



Orders received increased and profitability improved

Interim Review,
January–September 2016

October 27, 2016

Pasi Laine, President and CEO

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Agenda

Interim Review, January–September 2016

- 1 Q3/2016 in brief
- 2 Business lines' development
- 3 Financial development
- 4 Guidance and short-term market outlook
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Q3/2016 in brief

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- Orders received remained at the previous year's level and net sales increased in stable business¹
- Orders received increased and net sales decreased in capital business²
- Order backlog at EUR 2.2 billion
- Profitability improved – Comparable EBITA margin at 7.5%
- Net debt EUR 126 million

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

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

Net sales split in Q3/2016

Orders received
EUR 788 million

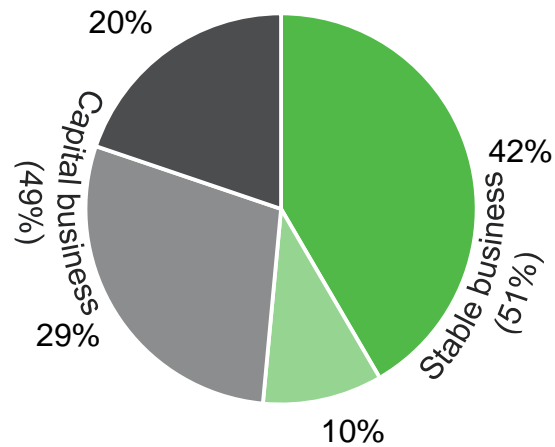
Net sales
EUR 685 million

Comparable EBITA
EUR 52 million

Comparable EBITA margin
7.5%

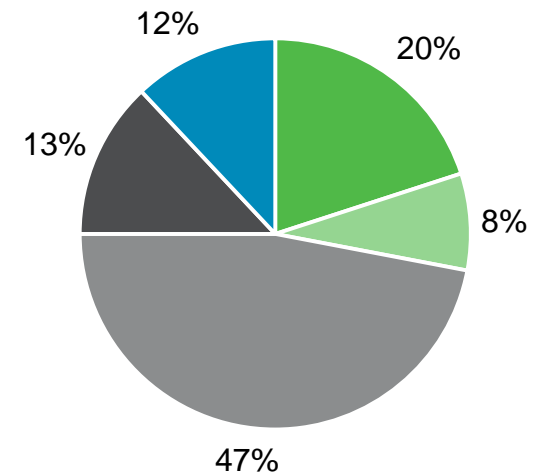
Employees
12,138

Net sales by business line



- Services
- Automation
- Pulp and Energy
- Paper

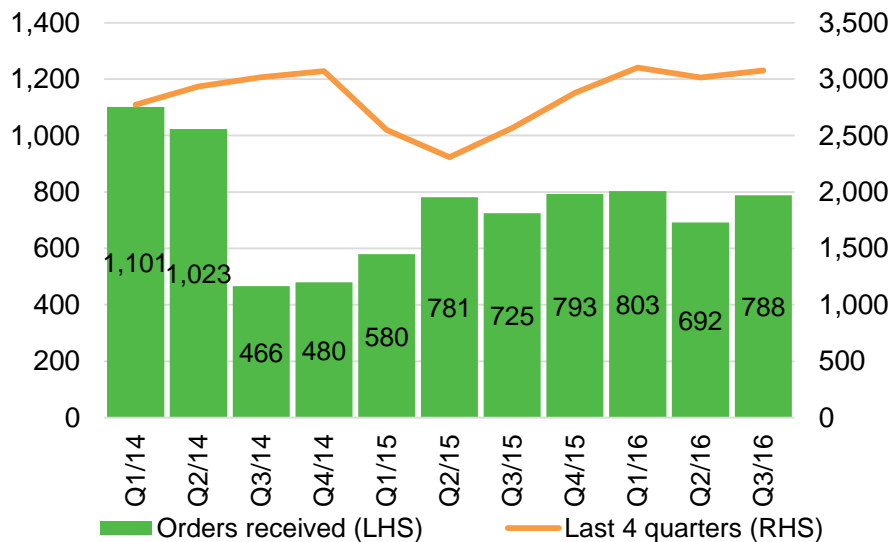
Net sales by area



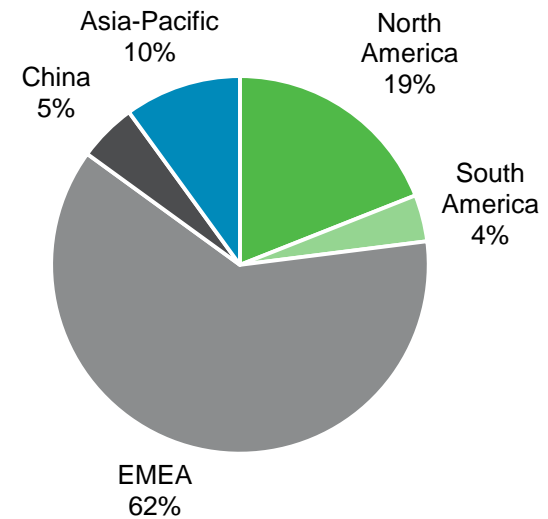
- North America
- South America
- EMEA
- China
- Asia-Pacific

Orders received increased to EUR 788 million in Q3/2016

Orders received (EUR million)



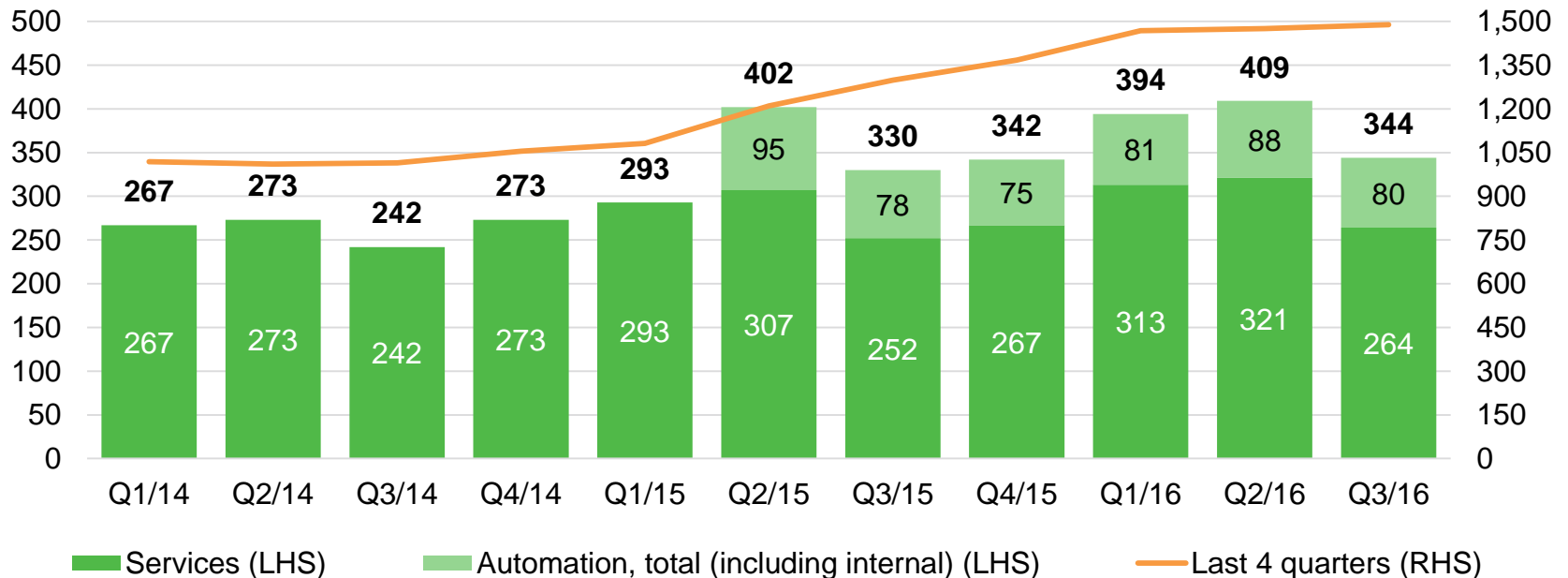
Orders received in Q3/2016, by area



- Orders received increased in the Pulp and Energy business line, remained at the previous year's level in the Services and Automation business lines and decreased in the Paper business line
- Orders received increased in EMEA, South America and Asia-Pacific and decreased in China and North America

Stable business orders received totaled EUR 1,490 million during the last 4 quarters

Orders received (EUR million) in stable business¹

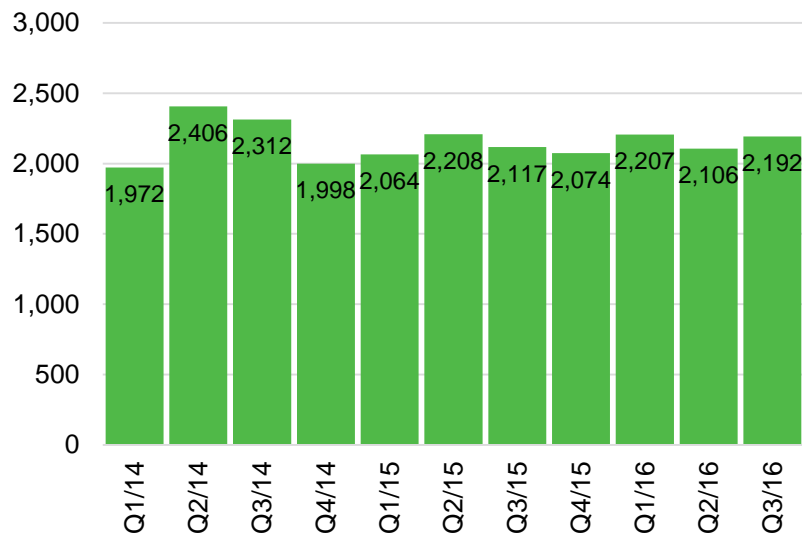


- Stable business orders received remained at the previous year's level

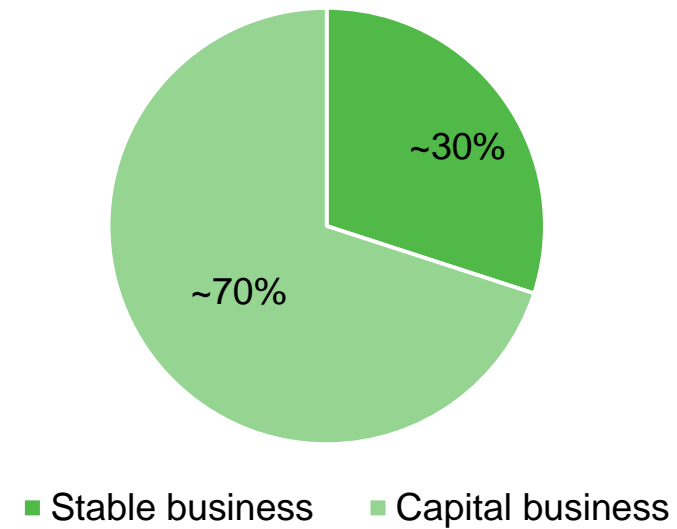
1) Including internal orders received for the Automation business line.

Order backlog at EUR 2.2 billion at the end of Q3/2016

Order backlog (EUR million)



Structure of order backlog

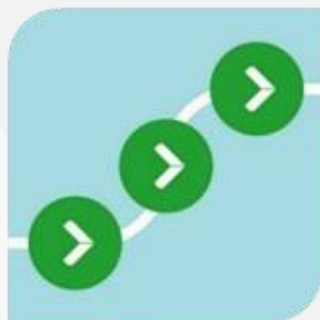


- Order backlog EUR 85 million higher than at the end of Q2/2016
- Approximately 30% of the order backlog relates to stable business

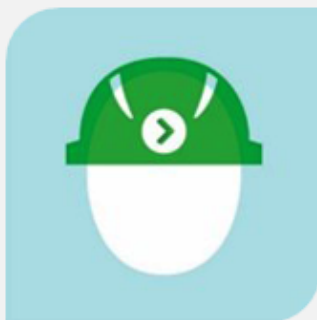
Sustainability360° agenda

Contributing to business growth

MEMBER OF
Dow Jones
Sustainability Indices
In Collaboration with RobecoSAM



Sustainable supply chain



Health, safety and environment (HSE)



People and performance



Sustainable solutions



Corporate citizenship

Recent achievements in sustainability

- Inclusion in the Dow Jones World Sustainability Index (DJSI) for the third consecutive year
- New action plans for sustainability agenda for 2016–2018 defined
- Global process for managing suppliers' sustainability performance – already 90 supplier audits done globally
- Continued focus on safety management resulting in declining LTIF¹ (2.5 vs. 3.5 a year ago)

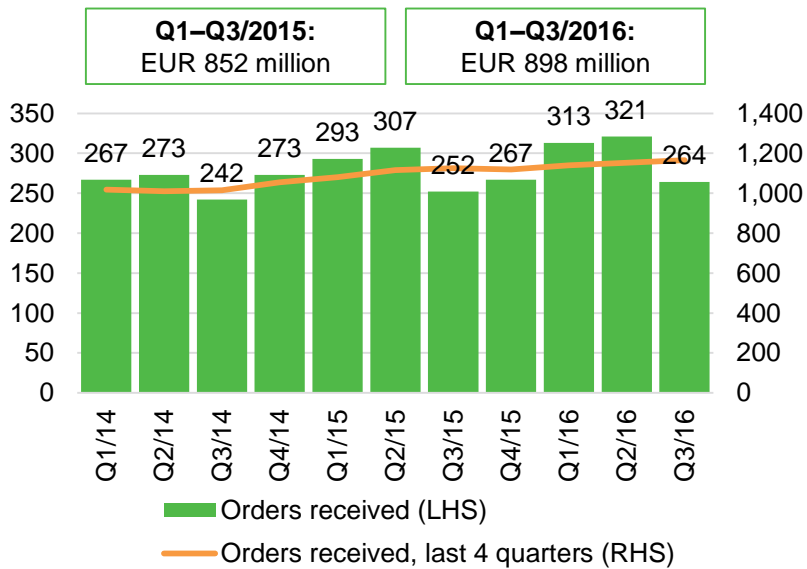
1) LTIF (Lost time incident frequency rate) refers to the number of workplace injuries resulting in absence of at least one workday per million hours worked (own employees).



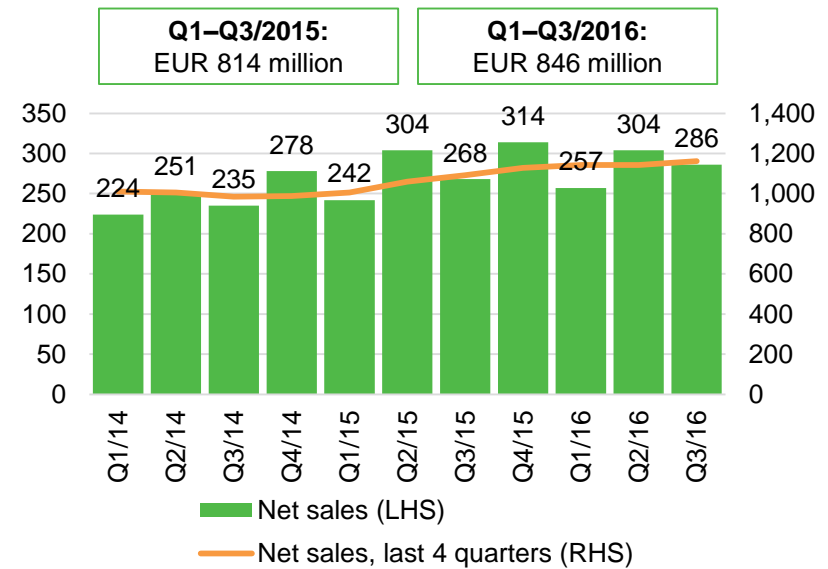
Business lines' development

Orders received at the previous year's level and net sales increased in Services in Q3/2016

Orders received (EUR million)



Net sales (EUR million)



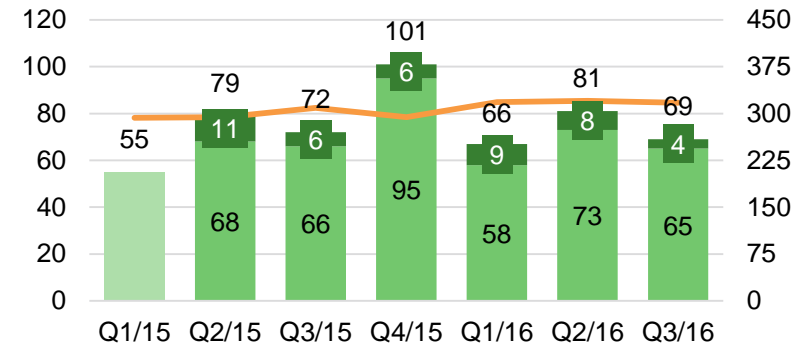
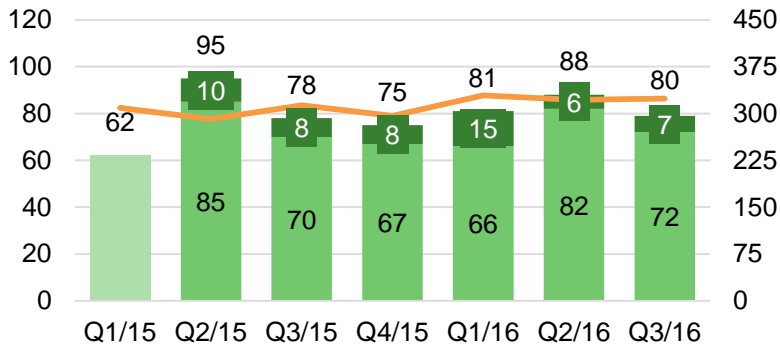
- Orders received remained stable compared with Q3/2015
 - Orders received increased in China, Asia-Pacific and South America and remained at the previous year's level in EMEA and North America
 - Orders received increased in Energy and Environmental, Rolls, and Performance Parts, remained at the previous year's level in Fabrics, and decreased in Mill Improvements
- Net sales increased compared with Q3/2015



Orders received and net sales at the previous year's level in Automation in Q3/2016

Orders received¹ (EUR million)

Net sales¹ (EUR million)



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

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

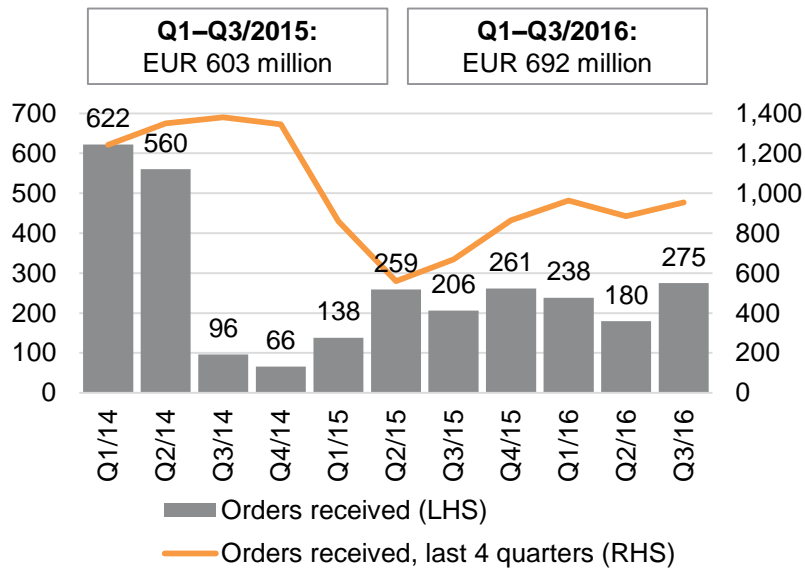
- Orders received remained stable compared with Q3/2015
 - Orders received increased in North America, South America and China, remained at the previous year's level in EMEA and decreased in Asia-Pacific
 - Orders received increased in Energy and Process and decreased in Pulp and Paper
- Net sales remained stable compared with Q3/2015



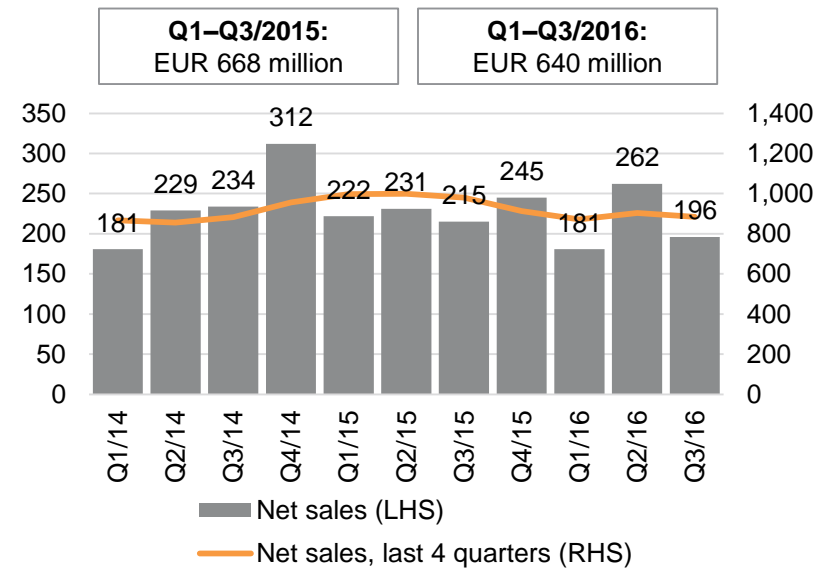
1) Q1/2015 orders received and the underlying figures for 'Orders received, last 4 quarters' and 'Net sales, last 4 quarters' are calculated based on Metso's reported figures and pro forma figures excluding Process Automation Systems and are therefore indicative only.

Orders received increased and net sales decreased in Pulp and Energy in Q3/2016

Orders received (EUR million)



Net sales (EUR million)

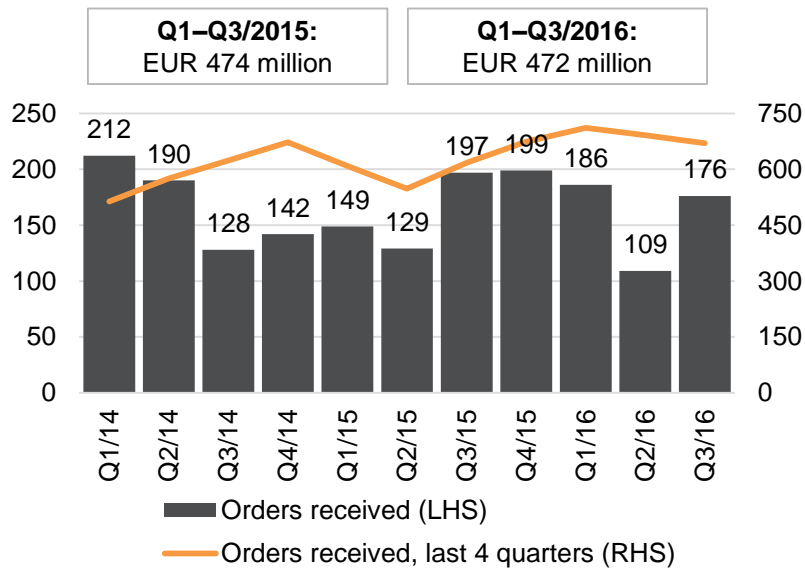


- Orders received increased compared with Q3/2015
 - Orders received increased in EMEA, Asia-Pacific and South America, and decreased in China and North America
 - Orders received increased in Energy and decreased in Pulp
- Net sales decreased compared with Q3/2015

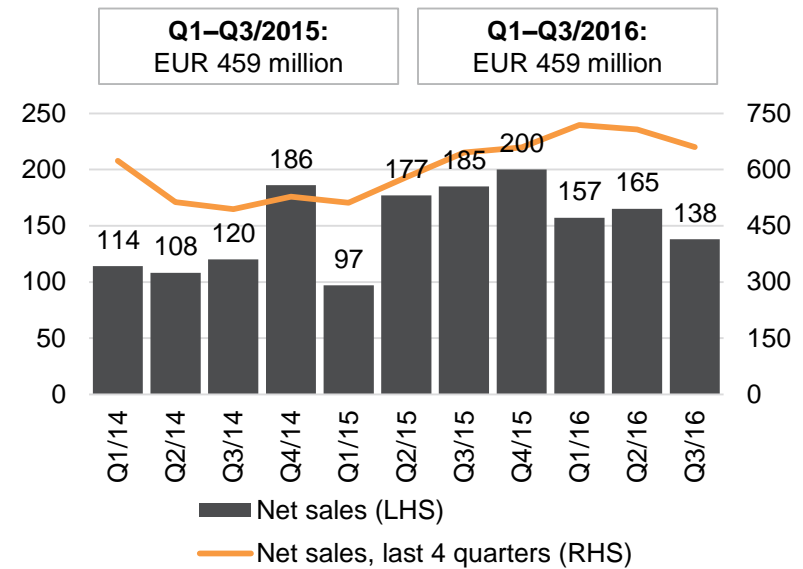


Orders received and net sales decreased in Paper in Q3/2016

Orders received (EUR million)



Net sales (EUR million)



- Orders received decreased compared with Q3/2015
 - Orders received increased in EMEA and decreased in China, North America and Asia-Pacific
 - Orders received decreased in both Board and Paper, and Tissue
- Net sales decreased compared with Q3/2015





Financial development

Key figures Q3/2016

EUR million	Q3/2016	Q3/2015	Change	Q1–Q3/2016	Q1–Q3/2015	Change
Orders received	788	725	9%	2,282	2,085	9%
Order backlog ¹	2,192	2,117	4%	2,192	2,117	4%
Net sales	685	734	-7%	2,141	2,074	3%
Comparable EBITA	52	47	10%	140	120	17%
% of net sales	7.5%	6.4%		6.5%	5.8%	
EBITA	49	43	15%	135	104	29%
Operating profit (EBIT)	41	33	26%	107	78	37%
% of net sales	6.0%	4.4%		5.0%	3.8%	
Earnings per share, EUR	0.17	0.14	28%	0.46	0.33	37%
Return on capital employed (ROCE), before taxes ²				12%	11%	
Cash flow provided by operating activities	122	16	>100%	158	14	>100%
Gearing ¹				15%	28%	

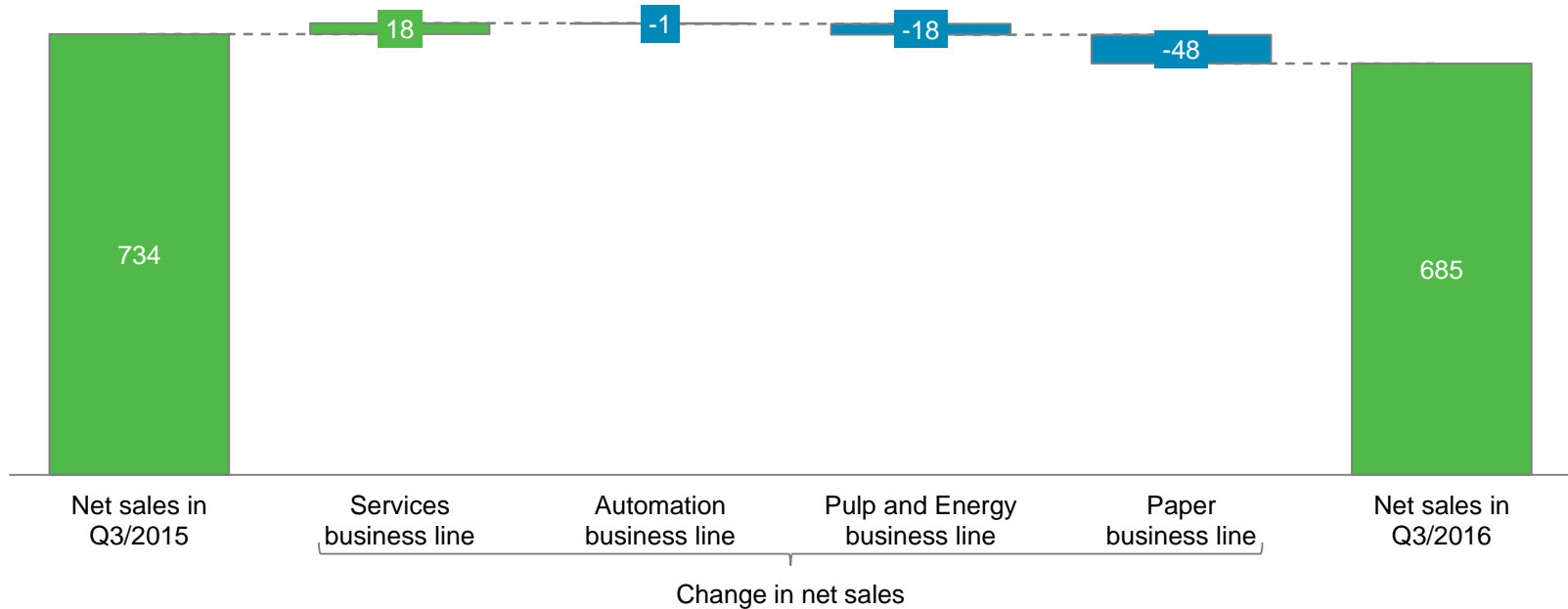
Items affecting comparability: EUR -2 million in Q3/2016 (EUR -4 million in Q3/2015), EUR -5 million in Q1–Q3/2016 (EUR -16 million in Q1–Q3/2015)

1) At the end of period

2) Annualized

Net sales EUR 50 million lower compared with Q3/2015

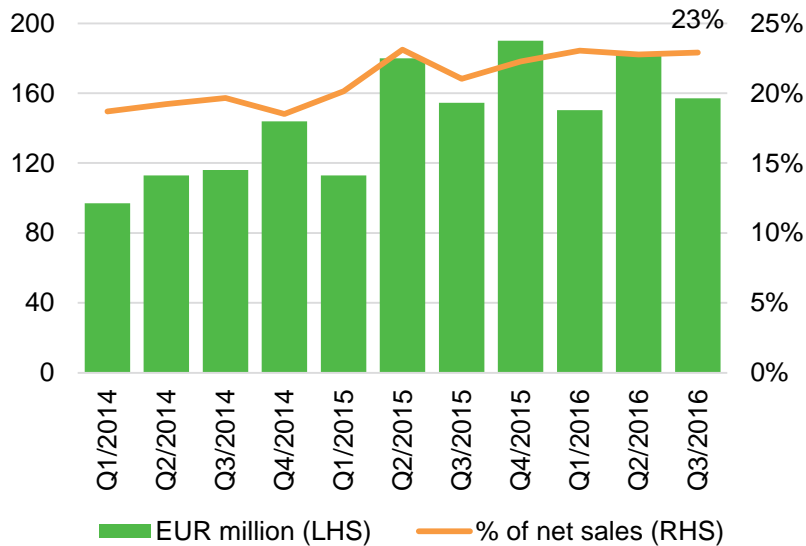
Net sales bridge, Q3/2015 vs. Q3/2016 (EUR million)



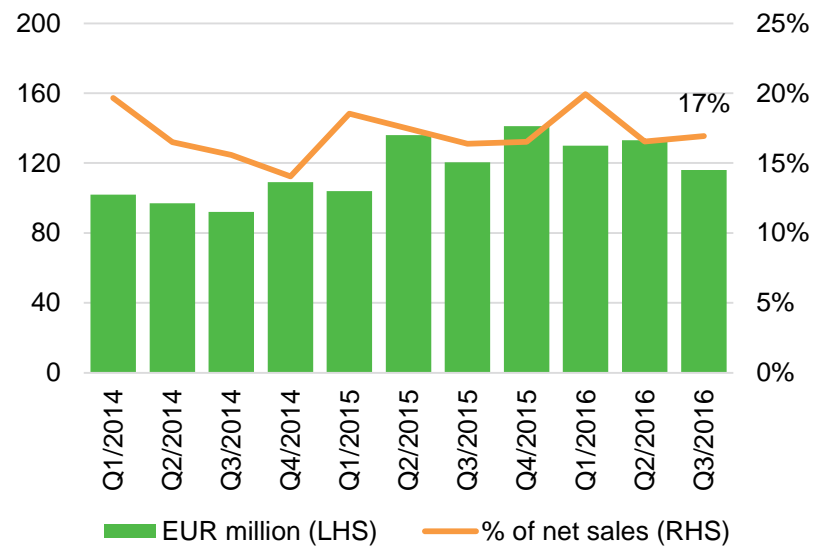
- Net sales increased in the Services business line and remained at the previous year's level in the Automation business line
- Net sales decreased in the Paper and Pulp and Energy business lines

Increase in gross profit to net sales in Q3/2016

Gross profit (EUR million and % of net sales)



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

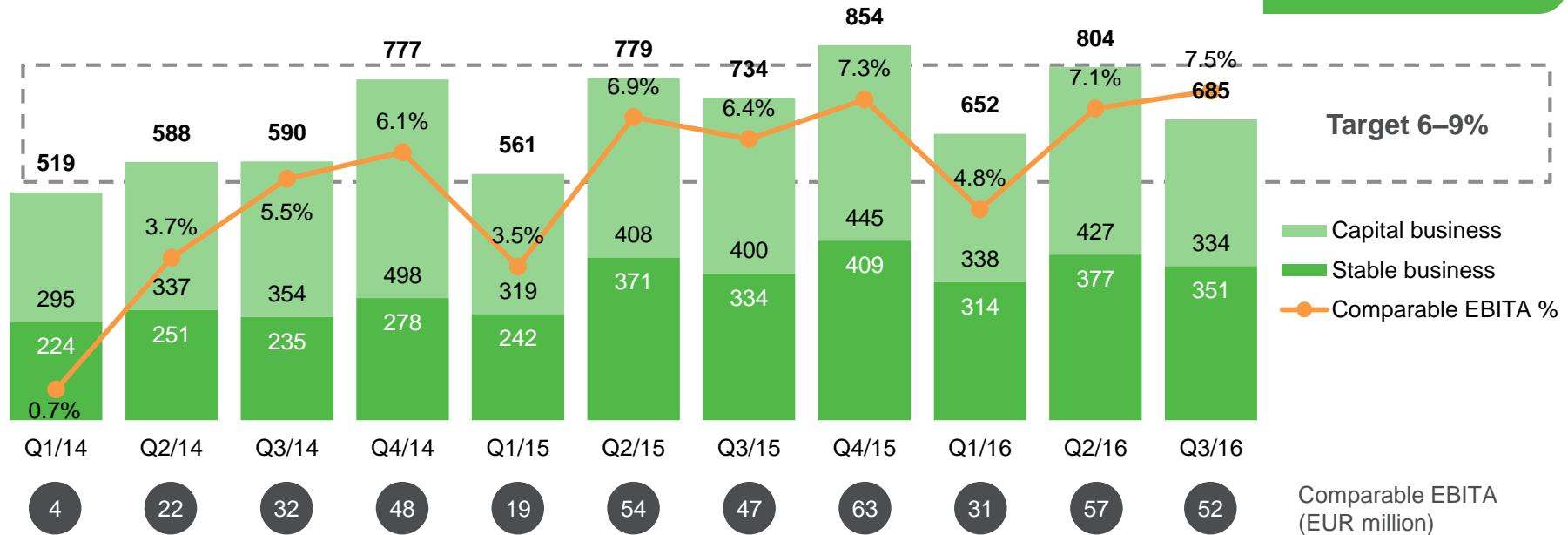


- Gross profit remained stable compared with Q3/2015
- Selling, general & administrative (SG&A) expenses remained stable compared with Q3/2015
- Actions to improve gross profit through Must-Win implementation

Comparable EBITA margin development

Net sales and Comparable EBITA (EUR million and %)

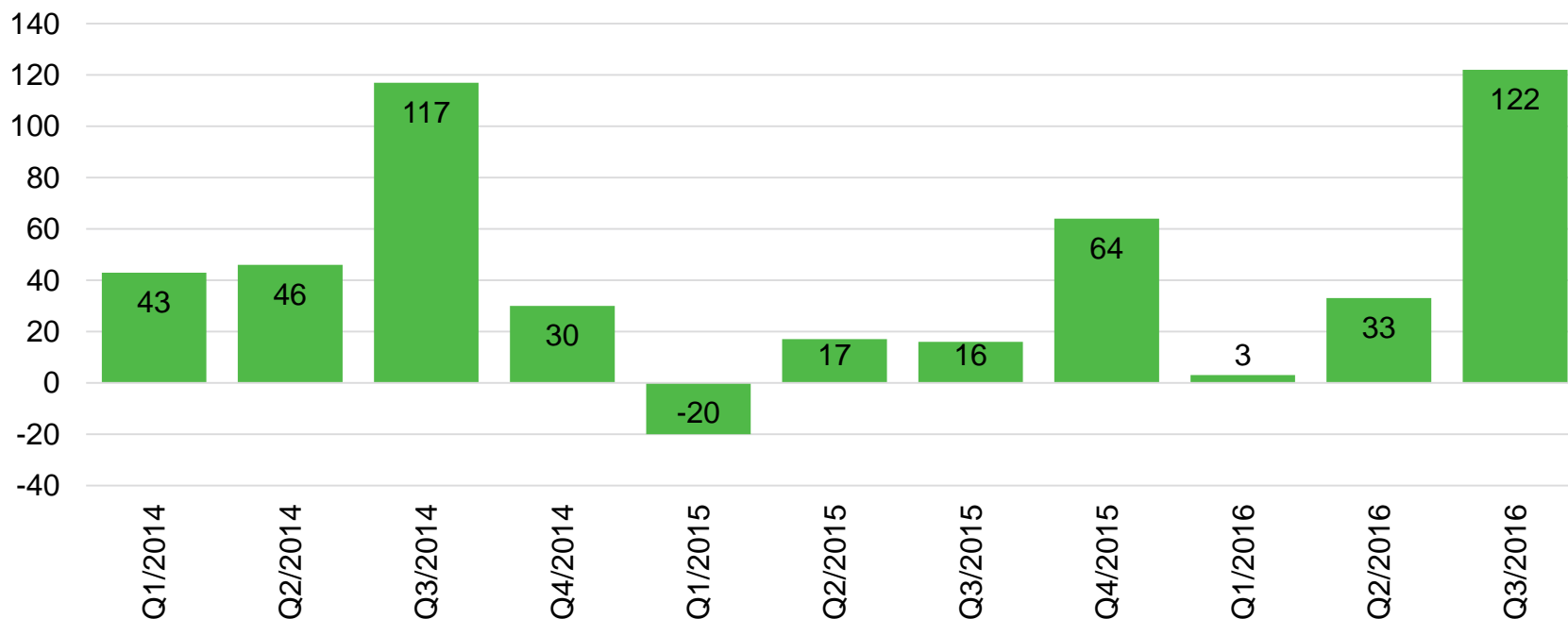
New target 8–10% from 2017 onwards



- Net sales decreased and Comparable EBITA increased compared with Q3/2015
 - Comparable EBITA margin at 7.5 percent in Q3/2016

Cash flow provided by operating activities

Cash flow provided by operating activities (EUR million)

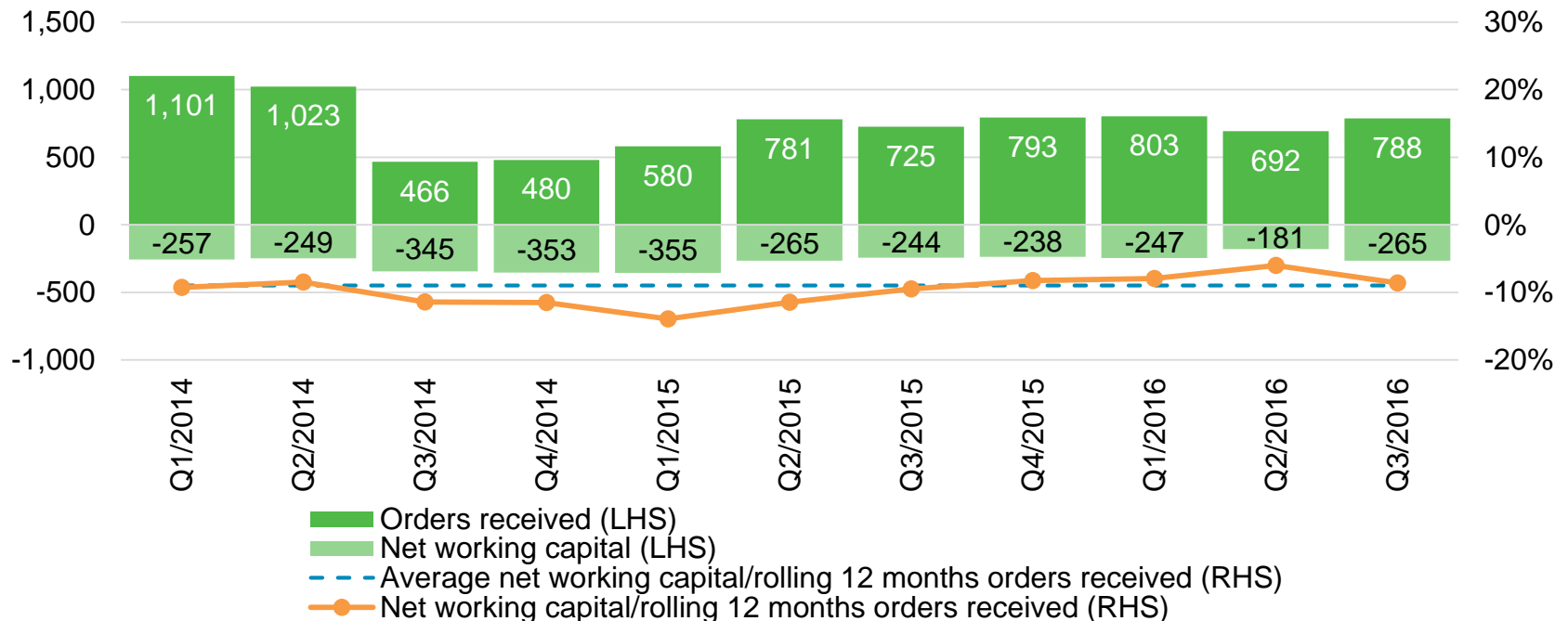


- Change in net working capital¹ EUR 81 million in Q3/2016
- Cash flow provided by operating activities EUR 122 million in Q3/2016
- CAPEX excluding business combinations EUR -14 million in Q3/2016

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

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

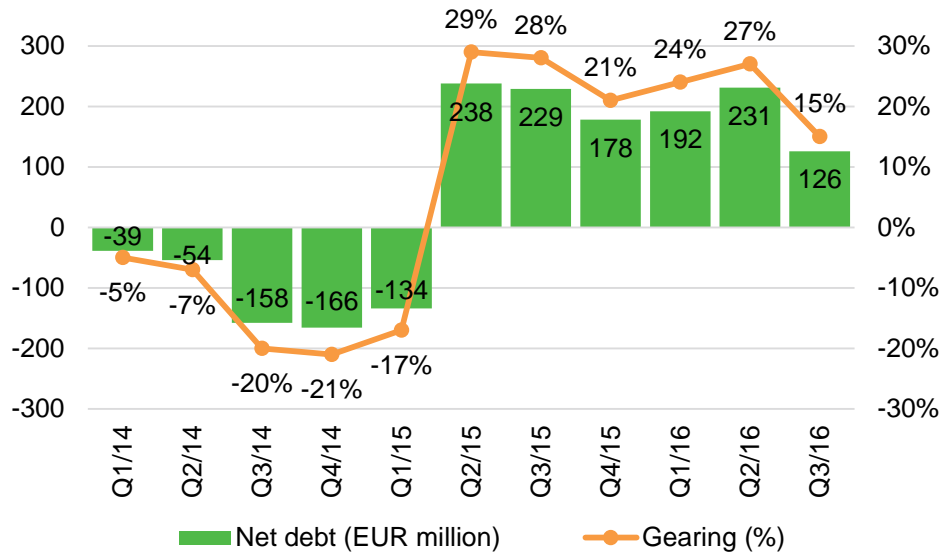
Net working capital and orders received (EUR million)



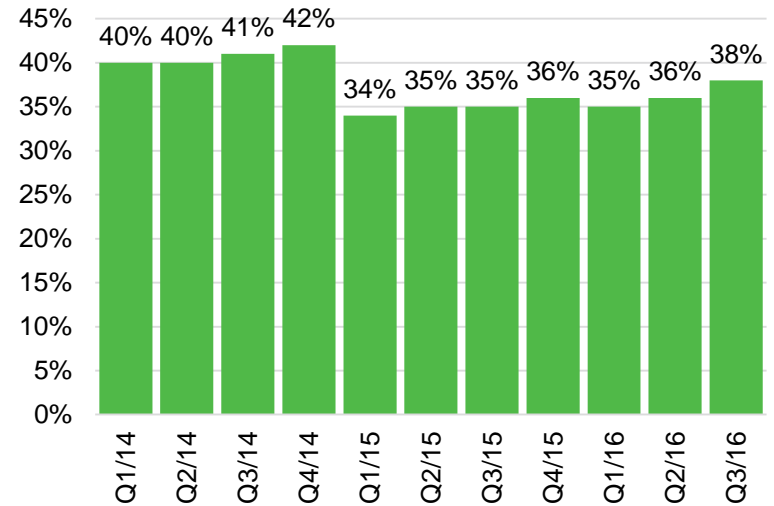
- Net working capital EUR -265 million, which equals -9% of rolling 12 months orders received
- Payment schedules of large capital projects have significant impact on net working capital development

Net debt decreased compared with both Q2/2016 and Q3/2015

Net debt (EUR million) and gearing (%)



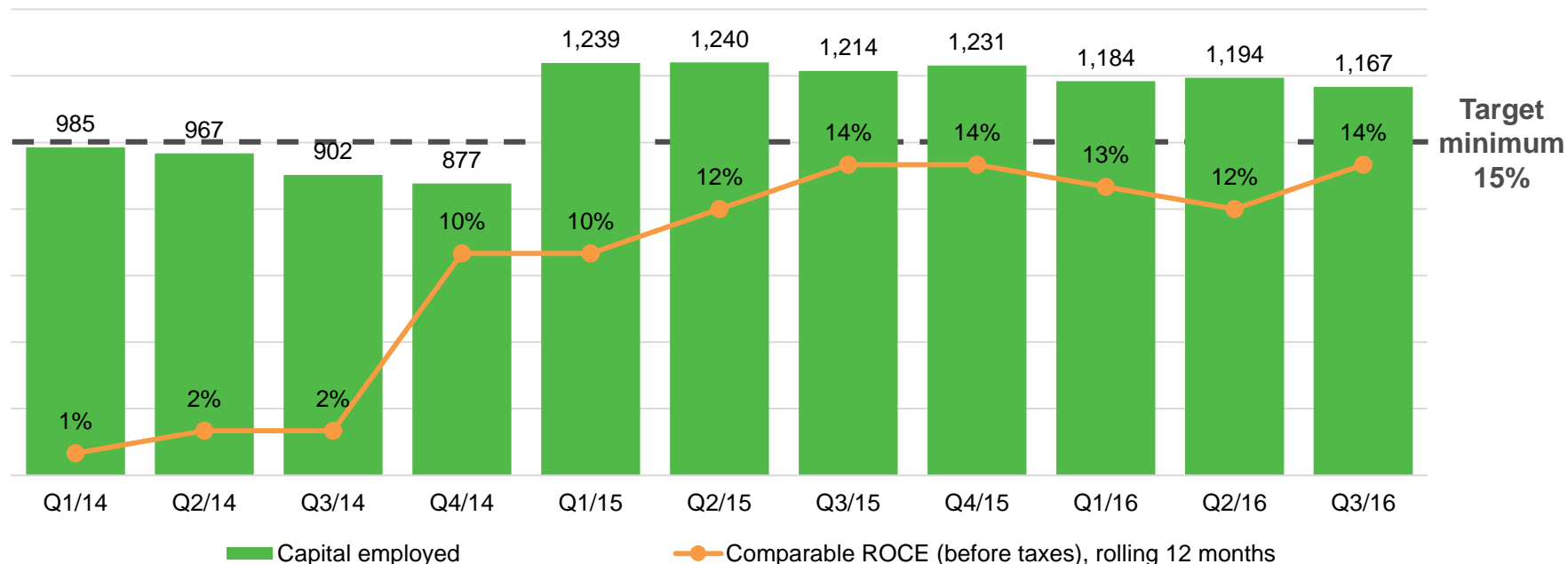
Equity to assets ratio (%)



- Gearing (15%) and net debt (EUR 126 million) decreased
- Equity to assets ratio increased compared with both Q2/2016 and Q3/2015
- 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)



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

1) Rolling 12 months



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).

Short-term market outlook

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

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



Summary of Interim Review Q3/2016

Q3/2016 in brief

- Orders received remained at the previous year's level and net sales increased in stable business¹
- Orders received increased and net sales decreased in capital business²
- Order backlog at EUR 2.2 billion
- Profitability improved – Comparable EBITA margin at 7.5%
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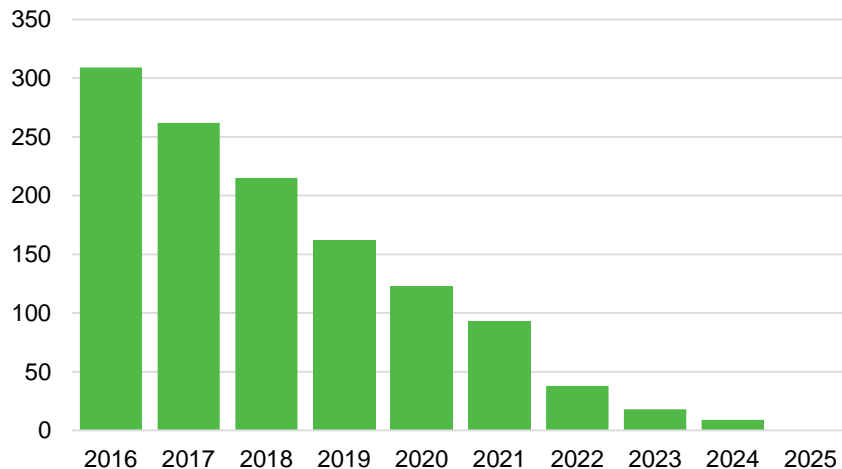


Appendix

Structure of loans and borrowings

Interest-bearing debt EUR 310 million as at September 30, 2016

Amount of outstanding interest-bearing debt (EUR millions)



- Average maturity of long-term loans is 3.0 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 ¹	None outstanding
EUR 200 million domestic commercial paper program	None outstanding

¹) EUR 200 million syndicated revolving credit facility agreement was refinanced in October 2016 and matures on January 14, 2022 with two 1-year extension options.

Largest shareholders on September 30, 2016

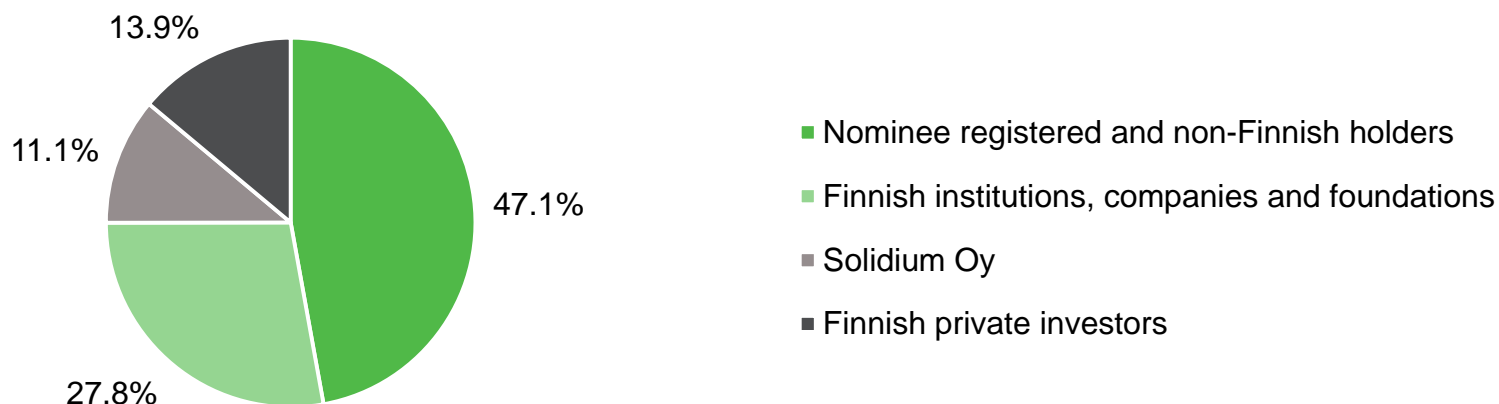
Based on the information given by Euroclear Finland Ltd.

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	5,465,465	3.65%
3	Elo Pension Company	3,810,000	2.54%
4	Ilmarinen Mutual Pension Insurance Company	3,388,055	2.26%
5	Nordea Funds	2,399,171	1.60%
6	OP Funds	1,857,009	1.24%
7	The State Pension Fund	1,545,000	1.03%
8	Keva	1,502,166	1.00%
9	Danske Invest funds	1,300,599	0.87%
10	Mandatum Life Insurance Company Limited	1,217,307	0.81%
	10 largest shareholders, total	39,180,059	26.14%
	Other shareholders	110,684,560	73.86%
	Total	149,864,619	100.00%

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

Ownership structure on September 30, 2016

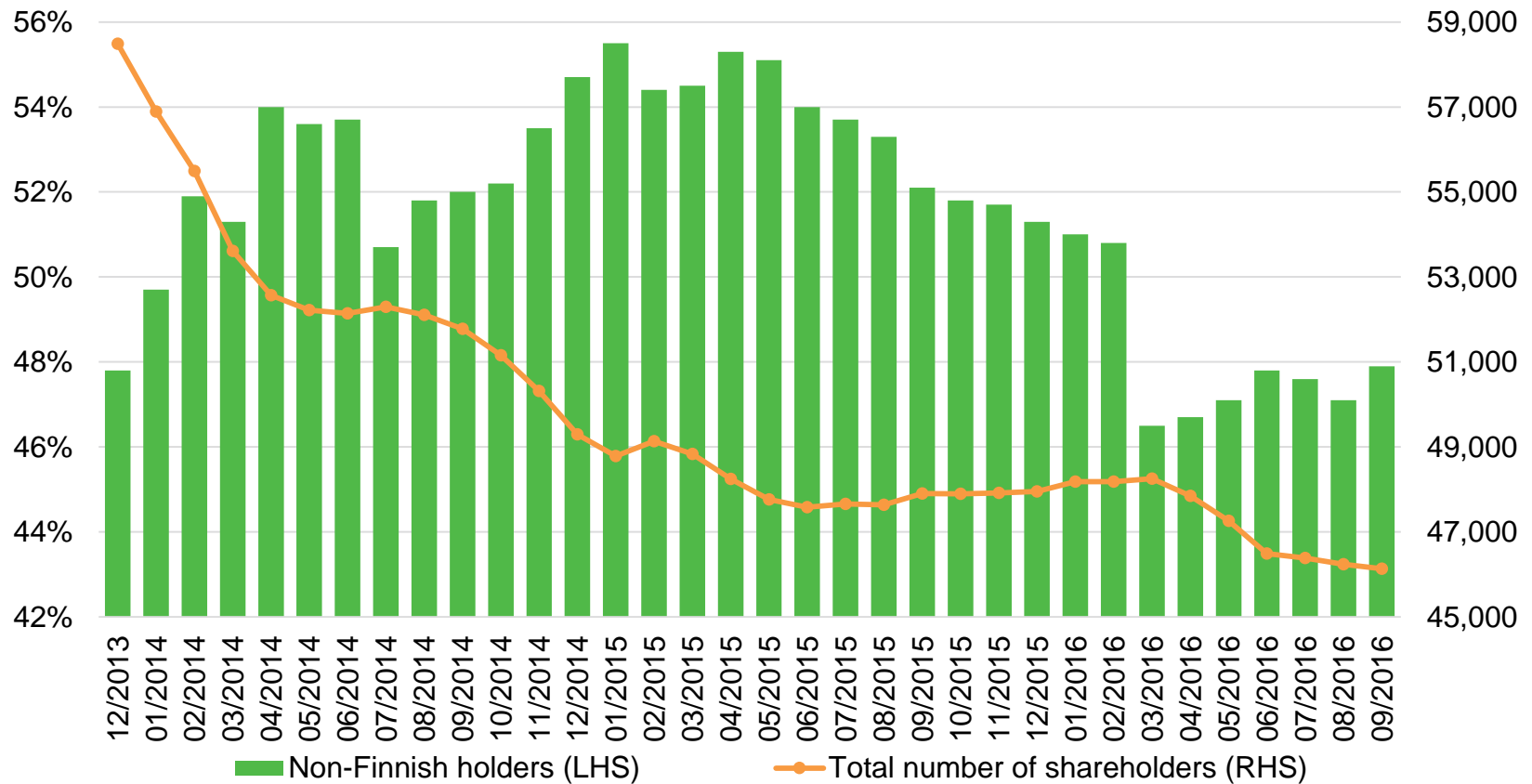


Sector	Number of shareholders	% of total shareholders	Number of shares	% of shares
Nominee registered and non-Finnish holders	304	0.7%	70,613,931	47.1%
Finnish institutions, companies and foundations	2,442	5.3%	41,692,234	27.8%
Solidium Oy ¹	0	0.0%	16,695,287	11.1%
Finnish private investors	43,495	94.1%	20,863,167	13.9%
Total	46,241	100.0%	149,864,619	100.0%

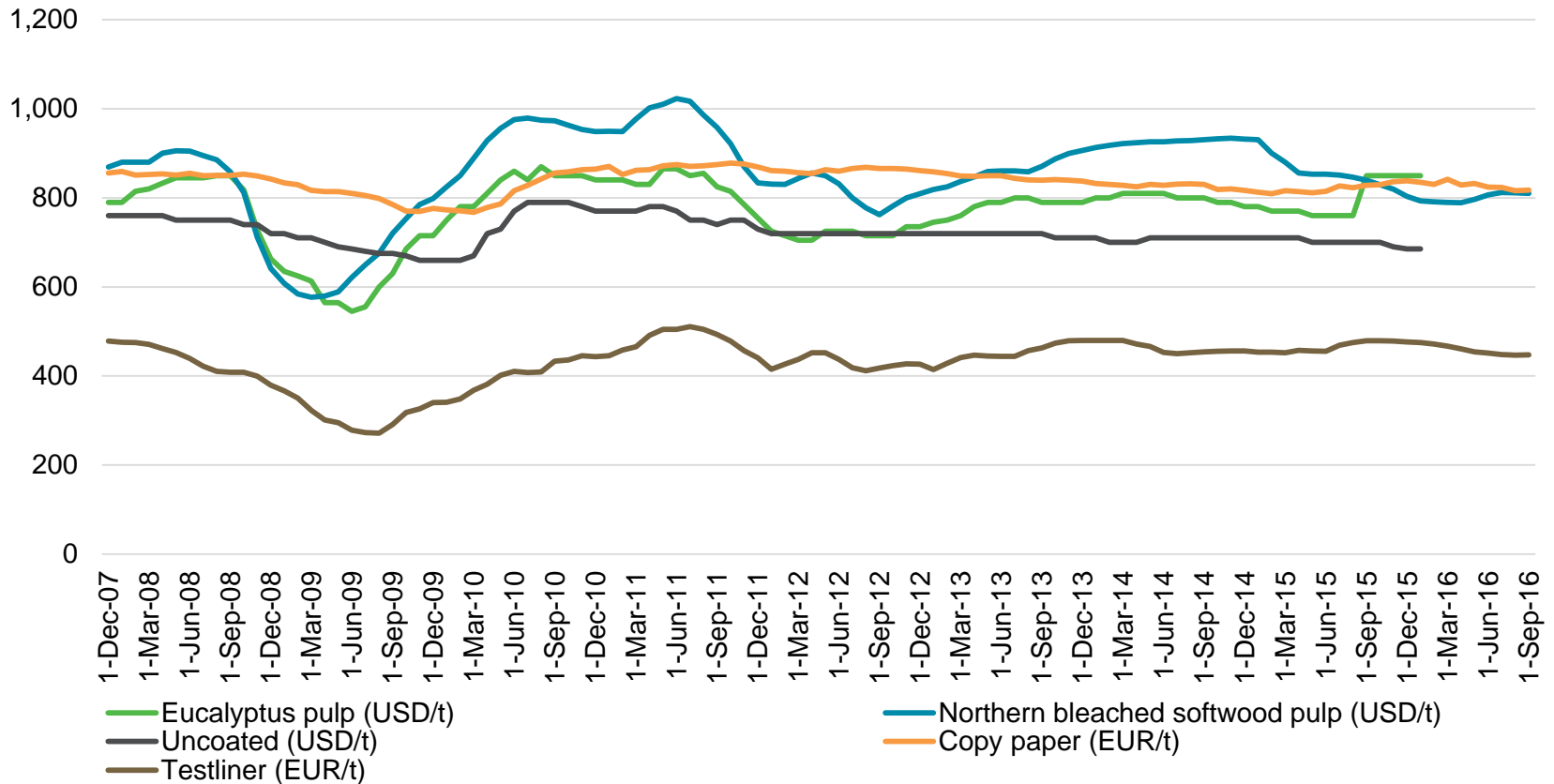
The ownership structure is based on the classification of sectors determined by Statistics Finland.

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

Share of non-Finnish holders and number of shareholders



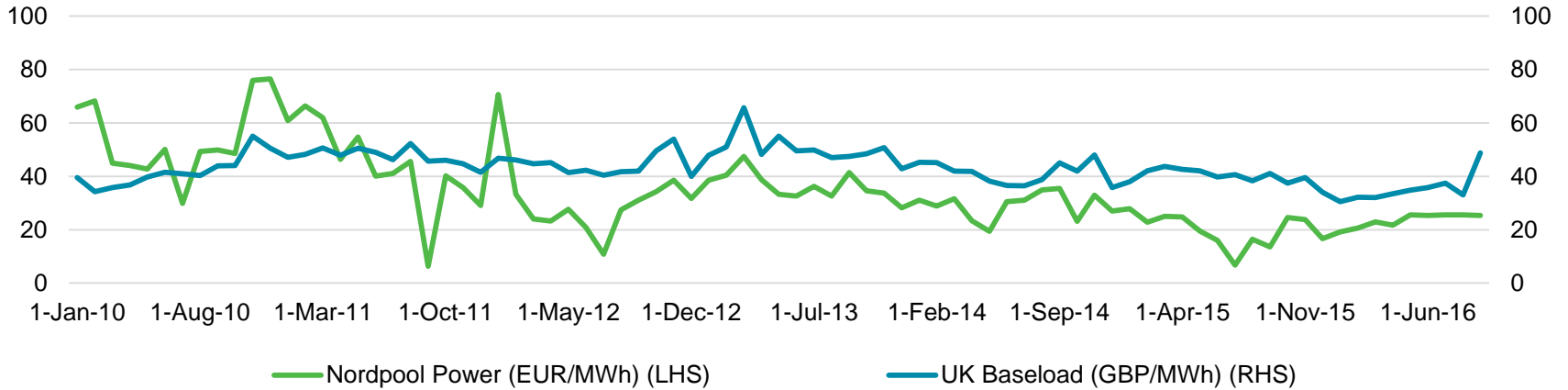
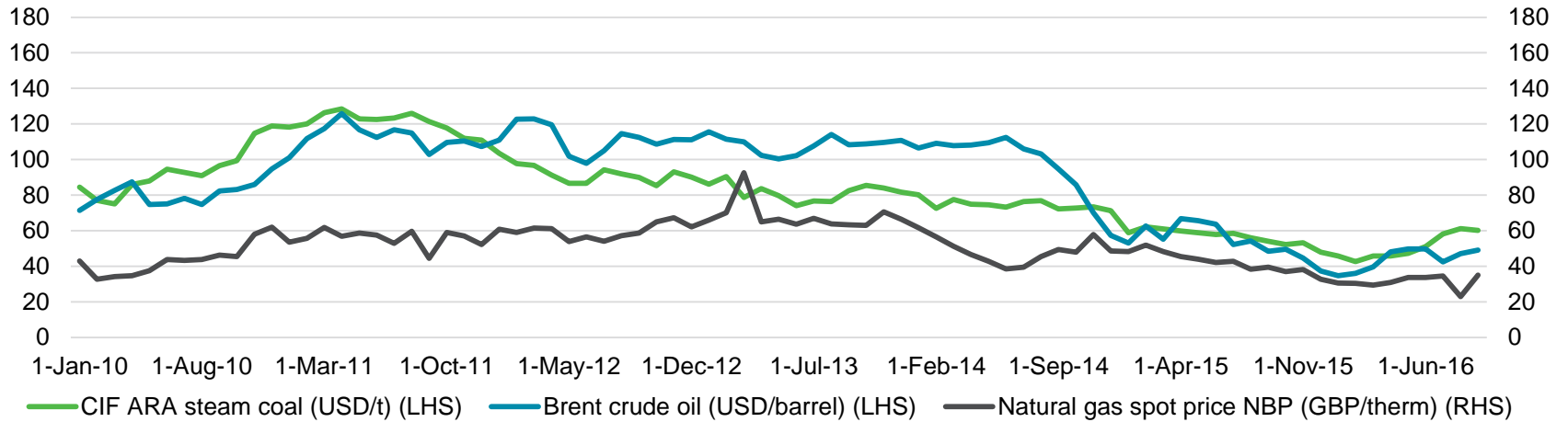
Pulp and paper price trends



Source: Bloomberg

Crude oil, steam coal, natural gas and electricity

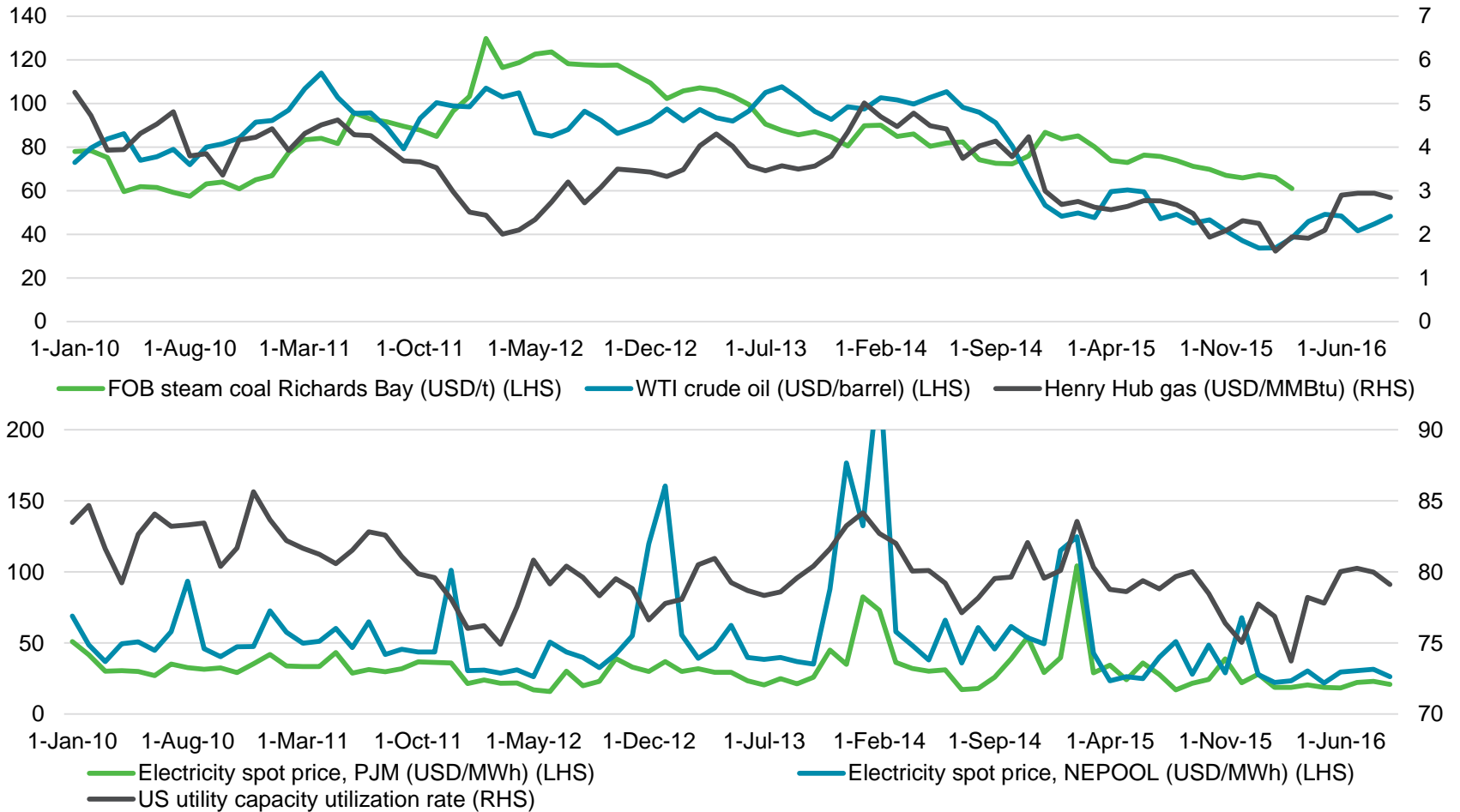
Europe



Source: Bloomberg

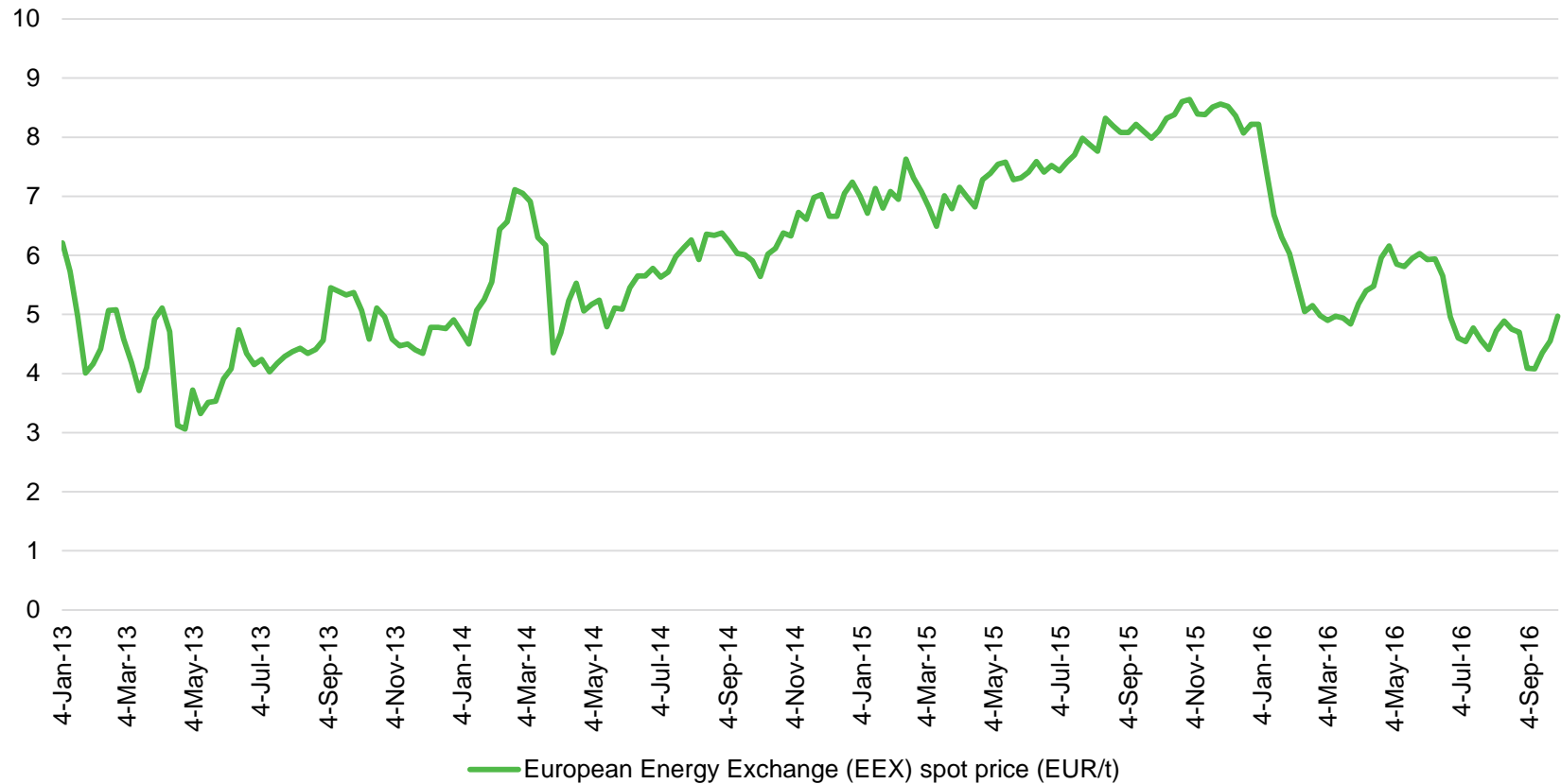
Crude oil, steam coal, natural gas and electricity

United States



Source: Bloomberg

European Carbon Emission Allowance



Source: Bloomberg

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Financial Statements Review 2016

February 8, 2017

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