



Valmet – unique offering  
with process technology,  
automation and services

Roadshow material  
November 2015

Valmet

# Agenda

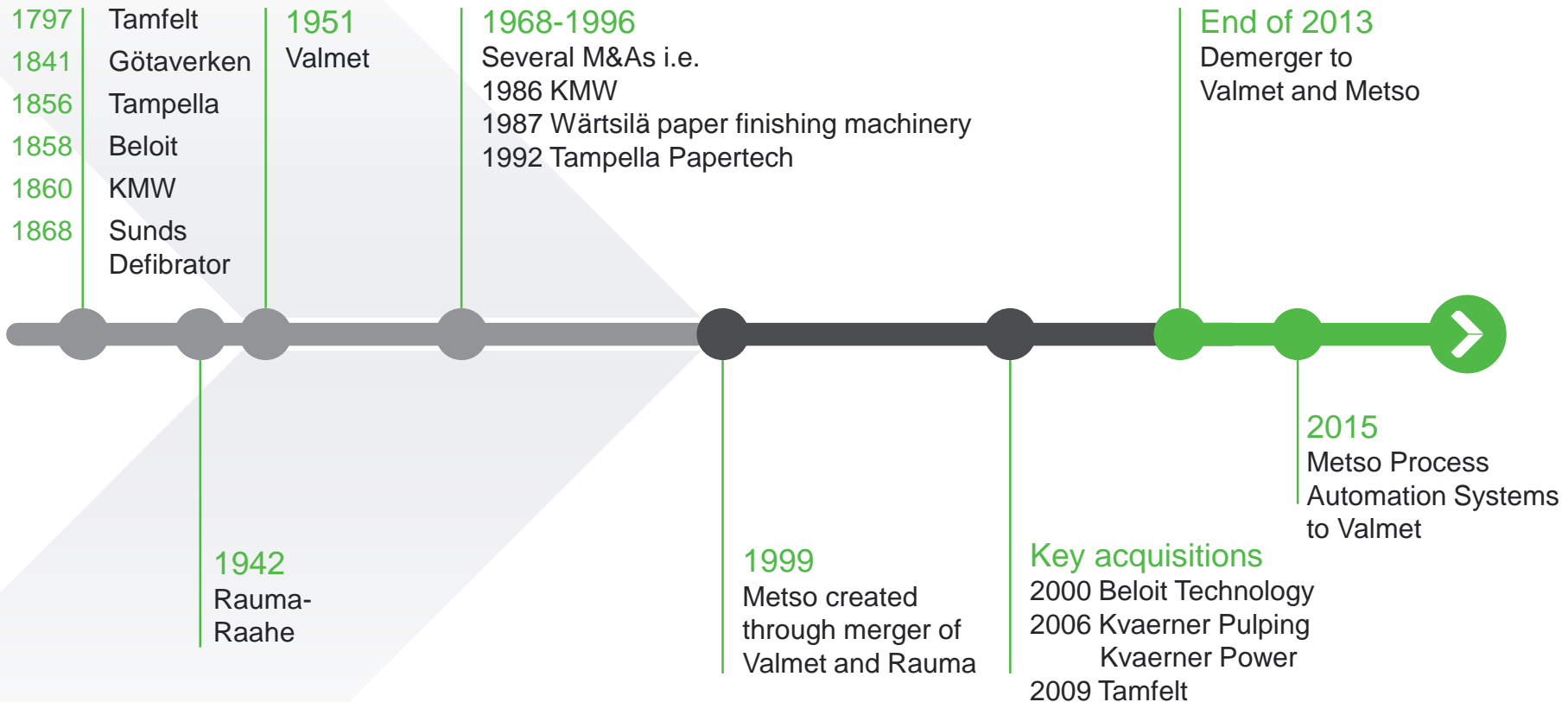
## Valmet Roadshow

- 1 Valmet overview
- 2 Investment highlights
- 3 Financials
- 4 Automation – excellent strategic fit
- 5 Conclusions
- 6 Appendix



# Valmet overview

# Valmet has over 200 years of industrial history



# Key figures 2014

## Excluding Automation business line

Orders received  
EUR 3,071 million

Net sales  
EUR 2,473 million

EBITA before NRI<sup>1</sup>  
EUR 106 million

Employees 10,464

### Market position

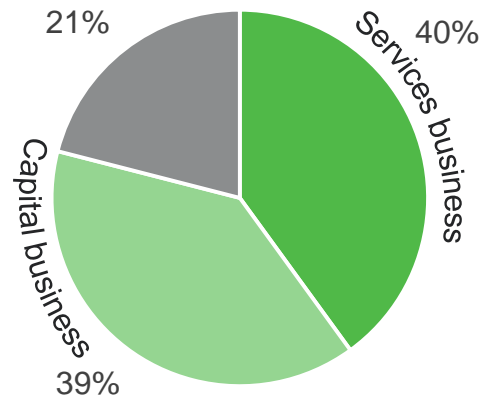
#1-2 Services

#1-2 Pulp

#1-3 Energy

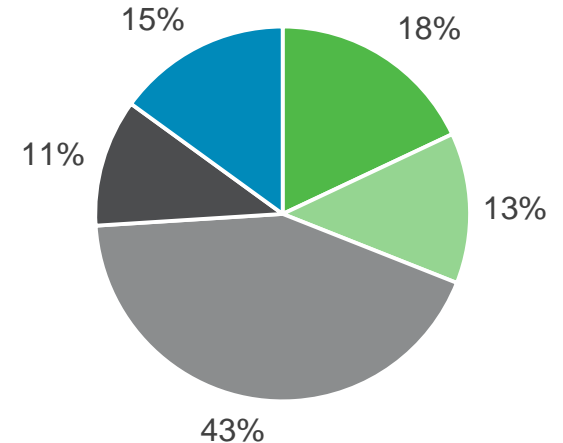
#1-2 Paper, board, tissue

Net sales split by  
business line



■ Services  
■ Pulp and Energy  
■ Paper

Net sales split by  
geographic area



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

1) NRI = non-recurring items

# Our four business lines serve the same customer base



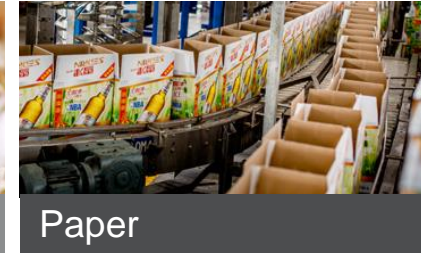
Services



Automation

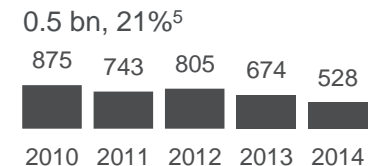
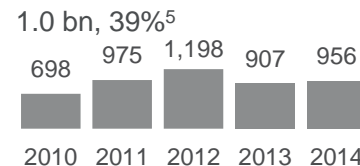
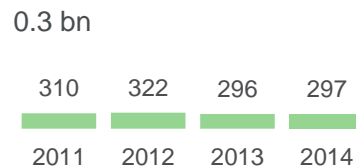
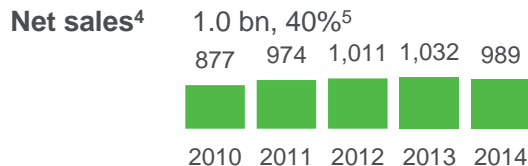


Pulp and Energy



Paper

Description	Mill and plant improvements, roll and workshop services, parts and fabrics, and life-cycle services	Supplies and develops automation and information management systems, applications and services	Technologies and solutions for pulp production, power generation, and biomass conversion	Technologies and solutions for board, tissue, and paper
Market position	#1-2	Analyzers #1, QCS <sup>1</sup> #1-2, DCS <sup>2</sup> #1-3	Pulping #1-2, Bioenergy generation #1-2	Board #1-2, Tissue #1, Paper #1-2
Market size	EUR 7.5 bn	DCS <sup>2</sup> EUR 1.6 bn, QMS <sup>3</sup> >EUR 0.2 bn, Analyzers <EUR 0.2 bn	Pulp EUR 1.4 bn, Energy EUR 2.0 bn	Board EUR 1.0 bn, Tissue EUR 0.6 bn, Paper EUR 0.6 bn
Customers	Companies mainly in the pulp, paper and energy industries	Companies in the pulp, energy, paper and process industries	In pulp, mechanical and chemical pulp producers as well as companies in the panelboard industry	Mainly paper companies as well as board and tissue producers
Main competitors	Voith, Andritz, Albany, Xerium Technologies, AstenJohnson, Foster Wheeler, Alstom etc.	ABB, Honeywell, Emerson, Siemens, Voith, Paperchine, Procemex, BTG, PulpEye etc.	Andritz in Pulp; Andritz and Foster Wheeler in Energy; Andritz main global competitor in biomass	Voith and Andritz



1) QCS = Quality Control Systems  
 2) DCS = Distributed Control Systems  
 3) QMS = Quality Management System

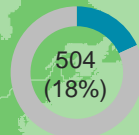
4) Net sales 2010–2013 by business line on a carve-out basis for the periods indicated (excl. Intra-Metso net sales).

5) Percent of total, excluding Automation (2014 figures)

# Strong global presence provides a good platform for growth

## North America

- Large installed base to be served
- Capital project opportunities in pulp, energy, board, and tissue

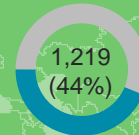


1,357  
(11%)



## EMEA

- Large installed base to be served
- Machine closures in printing and writing
- Capital project opportunities in pulp, board, tissue, and bioenergy

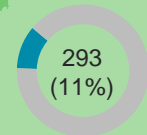


7,714  
(63%)




## China

- Services growth potential through growing installed base
- Capital project opportunities in board and tissue

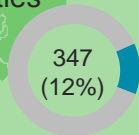


1,999  
(16%)



## South America

- Services growth potential through growing installed base
- Capital project opportunities in pulp, tissue and bioenergy

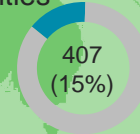


520  
(4%)




## Asia-Pacific


- Services growth potential through growing installed base
- Capital project opportunities in pulp, energy, board, and tissue



706  
(6%)



 Illustrative net sales in 2014  
(EUR million and % of total)

 Number of employees in September, 2015  
(number of employees and % of total)

# Valmet's way forward

## Our Mission

Converting renewable resources into sustainable results

## Our Strategy

Valmet develops and supplies competitive technology and services to the pulp, paper and energy industries.

We are committed to moving our customers' performance forward.

## Our Must-Wins

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

## Our Vision

To become the global champion in serving our customers

## Our Values create and strengthen our culture

**Customers** - We move our customers' performance forward

**Renewal** – We promote new ideas to create the future

**Excellence** – We improve every day to deliver results

**People** – We work together to make a difference

## Megatrends

- Need for renewable solutions
- Bio-economy and climate change
- Increase in standards of living



# Key Must-Win objectives to develop Valmet further and continue to improve profitability

## Must-Wins

### Customer excellence

## Must-Win implementation objectives for 2016

- Strengthen our presence close to customers and growth markets
- Strengthen Key Account Management to serve customers with our full offering
- Provide customer benefits by combining process technology, automation and services
- Develop Valmet service concept, remote services and drive growth through service agreements

### Leader in technology and innovation

- Improve product cost competitiveness to increase gross profit and reduce customer investment and operational costs
- Develop new products and technologies to create new revenue

### Excellence in processes

- Sales and project management process to improve product margin
- Implement Lean to reduce quality costs and lead times
- Save in procurement and ensure sustainable supply chain
- Improve health and safety
- Continue to improve cost competitiveness

### Winning team

- Nurture shared values
- Drive high performance
- Continue globalization of our capabilities



Automation – excellent  
strategic fit

# Valmet becomes a stronger company as a result of acquiring Automation

The acquisition was announced on January 15, 2015 and closed on April 1, 2015

The acquisition has an excellent strategic fit

- Combination of Valmet and Automation creates a unique customer offering
- Automation is a strong, established business
- Acquisition makes Valmet more stable and more profitable



# Automation in brief (2014)

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

Orders received  
EUR 336 million

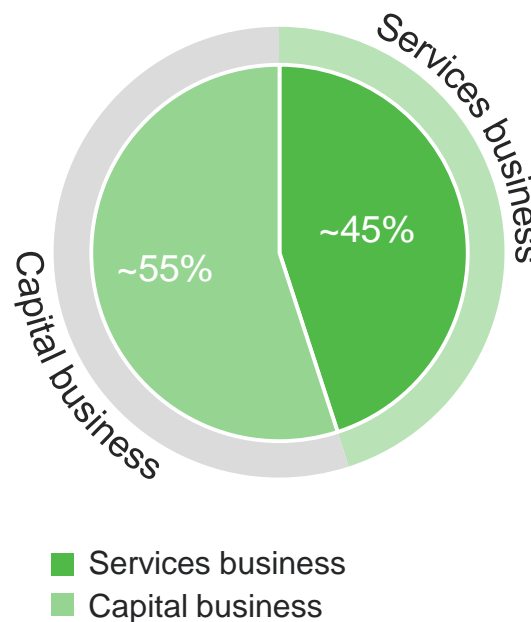
Net sales  
EUR 297 million

Employees ~1,600

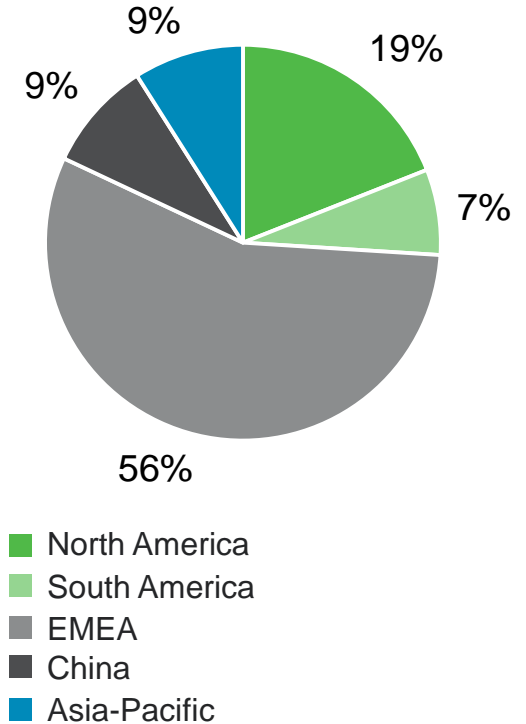
## Position in pulp and paper

- #1 Analyzers
- #1-2 Quality control systems
- #3 Distributed control systems

Net sales by business line



Net sales by geographic area



# Automation is a strong, established business

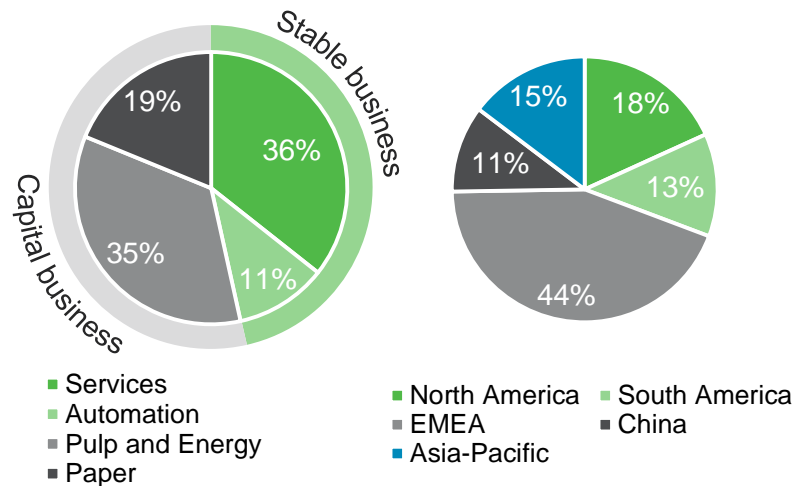
- Long-term customer relations
- High level of technology and know-how
- Strong service business, based on large installed base and captive business model
- ~1,600 automation professionals working close to customers at ~80 locations around the world
- Significant proprietary know-how
- Good financial track record and stable cash flow



# Valmet with Automation

Increased stability and improved profitability

## Illustrative net sales in 2014<sup>1</sup>



## Improving profitability

- Automation has a solid financial track record
  - Historically continuous double-digit EBITA margin of 10–12%
  - Stable net sales, with slight growth
- Increases Valmet's profitability
  - Valmet's financial target: EBITA margin of 6–9%

## Increasing stability

- Valmet will have approximately EUR 1,300 million of stable business
  - Existing services EUR ~1,000 million
  - Automation EUR ~300 million

1) Illustrative net sales split when Valmet and Automation combined (2014 figures).



# Investment highlights

# Investment highlight summary

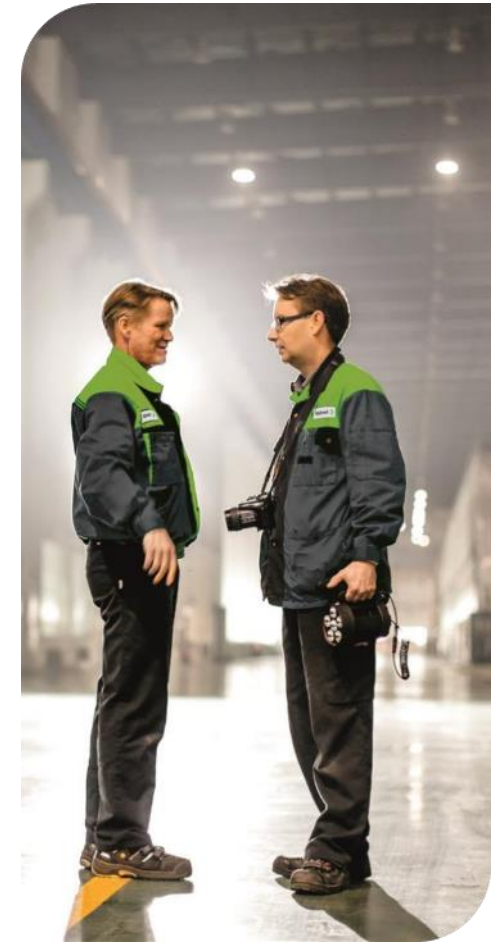
**1** **Strong market position** in growing markets

**2** **Growing, profitable and stable** service and automation business with **EUR 1.3 billion sales**

**3** Strong in cyclical capital business with long-term **growth potential** and **increased flexibility in cost structure**

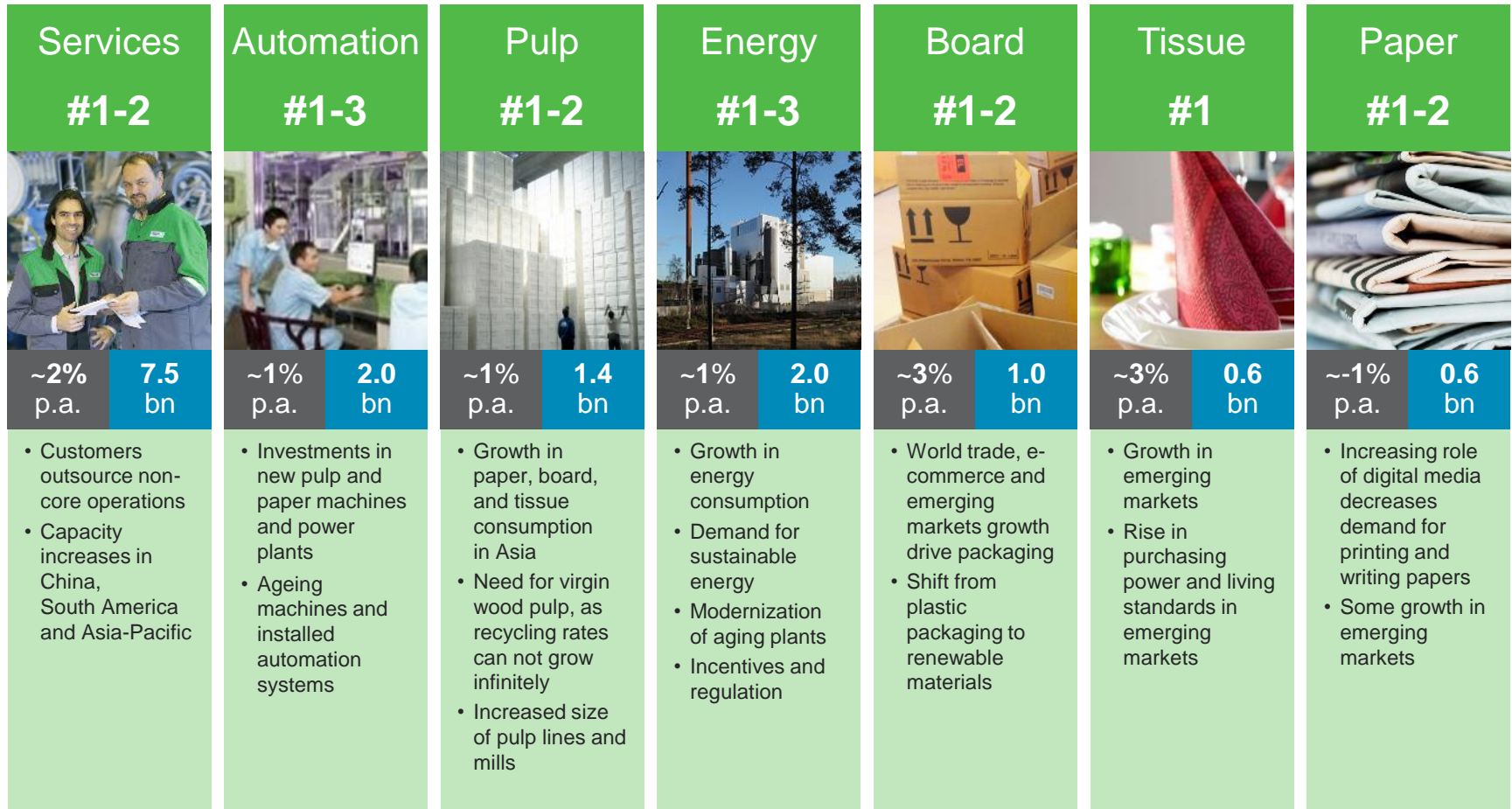
**4** **Unique offering** with process technology, automation and services

**5** Continued **focus on profitability**, more **effort into renewal**





# Strong market position in growing markets



Anticipated long-term market growth
  Estimated market size for current offering (EUR)
  Market drivers

Source: Leading consulting firms, RISI, management estimates

# Growing, profitable and stable service and automation business with EUR 1.3 billion sales



**Growing**

- Services net sales growth on average over 3% p.a. during the last 5 years
- Slight growth in Automation net sales over the last 10 years

**Profitable**

- Relatively stable margins in Automation during the last 10 years, EBITA margin 10–12%

**Stable**

- Services and Automation together approximately EUR 1.3 billion of stable business

# Strong in cyclical capital business with long-term growth potential and increased flexibility in cost structure



## Pulp and Energy

Market position:

**#1-3**

Headcount reduction<sup>1</sup>:

**~500**

Capacity cost reduction:

**10%**

(Capacity cost to sales 24% in 2014)



## Paper

Market position:

**#1-2**

Headcount reduction<sup>1</sup>:

**~800**

Capacity cost reduction:

**20%**

(Capacity cost to sales 47% in 2014)



1) Reduction in number of employees during 2014

# Unique offering with process technology, automation and services



- Valmet is a technology and service company with full automation offering
- Strengthened competitiveness from combination of paper, pulp and power plant technology, process know-how and automation
- Full scope offering gives better differentiation from competitors

# Continued focus on profitability, more effort into renewal

## Continued focus on profitability improvement measures

- Improve project and service margin
- Reduce quality costs and lead times
- Savings in procurement
- Continue to improve cost competitiveness
- Improve cost competitiveness to increase gross profit

## Increased focus on renewal

- Constant improvement of technology and offering
- Results in research and development, e.g. OptiConcept M
- Improvement in customer relations
- Development of personnel
- Acquiring Process Automation Systems renews Valmet and strengthens know-how





# Financials

# Financial targets

## Growth



Net sales growth to exceed market growth

## Profitability



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

## ROCE

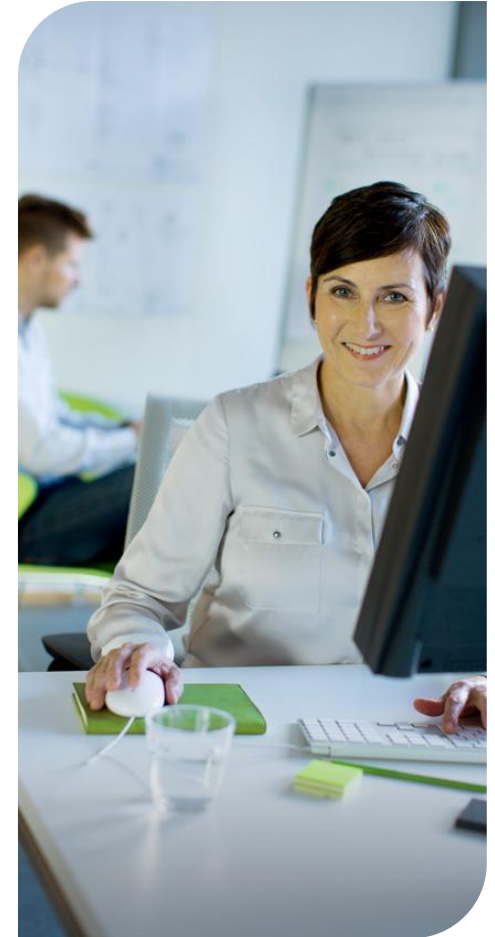


Return on capital employed (pre-tax),  
ROCE<sup>2</sup>: minimum of 15%

## 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 )

# Q3/2015 in brief



## **Orders received and net sales increased in stable business<sup>1</sup>**

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- Orders received remained stable compared with Q3/2014 in Services, orders received EUR 70 million in Automation
- Net sales increased in Services compared with Q3/2014, net sales EUR 66 million in Automation



## **Orders received and net sales increased in capital business**

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- Orders received increased compared with Q3/2014 in Pulp and Energy, and Paper business lines
- Net sales increased in Paper and decreased in Pulp and Energy compared with Q3/2014



## **Order backlog at EUR 2.1 billion**

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- Order backlog EUR 90 million lower than at the end of Q2/2015



## **Good development in profitability**

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- EBITA<sup>2</sup> increased to EUR 47 million
- EBITA<sup>2</sup>-margin improved and was in the targeted range at 6.4 percent



## **Net debt EUR 229 million**

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- Gearing 28%
- Cash flow provided by operating activities EUR 16 million

1) Stable business = Services and Automation business lines

2) EBITA = Earnings before interest, taxes and amortization and non-recurring items



# Key figures Q3/2015

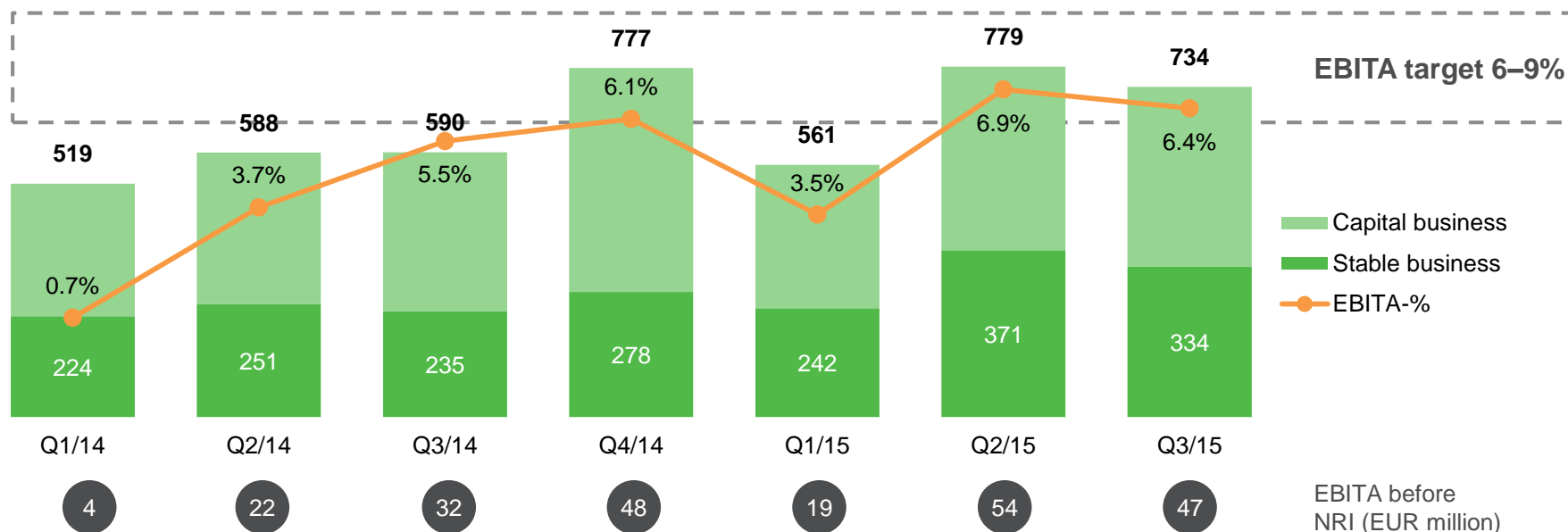
EUR million	Q3/2015	Q3/2014	Change	Q1–Q3/2015	Q1–Q3/2014	Change
Orders received	<b>725</b>	466	56%	<b>2,085</b>	2,590	-19%
Order backlog <sup>1</sup>	<b>2,117</b>	2,312	-8%	<b>2,117</b>	2,312	-8%
Net sales	<b>734</b>	590	25%	<b>2,074</b>	1,697	22%
EBITA <sup>2</sup>	<b>47</b>	32	45%	<b>120</b>	58	>100%
% of net sales	<b>6.4%</b>	5.5%		<b>5.8%</b>	3.4%	
EBIT <sup>3</sup>	<b>33</b>	26	25%	<b>78</b>	35	>100%
% of net sales	<b>4.4%</b>	4.4%		<b>3.8%</b>	2.1%	
Earnings per share, EUR	<b>0.14</b>	0.11	25%	<b>0.33</b>	0.14	>100%
Return on capital employed (ROCE), before taxes <sup>4</sup>				<b>11%</b>	6%	
Cash flow provided by operating activities	<b>16</b>	117	-86%	<b>14</b>	206	-93%
Gearing <sup>1</sup>				<b>28%</b>	-20%	

Non-recurring items: EUR -4 million in Q3/2015 (EUR -1 million in Q3/2014), EUR -16 million in Q1–Q3/2015 (EUR -7 million in Q1–Q3/2014).

- 1) At the end of period
- 2) Before non-recurring items
- 3) After non-recurring items
- 4) Annualized

# EBITA margin in the targeted range

Net sales and EBITA before NRI (EUR million)



- Net sales and profitability increased compared with Q3/2014

- Profitability improved due to the higher level of net sales, improved gross profit, and the acquisition of Automation
- Changes in foreign exchange rates<sup>1</sup> increased net sales by approximately EUR 14 million and EBITA by approximately EUR 1 million<sup>2</sup>

1) Compared with the exchange rates for July–September 2014

2) Indicative only

# Guidance and short-term market outlook

## Guidance for 2015 (as given on February 6, 2015)

### Guidance for 2015



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

## Short-term market outlook

		Q4/2014	Q1/2015	Q2/2015	Q3/2015
Services		Satisfactory	Satisfactory	Satisfactory	Satisfactory
Automation		-	Satisfactory	Satisfactory	Satisfactory
Pulp and Energy	Pulp	Satisfactory	Good	Good	Good
	Energy	Satisfactory	Weak	Weak	Weak
Paper	Board and Paper	Good	Good	Good	Satisfactory
	Tissue	Satisfactory	Satisfactory	Satisfactory	Satisfactory



# Conclusion

# Investment highlight summary

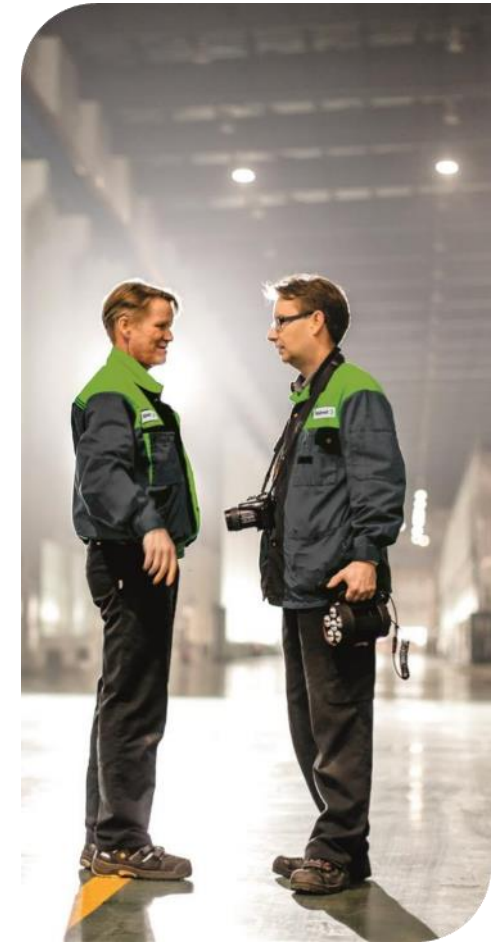
**1** **Strong market position** in growing markets

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**4** **Unique offering** with process technology, automation and services

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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.

# Appendix

1 Management, ownership and share price development

2 Financials

3 Automation

4 Offering

5 Market statistics



# Appendix

Management, ownership and share  
price development



# Experienced Executive Team

## Corporate



**Pasi Laine**  
President and CEO  
Share ownership: 49,021



**Kari Saarinen**  
CFO  
Share ownership: 6,325



**Julia Macharey**  
SVP, Human Resources  
Share ownership: 3,455



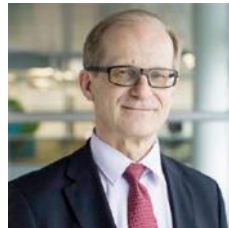
**Anu Salonsaari-Posti**  
SVP, Marketing & Communications  
Share ownership<sup>1)</sup>: 1,500

Kari Saarinen has been appointed CFO at Valmet as of November 15, 2015, as Markku Honkasalo (previously CFO) has decided to leave Valmet at the end of November.

## Business lines



**Jukka Tiitinen**  
Business Line President, Services  
Share ownership<sup>2)</sup>: 23,770



**Sakari Ruotsalainen**  
Business Line President, Automation  
Share ownership: 8,090

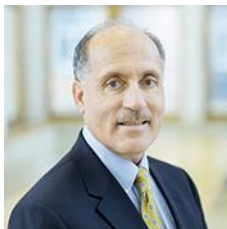


**Bertel Karlstedt**  
Business Line President, Pulp and Energy  
Share ownership: 4,500

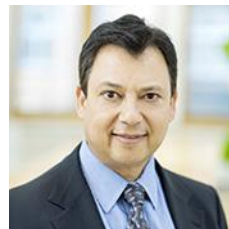


**Jari Vähäpesola**  
Business Line President, Paper  
Share ownership: 12,391

## Areas



**William Bohn**  
Area President, North America  
Share ownership: 6,652



**Celso Tacla**  
Area President, South America  
Share ownership: 19,770



**Vesa Simola**  
Area President, EMEA  
Share ownership: 4,000



**Aki Niemi**  
Area President, China  
Share ownership: 8,000



**Hannu T. Pietilä**  
Area President, Asia-Pacific  
Share ownership: 8,432

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

# Board of Directors



**Bo Risberg**

(b. 1956)  
Chairman of  
the Board  
Swedish citizen

- BSc in Mech. Engineering, MBA
- Selected experience:
  - CoB of Piab Group Holding
  - Vice CoB of Grundfos A/S and IMD
  - Member of the BoD of Norstjernen AB and Trelleborg AB
- Share ownership: 3,922
- 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: 107,989
- 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: 4,187
- 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: 7,366
- Independent of company: Yes
- Independent of owners: Yes



**Lone Fønss Schrøder**

(b. 1960)  
Board member  
Danish citizen

- MSc in Economics, Accounting; LL.M.
- Selected experience:
  - Member of the BoD of Saxobank A/S, Aker Solutions, Volvo PV AB, NKT Holding A/S, Schneider SE, Bilfinger Berger SE
- Share ownership: 5,235
- 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: 4,187
- Independent of company: Yes
- Independent of owners: Yes

# Largest shareholders on October 31, 2015

Based on the information given by Euroclear Finland Ltd.

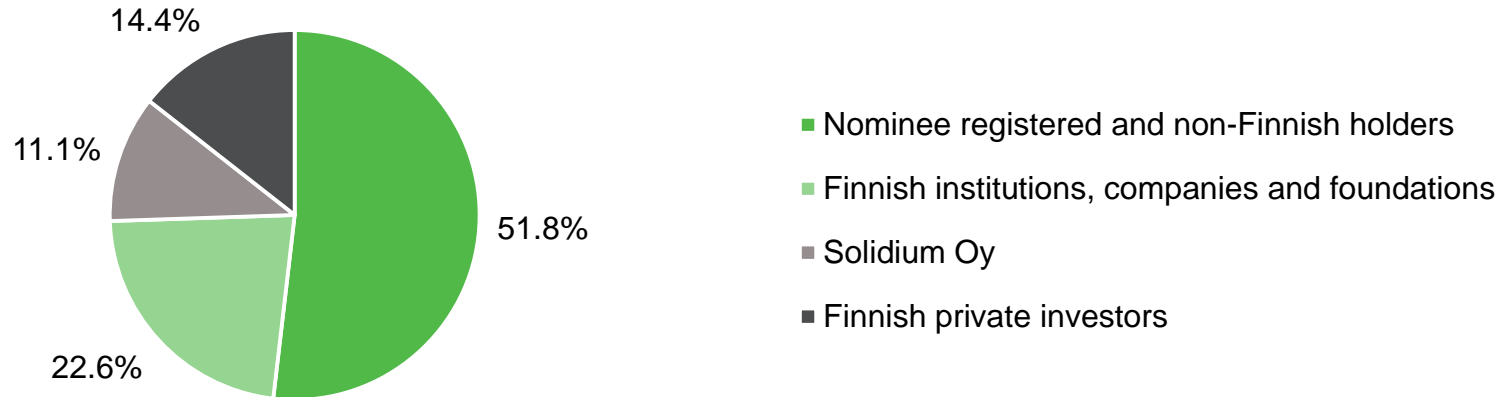
#	Shareholder name	Number of shares	% of shares and votes
1	Solidium Oy <sup>1</sup>	16,695,287	11.14%
2	Solero Luxco S.A.R.L	5,374,482	3.59%
3	Varma Mutual Pension Insurance Company	4,208,465	2.81%
4	Nordea Funds	3,732,452	2.49%
5	Ilmarinen Mutual Pension Insurance Company	2,980,055	1.99%
6	The State Pension Fund	1,520,000	1.01%
7	Keva	1,502,166	1.00%
8	Danske Invest funds	1,259,000	0.84%
9	Mandatum Life Insurance Company Limited	1,217,307	0.81%
10	OP Funds	1,169,159	0.78%
	10 largest shareholders, total	39,658,373	26.46%
	Other shareholders	110,206,246	73.54%
	<b>Total</b>	<b>149,864,619</b>	<b>100.00%</b>

## Flagging notifications

Date	Shareholder name	Number of shares	% of shares and votes
June 9, 2015	Franklin Templeton Institutional, LLC	7,196,324	4.80%
February 13, 2015	Cevian Capital Partners Ltd.	10,323,191	6.89%
November 6, 2014	Nordea Funds Oy	7,240,716	4.83%
October 15, 2014	Franklin Templeton Institutional, LLC	7,517,629	5.02%
March 10, 2014	Cevian Capital Partners Ltd.	20,813,714	13.89%

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

# Ownership structure on October 31, 2015

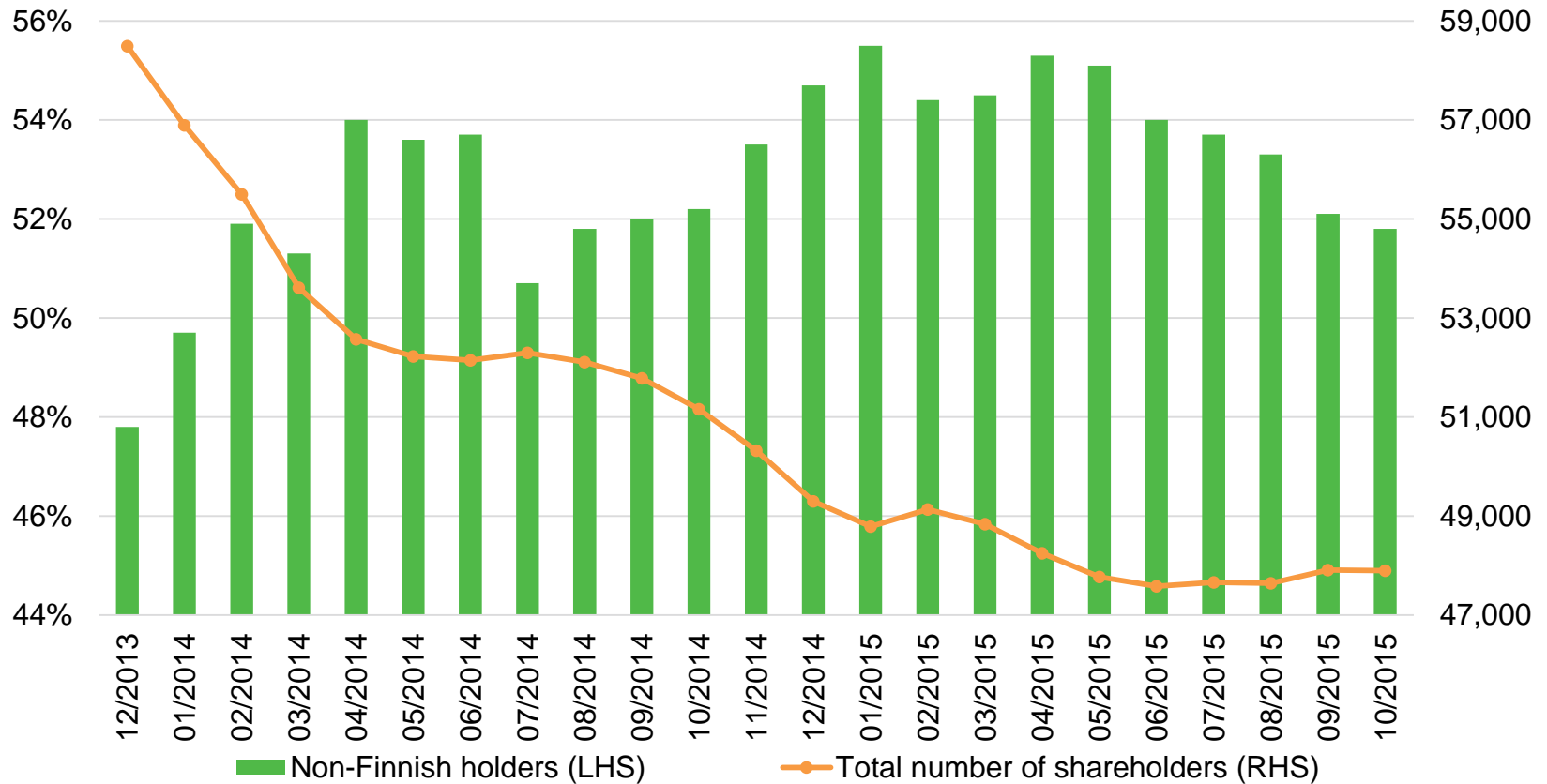


Sector	Number of shareholders	% of total shareholders	Number of shares	% of shares
Nominee registered and non-Finnish holders	290	0.6%	77,639,598	51.8%
Finnish institutions, companies and foundations	2,633	5.5%	33,917,761	22.6%
Solidium Oy <sup>1</sup>	0	0,0%	16,695,287	11.1%
Finnish private investors	44,973	93.9%	21,611,973	14.4%
<b>Total</b>	<b>47,896</b>	<b>100.0%</b>	<b>149,864,619</b>	<b>100.0%</b>

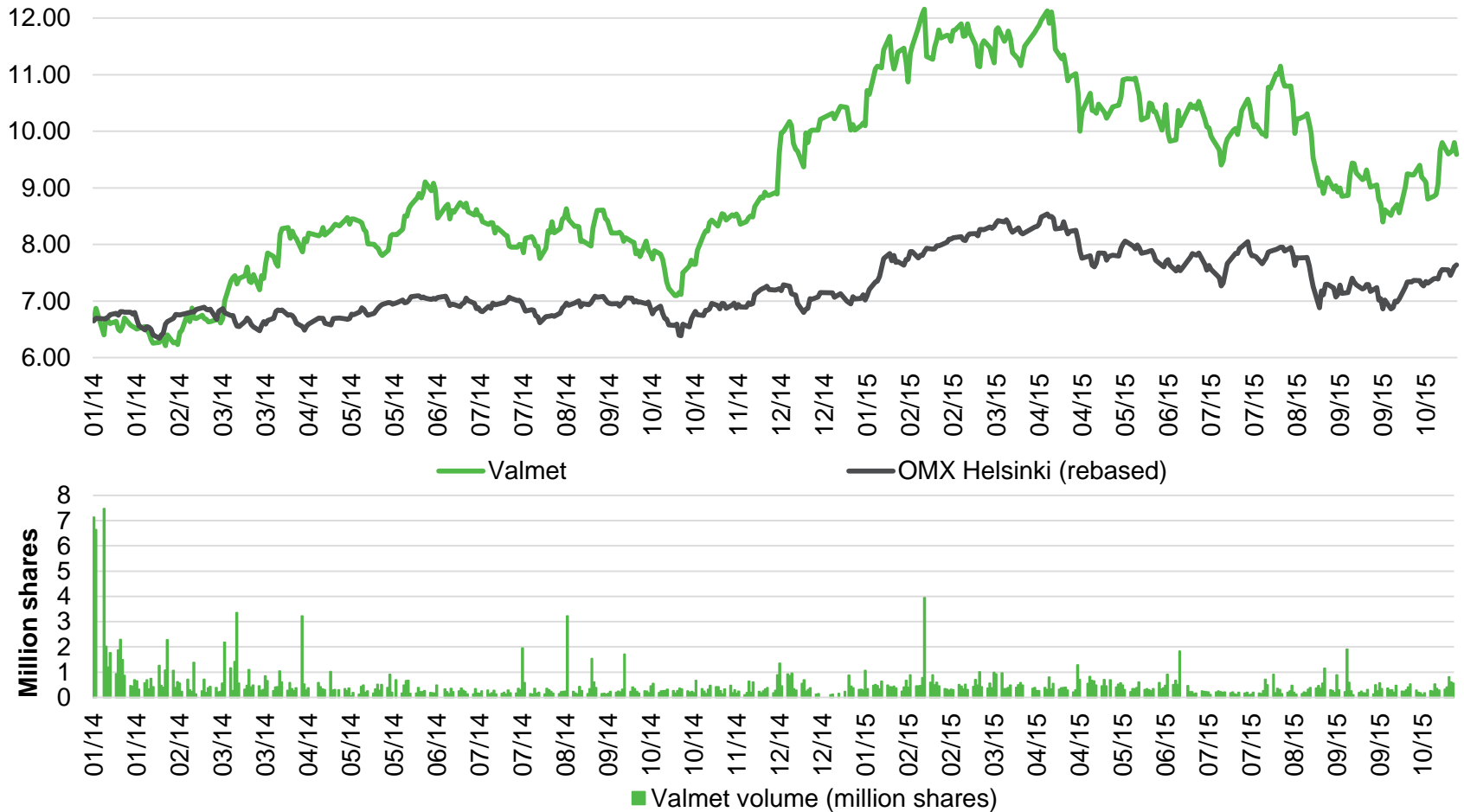
The ownership structure is based on the classification of sectors determined by Statistics Finland.

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

# Share of non-Finnish holders and number of shareholders



# Share price development and trading volume



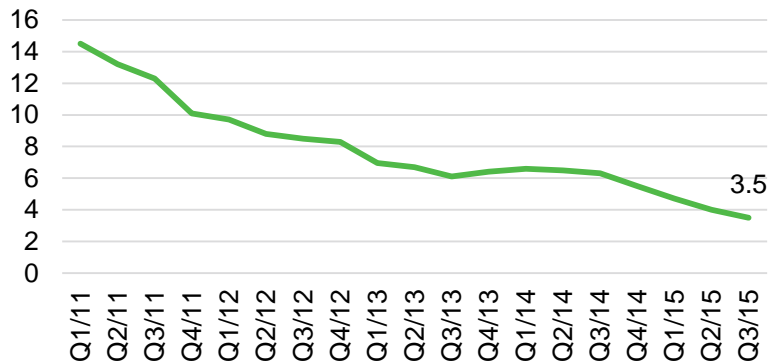


# Appendix

## Financials

# Excellence in processes: Good development in work safety and sustainability

## Lost time incident frequency (LTIF)<sup>1</sup>



- Valmet has made excellent progress in health and safety
  - LTIF has declined to 3.5 in Q3/2015

Valmet is committed to the safety and wellbeing of our employees, customers and partners. Together, we take safety forward

Long-term goal  
**ZERO**  
harm

## Sustainability

- Valmet has been included in the Dow Jones Sustainability Index (DJSI) for the second consecutive year
  - Valmet maintains its position among 317 companies recognized as world's sustainability leaders in Dow Jones Sustainability Index
  - Valmet was listed both in the Dow Jones Sustainability World and Europe indices
  - In addition to Valmet, three other companies from Finland are included in the World index this year

MEMBER OF  
**Dow Jones  
Sustainability Indices**  
In Collaboration with RobecoSAM

1) Lost time incident frequency (LTIF) reflects the number of injuries resulting in an absence of at least one workday per million hours worked. The LTIF numbers are for own employees and calculated for the last 12 months.



# Customer activity increased in 2014

## Announced orders during H1/2014

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 pulp mill	Pulp and Energy	Indonesia	Approximately 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 (typically above EUR 20 million)
Feb 27	Wood-chip-fired heating plant	Pulp and Energy	Finland	Around EUR 27 million
Mar 7	Containerboard line	Paper	Vietnam	Not disclosed
Mar 19	Tissue production line	Paper	Mexico	Not disclosed (typically EUR 20-40 million)
Mar 27	CompactCooking G2 cooking plant	Pulp and Energy	Sweden	About EUR 30 million
Mar 27	Waste to energy boiler	Pulp and Energy	Sweden	Not disclosed
Apr 3	Advantage tissue production line	Paper	Turkey	Not disclosed
Apr 28	Large-scale boiler plant	Pulp and Energy	Finland	Typically one third of the total investment of EUR 260 million.
May 5	Pulp and board production lines	Paper, and Pulp and Energy	China	Around EUR 115 million
May 6	Finalized order agreement for pulp dryers	Pulp and Energy	Brazil	A project of this size and scope is typically valued at EUR 150-200 million.
May 13	Paper machine grade conversion rebuild	Paper	Finland	Around EUR 30 million
May 20	Complete boiler plant	Pulp and Energy	Hungary	About EUR 50 million
May 20	Complete boiler plant	Pulp and Energy	Czech Republic	About EUR 50 million
May 21	Part of a major pulp mill rebuild	Pulp and Energy	Thailand	Around EUR 30 million
May 21	A boiler plant	Pulp and Energy	Finland	Around EUR 30 million
Jun 3	Major rebuild and new equipment for pulp mill	Pulp and Energy	Sweden	Around EUR 200 million
Jun 16	Part of a pulp mill upgrade	Pulp and Energy	Portugal	Not disclosed
Jun 24	New sizing technology	Paper	Germany	Not disclosed
Jun 27	Complete Advantage ThruAir tissue line	Paper	USA	Not disclosed

# Customer activity increased in 2014

## Announced orders during H2/2014

Date	Description	Business line	Country	Value
Jul 2	Advantage DCT 200 tissue line	Paper	Middle East	Not disclosed
Jul 8	Wood chipping plant	Pulp and Energy	Sweden	Around EUR 20 million
Aug 4	Advantage NTT line	Paper	USA	Not disclosed
Aug 15	Paper machine grade conversion rebuild	Paper	Thailand	Typically valued at around EUR 20 million
Aug 18	OptiConcept M board production line	Paper	USA	Not disclosed
Aug 20	Tissue production line	Paper	Turkey	Not disclosed
Sep 11	Flue-gas cleaning system	Pulp and Energy	Finland	Roughly EUR 10 million
Oct 7	Equipment for evaporator train upgrade	Pulp and Energy	USA	Not disclosed
Oct 13	Biomass based power plant	Pulp and Energy	Sweden	About EUR 30 million
Oct 30	Advantage DCT 200HS tissue line	Paper	China	Not disclosed
Nov 18	Flue gas scrubber	Pulp and Energy	Finland	Not disclosed
Nov 19	Press section rebuild	Paper	Czech Republic	Not disclosed
Nov 20	Advantage DCT 200HS tissue line	Paper	Poland	Not disclosed
Dec 3	A winder and auxiliaries	Paper	Finland	Not disclosed
Dec 8	Flue-gas cleaning and condensation plant	Pulp and Energy	Finland	Around EUR 8 million
Dec 15	New machine for folding boxboard production	Paper	Sweden	Typically valued at around EUR 60-70 million

# Announced orders in H1/2015

Date	Description	Business line	Country	Value
Jan 23	Key board machine solutions	Paper	China	Not disclosed
Feb 4	Flue-gas cleaning and condensation plant	Pulp and Energy	Finland	Around EUR 8 million
Feb 17	Equipment for fluff conversion project	Pulp and Energy, and Paper	USA	Not disclosed
Mar 2	OptiConcept M containerboard line	Paper	Taiwan	Not disclosed
Mar 3	Softwood line rebuild	Pulp and Energy	Sweden	Not disclosed
Mar 11	Biomass based boiler plant	Pulp and Energy	Finland	Valmet's delivery slightly more than half of EUR 45 million total investment
Mar 30	Tissue machine rebuild	Paper	Turkey	Not disclosed
Apr 20	Key technologies for paper machine grade conversion	Paper	Finland	Valmet delivery is a part of customer's total EUR 70 million equipment order
Apr 22	Key technologies to bioproduct mill	Pulp and Energy	Finland	About EUR 125–150 million
Jun 9	Modernize automation and remote control	Automation	Finland	Not disclosed <sup>1</sup>
Jun 16	Upgrade of the evaporation plant	Pulp and Energy	Sweden	Not disclosed (a project of this type and scope is typically valued at around EUR 10 million)
Jun 23	Repeat order for two energy recovery systems	Paper	Italy and Poland	Not disclosed
Jun 24	Automation to a new waste-to-energy plant	Automation	UK	Not disclosed <sup>1</sup>
Jun 29	Two orders for automation technology	Automation	Finland	Not disclosed <sup>1</sup>
Jun 30	OptiConcept M fine paper making line	Paper	Indonesia	Not disclosed

1) Typically the order value of automation system deliveries ranges from below EUR 1 million to EUR 3 million

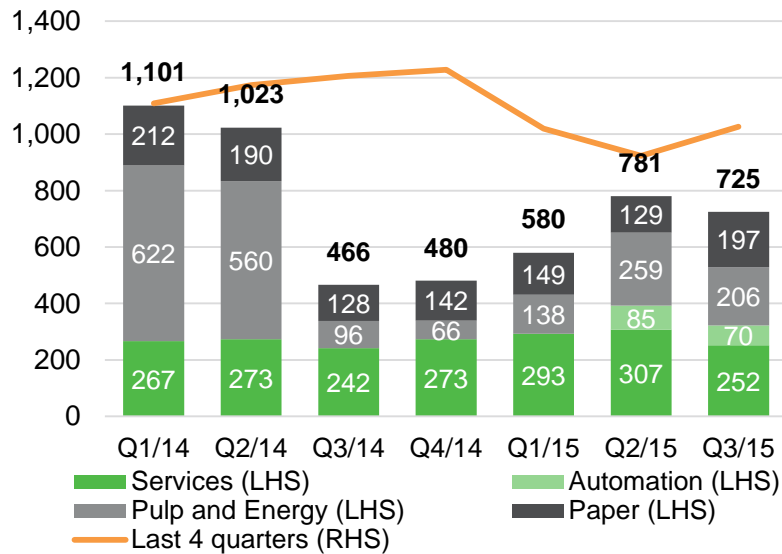
# Announced orders in H2/2015

Date	Description	Business line	Country	Value
Jul 6	Winding technology for paper machine grade conversion rebuild	Paper	Netherlands	Not disclosed
Jul 7	White liquor handling system	Pulp and Energy	Sweden	Not disclosed
Aug 18	Main equipment to a pulp mill project	Pulp and Energy	China	Approximately EUR 110 million
Aug 20	Tissue machine rebuild	Paper	Germany	Not disclosed
Aug 21	OptiConcept M paper making line	Paper	China	Not disclosed. An order of this scope is typically valued around EUR 40-50 million.
Aug 24	Analyzers and quality control system	Automation	Finland	Not disclosed <sup>1</sup>
Aug 27	Flue gas desulphurization and denitrification installation	Pulp and Energy	Poland	Approximately EUR 40 million
Sep 2	Automation to new power plant	Automation	Finland	Not disclosed <sup>1</sup>
Sep 3	Advantage NTT tissue production line	Paper	USA	Not disclosed
Sep 7	Consumables and roll service agreement	Services	Sweden	Not disclosed
Sep 8	Automation for new-generation LNG-powered fast ferry	Automation	Finland	Not disclosed
Sep 14	Advantage NTT tissue production line	Paper	Portugal	Not disclosed
Sep 15	Two Advantage DCT tissue production lines	Paper	China	Not disclosed
Sep 24	District heat network optimization and a production planning system	Automation	Finland	Not disclosed
Oct 2	Pulp cooking system	Pulp and Energy	USA	Not disclosed
Oct 7	Solids measurement and sludge dewatering optimizer	Automation	Finland	Not disclosed
Oct 14	Online fiber analyzer	Automation	USA	Not disclosed
Oct 29	Pulp cooking plant	Pulp and Energy	Thailand	Not disclosed
Nov 9	Press section technology	Paper	Japan	Not disclosed

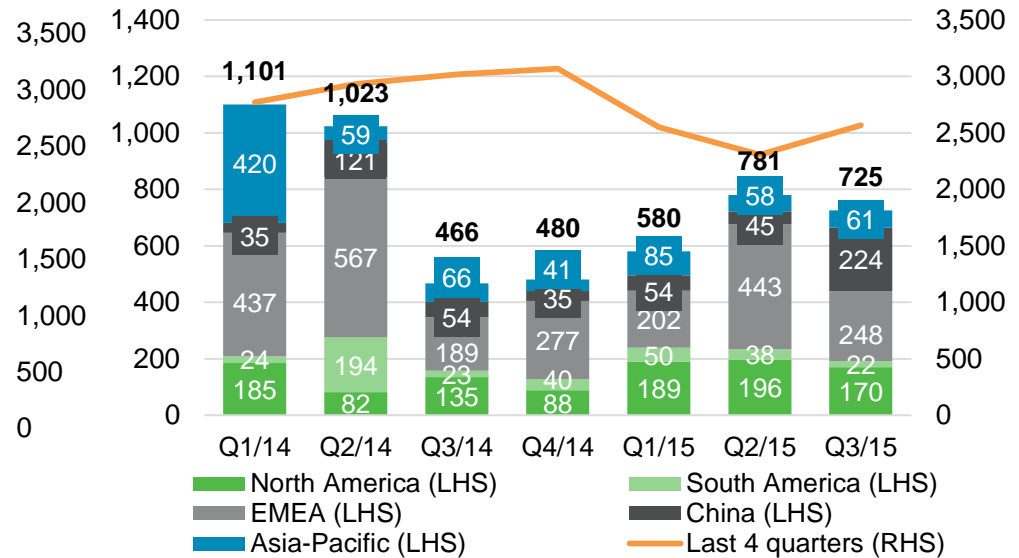
1) Typically the order value of automation system deliveries ranges from below EUR 1 million to EUR 3 million

# Orders received increased especially in China, stable business orders received EUR 322 million

Orders received (EUR million),  
by business line



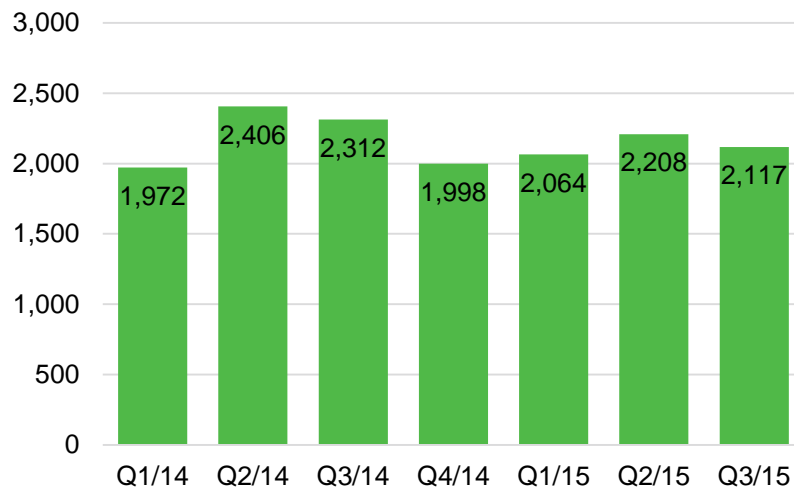
Orders received (EUR million),  
by area



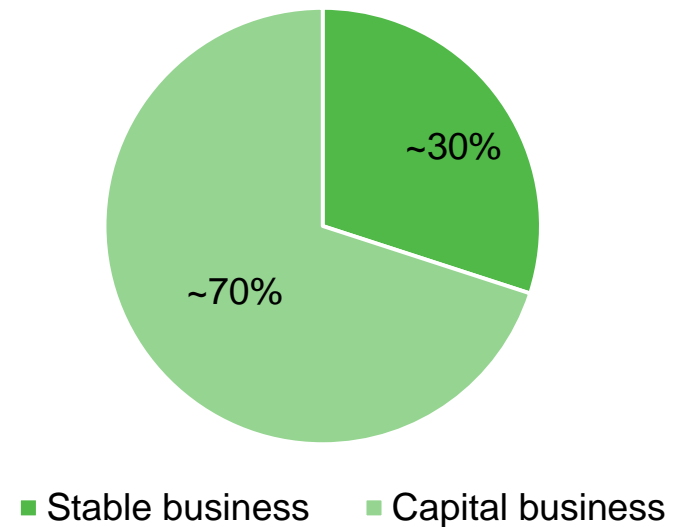
- Orders received stable in Services: Year-to-date growth at 9%
- Orders received EUR 70 million in Automation
- Orders received increased in Pulp and Energy: Main equipment to a pulp mill project in China
- Orders received increased in Paper: One board machine and three tissue machines
- Orders received more than doubled in China, and increased in EMEA and North America

# Order backlog at EUR 2.1 billion

Order backlog (EUR million)



Structure of order backlog

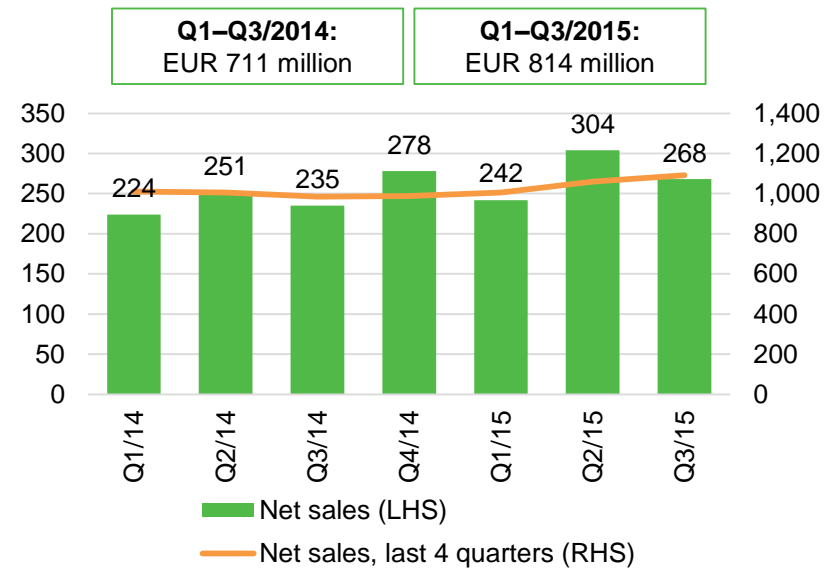
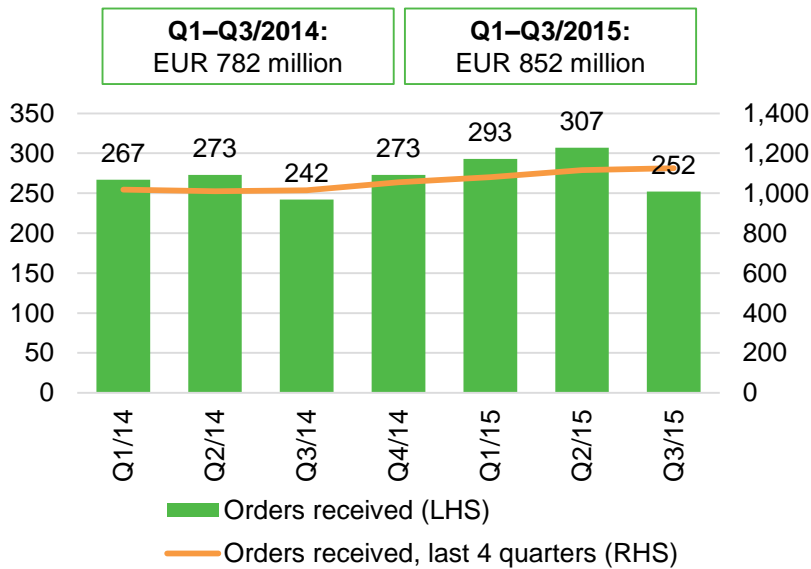


- Order backlog EUR 90 million lower than at the end of Q2/2015
- Approximately 30% of the order backlog relates to stable business

# Orders received remained stable and net sales increased in Services in Q3/2015

Orders received (EUR million)

Net sales (EUR million)



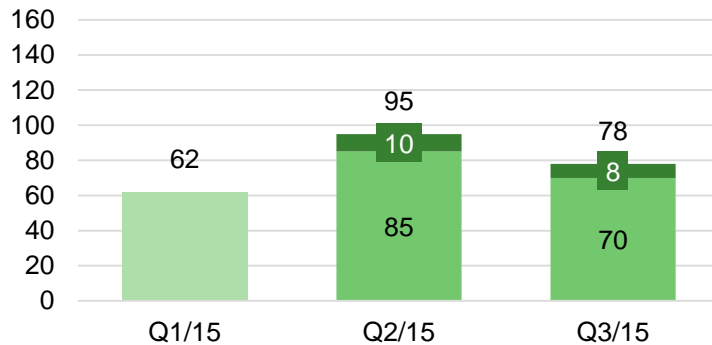
- Services orders received remained stable compared with Q3/2014
  - Orders received increased in China, remained stable compared with Q3/2014 in North America, EMEA and Asia-Pacific, and decreased in South America
  - Orders received increased in Mill Improvements and Fabrics, remained stable compared with Q3/2014 in Performance Parts and decreased in Energy and Environmental, and Rolls
  - Changes in foreign exchange rates<sup>1</sup> increased orders received by approximately EUR 11 million
- Net sales increased compared with Q3/2014



1) Compared with the exchange rates for July–September 2014

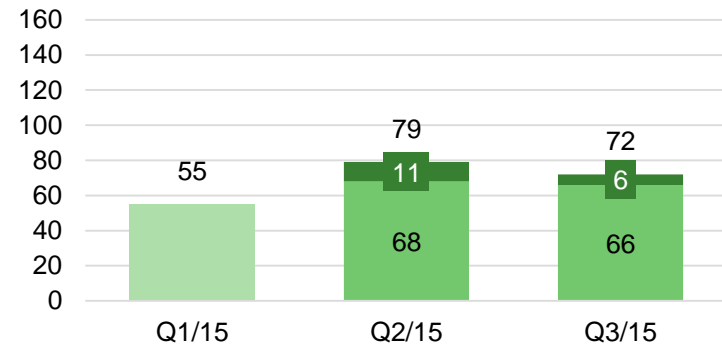
# Orders received in Automation totaled EUR 78 million in Q3/2015

Orders received<sup>1</sup> (EUR million)



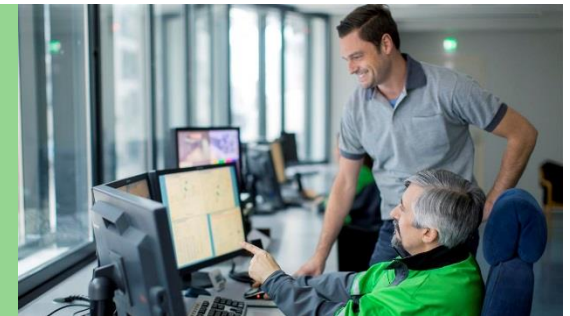
- Orders received, internal (from other business lines)
- Orders received, reported
- Orders received, total (including internal)

Net sales (EUR million)



- Net sales, internal (from other business lines)
- Net sales, reported
- Net sales, total (including internal)

- Orders received EUR 78 million in Q3/2015
  - Internal orders received amounted to EUR 8 million
  - EMEA accounted for ~50% and North America for ~30% of orders received
  - Pulp and Paper accounted for ~70% and Energy and Process for ~30% of orders received
- Net sales EUR 72 million in Q3/2015
  - Internal net sales amounted to EUR 6 million

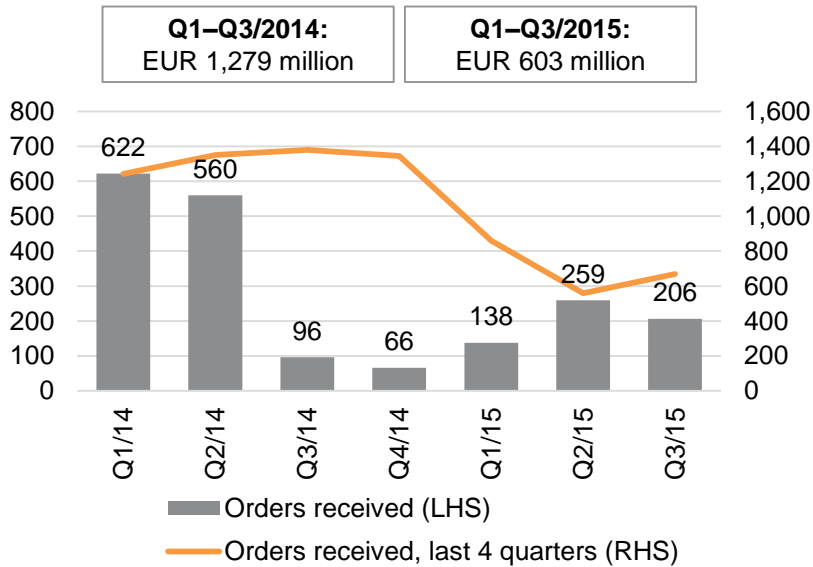


1) Q1/2015 orders received is calculated from Metso's reported figures and pro forma figures excluding Process Automation Systems and are therefore indicative only. Q2/2015 and Q3/2015 figures are Automation business line figures.

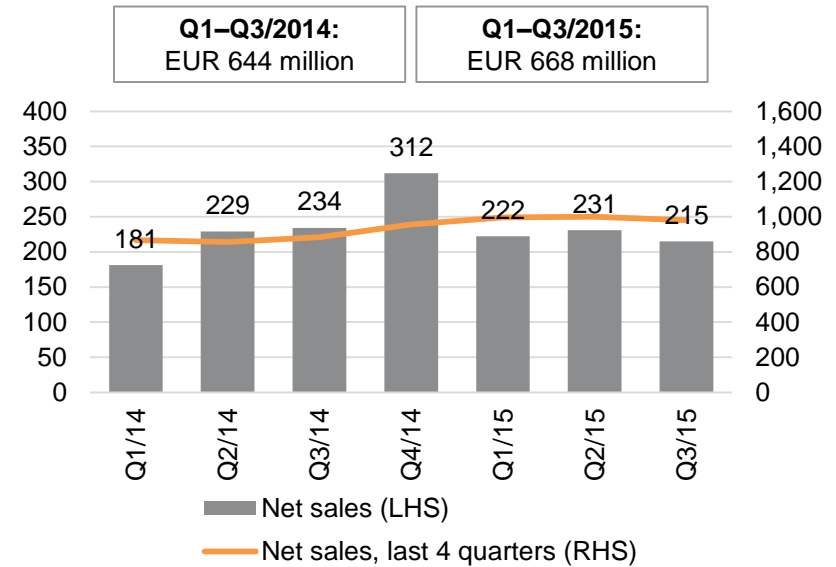


# Orders received increased in Pulp and Energy in Q3/2015

Orders received (EUR million)



Net sales (EUR million)

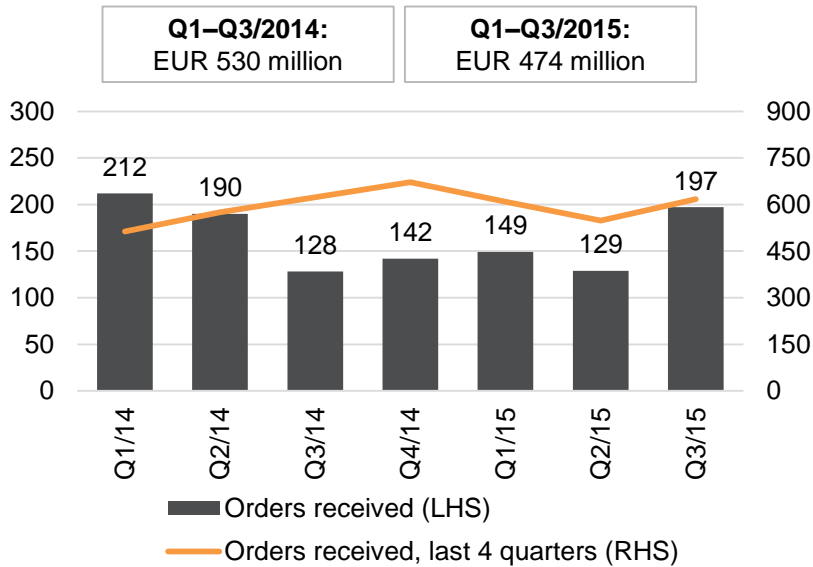


- Orders received more than doubled compared with Q3/2014
  - Orders received increased in China and North America, remained stable in EMEA and decreased in Asia-Pacific and South America
  - Orders received increased in Pulp and remained stable compared with Q3/2014 in Energy
- Net sales decreased compared with Q3/2014

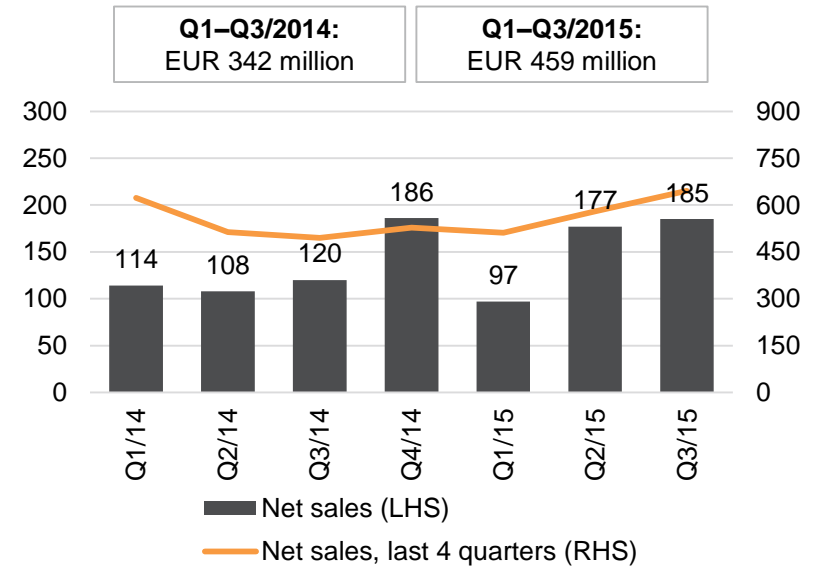


# Orders received and net sales increased in Paper in Q3/2015

Orders received (EUR million)



Net sales (EUR million)



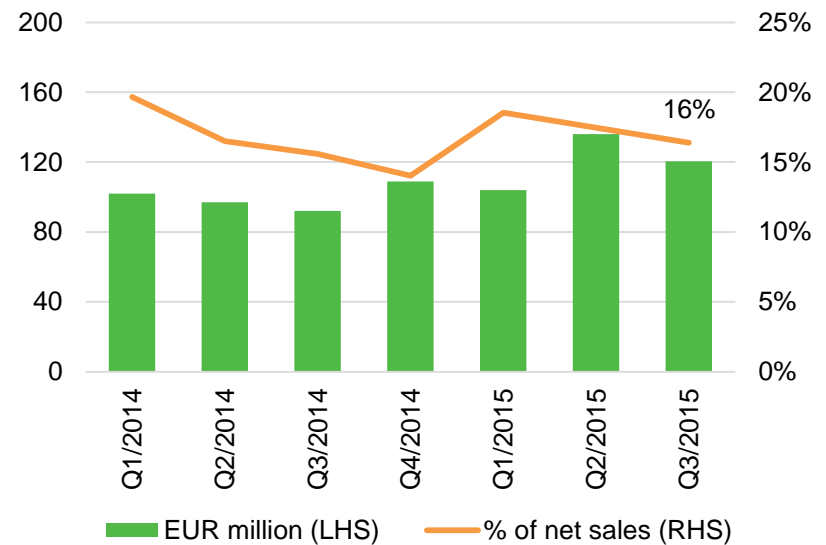
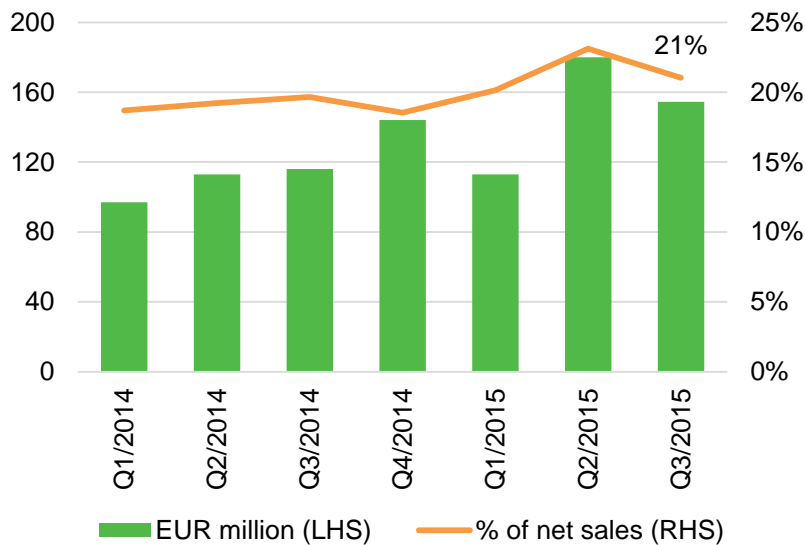
- Orders received increased compared with Q3/2014
  - Orders received increased in China, EMEA, Asia-Pacific and North America
  - Orders received increased in both Tissue, and Board and Paper
- Net sales increased compared with Q3/2014



# Good development in gross profit compared to Q3/2014

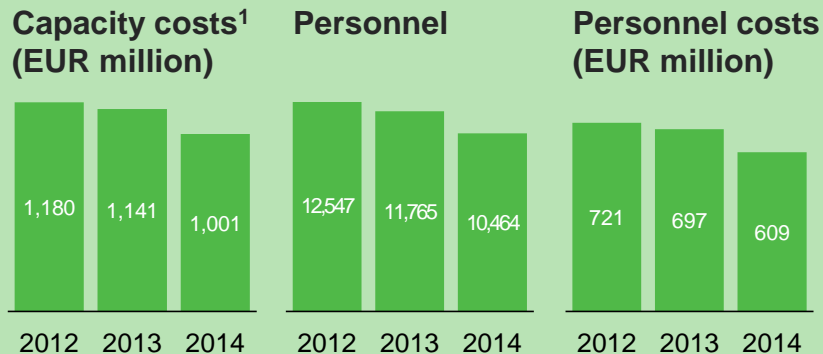
Gross profit (EUR million and % of net sales)

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



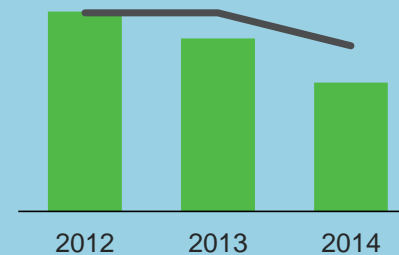
- Gross profit increased, also when excluding the impact of Automation
- Selling, general & administrative (SG&A) expenses under control
- Further actions to improve gross profit through Must-Win implementation

# Development of capacity costs and quality costs



- **EUR 100 million cost competitiveness program successfully implemented in 2013–2014**
  - Higher than planned capacity cost savings
  - Headcount reduction since Q3/2013 >1,600 employees
- **In 2014–2015, capacity cost will be flat**
  - Despite slightly growing headcount and growth investments in some areas

## Quality costs (EUR million and % of net sales)



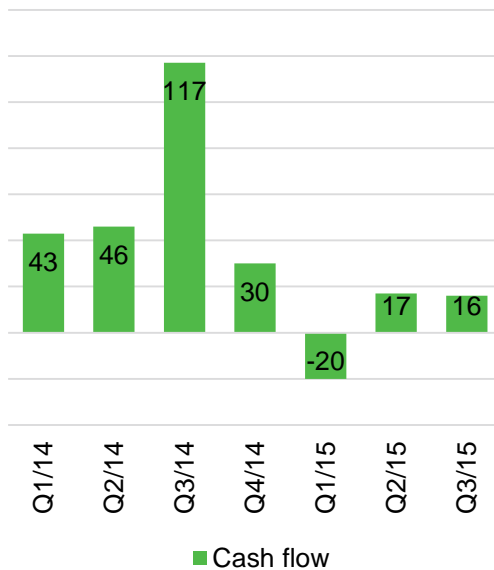
By the end of 2016, quality costs reduced by 50% compared to 2012 baseline

- **Implement Lean**
  - Launch Valmet Lean program
  - Provide Lean training for a wide group
  - Define and set up Lean measurement system
  - Each business line and area to have Lean projects
- **Reduce lead times**
  - Utilize Value Stream Mapping and Visual Management
  - Identify and eliminate waste
- **Reduce quality costs**
  - Consolidate quality feedback systems as feasible
  - Emphasis on finding root causes and implementing corrective action

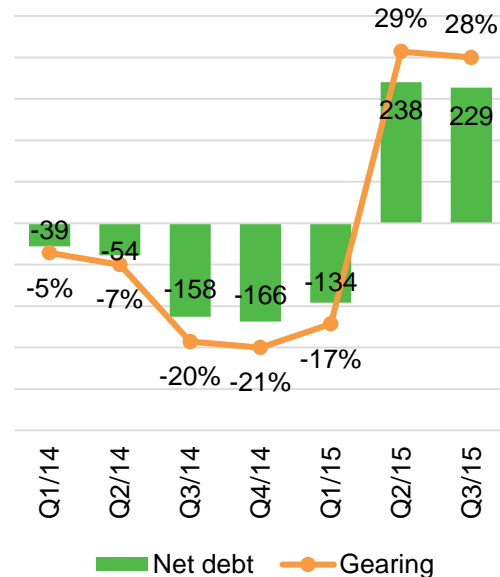
1) Capacity cost means total fixed type of own costs which generally do not vary with production levels and which are based on present normal capacity, e.g. wages & salaries, rents & leases, estates & equipment, travel, common functions, telecom expenses, insurances and other outside services

# Cash flow, net debt, gearing and equity ratio

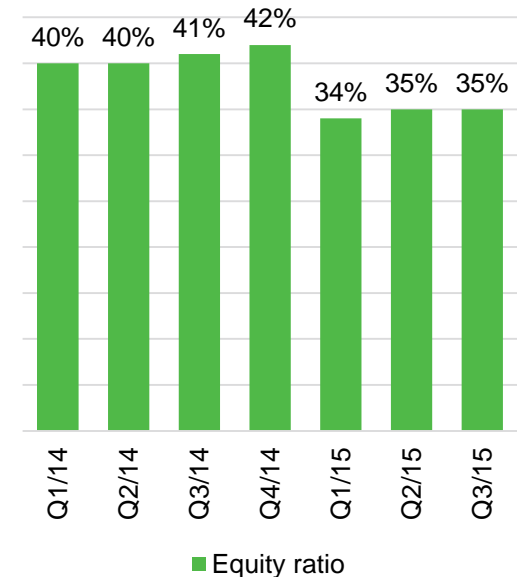
Cash flow provided by operating activities (EUR million)



Net debt (EUR million) and gearing (%)



Equity to assets ratio (%)

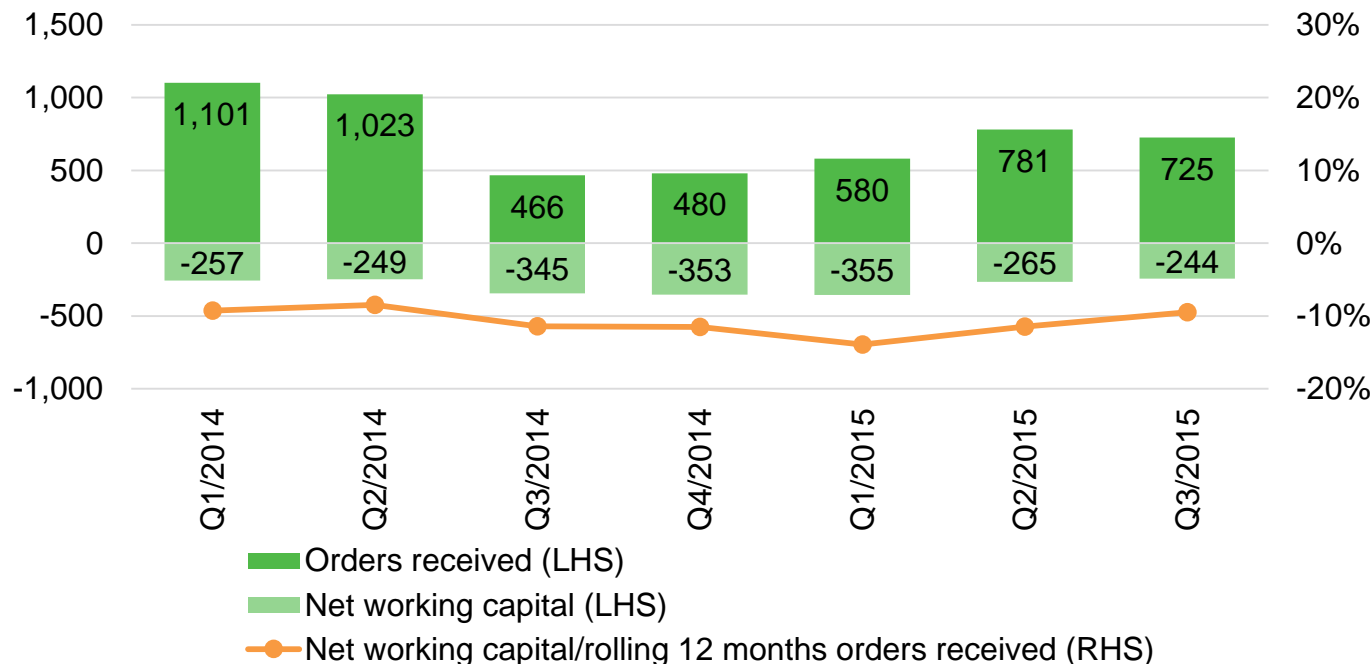


- CAPEX excluding business acquisitions (EUR -11 million) less than depreciation (EUR -14 million)

- Gearing (28%) and net debt (EUR 229 million) increased due to the acquisition of Automation
- Equity to assets ratio at the same level as in Q2/2015

# Net working capital development

Net working capital and orders received (EUR million)

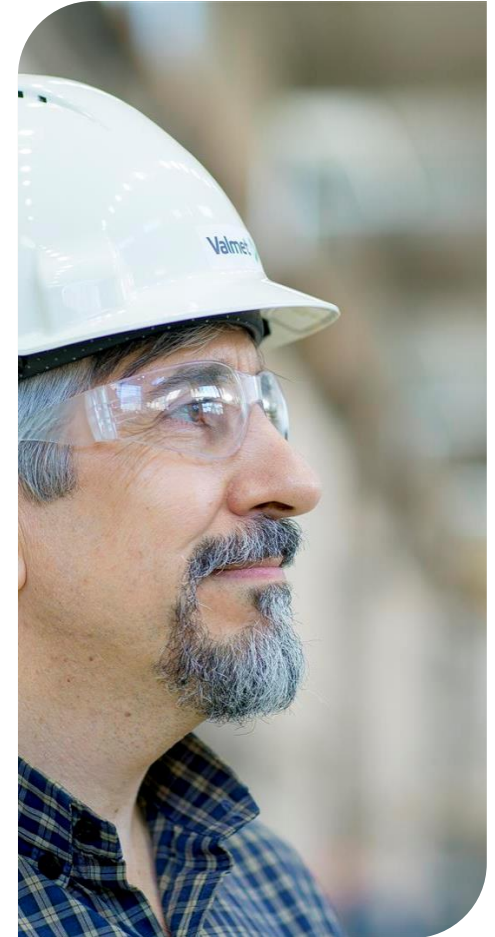


Historically, net working capital has been on average -9% of rolling 12 months orders received

- Net working capital EUR -244 million, which equals -10% of rolling 12 months orders received
- Net working capital has always been negative
- Single big orders have a significant influence on variation of net working capital

# Foreign exchange risk management in Valmet

- All operating units are required to hedge in full their foreign currency exposures
- Hedging takes place when firm commitment arises or at the latest immediately after operating units have reported their monthly currency exposure
- Valmet is not hedging any translation risk arising from subsidiaries' equity
- Intra corporate dividends, loans and deposits shall be hedged when internal decisions have been made
- Treasury acts as an internal bank for subsidiaries and manages corporate wide foreign currency exposure by hedging Corporate level net exposure towards banks



# Foreign currency exposure

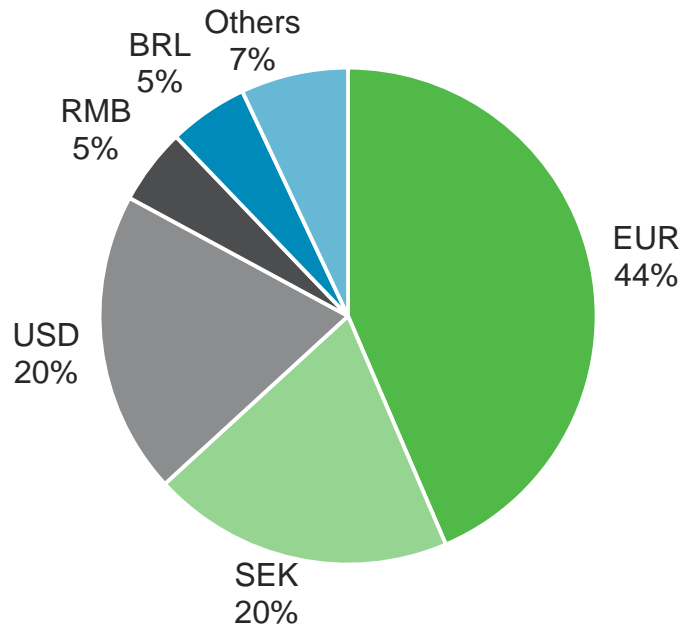
- The exposure is a net of all assets and liabilities denominated in foreign currencies derived from sales and purchase contracts, projected cash flows and firm commitments
- A 10 percent appreciation or depreciation of EUR against all other currencies would have an effect of, net of taxes, -/+ EUR 1.5 million on EBITA



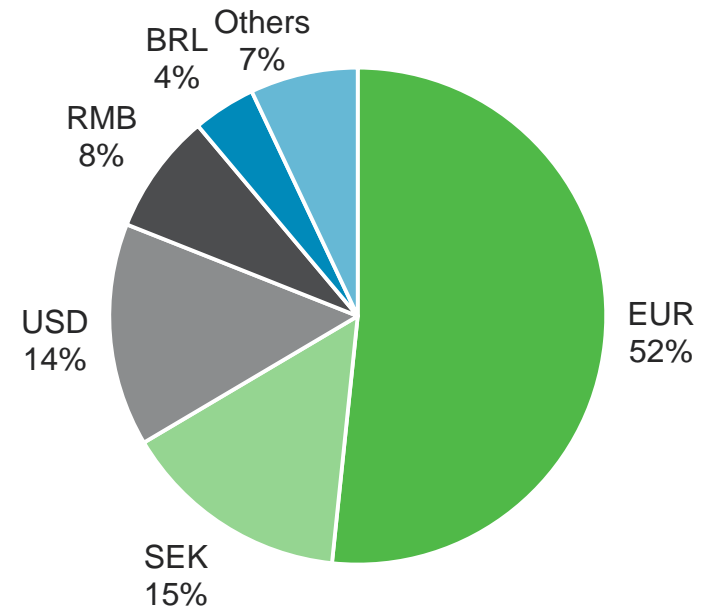


# Split of net sales and costs per currency in 2014

Net sales by currency (2014)



Costs by currency (2014)

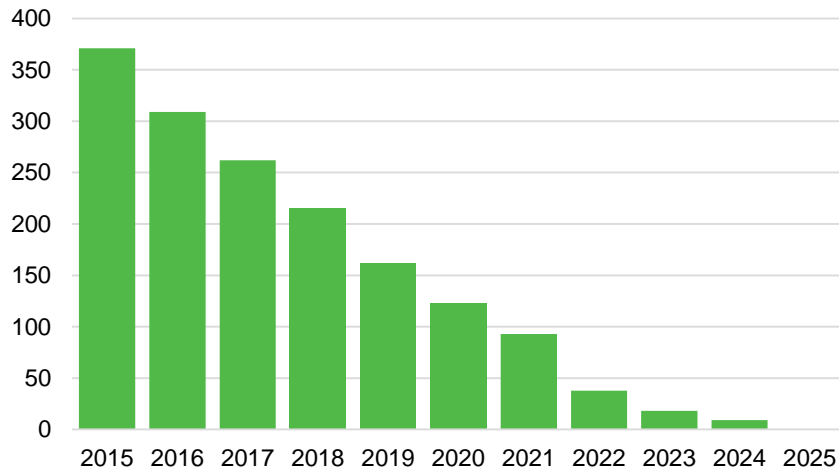


- Sales and costs in different currencies fairly balanced
- More costs than sales in EUR, vice versa in USD

# Structure of loans and borrowings

Interest-bearing debt EUR 399 million as at September 30, 2015

Amount of outstanding interest-bearing debt (EUR millions)



## Main financing sources

Amount	Lender
EUR 122 million	European Investment Bank
EUR 100 million	Skandinaviska Enskilda Banken
EUR 70 million	Swedish Export Kredit
EUR 95 million	Nordic Investment Bank

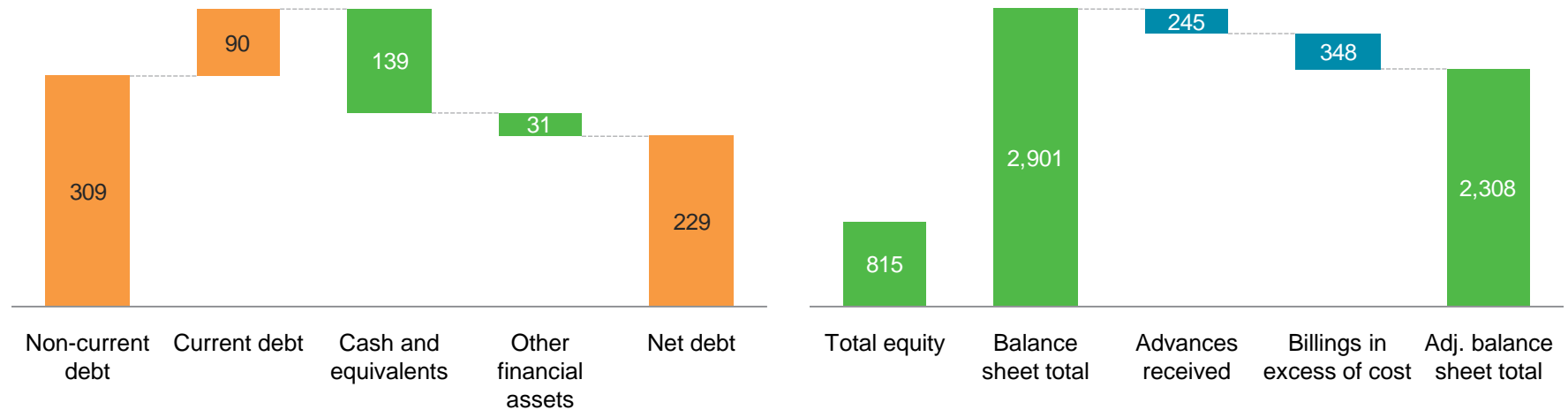
## Back-up facilities

Amount	Outstanding
EUR 200 million syndicated revolving credit facility	EUR 0 million
EUR 200 million domestic commercial paper program	EUR 10 million

- Average maturity of long-term loans is 3.6 years
- Average interest rate is 1.4%

# Strong balance sheet to support large orders

Financial position as of September 30, 2015 (EUR million)

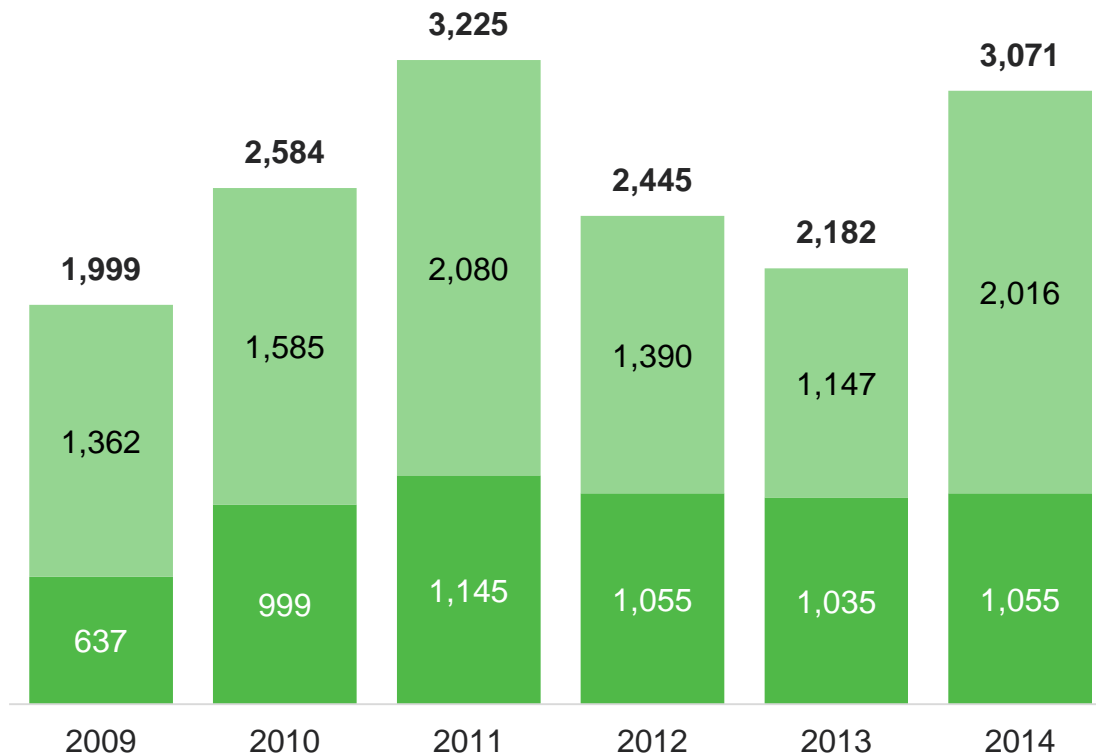


- Valmet has a strong balance sheet that enables it to participate in large projects
- Valmet has long-term liquidity in place

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

# High volatility in market activity

Orders received<sup>1</sup> (EUR million)



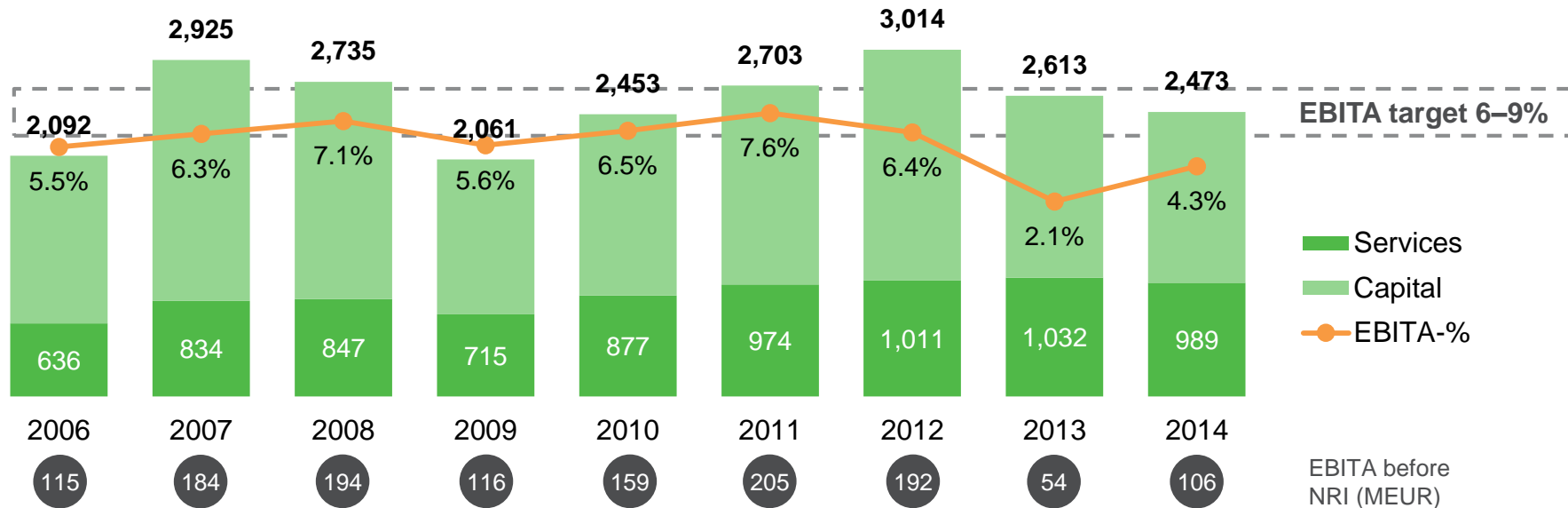
• Volatility in market activity is high in the capital business

■ Capital  
■ Services

1) 2014 actual figures, 2012–2013 carve-out figures, 2009–2011 Metso's Pulp, Paper and Power segment figures

# Net sales and profitability development, annual

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



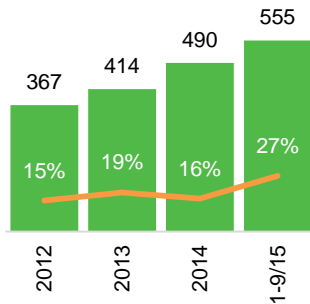
- Timing of large projects has had an impact on the level of net sales
- Good stimulus-driven demand in China 2009–2010 supported orders
- The paper machine market has shifted to smaller and lower-cost machines
- In 2013, the power generation market was affected by low-cost shale gas and political and economical uncertainty in Europe
- Profitability improved in 2014 as a result of cost savings

<sup>1</sup>) Actual figures for 2014. Carve-out figures for 2010-2013; as reported for Metso's Pulp, Paper and Power segment for 2006-2009

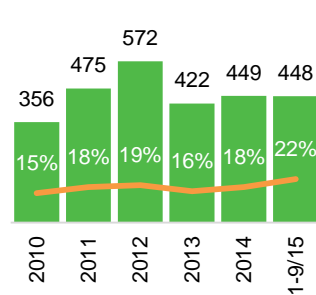
# North America

Mature services focused market with recurring opportunities in paper, tissue and biotechnology

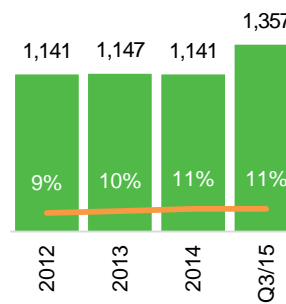
Orders received  
(EUR million and % of total)



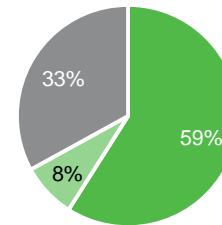
Net sales  
(EUR million and % of total)



Employees  
(number and % of total)

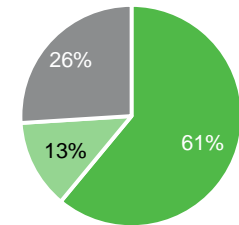


Orders received by  
business line (2014)



■ Services  
■ Pulp and Energy  
■ Paper

Net sales by business  
line (2014)



■ Services  
■ Pulp and Energy  
■ Paper

## Market environment

- Large installed base to be served
  - Opportunities in customer agreement based business
- Growth opportunities in increased outsourcing
- Capital project opportunities in tissue and board
  - Technology project activity at high level currently
  - Bio project activity strongest in Lignoboost and second generation lignoboost

## Market position & competition

- Strong position and market share in Valmet's targeted technology businesses.
- Well established services business
- Key competitors Voith, Andritz and US services companies (Albany, Xerium, Kadant, GLV, Asten J.)

## Actions for Valmet

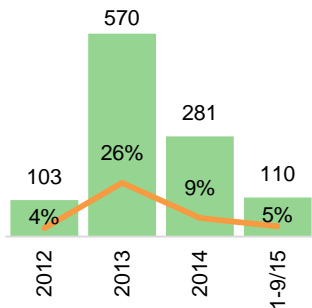
- Continue to develop and grow Valmet's Services business
- Make sure Valmet wins paper and tissue projects
- Strengthen Valmet's position in pulp rebuilds
- Commercialize biotechnology (lignoboost, pre-treatment and bio-coal)

Automation business line figures included as of Q2/2015.

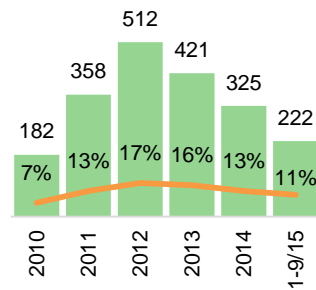
# South America

Cyclical capital business relies on new pulp projects. Services, power and tissue provide growth opportunities

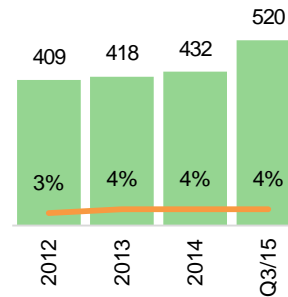
Orders received  
(EUR million and % of total)



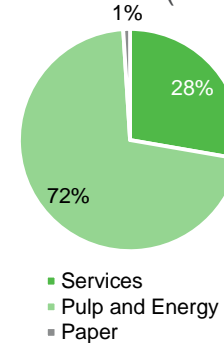
Net sales  
(EUR million and % of total)



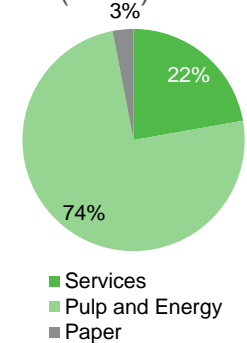
Employees  
(number and % of total)



Orders received by business line (2014)



Net sales by business line (2014)



## Market environment

- Capital project opportunities in pulp, tissue and bioenergy
  - Continued pulp mega mill projects planned
  - 2nd generation ethanol emerging
- Services growth potential
  - Installed base and leaner customer operations
- Growing interest and pipeline for optimization projects, e.g. energy, chemicals savings; operations and availability of equipment).

## Market position & competition

- Fierce competition in new pulp projects
- Strong competition with local and global players in all markets in Services, Paper and Energy
  - Local presence and solutions important

## Actions for Valmet

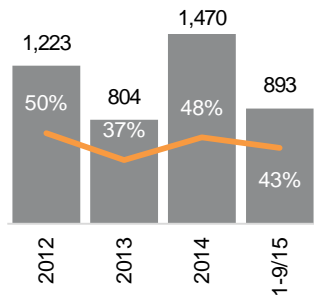
- Keep market share and improve the profitability and risk-return profile of large pulp projects
- Grow the services business by offering new products and service solutions
- Develop solutions and costs to compete in bioenergy plants.
- Further develop Valmet's local capabilities

Automation business line figures included as of Q2/2015.

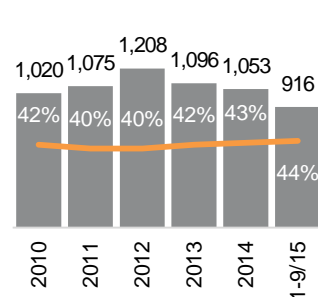
# EMEA

Valmet's largest and most important area with significant services and technology markets in all Valmet's businesses

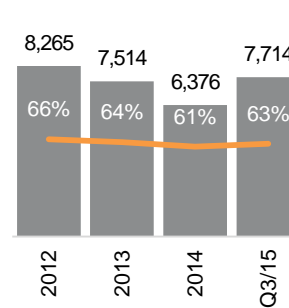
Orders received  
(EUR million and % of total)



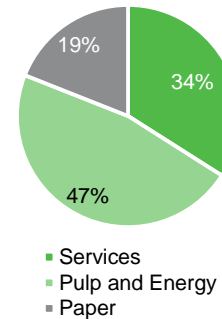
Net sales  
(EUR million and % of total)



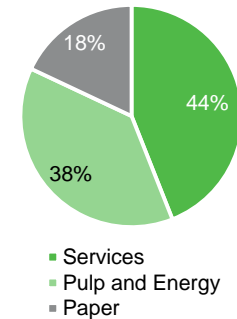
Employees  
(number and % of total)



Orders received by  
business line (2014)



Net sales by business  
line (2014)



## Market environment

- Large installed base to be serviced
  - Growth opportunity in customer agreement based business
- Capacity closures in printing and writing
- Capital project opportunities in board, pulp, tissue, and bioenergy.

## Market position & competition

- Valmet has a strong position both in technology business and services
- Consolidation of smaller distressed players and increasing competition in mid-market
- Increased competition in past few years

## Actions for Valmet

- Grow Services with Key Account Management agreement based business and new products. Strengthen pulp and power services
- Strengthen position in technology business: cost competitiveness and rebuild competences
- Commercialize new biotechnologies and expanding the served power market
- Localize selected capabilities outside Nordics

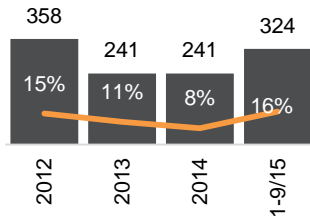
Automation business line figures included as of Q2/2015.



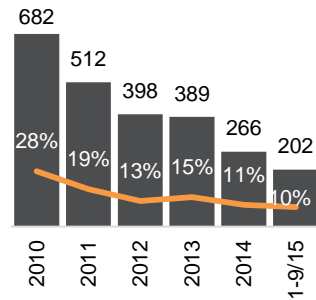
# China

## Paper market flat and Services growing, local low-cost competition present

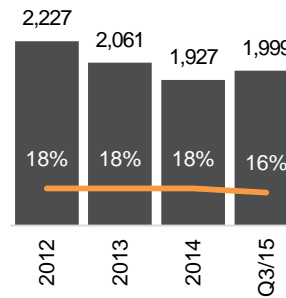
Orders received  
(EUR million and % of total)



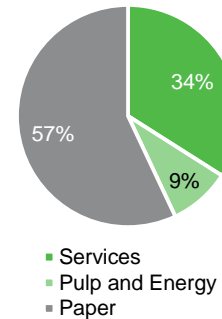
Net sales  
(EUR million and % of total)



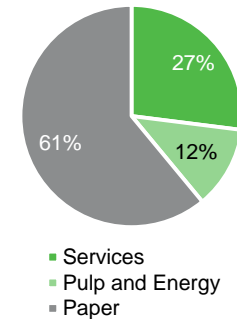
Employees  
(number and % of total)



Orders received by  
business line (2014)



Net sales by business  
line (2014)



### Market environment

- Capital project opportunities in pulp, board and tissue
  - Investments in lower cost small and mid-sized machines.
- Developing services market with growth potential
  - Increased installed base

### Market position & competition

- Valmet has a strong position in Paper. Recent successes with modular board machine (OptiConcept M)
- Continued competition: new competitors in mid-size segment, local competitors strengthening through partnering with western companies
- Large Valmet installed base

### Actions for Valmet

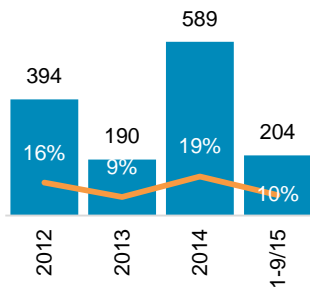
- Continue to develop and grow Services: local low cost sourcing of consumables, agreement business and spear head products
- Further market penetration of OptiConcept M, tissue and mid-market fiberline
- Competitive, lower cost, local offering and increased local capabilities (application, engineering and project management)

Automation business line figures included as of Q2/2015.

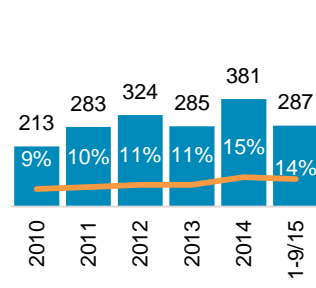
# Asia-Pacific

## A key growth area for Valmet

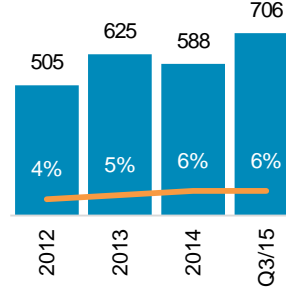
Orders received  
(EUR million and % of total)



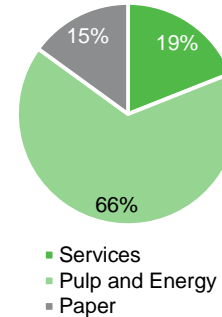
Net sales  
(EUR million and % of total)



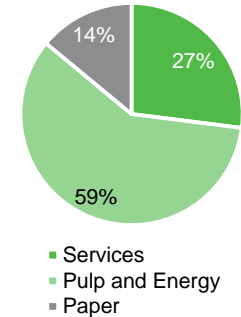
Employees  
(number and % of total)



Orders received by  
business line (2014)



Net sales by business  
line (2014)



### Market environment

- Capital project opportunities in pulp, tissue, and board
  - Increased investments in multi-fuel and renewable energy development plans in Asia-Pacific countries
  - Opportunities related to customer's portfolio changes or production line upgrades
- Developing services market with growth potential
  - Capacity increases and larger installed base

### Market position & competition

- Valmet has a strong market position but relatively modest local presence.
- Competitors are growing their local presence

### Actions for Valmet

- Localize Services business to be more cost competitive and closer to customers: local offering and agreement business, local capabilities and new service centers
- New services center in Indonesia
- Develop technology business with local competences and improved cost competitiveness.
- Increase local capabilities to support both services and capital business

Automation business line figures included as of Q2/2015.

# Key ratios

	<b>Q1–Q3/ 2015</b>	Q1–Q3/ 2014	Q1–Q4/ 2014
Earnings per share, EUR	<b>0.33</b>	0.14	0.31
Diluted earnings per share, EUR	<b>0.33</b>	0.14	0.31
Equity per share at end of period, EUR	<b>5.40</b>	5.32	5.36
Return on equity (ROE), % (annualized)	<b>8%</b>	3%	6%
Return on capital employed (ROCE) before taxes, % (annualized)	<b>11%</b>	6%	9%
Equity to assets ratio at end of period, %	<b>35%</b>	41%	42%
Gearing at end of period, %	<b>28%</b>	-20%	-21%
Cash flow provided by operating activities, EUR million	<b>14</b>	206	236
Cash flow after investments, EUR million	<b>-338</b>	179	194
Gross capital expenditure (excl. business acquisitions), EUR million	<b>-30</b>	-30	-46
Business acquisitions, net of cash acquired, EUR million	<b>-323</b>	-	-
Depreciation and amortization, EUR million	<b>-68</b>	-54	-72
Number of outstanding shares at end of period	<b>149,864,220</b>	149,864,220	149,864,220
Average number of outstanding shares	<b>149,864,220</b>	149,862,926	149,863,252
Average number of diluted shares	<b>149,864,220</b>	149,862,926	149,863,252
Net interest-bearing liabilities at end of period, EUR million	<b>229</b>	-158	-166

# Consolidated statement of income

EUR million	Q3/2015	Q3/2014	Q1-Q3/ 2015	Q1-Q3/ 2014
Net sales	734	590	2,074	1,697
Cost of goods sold	-580	-474	-1,627	-1,371
Gross profit	154	116	447	325
Selling, general and administrative expenses	-120	-92	-360	-292
Other operating income and expenses, net	-2	3	-10	2
Share in profits and losses of associated companies	0	0	1	0
Operating profit	33	26	78	35
Financial income and expenses, net	-4	-2	-7	-4
Profit before taxes	29	24	71	31
Income taxes	-8	-8	-21	-10
<b>Profit / loss</b>	<b>21</b>	<b>16</b>	<b>50</b>	<b>21</b>
<b>Attributable to:</b>				
Owners of the parent	20	16	50	21
Non-controlling interests	0	0	0	0
<b>Profit / loss</b>	<b>21</b>	<b>16</b>	<b>50</b>	<b>21</b>
<b>Earnings per share attributable to owners of the parent:</b>				
Earnings per share, EUR	0.14	0.11	0.33	0.14
Diluted earnings per share, EUR	0.14	0.11	0.33	0.14

# Balance sheet as at September 30, 2015

Assets EUR million	As at September 30, 2015	As at September 30, 2014	As at December 31, 2014
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Goodwill	615	446	446
Other intangible assets	242	95	91
<b>Total intangible assets</b>	857	541	537
<b>Property, plant and equipment</b>			
Land and water areas	23	22	22
Buildings and structures	146	133	132
Machinery and equipment	196	197	202
Assets under construction	24	31	25
<b>Total property, plant and equipment</b>	390	382	381
<b>Financial and other non-current assets</b>			
Investments in associated companies	13	5	5
Available-for-sale financial assets	9	13	9
Loan and other receivables	20	2	7
Derivative financial instruments	1	1	0
Deferred tax asset	97	93	86
Other non-current assets	20	13	14
<b>Total financial and other non-current assets</b>	160	127	121
<b>Total non-current assets</b>	1,407	1,050	1,040
<b>Current assets</b>			
<b>Inventories</b>	553	508	474
<b>Receivables</b>			
Trade and other receivables	549	438	445
Cost and earnings of projects under construction in excess of advance billings	201	196	192
Loan and other receivables	1	0	0
Available-for-sale financial assets	4	36	28
Derivative financial instruments	13	18	20
Income tax receivables	33	22	22
<b>Total receivables</b>	801	710	706
<b>Cash and cash equivalents</b>	139	210	192
<b>Total current assets</b>	1,493	1,428	1,372
<b>Total assets</b>	2,901	2,478	2,412

# Balance sheet as at September 30, 2015

Equity and liabilities EUR million	As at September 30, 2015	As at September 30, 2014	As at December 31, 2014
<b>Equity</b>			
Share capital	100	100	100
Reserve for invested unrestricted equity	404	403	403
Cumulative translation adjustments	12	11	9
Fair value and other reserves	-4	-2	-3
Treasury shares	-7	0	0
Retained earnings	306	286	296
<b>Equity attributable to owners of the parent</b>	<b>810</b>	<b>797</b>	<b>804</b>
<b>Non-controlling interests</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>Total equity</b>	<b>815</b>	<b>802</b>	<b>809</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Non-current debt	309	35	16
Post-employment benefits	153	118	144
Provisions	11	10	10
Derivative financial instruments	3	3	3
Deferred tax liability	78	24	22
Other non-current liabilities	0	1	1
<b>Total non-current liabilities</b>	<b>555</b>	<b>190</b>	<b>195</b>
<b>Current liabilities</b>			
Current portion of non-current debt	80	58	51
Current debt	10	8	-
Trade and other payables	705	727	740
Provisions	99	102	98
Advances received	245	145	146
Billings in excess of cost and earnings of projects under construction	348	398	327
Derivative financial instruments	18	27	30
Income tax liabilities	27	21	16
<b>Total current liabilities</b>	<b>1,531</b>	<b>1,486</b>	<b>1,408</b>
<b>Total liabilities</b>	<b>2,086</b>	<b>1,676</b>	<b>1,603</b>
<b>Total equity and liabilities</b>	<b>2,901</b>	<b>2,478</b>	<b>2,412</b>

# Condensed Consolidated Statement of Cash Flows

EUR million	Q3/2015	Q3/2014	Q1–Q3/ 2015	Q1–Q3/ 2014
<b>Cash flows from operating activities</b>				
Profit / loss	21	16	50	21
Adjustments				
Depreciation and amortization	24	18	68	54
Dividend income and net interests	2	2	4	2
Income taxes	8	8	21	10
Other non-cash items	5	4	7	7
Change in net working capital, net of effect from business acquisitions and disposals	-31	77	-110	136
Net interests and dividends received	-2	-1	-3	-1
Income taxes paid	-10	-7	-23	-22
<b>Net cash provided by (+) / used in (-) operating activities</b>	<b>16</b>	<b>117</b>	<b>14</b>	<b>206</b>
<b>Cash flows from investing activities</b>				
Capital expenditure on fixed assets	-11	-10	-30	-30
Proceeds from sale of fixed assets	1	0	2	4
Business acquisitions, net of cash acquired and loan repayments	7	-	-323	-
Proceeds from sale of businesses, net of cash sold	-	-	-	0
Other	0	-	0	0
<b>Net cash provided by (+) / used in (-) investing activities</b>	<b>-3</b>	<b>-10</b>	<b>-351</b>	<b>-27</b>
<b>Cash flows from financing activities</b>				
Redemption of own shares	-	-	-7	0
Dividends paid	-	-	-37	-22
Net borrowings (+) / payments (-) on current and non-current debt	-29	-92	322	-118
Net investments in available-for-sale financial assets	0	-8	24	-45
Other	-2	-	-15	-
<b>Net cash provided by (+) / used in (-) financing activities</b>	<b>-30</b>	<b>-100</b>	<b>286</b>	<b>-185</b>
Net increase (+) / decrease (-) in cash and cash equivalents	-16	7	-52	-6
Effect of changes in exchange rates on cash and cash equivalents	-5	4	-2	5
Cash and cash equivalents at beginning of period	161	199	192	211
<b>Cash and cash equivalents at end of period</b>	<b>139</b>	<b>210</b>	<b>139</b>	<b>210</b>



# Appendix

## Automation



# Automation offering

## Distributed Control System (DCS)

- Complete control system platform for several processes: process, machine, drive controls and information management
- Used for monitoring and controlling distributed equipment in process plants and industrial processes



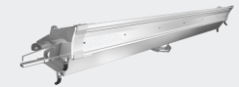
## Quality Control System (QCS)

- A system that controls process quality
- Integrates process quality management, measurements and profilers



## Profilers

- Profilers control the process as part of the QCS system



## Analyzers and measurements

- Equipment that analyzes and helps optimize the process
- Equipment that measures different variables in industrial processes, e.g. consistency in pulp and paper processes



## Vision systems

- High resolution and high speed digital imaging technology, e.g. pulp or paper web inspection and web break analysis system
- The system improves process runnability and end product quality



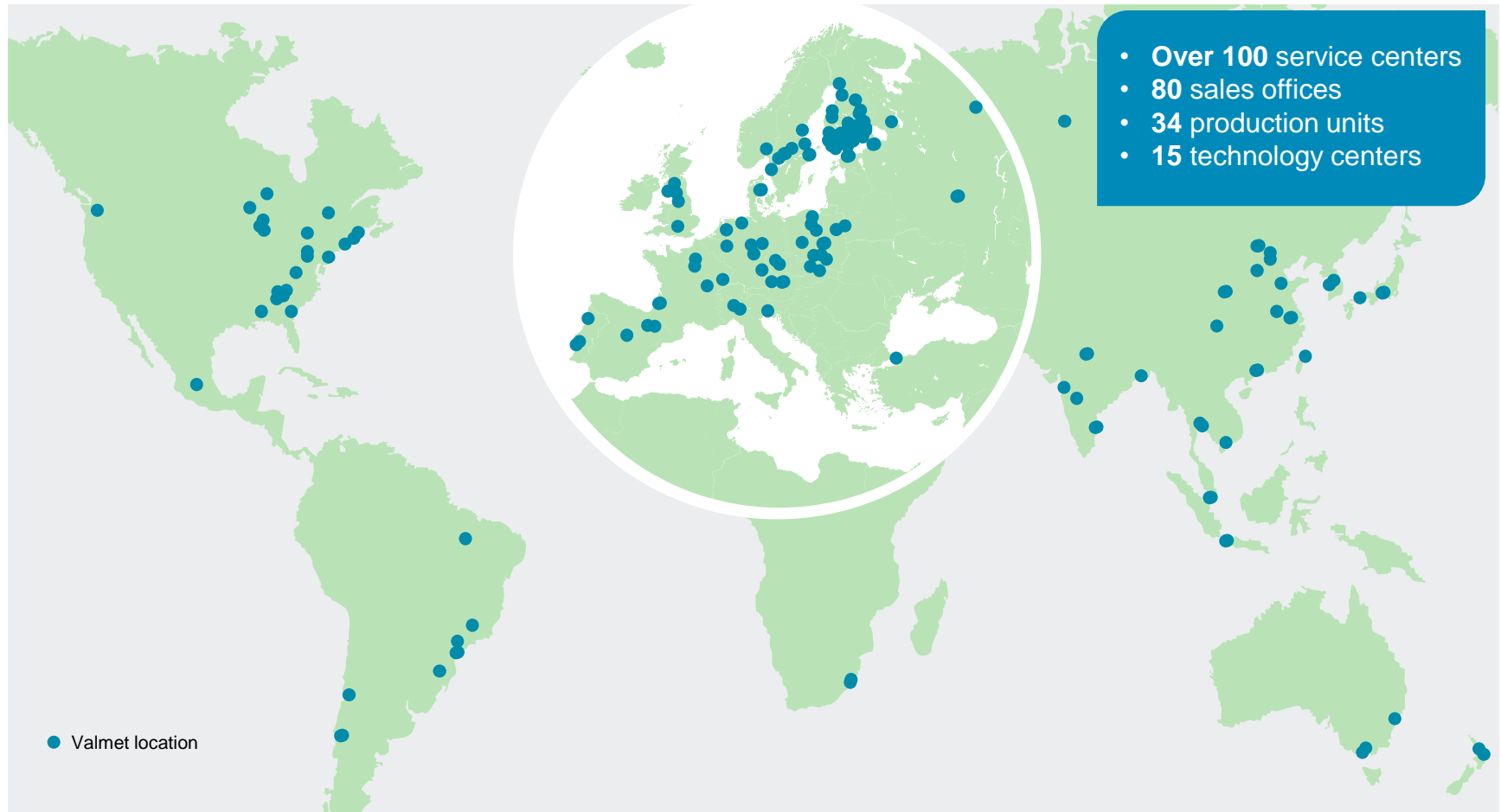
## Performance solutions

- Advanced process controls for process optimization
- Condition monitoring in paper, power and process plants
- Systems for simulating and analyzing industrial production processes



# Strong global presence close to our customers

130 locations in 33 countries



# Market position

## Market position

# #1-3

#1 Analyzers  
#1-2 QCS<sup>1</sup>  
#3 DCS<sup>2</sup>

- Global market leader with #1 market position in pulp and paper
- Industry-leading product portfolio
- Comprehensive services
- High barriers to entry and a limited number of focused players

■ Anticipated long-term market growth    ■ Estimated market size for the current offering (EUR)

~1%  
p.a.

2.0  
bn

## Market drivers

- Investments in new pulp and paper machines and power plants
- Ageing machines and installed automation systems

## Business focus and opportunities

- Customers choose an automation provider even for more than a decade
- High service business content (~45%)
- On Valmet level, full scope offering gives better differentiation from competitors
- Combining Valmet technology, process know-how and automation offers growth possibilities and potential to create new solutions for customers

1) QCS = Quality control systems

2) DCS = Distributed control systems

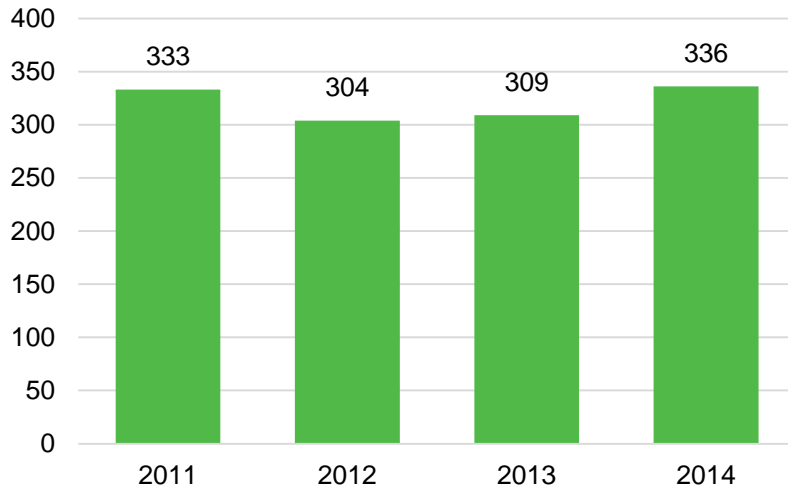
Source: Leading consulting firms, RISI, management estimates

# Automation offering and market overview

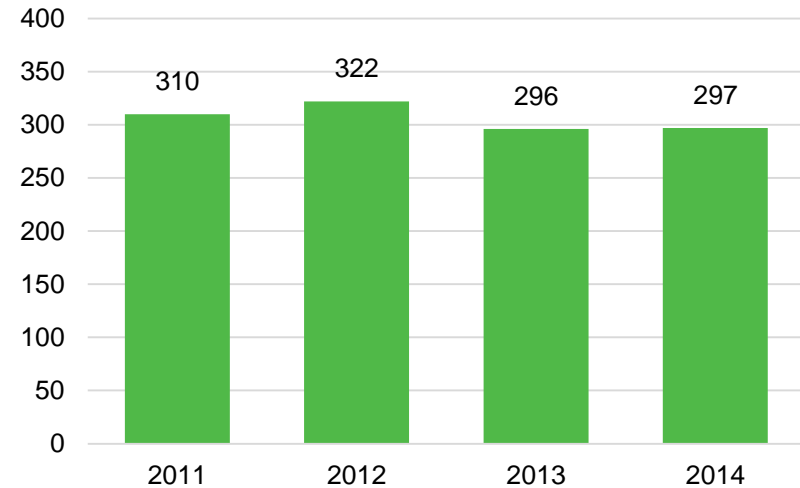
	Scope/product	Market size	Market position in pulp and paper	Main competitors
<b>Distributed Control System (DCS)</b> 	<ul style="list-style-type: none"> <li>DCS for process and machines controls</li> <li>Condition monitoring</li> <li>Information management</li> <li>APC</li> </ul>	Pulp and paper DCS market: <ul style="list-style-type: none"> <li>EUR 900 million</li> </ul> Power DCS market: <ul style="list-style-type: none"> <li>EUR 700 million</li> </ul>	<b>#3</b>	<ul style="list-style-type: none"> <li>ABB</li> <li>Honeywell</li> <li>Emerson</li> <li>Siemens</li> <li>Yokogawa</li> </ul>
<b>Quality Management System</b> 	<ul style="list-style-type: none"> <li>QCS (Quality Control Systems)</li> <li>Profilers</li> <li>Web inspection and web break analysis systems</li> </ul>	Estimated market size: <ul style="list-style-type: none"> <li>&gt;EUR 200 million</li> </ul>	<b>#1-2</b>	<ul style="list-style-type: none"> <li>ABB</li> <li>Honeywell</li> <li>Voith</li> <li>Paperchine</li> <li>Procemex</li> <li>Cognex</li> <li>Isra</li> <li>Yokogawa</li> </ul>
<b>Analyzers and measurements</b> 	<ul style="list-style-type: none"> <li>Paper analyzers</li> <li>Pulp analyzers</li> <li>Pulp consistency measurements</li> <li>Conductivity measurements</li> <li>Power analyzers</li> </ul>	Estimated market size: <ul style="list-style-type: none"> <li>&lt;EUR 200 million</li> </ul>	<b>#1</b>	<ul style="list-style-type: none"> <li>ABB</li> <li>BTG</li> <li>PulpEye</li> </ul>

# Recent development

Orders received (EUR million)<sup>1</sup>

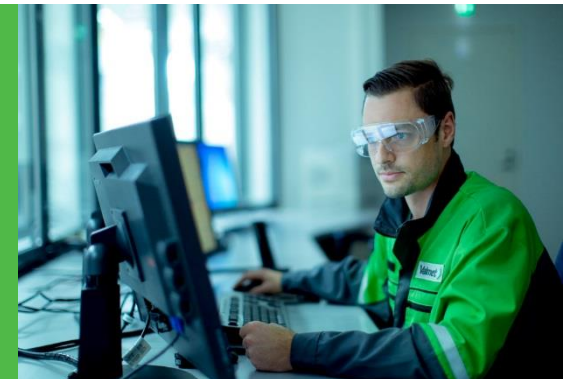


Net sales (EUR million)<sup>1</sup>



## Process Automation Systems is relatively stable business

- Customers choose an automation provider for as long as a decade
  - During this time, servicing and upgrading is needed
- High service business content (~45%)
- High-level technology and know-how business with high barriers to entry
- Strong focus on R&D ensures a high level of technology, know-how and innovations



1) Stand-alone figures

# Balance sheet structure after the acquisition of Process Automation Systems

Enterprise value of acquisition  
EUR 340 million

Process Automation Systems' net asset value<sup>1</sup> approximately EUR 55 million

- Difference between enterprise value and net asset value will be split roughly equally between goodwill and purchase price allocation
- Valmet's amortization will increase by approximately EUR 15 million on an annual basis

Long-term financing in place

Average maturity will increase to over 4 years

Capital employed increases

Capital employed will increase with approximately EUR 285 million

Illustrative figures

Effect on gearing 43 percentage points and on equity ratio 6 percentage points

- If the transaction would have taken place on December 31, 2014, gearing would be 22% and equity ratio 36% (illustrative figures)

1) Net asset value on June 30, 2014



# Appendix

## Offering

# Full scope offering for the pulp and paper industry

## Technologies

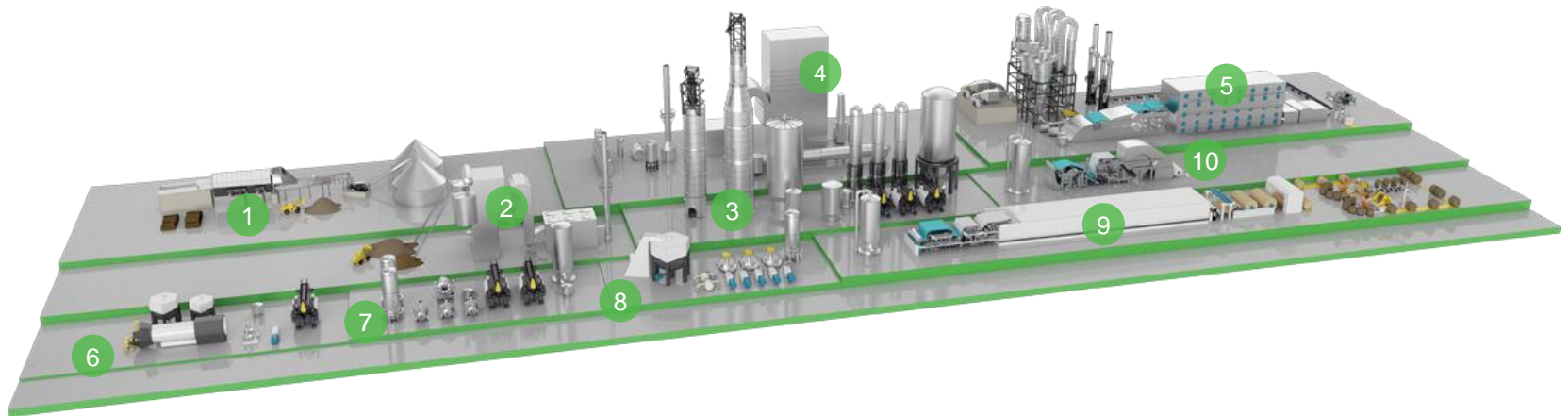
- 1 Wood handling
- 2 Heat and power production
- 3 Chemical pulping
- 4 Chemical recovery
- 5 Pulp drying
- 6 Recycled fiber
- 7 Mechanical fiber
- 8 Stock preparation
- 9 Board and paper making
- 10 Tissue making

## Automation

- Distributed Control System (DCS)
- Performance solutions
- Quality Control System (QCS)
- Profilers
- Analyzers and measurements
- Industrial internet solutions
- Automation services
- Process simulators
- Safety systems and solutions

## Services

- Mill and plant improvements
- Spare and wear parts
- Paper machine clothing and filter fabrics
- Roll services
- Services for evaporation plants, power and recovery boilers
- Services for environmental equipment





# Our offering for energy industry and biotechnologies

## Technologies

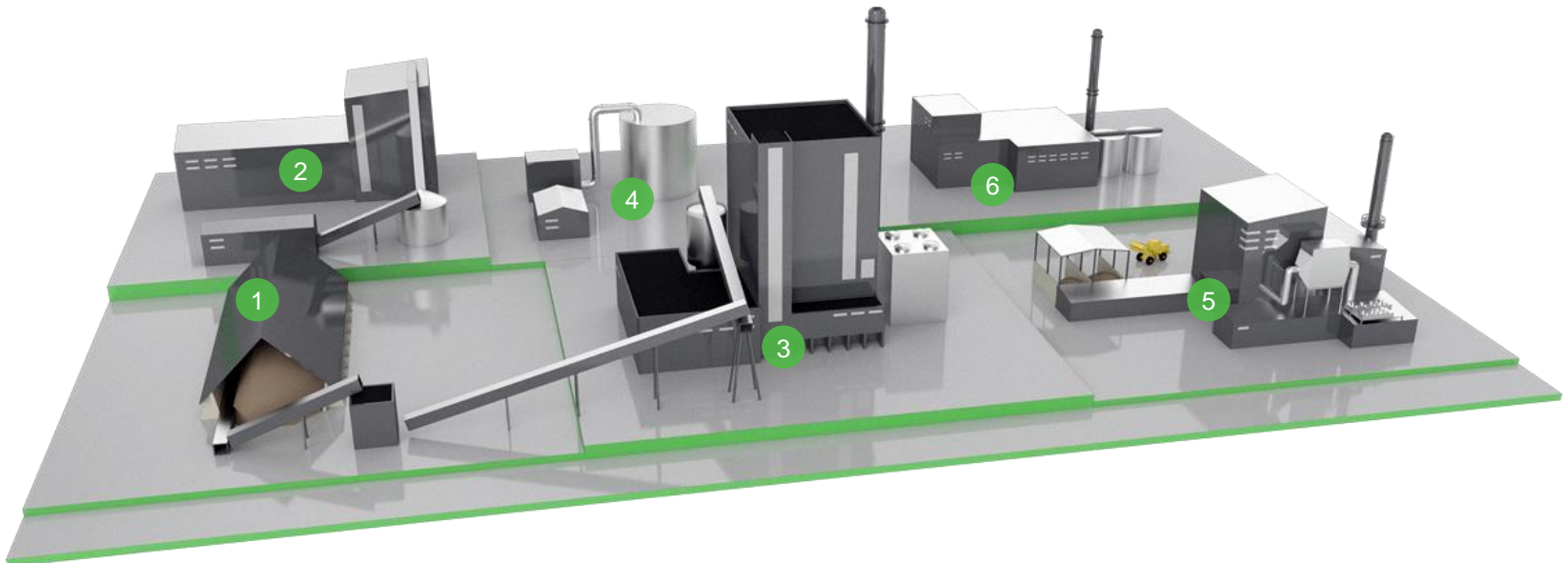
- 1 Fuel handling
- 2 Gasification
- 3 Boiler and flue gas cleaning
- 4 Bio-oil production
- 5 Modularized power plants
- 6 Prehydrolysis  
For biofuels, biomaterials and biochemicals, and bio coal production

## Automation

- Distributed Control System (DCS)
- Performance solutions
- Analyzers and measurements
- Industrial internet solutions
- Automation services

## Services

- Plant improvements
- Rebuilds
- Performance services
- Services for environmental equipment
- Components and spare parts
- Training



# Our pulp and energy technology offering



- Wood handling systems
- Cooking systems
- Complete fiber lines
- Pulp drying systems



- Evaporation systems
- Recovery islands



- Circulating fluidized bed boilers (CYMIC)
- Bubbling fluidized bed boilers (HYBEX)
- Biomass and waste gasification
- Oil and gas boilers
- Waste heat recovery
- Air pollution control systems



- Pyrolysis solutions for bio-oil production
- LignoBoost for lignin extraction
- Steam treated pellets production lines
- Biomass prehydrolysis for further refining to fuels or chemicals

300 complete fiber lines and 350 recovery islands delivered

400 boilers and environmental protection systems delivered

# Our paper technology offering



- Board and paper production lines
  - Recycled fiber lines
  - Tailor made OptiConcept machines
  - OptiConcept M modularized machines
- Rebuilds
  - Modernizations and grade conversions
- Stand-alone products
  - From stock preparation to roll handling

Over 1,600 board and paper machines delivered



- Tissue production lines
  - Advantage DCT
  - Advantage NTT
  - Advantage Thru Air (TAD)
- Rebuilds
- Stand-alone products
  - e.g. Yankee cylinders

Over 200 tissue lines delivered

# Our automation offering



## Advanced automation and process monitoring solutions and services:

- Distributed Control System (DCS) – Valmet DNA
- Performance solutions
- Quality Control System (QCS)
- Profilers
- Analyzers and measurements
- Industrial internet solutions
- Automation services
- Process simulators
- Safety systems and solutions

Over 4,500 automation systems and  
over 40,000 analyzers and measurements delivered

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

## Comprehensive life-cycle services offering



Over 2,000 customer mills and plants served globally

### 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

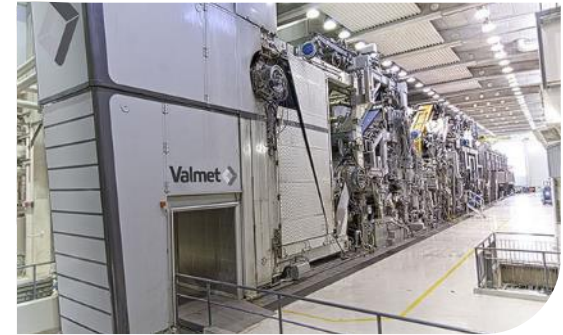
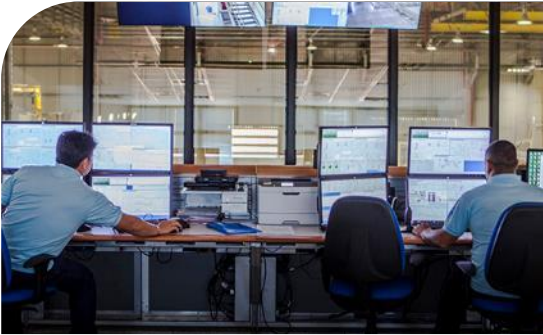
### Roll and workshop services

- 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

### Energy and environmental

- Services for evaporation plants, power and recovery boilers, and environmental equipment

# Continuous investment in research and development to improve customers' processes



## Customers' needs

- Increase production efficiency
- Improve competitiveness
- Maximize value of raw materials
- Widen raw material base
- Provide high-value end products
- Develop new innovations and technologies

## Valmet's R&D focus

- Modularized and standardized products
- Energy, water and raw material efficiency
- Automation technology
- Biomass conversion technologies

## Valmet's R&D resources

- Own R&D centers and pilot facilities
- Annual R&D spend about EUR 50 million
- Around 1,800 protected innovations
- Cooperation with universities and research institutions

# Example of our R&D work - OptiConcept M board and paper machine

- Cost-efficient, high-quality, safe and flexible board making concept
- Significant savings in energy, water and raw material use
  - Energy efficiency improvement up to 30%
- Modular and compact size
  - Short delivery times, quick start-ups, and less production space
- Functional design brings increased safety and accessibility
  - Design acknowledged in Finnish design competition in 2014





# Appendix

## Market statistics

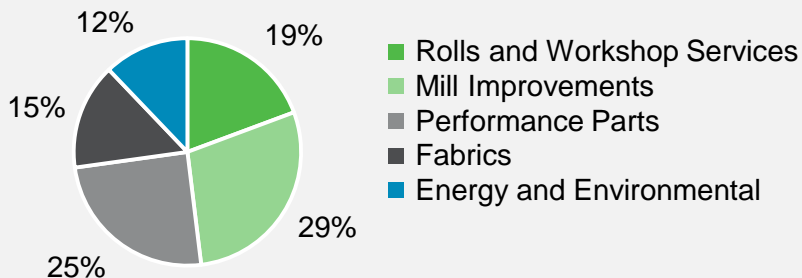


# Net sales split, by business unit

Net sales split, business units (2014) >

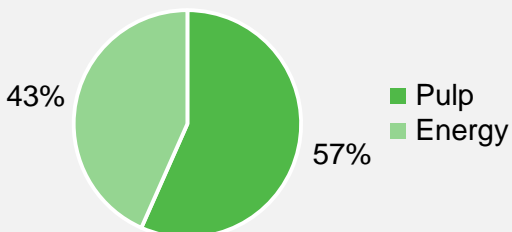
## Services

(EUR 989 million)<sup>1</sup>



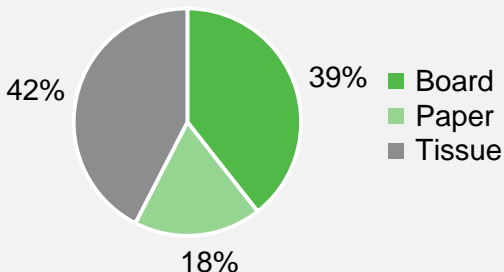
## Pulp and Energy

(EUR 956 million)<sup>1</sup>

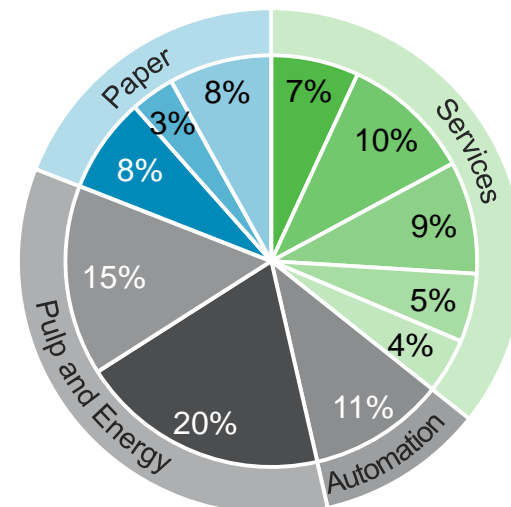


## Paper

(EUR 528 million)<sup>1</sup>



Net sales split, Valmet (2014)<sup>2</sup> >



- Rolls and Workshop Services
- Mill Improvements
- Performance Parts
- Fabrics
- Energy and Environmental
- Automation
- Pulp
- Energy
- Board
- Paper
- Tissue

1) Net sales in 2014

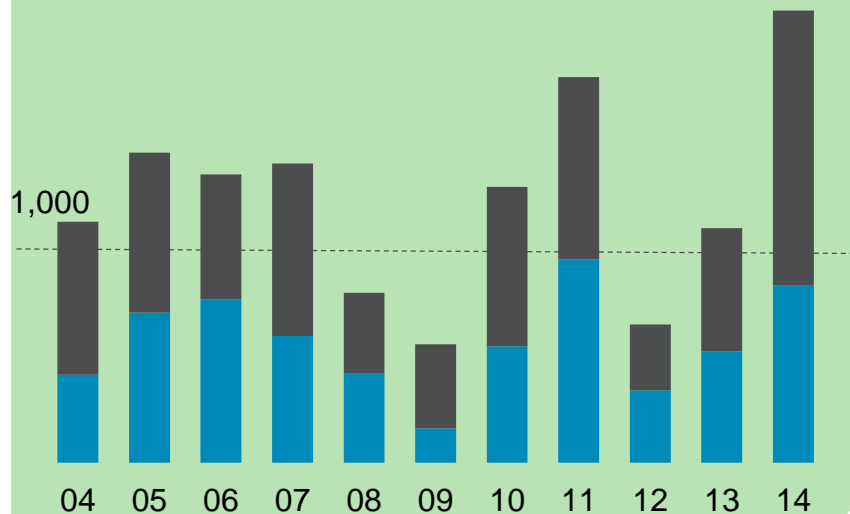
2) Illustrative net sales split when Valmet and Automation combined, 2014 figures

# Pulp mill market is cyclical and characterized by large orders

## Market fluctuates from year to year

**Market size<sup>1</sup>**  
(EUR million)

■ Valmet  
■ Others



## Valmet is well prepared for the cyclical nature of the business

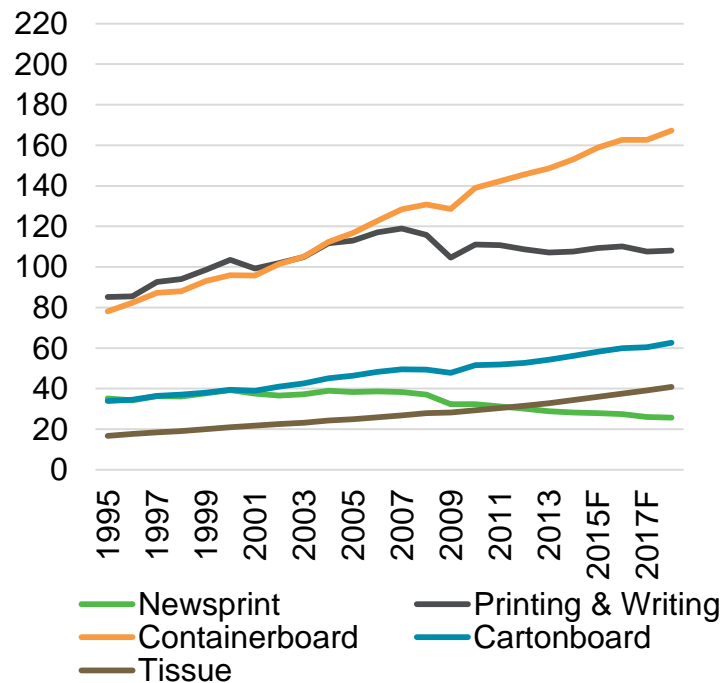
- Own capacity has been reduced during the last few years
- Capacity cost reduced 10% in 2014
- Capacity cost to net sales was 24% in 2014

1) Market size based on orders received. Includes all pulp business units, recovery boilers, and evaporation plants

# Consumption development

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

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

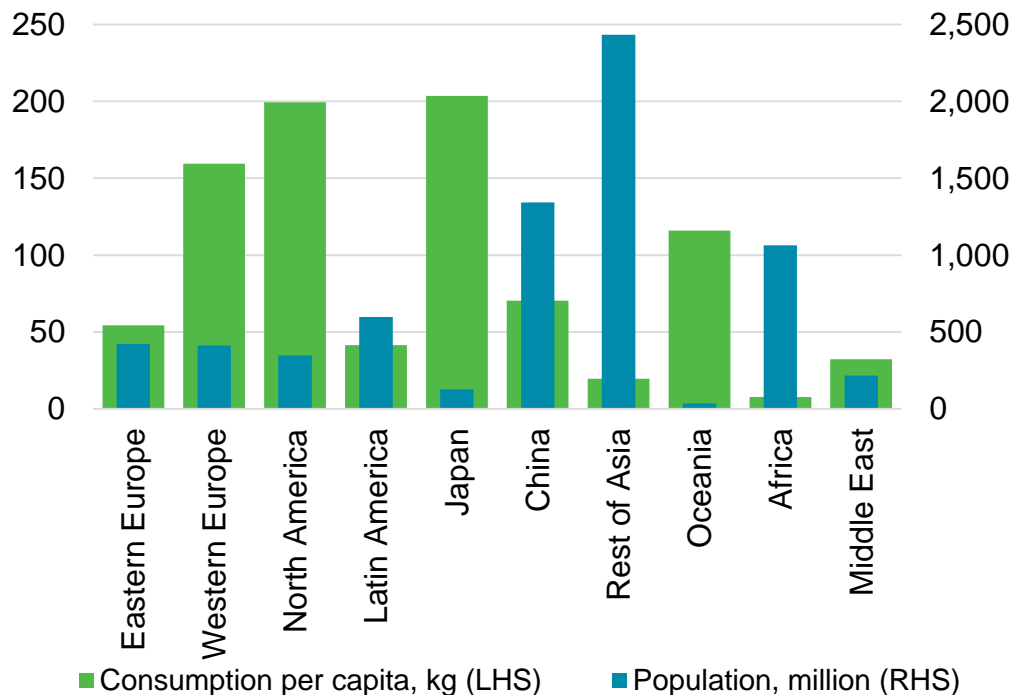


CAGR	2001-2014	2014-2018F
Containerboard	+3.7%	+2.4%
Printing & Writing	+0.4%	-0.8%
Cartonboard	+2.8%	+2.6%
Tissue	+3.4%	+3.6%
Newsprint	-2.7%	-3.8%

1) Source: RISI

# Paper and board consumption growth trends

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



Population growth in emerging markets is larger than in developed markets

Level of consumption per capita in emerging markets clearly below that in developed markets

This offers us long-term growth potential

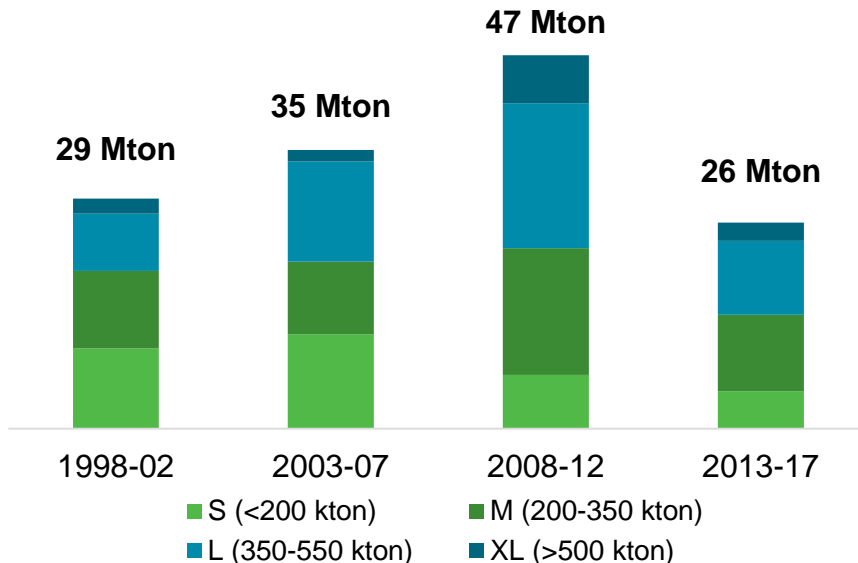
Average global consumption: 53 kg per capita

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

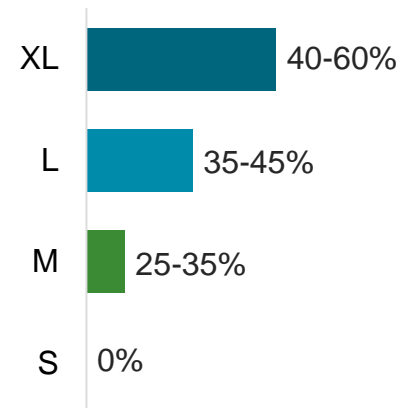
# Demand has shifted more towards smaller paper and board machines

- 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



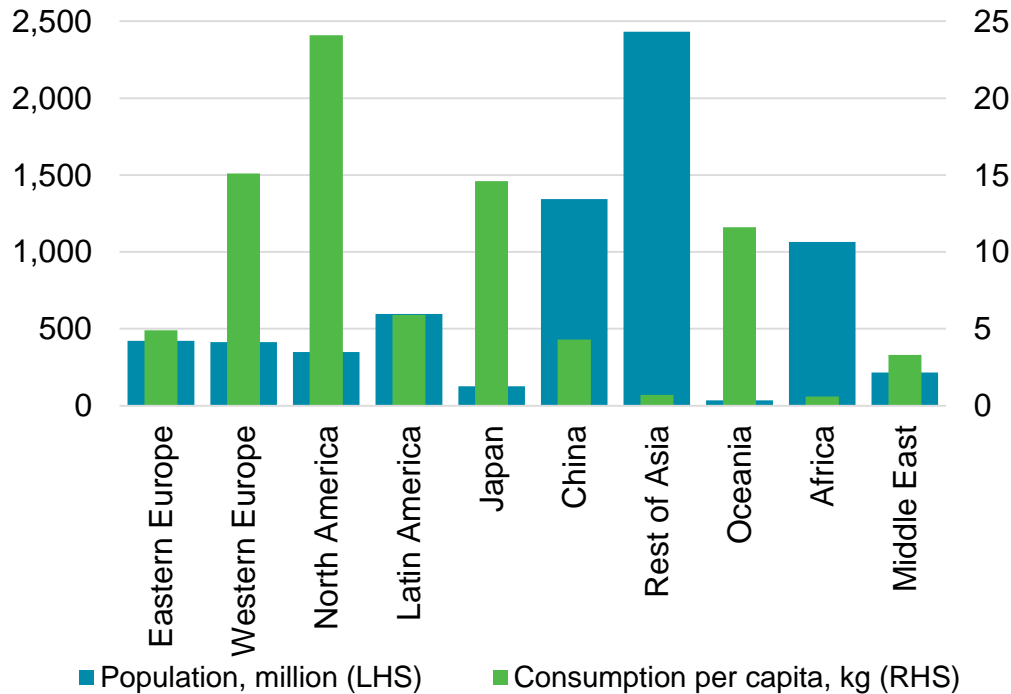
Competition is lower in larger machine sizes.

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

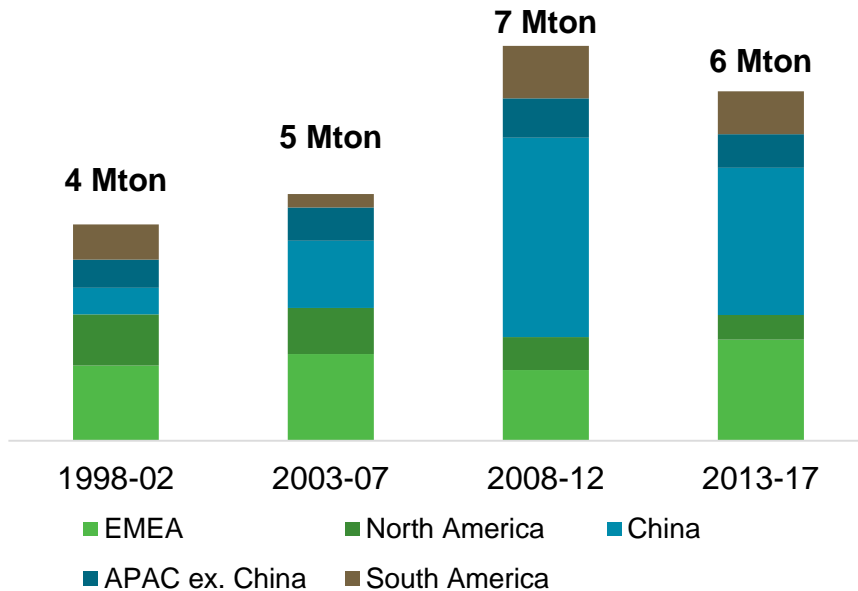
Offers us long-term growth potential in both developed and emerging markets

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

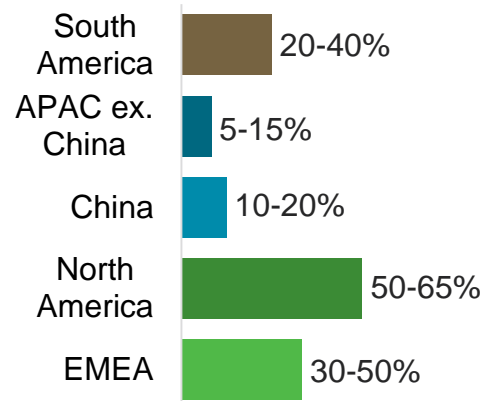
# Tissue market growing long term

- 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



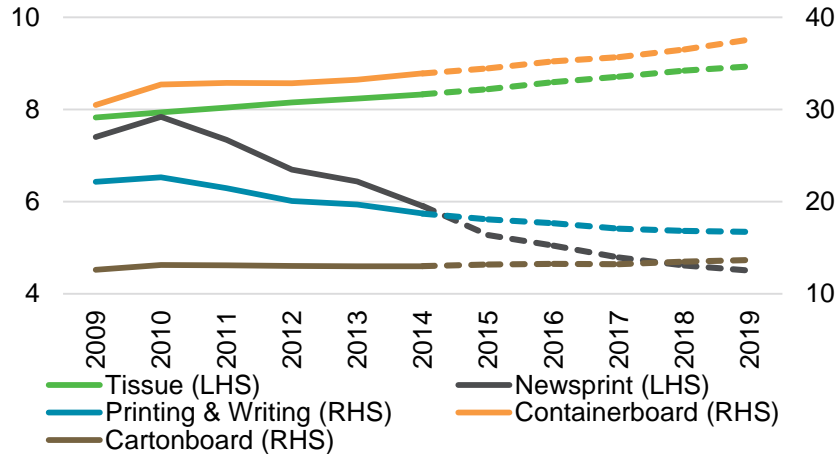
Number of competitors is low in the Americas and EMEA.

Smaller Chinese companies present in China and Asia.

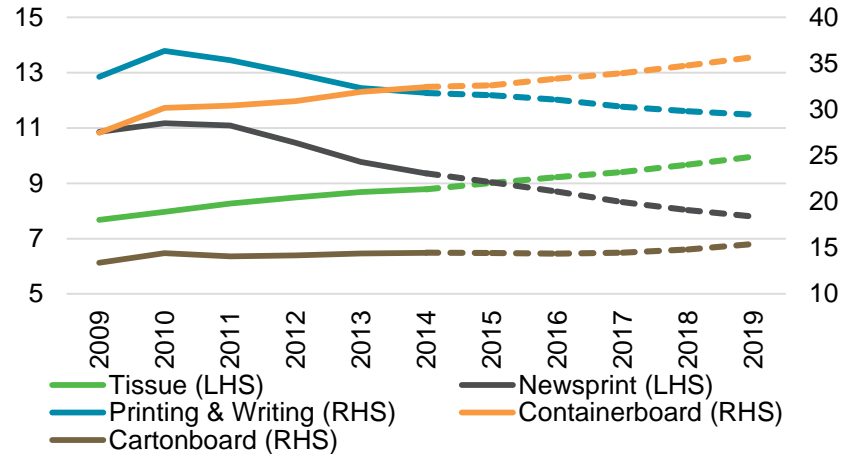
1) Source: Pöyry, Valmet

# Paper, board, and tissue production trends

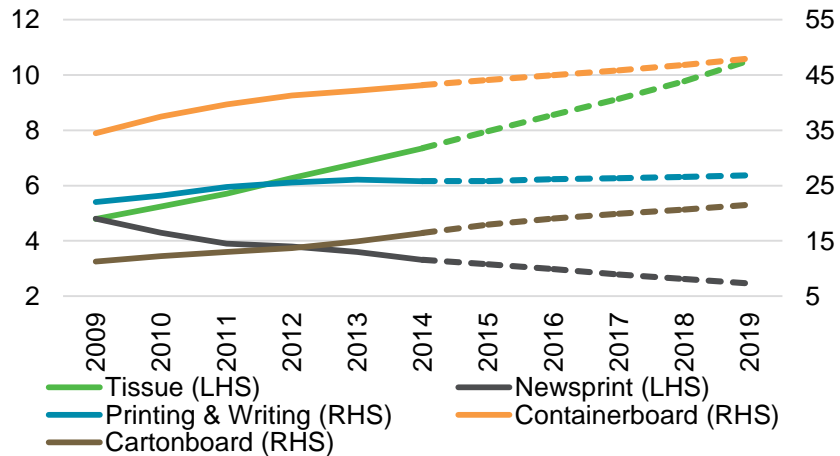
## North America (million tonnes)



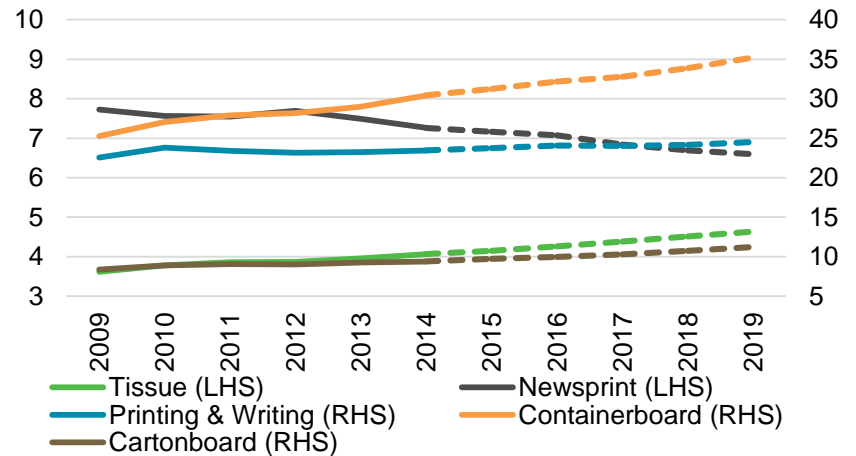
## Europe (million tonnes)



## China (million tonnes)



## Asia-Pacific (million tonnes)

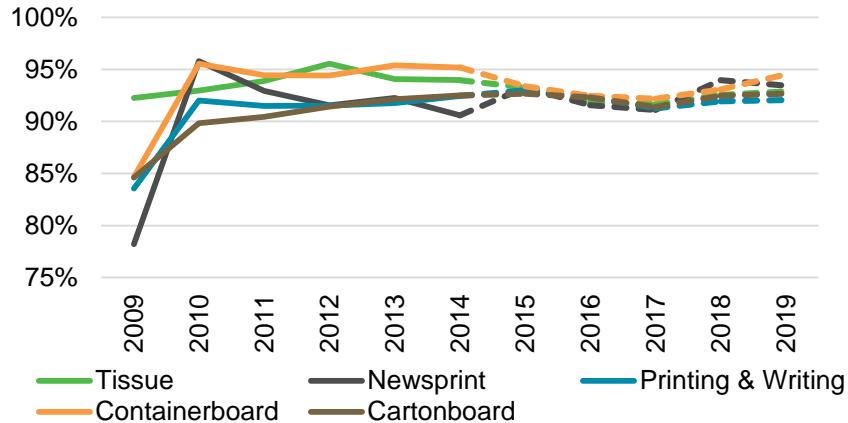


Source: RISI

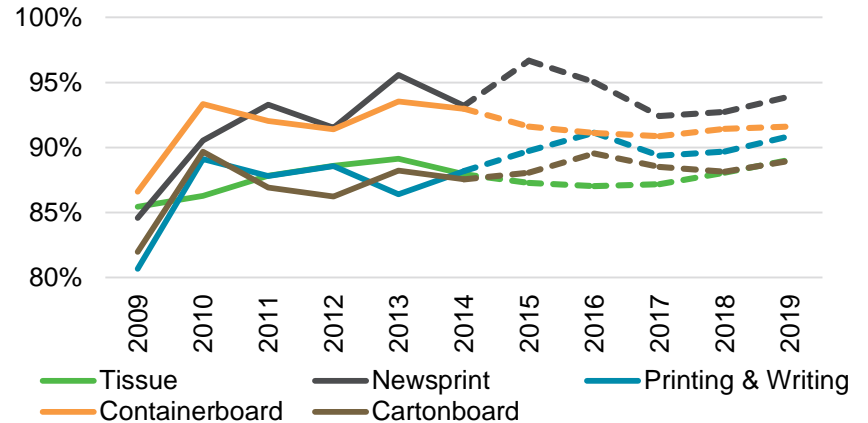


# Paper, board, and tissue operating rates

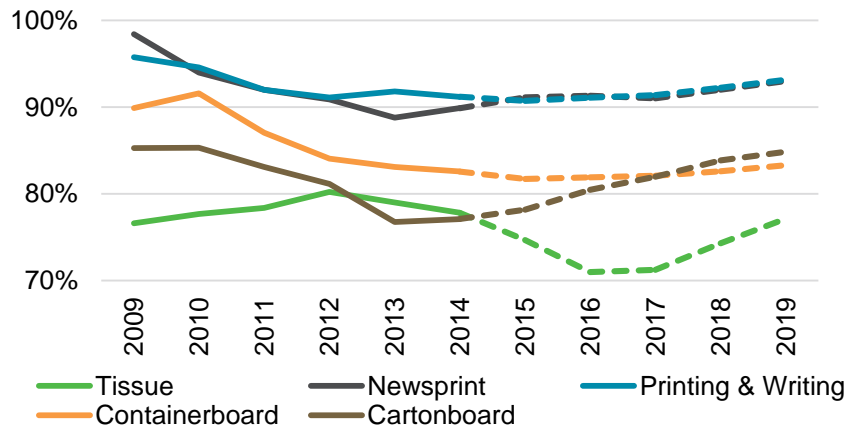
## North America



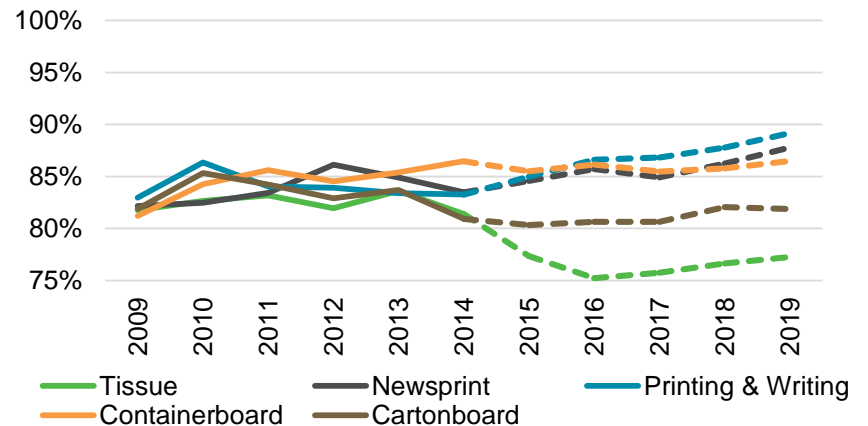
## Europe



## China

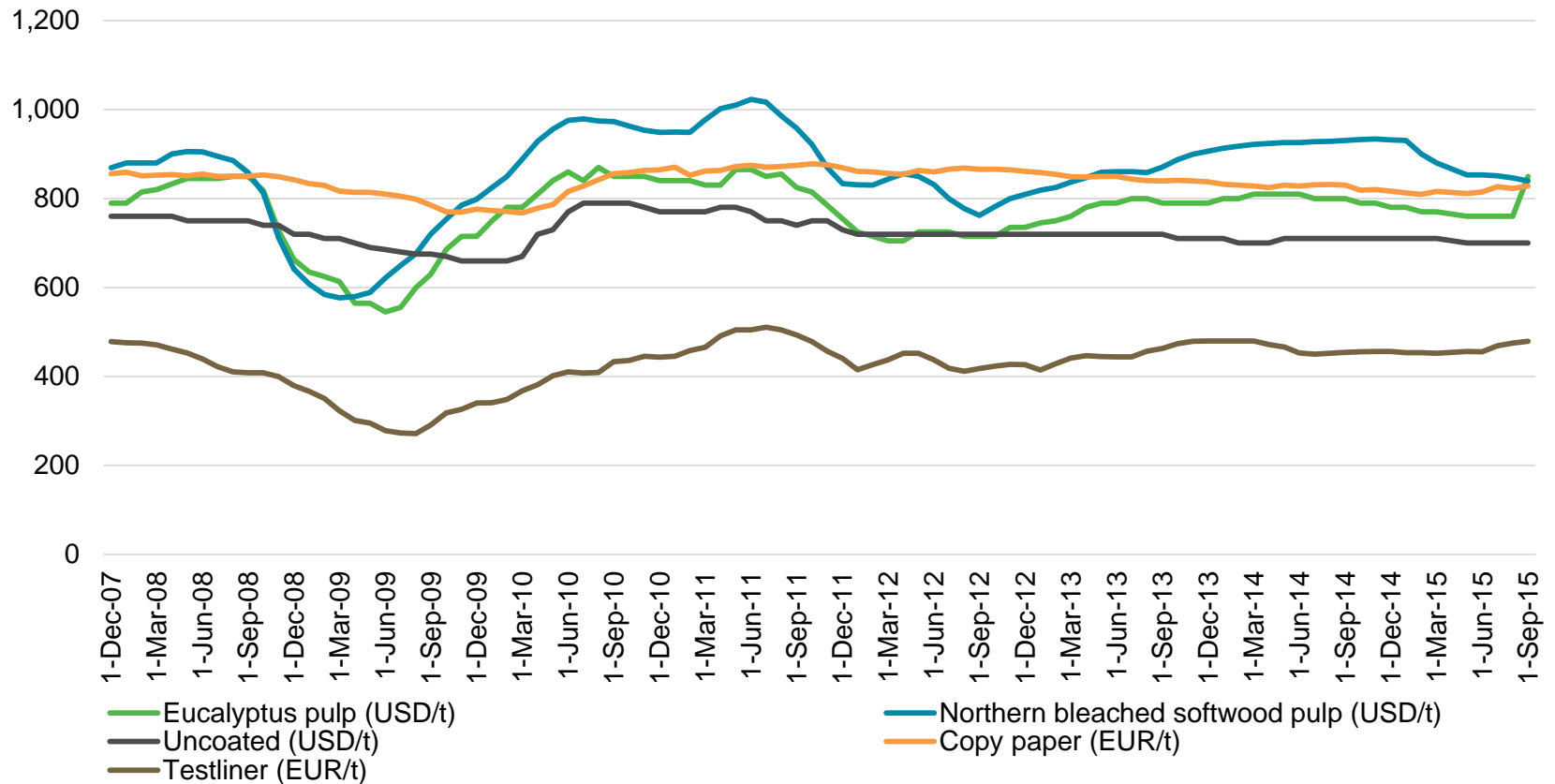


## Asia-Pacific



Source: RISI

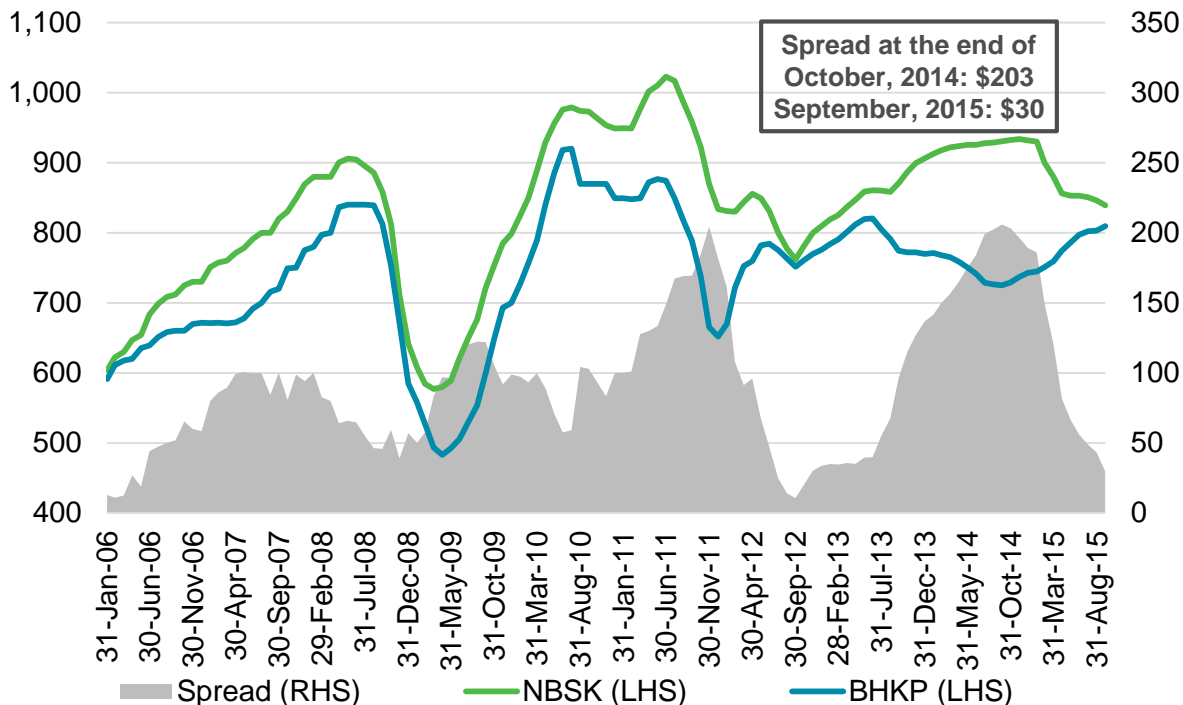
# Pulp and paper price trends



Source: Bloomberg

# Pulp price spread

Pulp prices, Europe: NBSK and BHKP (USD/ton)



## NBSK

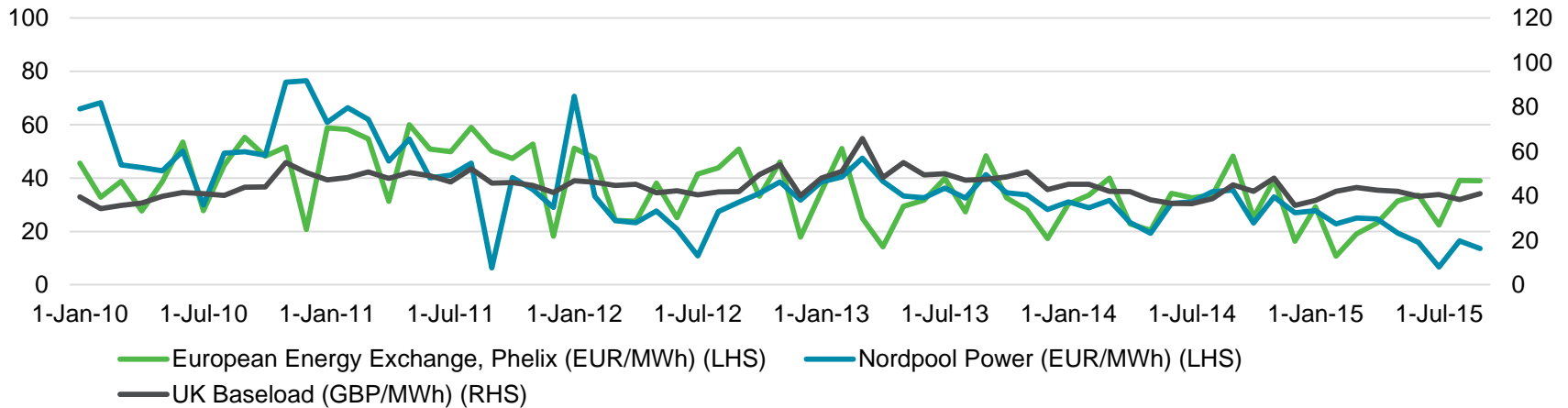
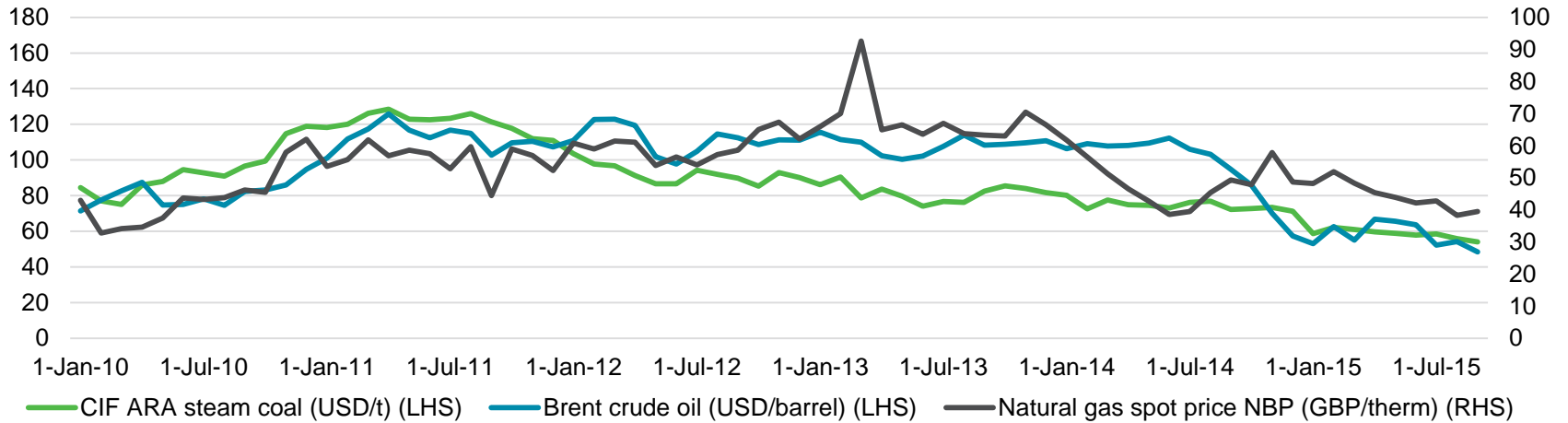
Northern bleached softwood kraft pulp is produced mainly in Canada and the Nordic countries. NBSK is based on long fibre wood species. It adds strength to the final product.

## BHKP

Bleached hardwood kraft pulp, produced e.g. in Brazil and Indonesia, is based on short fibre wood species. It adds softness to the final product.

# Crude oil, steam coal, natural gas and electricity

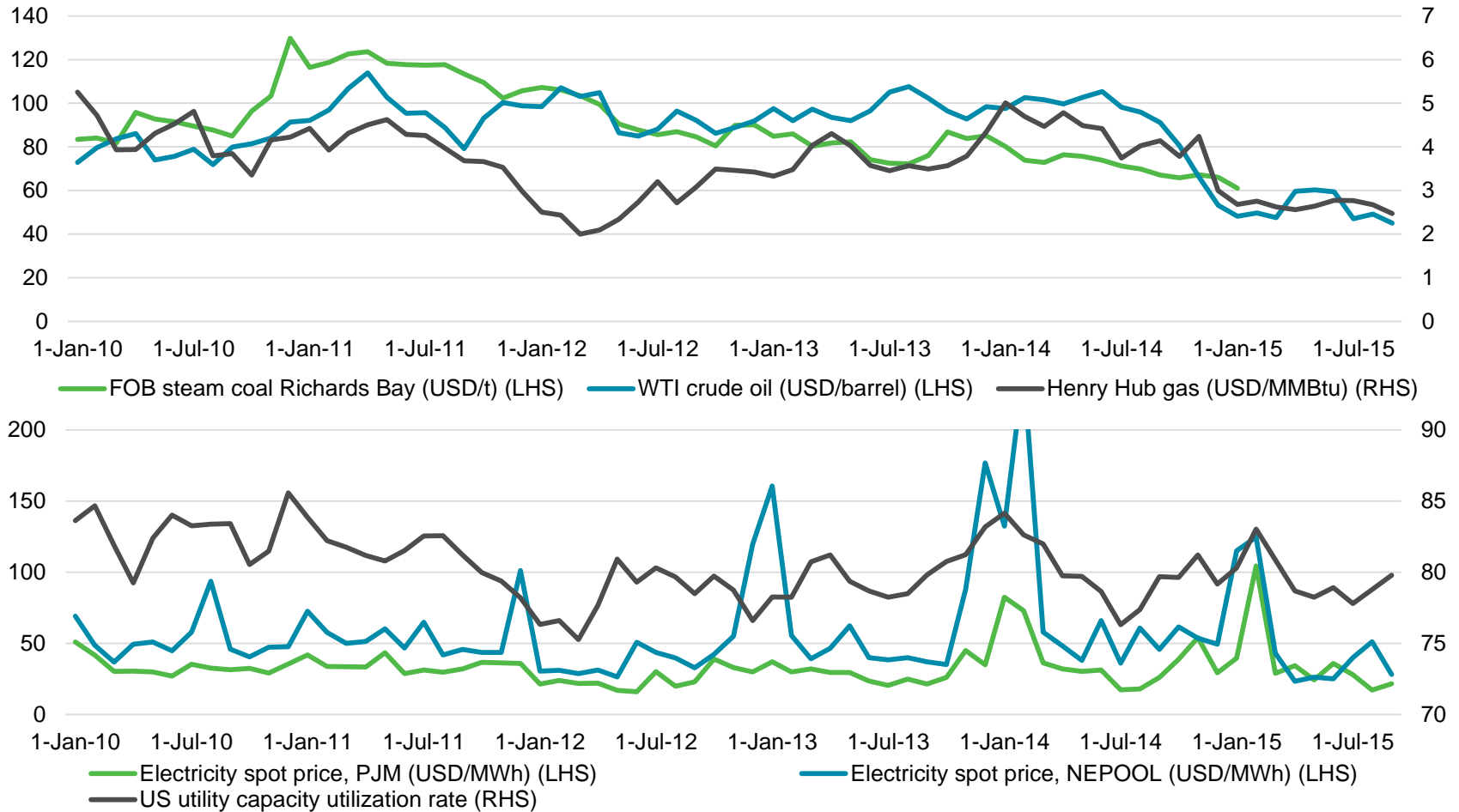
## Europe



Source: Bloomberg

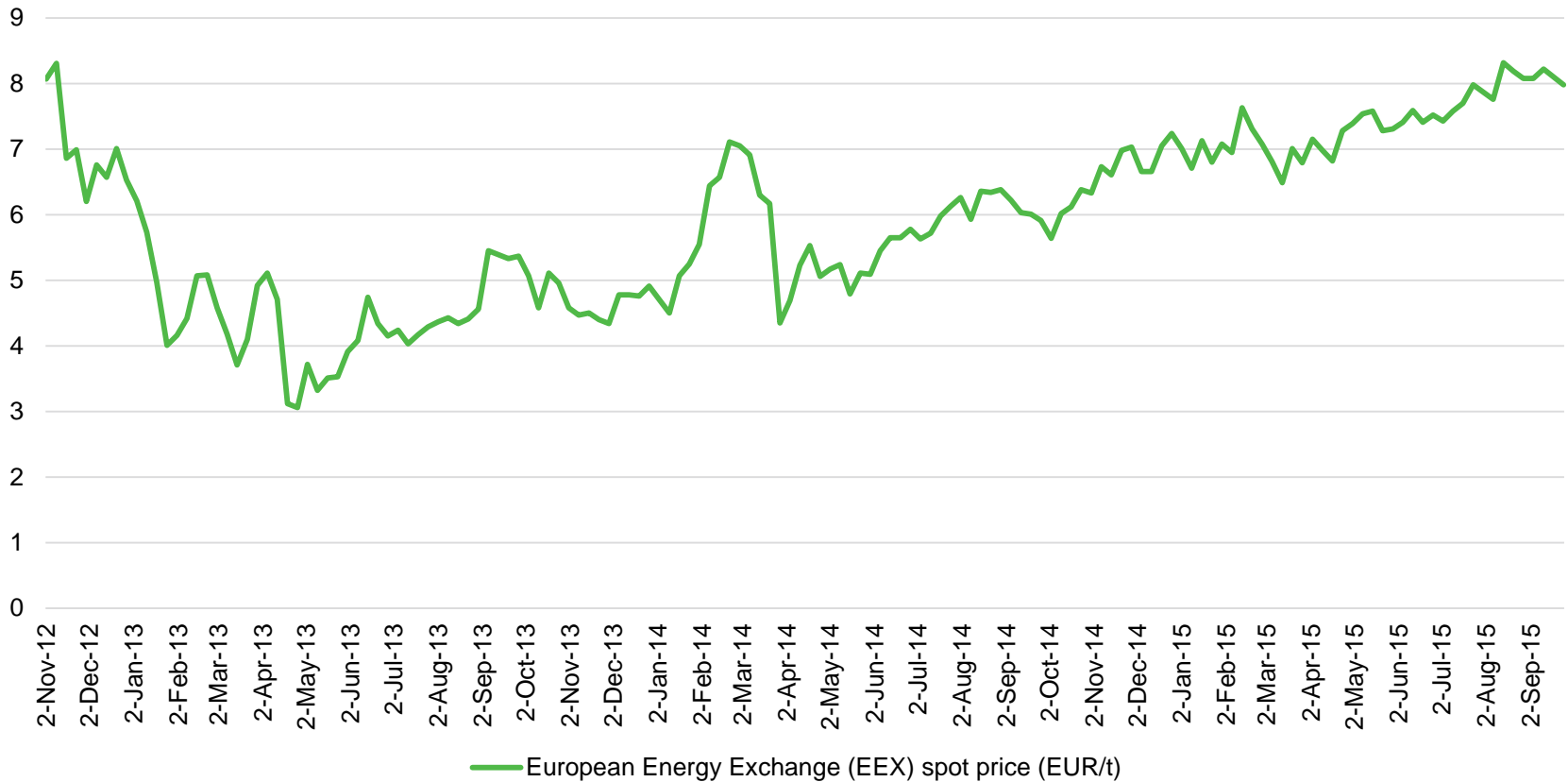
# Crude oil, steam coal, natural gas and electricity

## United States



Source: Bloomberg

# European Carbon Emission Allowance



Source: Bloomberg

