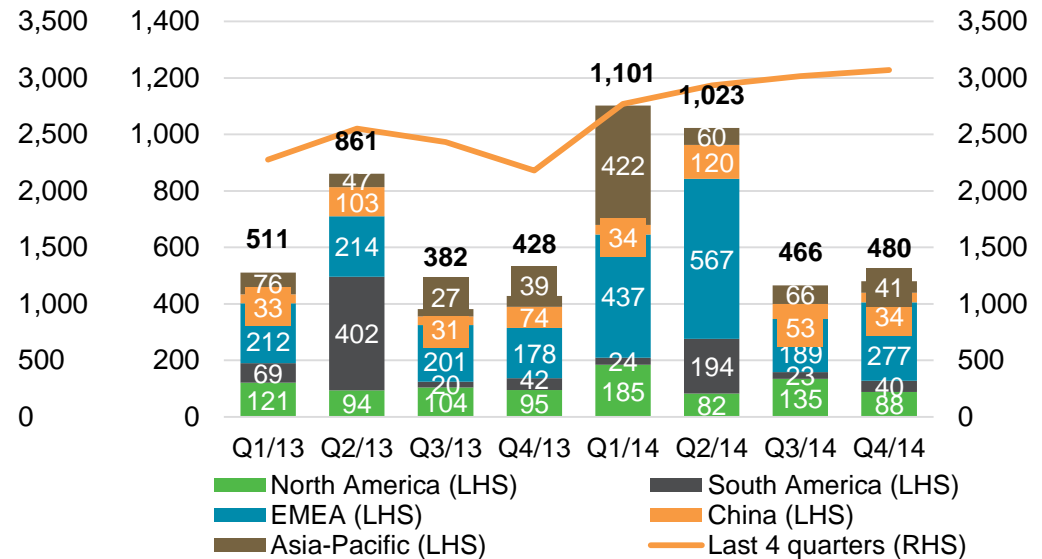
The comparison figures are based on financial carve-out data. The balance sheet and its related key figures as at December 31, 2013 are based on actual figures.

Orders received exceeded EUR 3 billion in 2014

Orders received (EUR million),
by business line



Orders received (EUR million),
by area

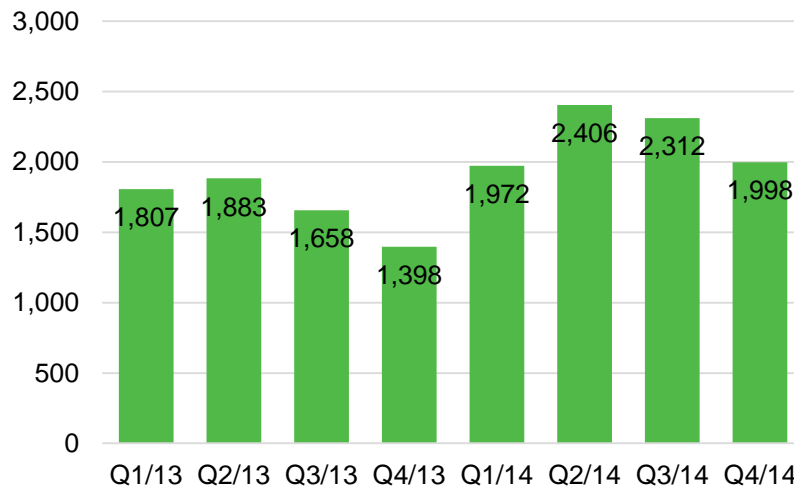


Development in Q4/2014 compared with Q4/2013:

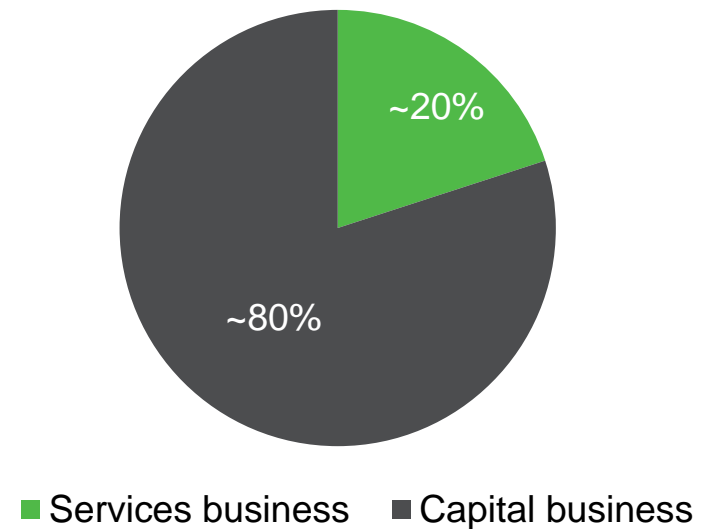
- Orders received increased in Services
- Orders received decreased in Pulp and Energy
- Orders received increased in Paper
- Orders received increased in EMEA and Asia-Pacific and decreased in China and North America

Order backlog approximately EUR 2 billion

Order backlog (EUR million)



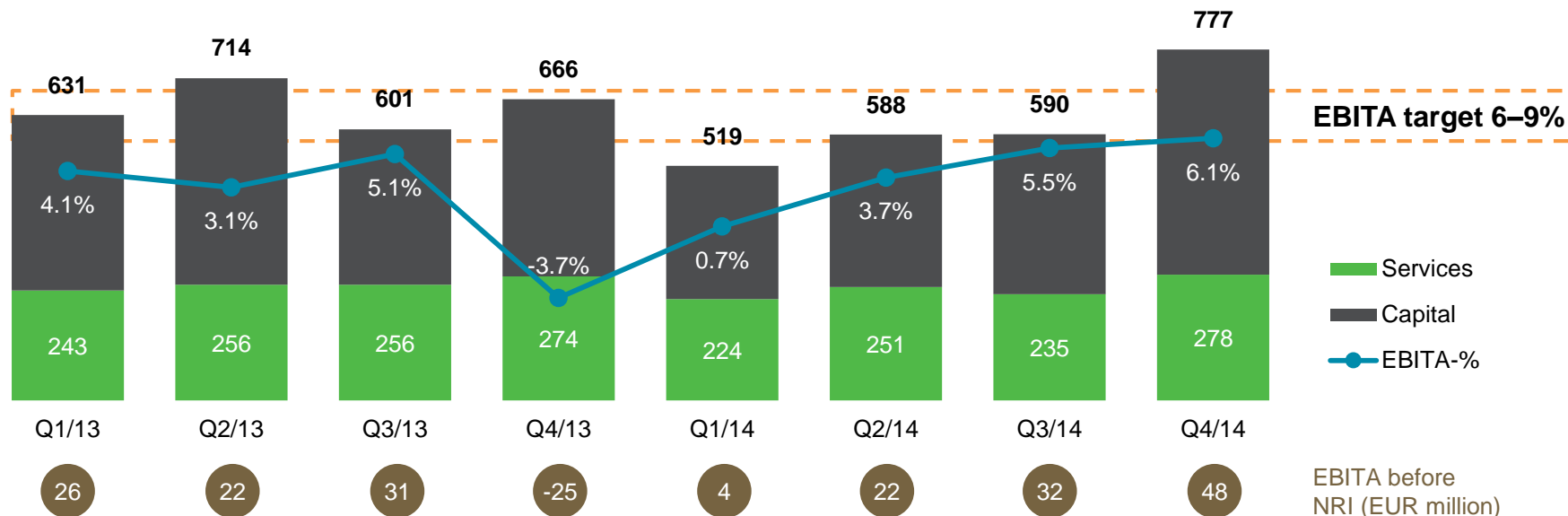
Structure of order backlog



- Management estimates that ~80% of the order backlog will be recognized as net sales during 2015
- Approximately 20% of the order backlog relates to the Services business line

EBITA margin in the targeted range in Q4/2014

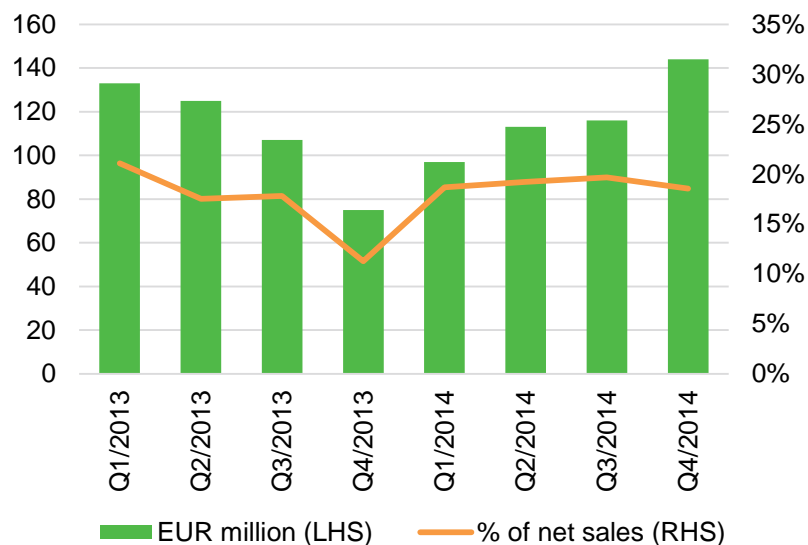
Net sales and EBITA before NRI (EUR million)



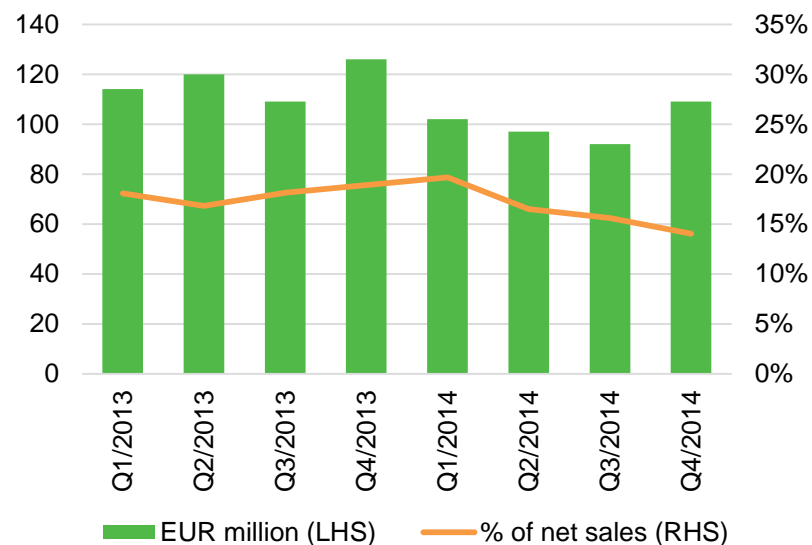
- Net sales increased compared with Q4/2013
- Profitability improved in every quarter of 2014

Good development in gross profit – SG&A at a normalized level

Gross profit (EUR million and % of net sales)



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



- Selling, general and administrative expenses (SG&A) at an annual level of approximately EUR 400 million
 - SG&A in relation to net sales decreased in every quarter of 2014
- 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%

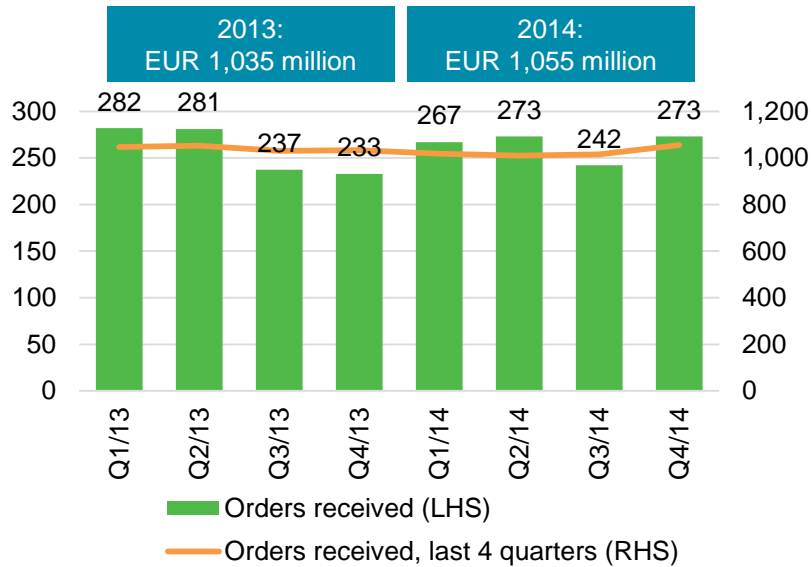
Improve project and service margin	Reduce quality costs and lead times	Savings in procurement	Continue to improve cost competitiveness	Improve product cost competitiveness to increase gross profit
<ul style="list-style-type: none">• Harmonization of processes• Localization of competencies• Better selection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



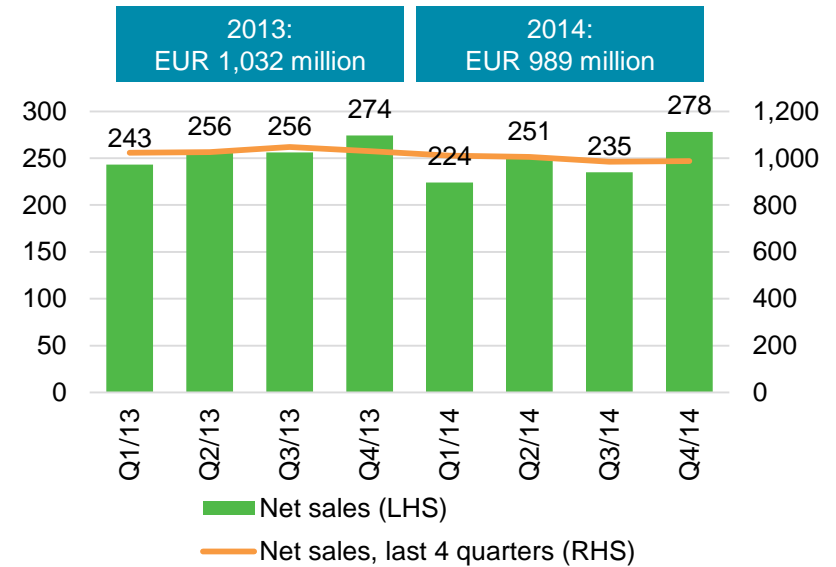
Business lines' development

Services orders received stable in 2014, growth in Q4/2014

Orders received (EUR million)



Net sales (EUR million)

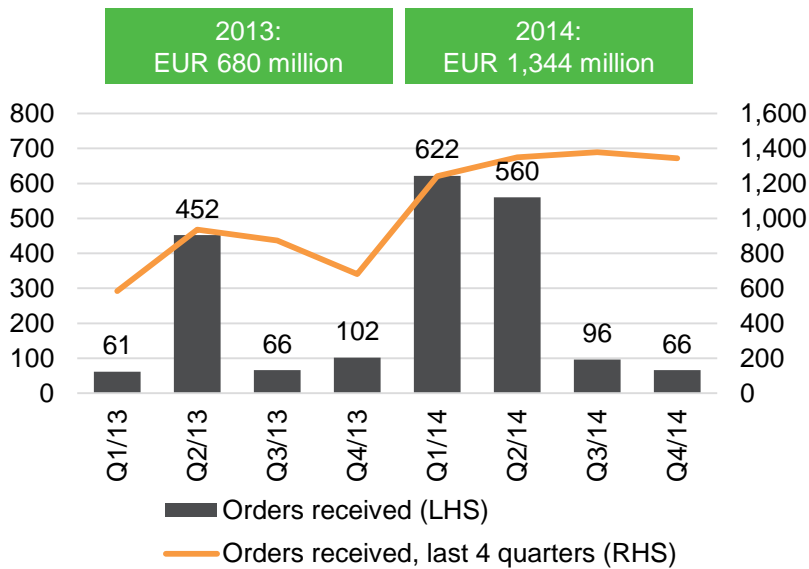


- Services orders received increased compared with Q4/2013
 - Orders received increased in all areas, especially in North America
 - Orders received increased in the Energy and Environmental, Mill Improvements, and Performance Parts business units, and remained on a par with the comparison period in Rolls, and Fabrics business units
- Orders received stable in 2014 compared with 2013
- Net sales stable compared with Q4/2013

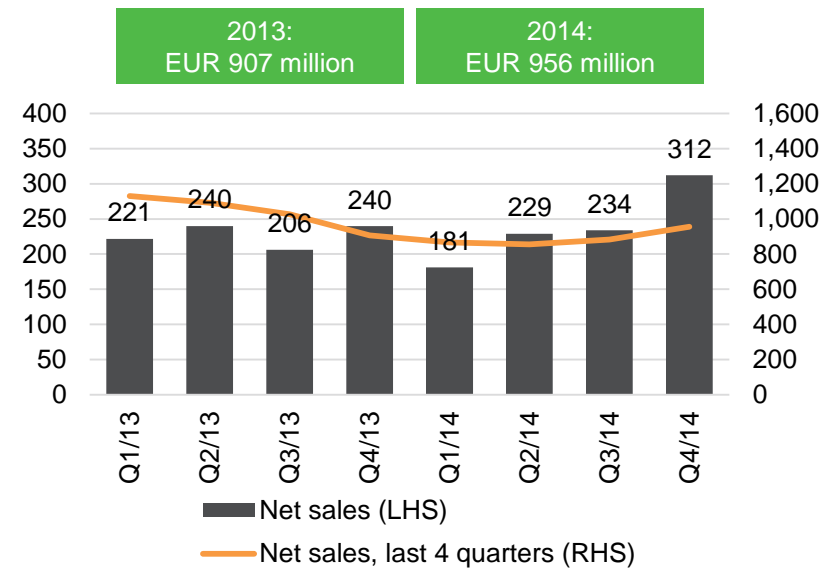


Pulp and Energy orders received almost doubled in 2014

Orders received (EUR million)



Net sales (EUR million)

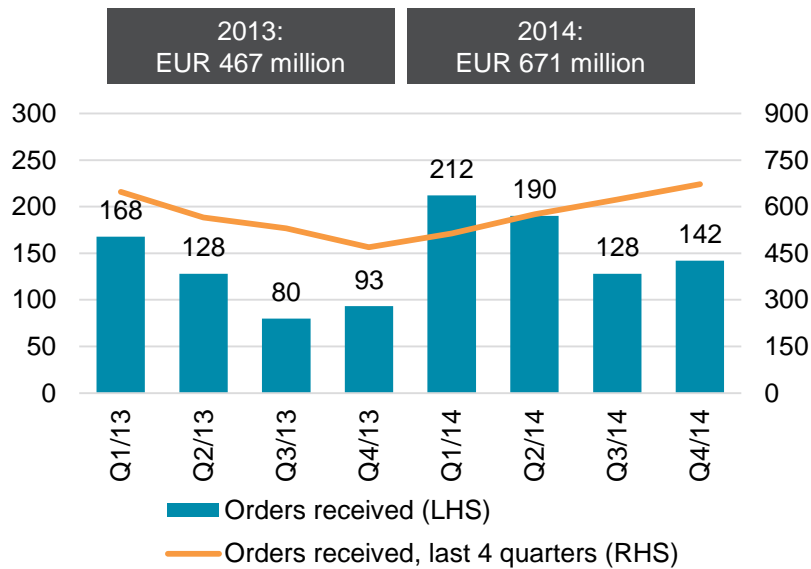


- Orders received decreased compared with Q4/2013
 - Orders received decreased in all areas
 - Orders received increased in Energy and decreased in Pulp
- Orders received almost doubled in 2014 compared with 2013
- Net sales increased compared with Q4/2013

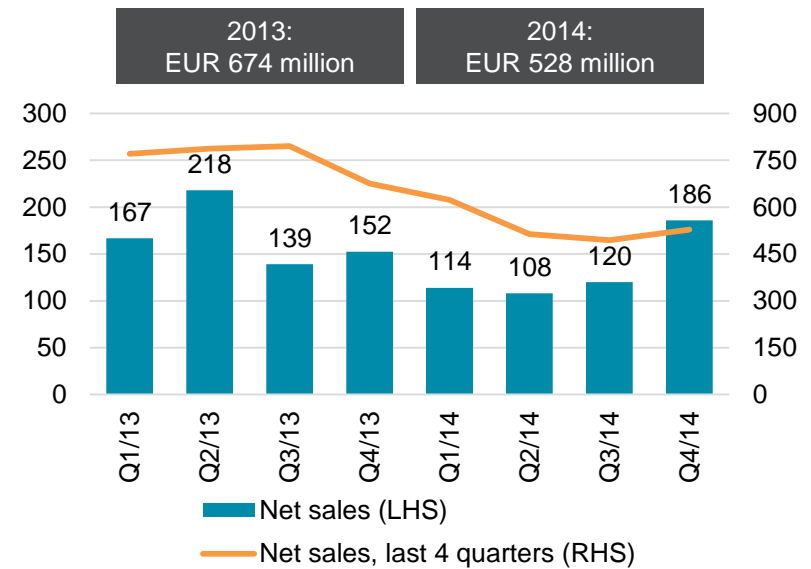


Paper orders received approximately EUR 670 million in 2014

Orders received (EUR million)



Net sales (EUR million)



- Orders received increased compared with Q4/2013
 - Orders received increased in EMEA and decreased in China, North America and Asia-Pacific
 - Orders received increased in Board and Paper, and remained on a par with Q4/2013 in Tissue
- Orders received increased in 2014 compared with 2013
- Net sales increased compared with Q4/2013

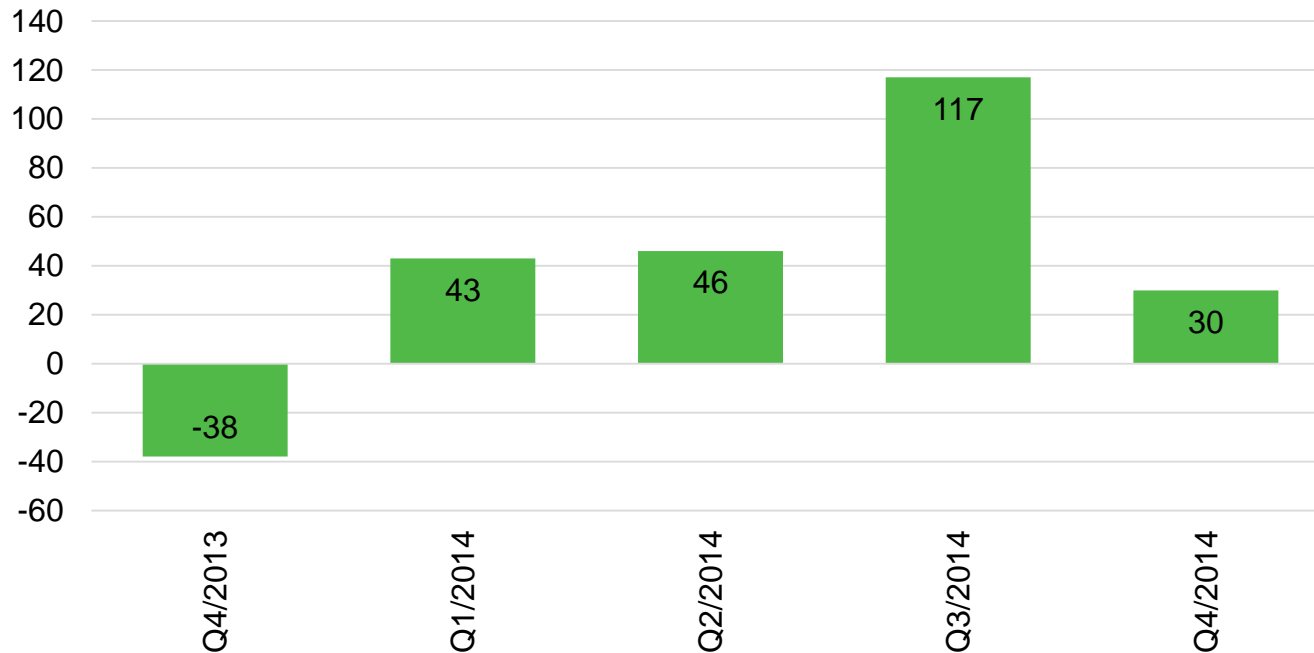




Financial development

Positive cash flow

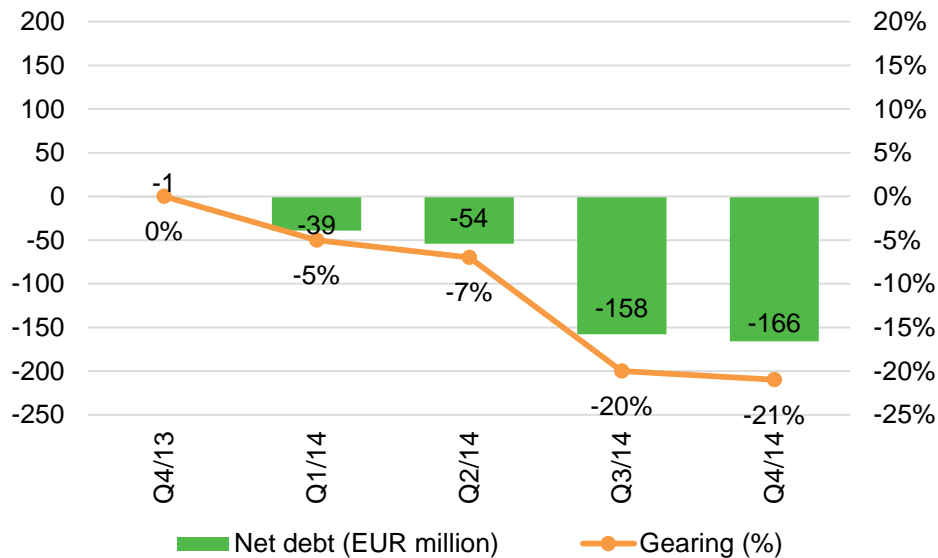
Cash flow provided by operating activities (EUR million)



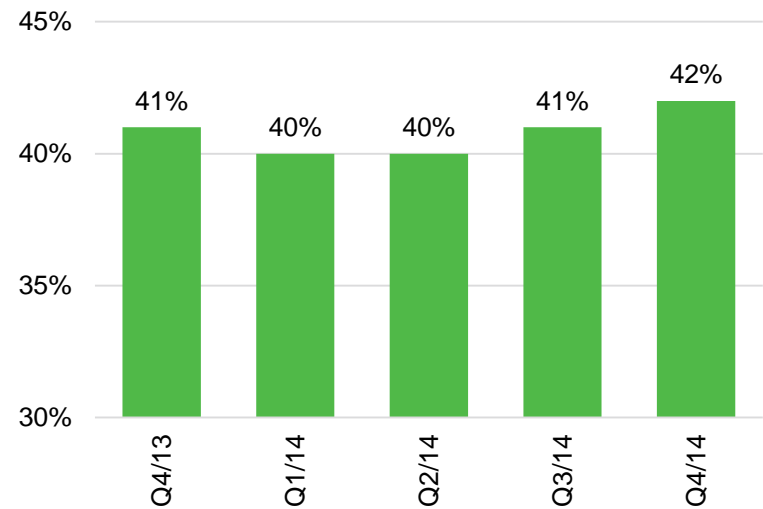
- At the end of 2014, net working capital was EUR -353 million
- CAPEX less than depreciation

Strong balance sheet with negative gearing

Net debt (EUR million) and gearing (%)



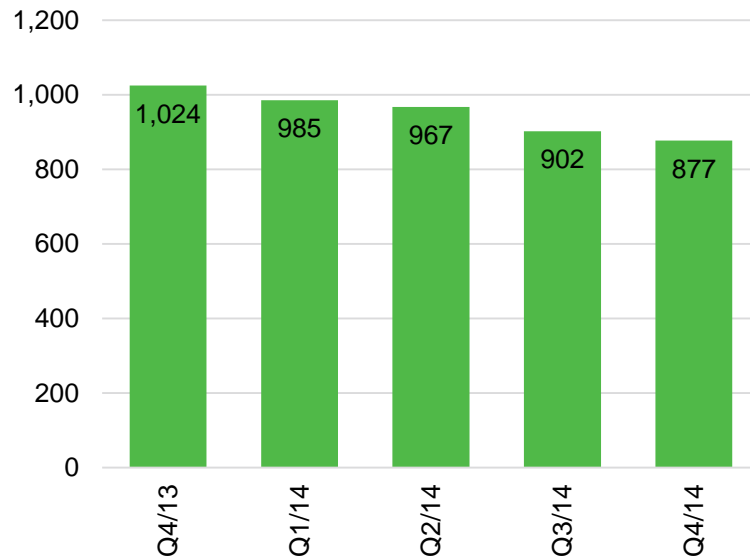
Equity to assets ratio (%)



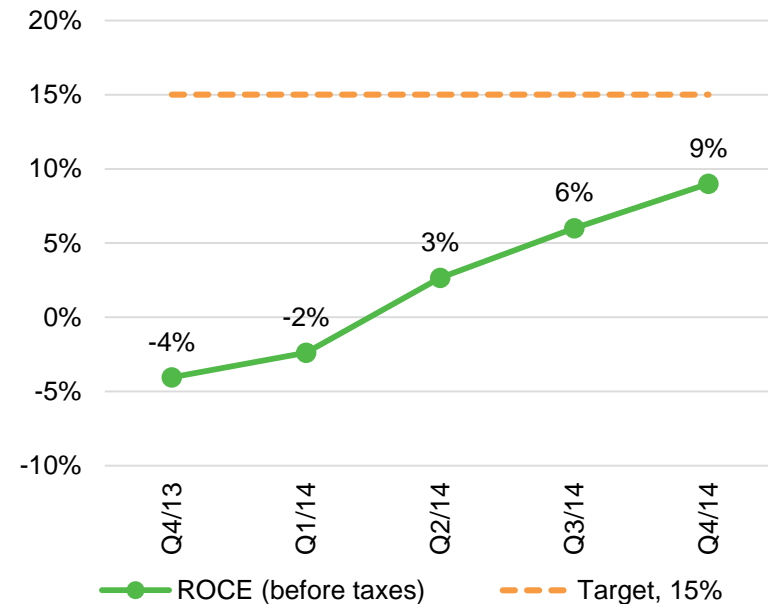
- Gearing -21% and net debt EUR -166 million

ROCE on improving trend

Capital employed (EUR million)



Return on capital employed (ROCE), before taxes¹ (%)



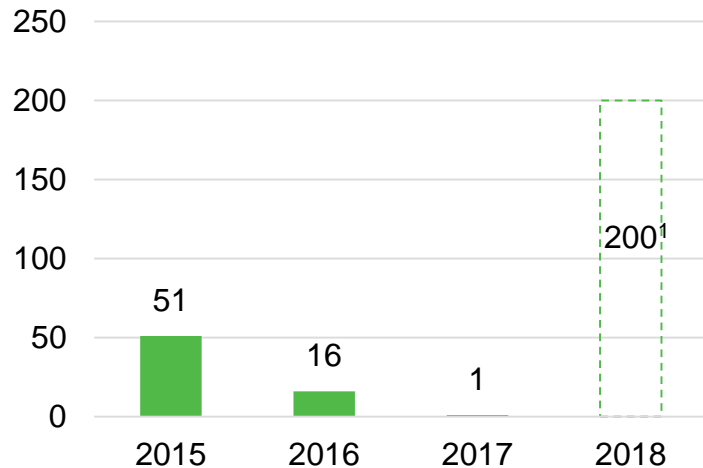
- Decrease in capital employed due to increase in trade and other payables and change in POC receivables and liabilities

1) Annualized year-to-date figures

Long-term financing

Amount of outstanding interest-bearing debt: EUR 68 million (Dec 31, 2014)

Maturity profile of interest-bearing debt (EUR millions)



1) EUR 200 million syndicated revolving credit facility, of which none is outstanding as of December 31, 2014.

- Average maturity of non-current loans is 3.2 years

Main financing sources

EUR 64 million EIB loan

- Maturing in: H2/2016

EUR 4 million other financing sources

Back-up facilities

EUR 200 million syndicated revolving credit facility

- None outstanding
- Maturity: December 2018

EUR 200 million domestic commercial paper program

- None outstanding



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 0.25 per share





Guidance and short-term outlook

Guidance and short-term market outlook

Guidance for 2015

Guidance for 2015




Valmet estimates that, including the acquisition of Process Automation Systems¹, net sales in 2015 will increase in comparison with 2014 (EUR 2,473 million) and EBITA before non-recurring items in 2015 will increase in comparison with 2014 (EUR 106 million).

1) The completion of the acquisition of Process Automation Systems is subject to approval by the competition authorities.

Short-term market outlook

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



The acquisition of Process Automation Systems

Valmet becomes a stronger company as a result of the acquisition of Process Automation Systems

The acquisition was announced on January 15, 2015

The acquisition has an excellent strategic fit

Combination of Valmet and Process Automation Systems creates a unique customer offering



Process Automation Systems is a strong, established business



Acquisition makes Valmet more stable and more profitable



Automation will be Valmet's fourth business line



Services
business line



Pulp and Energy
business line



Paper
business line



Automation
business line

North America

South America


EMEA

China

Asia-Pacific



- Acquisition is estimated to be completed by April 1, 2015 and is subject to approval by the competition authorities
- Valmet will continue to have a single reporting segment
- Net sales, orders received and personnel will be reported for all business lines and areas after the completion of the acquisition
- Sakari Ruotsalainen appointed as Business Line President, Automation



Summary of Financial Statements Review 2014

2014 in brief



Services stable in 2014

- Orders received at the previous year's level
- Services net sales stable at approximately EUR 1 billion



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1) EBITA before non-recurring items



Capital Markets Day 2015

March 19, London

More information:
www.valmet.com/cmd



Appendix

Largest shareholders on January 31, 2015

Based on the information given by Euroclear Finland Ltd.

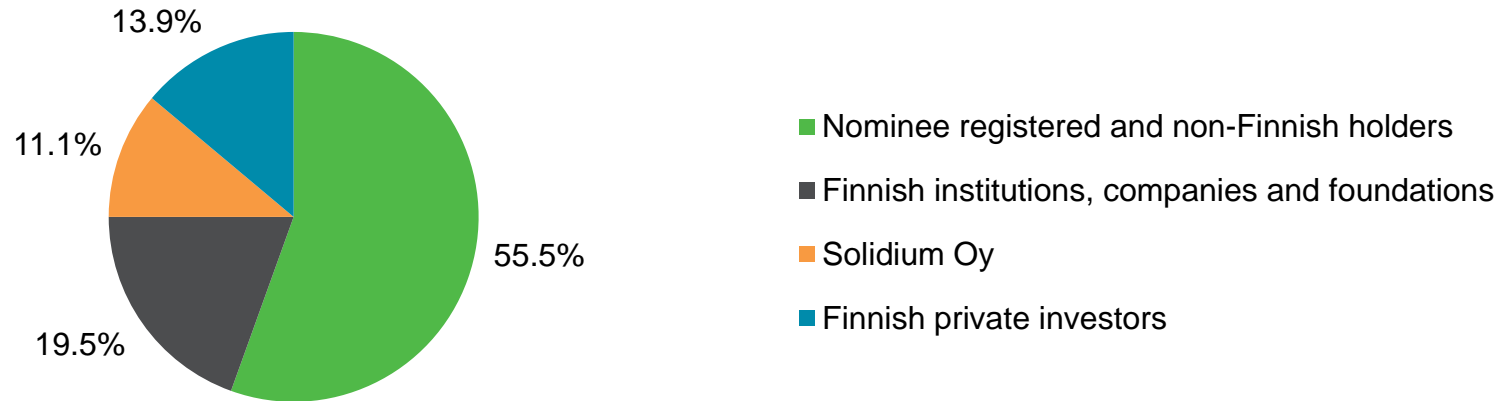
Largest shareholders

#	Shareholder name	Number of shares	% of shares and votes
1	Solidium Oy ¹	16,695,287	11.14%
2	Nordea Funds	5,099,644	3.40%
3	Skagen Global Verdipapirfond	3,202,627	2.14%
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	1,520,000	1.01%
7	Keva	1,502,166	1.00%
8	Mandatum Life Insurance Company Limited	1,500,307	1.00%
9	Skagen Global II Verdipapirfond	987,963	0.66%
10	Sigrid Jusélius Foundation	610,865	0.41%
	10 largest shareholders, total	37,119,450	24.76%
	Other shareholders	112,745,169	75.24%
	Total	149,864,619	100.00%

- Cevian Capital II Master Fund L.P. has announced that as of March 10, 2014, Cevian Capital Partners Ltd. holds a total of 20,813,714 shares which corresponds to 13.89% of Valmet shares.
- The holding of Franklin Templeton Institutional, LLC increased on October 15, 2014 to 7,517,629 shares, corresponding to an ownership of 5.02% of Valmet's shares.

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

Ownership structure on January 31, 2014

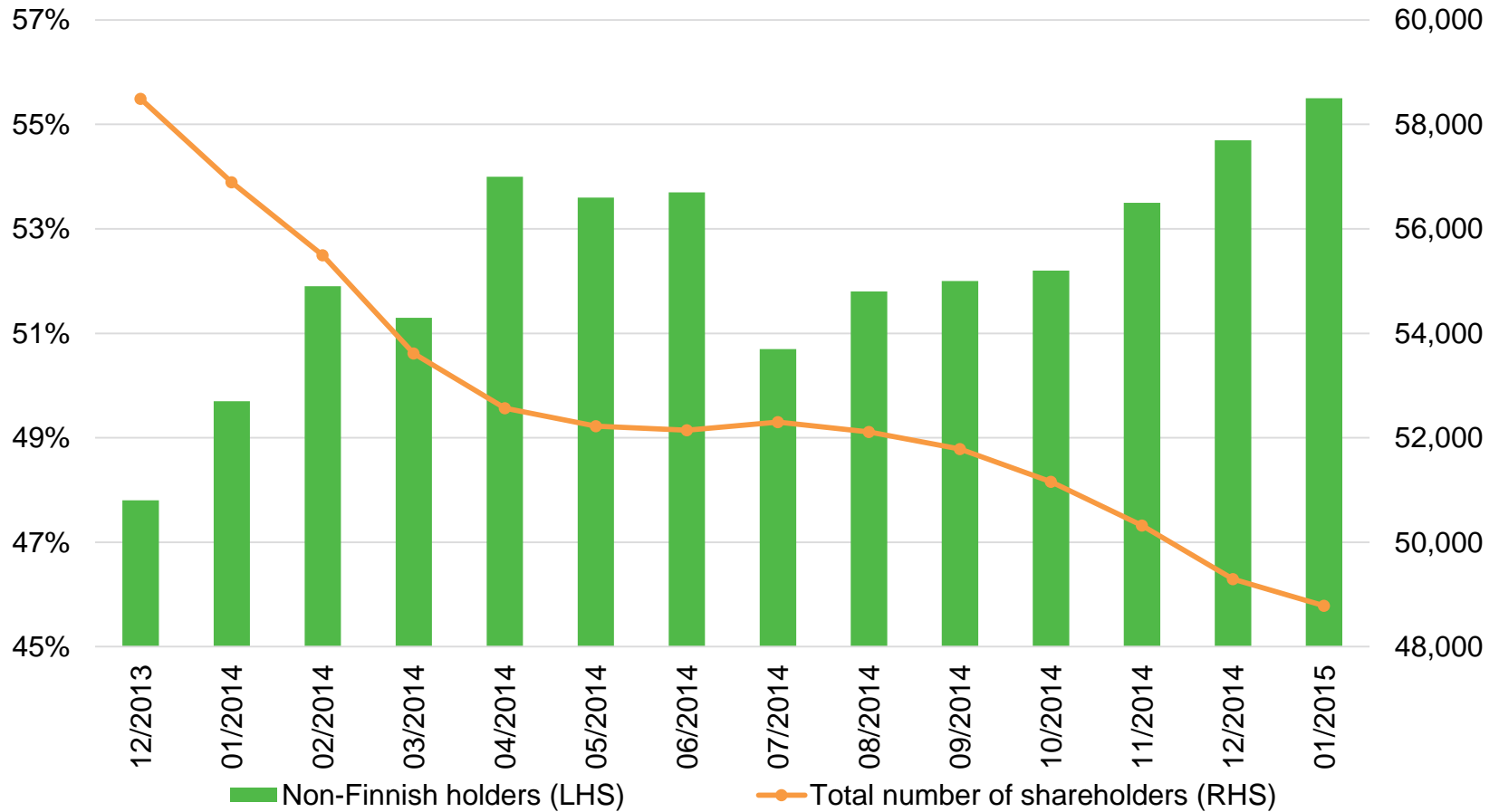


Sector	Number of shareholders	% of total shareholders	Number of shares	% of shares
Nominee registered and non-Finnish holders	305	0.6%	83,104,132	55.5%
Finnish institutions, companies and foundations	2,764	5.7%	29,278,567	19.5%
Solidium Oy ¹	0	0.0%	16,695,287	11.1%
Finnish private investors	45,806	93.7%	20,786,633	13.9%
Total	48,875	100.0%	149,864,619	100.0%

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

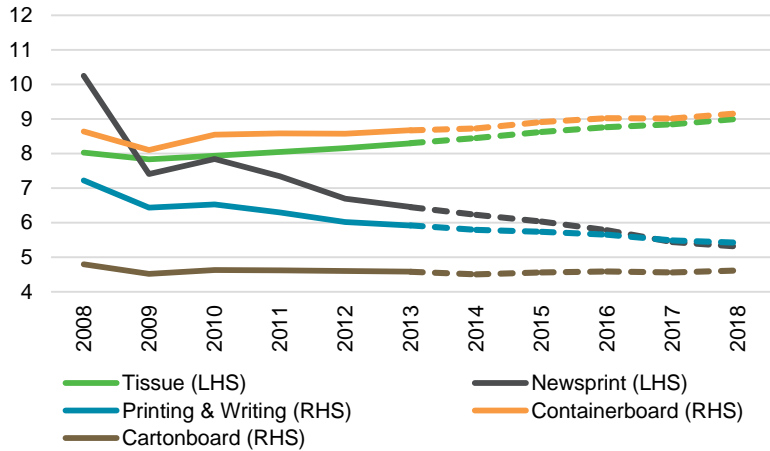
1) A holding company that is wholly owned by the Finnish State

Share of non-Finnish holders and number of shareholders

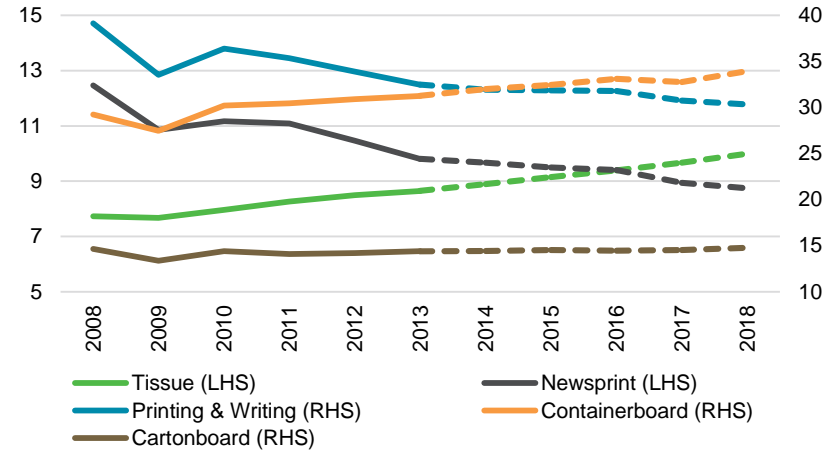


Paper, board, and tissue production trends

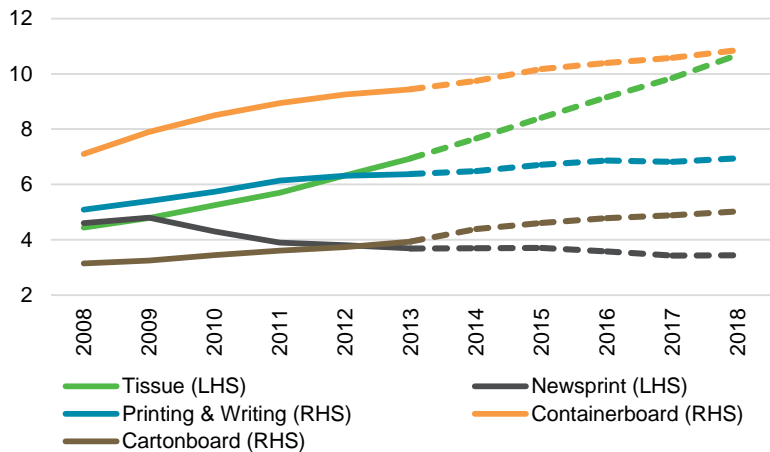
North America (million tonnes)



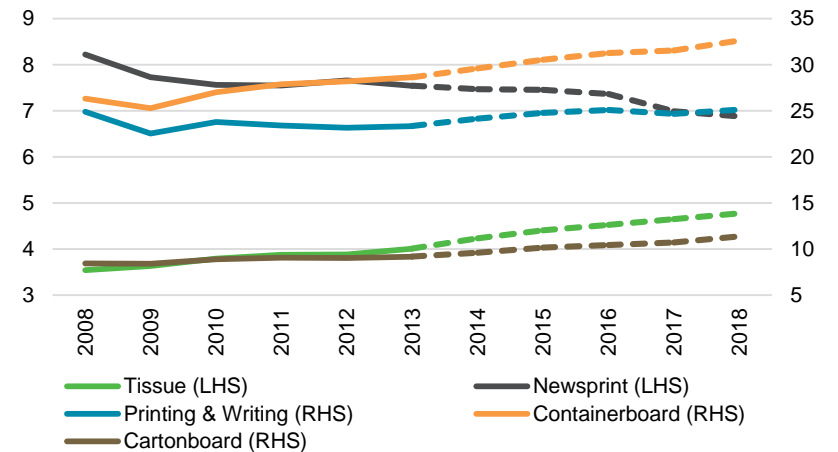
Europe (million tonnes)



China (million tonnes)



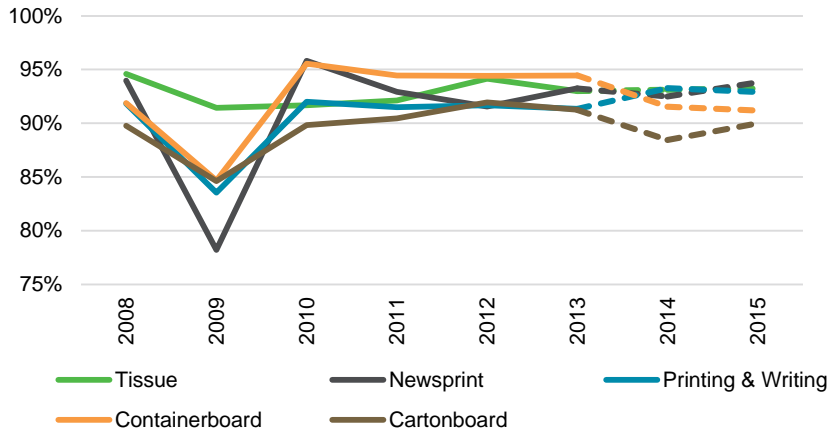
Asia-Pacific (million tonnes)



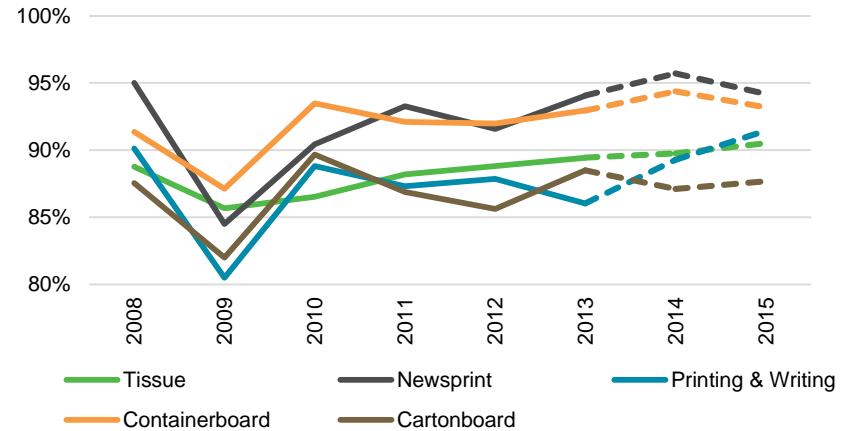
Source: RISI

Paper, board, and tissue operating rates

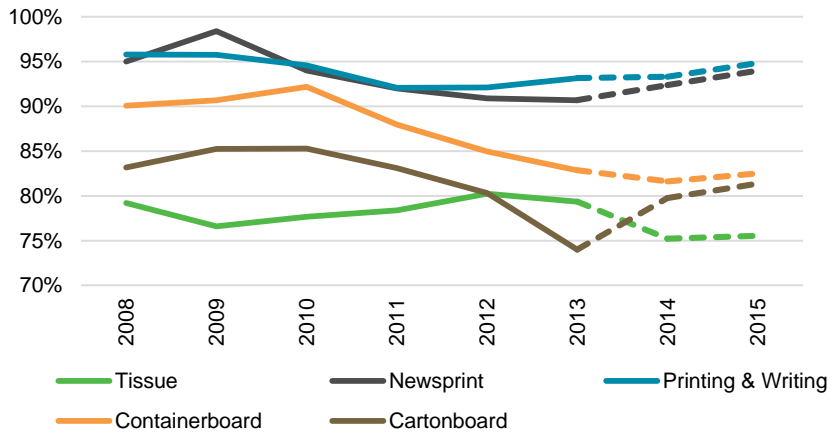
North America



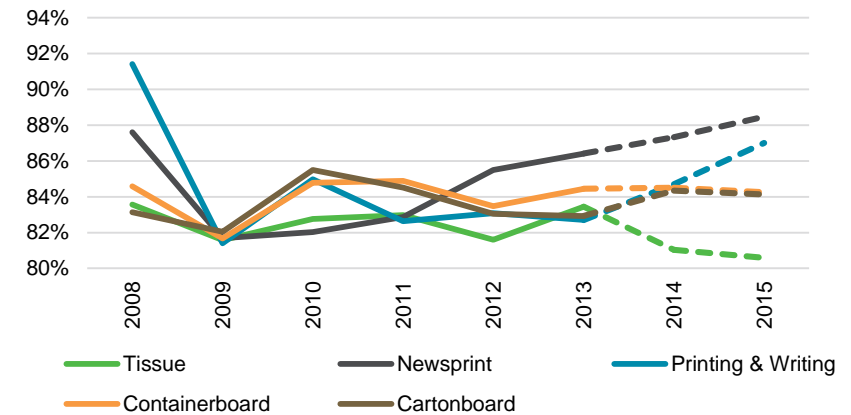
Europe



China



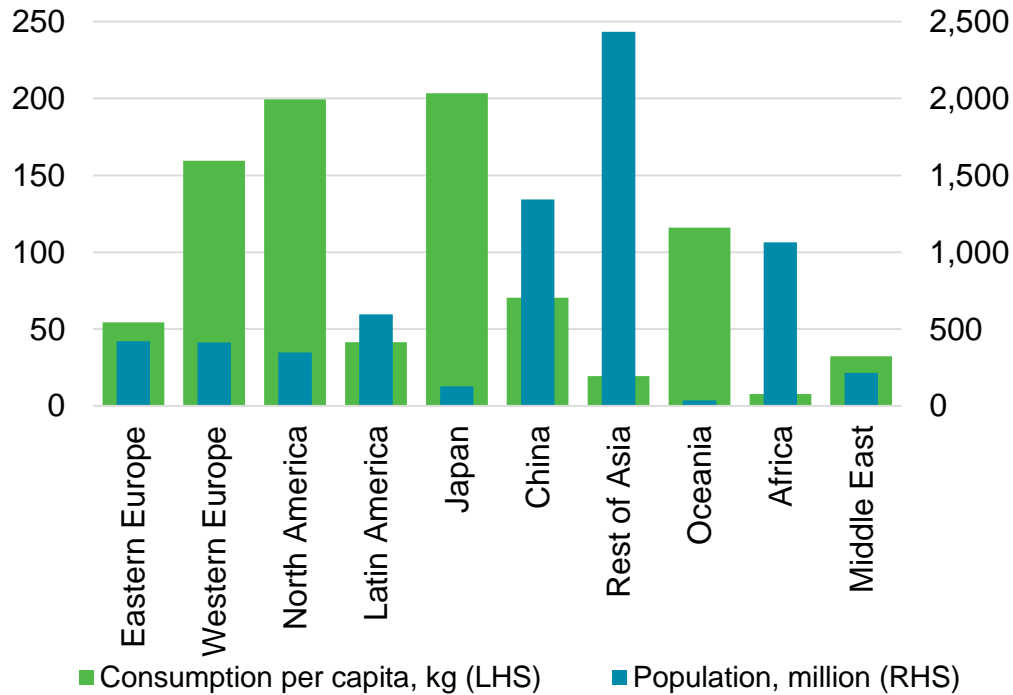
Asia-Pacific



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

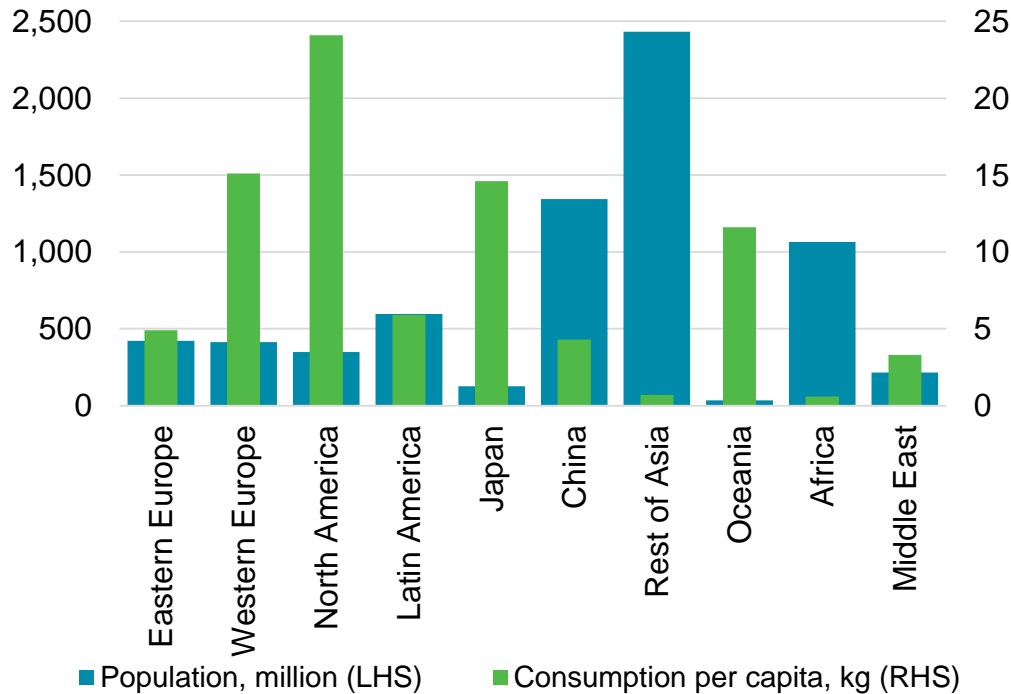
This offers us long-term growth potential

Average global consumption: 53 kg per capita

Source: RISI

Tissue consumption growth trends

Tissue consumption per capita vs. population



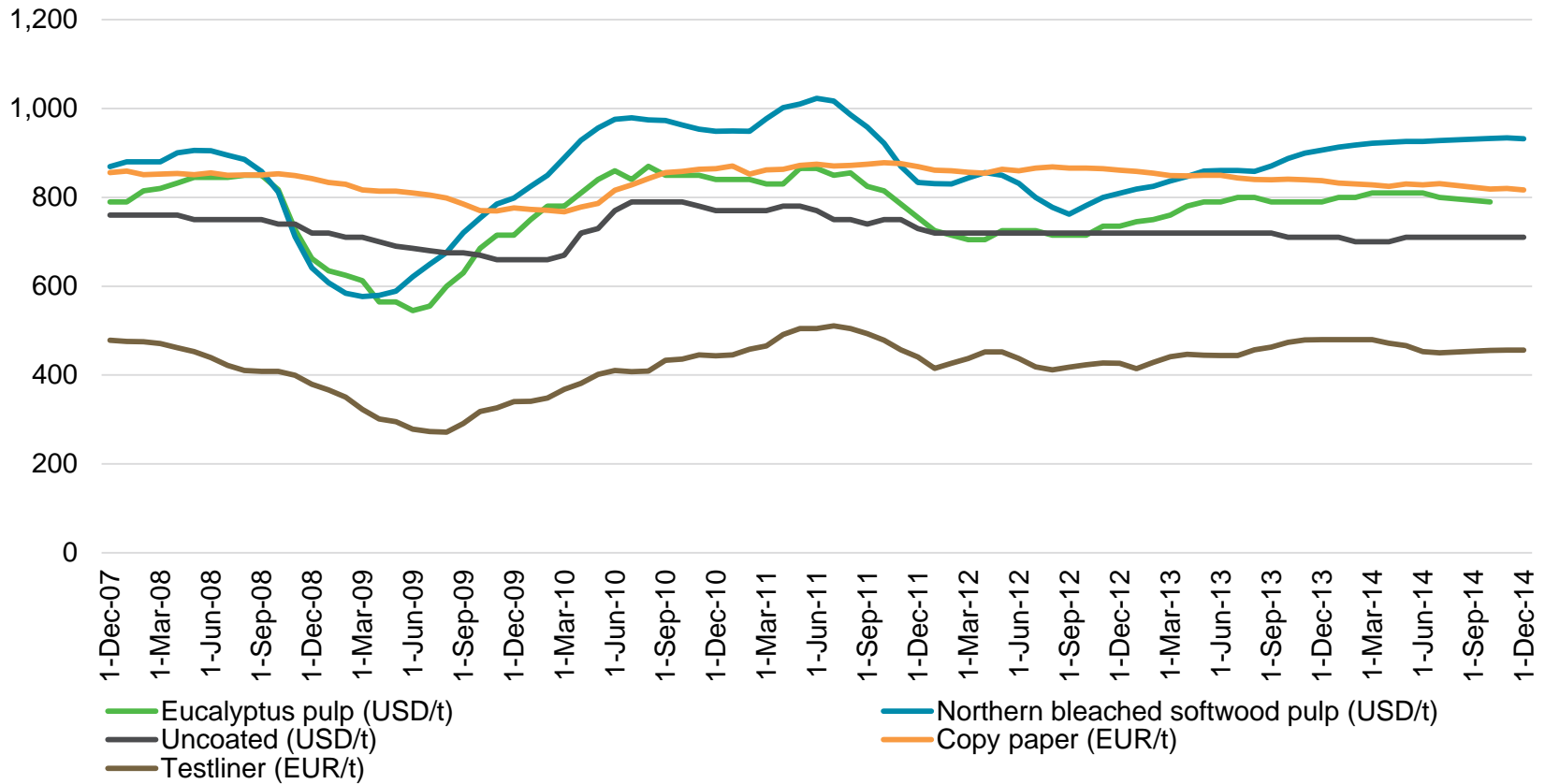
Average global consumption: 4.5 kg per capita

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

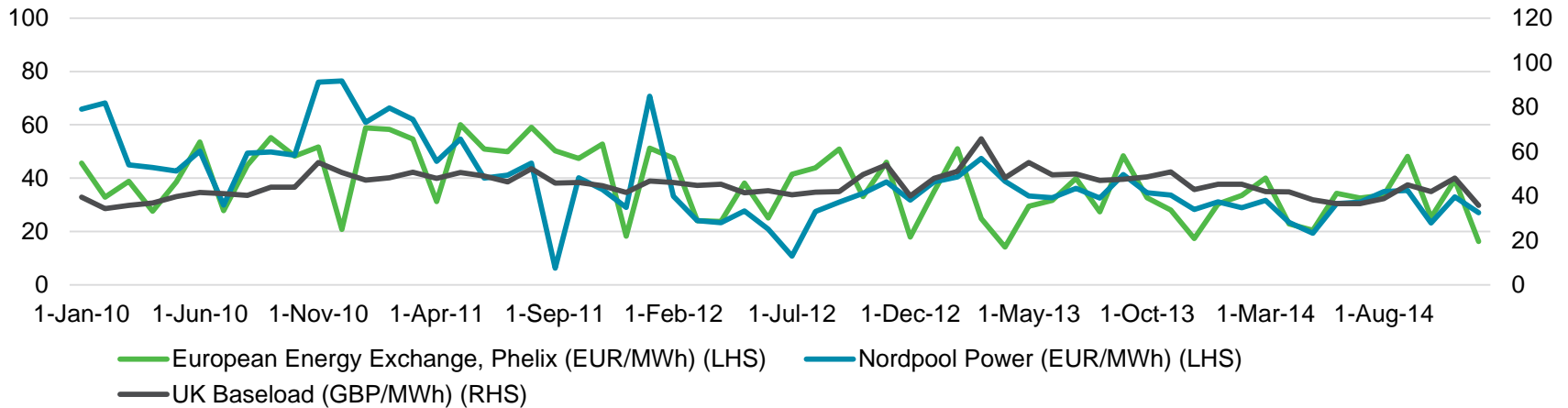
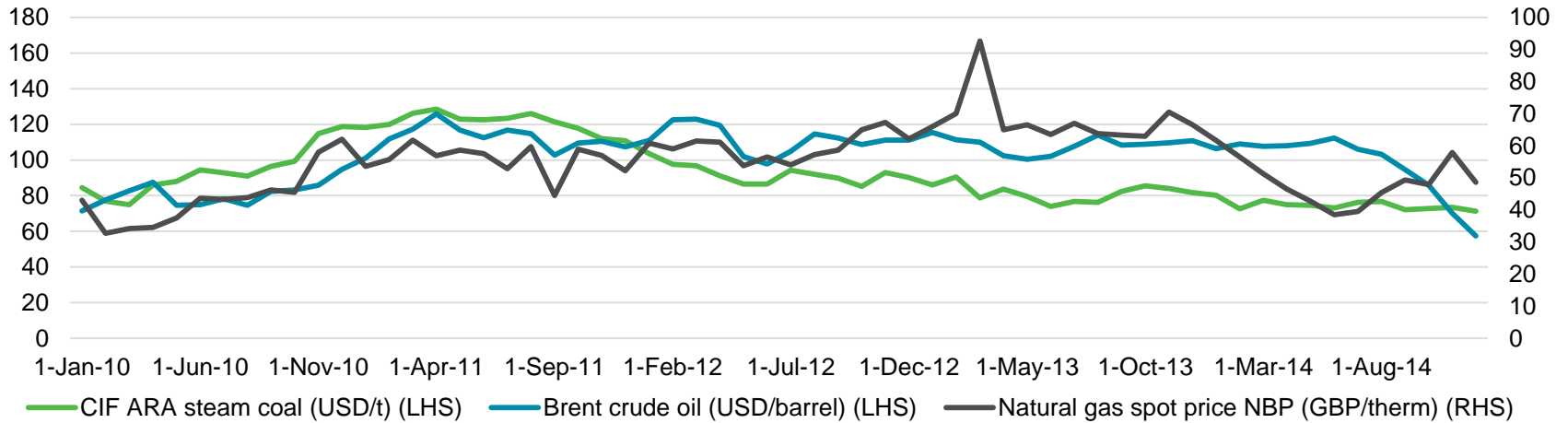
Pulp and paper price trends



Source: Bloomberg

Crude oil, steam coal, natural gas and electricity

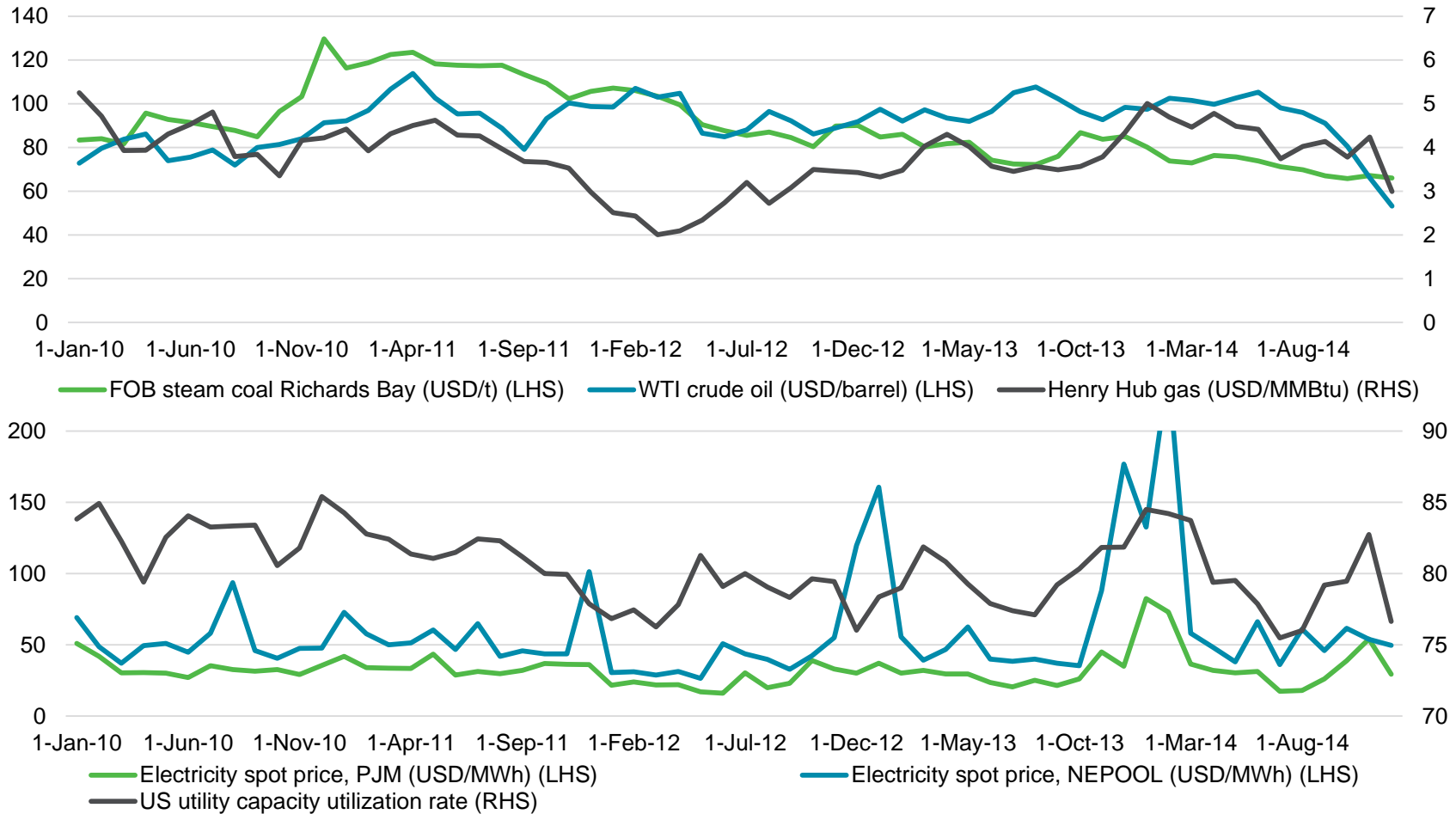
Europe



Source: Bloomberg

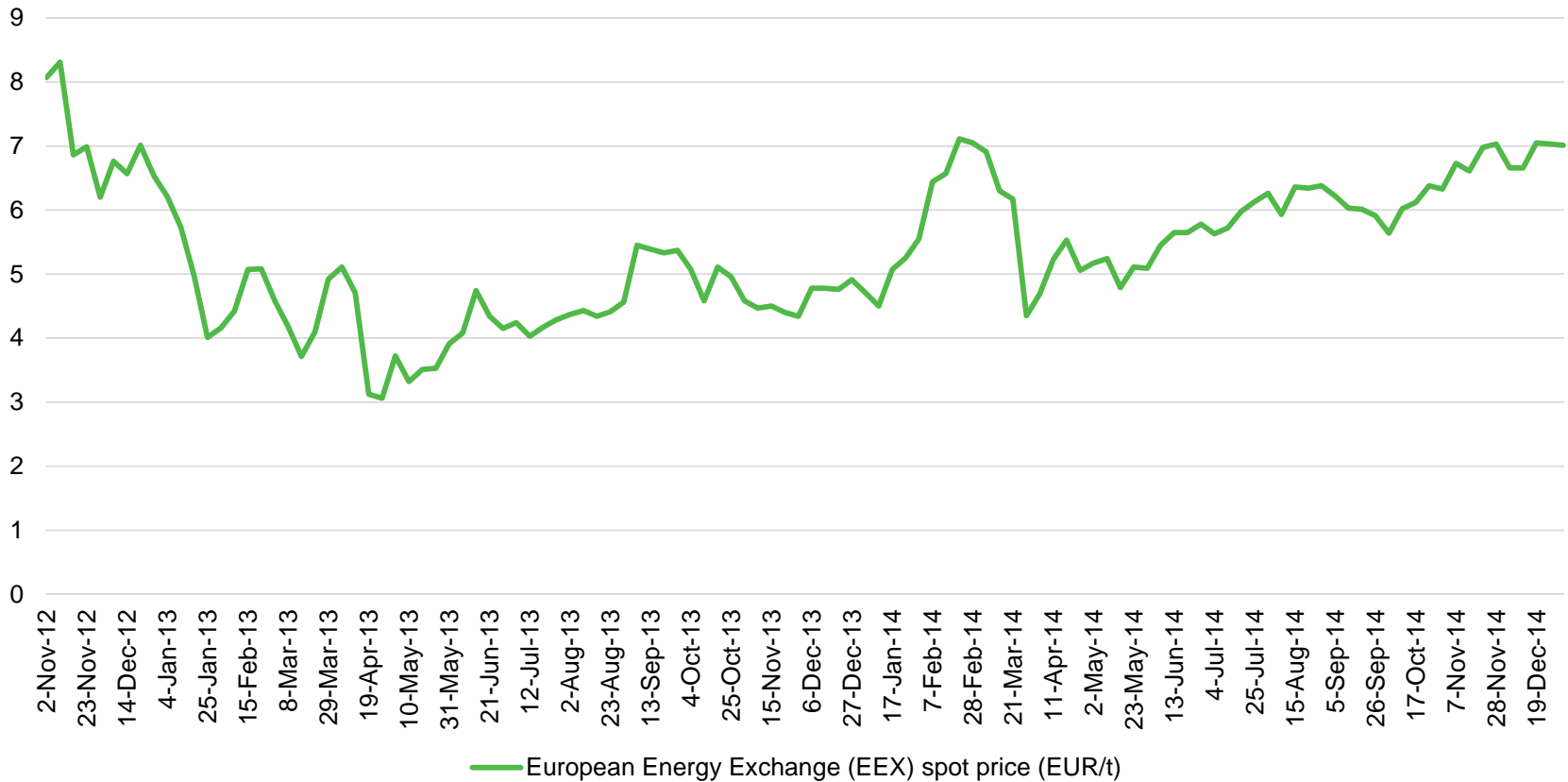
Crude oil, steam coal, natural gas and electricity

United States



Source: Bloomberg

European Carbon Emission Allowance



Source: Bloomberg

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