



Orders received, net sales and profitability increased

Interim Review,
January–March 2016

April 27, 2016

Pasi Laine, President and CEO

Kari Saarinen, CFO

Agenda

Interim Review, January–March 2016

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- 2 Business lines' development
- 3 Financial development
- 4 Guidance and short-term market outlook
- 5 Summary of Interim Review Q1/2016
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Q1/2016 in brief

Q1/2016 in brief

- Orders received and net sales increased in stable business¹
- Orders received and net sales increased in capital business²
- Order backlog at EUR 2.2 billion
- Profitability improved compared to Q1/2015, but was below the targeted level
- Net debt EUR 192 million

1) Stable business = Services and Automation business lines

2) Capital business = Pulp and Energy, and Paper business lines

Net sales split in Q1/2016

Orders received
EUR 803 million

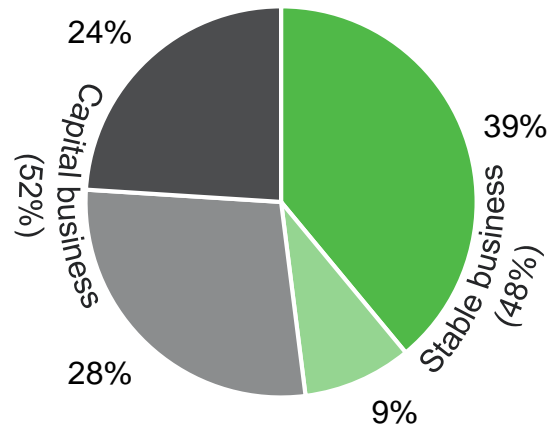
Net sales
EUR 652 million

Comparable EBITA¹
EUR 31 million

Comparable EBITA¹ margin
4.8%

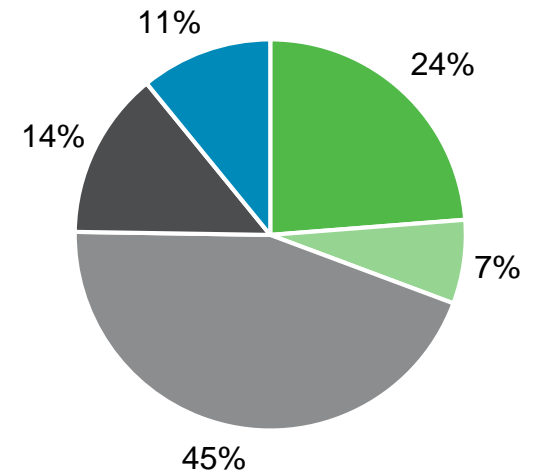
Employees
12,297

Net sales by business line



- Services
- Automation
- Pulp and Energy
- Paper

Net sales by area

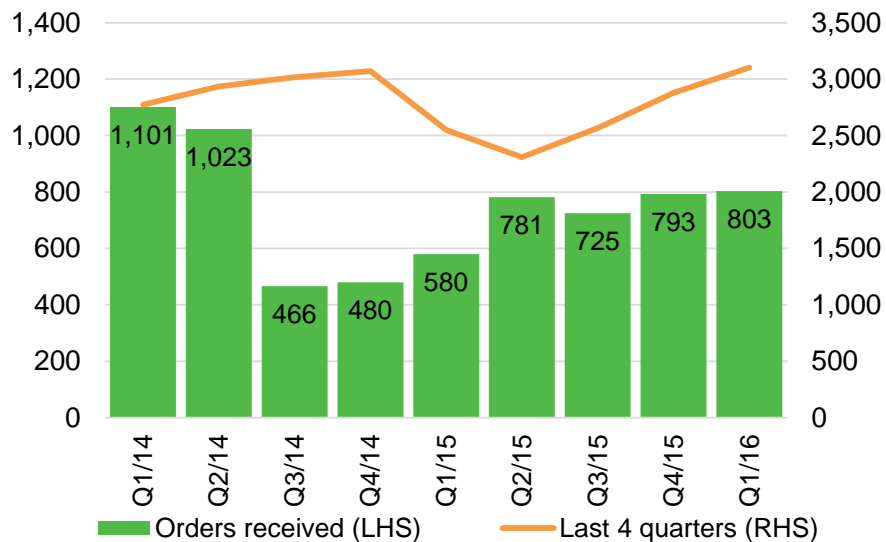


- North America
- South America
- EMEA
- China
- Asia-Pacific

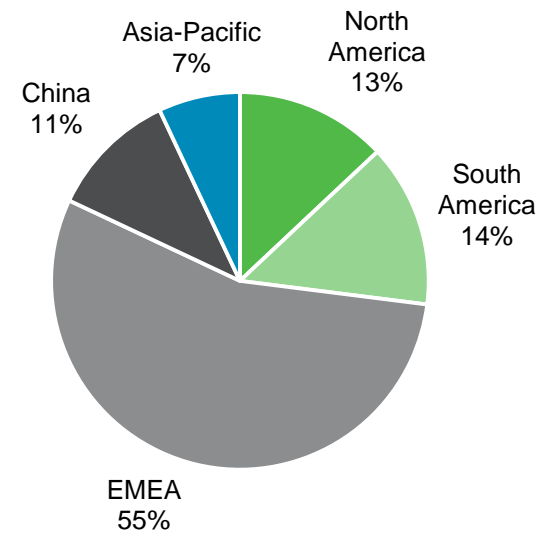
1) Due to new regulation by the European Securities and Market Authority, Valmet has decided to replace the performance measure 'EBITA before non-recurring items' with 'Comparable EBITA'. The content of items affecting comparability, i.e. items previously disclosed as non-recurring, remain unchanged and therefore 'Comparable EBITA' equals previously disclosed 'EBITA before non-recurring items' (EUR 182 million in 2015). Items affecting comparability consist of income and expenses arising from activities that amend the capacity of Valmet's operations or are incurred outside its normal course of business.

Orders received increased to EUR 803 million in Q1/2016

Orders received (EUR million)



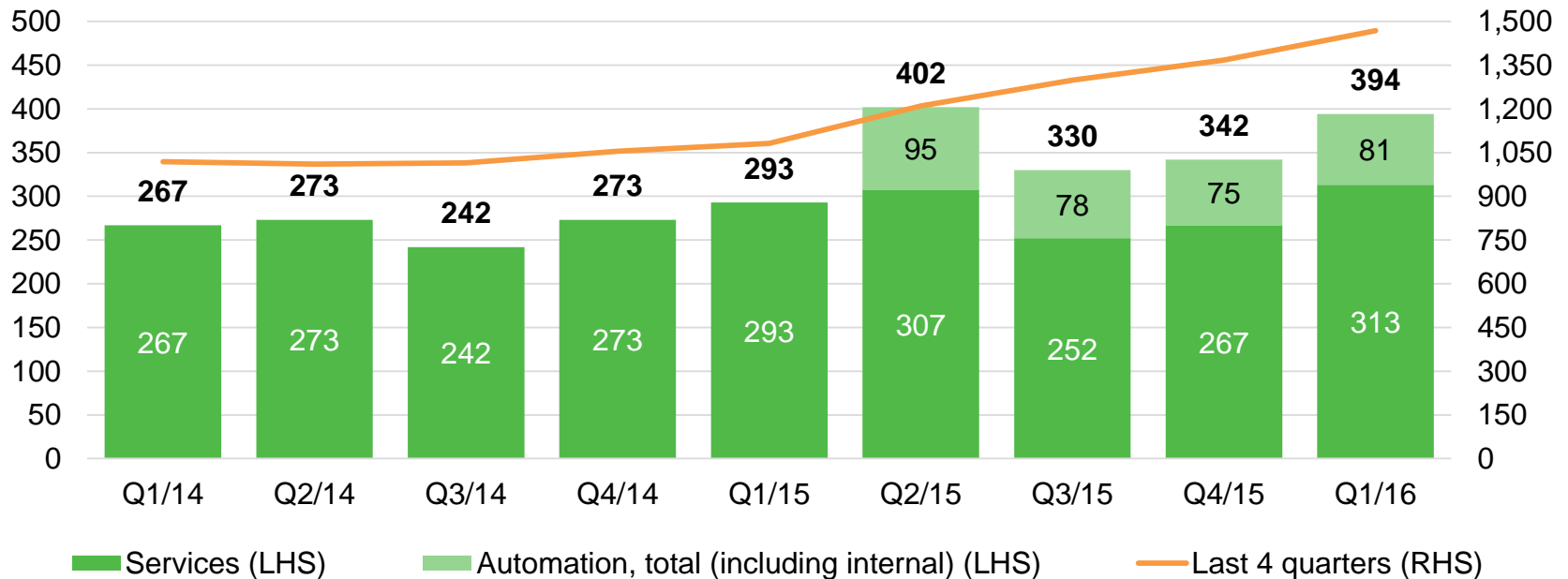
Orders received in Q1/2016, by area



- Orders received increased in the Pulp and Energy, Paper, and Services business lines
- Automation contributed to orders received with EUR 66 million
- North America and EMEA accounted for 69% of orders received in Q1/2016

Stable business orders received totaled EUR 1,468 million during the last 4 quarters

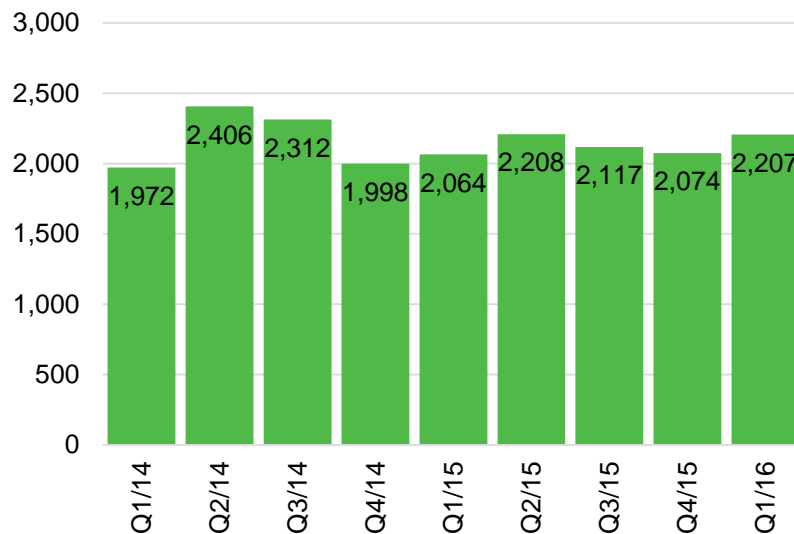
Orders received (EUR million) in stable business



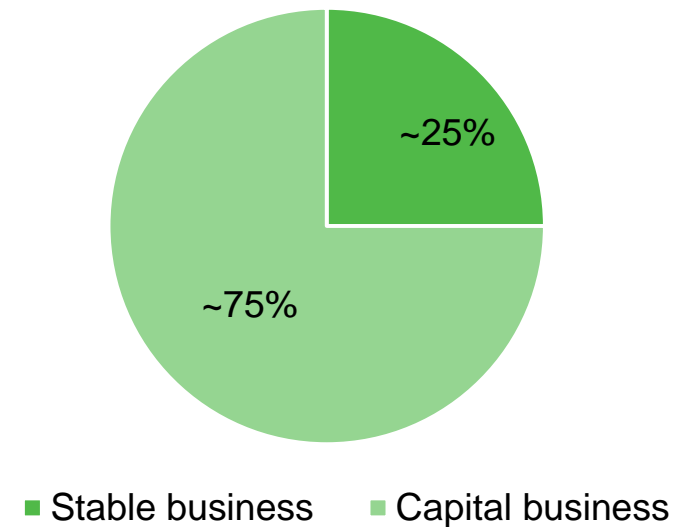
- Stable business orders received totaled to EUR 394 million in Q1/2016
- Stable business rolling 12 months orders received have increased from about EUR 1.1 billion to almost EUR 1.5 billion

Order backlog at EUR 2.2 billion

Order backlog (EUR million)



Structure of order backlog



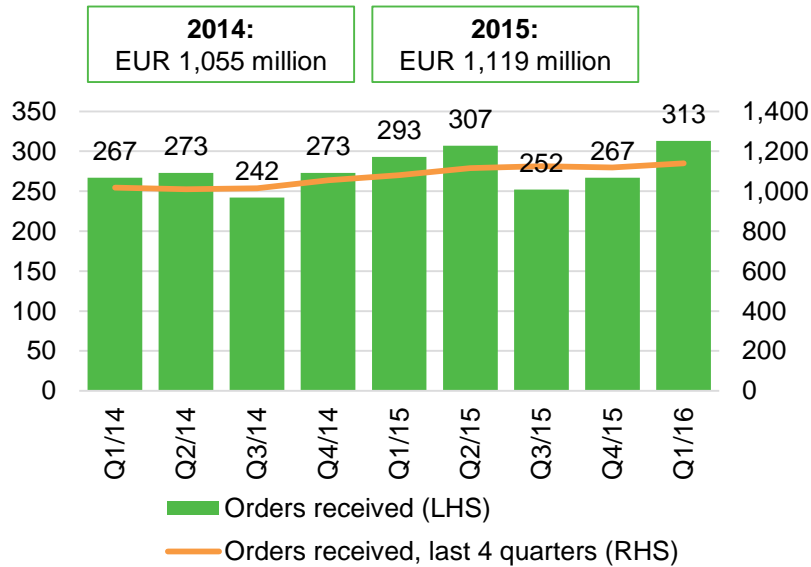
- Order backlog EUR 133 million higher than at the end of Q4/2015
- About 70% of the order backlog is currently expected to be realized as net sales during 2016
- Approximately 25% of the order backlog relates to stable business



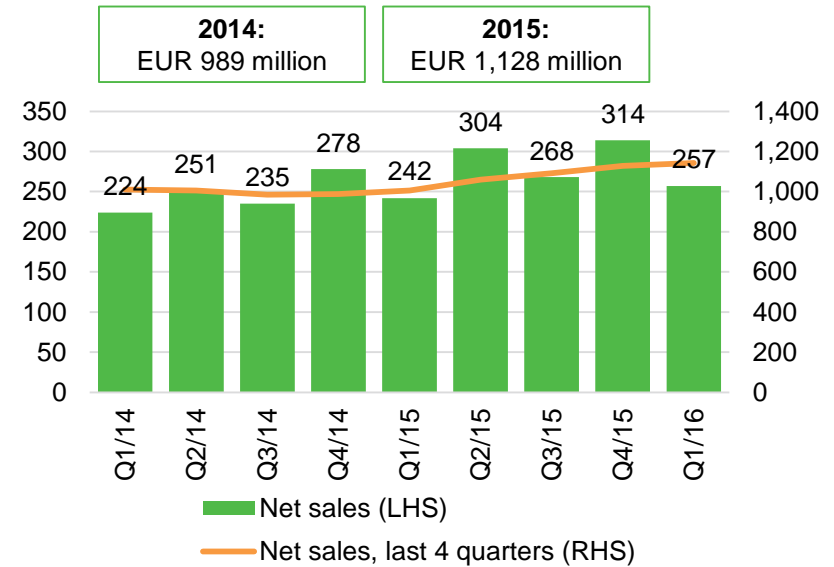
Business lines' development

Orders received and net sales increased in Services in Q1/2016

Orders received (EUR million)



Net sales (EUR million)



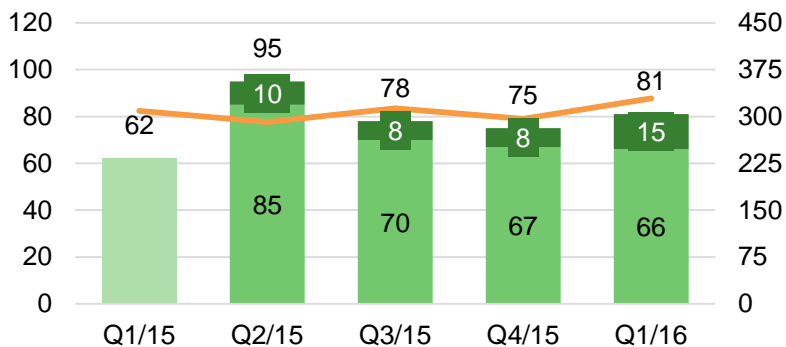
- Orders received increased compared with Q1/2015
 - Orders received increased in China and South America, and remained stable in EMEA, North America and Asia-Pacific
 - Orders received increased in Mill Improvements, Performance Parts and Fabrics, remained stable in Rolls, and decreased in Energy and Environmental
 - Changes in foreign exchange rates¹ decreased orders received by approximately EUR 3 million
- Net sales increased compared with Q1/2015



1) Compared with the exchange rates for January–March 2015

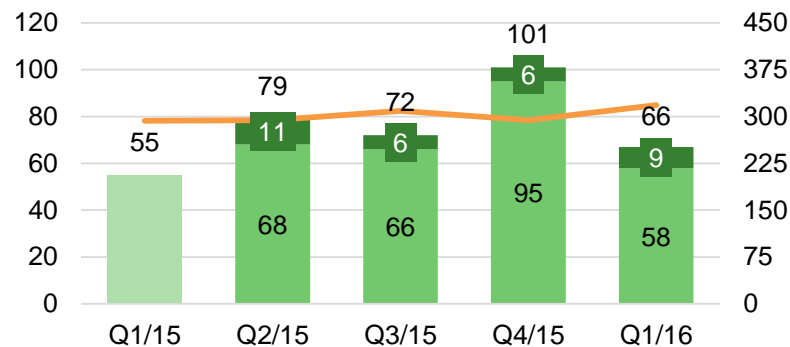
Orders received¹ in Automation totaled to EUR 81 million in Q1/2016

Orders received² (EUR million)



- Orders received, internal (from other business lines)
- Orders received, external
- Orders received, total (including internal)
- Orders received, last 4 quarters (RHS)

Net sales² (EUR million)



- Net sales, internal (from other business lines)
- Net sales, external
- Net sales, total (including internal)
- Net sales, last 4 quarters (RHS)

- Orders received EUR 66 million in Q1/2016
 - EMEA accounted for ~55% and North America for ~25% of orders received
 - Pulp and Paper accounted for ~75% and Energy and Process for ~25% of orders received
 - Internal orders received amounted to EUR 15 million
- Net sales EUR 58 million in Q1/2016
 - Internal net sales amounted to EUR 9 million

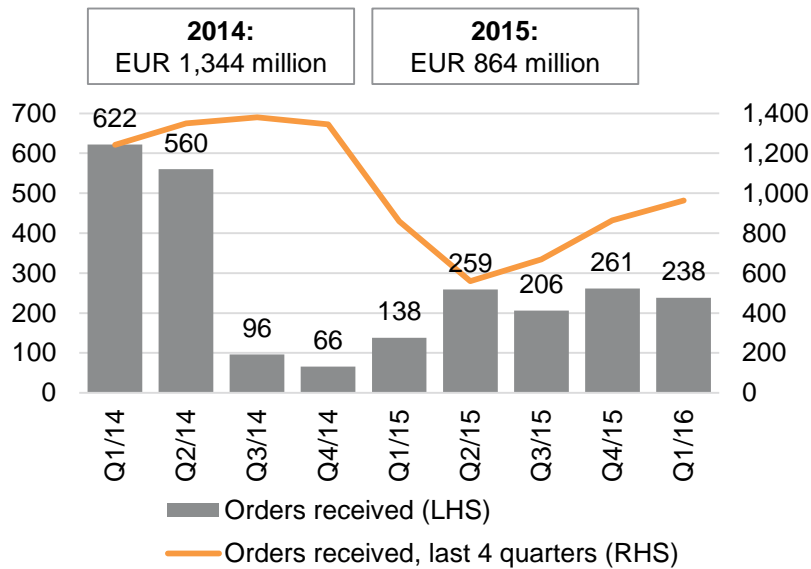


1) Includes internal and external orders received.

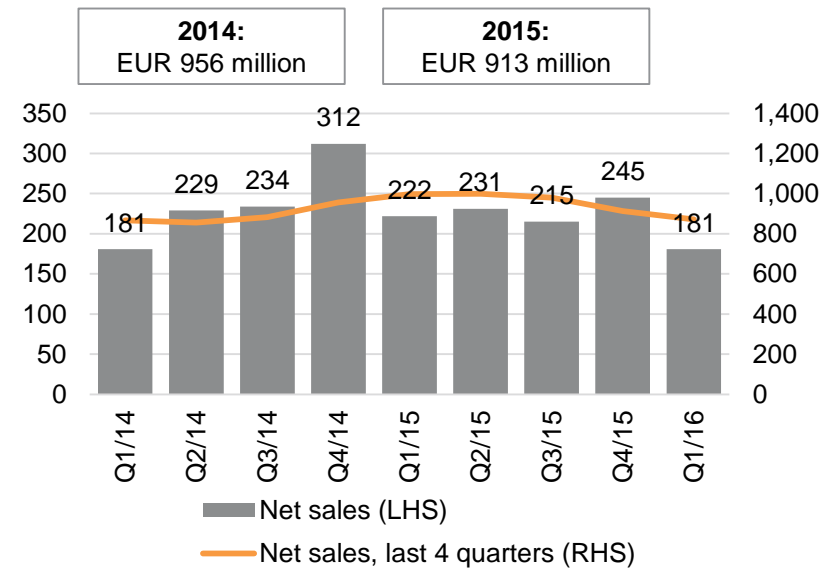
2) Q1/2015 orders received and the underlying figures for 'Orders received, last 4 quarters' and 'Net sales, last 4 quarters' are calculated based on Metso's reported figures and pro forma figures excluding Process Automation Systems and are therefore indicative only.

Orders received increased and net sales decreased in Pulp and Energy in Q1/2016

Orders received (EUR million)



Net sales (EUR million)

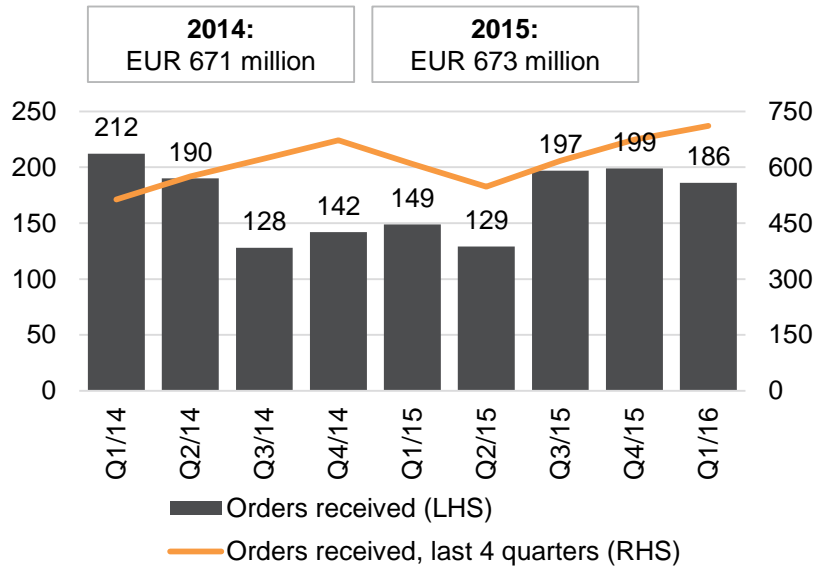


- Orders received increased compared with Q1/2015
 - Orders received decreased in North America and increased in all other areas
 - Orders received increased in both Pulp and Energy
- Net sales decreased compared with Q1/2015

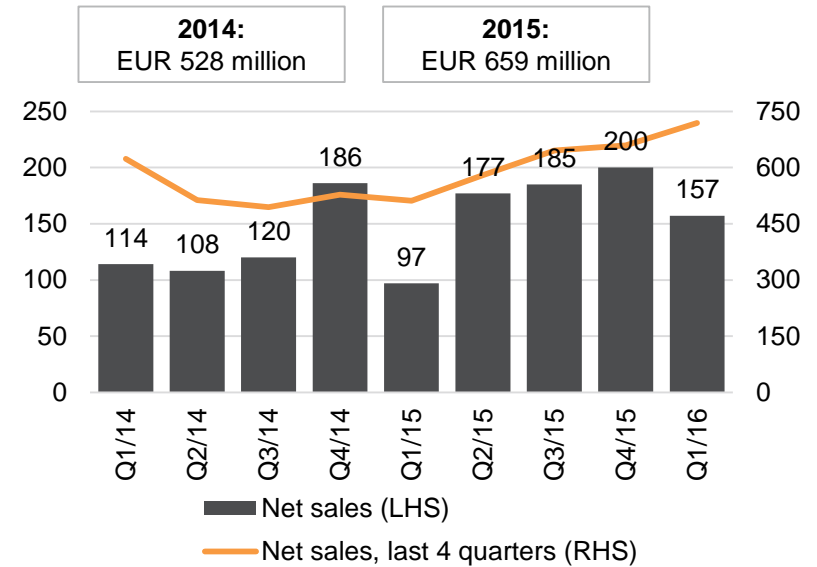


Orders received and net sales increased in Paper in Q1/2016

Orders received (EUR million)



Net sales (EUR million)



- Orders received increased compared with Q1/2015
 - Orders received increased in EMEA and China and decreased in other areas
 - Orders received increased in both Board and Paper, and Tissue
- Net sales increased compared with Q1/2015



Progress in 'Leader in technology and innovation'

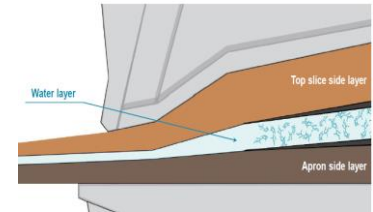
- IQ Portfolio

- **Product:** Quality measurements, controls, profilers and machine vision for paper machines and pulp dryers
- **Customer benefit:** Improved quality
- **Sustainability:** Raw material savings



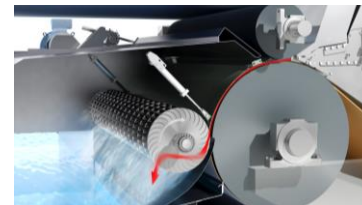
- OptiFlo Aqua Layering

- **Product:** OptiFlo aqua layering for liner and fluting
- **Customer benefit:** Two plies with single headbox, improved strength properties, and wet end chemical savings (30% less chemicals)
- **Sustainability:** Energy, raw material and chemical savings



- Advantage™ ReTurne

- **Product:** Turbine for regaining energy from paper machine headbox
- **Customer benefit:** Electric energy recovery (50% of jet energy ~4,800 MWh/year)
- **Sustainability:** Electric energy savings



- PolySulfide System

- **Product:** Polysulfide generation plant and cooking system
- **Customer benefit:** Lower production cost and stronger softwood pulp adapted for packaging grade paper and board
- **Sustainability:** Raw material savings



A successful year with Automation

- Integration
 - Integration process successfully finalized
- Personnel
 - Automation employee engagement high
- New products
 - Several new products launched, such as Valmet IQ quality management solution
- Cross-selling
 - 31 automation packages sold together with Valmet's pulp, energy and paper projects
- Industrial Internet
 - Strengthened Valmet's position in Industrial Internet
- Increased Valmet's stable business
 - Contributed with EUR 329 million of orders received and EUR 318 million of net sales during the 12 months ended March 31, 2016



Valmet IQ quality management solution



Financial development

Key figures Q1/2016

EUR million	Q1/2016	Q1/2015	Change	2015
Orders received	803	580	38%	2,878
Order backlog ¹	2,207	2,064	7%	2,074
Net sales	652	561	16%	2,928
Comparable EBITA ²	31	19	61%	182
% of net sales	4.8%	3.5%		6.2%
EBITA	30	19	56%	157
Operating profit (EBIT)	19	13	43%	120
% of net sales	2.9%	2.4%		4.1%
Earnings per share, EUR	0.08	0.05	43%	0.51
Return on capital employed (ROCE), before taxes ³	7%	6%		12%
Cash flow provided by operating activities	3	-20		78
Gearing ¹	24%	-17%		21%

Items affecting comparability: EUR -2 million in Q1/2016 (EUR 0 million in Q1/2015)

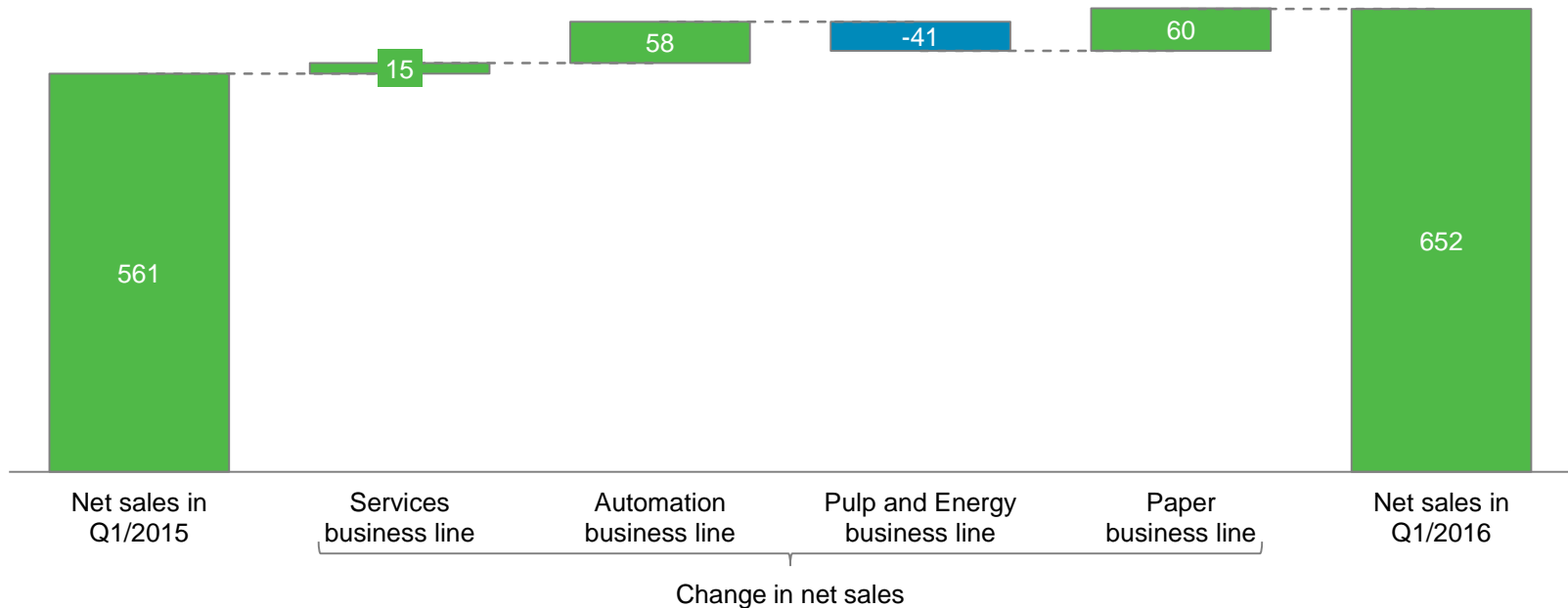
1) At the end of period

2) Due to new regulation by the European Securities and Market Authority, Valmet has decided to replace the performance measure 'EBITA before non-recurring items' with 'Comparable EBITA'. The content of items affecting comparability, i.e. items previously disclosed as non-recurring, remain unchanged and therefore 'Comparable EBITA' equals previously disclosed 'EBITA before non-recurring items'. Items affecting comparability consist of income and expenses arising from activities that amend the capacity of Valmet's operations or are incurred outside its normal course of business.

3) Annualized

Stable business net sales increased EUR 73 million compared to Q1/2015

Net sales bridge, Q1/2015 vs. Q1/2016 (EUR million)

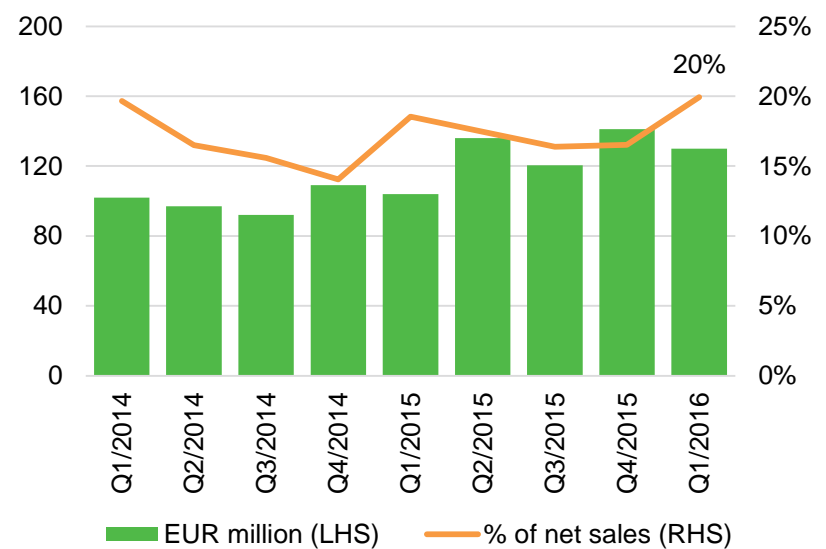
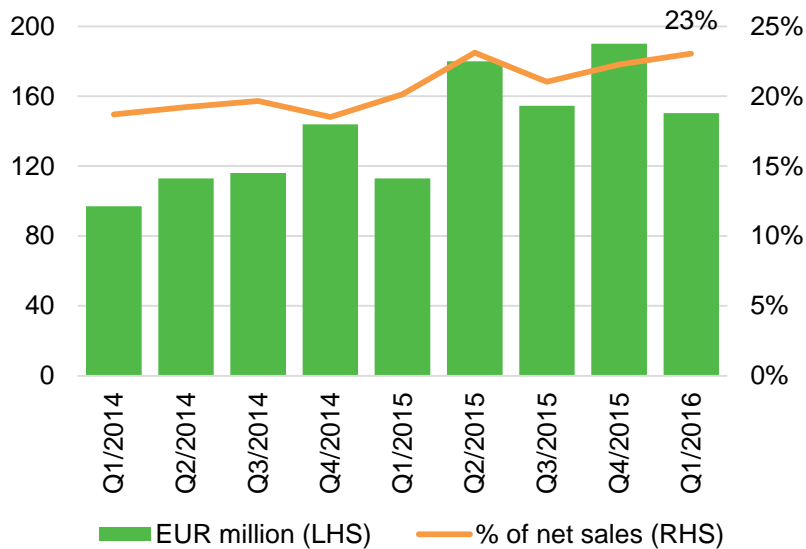


- Net sales increased in Services and Paper business lines compared to Q1/2015
- Net sales decreased in Pulp and Energy business line
- Automation became part of Valmet as of April 1, 2015

Good development in gross profit compared to Q1/2015

Gross profit (EUR million and % of net sales)

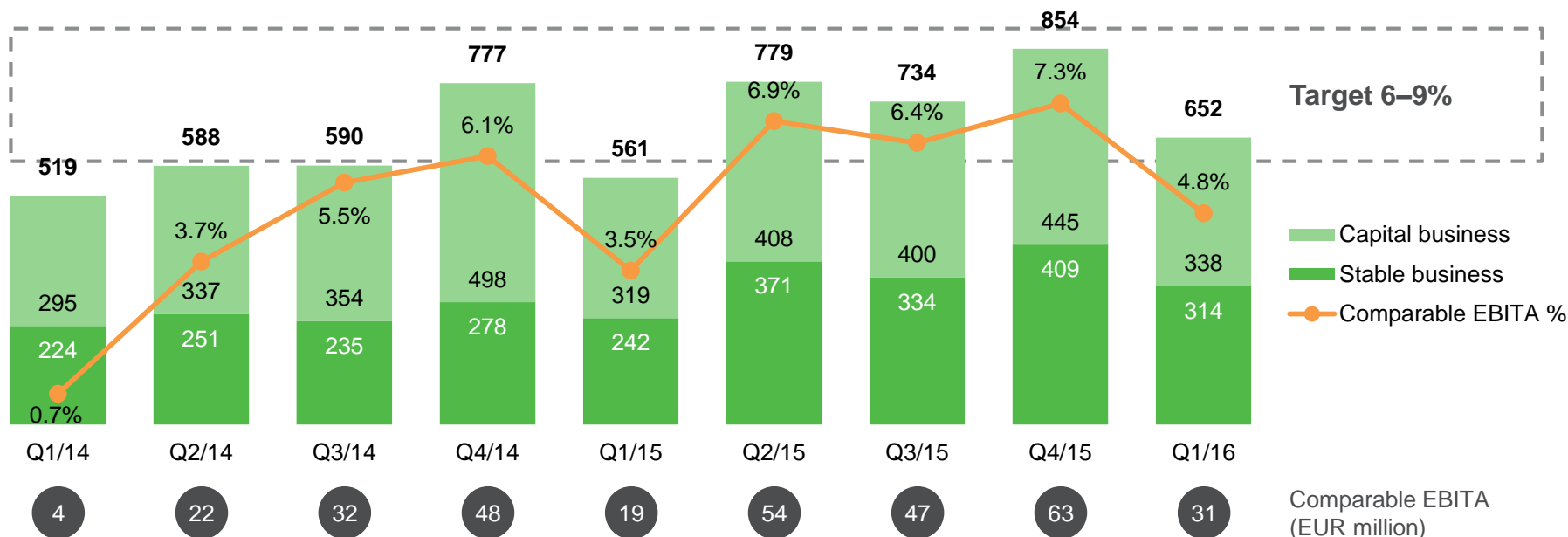
SG&A (EUR million and % of net sales)



- Gross profit increased compared to Q1/2015
- Selling, general & administrative (SG&A) expenses increased compared to Q1/2015 due to Automation acquisition
- Further actions to improve gross profit through Must-Win implementation

Comparable EBITA margin development

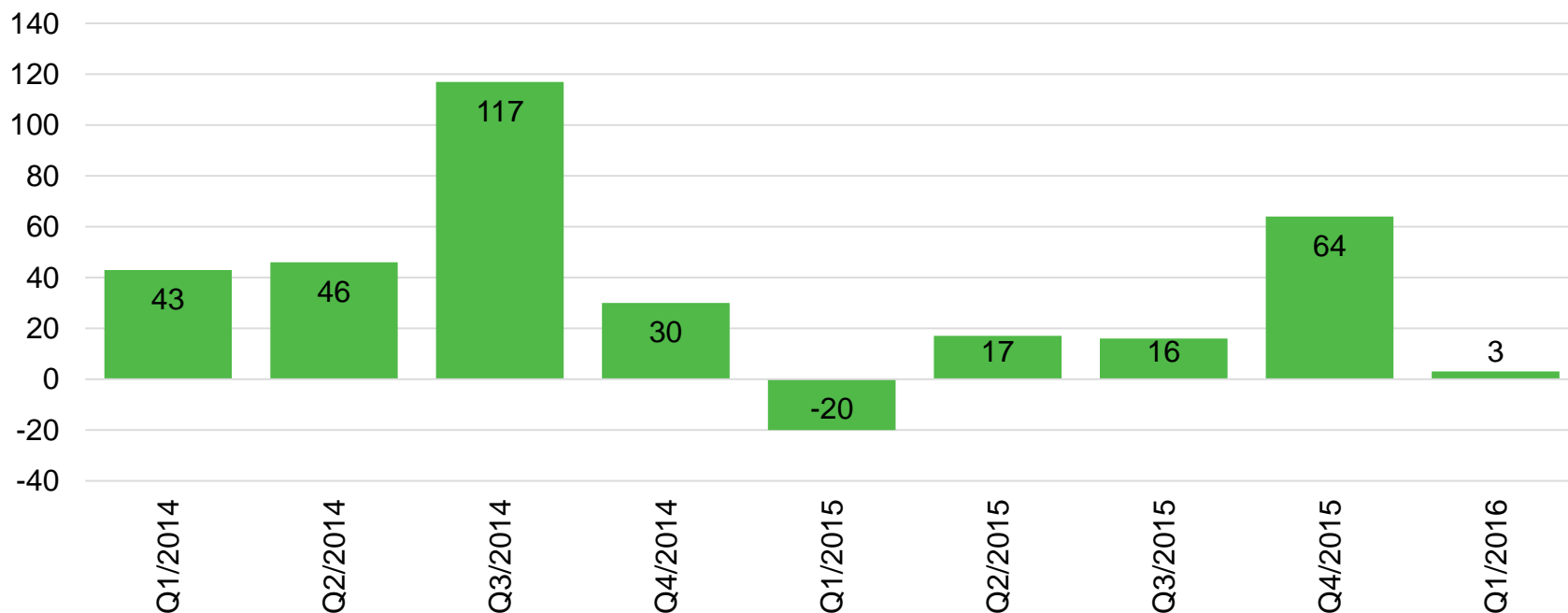
Net sales and Comparable EBITA (EUR million)



- Net sales and profitability increased compared with Q1/2015
 - Profitability improved due to the higher level of net sales in the Paper and Services business lines, improved gross profit, and the acquisition of Automation
- The first quarter was the weakest quarter in 2014 and 2015

Cash flow provided by operating activities

Cash flow provided by operating activities (EUR million)

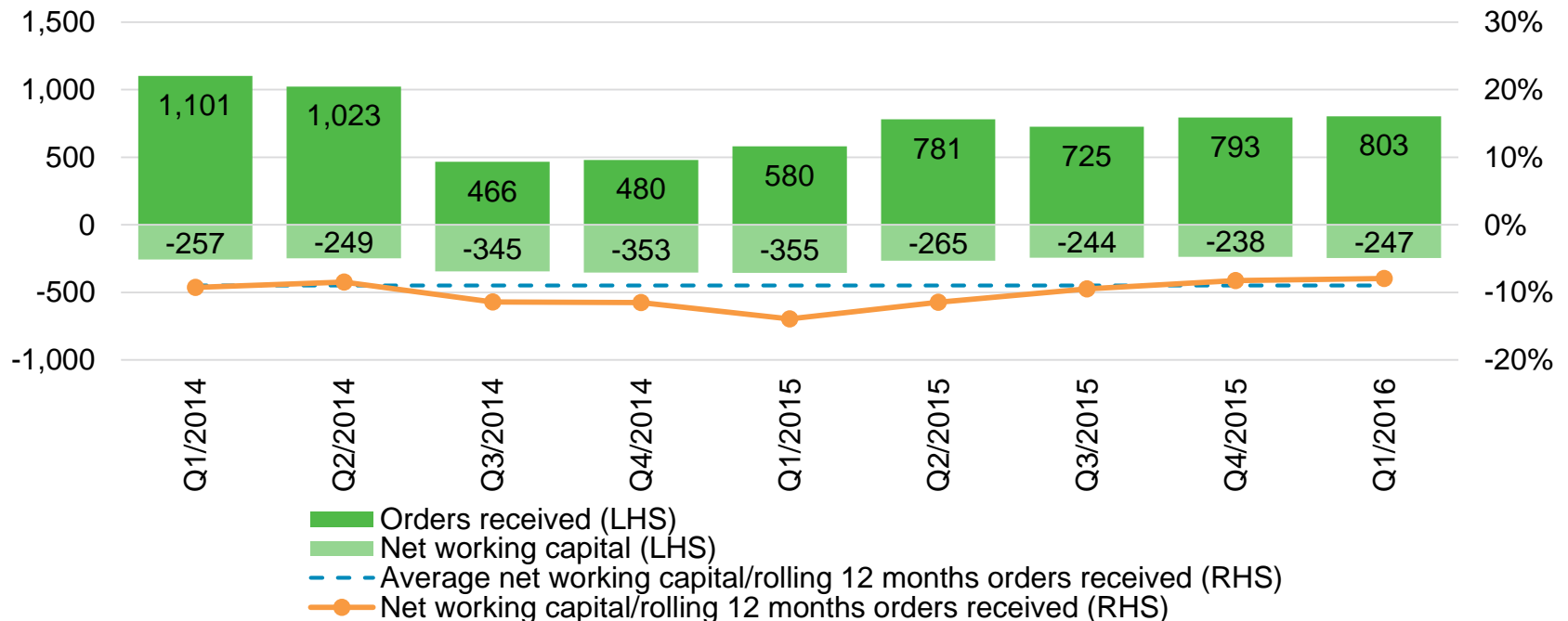


- Change in net working capital¹ EUR -41 million in Q1/2016
- CAPEX excluding business combinations EUR -11 million in Q1/2016
- Cash flow provided by operating activities EUR 3 million in Q1/2016

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

Net working capital -8% of rolling 12 months orders received

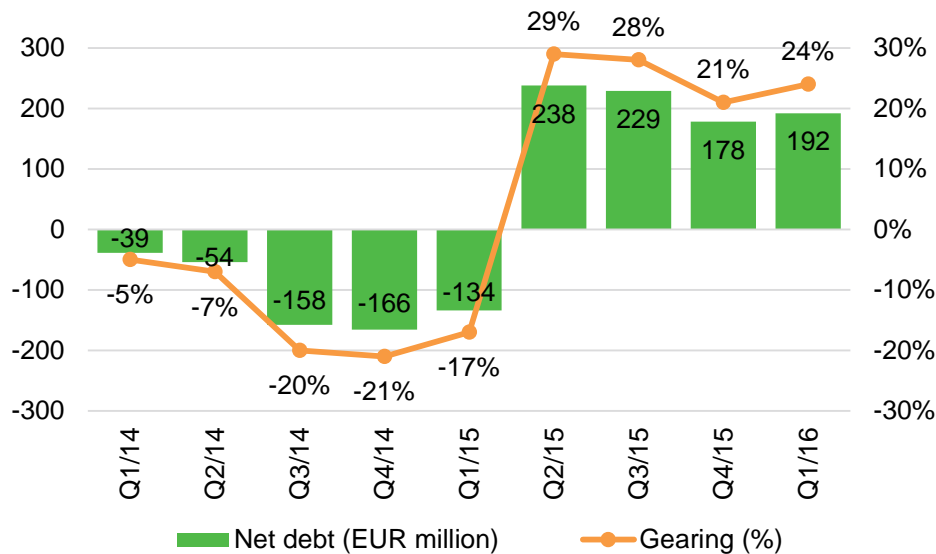
Net working capital and orders received (EUR million)



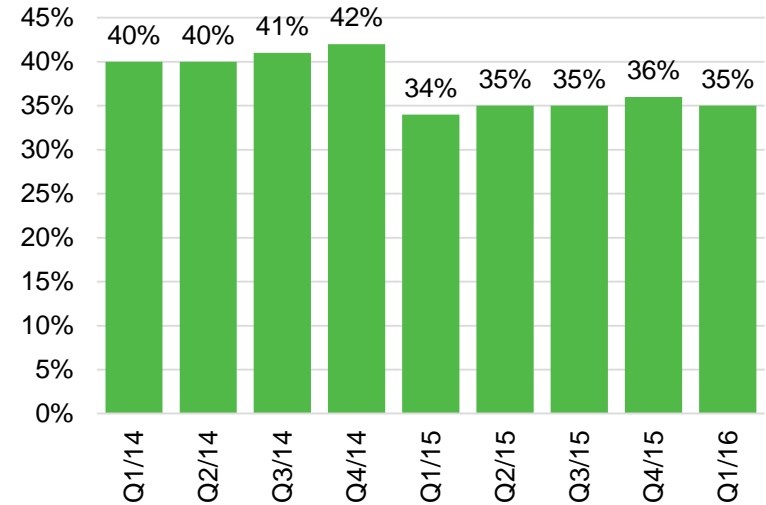
- Net working capital EUR -247 million, which equals -8% of rolling 12 months orders received
- Payment schedules of large capital projects have significant impact on net working capital development

Net debt increased compared to Q4/2015

Net debt (EUR million) and gearing (%)



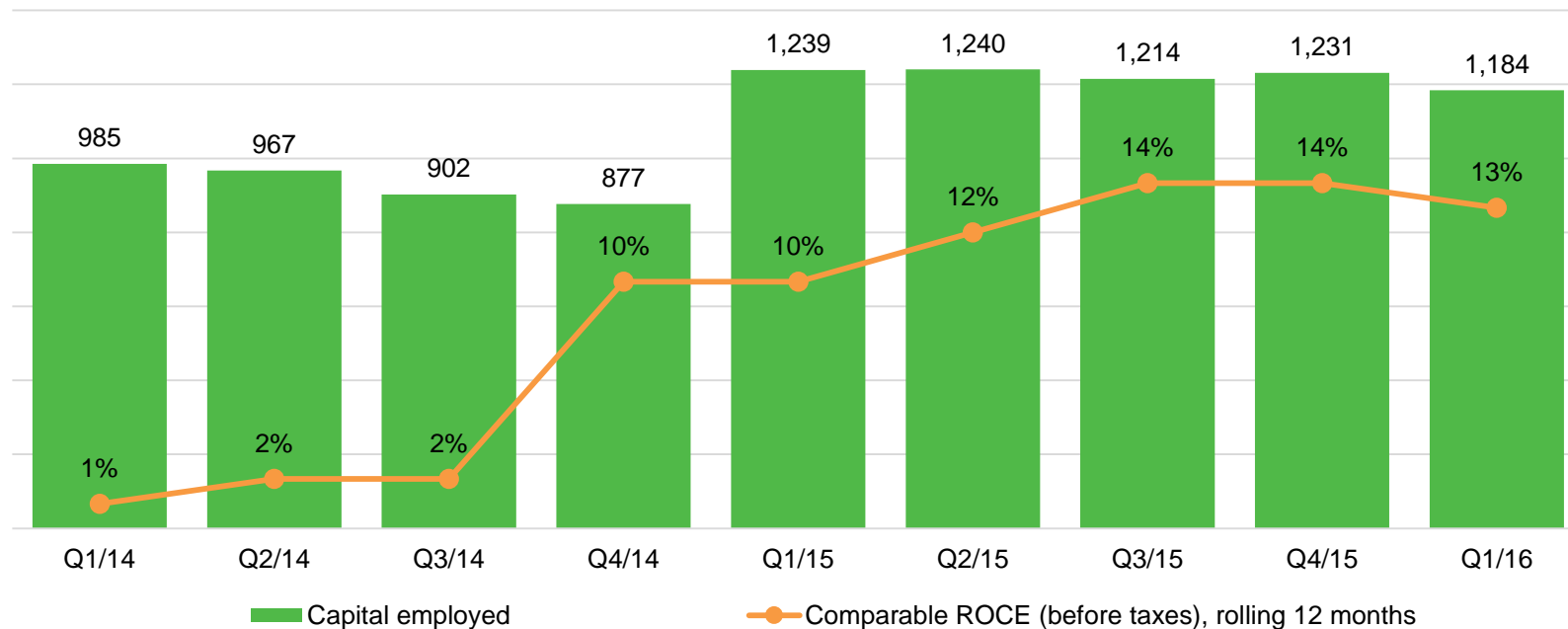
Equity to assets ratio (%)



- Gearing (24%) and net debt (EUR 192 million) increased compared to Q4/2015
- Equity to assets ratio decreased from 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 (percent)



- Return on capital employed (ROCE) target: 15%

1) Rolling 12 months

Valmet continues to invest in operational excellence

New ERP solution renews and improves Valmet's operational capability

Objectives of the program

- The purpose of the program is to renew and improve Valmet's operational capability through
 - Process harmonization and standardization
 - ERP platform for renewal and modernization
 - Data & reporting quality improvement
- The program benefits are based on process efficiency, data quality accuracy and savings on IT platform simplification
- The program is expected to take 4 years

Estimated costs in Phase Nordics

- Total investment approximately EUR 50 million, of which EUR 30 million external investment and EUR 20 million expenses
- External investment will be capitalized and depreciated over expected useful life
- Annual global benefits expected to exceed EUR 30 million from 2020

Risk management

- Strong Valmet team, supported by global technology partner
- Standard operating procedure utilization: best practice based standards for processes, data and system build
- Phased roll out starting in Nordics, experiences will be utilized in other countries



Guidance, and short-term market outlook

Guidance and short-term market outlook

Guidance for 2016 (as given on February 9, 2016)

Guidance for 2016




Valmet estimates that net sales in 2016 will remain at the same level with 2015 (EUR 2,928 million) and Comparable EBITA in 2016 will increase in comparison with 2015 (EUR 182 million).

Due to new regulation by the European Securities and Market Authority, Valmet has decided to replace the performance measure 'EBITA before non-recurring items' with 'Comparable EBITA'. The content of items affecting comparability, i.e. items previously disclosed as non-recurring, remain unchanged and therefore 'Comparable EBITA' equals previously disclosed 'EBITA before non-recurring items' (EUR 182 million in 2015). Items affecting comparability consist of income and expenses arising from activities that amend the capacity of Valmet's operations or are incurred outside its normal course of business.

Short-term market outlook

		Q2/2015	Q3/2015	Q4/2015	Q1/2016
Services		Satisfactory	Satisfactory	Satisfactory	Satisfactory
Automation		Satisfactory	Satisfactory	Satisfactory	Satisfactory
Pulp and Energy	Pulp	Good	Good	Satisfactory	Satisfactory
	Energy	Weak	Weak	Satisfactory	Satisfactory
Paper	Board and Paper	Good	Satisfactory	Good	Good
	Tissue	Satisfactory	Satisfactory	Satisfactory	Satisfactory

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



Summary of Interim Review Q1/2016

Q1/2016 in brief

- Orders received and net sales increased in stable business¹
- Orders received and net sales increased in capital business²
- Order backlog at EUR 2.2 billion
- Profitability improved compared to Q1/2015, but was below the targeted level
- Net debt EUR 192 million

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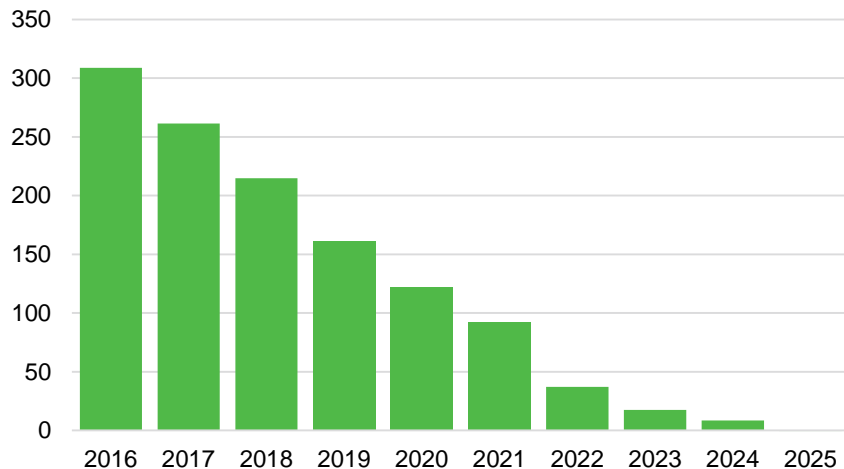


Appendix

Structure of loans and borrowings

Interest-bearing debt EUR 371 million as at March 31, 2016

Amount of outstanding interest-bearing debt (EUR millions)



Main financing sources

Amount	Lender
EUR 88 million	European Investment Bank
EUR 86 million	Skandinaviska Enskilda Banken
EUR 61 million	Swedish Export Kredit
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	EUR 40 million

- Average maturity of long-term loans is 3.4 years
- Average interest rate is 1.2%

Largest shareholders on March 31, 2016

Based on the information given by Euroclear Finland Ltd.

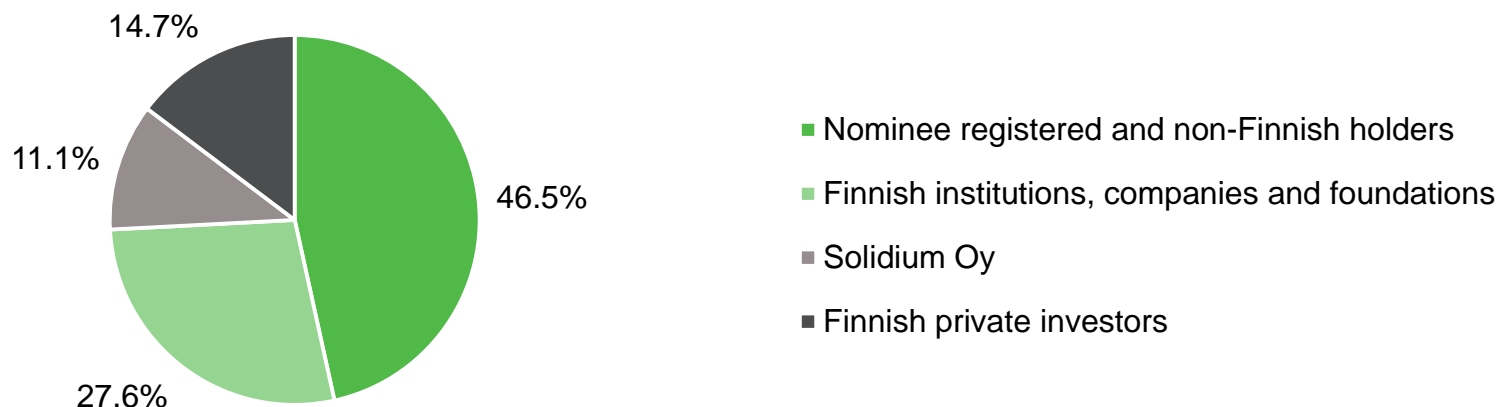
Largest shareholders

#	Shareholder name	Number of shares	% of shares and votes
1	Solidium Oy ¹	16,695,287	11.14%
2	Varma Mutual Pension Insurance Company	6,108,465	4.08%
3	Solero Luxco S.A.R.L	5,374,482	3.59%
4	Nordea Funds	3,395,486	2.27%
5	Ilmarinen Mutual Pension Insurance Company	3,388,055	2.26%
6	Elo Pension Company	2,510,000	1.67%
7	The State Pension Fund	1,695,000	1.13%
8	Keva	1,502,166	1.00%
9	Danske Invest Funds	1,318,700	0.88%
10	Mandatum Life Insurance Company Limited	1,217,307	0.81%
	10 largest shareholders, total	43,204,948	28.83%
	Other shareholders	106,659,671	71.17%
	Total	149,864,619	100.00%

- The holding of Cevian Capital Partners Ltd. decreased on March 4, 2016 to 0 shares (previously 10,323,191 shares), corresponding to an ownership of 0.00% (previously 6.89%) of Valmet's shares.

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

Ownership structure on March 31, 2016

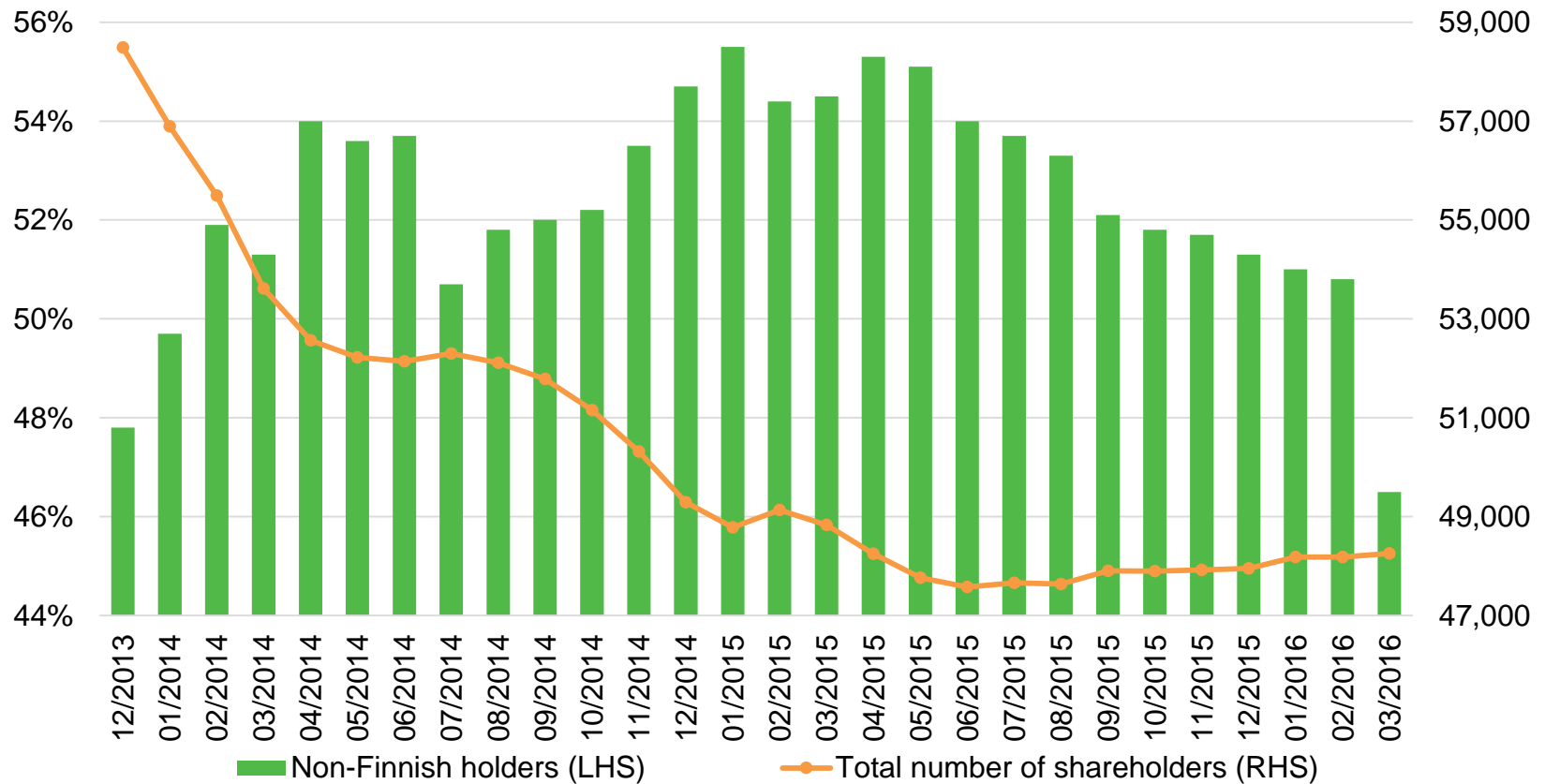


Sector	Number of shareholders	% of total shareholders	Number of shares	% of shares
Nominee registered and non-Finnish holders	314	0.7%	69,694,143	46.5%
Finnish institutions, companies and foundations	2,649	5.5%	41,428,708	27.6%
Solidium Oy ¹	0	0.0%	16,695,287	11.1%
Finnish private investors	45,291	93.9%	22,046,481	14.7%
Total	48,254	100.0%	149,864,619	100.0%

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

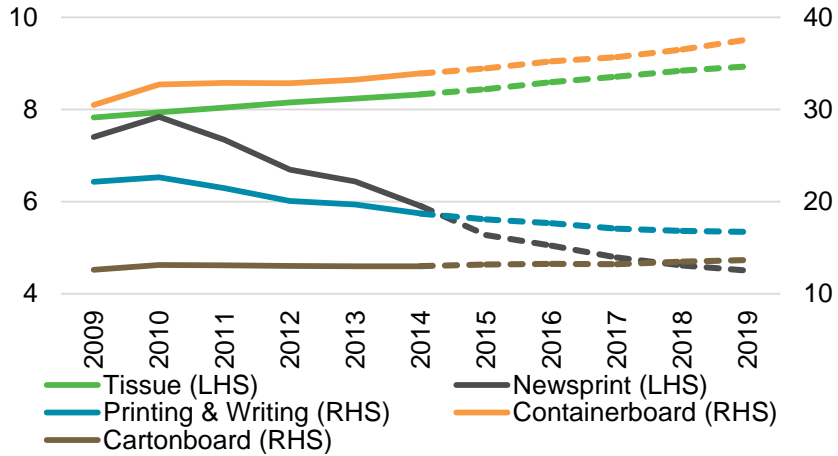
1) A holding company that is wholly owned by the Finnish State

Share of non-Finnish holders and number of shareholders

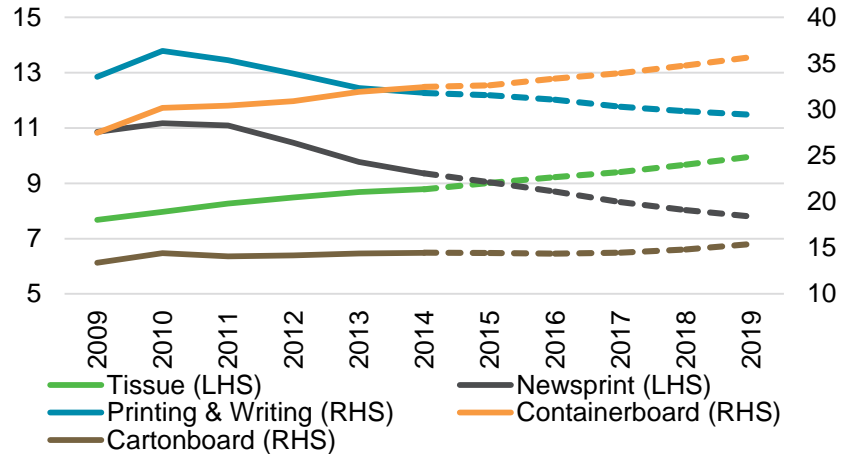


Paper, board, and tissue production trends

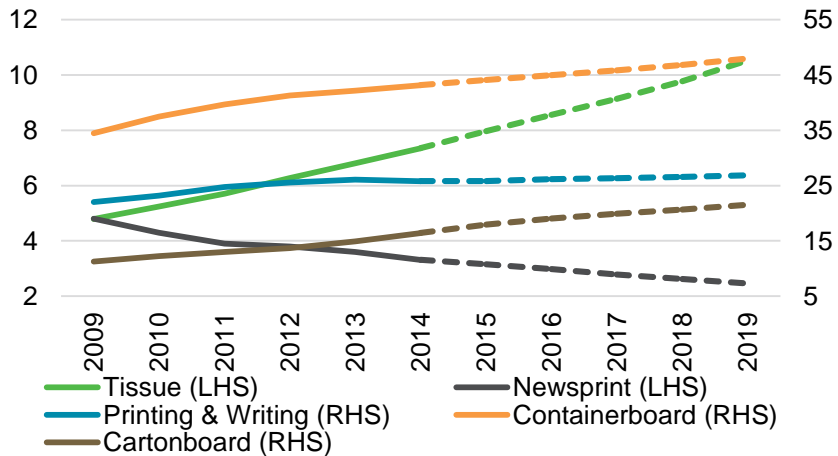
North America (million tonnes)



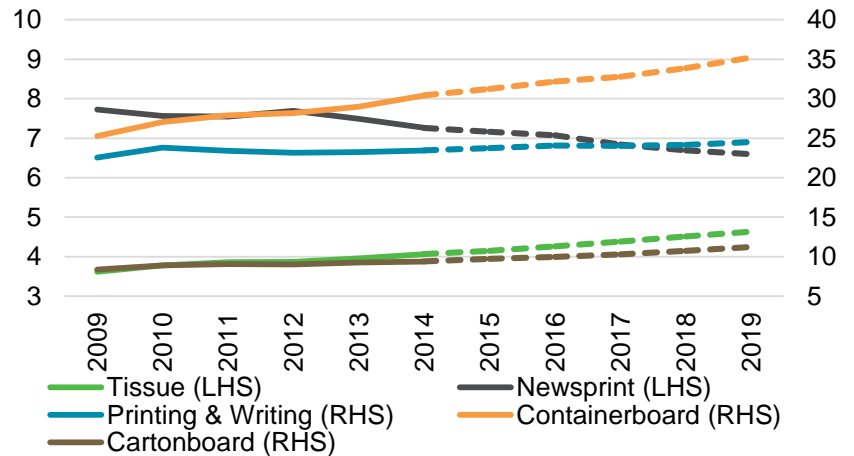
Europe (million tonnes)



China (million tonnes)



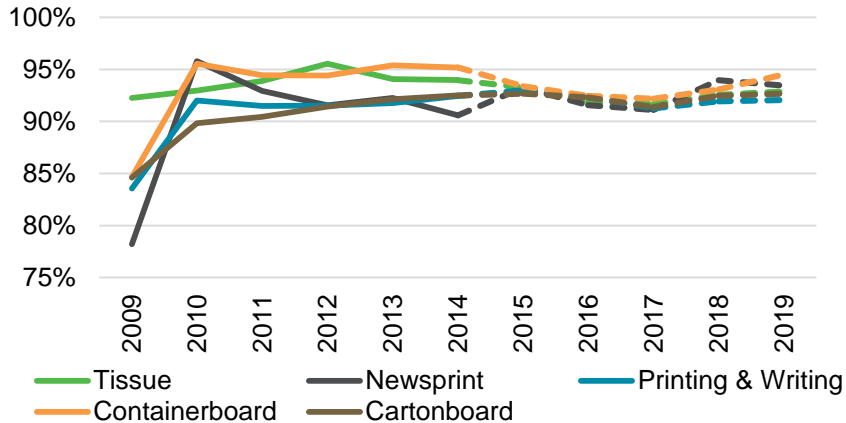
Asia-Pacific (million tonnes)



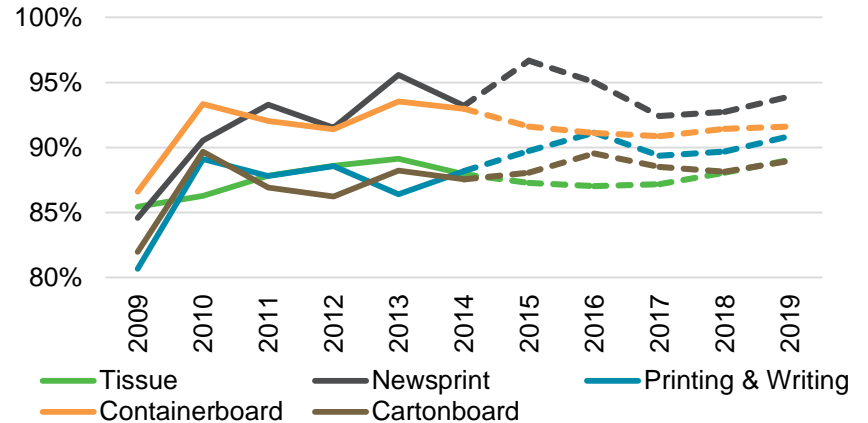
Source: RISI

Paper, board, and tissue operating rates

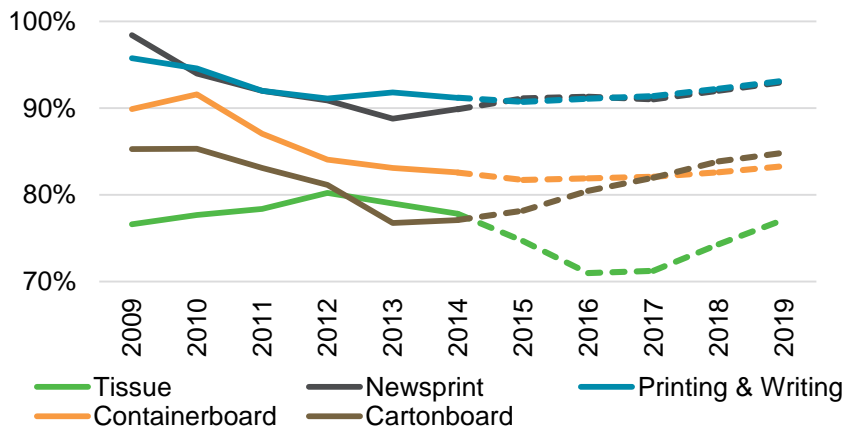
North America



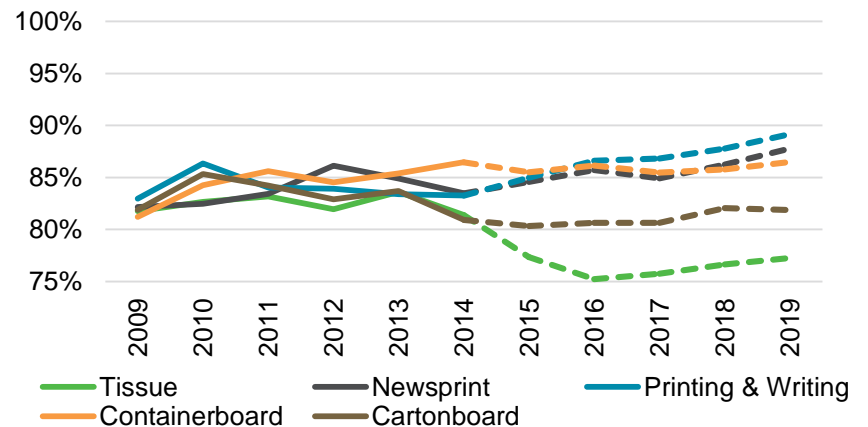
Europe



China



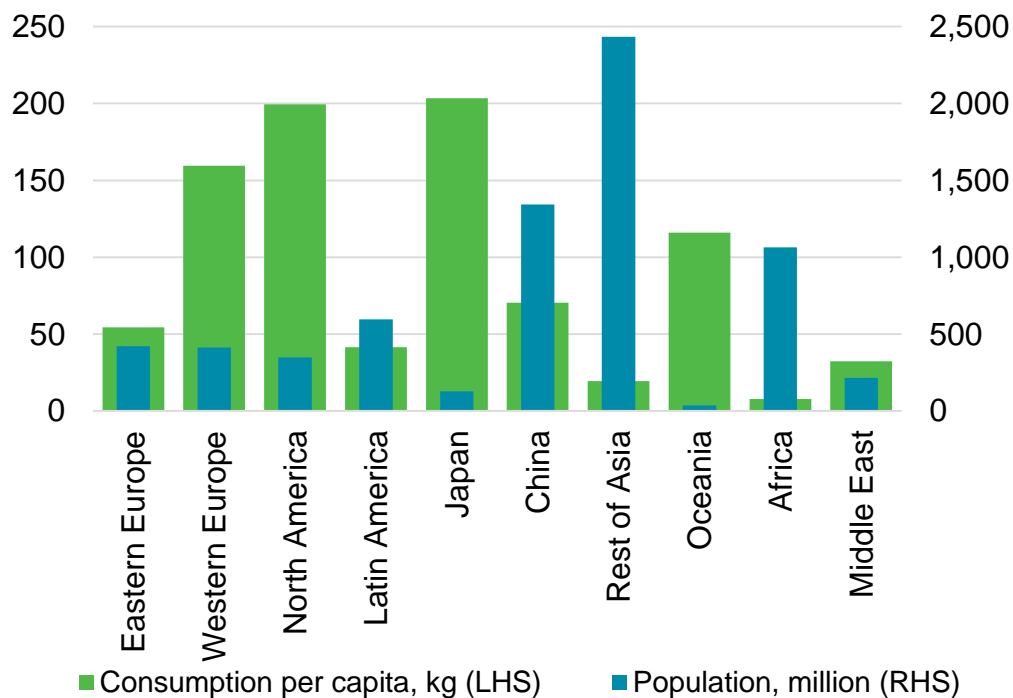
Asia-Pacific



Source: RISI

Paper and board consumption growth trends

Paper and board consumption per capita vs. population



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

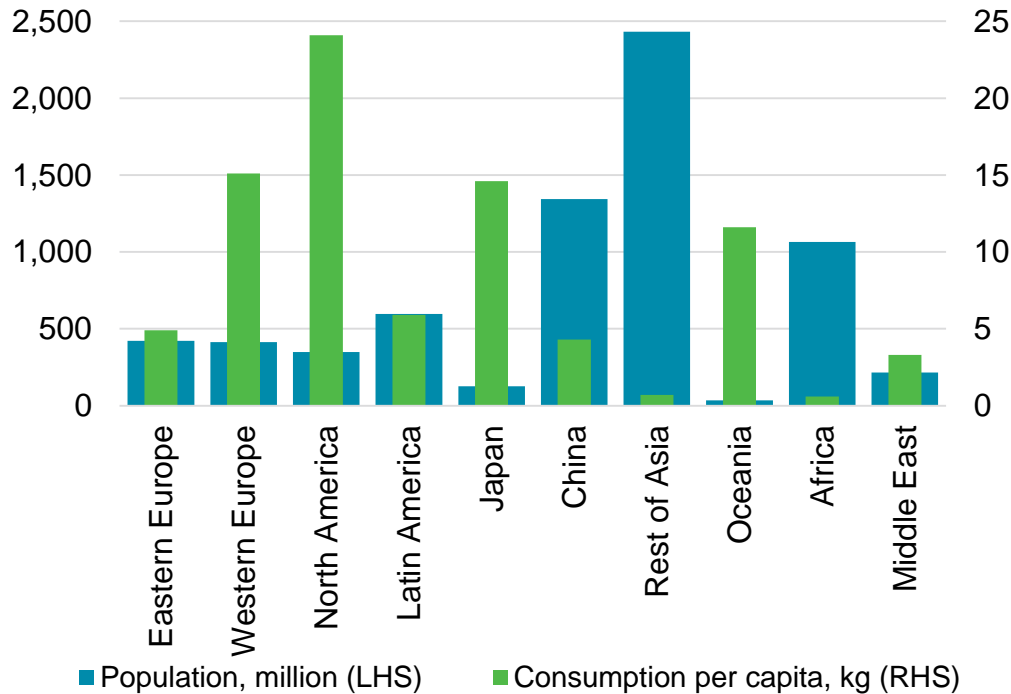
This offers us long-term growth potential

Average global consumption: 53 kg per capita

Source: RISI

Tissue consumption growth trends

Tissue consumption per capita vs. population



Average global consumption: 4.5 kg per capita

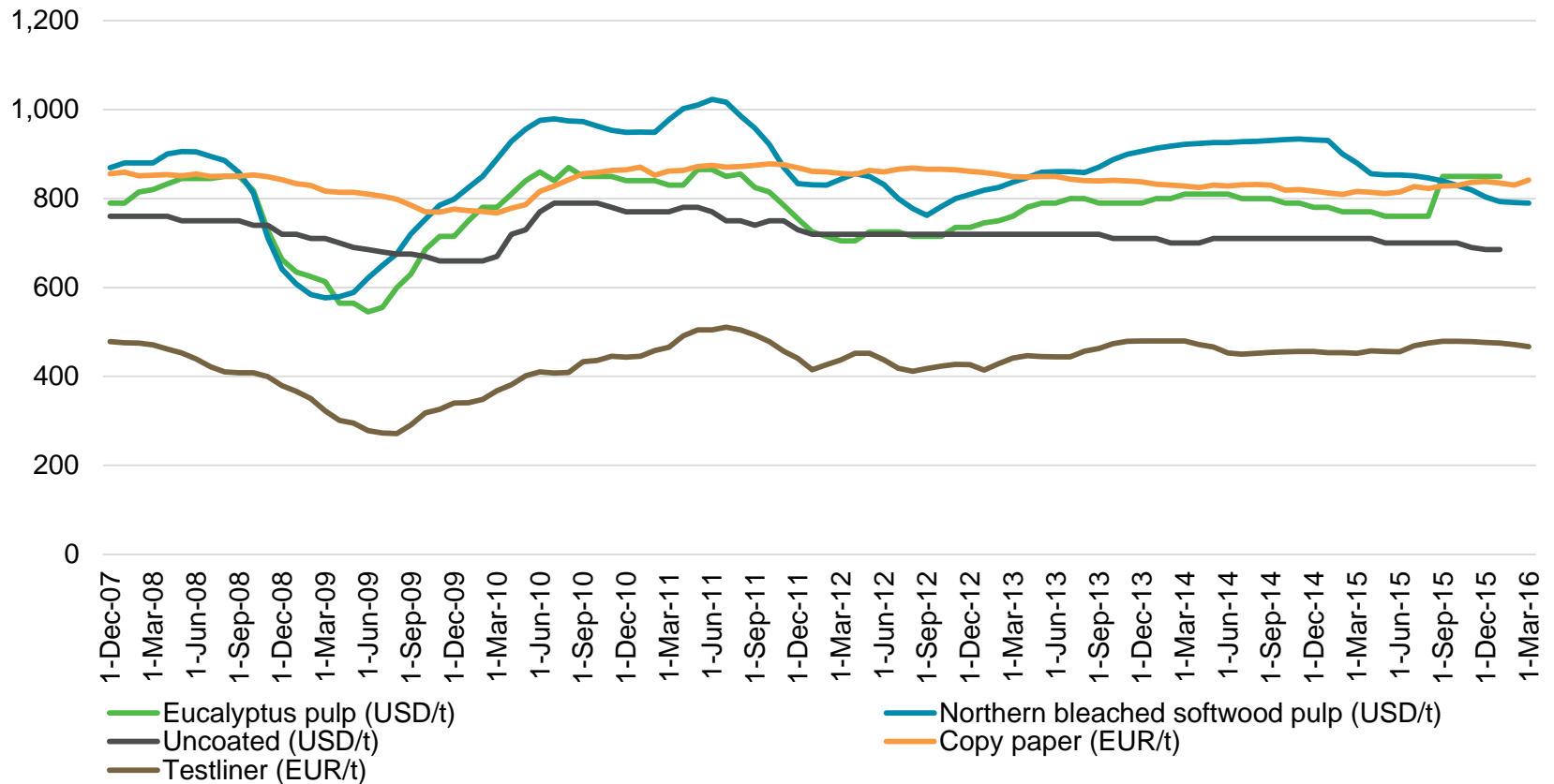
New products and consumption models based on tissue are helping increase consumption in developed markets

Consumption in emerging markets is still low, but growing

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

Source: RISI

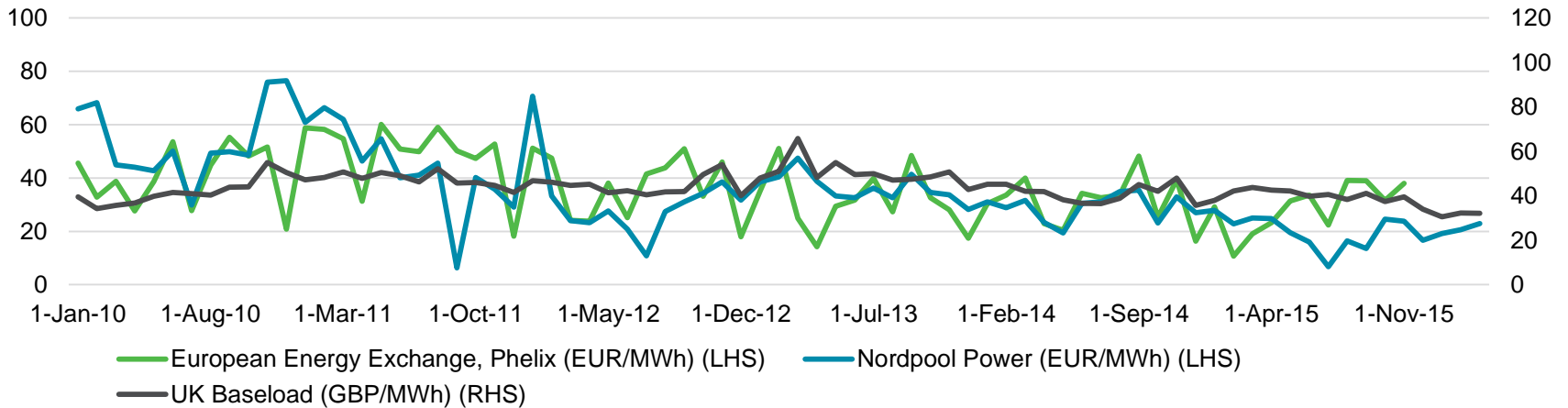
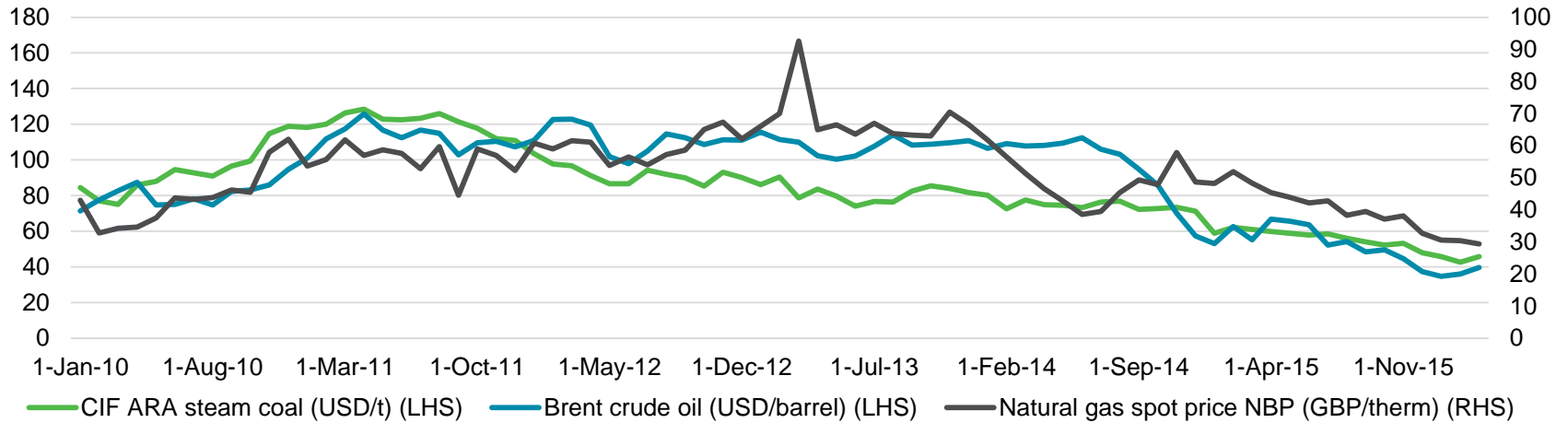
Pulp and paper price trends



Source: Bloomberg

Crude oil, steam coal, natural gas and electricity

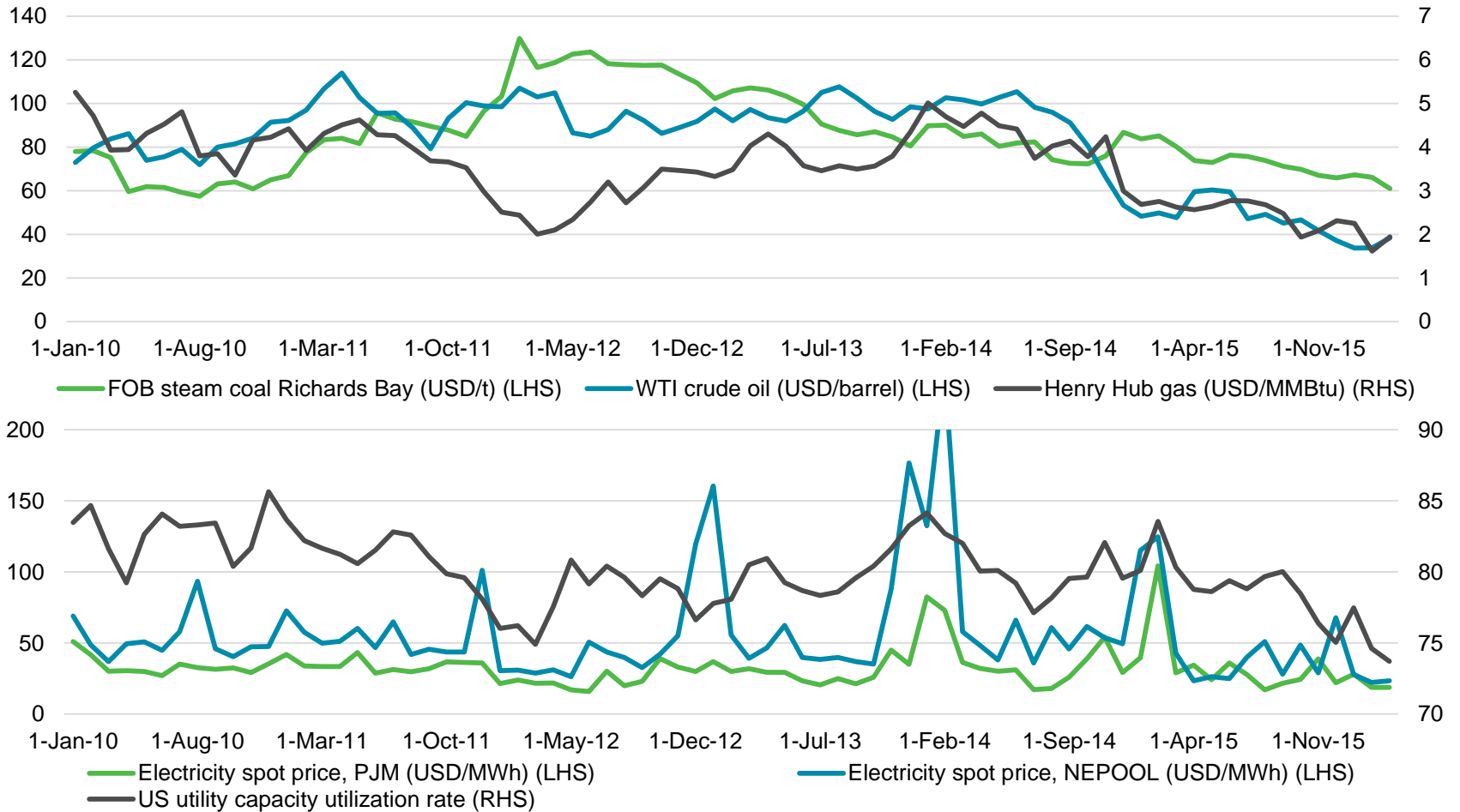
Europe



Source: Bloomberg

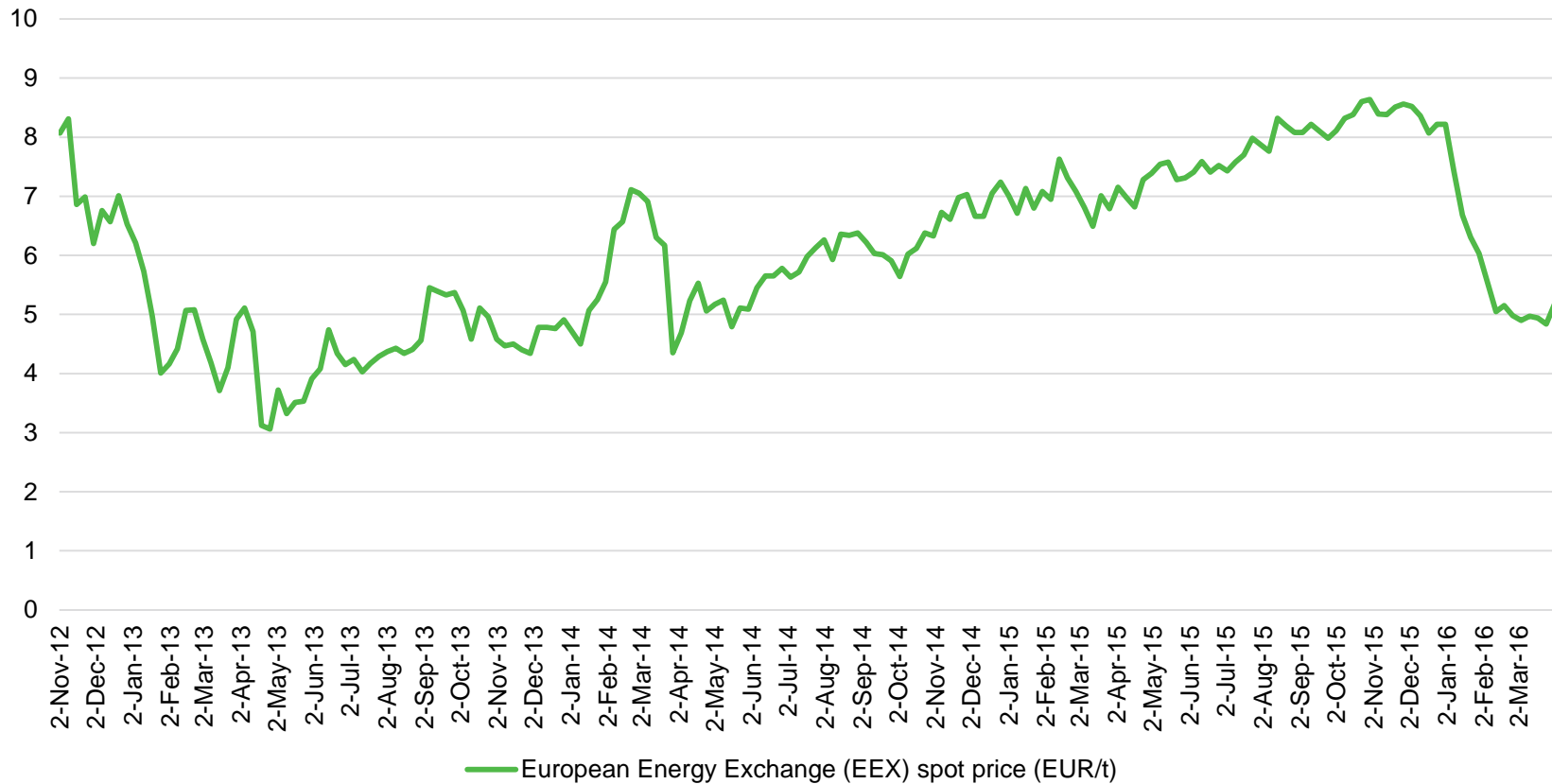
Crude oil, steam coal, natural gas and electricity

United States



Source: Bloomberg

European Carbon Emission Allowance



Source: Bloomberg

Important notice

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July 28, 2016

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Capital Markets Day

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Helsinki, Finland

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