

# Valmet

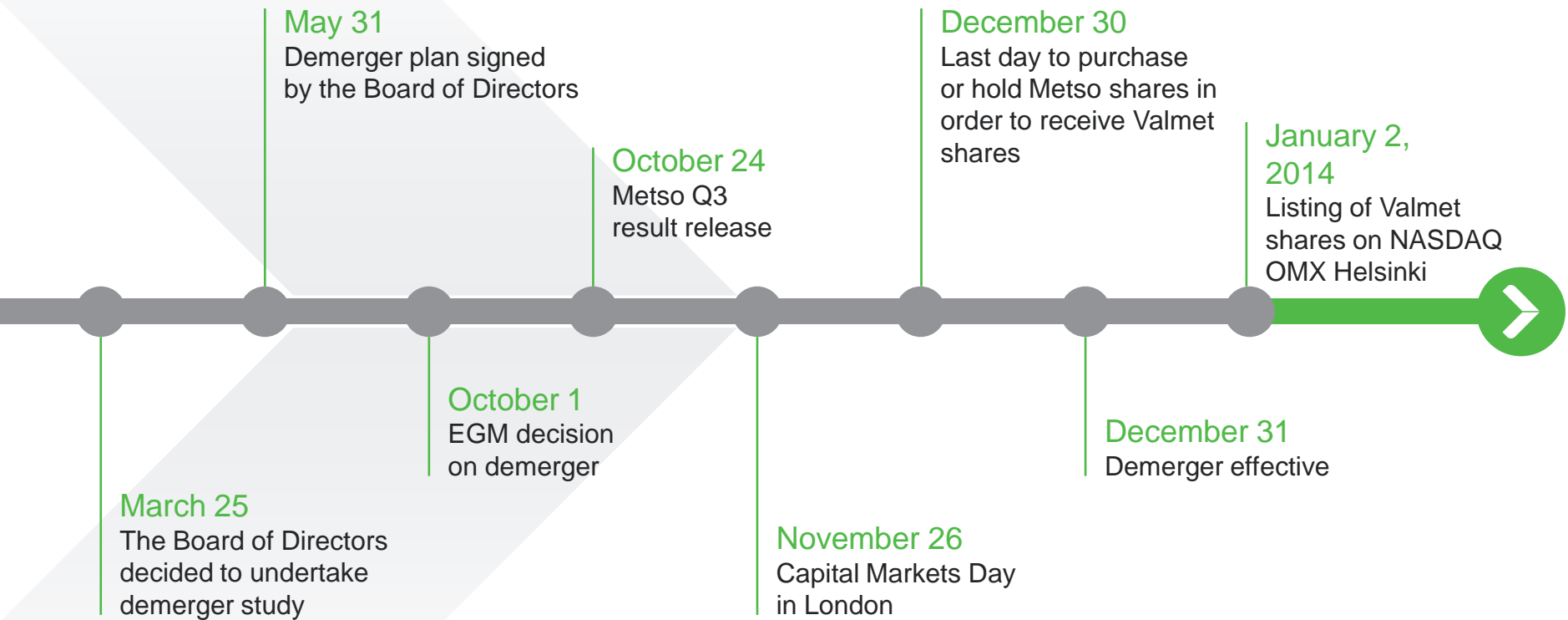
Roadshow material  
February 2014

# Agenda

## Valmet Roadshow

- 1 Demerger finalized
- 2 Valmet overview
- 3 Investment highlights
- 4 Financials
- 5 Appendix

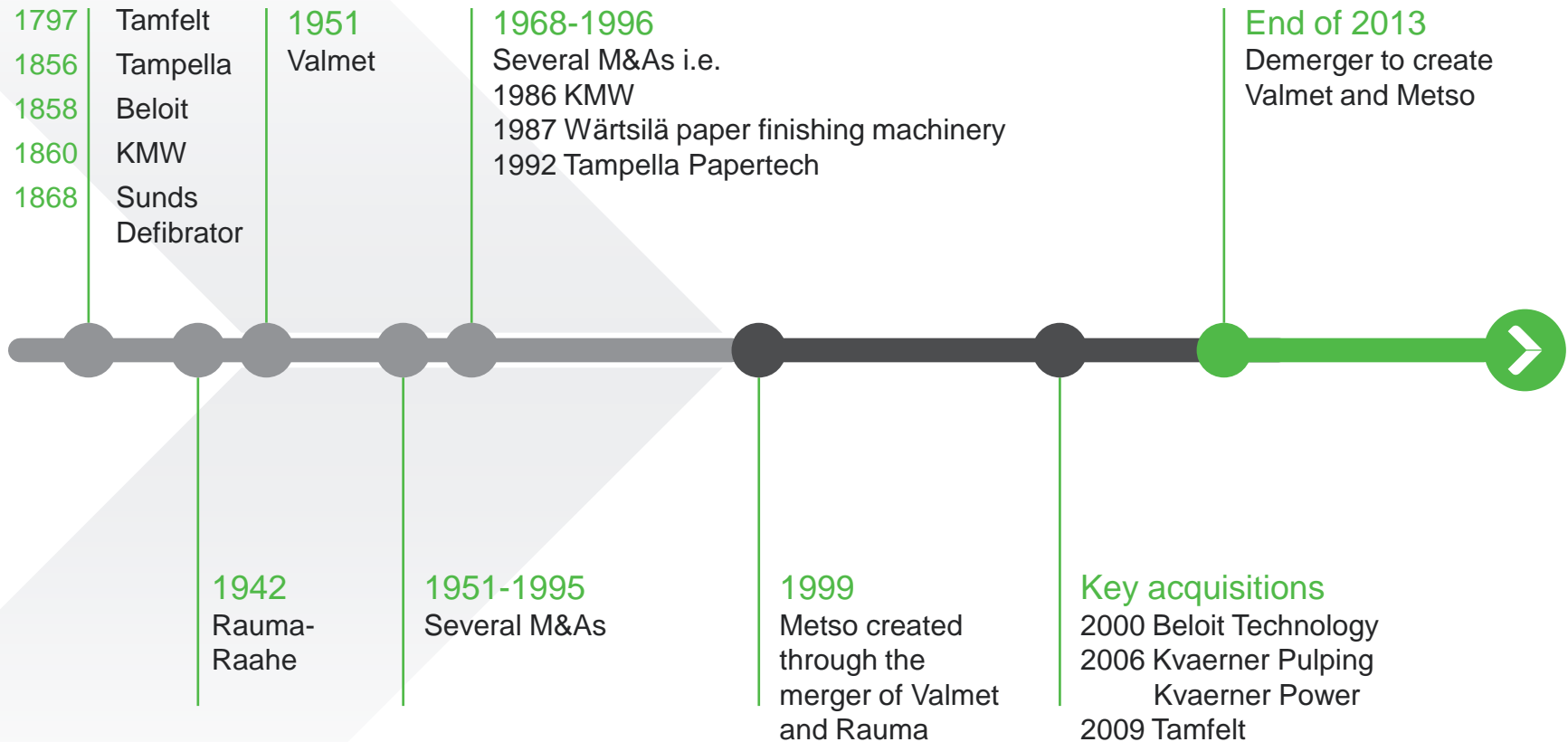
# Demerger finalized





# Valmet overview

# Valmet's road to becoming a global market leader



# Capitalizing on the growing pulp, energy, tissue, and packaging board needs globally

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

## 2012 figures<sup>1</sup>

Net sales<sup>1</sup> EUR 2,613 m

Profit<sup>2</sup> EUR 54 m

Employees 11,765

## Position

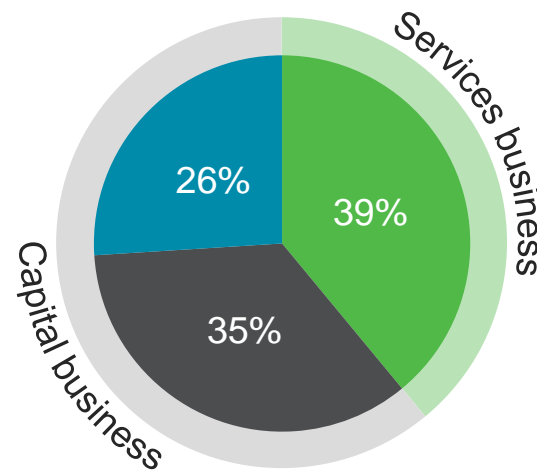
#1-2 Services

#1-2 Pulping

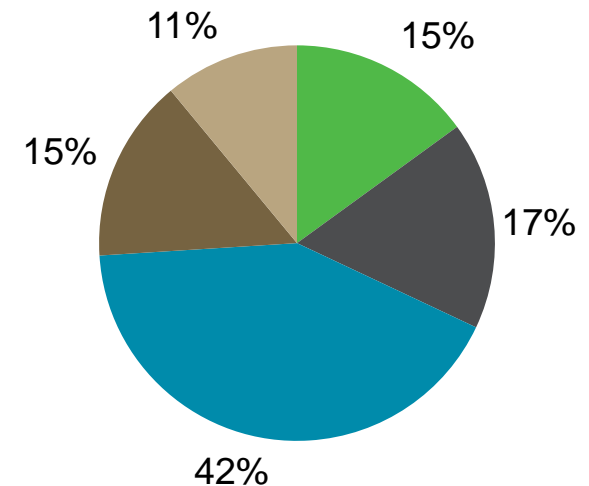
#1-2 Bioenergy generation

#1-2 Paper, board, tissue

## Sales<sup>1</sup>



■ Services  
■ Pulp and Energy  
■ Paper



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

1) Carve-out figures for the periods indicated, 2013

2) EBITA before non-recurring items

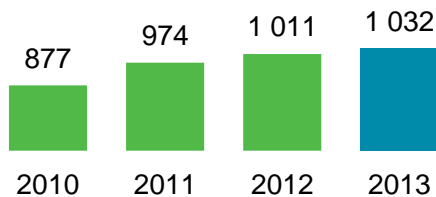
# Our three business lines serve the same customer base



## Services

Net sales<sup>1</sup> 1.0 bn, 39%

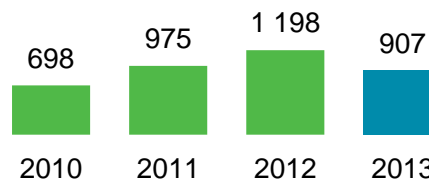
- Mill and plant improvements
- Roll and workshop services
- Parts and fabrics
- Life-cycle services



## Pulp and Energy

Net sales<sup>1</sup> 0.9 bn, 35%

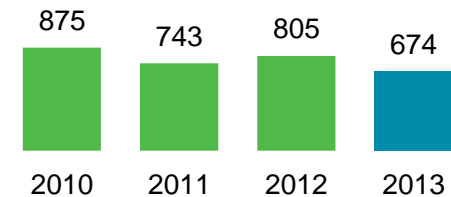
- Technologies and solutions for
- Pulp production
  - Power generation
  - Biomass conversion



## Paper

Net sales<sup>1</sup> 0.7 bn, 26%

- Technologies and solutions for
- Board
  - Tissue
  - Paper




1) Net sales by business line on a carve-out basis for the periods indicated (excl. Intra-Metso net sales)

# Strong global presence – good platform for growth


## North America

- Large installed base to be serviced
- Growth opportunity in increased outsourcing
- Capital project opportunities in tissue and board

1,147 employees




Net sales<sup>1)</sup> EUR 401 m




## EMEA

- Large installed base to be serviced
- Growth opportunity in increased outsourcing
- Machine closures in printing and writing
- Capital project opportunities in pulp, tissue, and bioenergy

7,514 employees



Net sales<sup>1)</sup> EUR 1,096 m



## China

- Capital project opportunities in board and tissue
- Good services market with growth potential

2,061 employees



Net sales<sup>1)</sup> EUR 389 m



## South America

- Capital project opportunities in pulp, tissue and bioenergy
- Good services growth potential

418 employees



Net sales<sup>1)</sup> EUR 442 m



## Asia Pacific

- Capital project opportunities in pulp, tissue, and board
- Good services market with growth potential

625 employees



Net sales<sup>1)</sup> EUR 285 m



1) Net sales breakdown by area on a carve-out basis for 2013 and breakdown of employees by area on a carve-out basis as at December 31, 2013



# Serving global customer base



## Key customers



## Key customers



## Key customers



Valmet is a registered trademark of Valmet Corporation. Other trademarks appearing here are trademarks of their respective owners.

# Valmet's way forward

## Mission



Converting renewable resources into sustainable results

## Strategy



Competitive technologies and services to the pulp, paper and energy industries.

Strong commitment to move our customers' performance forward.

## Must-wins



- > Customer excellence
- > Leader in technology and innovation
- > Excellence in processes
- > Winning team

## Vision



To become the global champion in serving our customers

# Valmet's Must-Win initiatives and objectives

Must-Wins	Primary Must-Win objectives
1. Customer excellence	<ul style="list-style-type: none"><li>• Strengthen our presence close to customers and growth markets</li><li>• Strengthen Key Account Management to enhance growth at the customer</li><li>• Drive service growth through long-term agreements and expanded customer base</li></ul>
2. Leader in technology and innovation	<ul style="list-style-type: none"><li>• Improve product cost competitiveness to increase gross profit</li><li>• Create new revenue from biotechnology solutions and new offering</li></ul>
3. Excellence in processes	<ul style="list-style-type: none"><li>• Reduce quality costs</li><li>• Savings in procurement</li><li>• Reduction in lead times</li><li>• Improve health and safety</li><li>• Improve project and service margin</li><li>• Implement cost competitiveness program to reach EUR 100 million cost savings</li></ul>
4. Winning team	<ul style="list-style-type: none"><li>• Strengthen high-performance culture</li><li>• Continue further globalization of our capabilities to be closer to customers</li></ul>



# Investment highlights

# Investment highlight summary

1

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

2

Stable, growing, and profitable **services business** with over **EUR 1 billion sales** provides good visibility and resilience

3

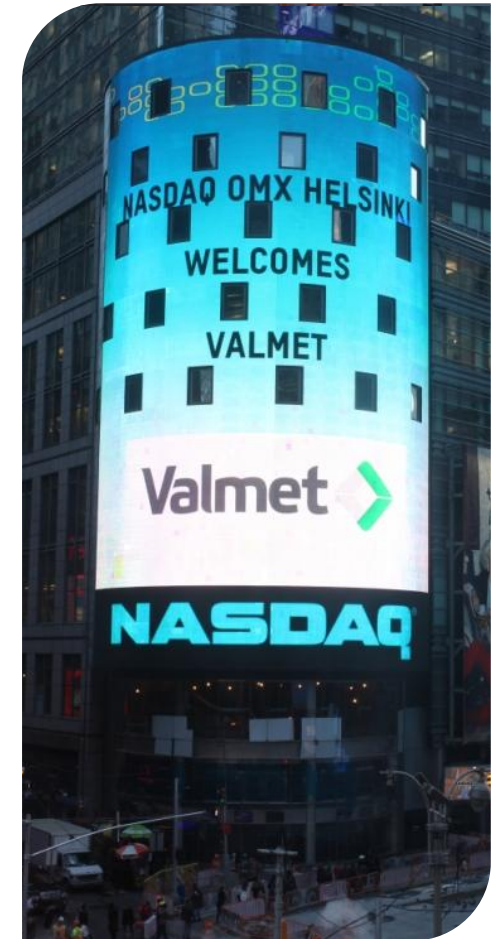
**Long-term growth potential in capital business** from increase in pulp, energy, board and tissue consumption and from substitution of fossil fuels

4

**Global diversified footprint** with large exposure to growing emerging markets

5

Strong **focus on profitability** improvement



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

## Services (>EUR 1 bn)<sup>1</sup>



### Market position

Services #1-2

### Large installed base

- 3,800 pulp and paper mills in the world
- Over 50% purchase services from Valmet

## Capital (~EUR 1.6 bn)<sup>1</sup>



Pulp

Pulping #1-2

- 200 wood-handling systems
- 470 cooking systems
- 300 complete fiber lines
- 400 evaporation systems
- 350 recovery islands
- 200 mechanical pulping lines



Energy

Bioenergy generation #1-2

- 270 fluidized bed boilers
- 120 BioGrate boilers
- 400 environmental protection systems



Paper

### Machines

Board #1-2  
Tissue #1  
Paper #1-2

- 700 board machines
- 180 tissue machines
- 900 paper machines

## Superior technological know-how

### Consistent investments in R&D

2010-2012 average ~EUR 70 m (2.5% of sales)

### Extensive IP portfolio

~1,800 protected inventions – June 30, 2013

>70 new products launched per year

1) Net sales in 2013 on a carve-out basis

# EUR 1 billion of net sales from stable and growing services

## Strong trends driving services market expansion

- Customers outsource non-core operations
- Capacity increases in China, South America and Asia-Pacific
- Customer cost pressure and efficiency requirements increase demand for process improvements and maintenance services
- Machine closures in EMEA region and North America

## Large target market<sup>1</sup>

➤ EUR 7.0 bn

- 1) Management estimate based on the size of Valmet's services markets using an average services cost per volume produced, based on Valmet's existing customers and estimates of current and forecasted growth in total production volumes  
2) Annual growth between 2010 and 2013 based on available carve-out financials

## Comprehensive offering



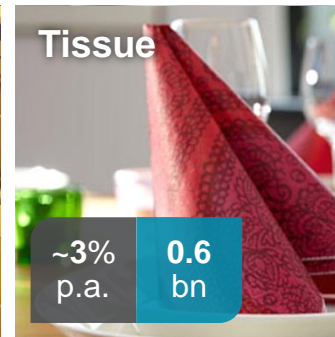
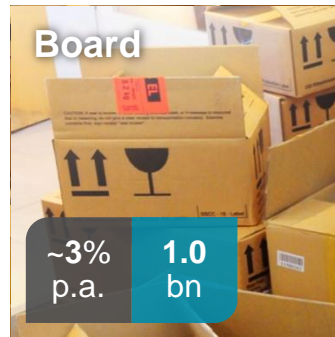
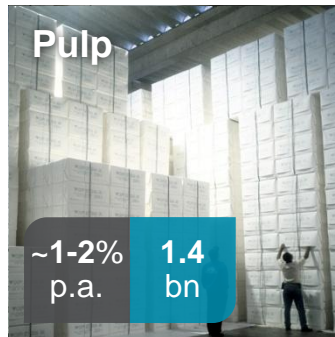
>5.6%  
2010-2013  
p.a.<sup>2</sup>

Valmet services  
business line growth

# Pulp, energy, board, and tissue capital business on long-term growth trajectory

## Pulp and Energy

## Paper



### Demand drivers

- Growth in energy consumption
- Demand for sustainable energy
- Modernization of aging plants
- Incentives and regulation
- Shale gas in North America and the recession in Europe reducing demand
- Growth in paper, board, and tissue consumption in Asia
- Need for virgin wood pulp, as recycling rates can not grow infinitely
- Increased size of pulp lines and mills
- Growth in pulping in Asia and South America
- World trade, e-commerce and emerging markets growth drive packaging
- Shift from plastic packaging to renewable materials
- Growth in emerging markets
- Rise in purchasing power and living standards in emerging markets
- Increasing role of digital media decreases demand for printing and writing papers
- Some growth in emerging markets

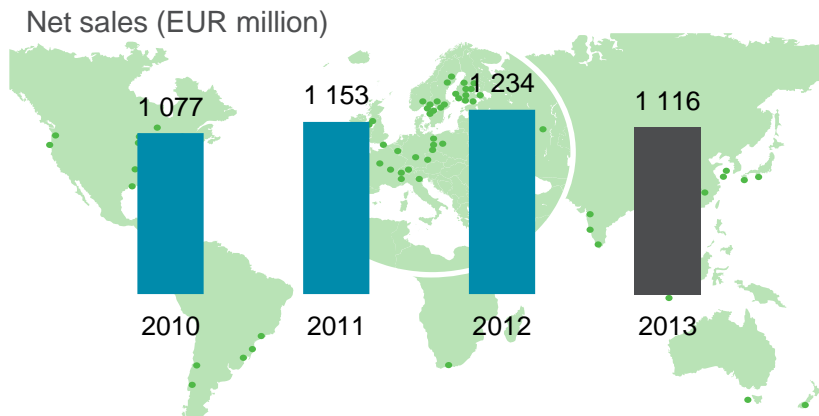
- Anticipated long-term market growth
- Estimated market size for current offering in 2012 (EUR)

Source: Leading consulting firms, RISI, management estimates

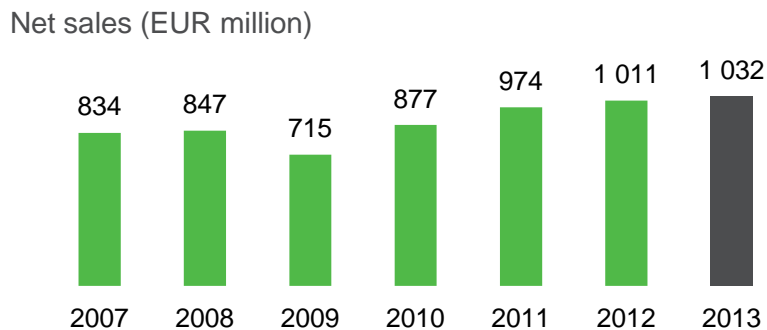


# Global diversified footprint with large exposure to growing emerging markets

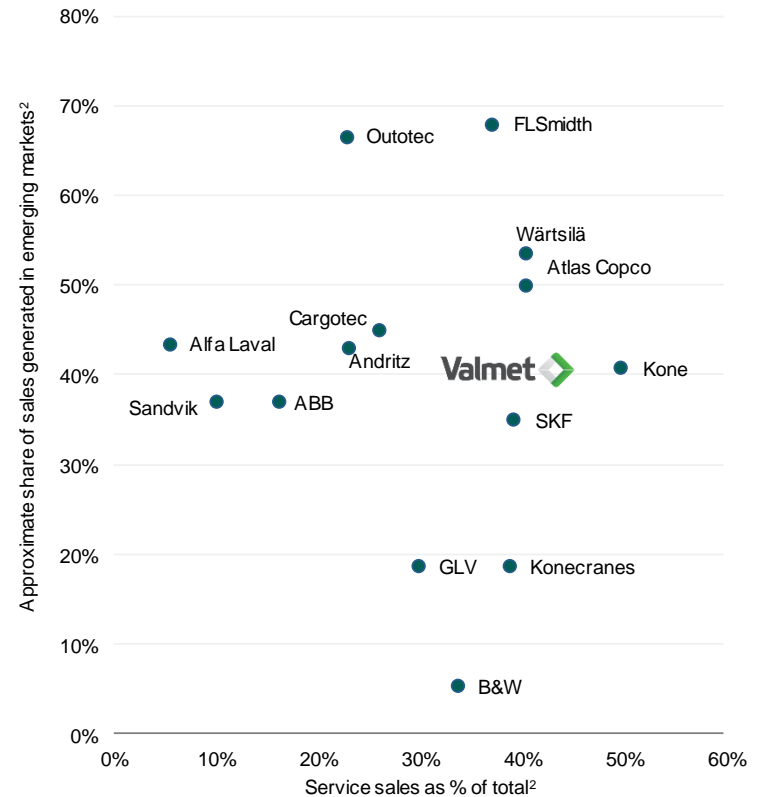
## Emerging markets expansion<sup>1</sup>



## Services expansion<sup>3</sup>



## Exposure to emerging markets<sup>2</sup>



- 1) Illustrative exposure to emerging markets calculated by combining net sales on a carve-out basis in following areas: Asia Pacific, China and South America
- 2) Estimate based on latest reported annual financials and other investor relations material where geographic split and service sales / service order data is available. Estimated emerging market exposure based on company announcement (e.g. Outotec) or otherwise incl. Africa, Asia, Asia Pacific, Latin America, Middle East, South America, and depending on the reporting structure of the companies parts of 'Rest of the world' or 'Other' (the method applied may lead to potential biases in the estimate, which are thus only indicative)
- 3) Carve-out figures for Services business line for 2010-2013; as reported for Metso Pulp, Paper and Power -segment services sales for 2007-2009

# Strong focus on profitability improvement

We are addressing the current decline in the capital business



- Cost-savings program EUR 100 million

Valmet is re-shaping its operations to become leaner, more flexible, and agile



- Capacity being adjusted to meet the new level of demand
- Current level of SG&A expense base to be lowered
- Additional actions to increase operational efficiency
- Target to reach historical gross margin levels

Short- to mid-term profitability improvement through cost-reduction program with clearly defined steps that take profitability towards the targeted level





# Financial review

# Financial targets

## Growth



Net sales growth to exceed market growth

## Profitability



EBITA<sup>1</sup> before non-recurring items: 6-9%

## ROCE

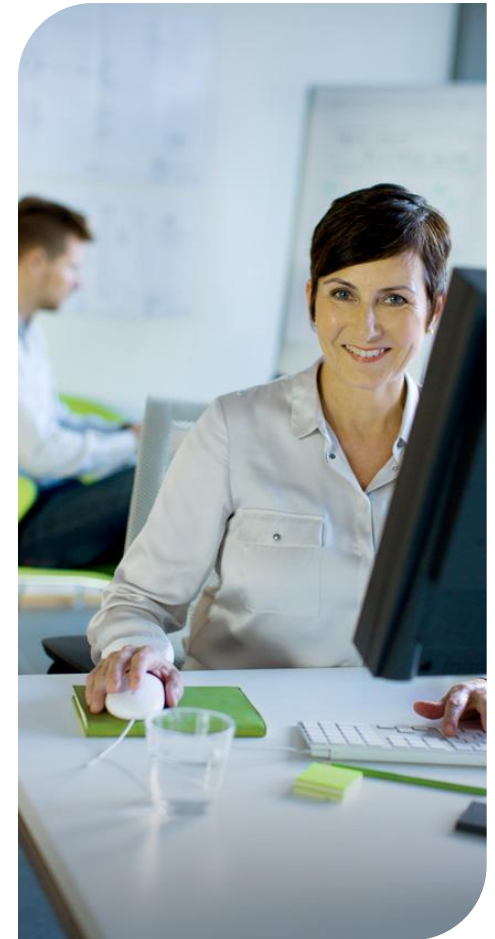


Return on capital employed (pre-tax),  
ROCE<sup>2</sup>: minimum of 15%

## Dividend policy



Dividend payout at least 40% of net profit



- 1) EBITA before non-recurring items = operating profit + amortization + non-recurring items
- 2) ROCE (pre-tax) = ( profit before taxes + interests and other financial expenses ) / ( balance sheet total - non-interest-bearing liabilities )

# Summary of Financial Statements 2013



## **Solid performance in services**

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- 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**

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- Orders received in 2013 declined in Energy, and Board and Paper business units
- Net sales declined in Pulp and Energy, and Paper business lines
- Profitability declined from 2012 in both business lines



## **Profitability improvement program proceeding according to plan**

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- 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**

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- Net debt EUR -1 million
- Gearing 0%



## **Improved short-term market outlook**

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

# Key figures 2013

EUR million	Q4/2013	Q4/2012	Change	2013	2012	Change
Orders received	<b>428</b>	678	-37%	<b>2,182</b>	2,445	-11%
Order backlog				<b>1,398</b>	1,918 <sup>1</sup>	-27%
Net sales	<b>666</b>	925	-28%	<b>2,613</b>	3,014	-13%
EBITA <sup>2</sup>	<b>-25</b>	54		<b>54</b>	192	-72%
% of net sales	<b>-3.7%</b>	5.8%		<b>2.1%</b>	6.4%	
EBIT <sup>3</sup>	<b>-66</b>	22		<b>-59</b>	138	
% of net sales	<b>-9.9%</b>	2.4%		<b>-2.2%</b>	4.6%	
Earnings per share, EUR	<b>-0.41</b>	0.04		<b>-0.42</b>	0.51	
Return on capital employed (ROCE), before taxes				<b>-4%</b>	12% <sup>4</sup>	
Dividend per share, EUR				<b>0.15<sup>5</sup></b>	-	
Operational cash flow	<b>-38</b>	-81		<b>-43</b>	-53	
Gearing at the end of period				<b>0%</b>	6% <sup>4</sup>	

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.

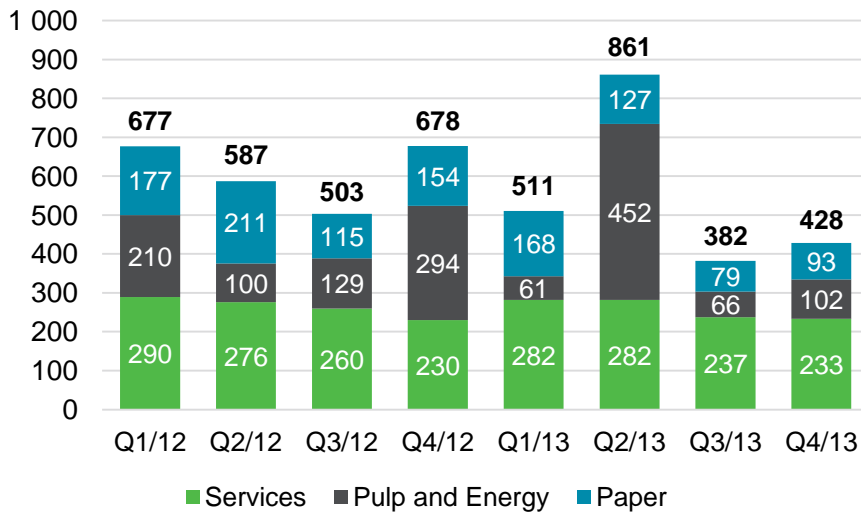
5) Proposal made by the Board of Directors

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.

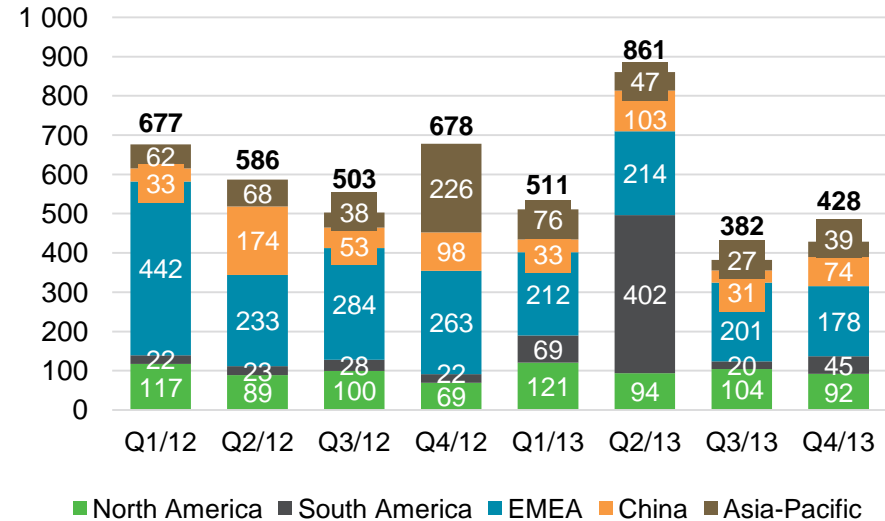
Non-recurring items: EUR -34 million in Q4/2013 (EUR -24 million in Q4/2012) EUR -86 million in 2013 (EUR -24 million in 2012)

# Orders received declined in capital business, stable in services

Orders received (EUR million),  
by business line



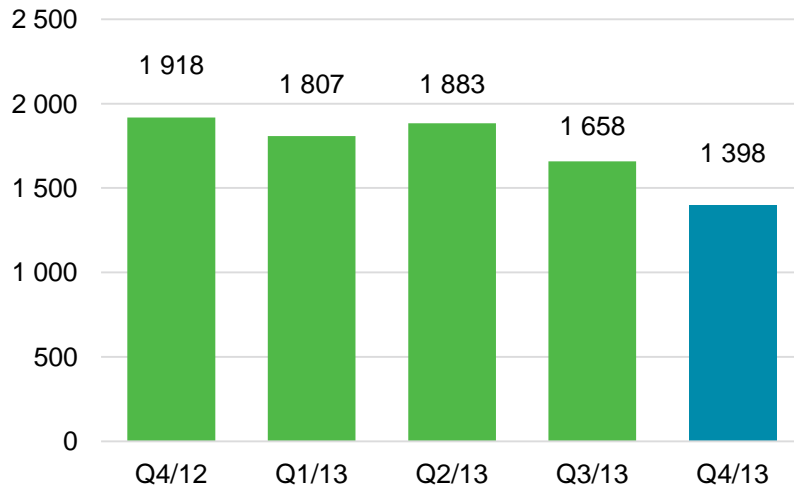
Orders received (EUR million),  
by area



- 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

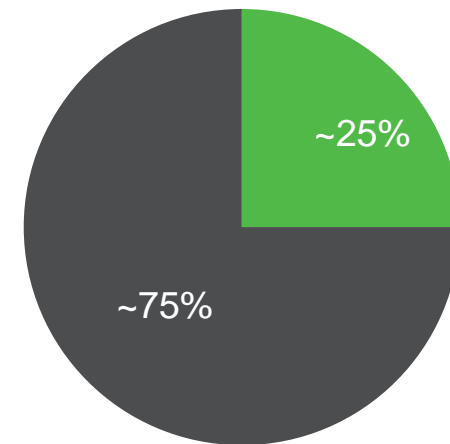
# Order backlog

Order backlog (EUR million)



Cancelled Fibria order of EUR 331 million excluded

Structure of the order backlog



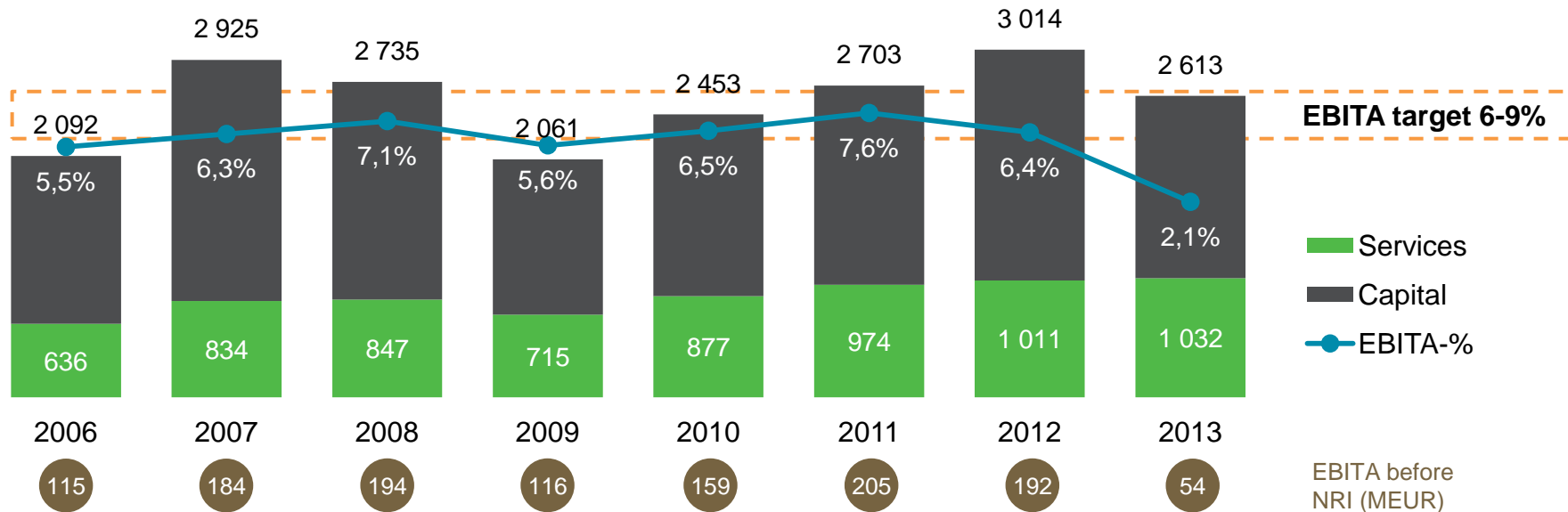
■ Services business ■ Capital business

- 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, annual

Net sales and EBITA before NRI (EUR million)<sup>1</sup>

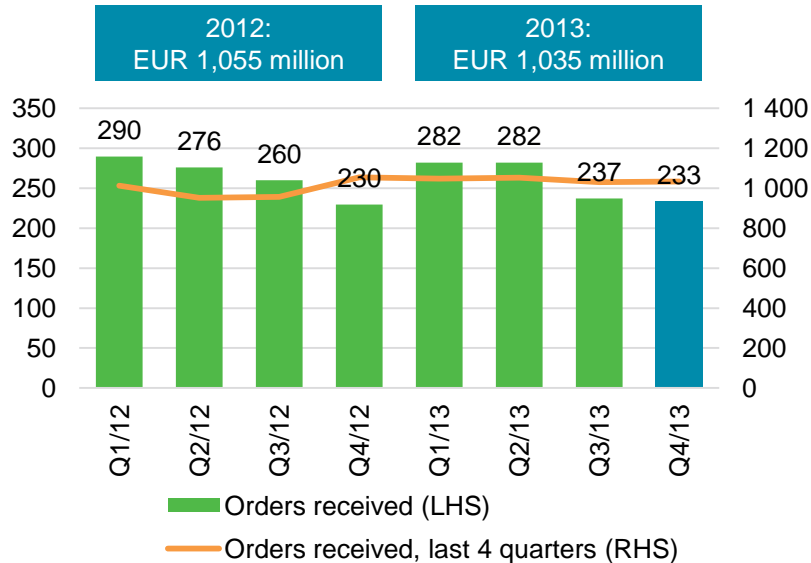


- Timing of large projects has had an impact on the level of net sales
- EBITA-% has been relatively stable over time
- The paper machine market has shifted to smaller and lower-cost machines
- The power generation market is changing due to low-cost shale gas and political and economical uncertainty in Europe
- Intensified competition has had an impact on profitability

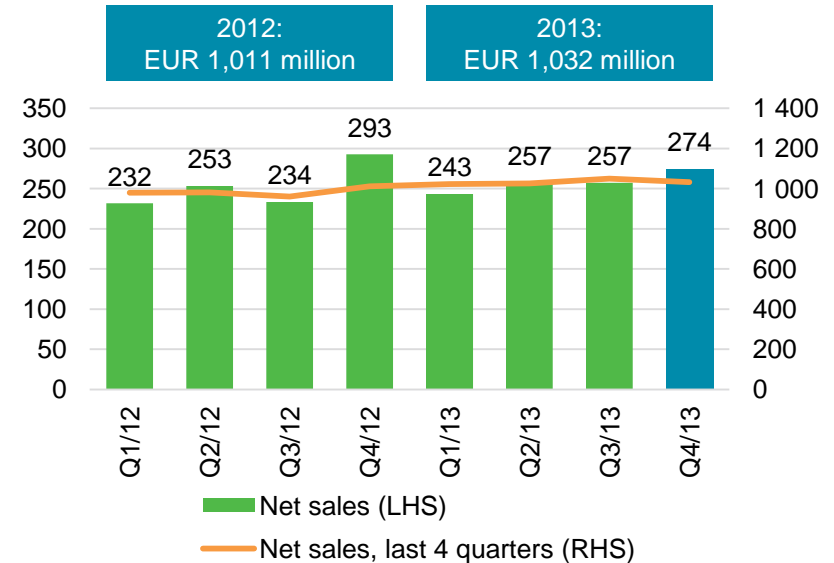
<sup>1)</sup> Carve-out figures for 2010-2013; as reported for Metso's Pulp, Paper and Power segment for 2006-2009

# Services business line

Orders received (EUR million)



Sales (EUR million)

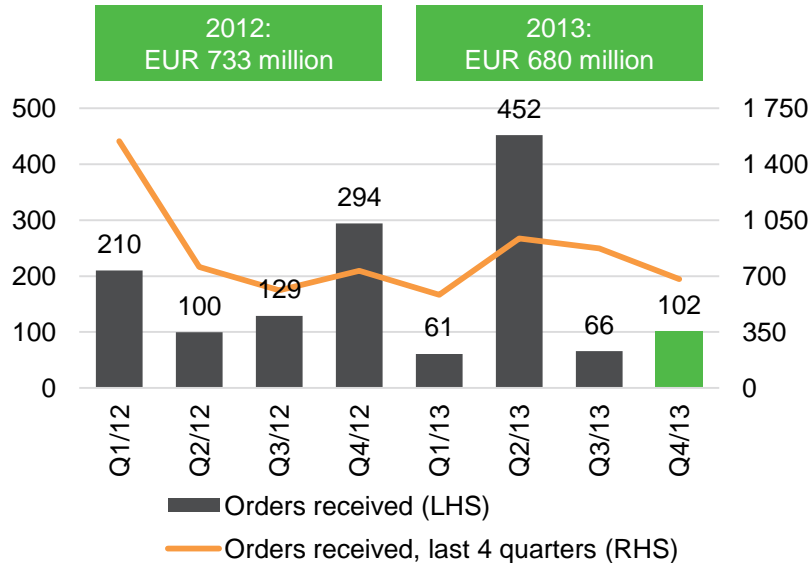


## Current profitability: Satisfactory

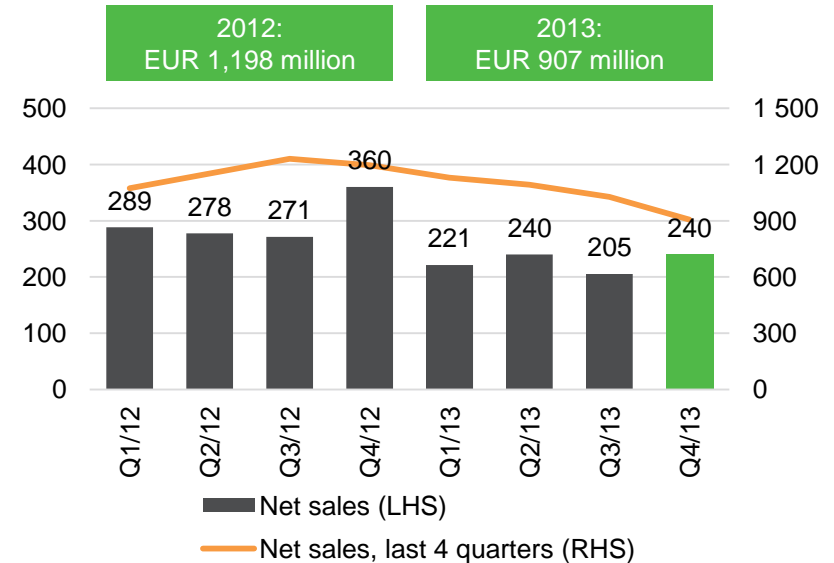
- Orders received in 2013 are on the same level as in previous year
  - Slight increase in orders received in North America, decrease in EMEA
  - In business units, orders received increased in Fabrics, and declined in Mill Improvements
- Net sales in 2013 stable at an annual level of over EUR 1 billion
- 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)

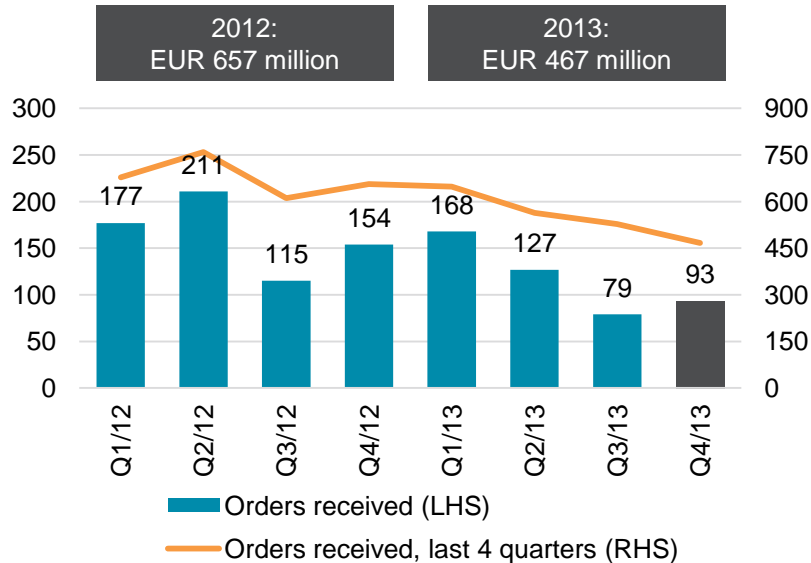


## Current profitability: Weak

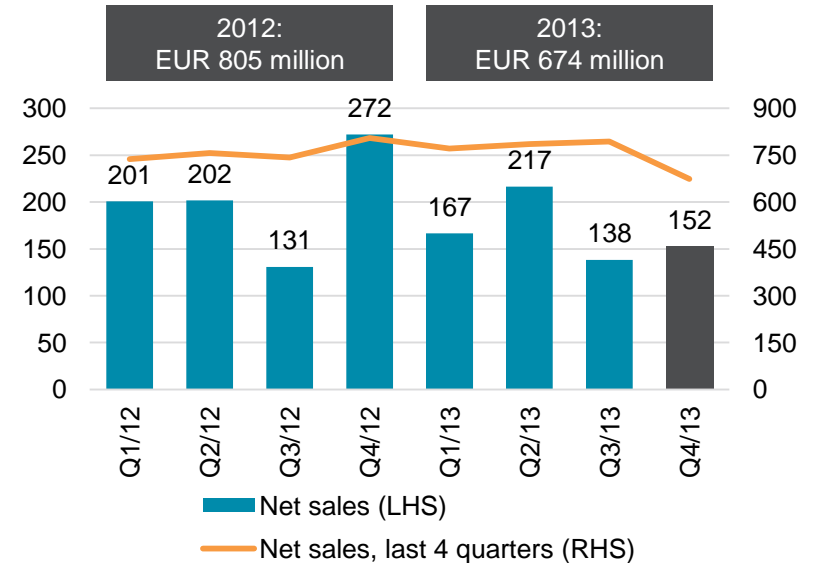
- Orders received declined in 2013
  - Pulp business unit received an order from CMPC in June, with a value of around EUR 400 million
  - In Energy business unit, orders on a weak level mainly due to the lower price of gas and coal and uncertainties in legislation and incentives in the countries within 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

# Announced orders in 2014

Date	Description	Business line	Country	Value
Jan 9	Prehydrolysis system (pilot scale)	Pulp and Energy	Netherlands	Not disclosed
Jan 27	Multi-fuel boiler	Pulp and Energy	Finland	Not disclosed
Jan 31	Upgrade of recovery boiler and power boiler	Pulp and Energy	Sweden and Bulgaria	Not disclosed
Feb 7	Key technology for a pulp mill project	Pulp and Energy	Indonesia	~EUR 340 million
Feb 10	Paper machine rebuild	Paper	Austria	Not disclosed (typically above EUR 20 million)
Feb 13	Heat recovery steam generator	Pulp and Energy	Sweden	Nearly EUR 10 million
Feb 17	Bleach plant rebuild	Pulp and Energy	Portugal	Not disclosed
Feb 19	Collaboration agreement	Pulp and Energy	USA	Not disclosed

- These orders have been announced in 2014 either as Stock Exchange Releases or Press Releases.



# 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

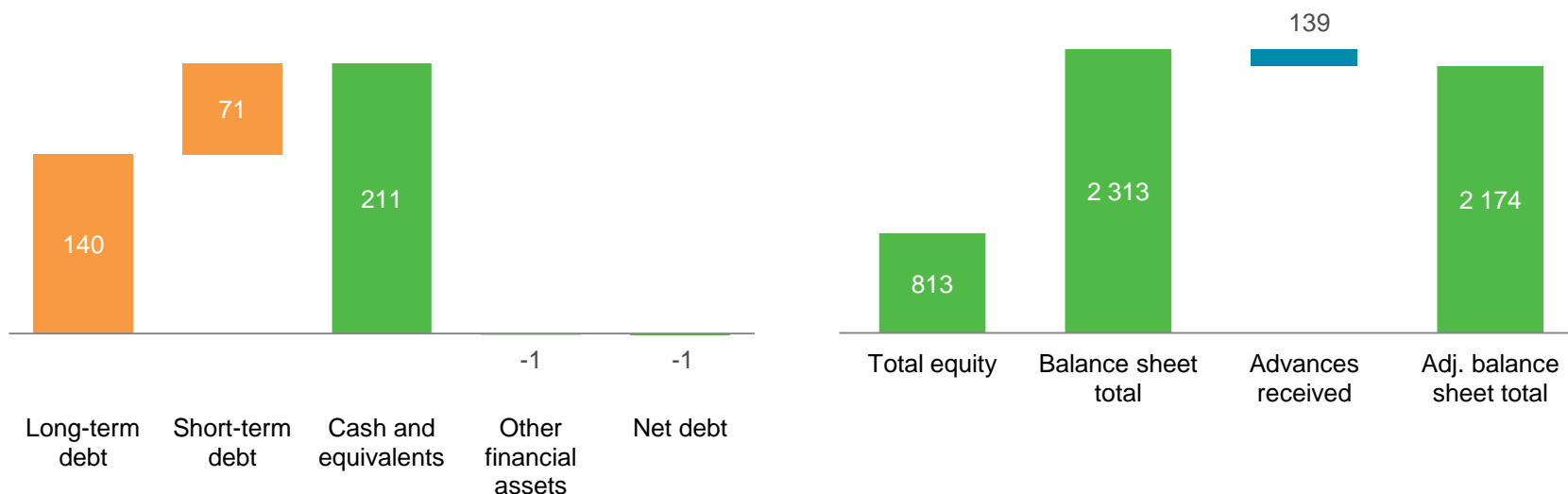
## Process excellence



- Further savings potential in procurement and quality

# Strong balance sheet to support large orders

Financial position as of December 31, 2013 (EUR million)



Net debt → EUR -1 million

Gearing → 0%

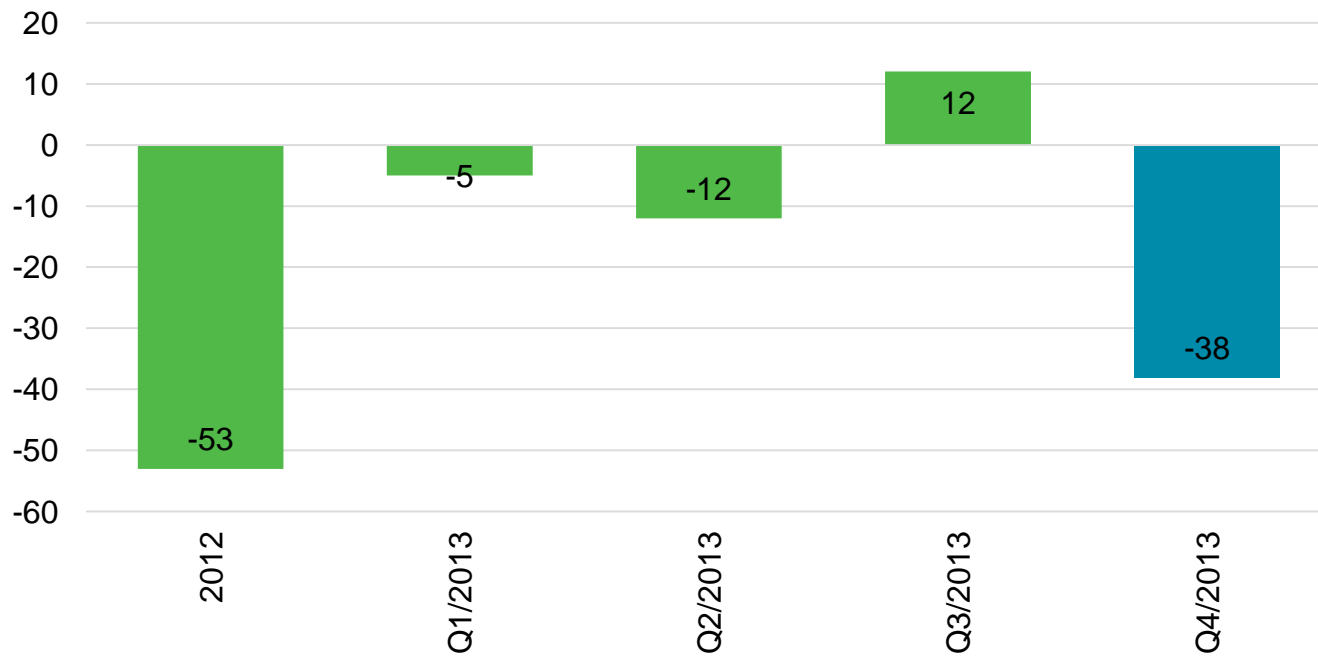
Equity ratio<sup>1</sup> → 41%

- Valmet has a strong balance sheet that enables it to participate in large projects
- Valmet has long-term liquidity in place

1) Total equity / (Balance sheet total - advances received - billings in excess of cost and earnings of projects under construction)

# Cash flow

Operational cash flow (EUR million)



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



# 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

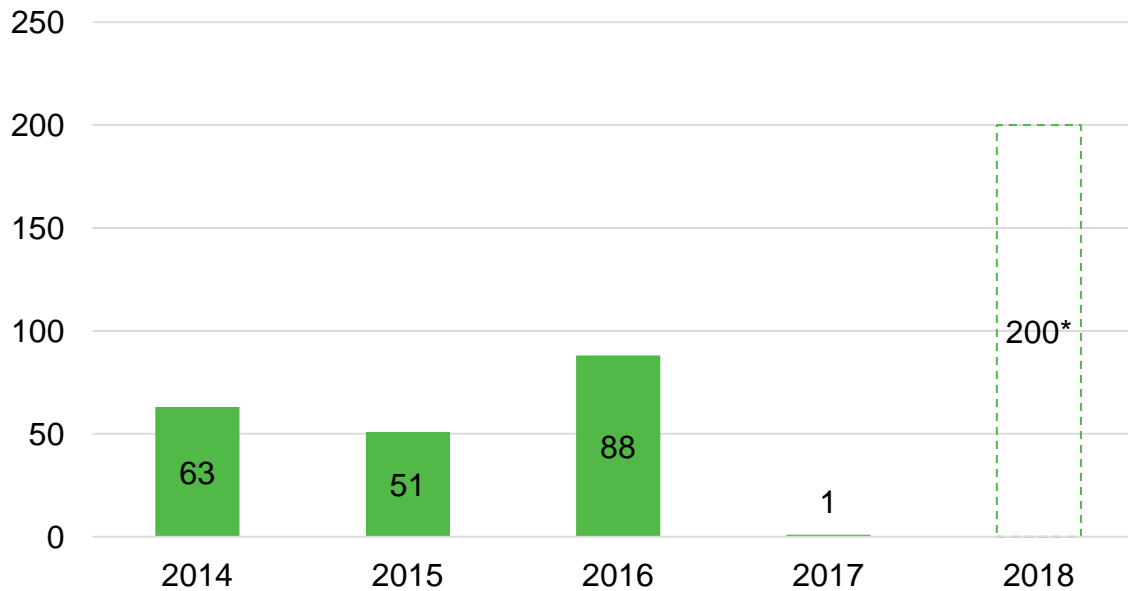
- None outstanding

### 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 policy



Dividend payout at least 40% of net profit

Board of Directors' dividend proposal to the  
Annual General Meeting



EUR 0.15 per share





# Conclusion

# Valmet - unique combination of technology, capital equipment and services globally

Global, diversified customer base

Global organization close to customers



## Services

- >EUR 1 bn business
- >2,000 customer plants worldwide
- ~70 service centers

## Capital

- Established market leader
- Global, diversified footprint

## Technology

- ~1,800 protected inventions
- High barrier to entry

# Investment highlight summary

1

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

2

Stable, growing, and profitable **services business** with over **EUR 1 billion sales** provides good visibility and resilience

3

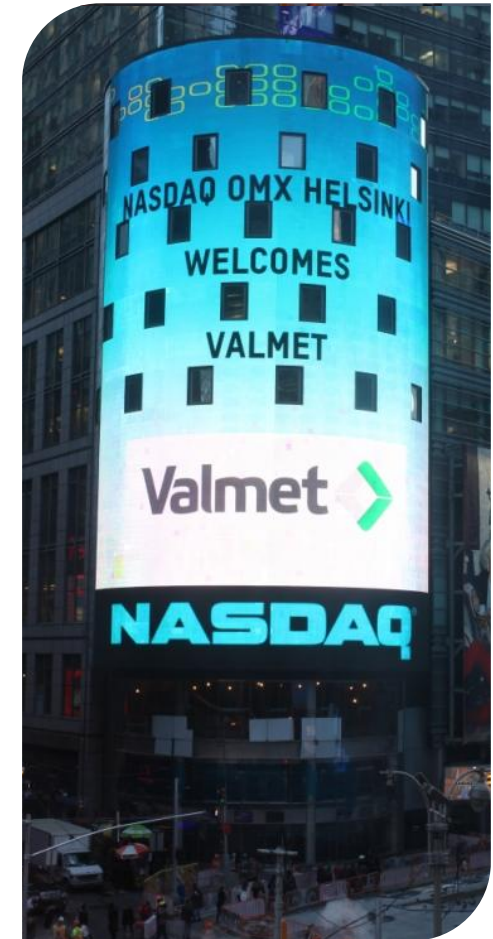
**Long-term growth potential in capital business** from increase in pulp, energy, board and tissue consumption and from substitution of fossil fuels

4

**Global diversified footprint** with large exposure to growing emerging markets

5

Strong **focus on profitability** improvement



# 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

# Important notice

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# Appendix

Company information

# Comprehensive life-cycle services offering and large customer base with significant potential

## Comprehensive life-cycle services offering



Comprehensive life-cycle services offering serving global customer base with over 2,000 plants purchasing services from Valmet annually

### Spare and wear parts

- All OEM spare parts and standard parts in Valmet deliveries
- Inventory management services and process parts, such as consumables and auxiliary products

### Fabrics

- Paper machinery clothing
- Filter fabrics used in the pulp and paper, mining and chemical industries and power plants for various filtration purposes as well as in commercial laundries

### Mill and plant improvements

- Plant upgrades
- Modifications and environmental improvements
- Troubleshooting
- Shutdown maintenance
- Maintenance outsourcing for the entire customer plant

### Roll and workshop services

- Maintenance services on rotating equipment: roll covers, spare rolls and roll upgrades
- Rebuilds for all manufacturers' board, tissue, pulp and paper machines
- Workshop services: pressure part manufacturing, boiler component services, parts to protect and enhance boiler performance and fiber equipment refurbishing

# Experienced management team

## Corporate



23

23

### Pasi Laine

President and CEO  
Share ownership: 17,616



<1

6

### Markku Honkasalo

Chief Financial Officer  
Share ownership: -



2

2

### Kari Saarinen

Head of Strategy and  
Operational Development  
Share ownership: -



1

10

### Julia Macharey

Head of Human Resources  
Share ownership: -



<1

19

### Anu Salonsaari-Posti

Head of Marketing &  
Communications  
Share ownership<sup>1</sup>: 100

## Business lines



24

24

### Jukka Tiitinen

Business Line President,  
Services  
Share ownership<sup>2</sup>: 7,100



2

2

### Jyrki Holmala

Business Line President, Pulp  
and Energy  
Share ownership: 800



26

26

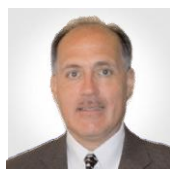
### Jari Vähäpesola

Business Line President,  
Paper  
Share ownership: 4,785

■ # years at Valmet /  
its predecessor

■ # years of experience  
in the sector

## Areas



20

37

### William Bohn

Area President, North  
America  
Share ownership: -



19

27

### Celso Tacla

Area President, South  
America  
Share ownership: 4,027



35

37

### Hannu Mälkiä

Area President, EMEA  
Share ownership: 9,415



19

21

### Aki Niemi

Area President, China  
Share ownership: -



27

30

### Hannu T. Pietilä

Area President, Asia Pacific  
Share ownership: 1,000

1) Includes 100 shares in Valmet owned by Ms. Salonsaari-Posti's family members

2) Includes 30 shares in Valmet owned by Mr. Tiitinen's family members

# Board of Directors



**Jukka Viinanen**  
(b. 1948)  
Chairman of the Board  
Finnish citizen

- MSc in Engineering
- Selected experience:
  - CoB of Metso since 2009, board member since 2008
  - CoB of Kemira
- Share ownership: 6,017
- Independent of company: Yes
- Independent of owners: Yes



**Mikael Von Frenckell**  
(b. 1947)  
Vice Chairman of the Board  
Finnish citizen

- MSc in Social Sciences
- Selected experience:
  - Vice CoB of Metso since 2012, board member since 2010
  - Member of the BoD of Antti Ahlströmin Perilliset Oy and Sponsor Capital Oy
- Share ownership: 102,754
- Independent of company: Yes
- Independent of owners: Yes



**Erkki Pehu-Lehtonen**  
(b. 1950)  
Board member  
Finnish citizen

- MSc in Mechanical Engineering
- Selected experience:
  - Member of Metso board since 2010
  - CoB of Raute Corporation
  - President and CEO of Pöyry (1999-2008)
- Share ownership: 3,179
- Independent of company: Yes
- Independent of owners: Yes



**Pia Rudengren**  
(b. 1965)  
Board member  
Swedish citizen

- MSc in Business Administration and Economics
- Selected experience:
  - Member of Metso board since 2009
  - CoB of Social Initiative AB
  - Member of the BoD of Duni, Tikkurila and Swedbank
- Share ownership: 2,864
- Independent of company: Yes
- Independent of owners: Yes



**Friederike Helfer**  
(b. 1976)  
Board member  
Austrian citizen

- MSc in Real Estate Development, Diplom-Ingenieur in Urban Planning, CFA charterholder
- Selected experience:
  - Partner at Cevian Capital, joined Cevian Capital in 2008
  - Engagement Manager at McKinsey (2004-2008)
- Share ownership<sup>1</sup>: -
- Independent of company: Yes
- Independent of owners: not independent of a significant shareholder



**Pekka Lundmark**  
(b. 1963)  
Board member  
Finnish Citizen

- MSc in Engineering
- Selected experience:
  - President and CEO of Konecranes
  - CoB of Marimekko and Vice COB of the Federation of Finnish Technology Industries (CoB in 2011 and 2012)
- Share ownership<sup>2</sup>: 4
- Independent of company: Yes
- Independent of owners: Yes



**Rogério Ziviani**  
(b. 1956)  
Board member  
Brazilian citizen

- BSc in Business Management, MSc in Business Administration
- Selected experience:
  - Member of the BoD of Contax Participações S.A and HSBC – SRI – FI – Sustainability Fund
  - Member of the Brazilian Institute of Corporate Governance
- Share ownership: -
- Independent of company: Yes
- Independent of owners: Yes

- 1) Ms. Helfer is employed by Cevian Capital. The total holding of Cevian funds amounted to 20,813,714 shares in Metso Corporation on December 30, 2013.
- 2) Includes 4 shares in Valmet owned by Mr. Lundmark's family members

The Board of Directors propose Lone Fønss Schröder to be elected as a new member, replacing Pia Rudengren.

# Largest shareholders on January 31, 2014

Based on the information given by Euroclear Finland Ltd.

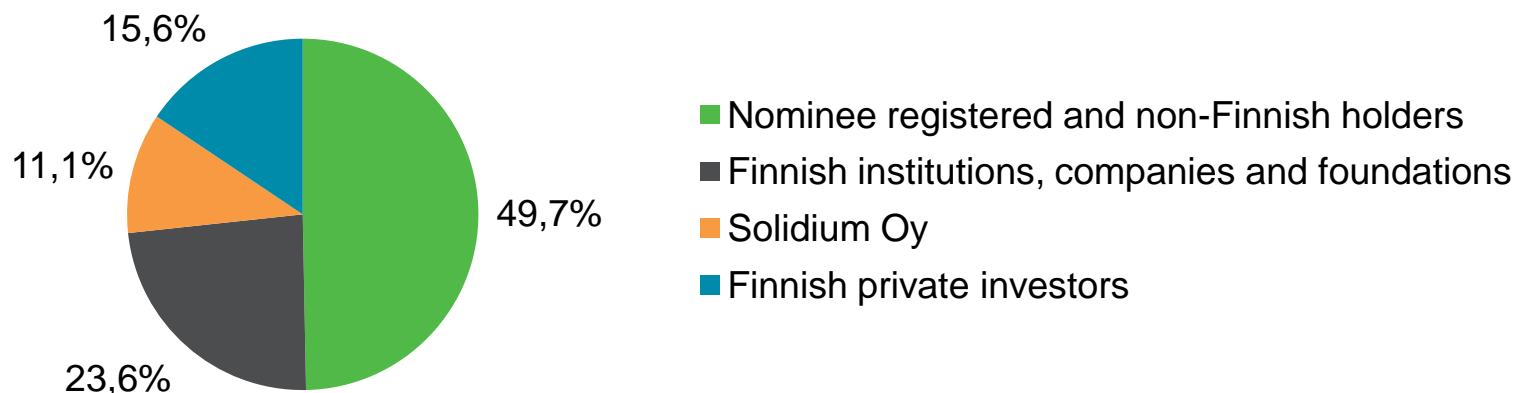
## Largest shareholders

#	Shareholder name	Number of shares	% of shares and votes
1	Solidium Oy <sup>1</sup>	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 <sup>1</sup>	0	0.0%	16,695,287	11.1%
Finnish private investors	52,749	92.8%	23,389,365	15.6%
<b>Total</b>	<b>56,893</b>	<b>100.0%</b>	<b>149,864,619</b>	<b>100.0%</b>

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



# Appendix

## Financials

# Key ratios

	2013	2012
Earnings per share, EUR <sup>1</sup>	<b>-0.42</b>	0.51
Diluted earnings per share, EUR <sup>2</sup>	-	-
Equity/share at end of period, EUR	<b>5.39</b>	-
Return on equity (ROE), % <sup>3</sup>	<b>-7</b>	9
Return on capital employed (ROCE) before taxes, % <sup>3</sup>	<b>-4</b>	12
Equity to assets ratio at end of period, % <sup>3</sup>	<b>41</b>	38
Gearing at end of period, % <sup>3</sup>	<b>0</b>	6
Cash flow provided by operating activities	<b>-43</b>	-53
Cash flow after investments	<b>-97</b>	-106
Gross capital expenditure (excl. business acquisitions), EUR million	<b>-54</b>	-59
Business acquisitions, net of cash acquired, EUR million	<b>-3</b>	-
Depreciation and amortization, EUR million	<b>-82</b>	-90
Number of outstanding shares at end of period (thousands)	<b>149,865</b>	-
Average number of shares (thousands)	<b>149,865</b>	-
Average number of diluted shares (thousands) <sup>1</sup>	-	-

<sup>1</sup> The earnings per share information for the periods presented were computed as if the shares issued in conjunction with the Demerger had been outstanding for all periods presented.

<sup>2</sup> The Board of Directors of Valmet has not by the date of approval of this financial statements bulletin decided on the conversion rate between Metso and Valmet shares.

<sup>3</sup> 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



# Consolidated statement of income

EUR million	Q4/2013	restated Q4/2012	2013	restated 2012
	Carve-out	Carve-out	Carve-out	Carve-out
Net sales	663	922	2,600	3,005
Net sales, Metso Group	3	3	13	9
Net sales, total	666	925	2,613	3,014
Cost of goods sold	-578	-748	-2,113	-2,345
Cost of goods sold, Metso Group	-13	-22	-59	-60
Cost of goods sold, total	-591	-770	-2,172	-2,405
Gross profit	75	155	441	609
Selling, general and administrative expenses	-126	-122	-469	-457
Other operating income and expenses, net	-15	-11	-32	-14
Share in profits of associated companies	0	0	1	0
Operating profit	-66	22	-59	138
Financial income and expenses, net	3	-7	-3	0
Financial income and expenses, Metso Group, net	0	-6	-2	-23
Financial income and expenses, net	3	-13	-5	-23
Profit before taxes	-63	9	-64	115
Income taxes	2	-3	2	-39
<b>Profit</b>	<b>-61</b>	<b>6</b>	<b>-62</b>	<b>76</b>
<b>Attributable to:</b>				
Owners of the parent	-61	6	-63	76
Non-controlling interests	0	0	1	0
<b>Profit</b>	<b>-61</b>	<b>6</b>	<b>-62</b>	<b>76</b>

# Balance sheet as at December 31, 2013

ASSETS	Dec 31, 2013	Dec 31, 2012
EUR million		Carve-out
<b>Non-current assets</b>		
<b>Intangible assets</b>		
Goodwill	443	445
Other intangible assets	107	133
	<b>550</b>	<b>578</b>
<b>Property, plant and equipment</b>		
Land and water areas	21	21
Buildings and structures	137	155
Machinery and equipment	210	246
Assets under construction	21	19
	<b>389</b>	<b>441</b>
<b>Financial and other non-current assets</b>		
Investments in associated companies	5	4
Available-for-sale equity investments	3	4
Loan and other interest bearing receivables	1	4
Other receivables, Metso Group	-	119
Deferred tax asset	80	70
Other non-current assets	8	12
	<b>97</b>	<b>213</b>
<b>Total non-current assets</b>	<b>1,036</b>	<b>1,232</b>
<b>Current assets</b>		
<b>Inventories</b>	431	554
<b>Receivables</b>		
Trade and other receivables	433	530
Trade and other receivables, Metso Group	3	42
Cost and earnings of projects under construction in excess of advance billings	159	170
Loan and other interest bearing receivables	-	0
Loan receivables, Metso Group	-	17
Cash pooling receivables, Metso Group	-	184
Available-for-sale financial assets	1	1
Derivative financial instruments	18	6
Income tax receivables	21	14
<b>Receivables total</b>	<b>635</b>	<b>964</b>
<b>Cash and cash equivalents</b>	<b>211</b>	<b>158</b>
<b>Total current assets</b>	<b>1,277</b>	<b>1,676</b>
<b>TOTAL ASSETS</b>	<b>2,313</b>	<b>2,908</b>

# Balance sheet as at December 31, 2013

EQUITY AND LIABILITIES	Dec 31, 2013	Dec 31, 2012
EUR million		Carve-out
<b>Equity</b>		
Share capital	100	-
Reserve for invested unrestricted equity	402	-
Cumulative translation adjustments	2	24
Fair value and other reserves	5	4
Retained earnings	299	-
Invested equity and retained earnings	0	388
<b>Equity attributable to owners of the parent</b>	<b>808</b>	416
<b>Non-controlling interests</b>	<b>5</b>	7
<b>Total equity</b>	<b>813</b>	423
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Long-term debt	140	132
Long-term debt, Metso Group	-	550
Post employment benefit obligations	103	121
Provisions	32	30
Derivative financial instruments	2	1
Deferred tax liability	29	36
Other long-term liabilities	1	1
<b>Total non-current liabilities</b>	<b>307</b>	871
<b>Current liabilities</b>		
Current portion of long-term debt	63	64
Current portion of long-term debt, Metso Group	-	28
Short-term debt	8	-
Cash pooling liabilities, Metso Group	-	93
Trade and other payables	641	643
Trade and other payables, Metso Group	32	41
Provisions	105	117
Advances received	139	182
Advances received, Metso Group	0	3
Billings in excess of cost and earnings of projects under construction	176	402
Derivative financial instruments	8	6
Income tax liabilities	21	35
<b>Total current liabilities</b>	<b>1,193</b>	1,614
<b>Total liabilities</b>	<b>1,500</b>	2,485
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,313</b>	2,908



# Appendix

## Market statistics

# Services market

## Market trends

### Cost pressure and outsourcing

- ▶ Customer cost pressure and machine closures increase demand for solutions decreasing costs, net working capital, and raw material and energy consumption
- ▶ Increased demand for more competitive processes and decreasing in-house customer competencies expected to provide growth in demand for services

### Packaging growth

- ▶ Growing demand for containerboard expected to increase need for services

### Closure of graphic machines

- ▶ Reduces demand for spare parts and process consumables, but instead
- ▶ Increases demand for expert and outsourcing services
- ▶ Increases demand for process improvements and debottlenecking of the remaining machines

### EMEA and North America

- ▶ Largest market for the Services BL where majority of installed base is located
- ▶ Customer cost pressure and machine closures key drivers

### South and Central America

- ▶ Important growth market, together with China and Asia Pacific

### Asia Pacific

- ▶ Important growth market, together with China and South and Central America

## Total market for Valmet's services offering ~EUR 7bn<sup>1</sup>

- Pulp and paper services = ~EUR 6bn
- Power services market = ~EUR 1bn

### China

- ▶ Largest single country for Valmet
- ▶ The services market expected to grow by ~5% in 2012-2016 in China, South America and Asia Pacific region
- ▶ Growth supported by significant amounts of new capacity being installed in these areas during the last ten years and the installed base is aging

The total market for Valmet's services offering estimated to grow to EUR 7.7 billion by the end of 2016, corresponding to an annual global growth rate of about 2.0%<sup>1</sup>

1) Global market size for current offering in 2012 estimated by using an average services cost per volume produced based on Valmet's existing customers and estimates of current and forecasted growth in total production volumes

# Pulp market

## Market trends

### Virgin wood pulp growth due to limitations of recycled paper growth and growing demand for tissue

- ▶ Growth of pulp produced from recycled paper limited by increasing marginal costs and the decreasing quality of recovered paper<sup>3</sup>
- ▶ Management expects demand for pulp to be driven primarily by tissue production growth

### Increased size of pulp lines and mills

- ▶ Typical greenfield pulp mill size up from avg. capacity of ~0.7-1.0m metric tons of pulp p.a. in 2000-2007 to ~1.3-1.5m metric tons of pulp p.a. in 2007-2013
- ▶ Expected to benefit technology providers, such as Valmet and Andritz with good references of large project deliveries and comprehensive product offering covering complete plant solutions

### EMEA and North America

- ▶ Chemical pulp production growing by ~1% p.a. in 2010-2020 in the EMEA region and decline by ~0.2% p.a. in North America<sup>3</sup>
- ▶ Demand in Europe and North America mainly focused on upgrades and conversions

### South and Central America

- ▶ Chemical wood pulp production growing by ~3.4% p.a. in 2011-2025<sup>3</sup>
- ▶ Main markets for larger pulp plant deliveries are South America and Asia Pacific region
- ▶ Growing virgin fiber demand expected to be met primarily by increase in new hardwood pulp production capacity, especially in South America

### Asia Pacific

- ▶ Chemical pulp production growing by ~3% p.a. in 2010-2020<sup>3</sup>
- ▶ Main markets for larger pulp plant deliveries are South America and Asia Pacific region
- ▶ Especially mid-sized plants market segment growing in Asia
- ▶ Increase in new hardwood pulp production capacity second largest in Asia after South America

### Total market for Valmet's pulp technology ~EUR 1.4bn<sup>1</sup>

- Chemical pulp accounts for ~70% of the total volume of virgin papermaking fiber raw materials<sup>2</sup>

### China

- ▶ Chemical pulp production growing by ~6% p.a. in 2010-2020<sup>3</sup>
- ▶ Chemical wood pulp production growing by ~2.4% p.a. in Asia in 2011-2025<sup>3</sup>
- ▶ Especially mid-sized plants market segment growing in Asia
- ▶ Increase in new hardwood pulp production capacity second largest in Asia after South America
- ▶ Increasing standard of living in Asia driving demand for paper, board and tissue based products, expected to increase the demand for fiber
- ▶ Paper, board and tissue growing fastest in Asia, especially China and India, which do not have sufficient indigenous fiber resources<sup>3</sup>

Total market for Valmet's pulp technology estimated to be around EUR 1.4bn<sup>1</sup> and virgin pulp consumption is estimated to grow 1.0% annually on average between 2010 and 2025<sup>3</sup>

1) Management estimate for total market size for Valmet's pulp production technology offering based on historical and projected pulp capacity increases

2) Virgin papermaking fibre raw materials in 2011, where virgin papermaking fibre raw materials include chemical wood pulp, mechanical and semi-mechanical wood pulp and non-wood pulp (source: Leading consulting firm)

3) Source: Leading consulting firm

# Energy market

## Market trends

### Growth in energy consumption and demand for sustainable energy

- ▶ Global electricity demand to grow 2.2% p.a. from 18,443 TWh in 2010 to 31,859 TWh in 2035<sup>3</sup>
- ▶ Fossil fuels continue to be the predominant fuel in energy production, but the share of fossil fuels in energy production expected to decrease from 68% in 2010 to 58% in 2035<sup>3</sup>
- ▶ Biomass-based electricity generation represented ~1.6% of global electricity generation in 2011, but is forecast to grow 6.9% p.a. between 2011 and 2018<sup>3</sup>

### Incentives and regulation supporting biomass and new biomass conversion technology-based solutions

- ▶ Aim to reduce emissions and mitigate climate change has resulted in targeted reductions of CO2 emissions and use of fossil fuel-based energy production in many countries
- ▶ Policy decisions also impacted by governments' objectives to increase the energy security and decrease dependence on imported energy

### EMEA and North America

- ▶ EMEA region and North America, represent ~50% of the global market<sup>4</sup>
- ▶ Totals ~ EUR 2.3bn in 2013-2015 on average<sup>4</sup>
- ▶ Expected to grow to an average of EUR 2.6bn in next 3 years<sup>4</sup>
- ▶ North American market impacted by low price of natural gas
- ▶ EMEA region impacted by slow economy and political uncertainty around renewable energy support schemes
- ▶ EU target of 20% share of energy from renewable sources in overall EU energy consumption by 2020

### South and Central America

- ▶ Market in Asia-Pacific, China and South America, estimated to EUR 2.1bn between 2013 and 2015<sup>4</sup>
- ▶ Expected to grow to EUR 3.6bn in next 3 year period<sup>4</sup>

### Asia Pacific

- ▶ Market in Asia-Pacific, China and South America, estimated to EUR 2.1bn between 2013 and 2015<sup>4</sup>
- ▶ Expected to grow to EUR 3.6bn in next 3 year period<sup>4</sup>

### Global biomass and waste power plant market ~EUR 4.5bn<sup>1</sup>

- Average estimate for global biomass and waste power plant market between 2013-2015

### Biomass conversion technology market >EUR 1.5bn by 2020<sup>2</sup>

- Management estimate for Valmet's offering

### China

- ▶ Market in Asia-Pacific, China and South America, estimated to EUR 2.1bn between 2013 and 2015<sup>4</sup>
- ▶ Expected to grow to EUR 3.6bn in next 3 year period<sup>4</sup>
- ▶ China's current 5 year plan targets 13,000 MW of biomass power production capacity by 2015, a substantial increase from the 5,500 MW installed biomass-based power capacity in 2010

The global biomass and waste power plant market estimated to be some EUR 4.5 billion on average in 2013-2015 and increase to EUR 6.2 billion on average in 2016-2018

1) Global biomass and waste power plant market estimated by Management to total ~ EUR 4.5bn on average between 2013 and 2015, a decline from an average of EUR 5.0bn between 2010 and 2012. The market is forecast to recuperate and reach an average of EUR 6.2bn between 2016 and 2018

2) Management estimates that the market for its biomass conversion technology solutions will exceed EUR 1.5 billion in 2020

3) Source: IEA, 2012

4) Source: Leading consulting firm

# Paper market

## Market trends

### General: Demand for increased energy, water and raw material efficiency

- ▶ Focus on environmental responsibilities and stricter energy and environmental regulations drive demand for machines that use less energy, water and raw materials, as well as use of renewable energy sources

### Board: Increased demand due to growth in packaging and emerging markets

- ▶ Containerboard demand driven by GDP growth and industrial manufacturing
- ▶ Demand for carton board driven by increased retail sales, consumer packaging and urbanization<sup>3</sup>

### Tissue: Growth driven by increasing standard of living and tissue consumption

- ▶ Use of tissue-based hygiene products generally correlated with economic growth, population growth and standard of living
- ▶ Increased product penetration from improved product quality drive tissue consumption e.g. in China<sup>3</sup>
- ▶ Tissue products not conducive to long-distance transportation due to their bulky nature, thus the size of tissue mills expected to continue to be relatively small while the number of mills is expected to increase

### EMEA and North America

- ▶ Market expected to mainly relate to rebuilds of existing installed capacity
- ▶ Changes in consumer demographics and shopping behavior expected to create additional demand for board in developed countries<sup>2</sup>
- ▶ Tissue consumption growth 1.4% p.a. in North America, 5-9% p.a. in Eastern Europe and 3.5% p.a. in Western Europe in 2010-2021<sup>3</sup>

### South and Central America

- ▶ Tissue consumption growing 5-9% between 2010-2021 in Latin America<sup>3</sup>

### Newsprint and writing and printing papers: Decreased demand due to growth of digital media

- ▶ Ongoing structural change resulting in production overcapacity in EMEA region and North America has weakened demand for writing and printing paper machines and shifted demand to lower-cost solutions, mid-sized machines and machine rebuilds

### Asia Pacific

- ▶ Emerging markets expected to account for largest share of capacity growth for carton board<sup>3</sup>

### China

- ▶ Emerging markets, e.g. China, expected to drive containerboard demand
- ▶ Higher product penetration together with improved product quality drive tissue consumption e.g. in China
- ▶ Tissue consumption growing 5-9% between 2010-2021<sup>3</sup>

### Total market for Valmet's<sup>1</sup>: Board technology ~EUR 1bn

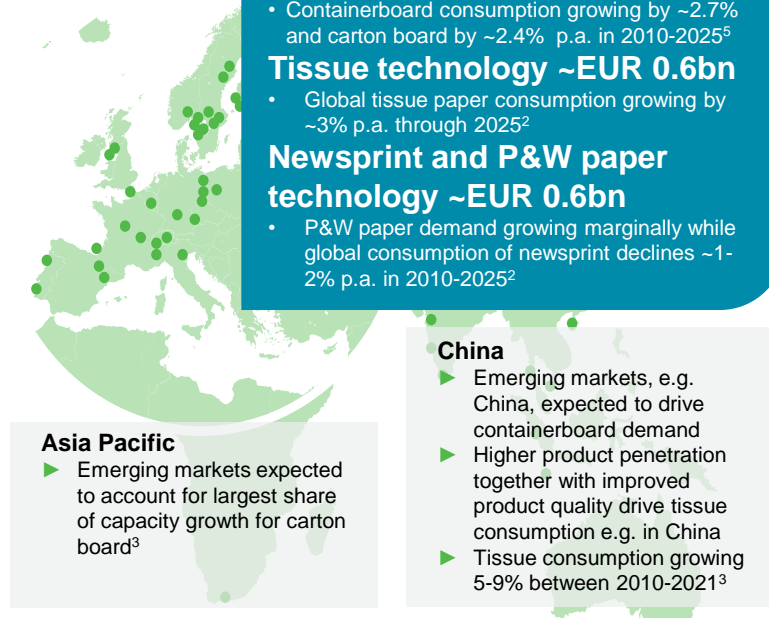
- Containerboard consumption growing by ~2.7% and carton board by ~2.4% p.a. in 2010-2025<sup>5</sup>

### Tissue technology ~EUR 0.6bn

- Global tissue paper consumption growing by ~3% p.a. through 2025<sup>2</sup>

### Newsprint and P&W paper technology ~EUR 0.6bn

- P&W paper demand growing marginally while global consumption of newsprint declines ~1-2% p.a. in 2010-2025<sup>2</sup>



General demand driven by increased need for energy, water and raw material efficiency; board and tissue demand growing with packaging and emerging markets

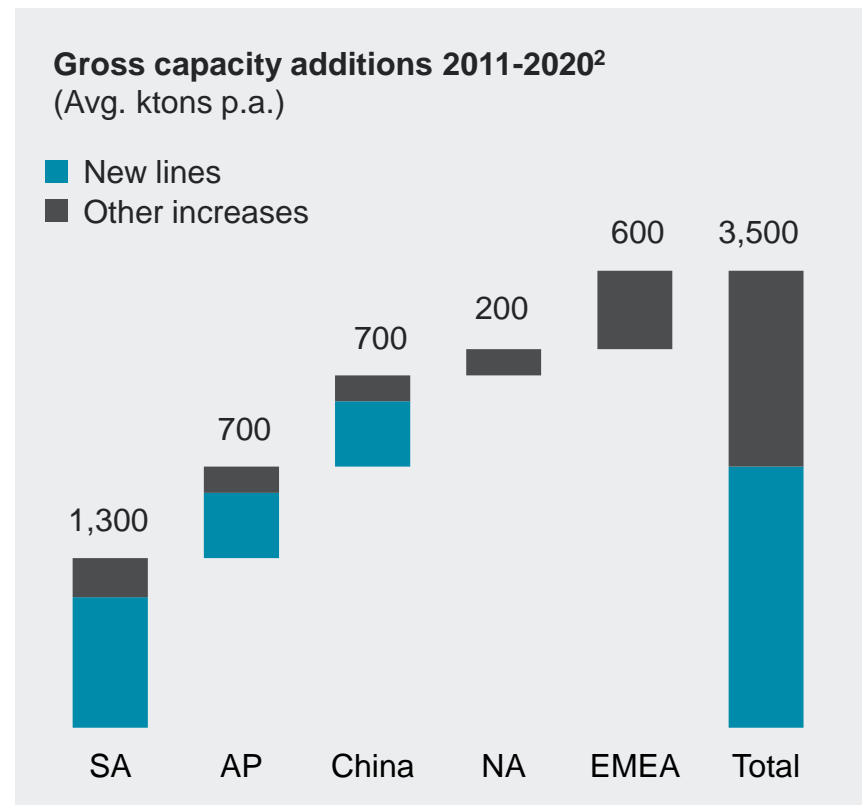
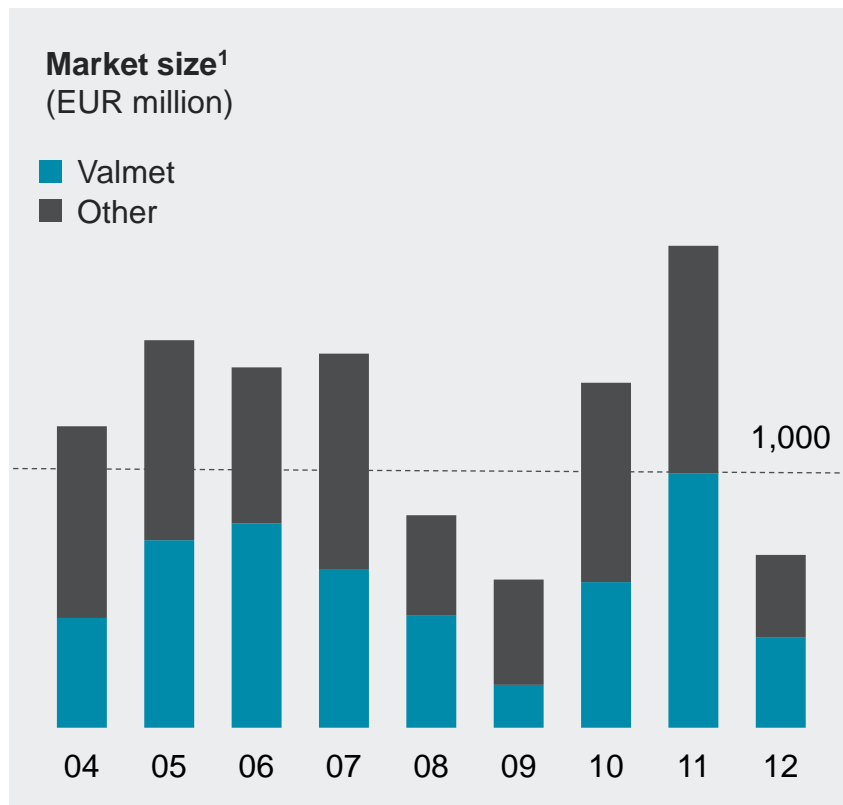
1) Management estimate based on current machine demand  
 2) Source: Leading consulting firms  
 3) RISI



# The majority of new pulp lines are being built in South America and Asia

Market fluctuates from year to year

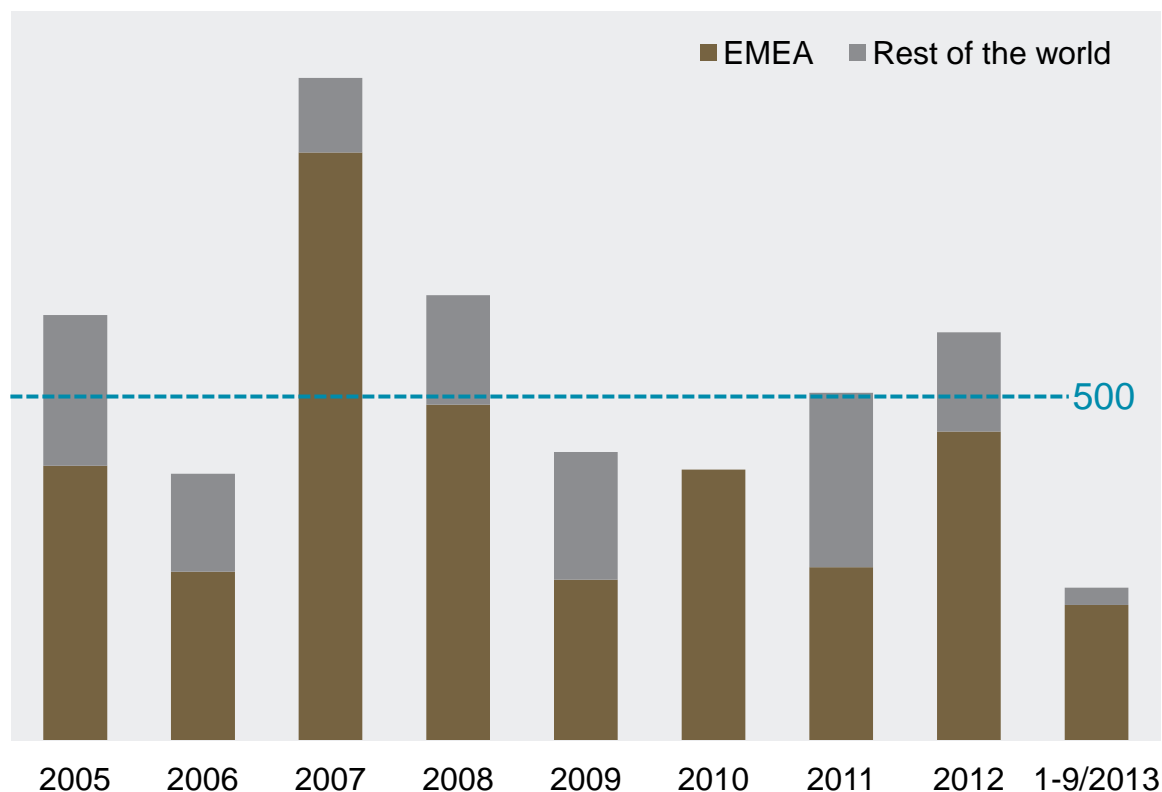
New chemical pulp lines in SA and Asia



1) Market size based on orders received. Includes all pulp business units, recovery boilers, and evaporation plants  
 2) Average capacity additions p.a. 2011-2020. Only positive capacity changes included, not shutdowns  
 Source: Valmet, Pöyry

# Market for larger size (> 50 MWth) biomass boilers has significantly declined in EMEA and North America

New boiler market served by Valmet<sup>1</sup> (EUR million)  
(only projects where Valmet has been involved)



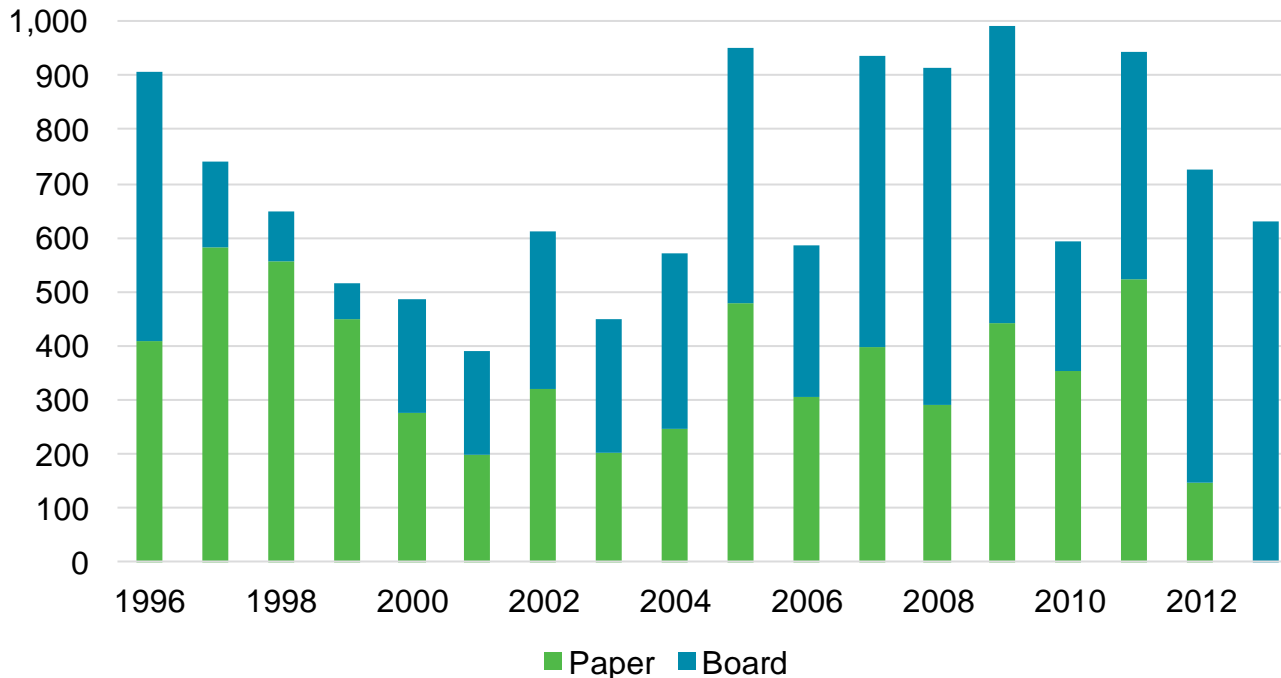
## Key messages and implications

- Strong market decline in 2013 and unclear future market development
- Increased political uncertainty about meeting CO<sub>2</sub> targets and reduced ability to finance support schemes
- Price of coal has reduced, making it more attractive for power generation in Europe and elsewhere
- North American biomass power market has declined significantly
- Price of energy has dropped and previous subsidy schemes supporting biomass have expired

1) Note: Includes the power boiler market served by Valmet excluding small power plants < 50MW (EUR 200-300 million), air pollution control (EUR 50-100 million p.a.), retrofits (EUR 100-200 million), and projects where Valmet has not competed (boilers ~EUR 1 billion p.a.)  
Source: Valmet

# Major changes in the paper and board market

Estimated net sales<sup>1</sup> (EUR millions)



## Board machines:

Narrow, slow, and lower technology

## Paper machines:

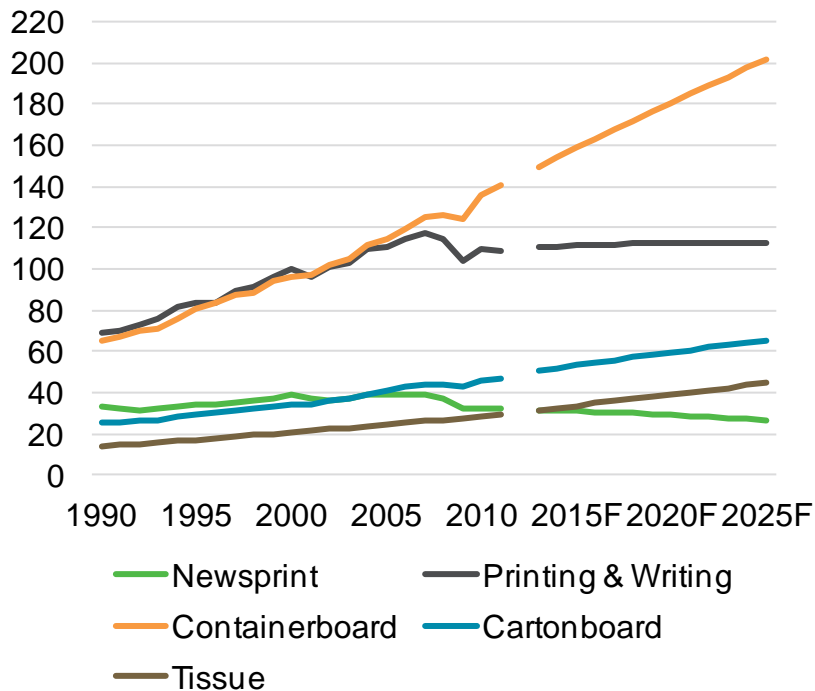
Wide, fast, and high technology

1) Company estimate based on estimated capacity by start-up year and estimated average price per ton (constant value of EUR180/ton used over time)

# Consumption development

Growth in board and tissue consumption is expected to continue while newsprint is declining

Paper consumption<sup>1</sup> (Mton)

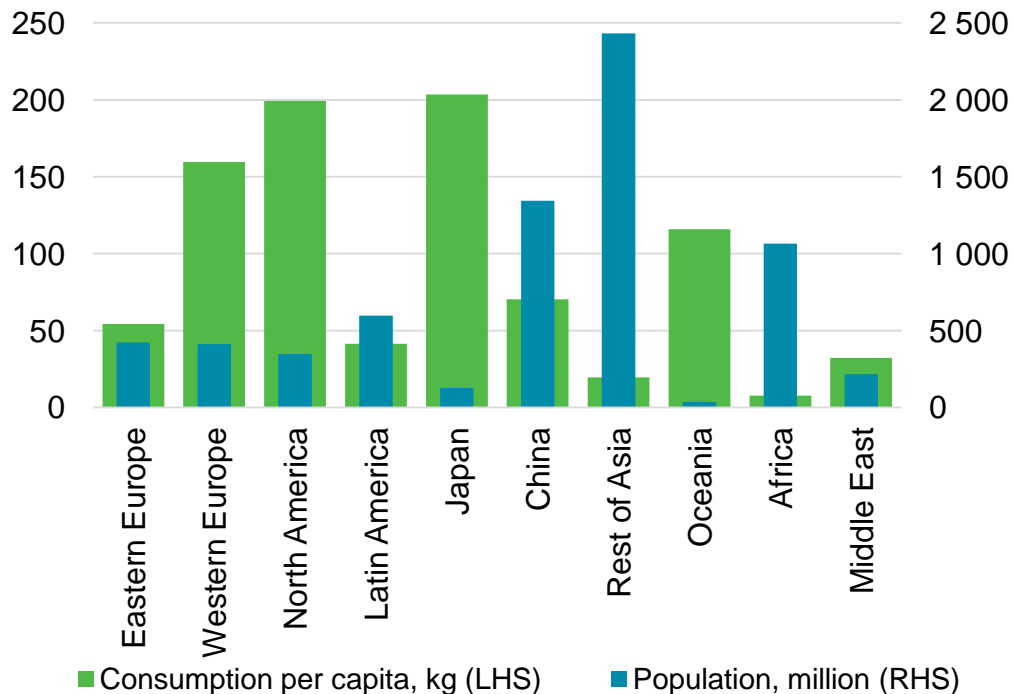


CAGR	2001-2013	2013-2025F
Containerboard	+3.6%	+2.5%
Printing & Writing	+1.2%	+0.2%
Cartonboard	+3.2%	+2.2%
Tissue	+3.3%	+2.9%
Newsprint	-1.4%	-1.4%

1) Source: Pöyry

# Paper and board consumption growth trends

Paper and board consumption per capita vs. population<sup>1</sup>



Average global consumption: 53 kg per capita

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

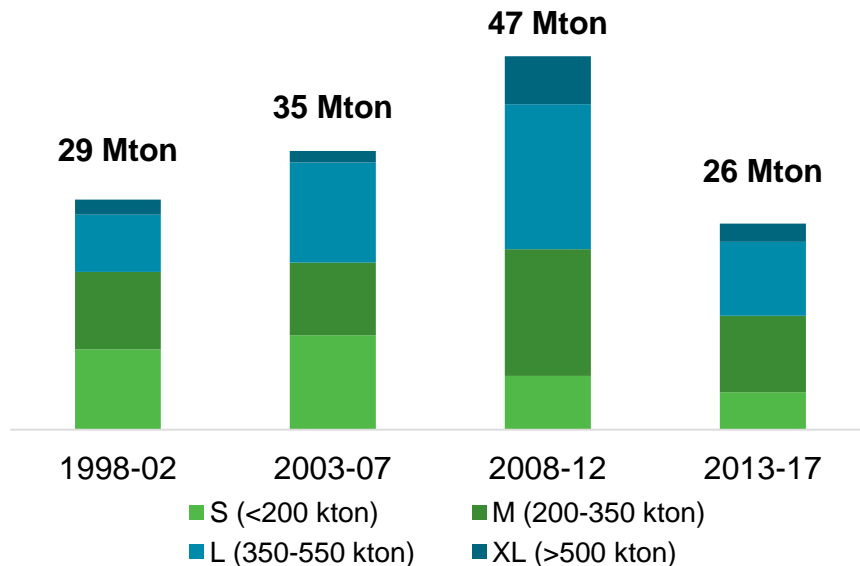
This offers us long-term growth potential

1) Source: PPI Annual Review 2013 (2012 figures)

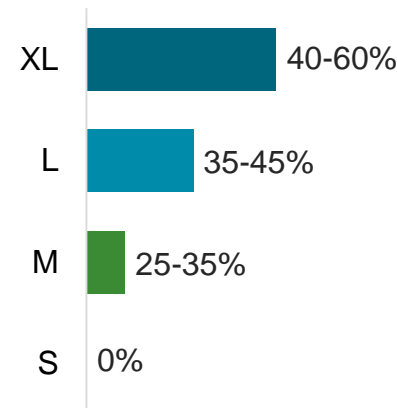
# Demand has shifted more towards smaller paper and board machines

- We are focusing more on modularized and standardized solutions
- Competition is higher in smaller machines

Capacity of start-ups<sup>1</sup>, by machine size



Valmet's market share<sup>1</sup>, by machine size



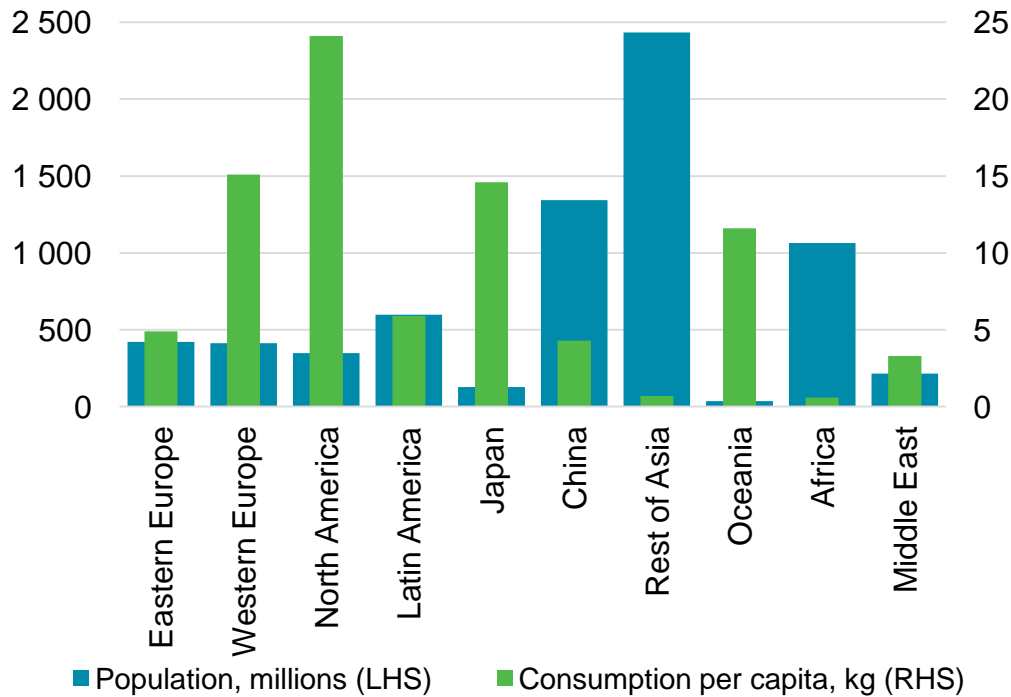
Competition is lower in larger machine sizes.

Higher number of players in smaller machines.

1) Source: Pöyry, Valmet

# Tissue consumption growth trends

Tissue consumption per capita vs. population<sup>1</sup>



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

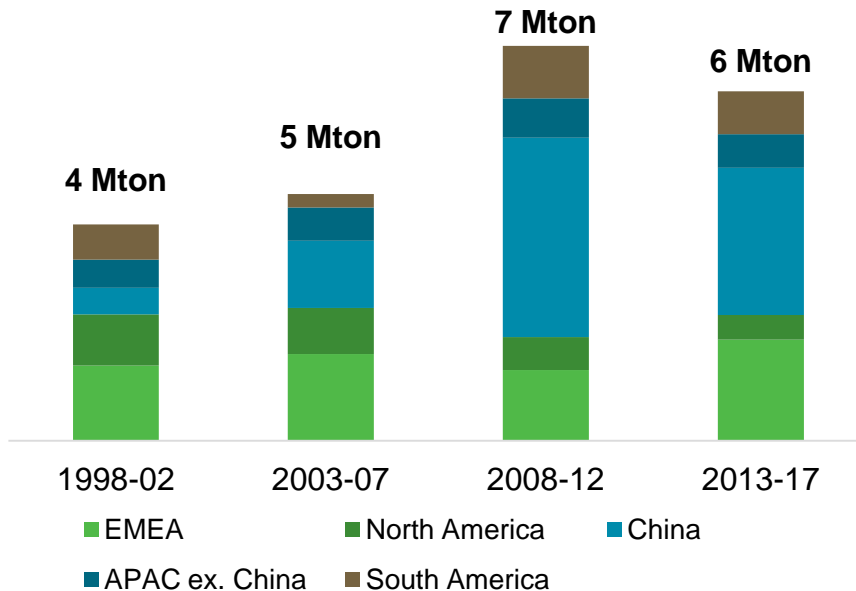
Offers us long-term growth potential in both developed and emerging markets

1) Source: PPI Annual Review 2013 (2012 figures)

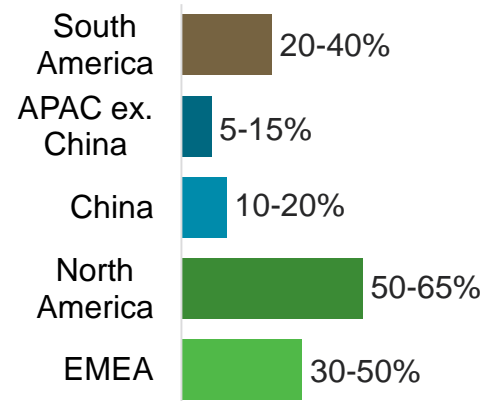
# Tissue market growing long term

- Recent market reduction due to heavy Chinese investments
- Competition is high in all areas, Valmet is strongest in North America

Capacity of start-ups<sup>1</sup>, by area



Valmet's market share<sup>1</sup>, by area



Number of competitors is low in the Americas and EMEA.

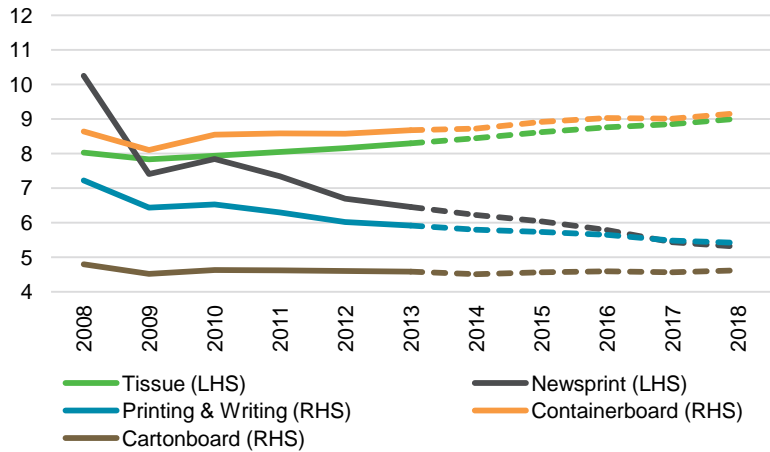
Smaller Chinese companies present in China and Asia.

1) Source: Pöyry, Valmet

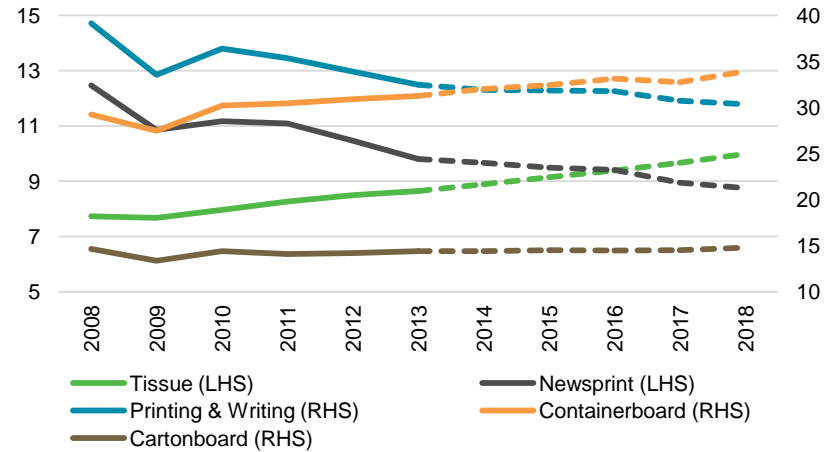


# Paper, board, and tissue production trends

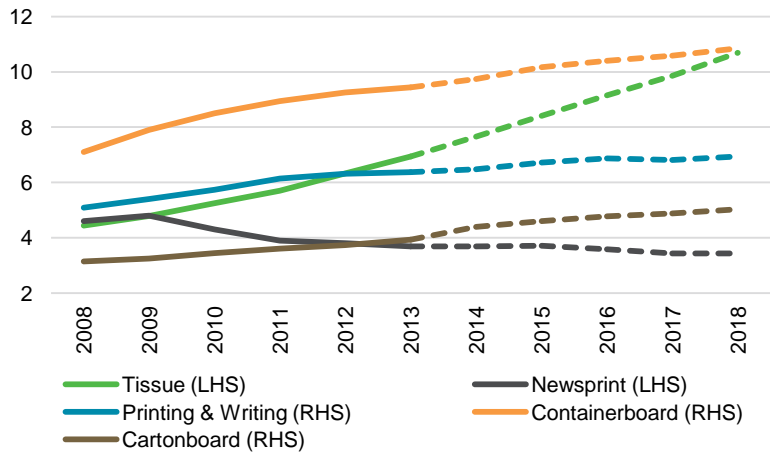
## North America (million tonnes)



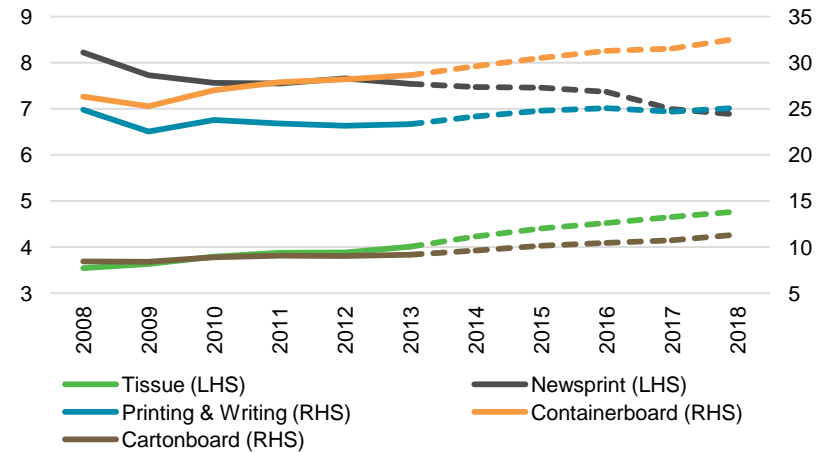
## Europe (million tonnes)



## China (million tonnes)



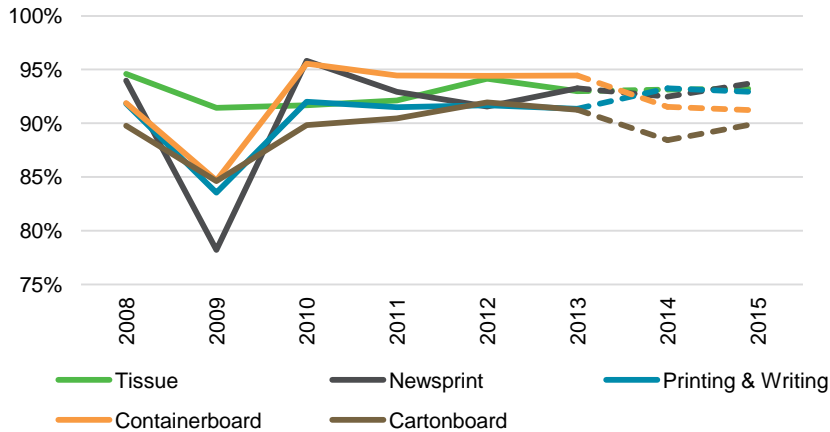
## Asia-Pacific (million tonnes)



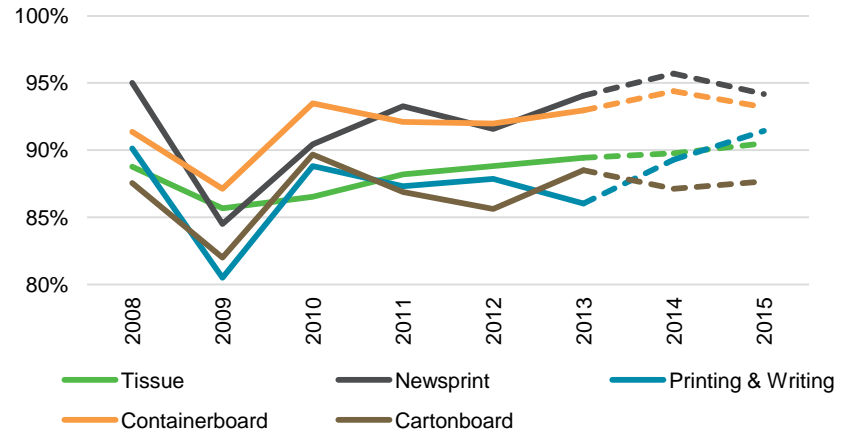
Source: RISI

# Paper, board, and tissue operating rates

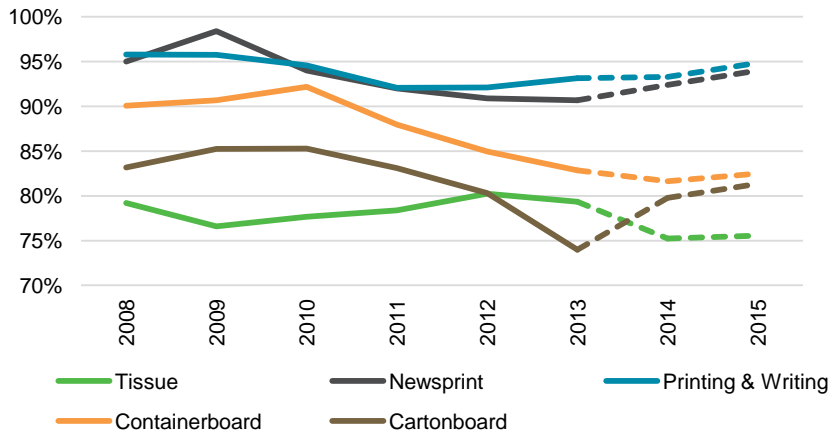
## North America



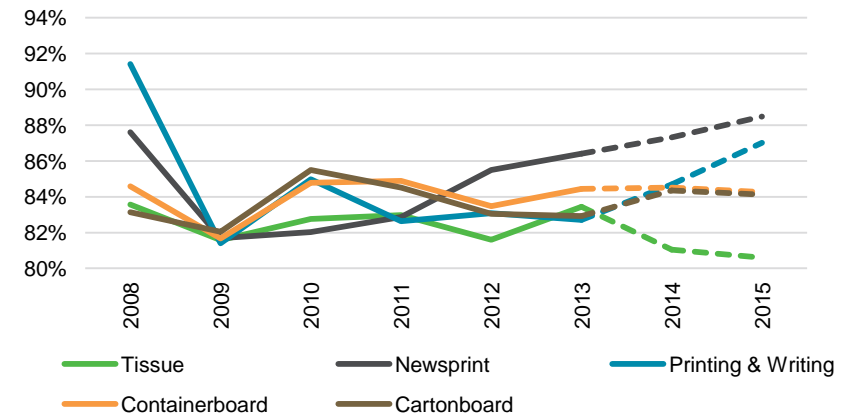
## Europe



## China



## Asia-Pacific



Source: RISI

