

Orders received
increased – profitability at the
previous year's level

Half Year Financial Review,
January–June 2017

July 27, 2017

Pasi Laine, President and CEO

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Agenda

Half Year Financial Review, January–June 2017

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- 2 Development of business lines
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Q2/2017 in brief

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- Orders received remained at the previous year's level at EUR 412 million in stable business¹
- Orders received increased to EUR 384 million in capital business²
- Net sales remained at the previous year's level at EUR 803 million
- Order backlog increased to EUR 2.6 billion
- Profitability remained at the previous year's level – Comparable EBITA margin was 7.1%
- Gearing was 4%

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

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

Valmet in Q2/2017

Orders received
EUR 796 million

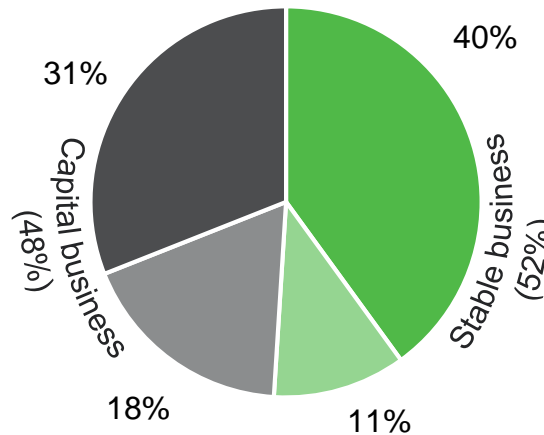
Net sales
EUR 803 million

Comparable EBITA
EUR 57 million

Comparable EBITA margin
7.1%

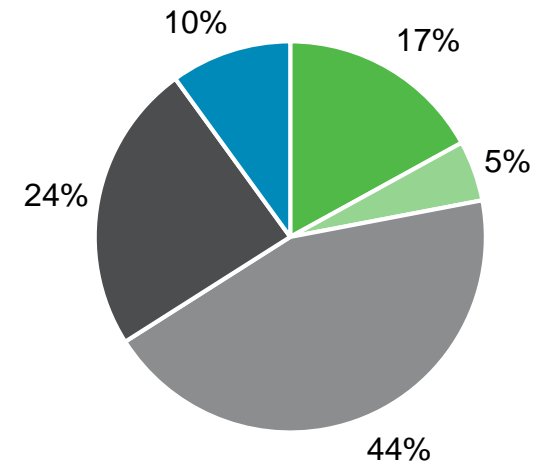
Employees
12,458

Orders received by business line



- Services
- Automation
- Pulp and Energy
- Paper

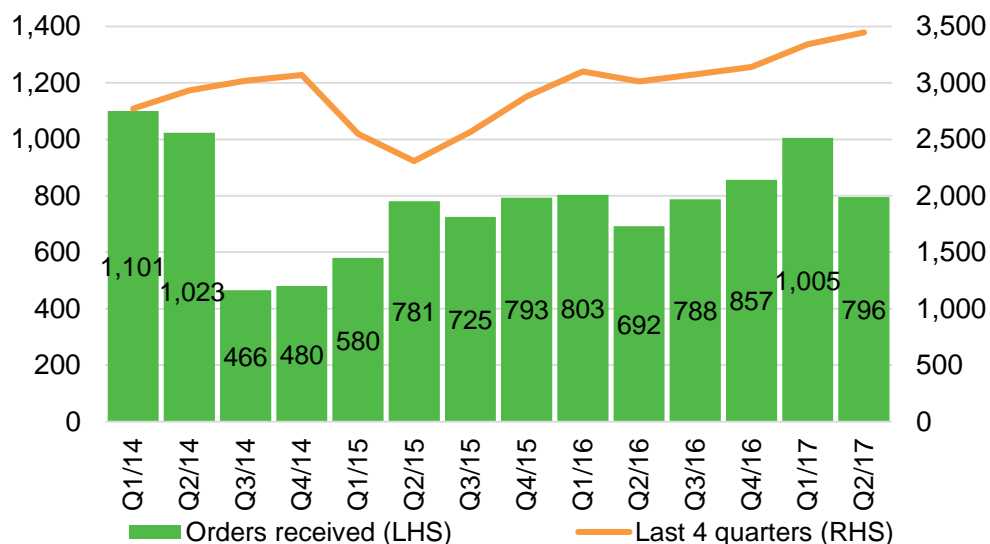
Orders received by area



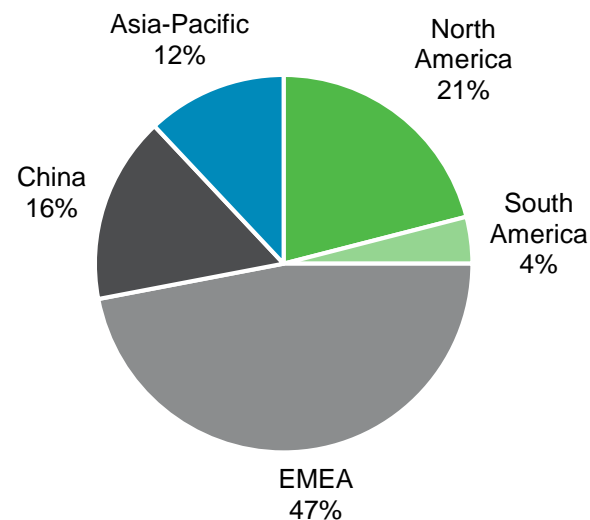
- North America
- South America
- EMEA
- China
- Asia-Pacific

Orders received increased to EUR 796 million in Q2/2017

Orders received (EUR million)



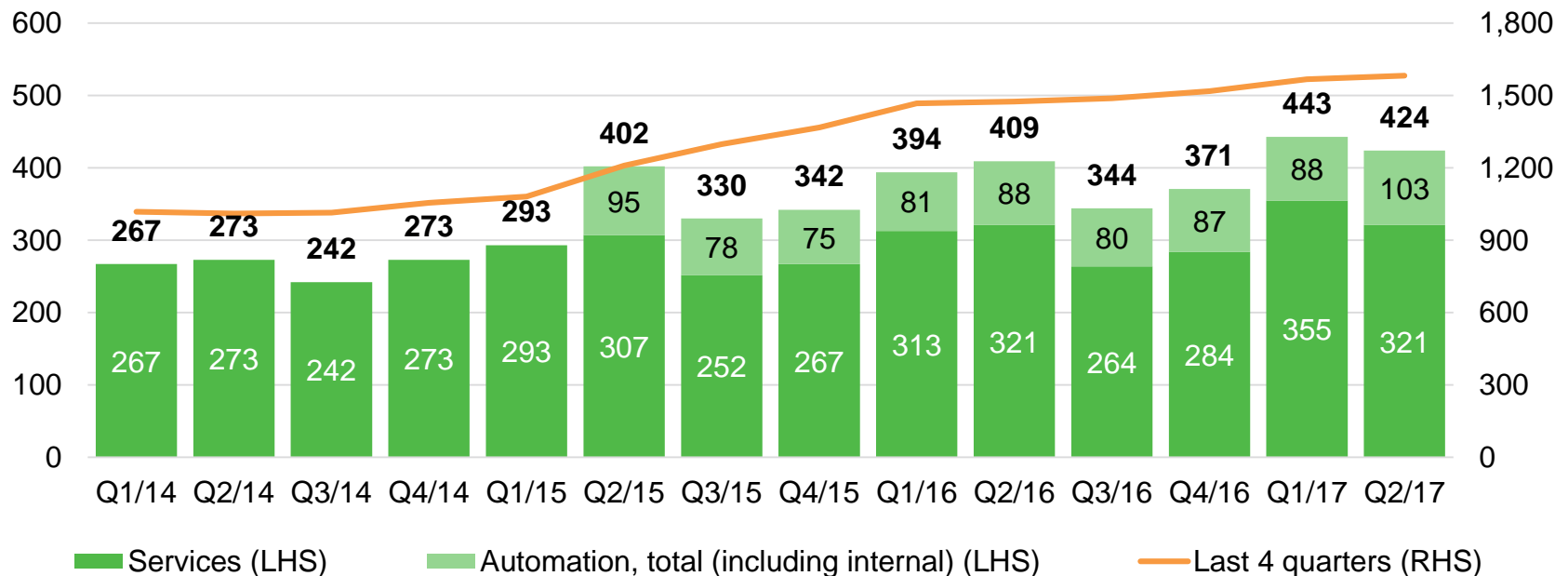
Orders received in Q1–Q2/2017 by area



- Orders received increased in Paper and Automation, remained at the previous year's level in Services, and decreased in the Pulp and Energy business line compared with Q2/2016
- Orders received increased in China and South America, remained at the previous year's level in Asia-Pacific and EMEA, and decreased in North America compared with Q2/2016

Stable business orders received totaled EUR 1,583 million during the last 4 quarters

Orders received (EUR million) in stable business¹

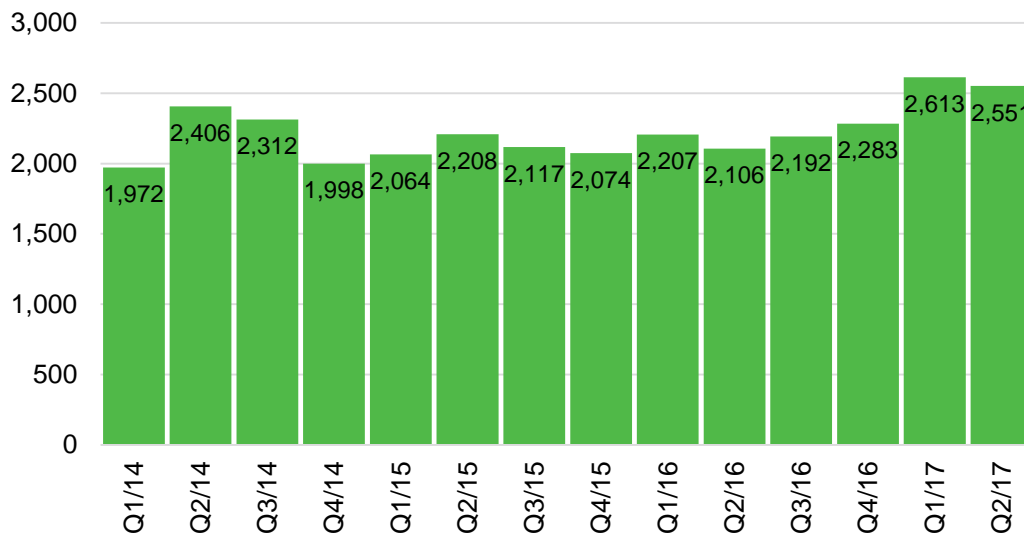


- In Q2/2017, total orders received in stable business remained at the previous year's level

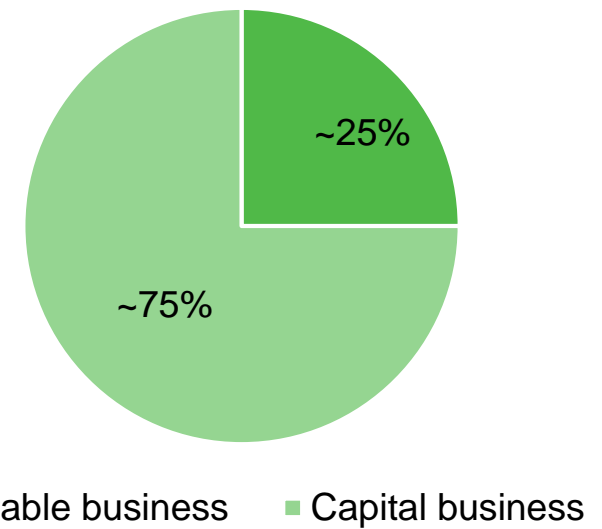
1) Including internal orders received for the Automation business line.

Order backlog at EUR 2,551 million at the end of Q2/2017

Order backlog (EUR million)



Structure of order backlog



- Order backlog EUR 62 million lower than at the end of Q1/2017 but EUR 444 million higher compared to a year ago
- Approximately 50% of the order backlog is currently expected to be realized as net sales during 2017
- Approximately 25% of the order backlog relates to stable business

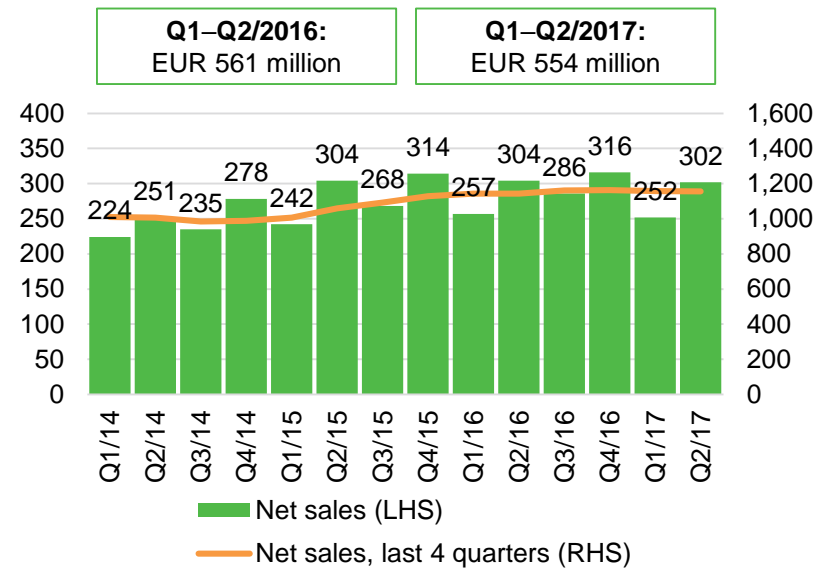
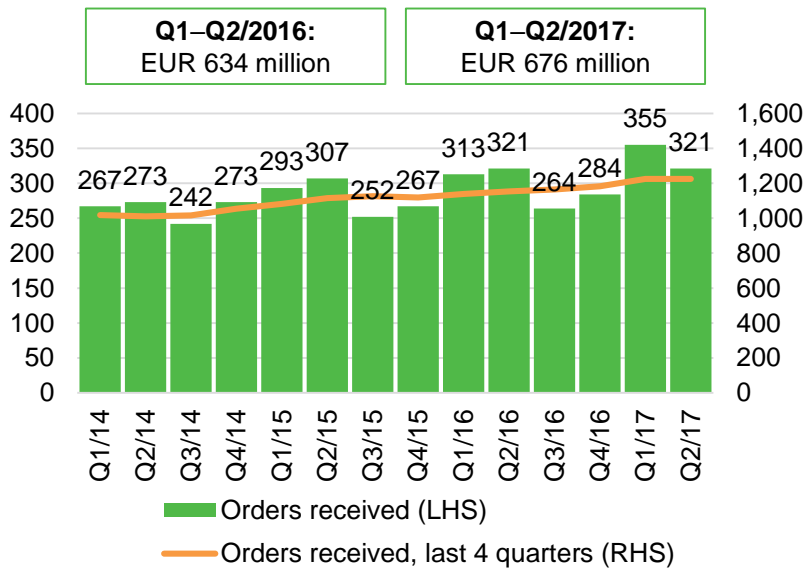


Development of business lines

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

Orders received (EUR million)

Net sales (EUR million)

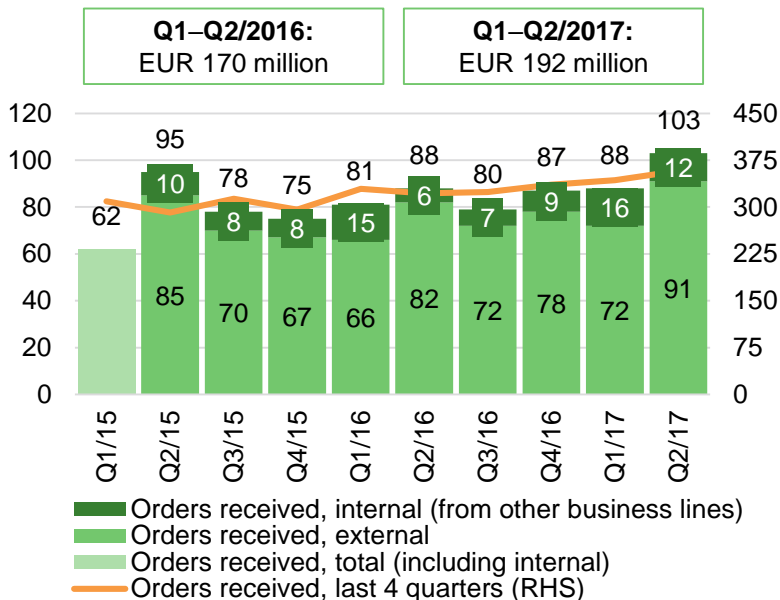


- Orders received remained stable compared with Q2/2016
 - Orders received increased in China, remained at the previous year's level in Asia-Pacific, North America and South America, and decreased in EMEA
 - Orders received increased in Energy and Environmental, remained at the previous year's level in Fabrics, Mill Improvements and Rolls, and decreased in Performance Parts
- Net sales remained stable compared with Q2/2016

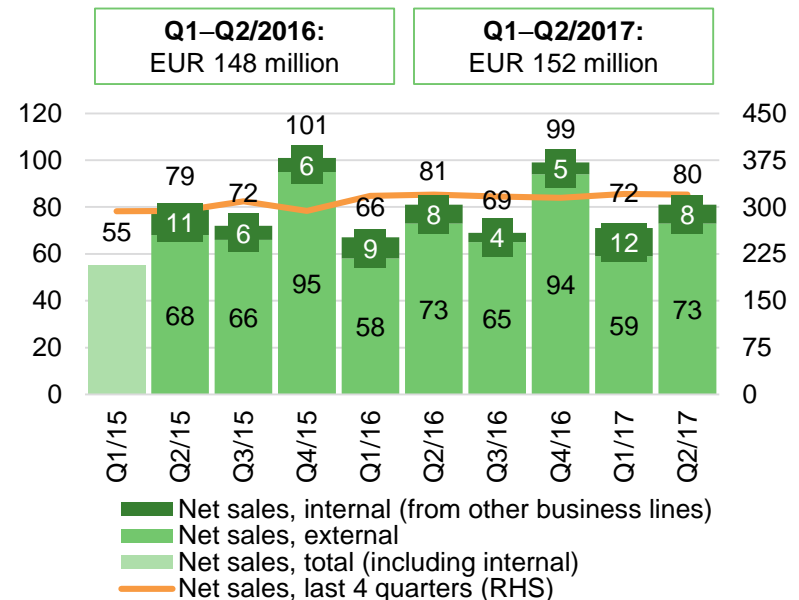


Automation: Orders received increased and net sales remained at the previous year's level

Orders received¹ (EUR million)



Net sales¹ (EUR million)



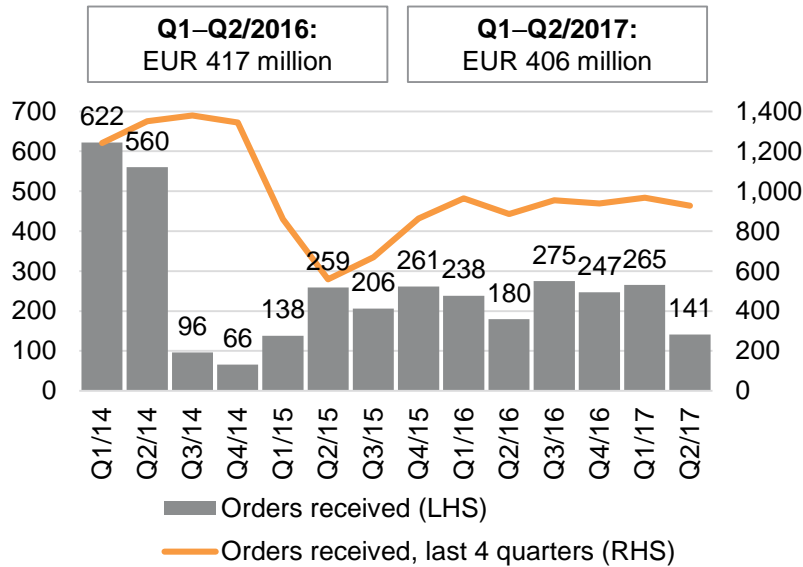
- Orders received increased compared with Q2/2016
 - Orders received increased in China, North America and Asia-Pacific, and decreased in South America and EMEA
 - Orders received increased in Pulp and Paper, and decreased in Energy and Process
- Net sales remained stable compared with Q2/2016



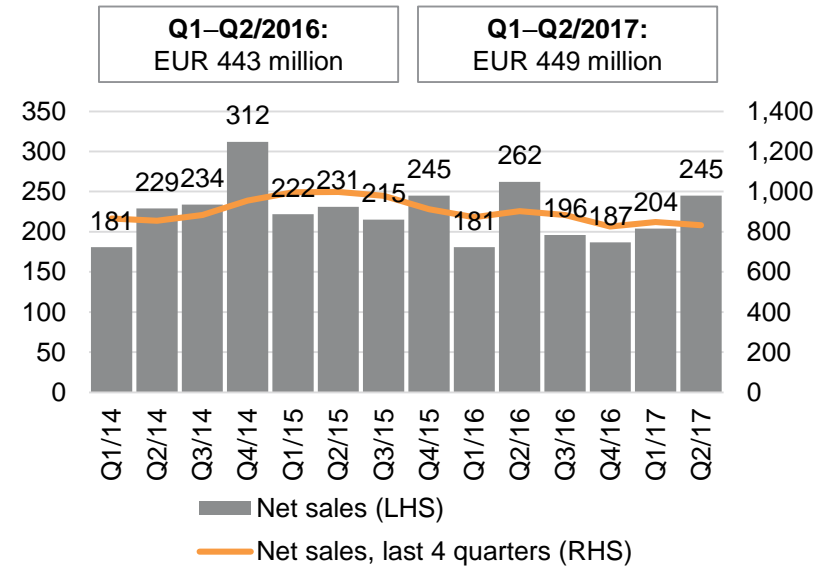
1) Q1/2015 orders received and the underlying figures for 'Orders received, last 4 quarters' and 'Net sales, last 4 quarters' are calculated based on Metso's reported figures and pro forma figures excluding Process Automation Systems and are therefore indicative only.

Pulp and Energy: Orders received and net sales decreased

Orders received (EUR million)



Net sales (EUR million)

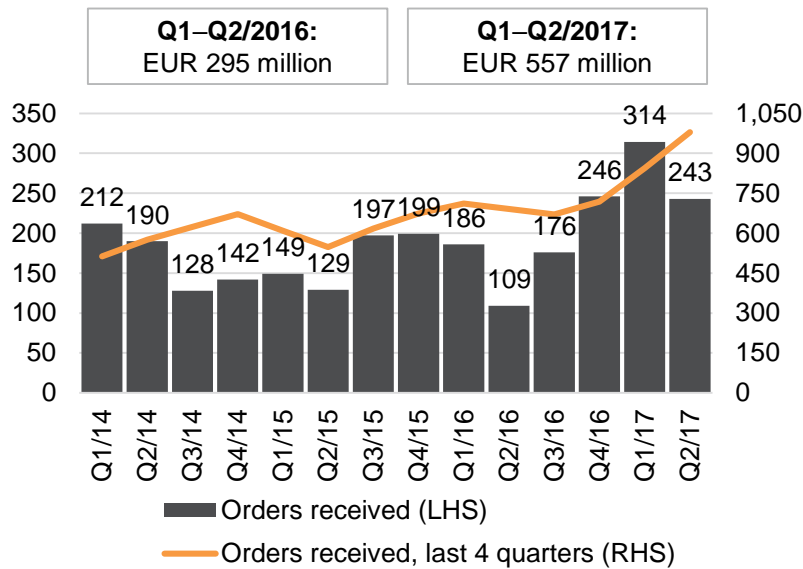


- Orders received decreased compared with Q2/2016
 - Orders received increased in Asia-Pacific and South America, and decreased in North America, China and EMEA
 - Orders received increased in Energy and decreased in Pulp
- Net sales decreased compared with Q2/2016

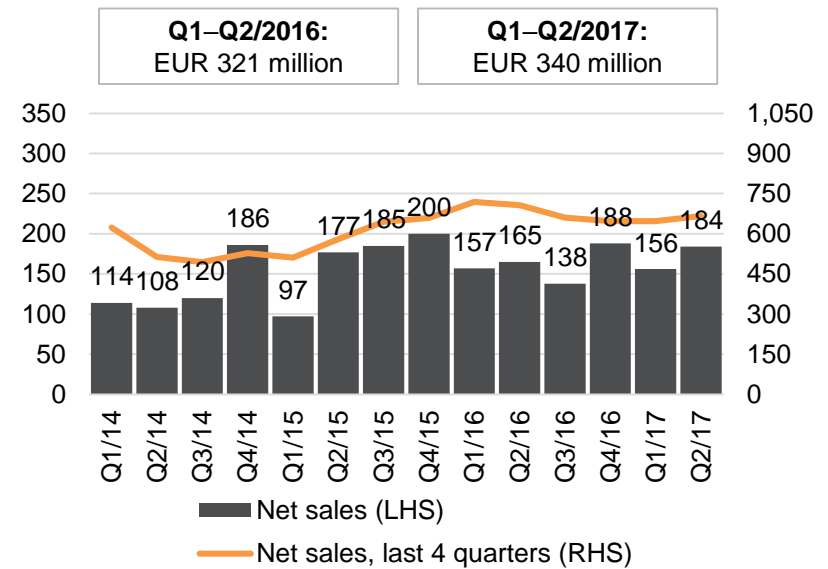


Paper: Orders received and net sales increased

Orders received (EUR million)



Net sales (EUR million)



- Orders received increased compared with Q2/2016
 - Orders received increased in China, South America and EMEA, and decreased in Asia-Pacific and North America
 - Orders received increased in both Board and Paper, and Tissue
- Net sales increased compared with Q2/2016



A woman wearing a white Valmet hard hat, safety glasses, and a green and black work jacket is holding a glowing green, circular data visualization in her hands. The background shows industrial machinery with the Valmet logo. A large, semi-transparent grey arrow graphic points from the left towards the center of the image.

Valmet

Valmet Industrial Internet

Dialogue with data

We want to become the most desired Industrial Internet partner for our customers

Valmet develops its Industrial Internet solutions building on the unique combination of process technology, services and automation.



Today, customers are extensively utilizing our Industrial Internet capabilities



Valmet Industrial Internet



Dialogue
with data

Building blocks

Ecosystem

Applications
and services

Automation
and IT platform

Process
technology

Offering

Reliability services

- Component reliability monitoring and diagnostics
- Sub-process reliability improvement
- Mill and plant reliability optimization

Performance services

- Process performance optimization
- Mill and plant performance optimization
- Fleet performance optimization

Valmet Performance Center

- On-demand expert support
- Remote monitoring and optimization
- Data discovery and analysis





Financial development

Key figures

EUR million	Q2/2017	Q2/2016	Change	Q1–Q2/2017	Q1–Q2/2016	Change
Orders received	796	692	15%	1,802	1,495	21%
Order backlog ¹	2,551	2,106	21%	2,551	2,106	21%
Net sales	803	804	0%	1,475	1,456	1%
Comparable EBITA	57	57	0%	91	88	4%
% of net sales	7.1%	7.1%		6.2%	6.1%	
EBITA	56	55	1%	93	85	9%
Operating profit (EBIT)	48	47	2%	77	66	17%
% of net sales	6.0%	5.8%		5.2%	4.5%	
Earnings per share, EUR	0.22	0.21	8%	0.34	0.28	22%
Return on capital employed (ROCE) before taxes ²				13%	11%	
Cash flow provided by operating activities	31	33	-7%	125	36	>100%
Gearing ¹				4%	27%	

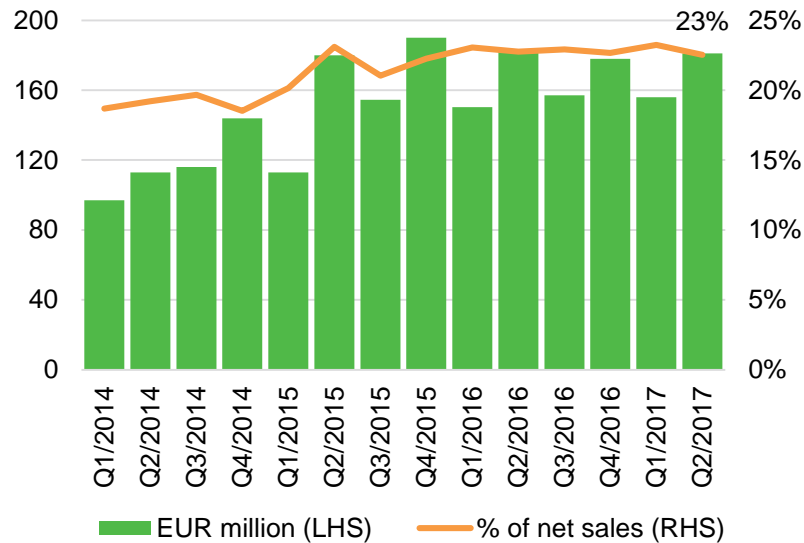
Items affecting comparability: EUR -1 million in Q2/2017 (EUR -1 million in Q2/2016), EUR 2 million in Q1–Q2/2017 (EUR -3 million in Q1–Q2/2016)

1) At the end of period

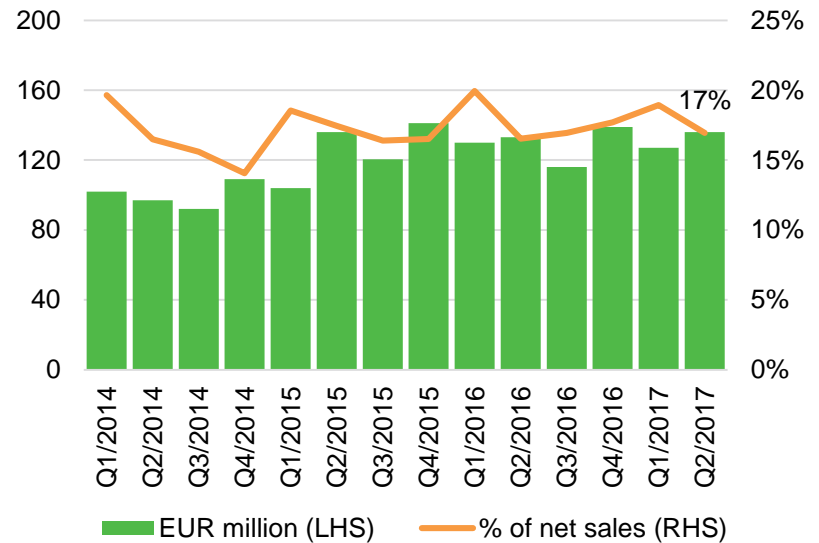
2) Annualized

Gross profit margin and SG&A development

Gross profit (EUR million and % of net sales)



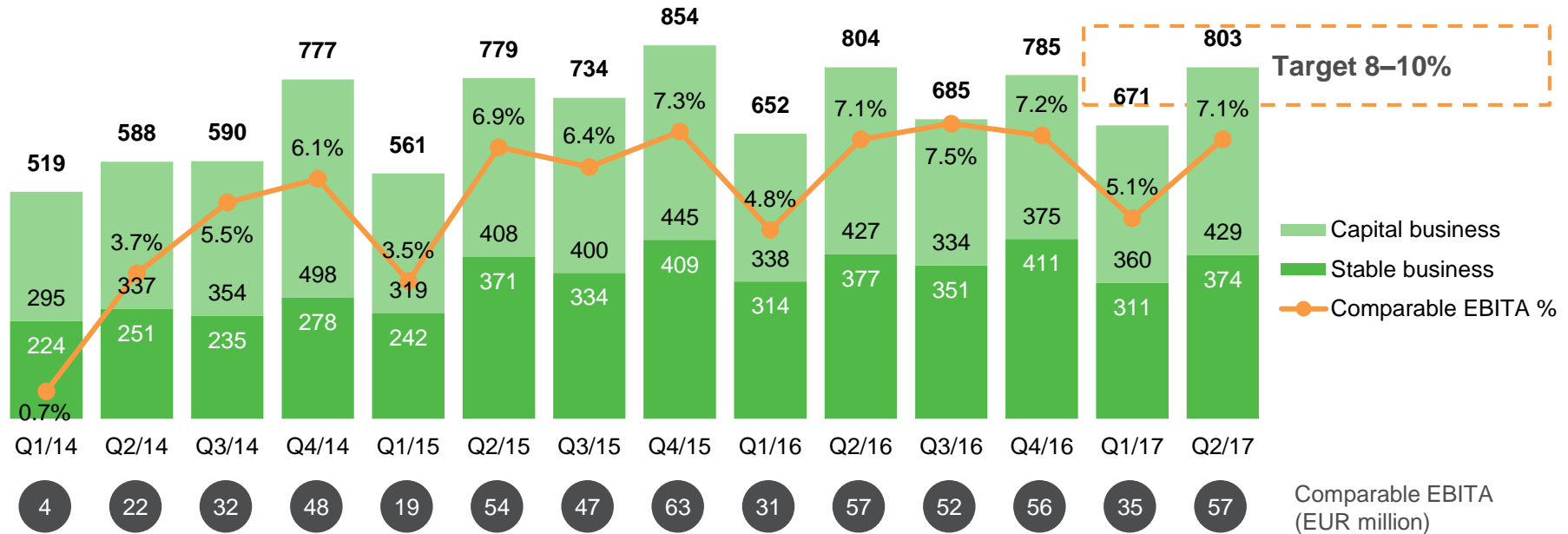
SG&A (EUR million and % of net sales)



- Gross profit margin at the previous year's level at 23%
- Selling, general & administrative (SG&A) expenses at the previous year's level at 17% of net sales
- Actions to improve gross profit through Must-Win implementation

Comparable EBITA margin development

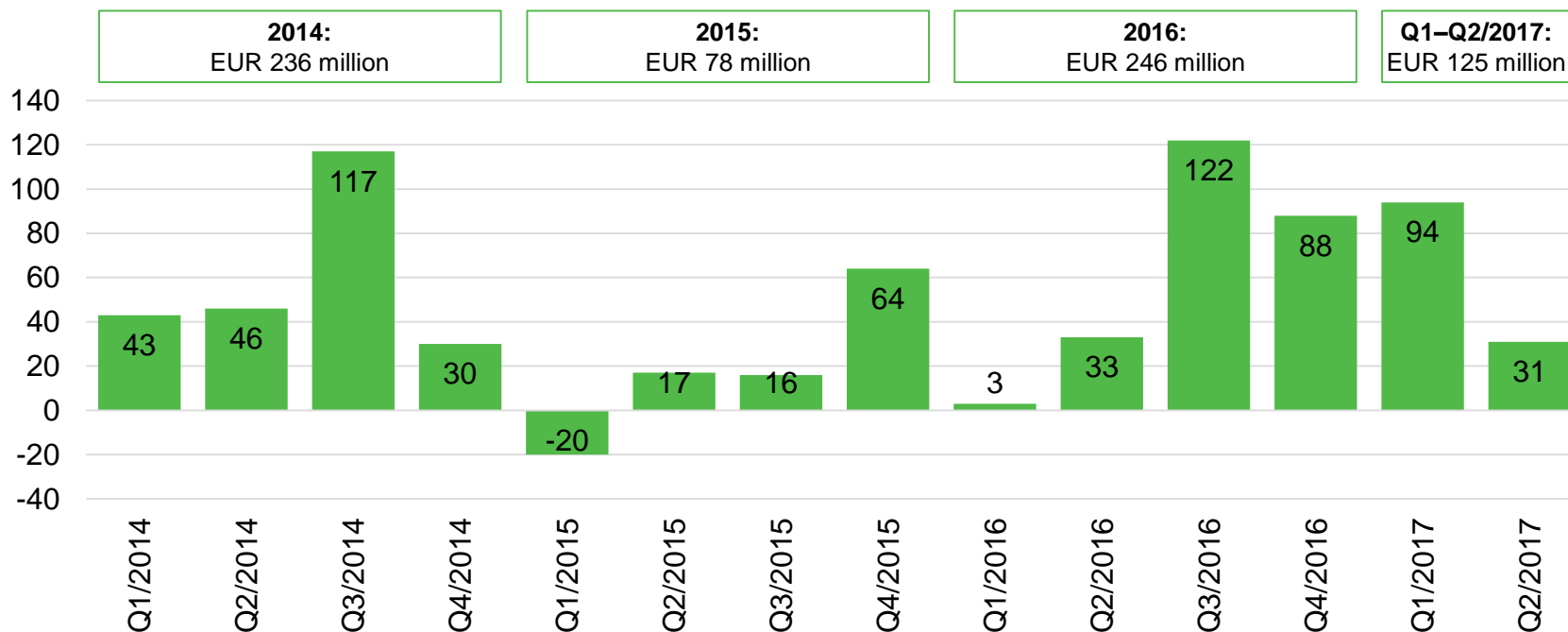
Net sales and Comparable EBITA (EUR million and %)



- Net sales and Comparable EBITA remained at the previous year's level

Cash flow provided by operating activities

Cash flow provided by operating activities (EUR million)

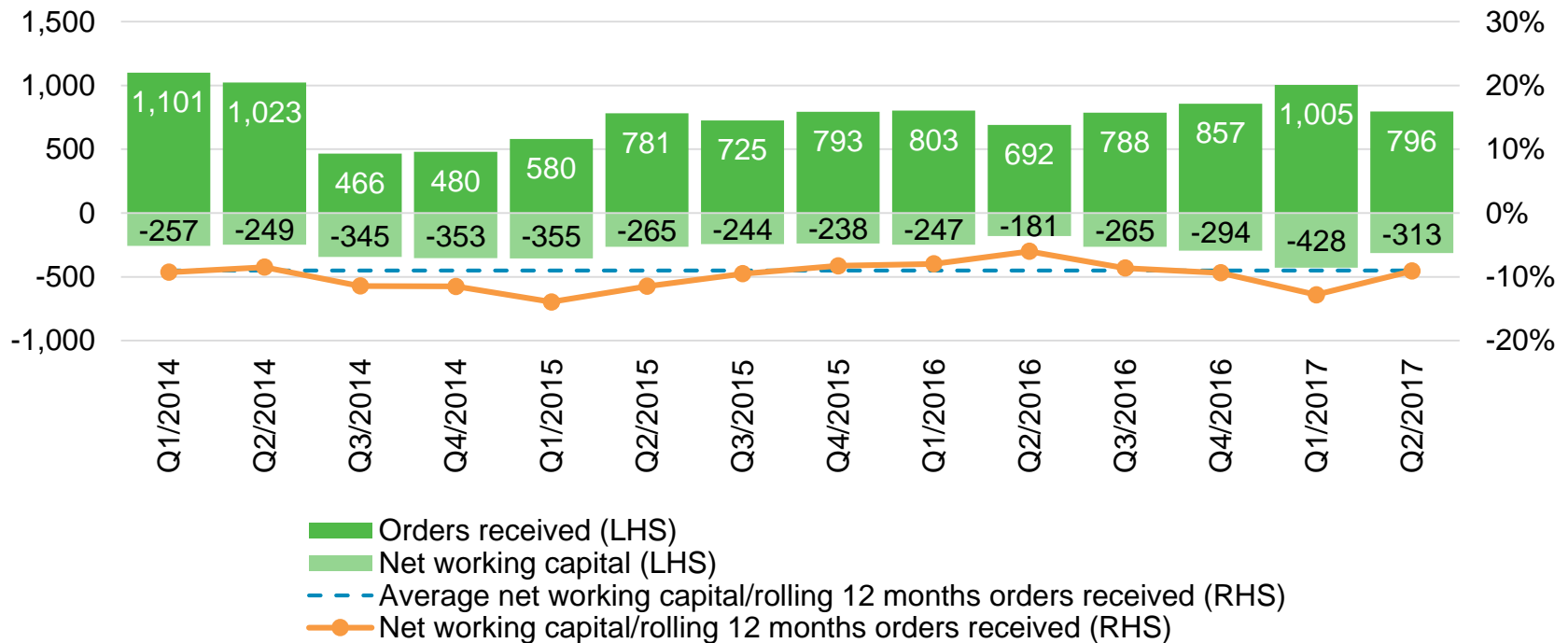


- Change in net working capital¹ EUR -46 million in Q2/2017
- Cash flow provided by operating activities EUR 31 million in Q2/2017
- CAPEX EUR -15 million in Q2/2017

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

Net working capital at -9% of rolling 12 months orders received

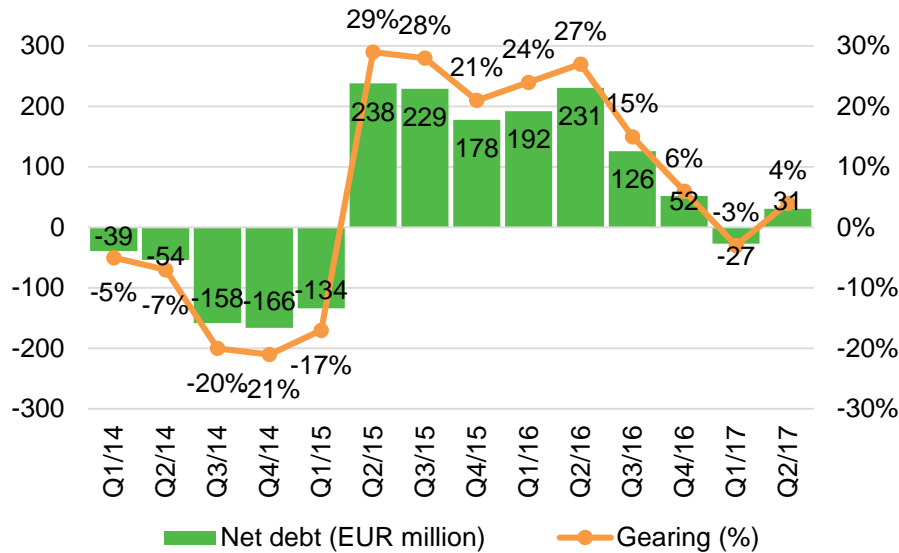
Net working capital and orders received (EUR million)



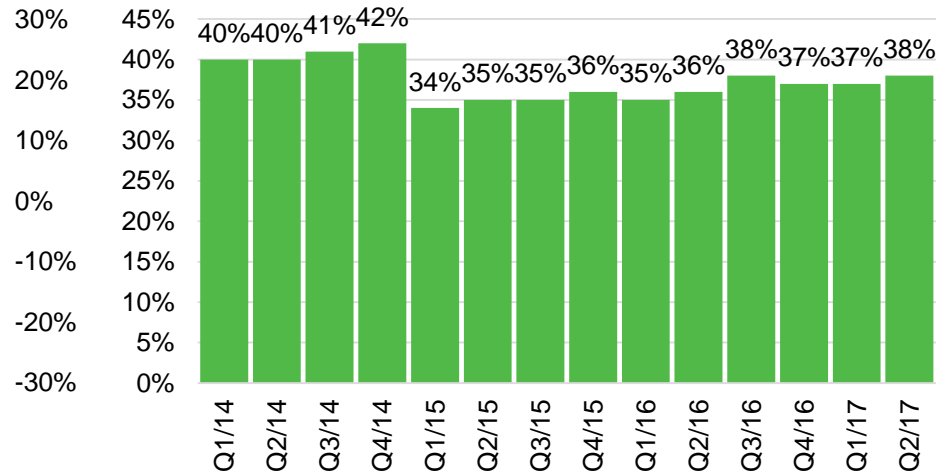
- Net working capital EUR -313 million, which equals -9% of rolling 12 months orders received

Net debt decreased compared with Q2/2016

Net debt (EUR million) and gearing (%)



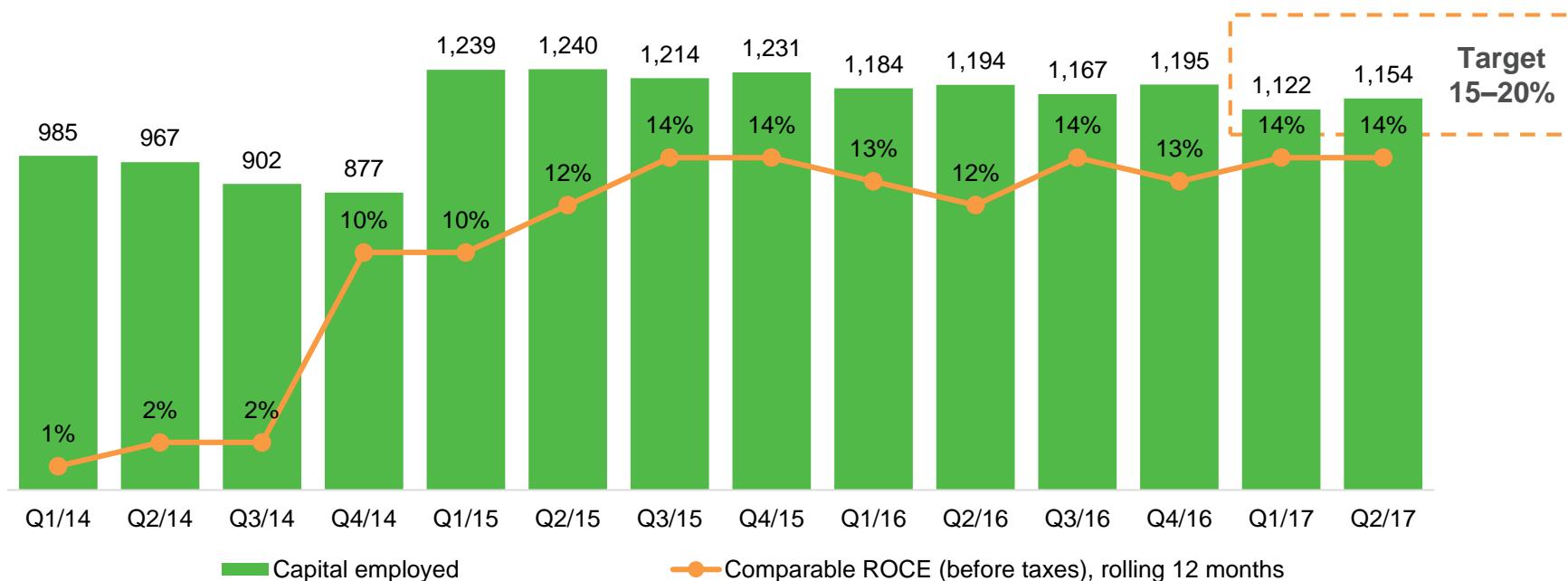
Equity to assets ratio (%)



- Gearing (4%) and net debt (EUR 31 million) increased compared with Q1/2017 due to dividend payout of EUR 63 million
- Equity to assets ratio increased compared with 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.



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

		Q3/2016	Q4/2016	Q1/2017	Q2/2017
Services		Satisfactory	Satisfactory	Good	Good
Automation		Satisfactory	Satisfactory	Satisfactory	Satisfactory
Pulp and Energy	Pulp	Satisfactory	Satisfactory	Weak	Weak
	Energy	Good	Good	Good	Good
Paper	Board and Paper	Satisfactory	Good	Good	Good
	Tissue	Good	Good	Good	Good

The short-term market outlook is given for the next six months from the ending of the respective quarter.



Summary of Q2/2017

Q2/2017 in brief

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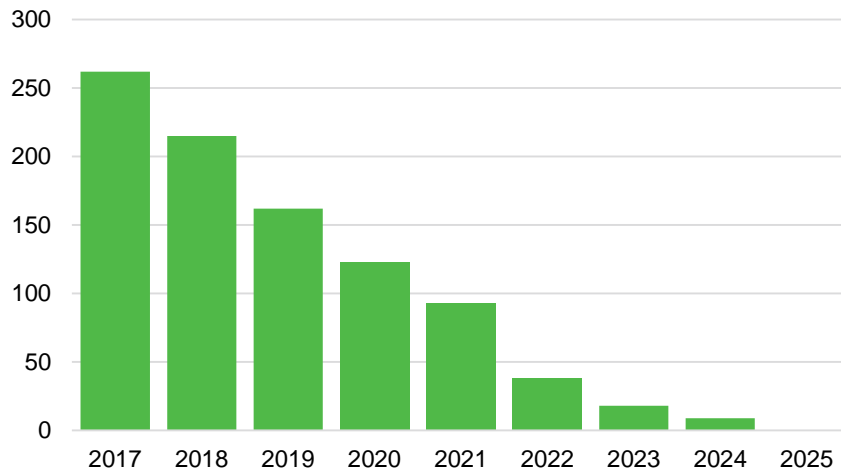


Appendix

Structure of loans and borrowings

Interest-bearing debt EUR 277 million as at June 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 277 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 3.7 years
- Average interest rate is 1.3%

Largest shareholders on June 30, 2017

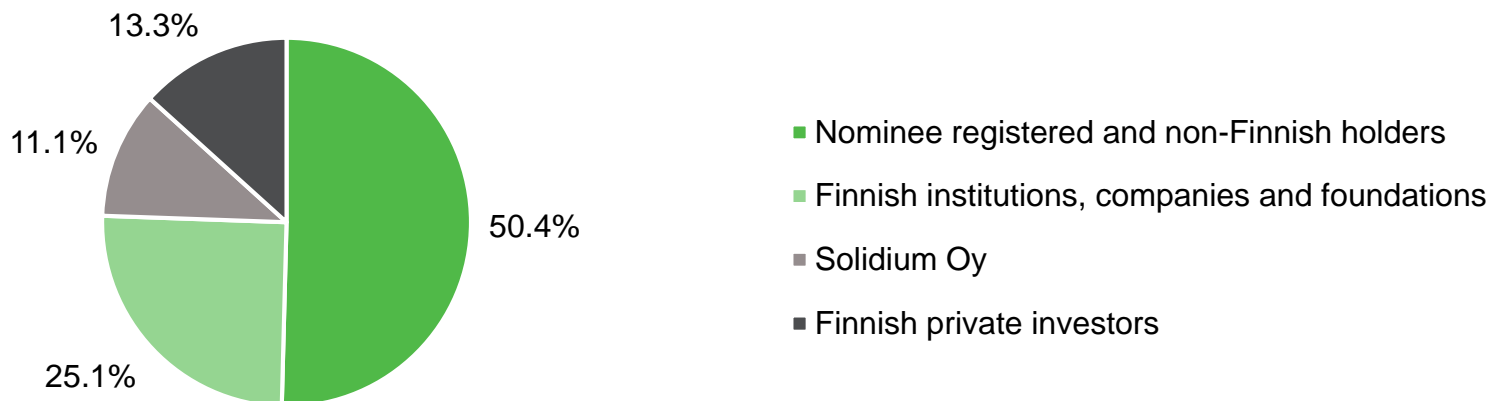
Based on the information given by Euroclear Finland Ltd.

Largest shareholders

#	Shareholder name	Number of shares	% of shares and votes
1	Solidium Oy ¹	16,695,287	11.14%
2	Varma Mutual Pension Insurance Company	4,165,465	2.78%
3	Elo Pension Company	3,810,000	2.54%
4	Ilmarinen Mutual Pension Insurance Company	3,388,055	2.26%
5	OP Funds	2,796,901	1.87%
6	The State Pension Fund	1,545,000	1.03%
7	Keva	1,502,166	1.00%
8	Danske Invest funds	1,197,428	0.80%
9	Mandatum Life Insurance Company Limited	922,537	0.62%
10	Odin Funds	915,239	0.61%
	10 largest shareholders, total	36,938,078	24.65%
	Other shareholders	112,926,541	75.35%
	Total	149,864,619	100.00%

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

Ownership structure on June 30, 2017



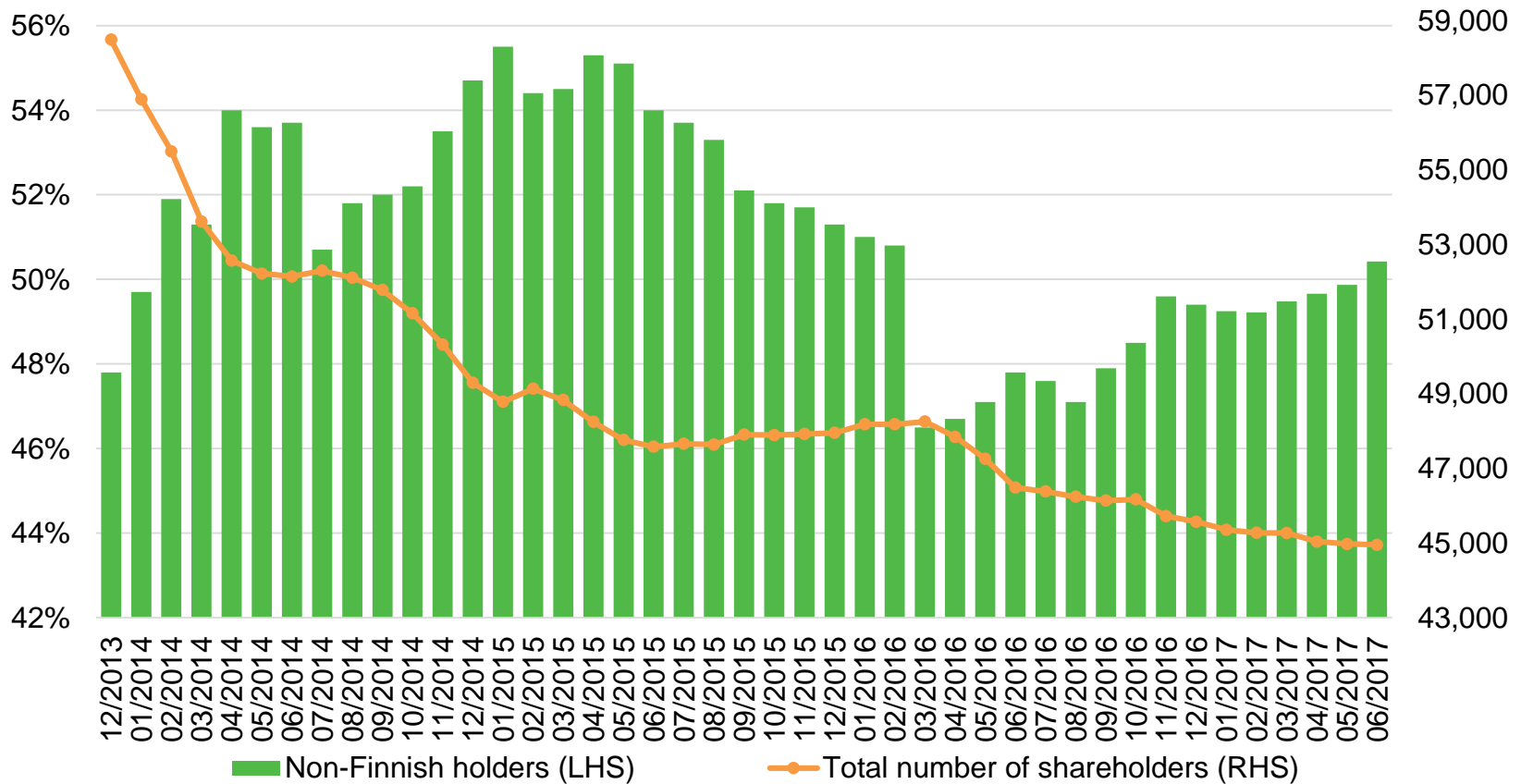
Sector	Number of shareholders	% of total shareholders	Number of shares	% of shares
Nominee registered and non-Finnish holders ¹	321	0.7%	75,549,585	50.4%
Finnish institutions, companies and foundations	2,307	5.1%	37,683,254	25.1%
Solidium Oy ²	0	0.0%	16,695,287	11.1%
Finnish private investors	42,324	94.2%	19,928,373	13.3%
In the issuer account	0	0.0%	8,120	0.0%
Total	44,952	100.0%	149,864,619	100.0%

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

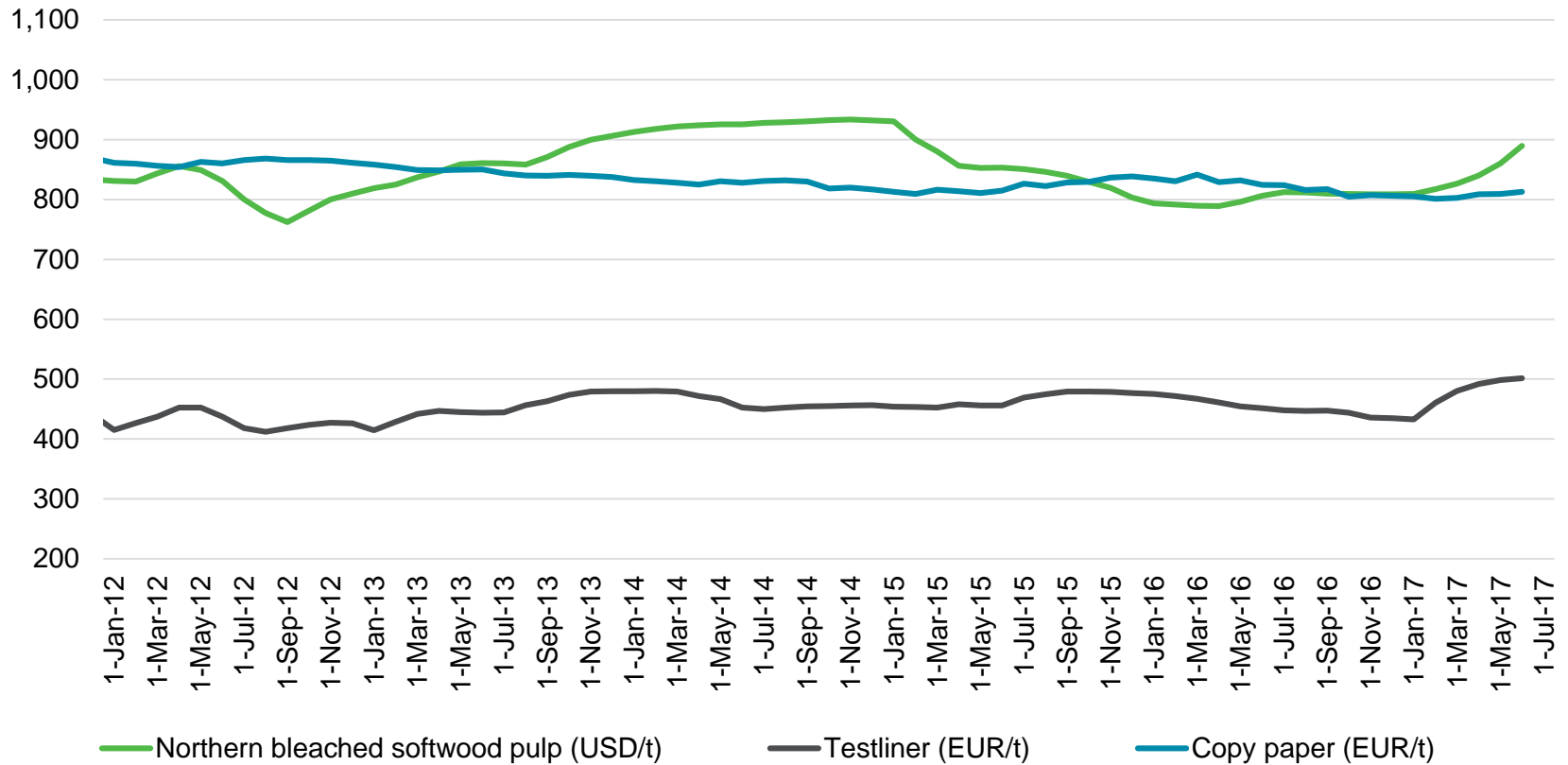
1) Of which 73,540,448 nominee registered shares

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

Share of non-Finnish holders and number of shareholders



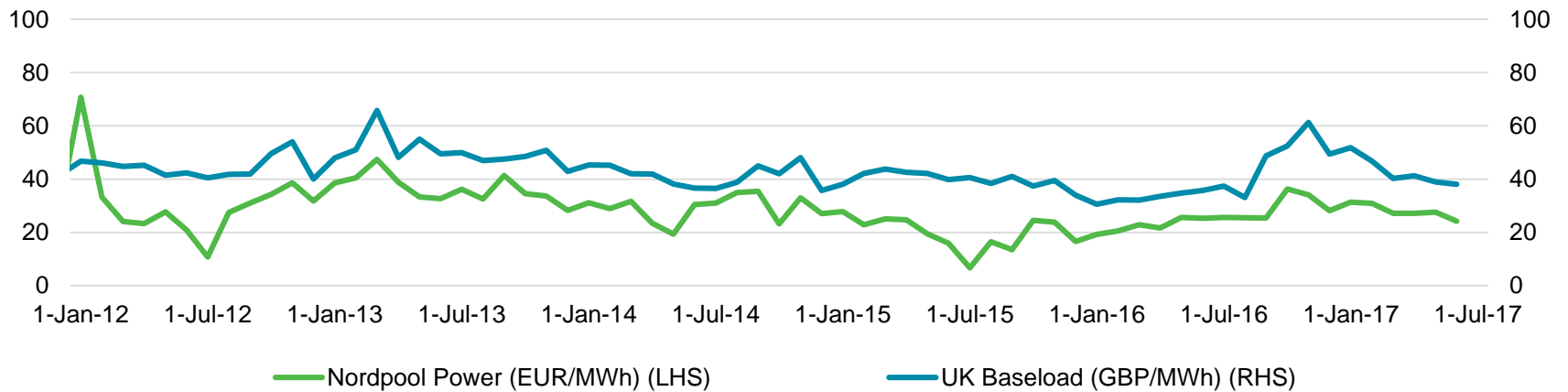
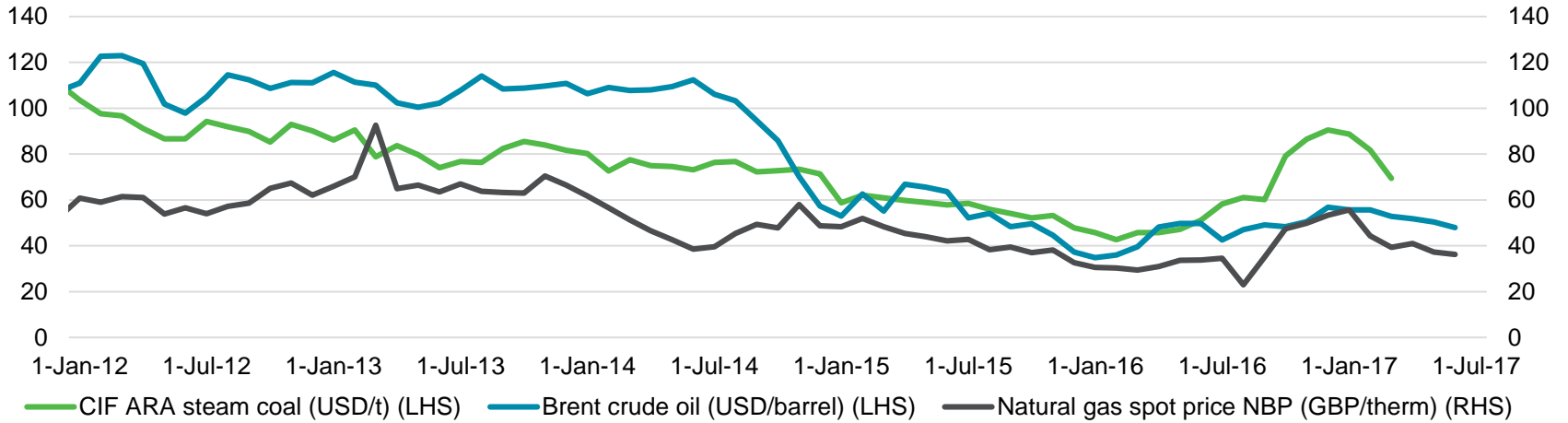
Pulp and paper price trends



Source: Bloomberg

Crude oil, steam coal, natural gas and electricity

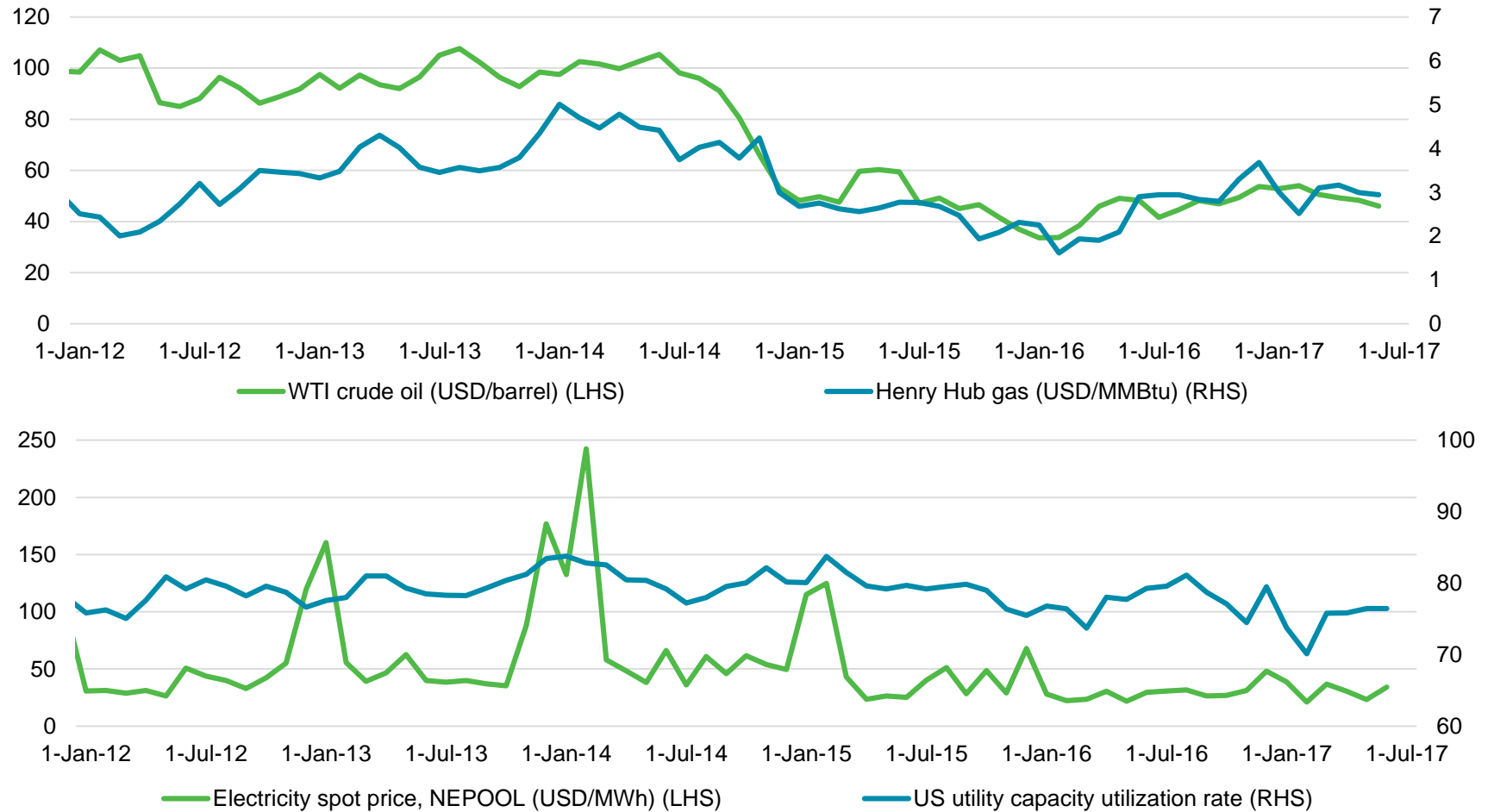
Europe



Source: Bloomberg

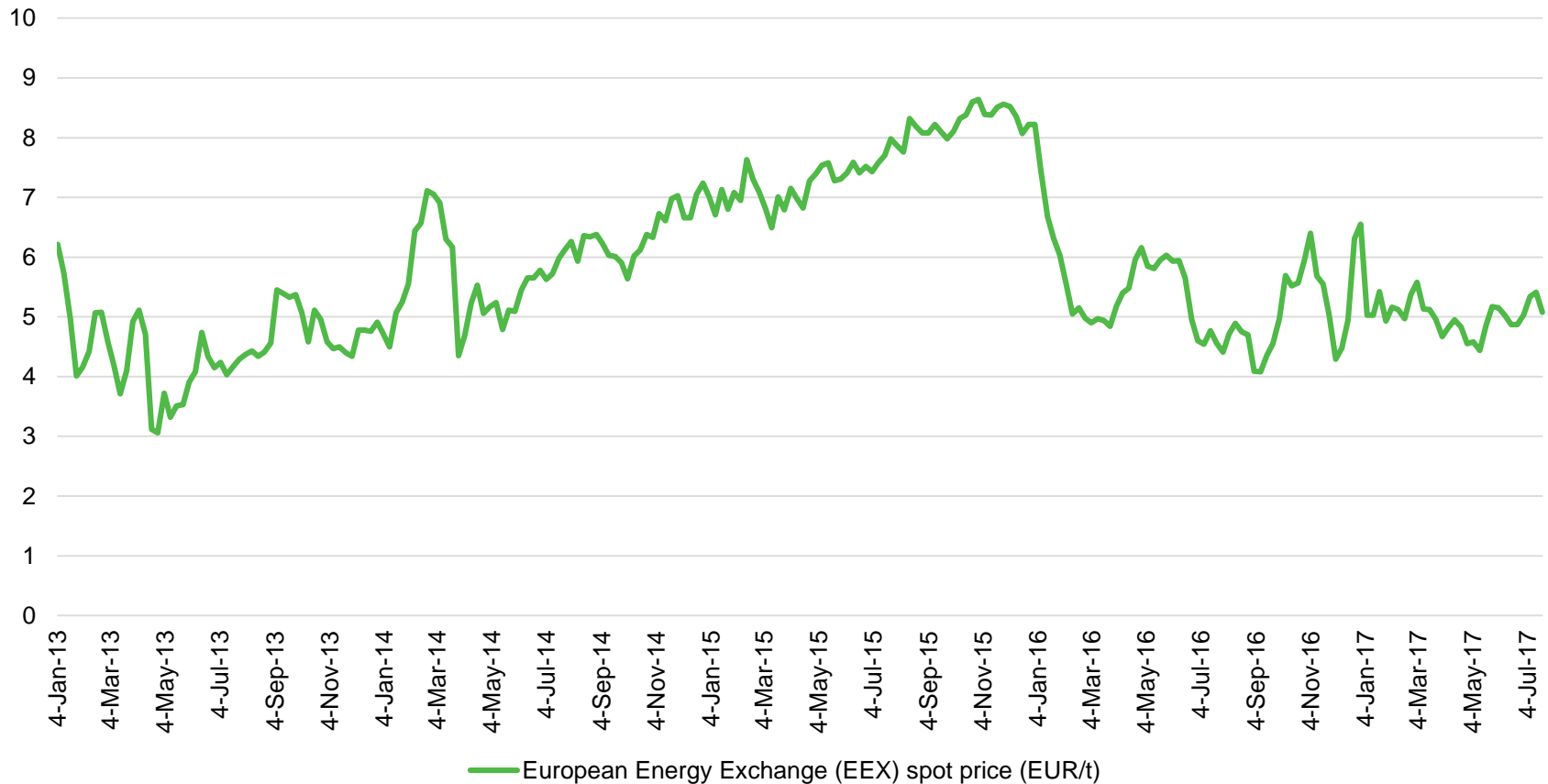
Crude oil, natural gas and electricity

United States



Source: Bloomberg

European Carbon Emission Allowance



Source: Bloomberg

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