



Valmet – unique offering with
process technology, automation
and services

Berenberg SRI Conference
March 22, 2018

Agenda

Valmet roadshow presentation

- 1 Valmet in brief
- 2 Investment highlights
- 3 Sustainability
- 4 Financials
- 5 Conclusion



Valmet in brief

Key figures in 2017

Orders received
EUR 3,272 million

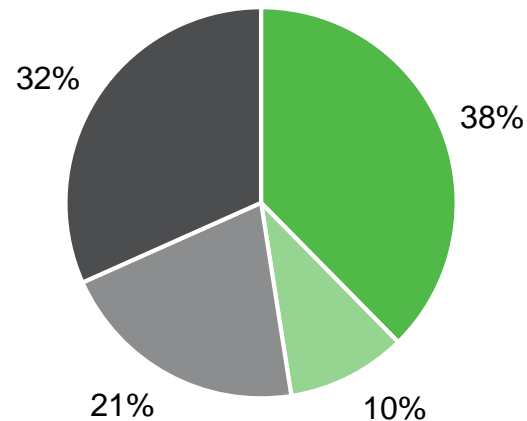
Net sales
EUR 3,058 million

Comparable EBITA
EUR 218 million

Comparable EBITA margin
7.1%

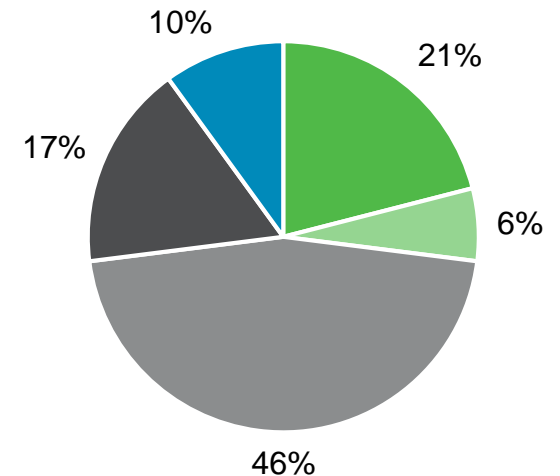
Employees (on Dec 31, 2017)
12,268

Orders received by business line



- Services
- Automation
- Pulp and Energy
- Paper

Orders received by area

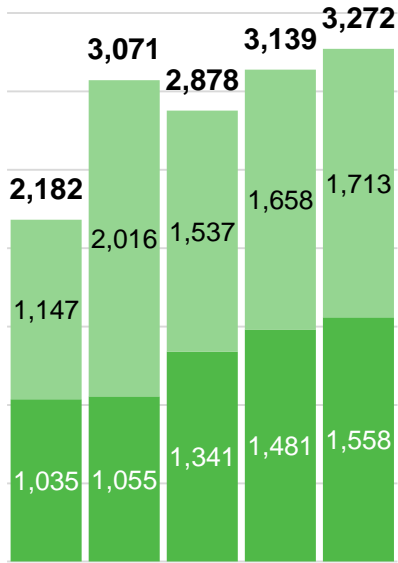


- North America
- South America
- EMEA
- China
- Asia-Pacific

Valmet's development

Comparable EBITA target 8–10% from 2017 onwards

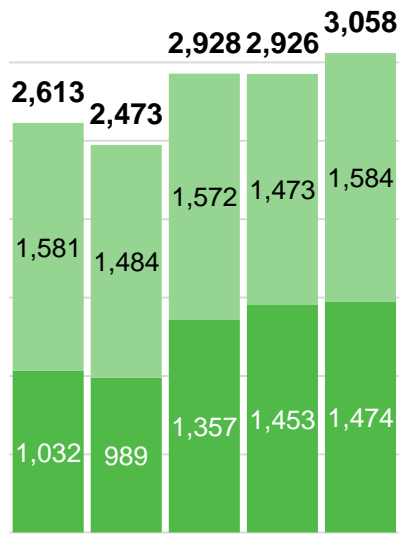
Orders received (EUR million)¹



2013 2014 2015 2016 2017

■ Pulp and Energy, and Paper business lines
■ Services and Automation business lines

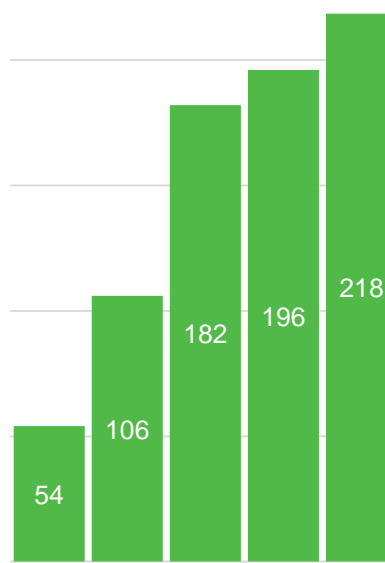
Net sales (EUR million)¹



2013 2014 2015 2016 2017

■ Pulp and Energy, and Paper business lines
■ Services and Automation business lines

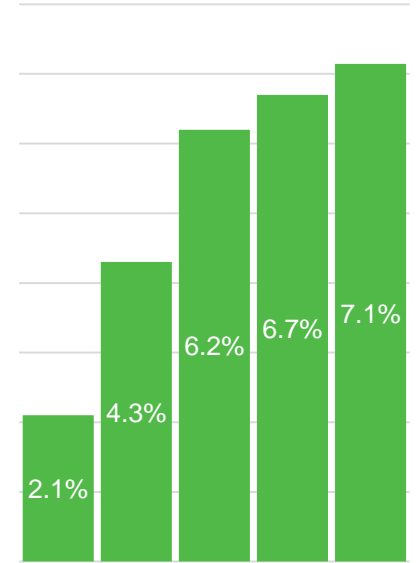
Comparable EBITA (EUR million)¹



2013 2014 2015 2016 2017

■ Comparable EBITA

Comp. EBITA margin (%)¹



2013 2014 2015 2016 2017

■ Comparable EBITA margin

1) 2013 figures on carve-out basis

Our four business lines serve the same customer base



#1-2

Services

Mill and plant improvements, roll and workshop services, parts and fabrics, and life-cycle services



#1-3

Automation

Supplies and develops automation and information management systems, applications and services



#1-3

Pulp and Energy

Technologies and solutions for pulp production, power generation, and biomass conversion



#1

Paper

Technologies and solutions for board, tissue, and paper

Strong, global presence is a good platform for growth

Over 120 service centers, 86 sales offices, 34 production units, 16 R&D centers

North America

- 17 service centers
- 7 production units
- 8 sales offices

 1,223

China

- 8 service centers
- 6 production units
- 3 sales offices

 1,696

South America

- 3 service centers
- 2 production units
- 5 sales offices

 534

EMEA

- 16 R&D centers
- 63 service centers
- 21 production units
- 54 sales offices

 8,088

Asia-Pacific

- 10 service centers
- 16 sales offices

 727

Employees on December 31, 2017

Process technology, services and automation

Valmet's unique offering differentiates the company from its competitors



Financial targets

Growth



- Net sales for stable business to grow over two times the market growth
- Net sales for capital business to exceed market growth

Profitability



- Comparable EBITA: 8–10%

ROCE



- Comparable return on capital employed (pre-tax), ROCE¹: 15–20%

Dividend policy



- Dividend payout at least 50% of net profit



1) $ROCE \text{ (pre-tax)} = (\text{profit before taxes} + \text{interests and other financial expenses}) / (\text{balance sheet total} - \text{non-interest-bearing liabilities})$



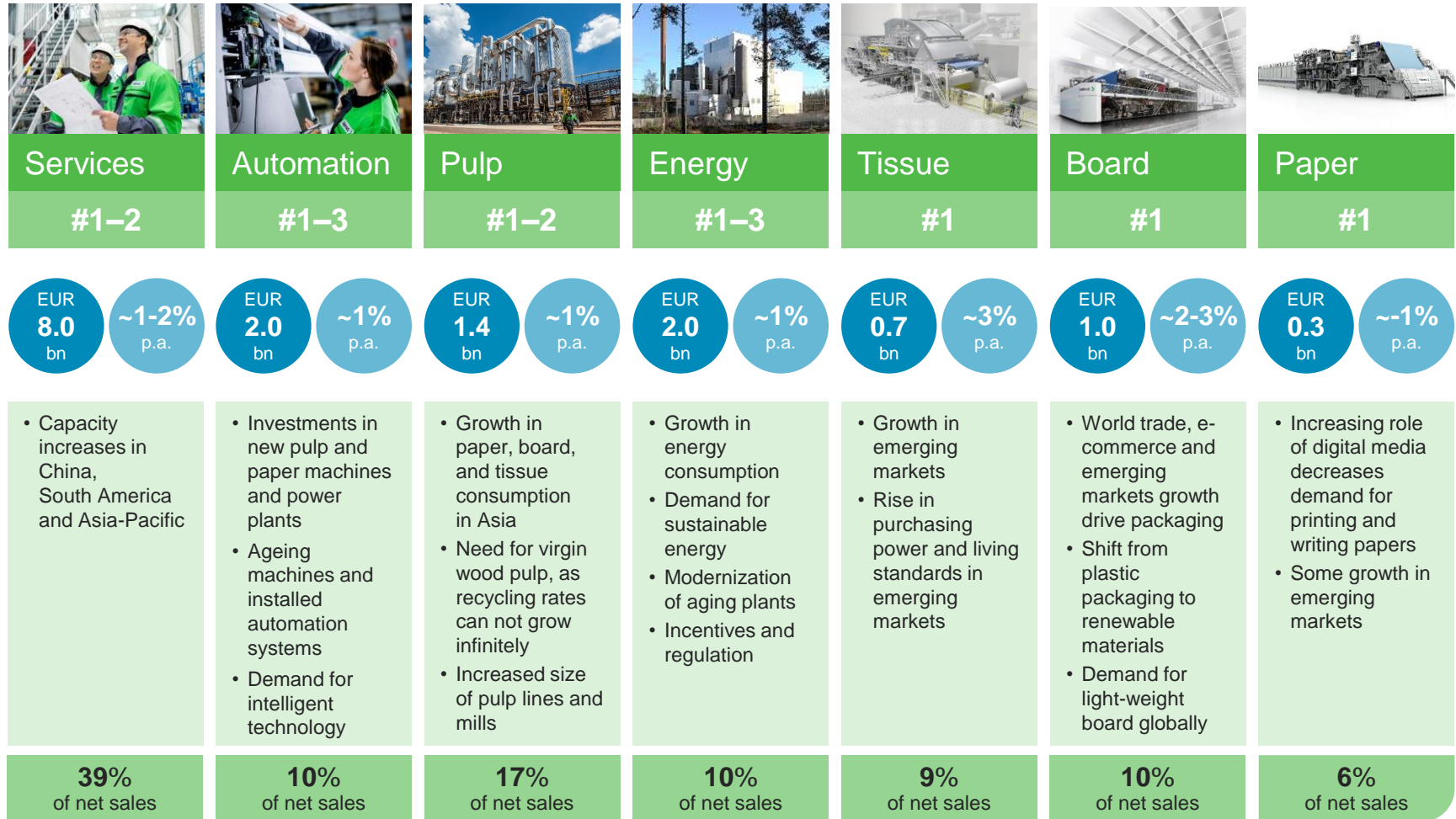
Investment highlights

Investment highlight summary

- 1 Strong market position in markets that grow**
- 2 Stable business, with EUR 1.5 billion of net sales, offering stability, growth and profitability**
- 3 Capital business, with flexible cost structure, offering growth and profitability potential**
- 4 Continuous systematic development**
- 5 Technology leader with unique offering**



Strong market position in markets that grow



● Estimated market size for current offering (EUR)
 ● Anticipated long-term market growth
 Market drivers
 % of net sales (2017)

Source: Leading consulting firms, RISI, management estimates



Sustainability

Sustainability at Valmet

Acknowledged industry leader

- In Dow Jones Sustainability Index for the fourth consecutive year
- Received Silver Class 2018 Sustainability Award
- Achieved A- rating in CDP's climate program in 2017
- In Ethibel Sustainability Index Excellence Europe



Most material UN Sustainable Development Goals



MAIN QUANTITATIVE TARGETS



50

Supplier sustainability
audits per year



Orders received for
new products and services

>25%

by 2018



Emissions

-60%

by 2030



Waste to landfill

-80%

by 2030



Water consumption

-20%

by 2030



Safety observations

3

per employee/year
by 2018



Lost-time incident frequency
(LTIF)

<2

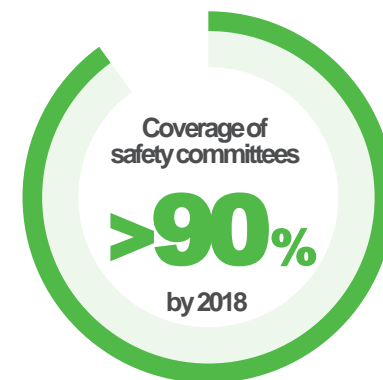
by 2018



Total recordable incident frequency
(TRIF)

<5

by 2018





Sustainable supply chain



| Targets | Action plan |
|---|---|
| <p>Develop sustainable procurement practices</p> <ul style="list-style-type: none"> 100% of new direct supplier go through supplier approval and screening process 50 supplier sustainability audits per year | <ul style="list-style-type: none"> Ensure globally aligned approval process for new suppliers Develop sustainability audit practices and increase the number of Valmet sustainability auditors Continue with sustainability training for global procurement and integrate sustainability into procurement training programs Continue to ensure compliance with hazardous substances Develop carbon footprint calculation |
| <p>Support selected key suppliers to meet the level of sustainability expected by Valmet</p> <ul style="list-style-type: none"> Engage 100% of selected key suppliers | <ul style="list-style-type: none"> Establish a sustainability engagement program for medium and high risk key suppliers with targets, KPIs and follow-up mechanisms |

Key figures in 2017

Purchases, MEUR (5 largest countries)

| | |
|---------|-----|
| Finland | 751 |
| Sweden | 265 |
| China | 157 |
| USA | 116 |
| Germany | 78 |

56

supplier sustainability audits

73%

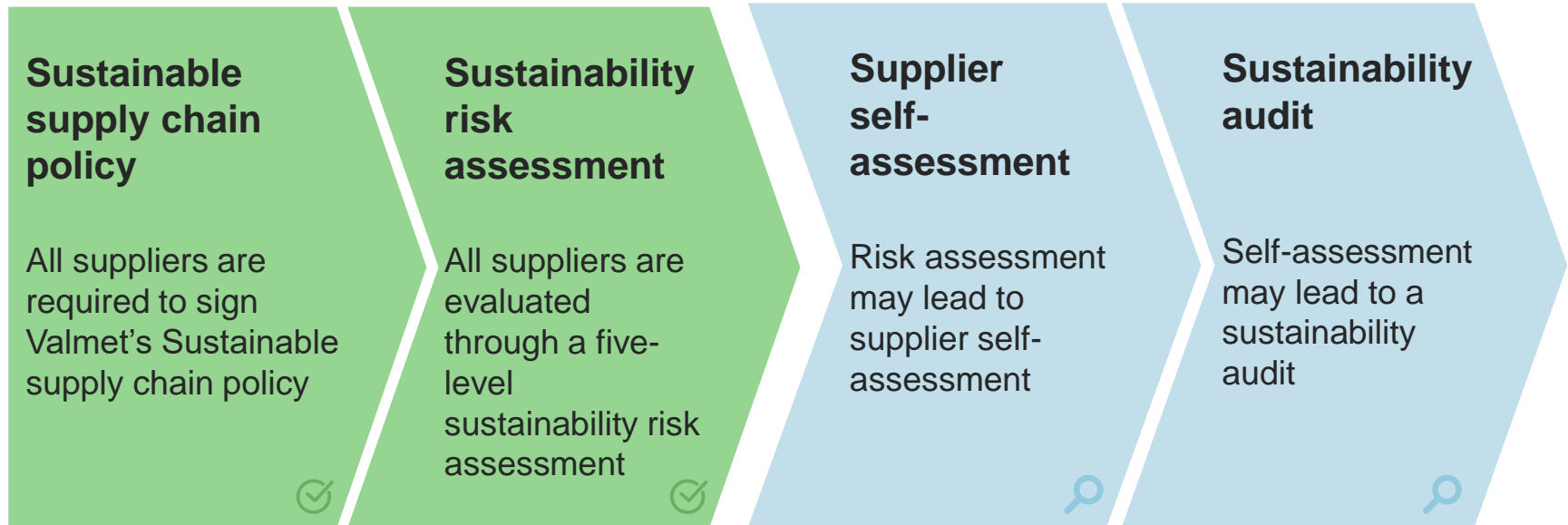
of new direct suppliers automatically screened on sustainability risks



Valmet's global supplier management process

Required from all suppliers

Potential next steps





Health, safety and environment



| Targets | Action plan |
|----------------|--|
| Culture | <ul style="list-style-type: none"> • Create and launch behavioral-based safety roadmap with new indicators • Continue leadership safety walks • Implement Safety@Valmet e-learning • Develop HSE mindset training concept |
| Initiatives | <ul style="list-style-type: none"> • Implement global development initiatives on preventing life-changing injuries • Continue to develop Valmet health and wellbeing concept • Renew Valmet's Environmental Efficiency Program with science-based targets |
| Customer sites | <ul style="list-style-type: none"> • Launch common site safety procedures • Create and launch collaborating for contractor safety program • Create a HSE induction e-learning system for Valmet's project sites and locations • Complete minimum 20 HSE audits per year of both project sites and locations |
| Standards | <ul style="list-style-type: none"> • Expand local HSE committees to cover 90% of personnel • Implement certified global QHSE management system • Create HSE action plans for all Valmet's locations and follow-up of selected units • Local HSE systems check and actions to fill gaps • Renewal minimum safety standards |

Key figures in 2017

>850
Leadership safety walks and conversation

HSE audits of **12** customer sites and **20** Valmet locations

92%
coverage of safety committees

8.0
hrs HSE training per employee



We steadily progress towards our 2030 targets for our operations

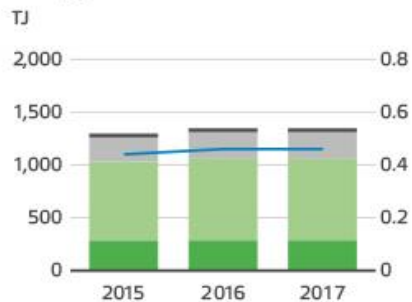
 -30%

 -60%

 -20%

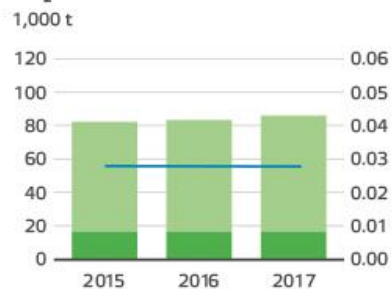
 -80%

Energy



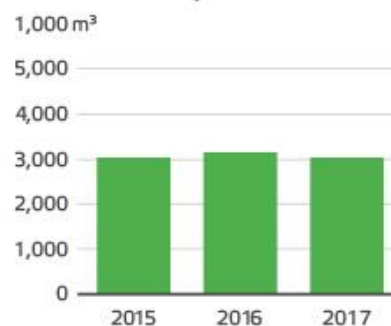
- Fuel
- Electricity
- District heating
- Steam
- TJ/EUR million Net sales

CO₂ emissions



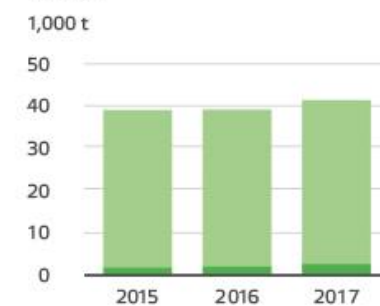
- Direct emissions (scope 1)
- Indirect emissions (scope 2)
- 1,000 tCO₂/EUR million Net sales

Water consumption



- Water consumption

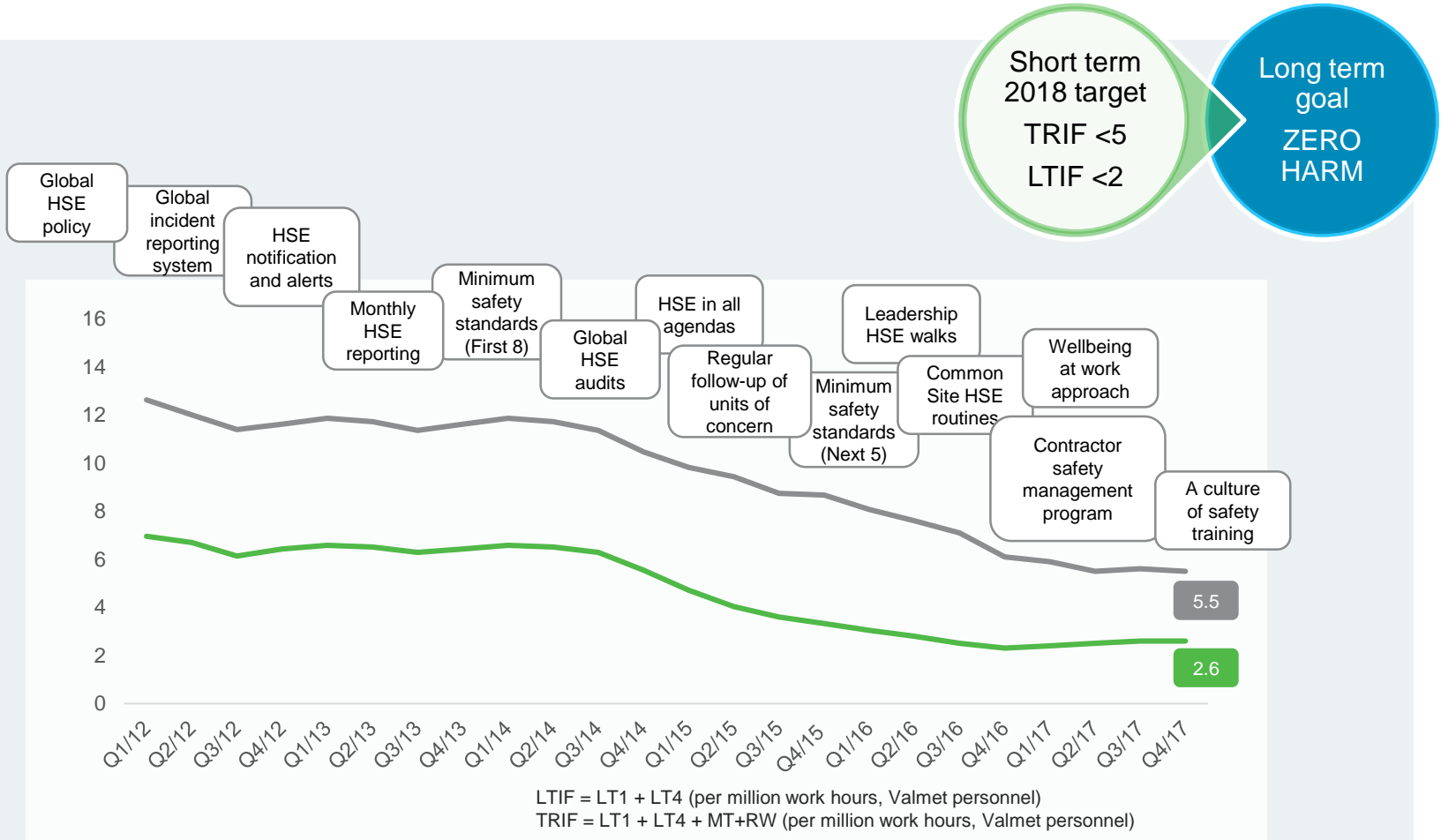
Waste



- Hazardous waste
- Non-hazardous waste



We continuously improve our safety performance





People and performance



| Targets | Action plan |
|---------------------------|--|
| Boost employee engagement | <ul style="list-style-type: none"> • Conduct OurVoice employee engagement survey and execute development actions • Plan and implement values roadmap |
| Develop the best talent | <ul style="list-style-type: none"> • Ensure annual review discussion coverage of >95% for the annual review population • Develop training opportunities to enhance skills • Develop global training portfolio to support our strategic goals • Conduct Talent Review (TR) process |
| Increase diversity | <ul style="list-style-type: none"> • Create programs and processes to support career development of diversity candidates • Prioritize diversity of talent in global training portfolio nomination process • Define employee value proposition (EVP) • Widen recruitment pool beyond traditional candidates |
| Be a responsible employer | <ul style="list-style-type: none"> • Establish human rights monitoring framework and conduct gap analysis • Continue with leadership and managerial skill development activities • Continue with sustainability and wellness awareness activities |

| Key figures in 2017 |
|--|
| <p>87% response rate in OurVoice employee engagement survey</p> |
| <p>96% completion for Forward managers training</p> |
| <p>99% Annual Review discussion coverage for the annual review population</p> |
| <p>12,728 learning hours in ManagerAcademy</p> |

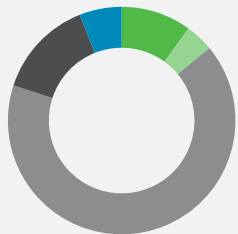


Our people are at the heart of our business

- We believe success starts with people
- We encourage our people to live our shared values by connecting them to our way forward as a company
- We continuously look for ways to enable individual performance and support development
- We have 12,000 individuals working in 33 countries, representing over 54 nationalities and speaking over 20 languages



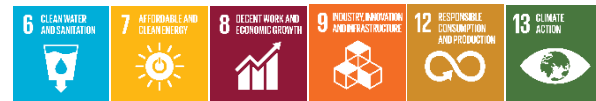
Personnel by area,%



| | |
|-----------------|-----------|
| ■ North America | 10% (11%) |
| ■ South America | 4% (5%) |
| ■ EMEA | 66% (65%) |
| ■ China | 14% (14%) |
| ■ Asia-Pacific | 6% (6%) |



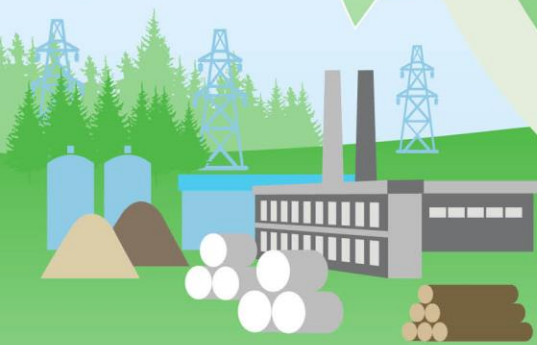
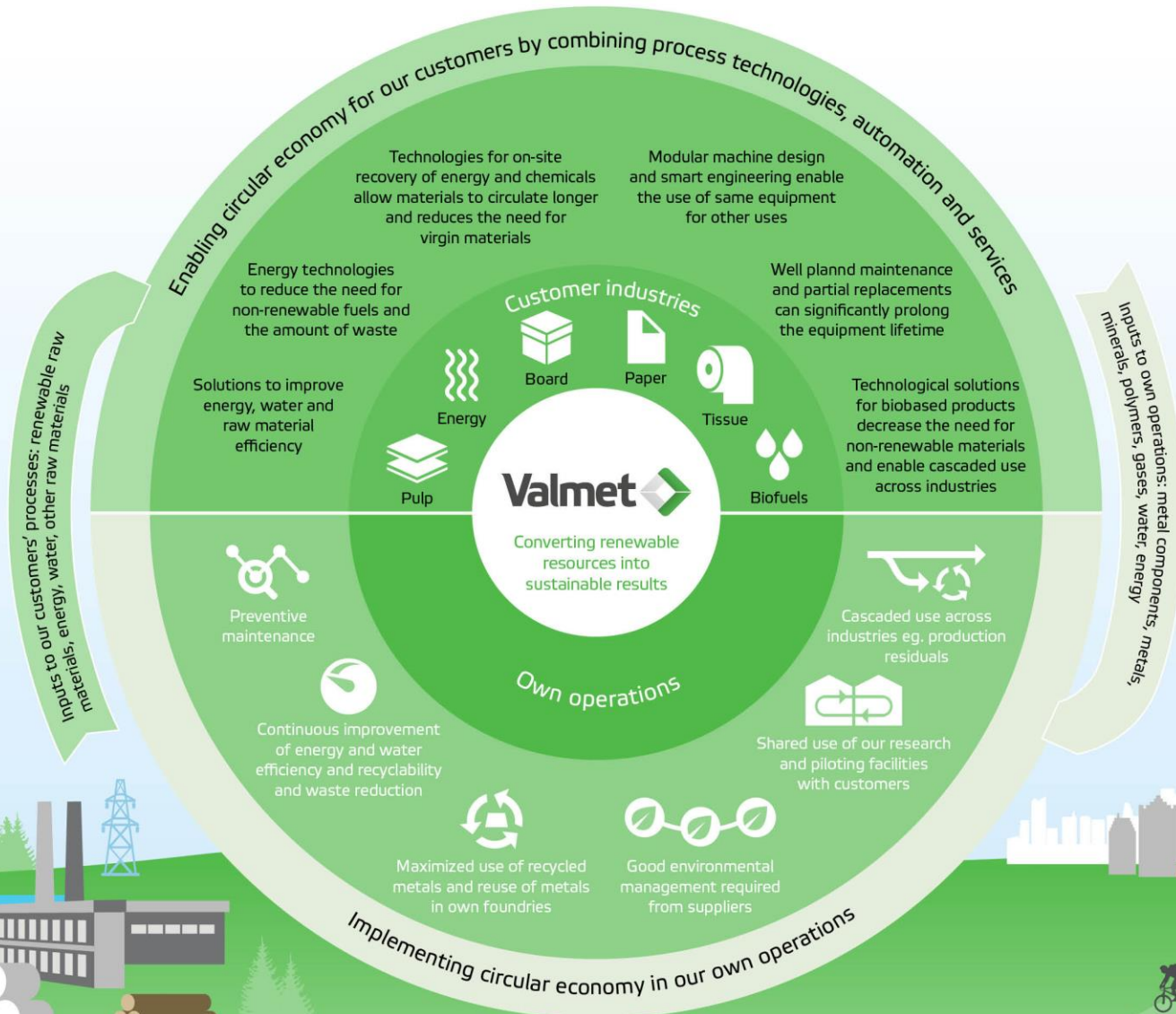
Sustainable solutions



| Targets | Action plan | Key figures in 2017 |
|---|---|---|
| <p>Sales</p> <ul style="list-style-type: none"> Deepen understanding of customers' sustainability needs | <ul style="list-style-type: none"> Conduct interviews with selected key customers and integrate improvement actions into key account management process Arrange sustainability training for sales teams | <p>EUR 64 Million R&D spend</p> <p>EUR 692 Million (21%) orders received from new products and services</p> |
| <p>R&D</p> <ul style="list-style-type: none"> Focus in further developing raw material, water and energy efficiency and promotion of renewable materials in product development and innovations <ul style="list-style-type: none"> Orders Received of new products and services: >25% by end of 2018 Integrate sustainability into research and development processes and tools | <ul style="list-style-type: none"> Integrate sustainability aspects into R&D guidelines, process and product portfolio management tools | |
| <p>Compliance</p> <ul style="list-style-type: none"> Ensure product compliance | <ul style="list-style-type: none"> Ensure responsibilities for managing product compliance Investigate and map the scope and depth of take-back programs | |

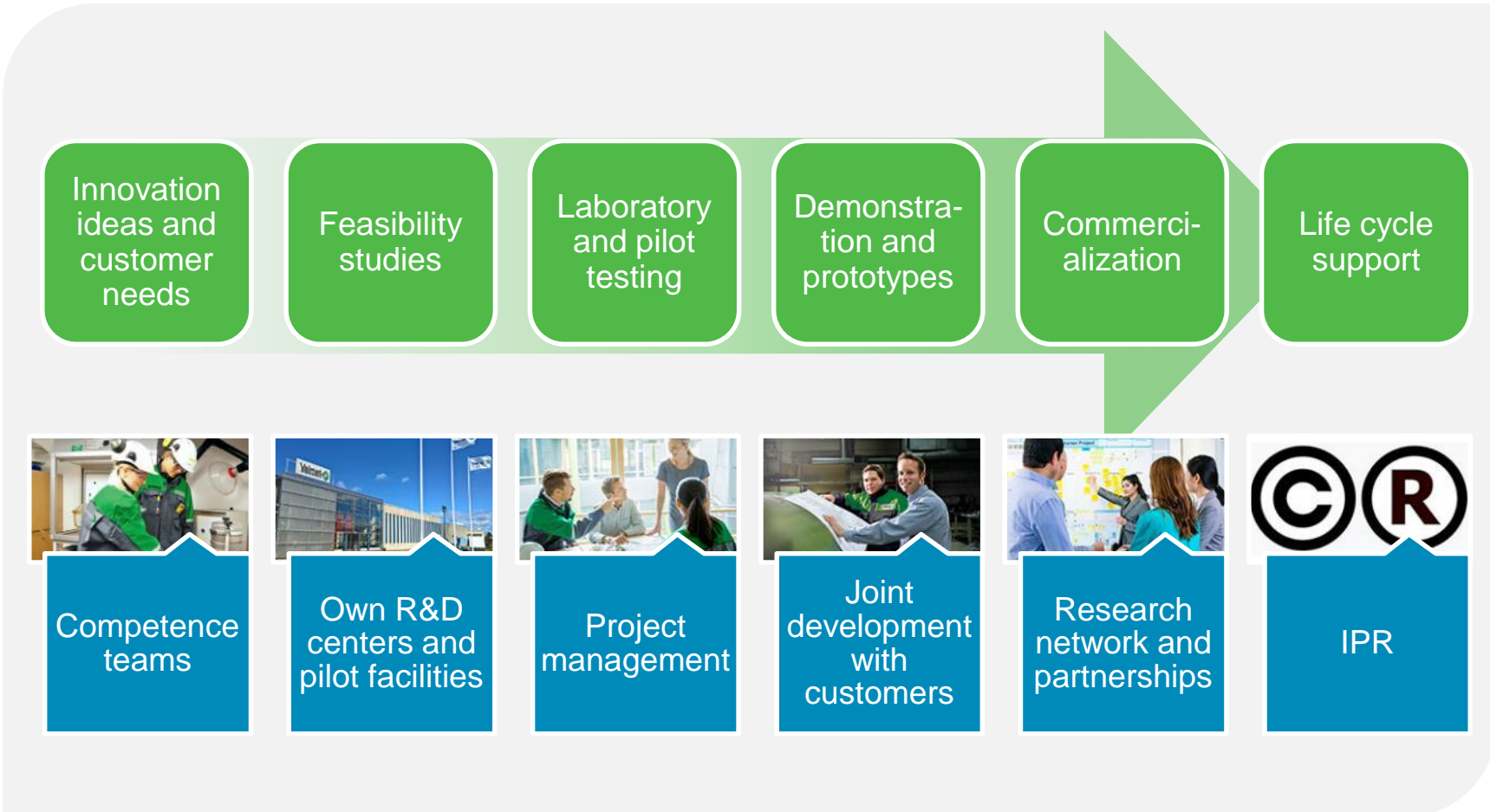


Valmet contributes to circular economy



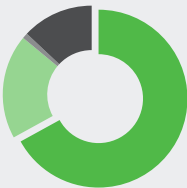


Sustainability gates and criteria are fully integrated into Valmet's innovation process





Corporate citizenship

| Targets | Action plan | Key figures in 2017 |
|--|--|---|
| <p>Ensure compliance with guiding principles</p> <ul style="list-style-type: none"> 100% of existing and new employees completed Code of Conduct training | <ul style="list-style-type: none"> Systematically arrange Code of Conduct training for selected employees and increase awareness with examples Review the Code of Conduct content and re-launch e-learning | <p>99.8% of personnel completed Code of Conduct training</p> |
| <p>Promote transparent reporting and active stakeholder collaboration</p> | <ul style="list-style-type: none"> Report to Dow Jones Sustainability index (DJSI) Externally report and assure CO2 levels of procurement, logistics and business travel Ensure stakeholder feedback through a specific stakeholder survey Create a long-term roadmap for social projects Add voluntary employee activities to Sponsorships database Create and implement sustainability e-learning for Valmet personnel | <p>Support for non-profit organizations EUR 123,341.80 in total</p>  <ul style="list-style-type: none"> Youth activities 67% Science, research and education 19% Environmental protection and nature conservation 1% Others 13% |



Valmet has an impact on many communities around the world

- With global operations we provide employment and business opportunities to a wide range of stakeholders and indirectly build wealth in local societies
- We strive to ensure that all our operations are carried out in accordance with laws and regulations, and in a socially responsible and globally aligned manner
- We actively engage with our stakeholders and the societies we operate in
- We are transparent in our communications



Valmet reports on its sustainability performance annually according to GRI Standards framework



Financials

Key figures

| EUR million | Q4/2017 | Q4/2016 | Change | 2017 | 2016 | Change |
|---|--------------|---------|--------|--------------|-------|--------|
| Orders received | 727 | 857 | -15% | 3,272 | 3,139 | 4% |
| Order backlog ¹ | 2,458 | 2,283 | 8% | 2,458 | 2,283 | 8% |
| Net sales | 967 | 785 | 23% | 3,058 | 2,926 | 5% |
| Comparable EBITA | 81 | 56 | 44% | 218 | 196 | 11% |
| % of net sales | 8.4% | 7.2% | | 7.1% | 6.7% | |
| EBITA | 69 | 48 | 42% | 202 | 183 | 10% |
| Operating profit (EBIT) | 61 | 40 | 51% | 170 | 147 | 15% |
| % of net sales | 6.3% | 5.1% | | 5.6% | 5.0% | |
| Earnings per share, EUR | 0.33 | 0.10 | >100% | 0.81 | 0.55 | 46% |
| Return on capital employed (ROCE) before taxes ² | | | | 14% | 12% | |
| Cash flow provided by operating activities | 89 | 88 | 0% | 291 | 246 | 18% |
| Gearing ¹ | | | | -11% | 6% | |

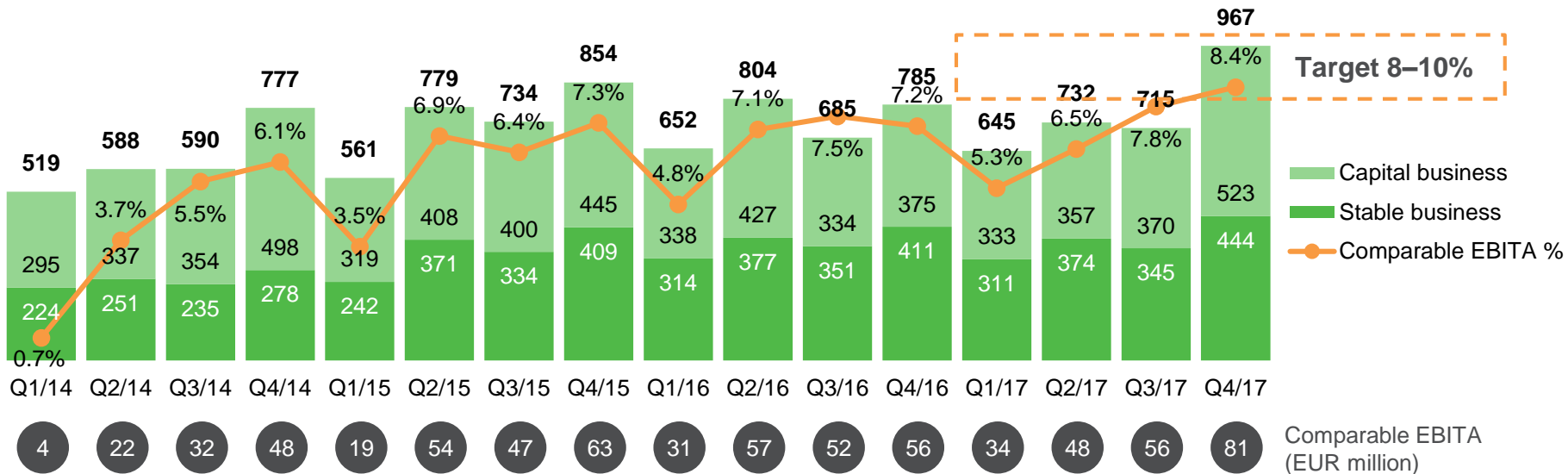
Items affecting comparability: EUR -12 million in Q4/2017 (EUR -8 million in Q4/2016), EUR -17 million in 2017 (EUR -13 million in 2016)

1) At the end of period

2) Annualized

Comparable EBITA margin development

Net sales and Comparable EBITA (EUR million and %)



- Net sales and Comparable EBITA increased compared with Q4/2016
 - Profitability improved due to higher net sales

Guidance and short-term market outlook

Guidance for 2018 (announced on March 21, 2018)

Guidance



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

Short-term market outlook

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

The short-term market outlook is given for the next six months from the end of the respective quarter. The scale is 'weak-satisfactory-good'.



Conclusion

Conclusion

- 1 Strong market position in markets that grow**
- 2 Stable business, with EUR 1.5 billion of net sales, offering stability, growth and profitability**
- 3 Capital business, with flexible cost structure, offering growth and profitability potential**
- 4 Continuous systematic development**
- 5 Technology leader with unique offering**



Important notice

It should be noted that certain statements herein which are not historical facts, including, without limitation, those regarding expectations for general economic development and the market situation, expectations for growth, profitability and investment willingness, expectations for company development, growth and profitability and the realization of synergy benefits and cost savings, and statements preceded by “anticipates”, “believes”, “estimates”, “expects”, “foresees” or similar expressions, are forward-looking statements. Since these statements are based on current decisions and plans, estimates and projections, they involve risks and uncertainties which may cause the actual results to materially differ from the results currently expressed. Such factors include, but are not limited to:

- 1) general economic conditions, including fluctuations in exchange rates and interest levels which influence the operating environment and profitability of customers of the company or economic growth in the company’s principal geographic markets.
- 2) industry conditions, intensity of competition situation, especially potential introduction of significant technological solutions developed by competitors, financial condition of the customers and the competitors of the company,
- 3) the company’s own operating factors, such as the success of production, product development and project management and the efficiencies therein including continuous development and improvement
- 4) the success of pending and future acquisitions and restructuring.

