



Orders received increased
to EUR 3.1 billion and
Comparable EBITA to EUR
196 million in 2016

Financial Statements Review 2016

February 8, 2017

Pasi Laine, President and CEO

Kari Saarinen, CFO

Agenda

Financial Statements Review 2016

- 1 2016 in brief
- 2 Business lines' development
- 3 Financial development
- 4 Dividend proposal, guidance and short-term market outlook
- 5 Summary of Financial Statements Review 2016
- 6 Appendix



2016 in brief

2016 in brief

- Orders received increased to EUR ~1.5 billion in stable business¹
- Orders received increased to EUR ~1.7 billion in capital business²
- Net sales remained at the previous year's level at EUR 2.9 billion
- Order backlog was EUR 2.3 billion at the end of 2016
- Profitability improved – Comparable EBITA margin at 6.7%
- Gearing was 6% at the end of 2016

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

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

Valmet in 2016

Orders received
EUR 3,139 million

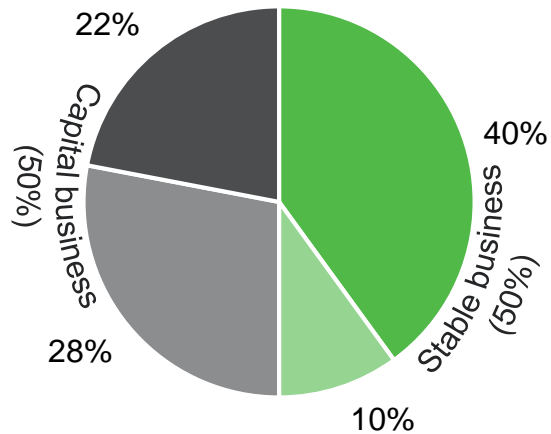
Net sales
EUR 2,926 million

Comparable EBITA
EUR 196 million

Comparable EBITA margin
6.7%

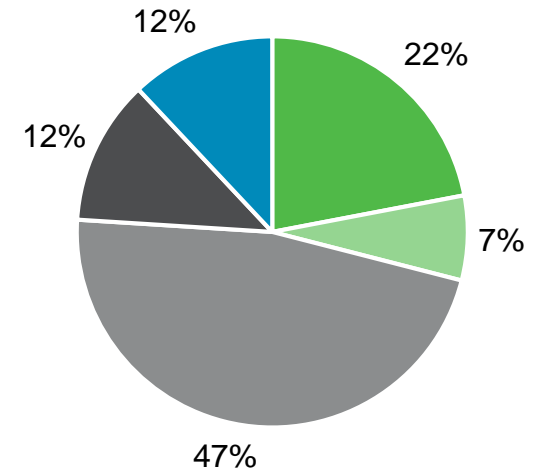
Employees
12,012

Net sales by business line



- Services
- Automation
- Pulp and Energy
- Paper

Net sales by area

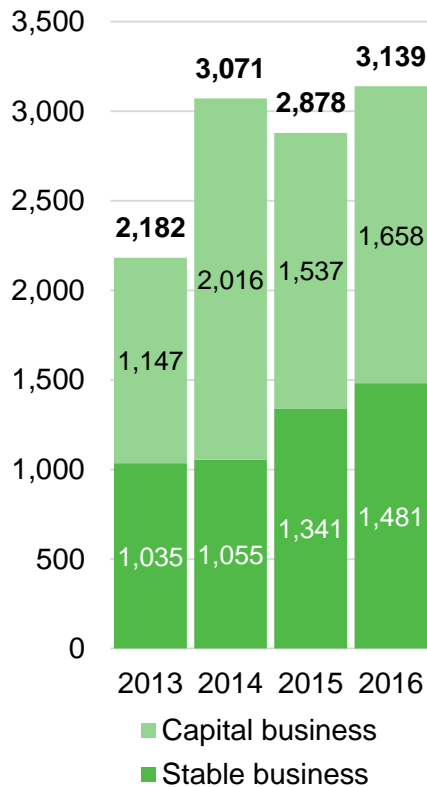


- North America
- South America
- EMEA
- China
- Asia-Pacific

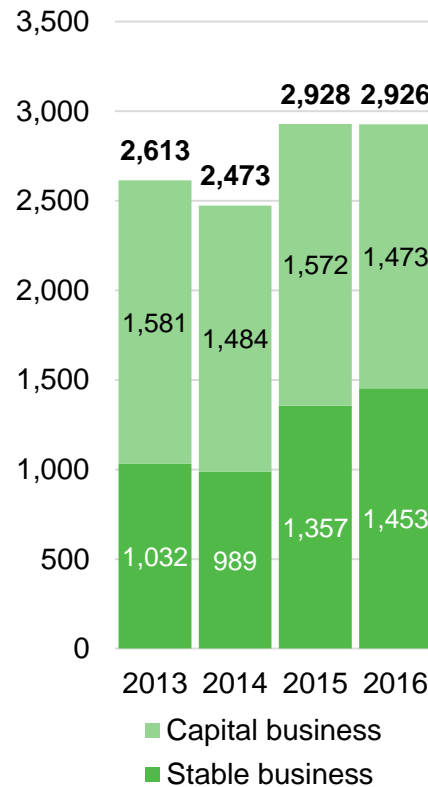
Valmet's development

New Comparable
EBITA target 8–10%
from 2017 onwards

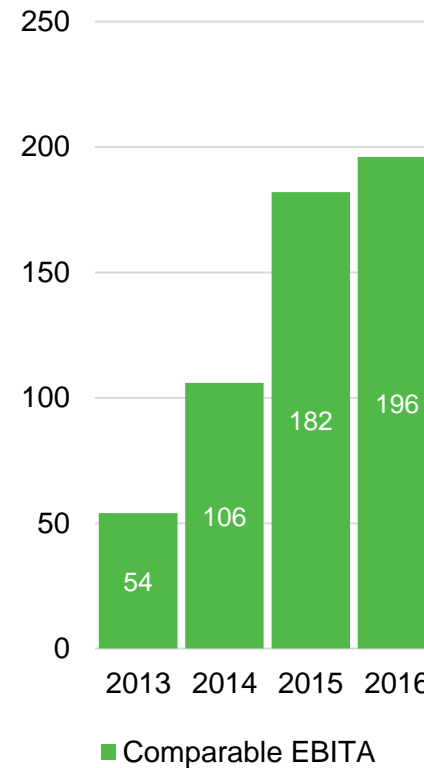
Orders received
(EUR million)¹



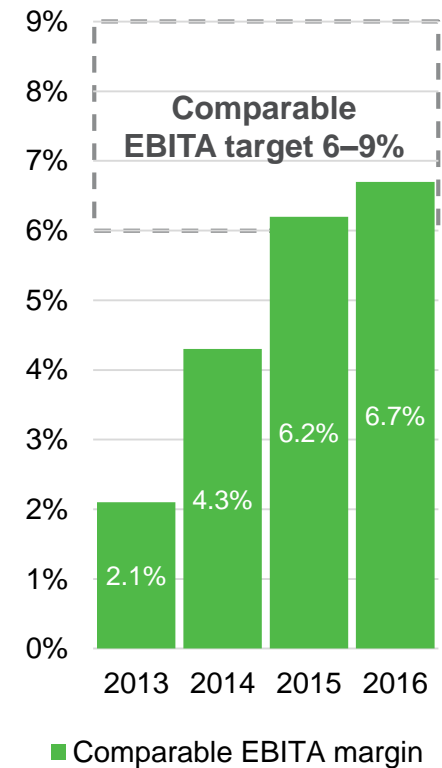
Net sales
(EUR million)¹



Comparable EBITA
(EUR million)¹



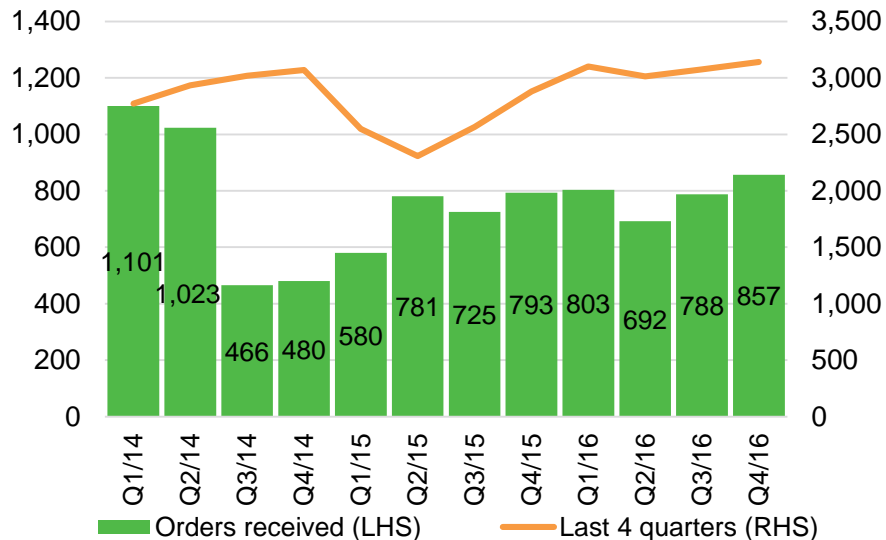
Comp. EBITA margin
(%)¹



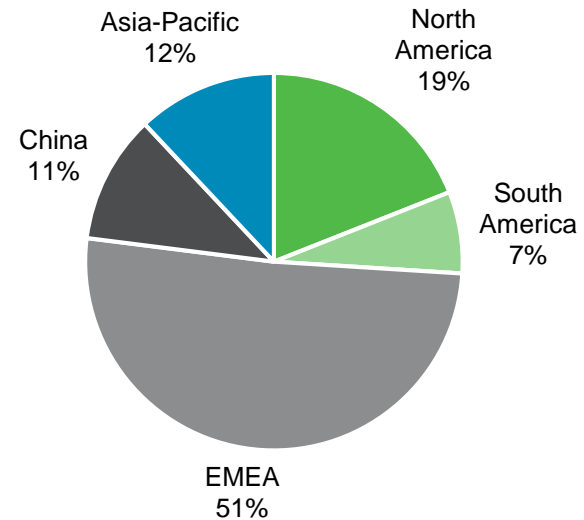
1) 2013 figures on carve-out basis
Stable business = Services and Automation business lines
Capital business = Pulp and Energy, and Paper business lines

Orders received increased to EUR 3,139 million in 2016

Orders received (EUR million)



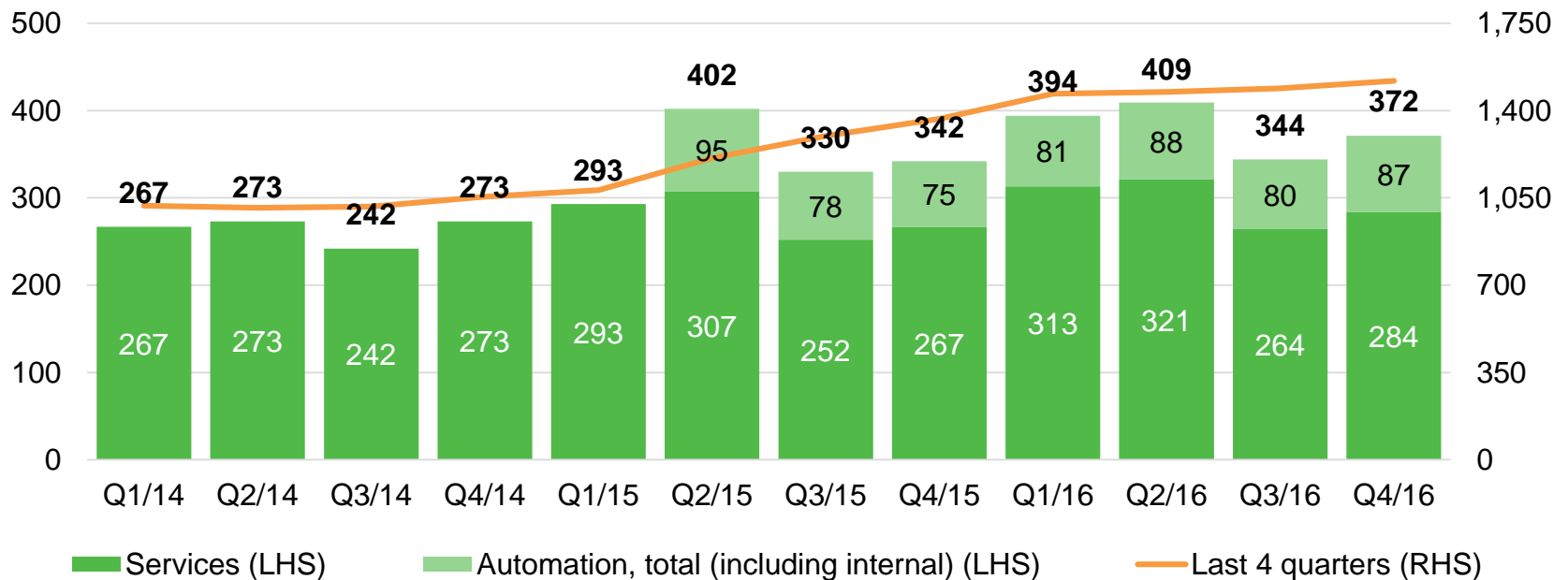
Orders received in 2016 by area



- Orders received increased in stable business to EUR 1.5 billion in 2016, corresponding to 47% of all orders received
- Orders received increased in capital business to EUR 1.7 billion in 2016, corresponding to 53% of all orders received
- EMEA and North America accounted for 70% of orders received in 2016

Stable business orders received totaled EUR 1,519 million in year 2016

Orders received (EUR million) in stable business¹

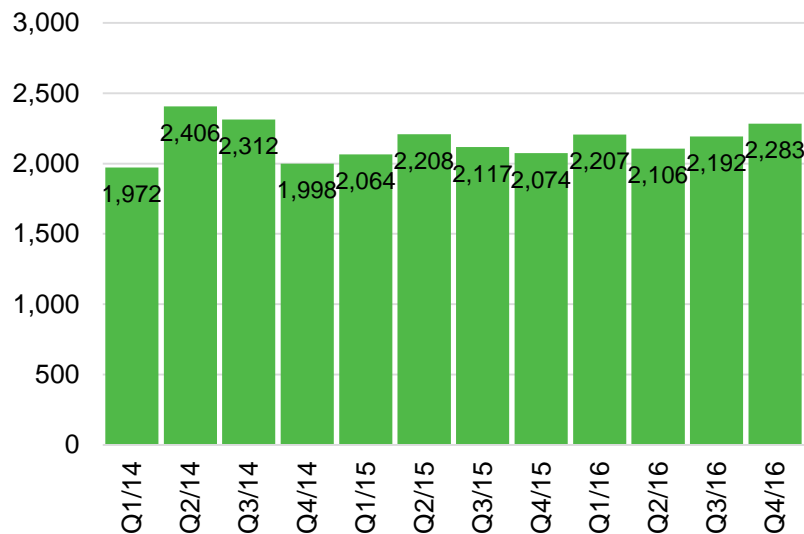


- Orders received in stable business increased by EUR 152 million in 2016

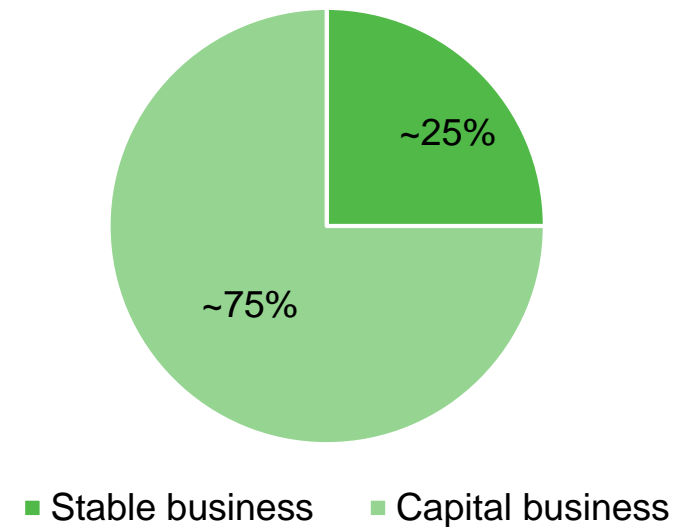
1) Including internal orders received for the Automation business line.

Order backlog at EUR 2,283 million at the end of 2016

Order backlog (EUR million)



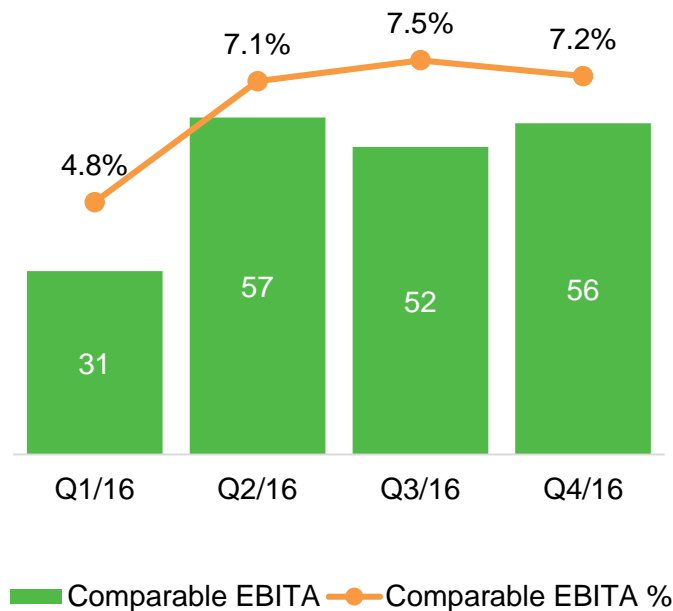
Structure of order backlog



- Order backlog EUR 92 million higher than at the end of Q3/2016
- Approximately 80% of the order backlog is currently expected to be realized as net sales during 2017
- Approximately 25% of the order backlog relates to stable business

Comparable EBITA margin development

Comparable EBITA (EUR million and %)



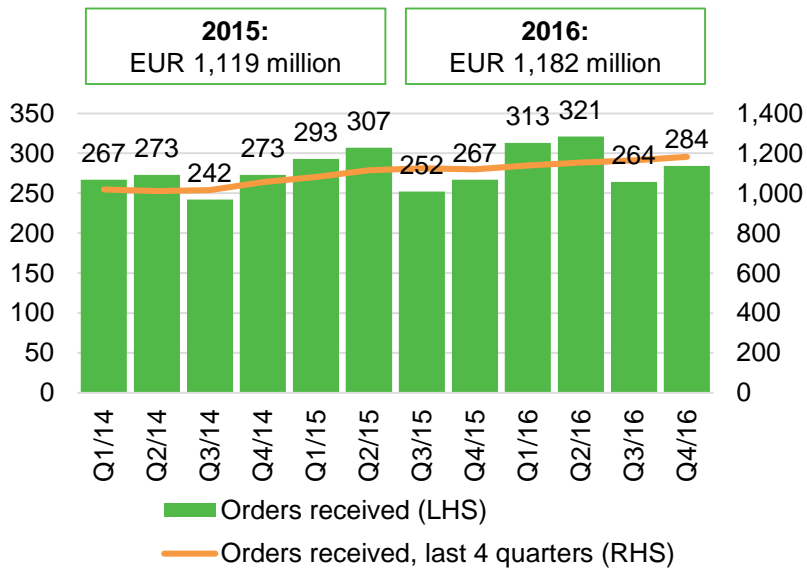
- Profitability in Q4/2016 decreased due to a loss of EUR 17 million incurred in a pulp mill rebuild project
- The difficulties encountered in this project are project specific and they are not expected to have an impact on other projects
- In 2016, Comparable EBITA was EUR 196 million, corresponding to 6.7% of net sales



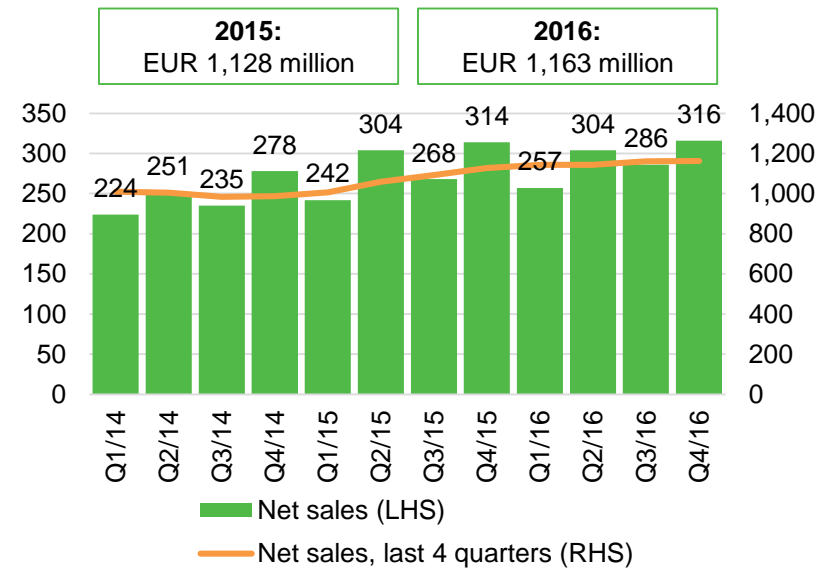
Business lines' development

Orders received EUR 1,182 million in Services in 2016

Orders received (EUR million)



Net sales (EUR million)



- Orders received increased compared with Q4/2015
 - Orders received increased in EMEA, China and Asia-Pacific and decreased in North America and South America
 - Orders received increased in Mill Improvements, Fabrics, and Rolls and remained at the previous year's level in Performance Parts, and Energy and Environmental
- Net sales remained stable compared with Q4/2015



Services business line in 2016

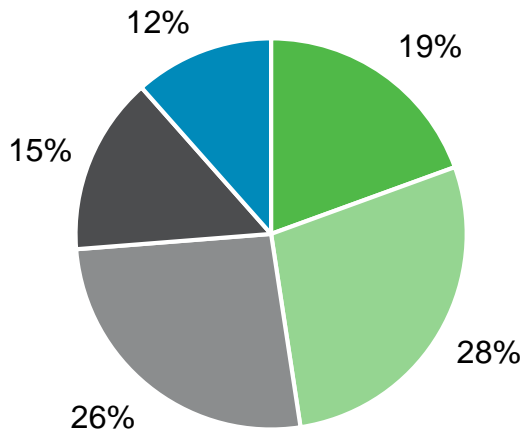
Orders received
EUR 1,182 million

Net sales
EUR 1,163 million

Employees
5,339

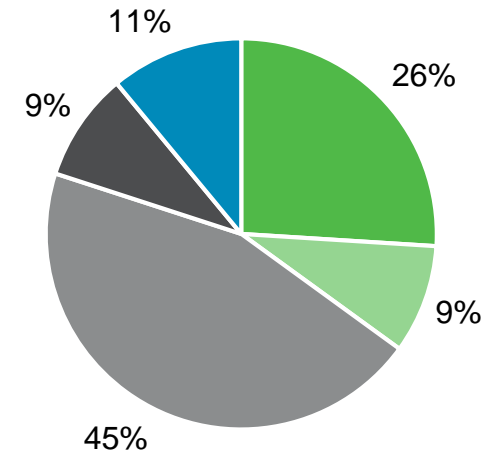
Market position
#1–2 Services

Orders received
by business



- Rolls
- Mill Improvements
- Performance Parts
- Fabrics
- Energy and Environment

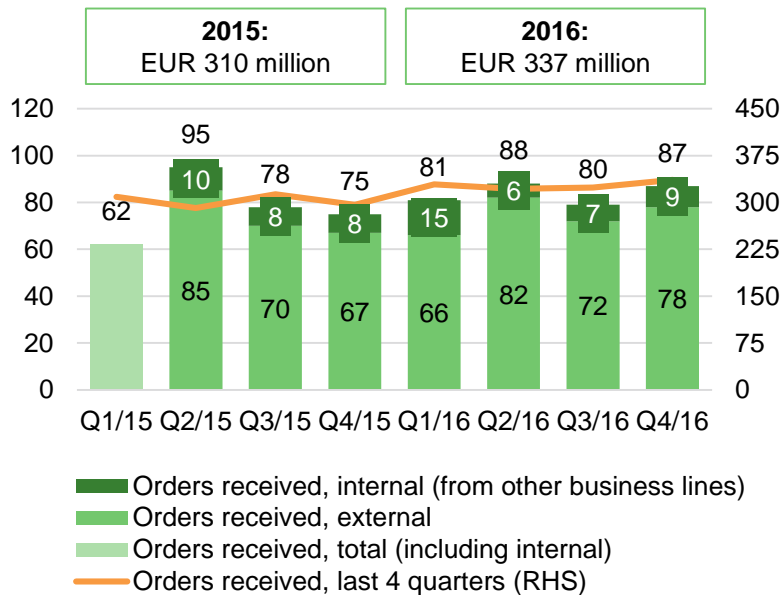
Orders received
by area



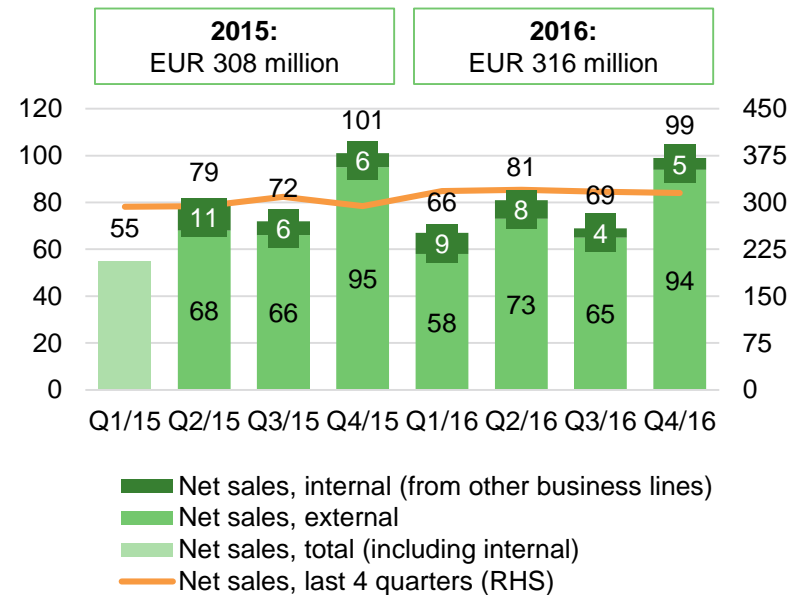
- North America
- South America
- EMEA
- China
- Asia-Pacific

Orders received totaled to EUR 337 million in Automation in 2016

Orders received¹ (EUR million)



Net sales¹ (EUR million)



- Orders received increased compared with Q4/2015
 - Orders received increased in Asia-Pacific, North America and China and remained at the previous year's level in South America and EMEA
 - Orders received increased in both Pulp and Paper, and Energy and Process
- Net sales remained stable compared with Q4/2015



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

Automation business line in 2016

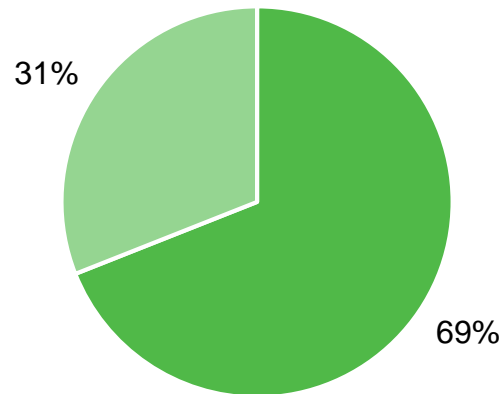
Orders received
EUR 337 million

Net sales
EUR 316 million

Employees
1,636

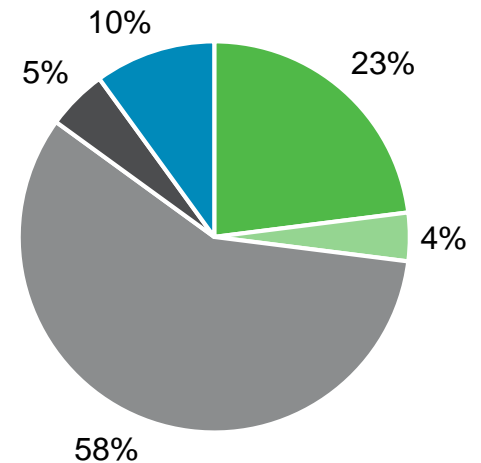
Market position
#1–3 Pulp and paper

Orders received
by business



- Pulp and Paper
- Energy and Process

Orders received
by area

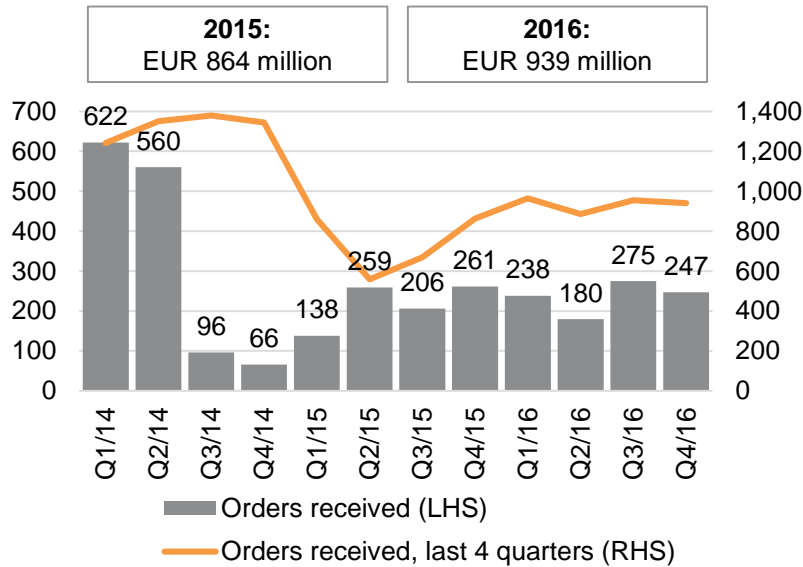


- North America
- South America
- EMEA
- China
- Asia-Pacific

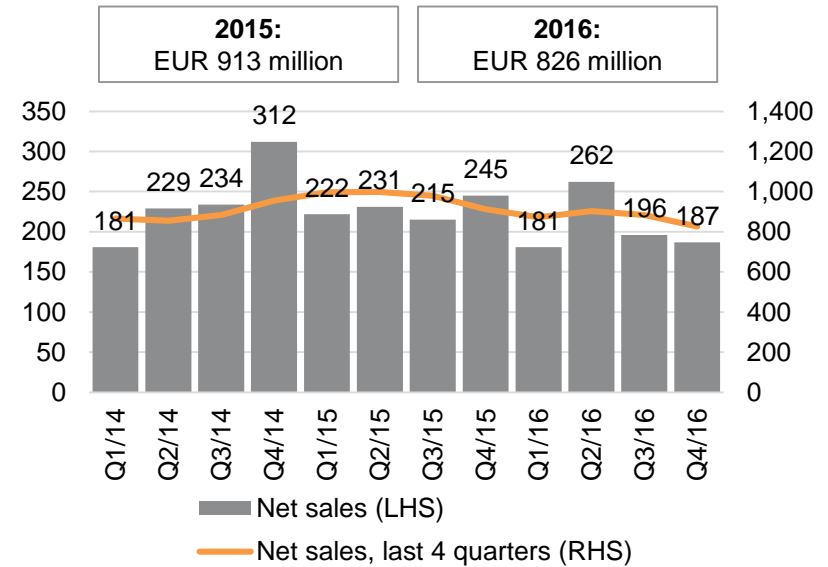
Orders received EUR 337 million includes internal orders received and net sales EUR 316 million includes internal net sales.

Orders received EUR 939 million in Pulp and Energy in 2016

Orders received (EUR million)



Net sales (EUR million)



- Orders received decreased compared with Q4/2015
 - Orders received increased in Asia-Pacific, China and South America and decreased in North America and EMEA
 - Orders received increased in Energy and decreased in Pulp
- Net sales decreased compared with Q4/2015



Pulp and Energy business line in 2016

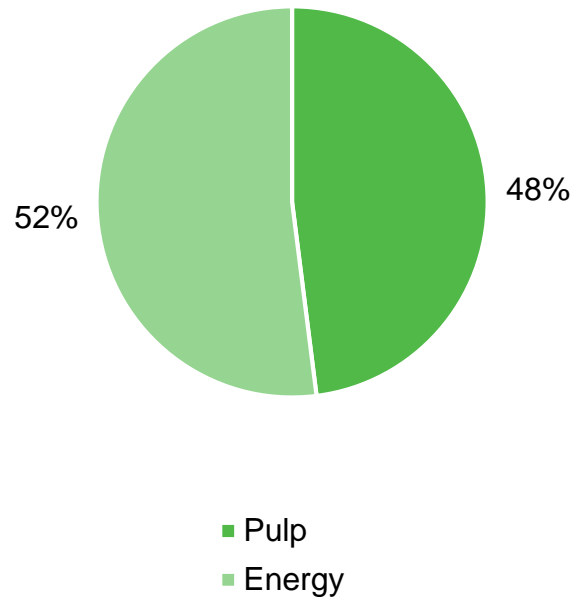
Orders received
EUR 939 million

Net sales
EUR 826 million

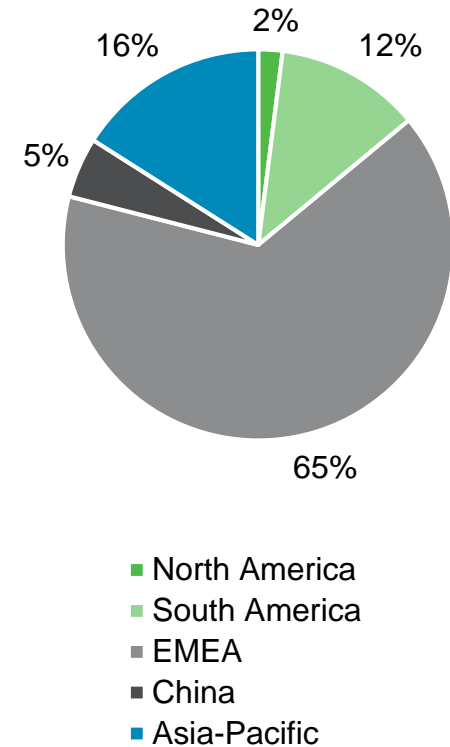
Employees
1,689

Market position
#1–2 Pulp
#1–3 Energy

Orders received
by business



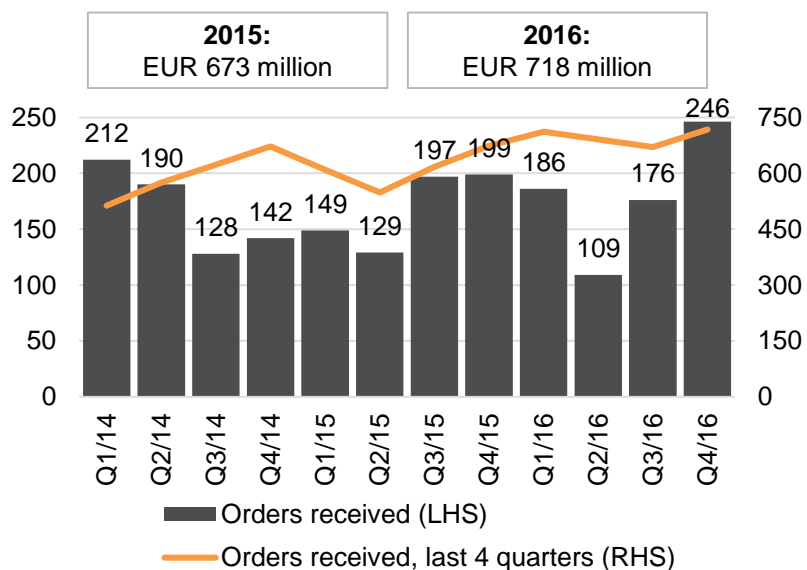
Orders received
by area



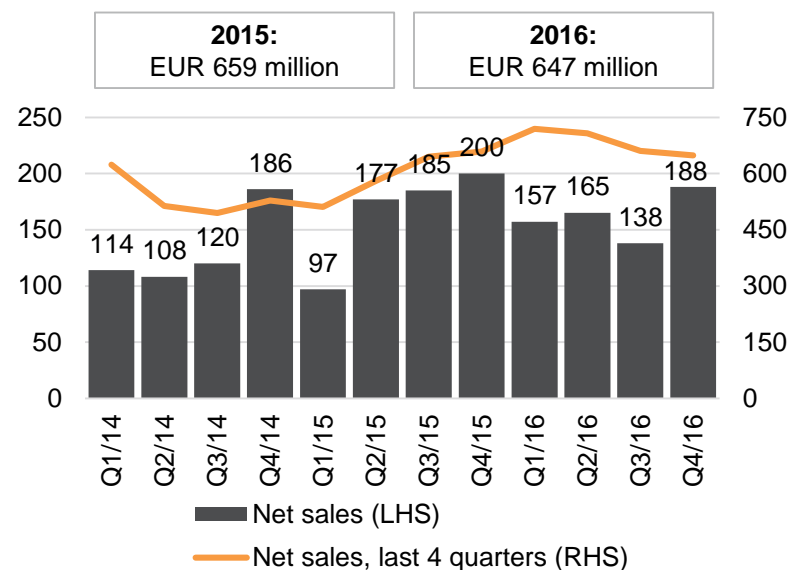
As of 2017, the split between Pulp and Energy has changed due to organizational changes. The new structure has increased orders received in Pulp and decreased orders received in Energy by approximately EUR 37 million. The share of Pulp has thus increased from 44% to 48% and the share of Energy has decreased from 56% to 52% in 2016.

Orders received EUR 718 million in Paper in 2016

Orders received (EUR million)



Net sales (EUR million)



- Orders received increased compared with Q4/2015
 - Orders received increased in North America, China, Asia-Pacific and South America and decreased in EMEA
 - Orders received increased in both Board and Paper, and Tissue
- Net sales decreased compared with Q4/2015



Paper business line in 2016

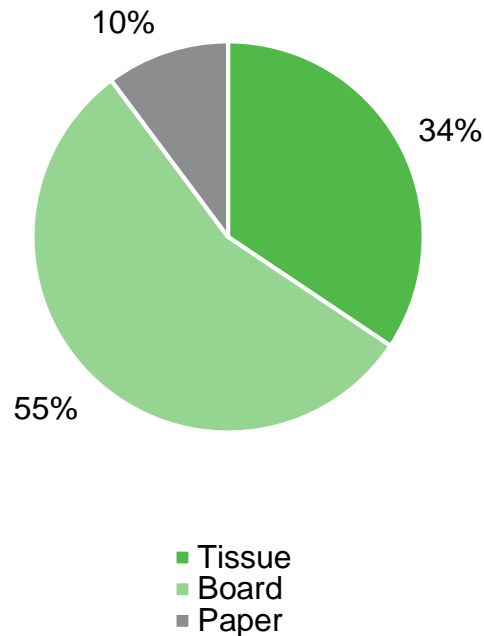
Orders received
EUR 718 million

Net sales
EUR 647 million

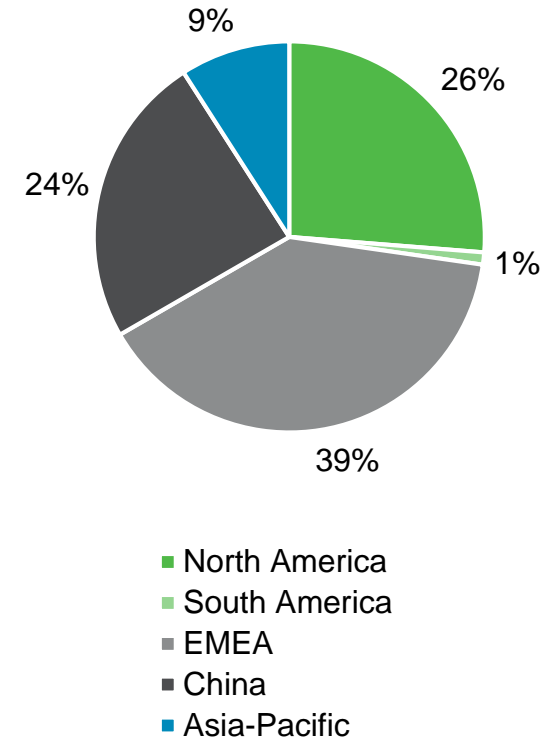
Employees
2,774

Market position
#1 Tissue
#1 Board
#1 Paper

Orders received
by business



Orders received
by area





Financial development

Q4/2016 in brief

- Orders received increased to EUR 363 million in stable business¹
- Orders received increased to EUR 494 million in capital business²
- Net sales decreased to EUR 785 million
- Order backlog was EUR 2.3 billion at the end of Q4/2016
- Profitability decreased – Comparable EBITA margin at 7.2%
- Gearing was 6% at the end of Q4/2016

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

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

Key figures

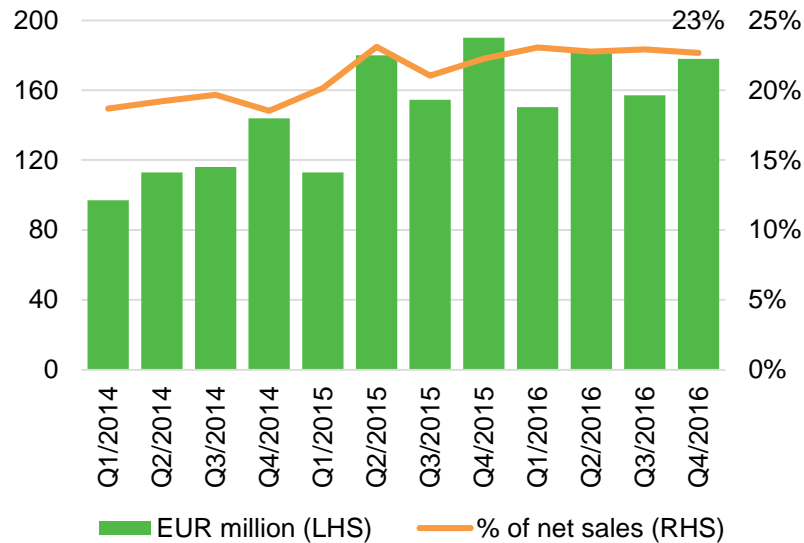
EUR million	Q4/2016	Q4/2015	Change	2016	2015	Change
Orders received	857	793	8%	3,139	2,878	9%
Order backlog ¹	2,283	2,074	10%	2,283	2,074	10%
Net sales	785	854	-8%	2,926	2,928	0%
Comparable EBITA	56	63	-10%	196	182	7%
% of net sales	7.2%	7.3%		6.7%	6.2%	
EBITA	48	52	-8%	183	157	17%
Operating profit (EBIT)	40	41	-3%	147	120	23%
% of net sales	5.1%	4.9%		5.0%	4.1%	
Earnings per share, EUR	0.10	0.18	-48%	0.55	0.51	7%
Return on capital employed (ROCE), before taxes				12%	12%	
Cash flow provided by operating activities	88	64	38%	246	78	>100%
Gearing ¹				6%	21%	

Items affecting comparability: EUR -8 million in Q4/2016 (EUR -10 million in Q4/2015), EUR -13 million in 2016 (EUR -26 million in 2015)

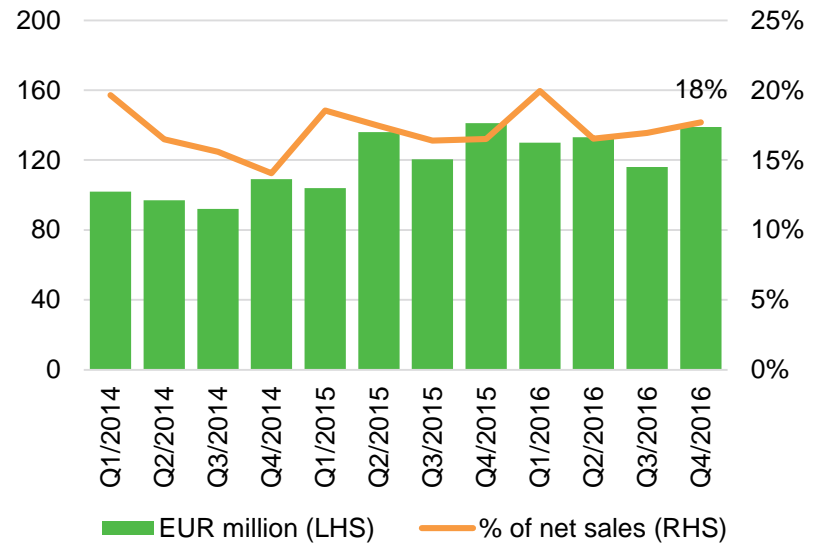
1) At the end of period

Increase in gross profit margin in 2016, SG&A at the previous year's level

Gross profit (EUR million and % of net sales)



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

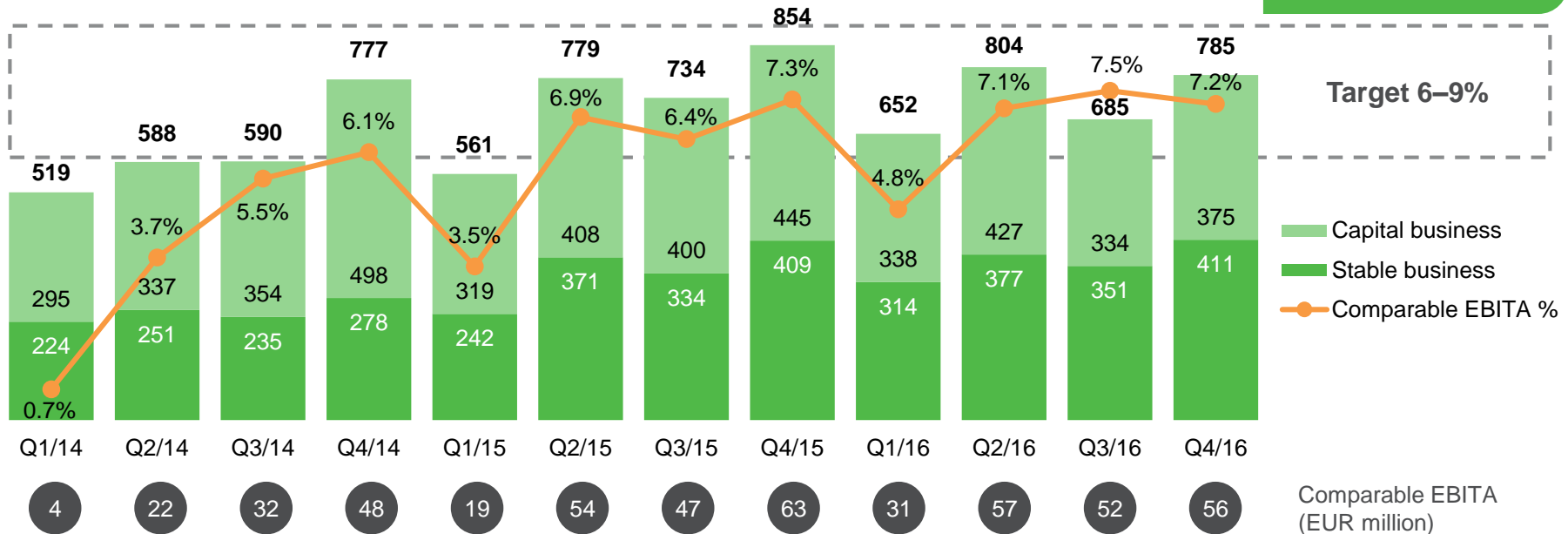


- Gross profit lower, but gross profit margin improved compared to Q4/2015
- Selling, general & administrative (SG&A) expenses remained stable compared with Q4/2015
- Actions to improve gross profit through Must-Win implementation

Comparable EBITA margin development

Net sales and Comparable EBITA (EUR million and %)

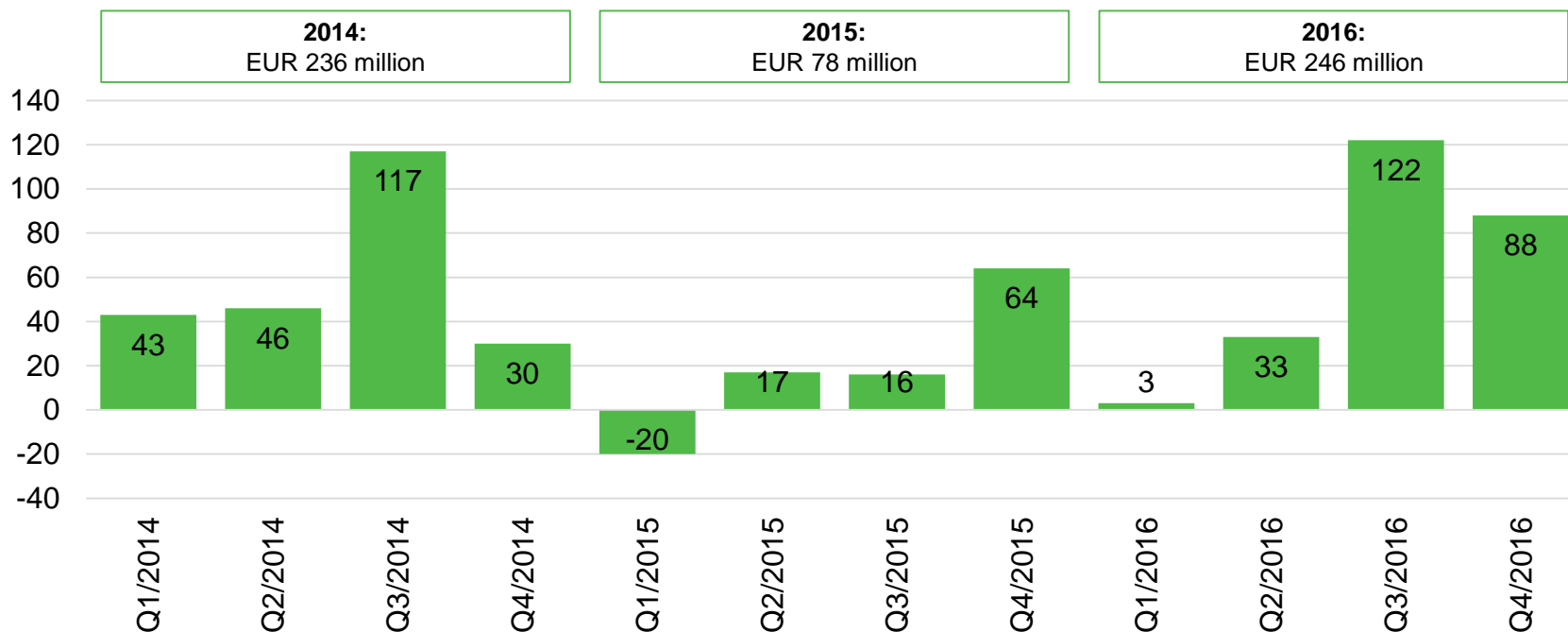
New target 8–10%
from 2017 onwards



- Net sales and Comparable EBITA decreased compared with Q4/2015
 - Profitability decreased due to a loss of EUR 17 million incurred in a pulp mill rebuild project

Cash flow provided by operating activities

Cash flow provided by operating activities (EUR million)

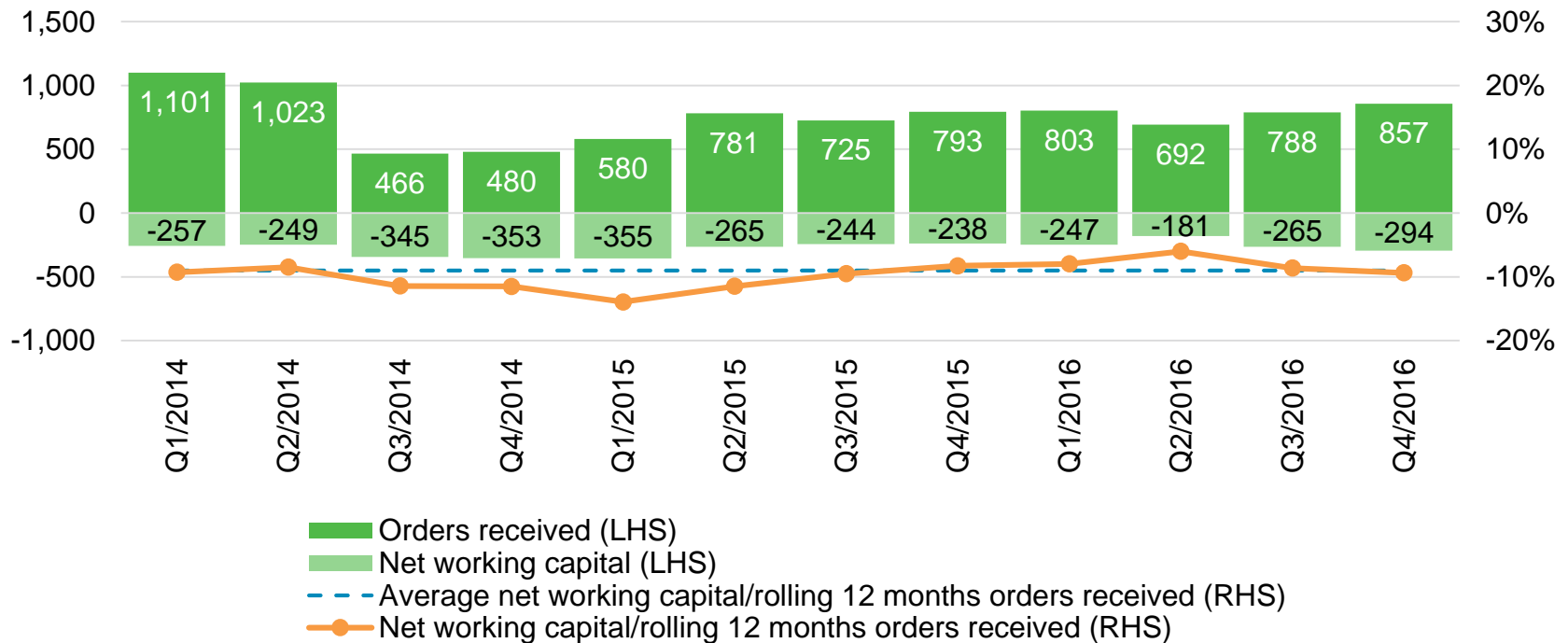


- Change in net working capital¹ EUR 31 million in Q4/2016
- Cash flow provided by operating activities EUR 88 million in Q4/2016
- CAPEX EUR -17 million in Q4/2016

1) Change in net working capital, net of effect from business combinations and disposals in the consolidated statement of cash flows.

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

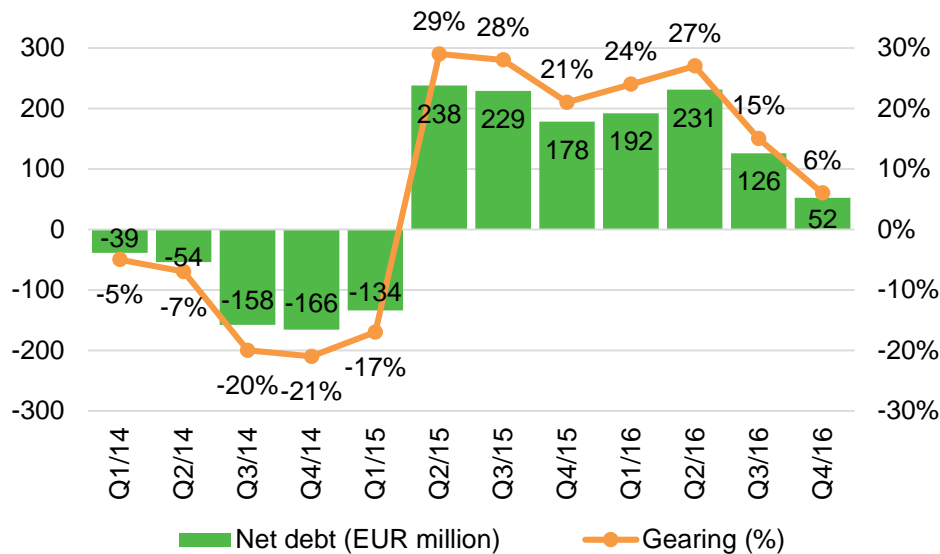
Net working capital and orders received (EUR million)



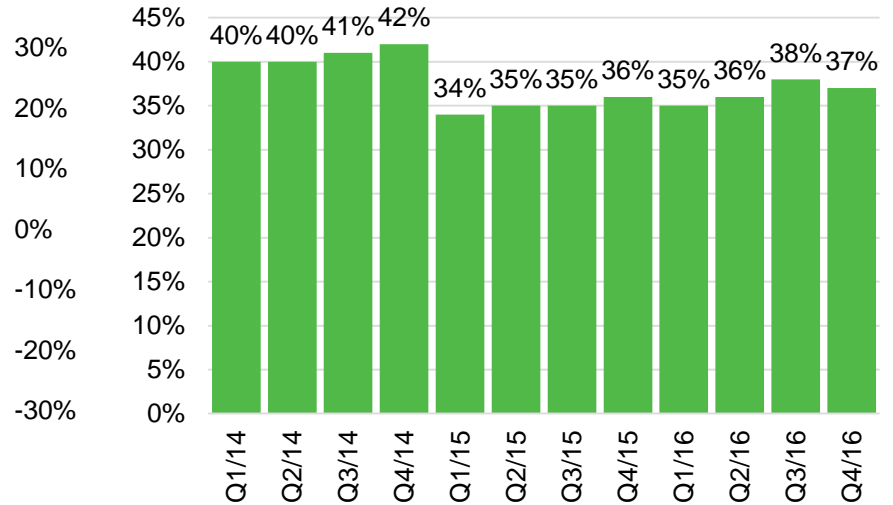
- Net working capital EUR -294 million, which equals -9% of rolling 12 months orders received

Net debt decreased compared with both Q3/2016 and Q4/2015

Net debt (EUR million) and gearing (%)



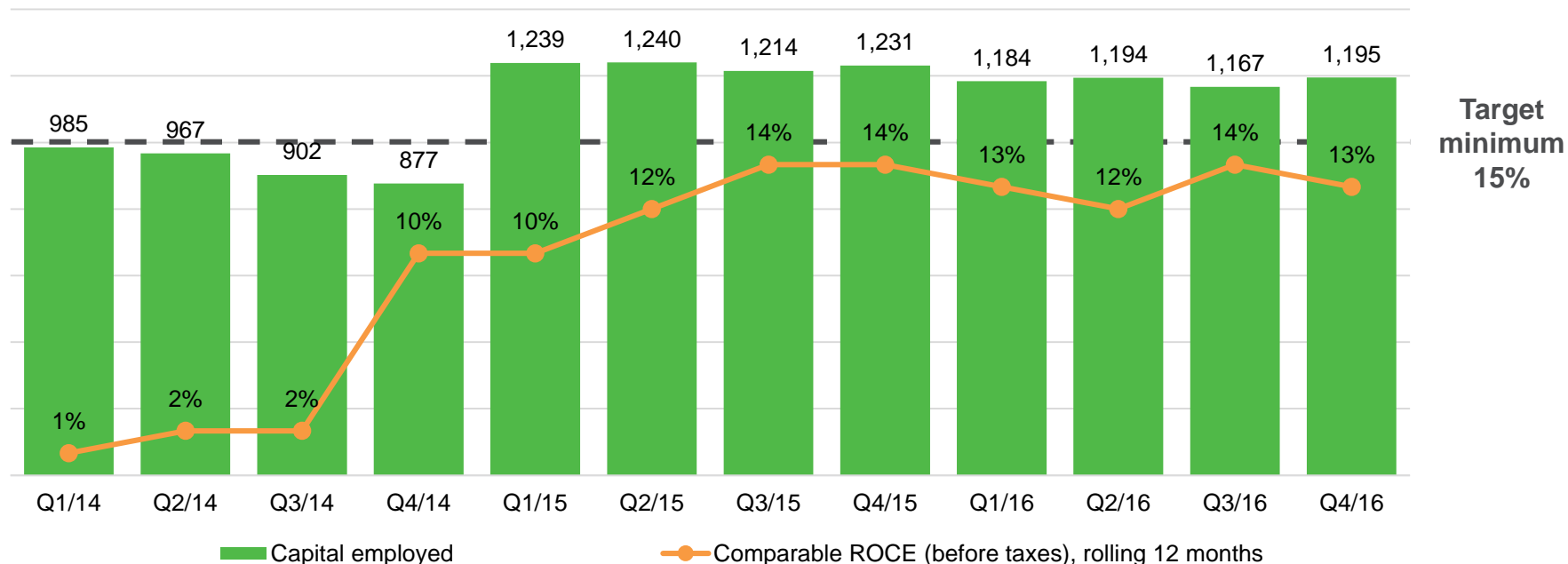
Equity to assets ratio (%)



- Gearing (6%) and net debt (EUR 52 million) decreased
- Equity to assets ratio increased compared with Q4/2015
- Automation acquisition was completed on April 1, 2015

Capital employed and Comparable ROCE

Capital employed (EUR million) and Comparable return on capital employed (ROCE), before taxes¹ (%)



- New target for Comparable return on capital employed (ROCE) from 2017 onwards: 15–20%

1) Rolling 12 months. Carve-out figures for 2013 have been used in the calculation of Q1–Q3/2014 figures.



Dividend proposal, guidance, and short- term market outlook

Dividend proposal

New dividend policy from
2017 onwards:
At least 50% of net profit

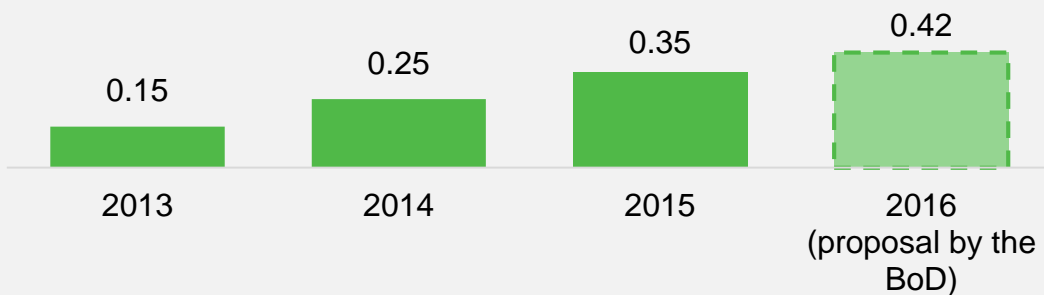
Dividend policy

Dividend payout at least 40% of net profit

Board of Directors' dividend proposal to the Annual General Meeting

EUR 0.42 per share

Dividend per share (euro)



Guidance and short-term market outlook

Guidance for 2017

Guidance for 2017




Valmet estimates that net sales in 2017 will remain at the same level as in 2016 (EUR 2,926 million) and Comparable EBITA in 2017 will increase in comparison with 2016 (EUR 196 million).

Short-term market outlook

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

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



Summary of Financial Statements Review 2016

2016 in brief

- Orders received increased to EUR ~1.5 billion in stable business¹
- Orders received increased to EUR ~1.7 billion in capital business²
- Net sales remained at the previous year's level at EUR 2.9 billion
- Order backlog was EUR 2.3 billion at the end of 2016
- Profitability improved – Comparable EBITA margin at 6.7%
- Gearing was 6% at the end of 2016

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

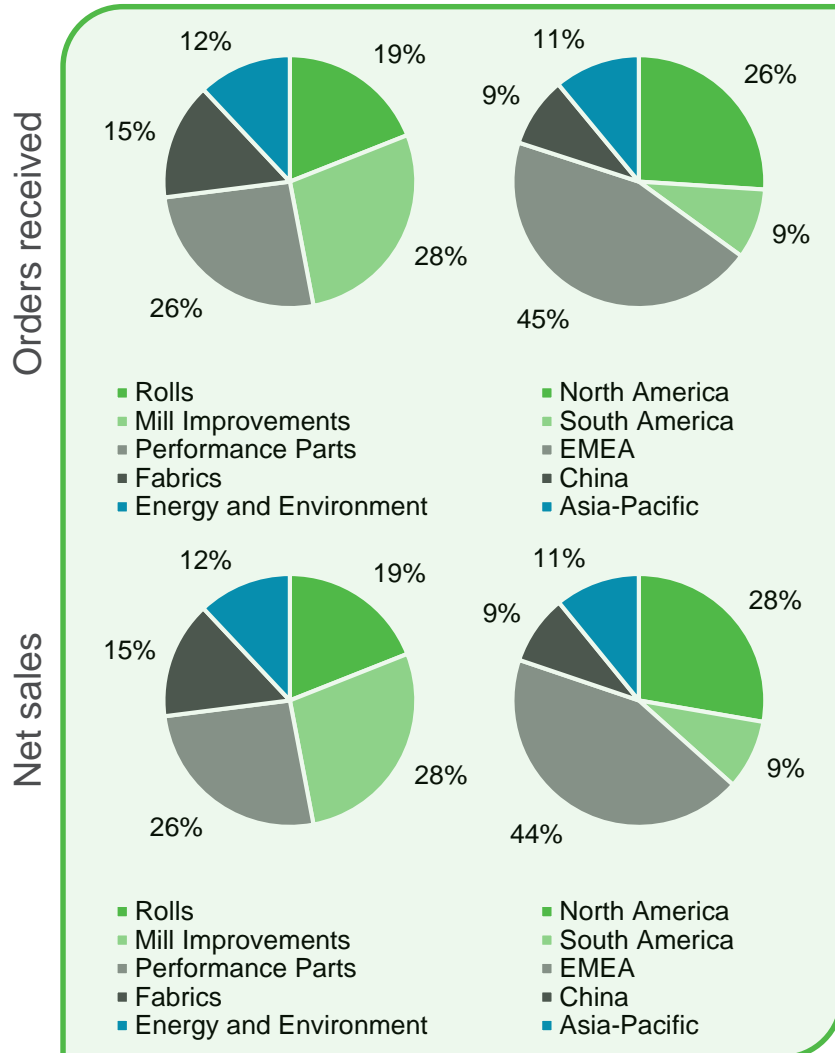
2) Capital business = Pulp and Energy business line and Paper business line



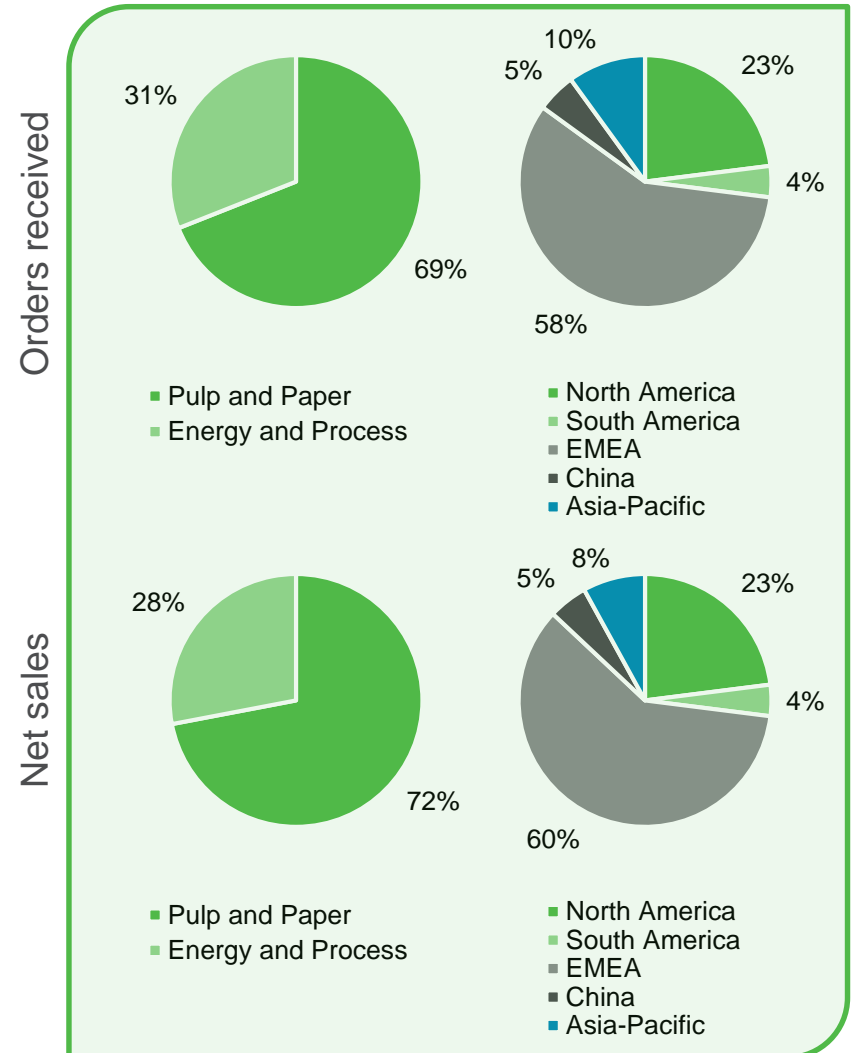
Appendix

Business lines in 2016: Stable business

Services business line

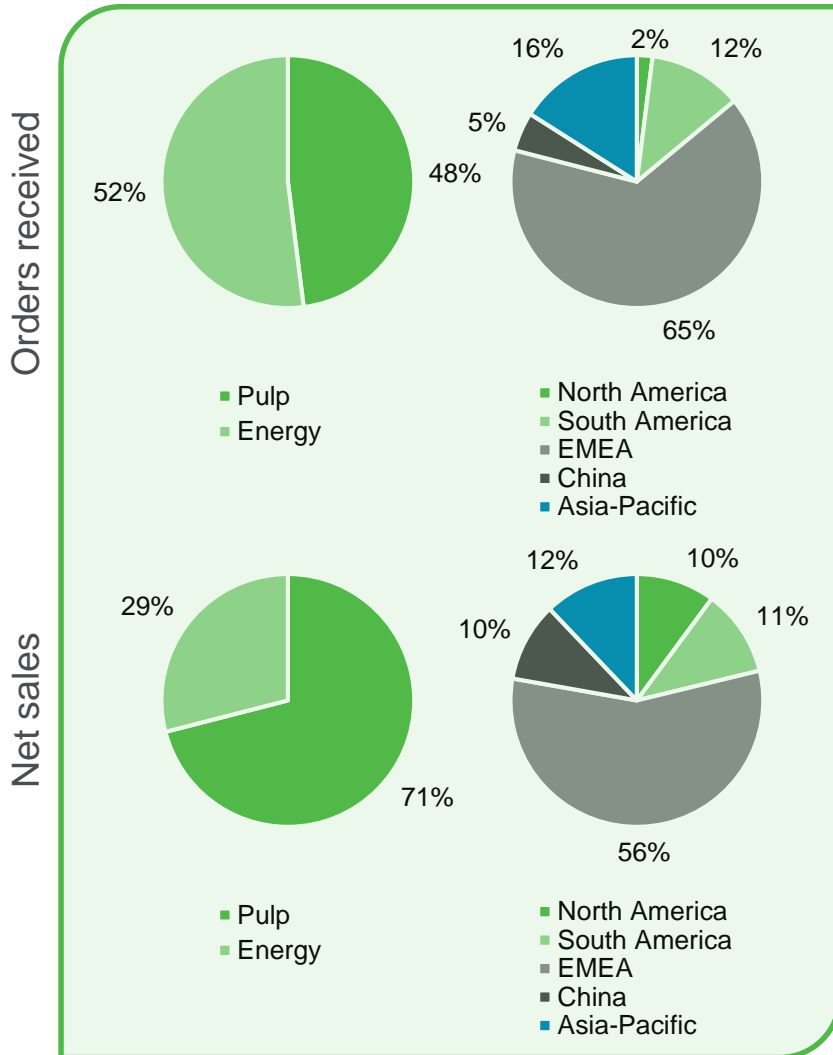


Automation business line

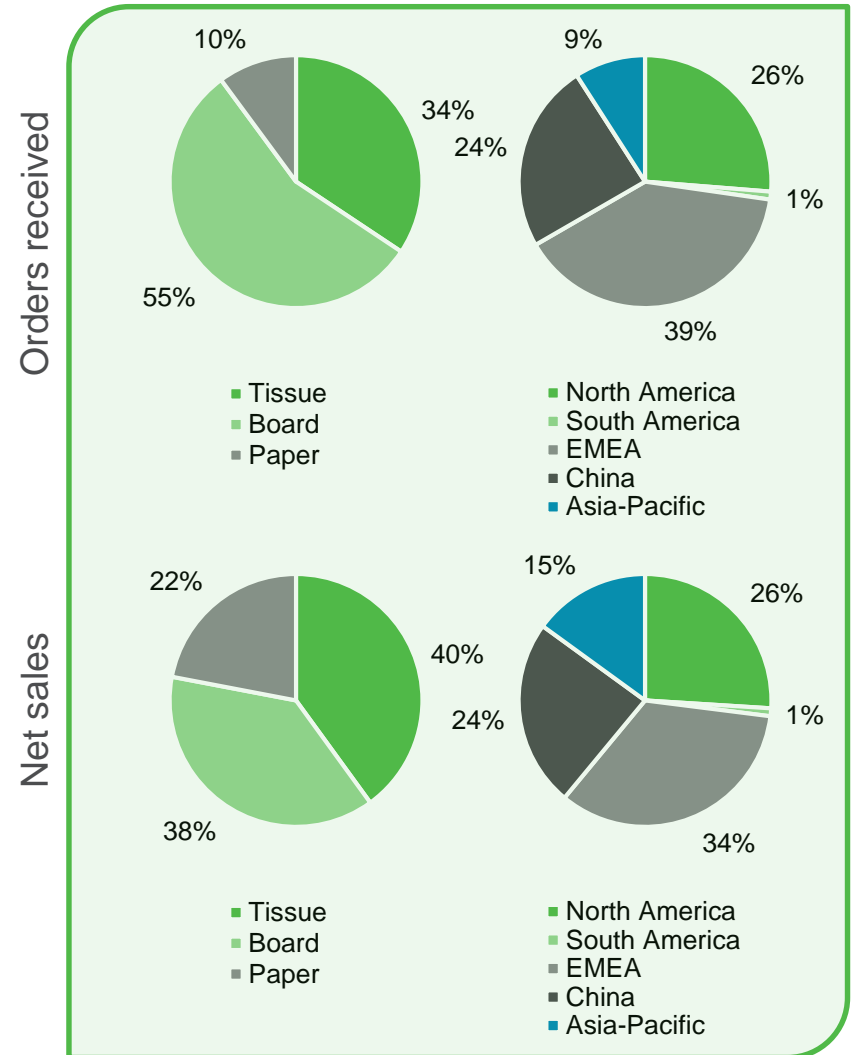


Business lines in 2016: Capital business

Pulp and Energy business line



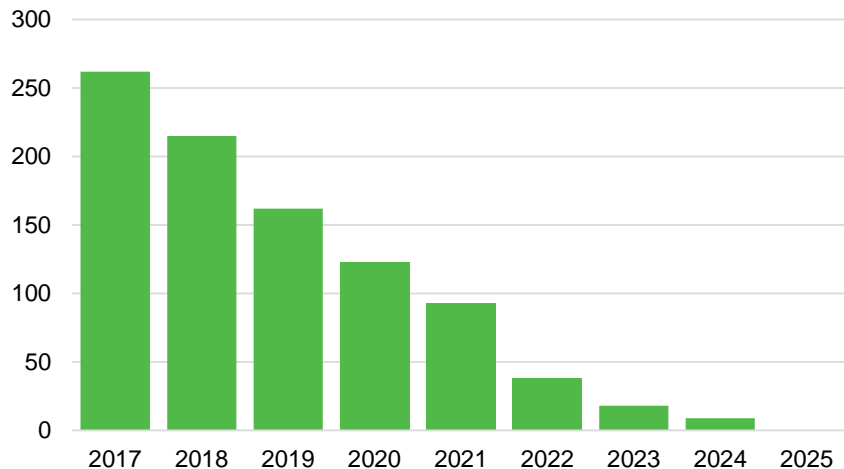
Paper business line



Structure of loans and borrowings

Interest-bearing debt EUR 310 million as at December 31, 2016

Amount of outstanding interest-bearing debt (EUR millions)



- Average maturity of long-term loans is 3.9 years
- Average interest rate is 1.3%

Main financing sources

Amount	Lender
EUR 81 million	European Investment Bank
EUR 71 million	Skandinaviska Enskilda Banken
EUR 61 million	Swedish Export Credit
EUR 95 million	Nordic Investment Bank

Back-up facilities

Amount	Outstanding
EUR 200 million syndicated revolving credit facility	None outstanding
EUR 200 million domestic commercial paper program	None outstanding

Largest shareholders on January 31, 2017

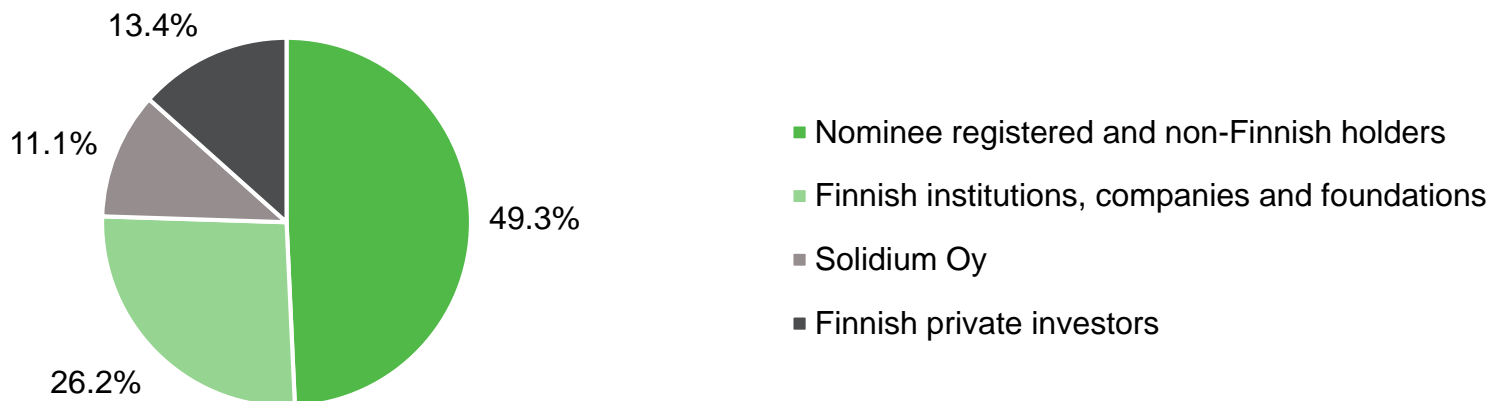
Based on the information given by Euroclear Finland Ltd.

Largest shareholders

#	Shareholder name	Number of shares	% of shares and votes
1	Solidium Oy ¹	16,695,287	11.14%
2	Varma Mutual Pension Insurance Company	5,065,465	3.38%
3	Elo Pension Company	3,810,000	2.54%
4	Ilmarinen Mutual Pension Insurance Company	3,388,055	2.26%
5	Nordea Funds	2,375,861	1.59%
6	OP Funds	2,166,129	1.45%
7	The State Pension Fund	1,545,000	1.03%
8	Keva	1,502,166	1.00%
9	Danske Invest funds	1,281,395	0.86%
10	Mandatum Life Insurance Company Limited	922,537	0.62%
	10 largest shareholders, total	38,751,895	25.86%
	Other shareholders	111,112,724	74.14%
	Total	149,864,619	100.00%

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

Ownership structure on January 31, 2017

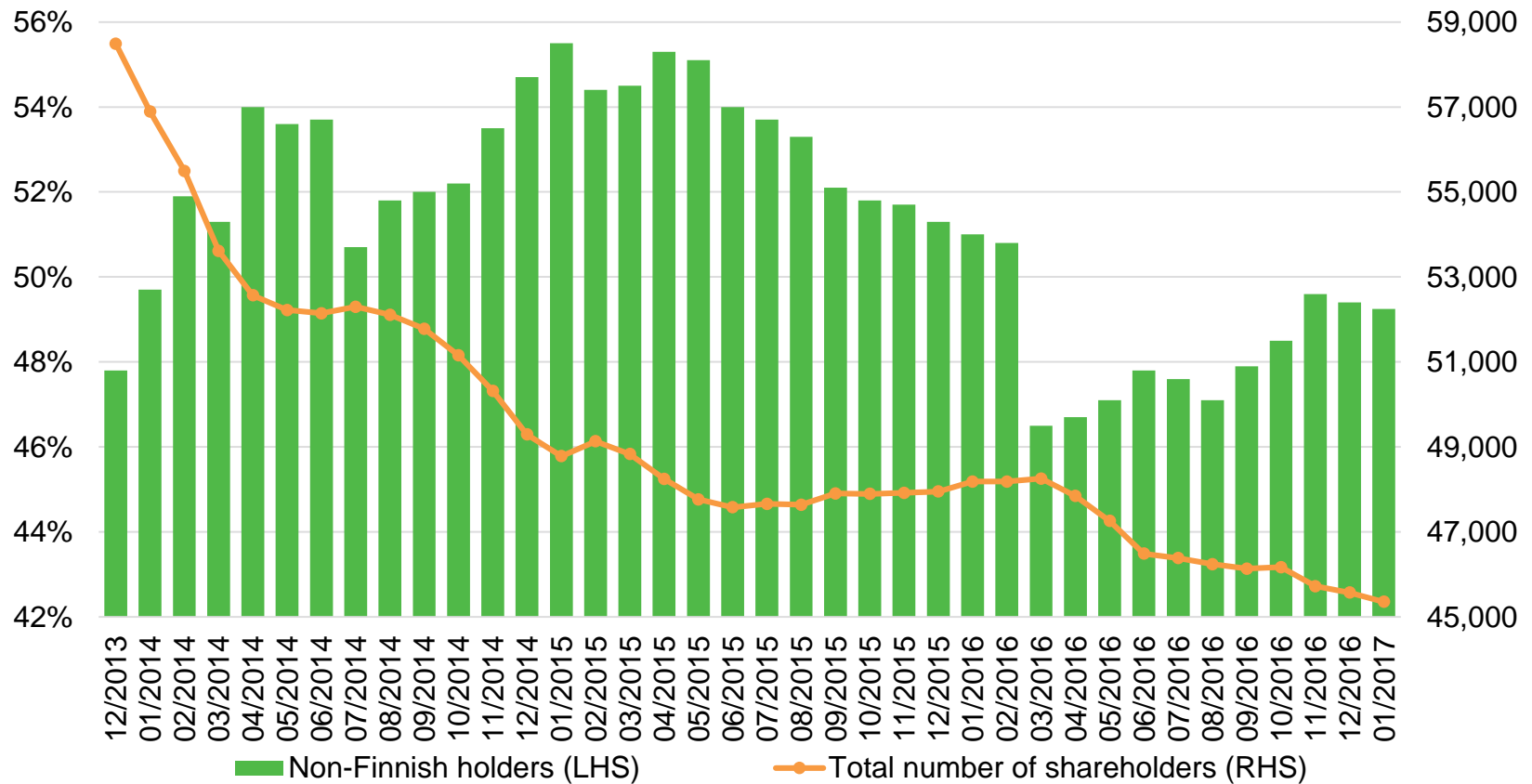


Sector	Number of shareholders	% of total shareholders	Number of shares	% of shares
Nominee registered and non-Finnish holders ¹	309	0.7%	73,810,846	49.3%
Finnish institutions, companies and foundations	2,327	5.1%	39,297,166	26.2%
Solidium Oy ²	0	0.0%	16,695,287	11.1%
Finnish private investors	42,722	94.2%	20,053,160	13.4%
In the issuer account	0	0.0%	8,160	0.0%
Total	45,358	100.0%	149,864,619	100.0%

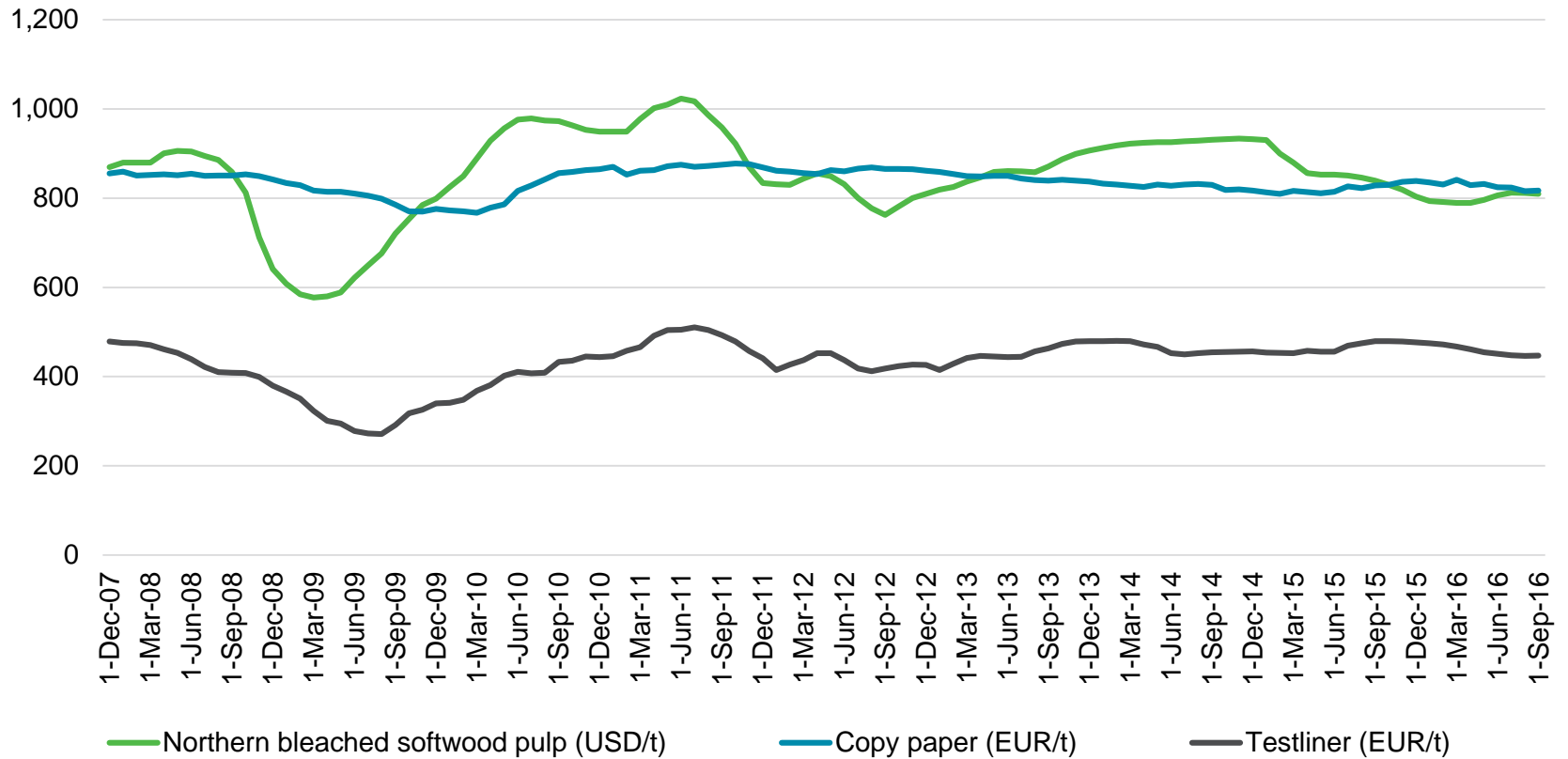
The ownership structure is based on the classification of sectors determined by Statistics Finland.

1) Of which 71,852,437 nominee registered shares
 2) A holding company that is wholly owned by the Finnish State

Share of non-Finnish holders and number of shareholders



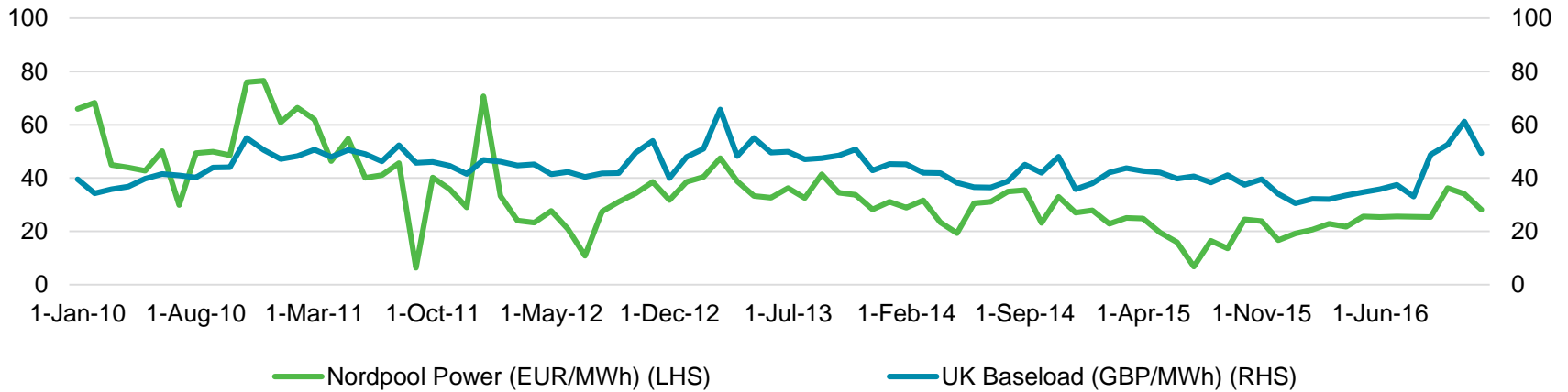
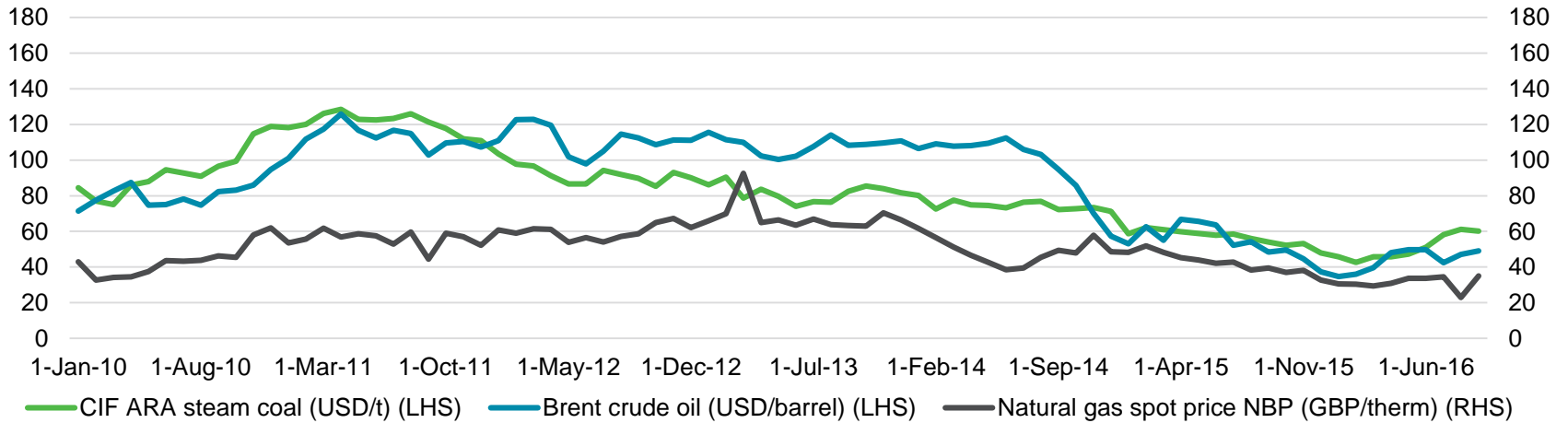
Pulp and paper price trends



Source: Bloomberg

Crude oil, steam coal, natural gas and electricity

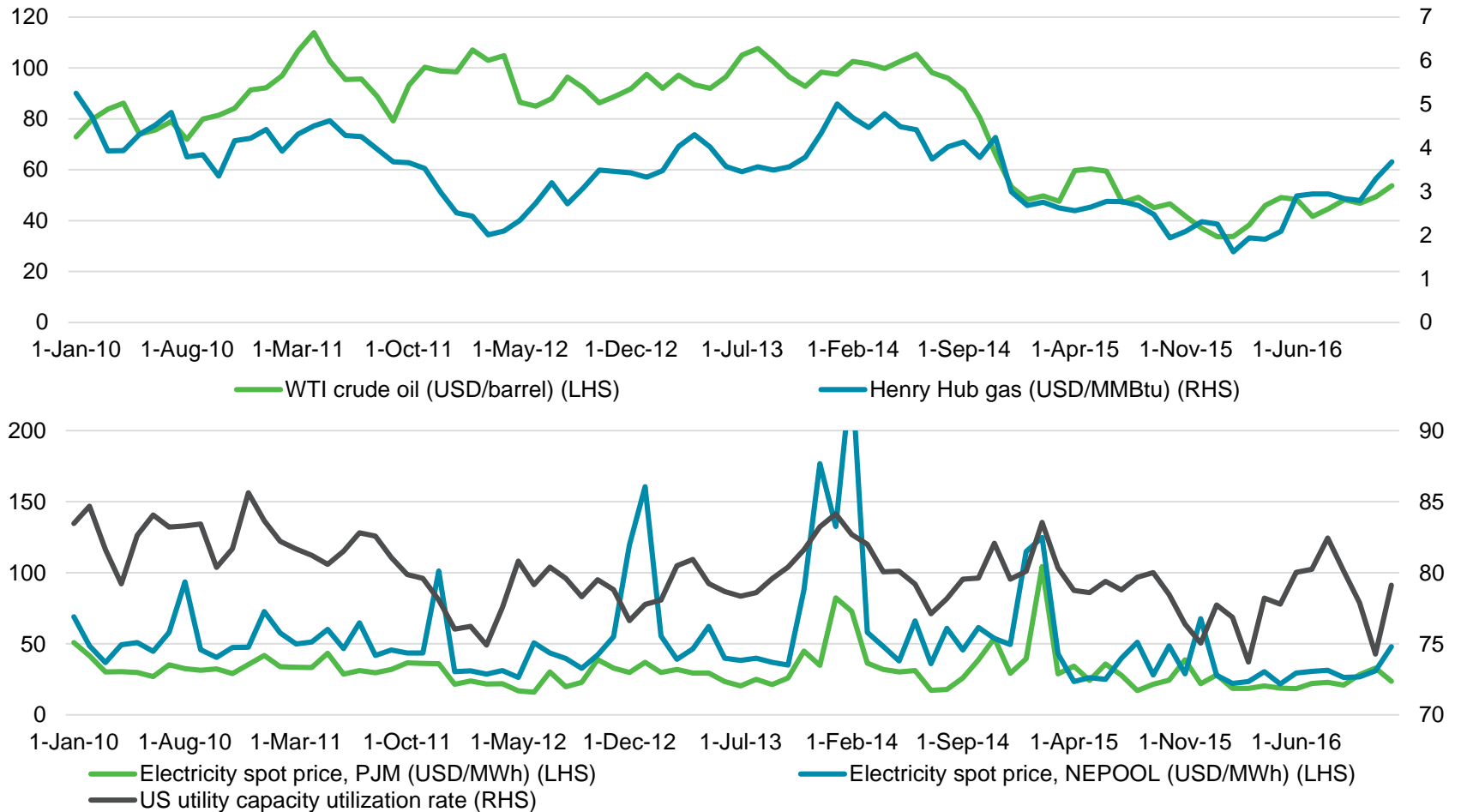
Europe



Source: Bloomberg

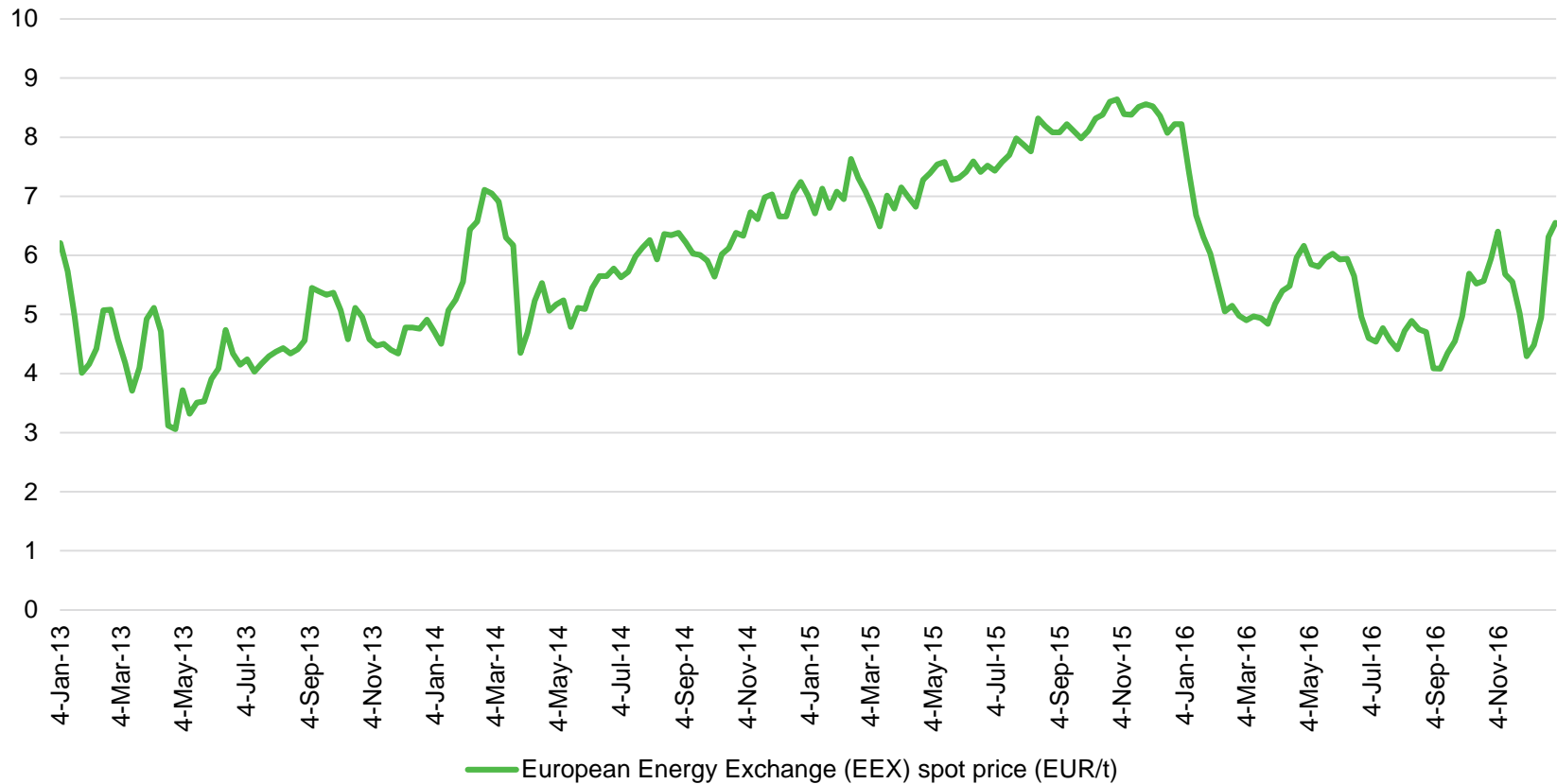
Crude oil, natural gas and electricity

United States



Source: Bloomberg

European Carbon Emission Allowance



Source: Bloomberg

Important notice

IMPORTANT: The following applies to this document, the oral presentation of the information in this document by Valmet (the “Company”) or any person on behalf of the Company, and any question-and-answer session that follows the oral presentation (collectively, the “Information”). In accessing the Information, you agree to be bound by the following terms and conditions.

The Information is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident of, or located in, any locality, state, country or other jurisdiction where such distribution or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction. The Information is not for publication, release or distribution in the United States, the United Kingdom, Australia, Canada or Japan.


The Information does not constitute or form part of, and should not be construed as an offer or the solicitation of an offer to subscribe for or purchase any securities, and nothing contained therein shall form the basis of or be relied on in connection with any contract or commitment whatsoever, nor does it constitute a recommendation regarding any securities. Prospective investors are required to make their own independent investigations and appraisals of the business and financial condition of the Company before taking any investment decision with respect to securities of the Company.

No securities of the Company are being offered or sold, directly or indirectly, in or into the United States and no shares in the Company have been, or will be, registered under the Securities Act of 1933, as amended (the “Securities Act”), or under the securities laws of any state of the United States and, accordingly, may not be offered or sold, directly or indirectly, in or into the United States (as defined in Regulation S under the Securities Act), unless registered under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act and in compliance with any applicable state securities laws of the United States.

The Information is directed solely at: (i) persons outside the United Kingdom, (ii) persons with professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 as amended (the “Order”), (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order and (iv) persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities of the Company or any member of its group may otherwise lawfully be communicated or caused to be communicated (all such persons in (i)-(iv) above being “Relevant Persons”). Any investment activity to which the Information relates will only be available to and will only be engaged with Relevant Persons. Any person who is not a Relevant Person should not act or rely on the Information. By accessing the Information, you represent that you are a Relevant Person.

The Information contains forward-looking statements. All statements other than statements of historical fact included in the Information are forward-looking statements. Forward-looking statements give the Company’s current expectations and projections relating to its financial condition, results of operations, plans, objectives, future performance and business. These statements may include, without limitation, any statements preceded by, followed by or including words such as “target,” “believe,” “expect,” “aim,” “intend,” “may,” “anticipate,” “estimate,” “plan,” “project,” “will,” “can have,” “likely,” “should,” “would,” “could” and other words and terms of similar meaning or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company’s control that could cause the Company’s actual results, performance or achievements to be materially different from the expected results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company’s present and future business strategies and the environment in which it will operate in the future.

No representation, warranty or undertaking, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the Information or the opinions contained therein. The Information has not been independently verified and will not be updated. The Information, including but not limited to forward-looking statements, applies only as of the date of this document and is not intended to give any assurances as to future results. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to the Information, including any financial data or forward-looking statements, and will not publicly release any revisions it may make to the Information that may result from any change in the Company’s expectations, any change in events, conditions or circumstances on which these forward-looking statements are based, or other events or circumstances arising after the date of this document. Market data used in the Information not attributed to a specific source are estimates of the Company and have not been independently verified.



January–March 2017 Interim Review

April 25, 2017

www.valmet.com/investors

