



Valmet – unique offering with
process technology, automation
and services

Carnegie Capital Goods Seminar 2018

Agenda

Valmet roadshow presentation

1 Valmet in brief

2 Investment highlights

3 Financials

4 Conclusion

Valmet in brief

Key figures in 2017

Stable business net sales EUR 1.5 billion

Orders received
EUR 3,272 million

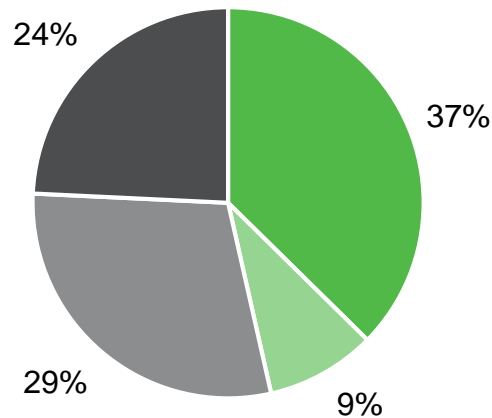
Net sales
EUR 3,159 million

Comparable EBITA
EUR 226 million

Comparable EBITA margin
7.2%

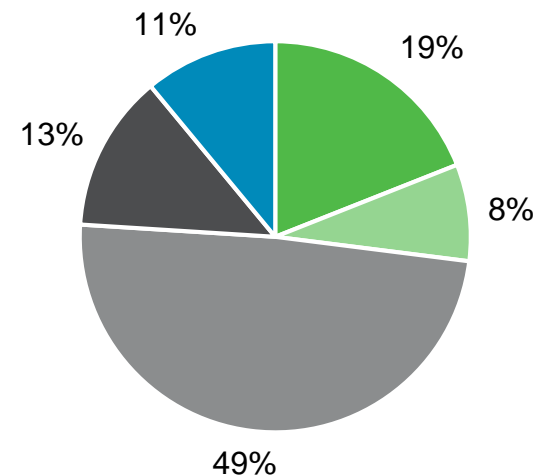
Employees (on Dec 31, 2017)
12,268

Net sales by business line



- Services
- Automation
- Pulp and Energy
- Paper

Net sales by area

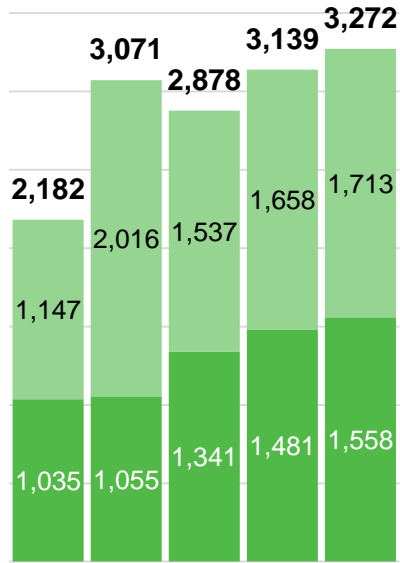


- North America
- South America
- EMEA
- China
- Asia-Pacific

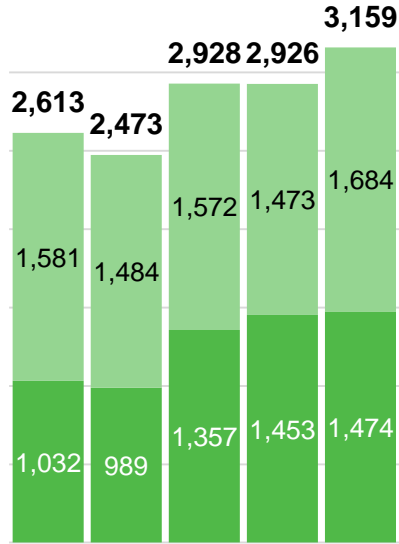
Valmet's development

Comparable EBITA target 8–10% from 2017 onwards

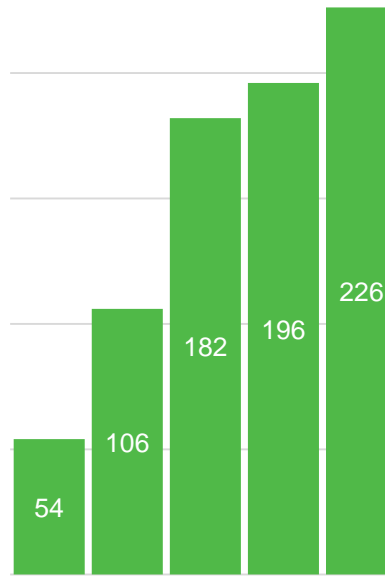
Orders received (EUR million)¹



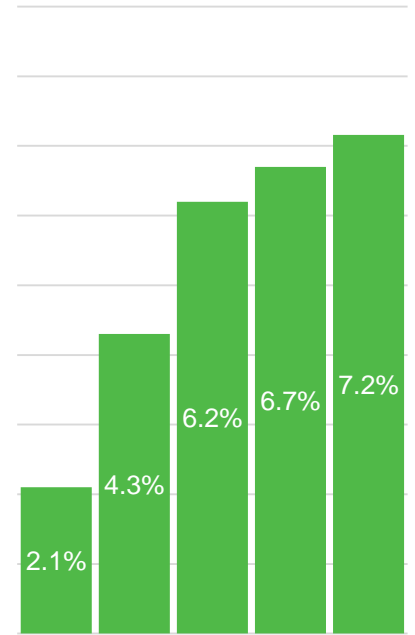
Net sales (EUR million)¹



Comparable EBITA (EUR million)¹



Comp. EBITA margin (%)¹



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

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

■ Comparable EBITA

■ 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



Significant, customer focused research and development work

R&D focus areas

- Advanced and competitive technologies and services
- Raw material, water and energy efficiency
- Promotion of renewable materials

16

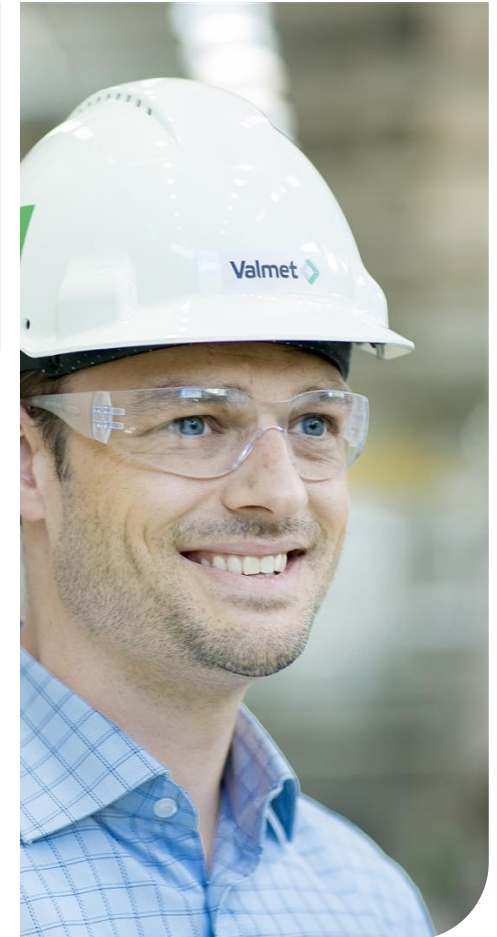
research and
development
centers

EUR **64** million

R&D spending
in 2017

~1,500

protected
inventions



Acknowledged leader in sustainability

360° approach to sustainability

- 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



Relevant UN Sustainable Development Goals



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



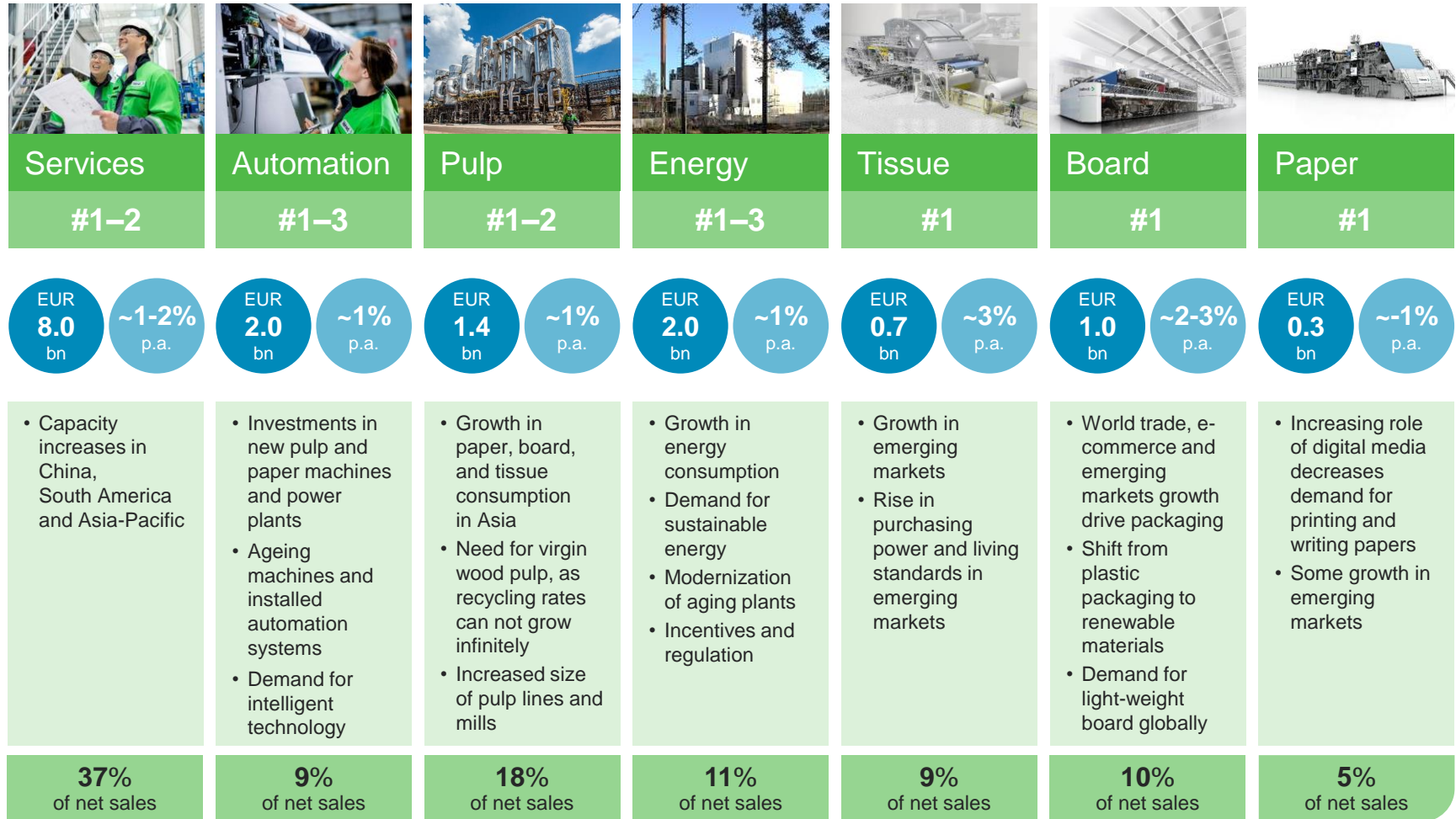
Investment highlights

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

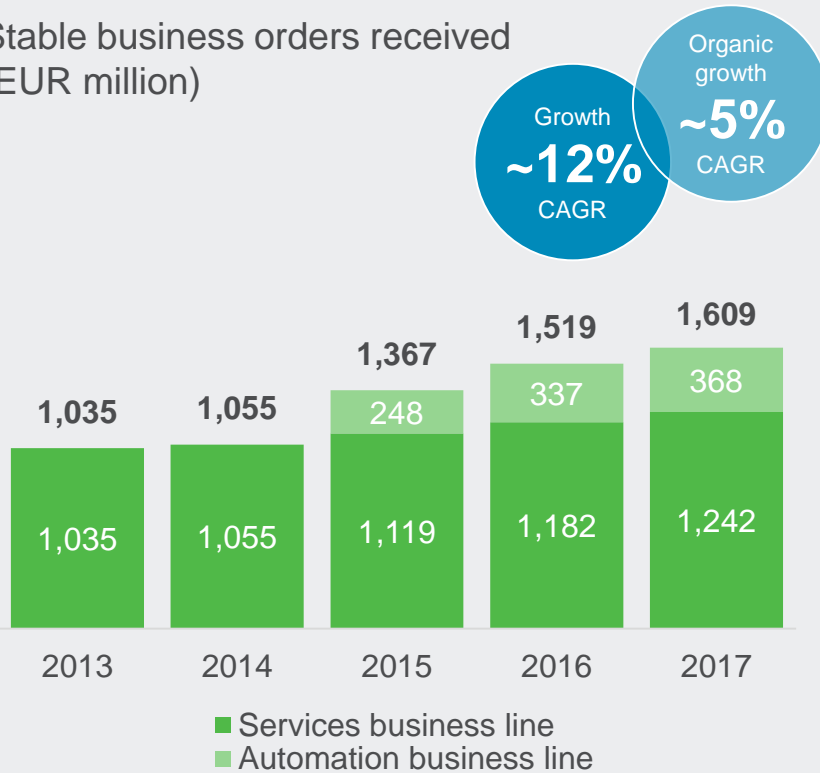


● Estimated market size for current offering (EUR)
 ● Anticipated long-term market growth
 Market drivers
 % of net sales (2017)

Source: Leading consulting firms, RISI, management estimates

Stable business, with EUR 1.5 billion of net sales, offering stability, growth and profitability

Stable business orders received (EUR million)



Key potential in stable business

- Valmet Way to Serve
- Industrial Internet

Services

- Strengthening the presence close to customers
- Continuous flow of new products

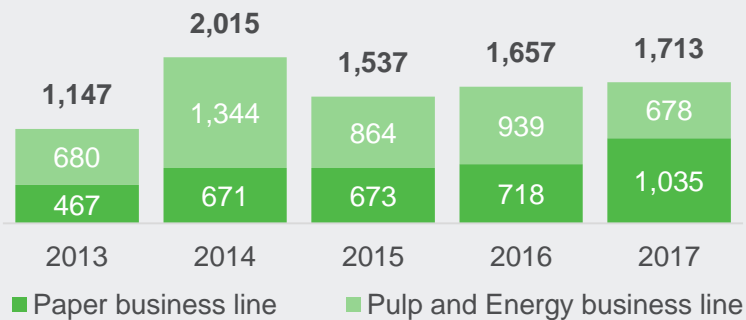
Automation

- Market share increase via competitor replacements in Automation
- Capitalizing Valmet level synergies

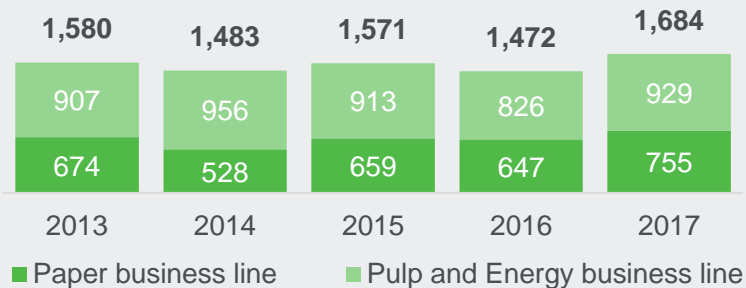
Automation business line figures include internal orders received.

Capital business, with flexible cost structure, offering growth and profitability potential

Orders received (EUR million)



Net sales (EUR million)



Key potential in capital business

- Product cost competitiveness to support the growth
- Cost structure development and increasing flexibility
- Strengthen project management

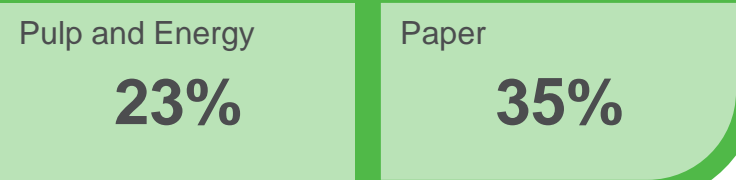
Pulp and Energy business line

- Become market leader in Pulp
- Expand global market presence in Energy

Paper business line

- Strengthening market position in South America
- Continue modularization and standardization

Capacity cost to net sales (2017)



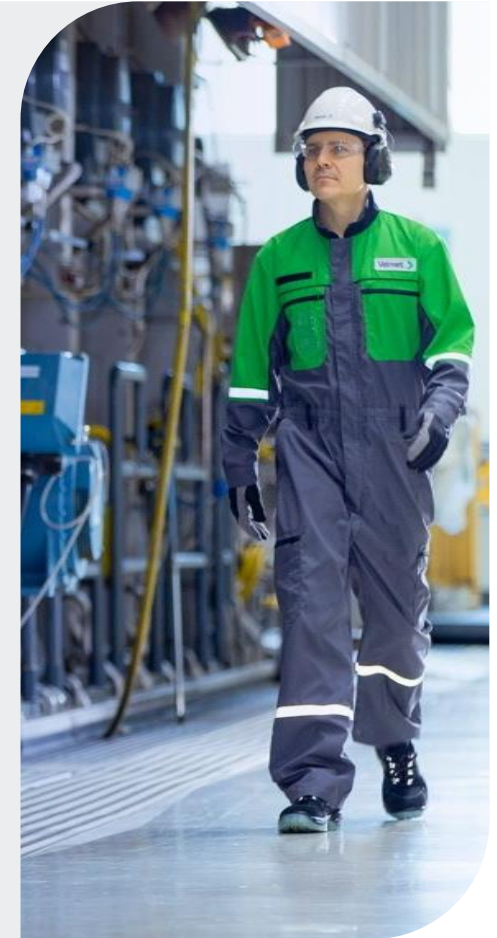
Continuous systematic development

Supporting growth:

- New Valmet way to serve
- Improved sales process for complete offering

Supporting profitability improvement:

- Reducing procurement costs
- Reducing quality costs
- Project management, R&D and ERP



Technology leader with unique offering

Cost-competitive, focused solutions in Paper

- 15 OptiConcept M machines sold
- 10 Advantage NTT machines sold

Complete pulp mill delivery capability

- State-of-the-art technology for all types of pulps

Comprehensive offering for energy customers

- Solutions for demanding fuels

Leading the field

- New service concepts
- Constant flow of spearhead products
- Fit-for-purpose product offering
- Integration with customer operations

A forerunner in Industrial Internet

- Serving our customers with intelligent technology, automation and services locally and remotely
- Enhancing mobility and introducing even more advanced automation technologies and embedded diagnostics



Strong focus on customer benefits



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 | 2,292 | 2,283 | 0% | 2,292 | 2,283 | 0% |
| Net sales | 936 | 785 | 19% | 3,159 | 2,926 | 8% |
| Comparable EBITA | 76 | 56 | 34% | 226 | 196 | 15% |
| % of net sales | 8.1% | 7.2% | | 7.2% | 6.7% | |
| EBITA | 63 | 48 | 31% | 209 | 183 | 14% |
| Operating profit (EBIT) | 56 | 40 | 38% | 178 | 147 | 21% |
| % of net sales | 5.9% | 5.1% | | 5.6% | 5.0% | |
| Earnings per share, EUR | 0.30 | 0.10 | >100% | 0.84 | 0.55 | 53% |
| Return on capital employed (ROCE) before taxes ² | | | | 15% | 12% | |
| Cash flow provided by operating activities | 89 | 88 | 0% | 291 | 246 | 18% |
| Gearing ¹ | | | | -11% | 6% | |

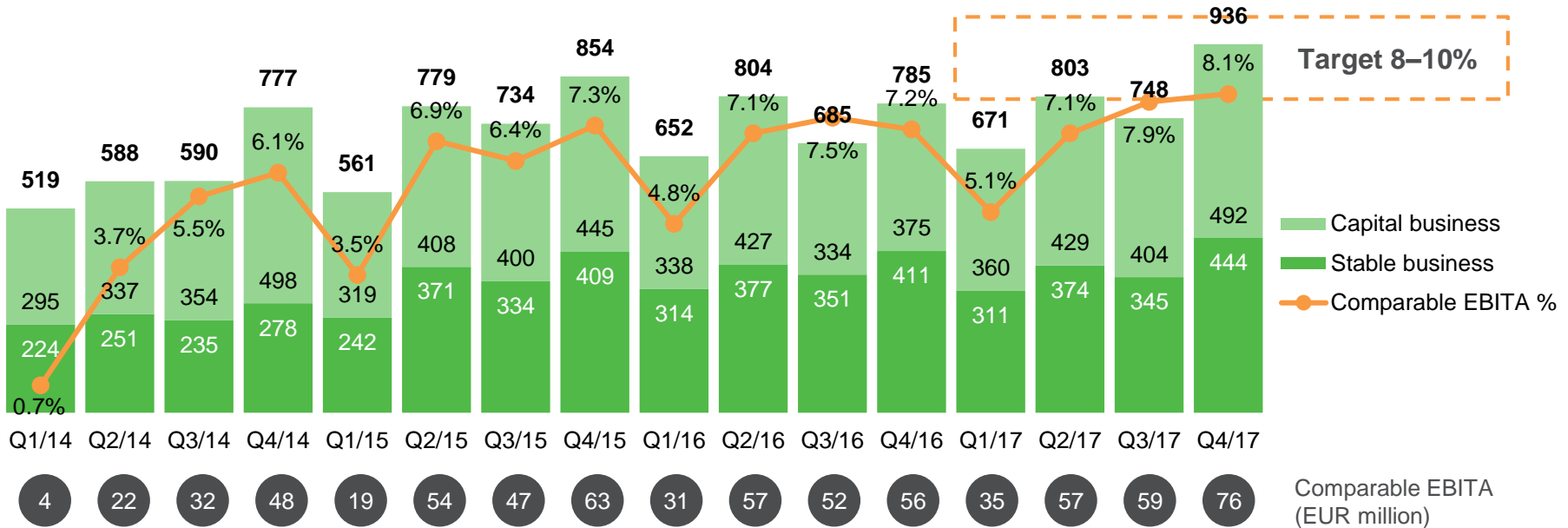
Items affecting comparability: EUR -12 million in Q4/2017 (EUR -8 million in Q4/2016), EUR -17 million in 2017 (EUR -13 million in 2016)

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 to be announced in March 2018 at the latest

Guidance



Following the adoption of the new principles of IFRS 15, effective as of January 1, 2018, Valmet's revenue recognition will change in 2018. As a result, Valmet will publish restated figures for 2017 in March 2018 at the latest. Valmet will announce its financial guidance for 2018 in conjunction with the restated figures.

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 |

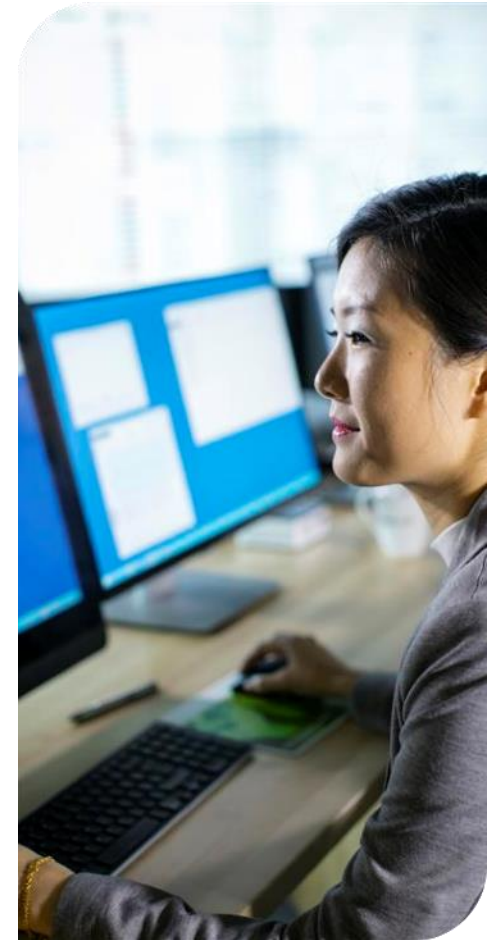
The short-term market outlook is given for the next six months from the end of the respective quarter. The scale is 'weak-satisfactory-good'.



Conclusion

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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.

