

Orders received increased to EUR 3.7 billion and
Comparable EBITA to EUR 257 million in 2018

Financial Statements Review 2018

February 7, 2019

Pasi Laine, President and CEO

Kari Saarinen, CFO

Agenda

Financial Statements Review 2018

- 1 2018 in brief
- 2 Development of the business lines
- 3 Financial development
- 4 Dividend proposal, guidance and short-term market outlook
- 5 Summary of Financial Statements Review 2018
- 6 Appendix



2018 in brief

2018 in brief

- Orders received increased to EUR 1,701 million in stable business¹
- Orders received increased to EUR 2,077 million in capital business²
- Net sales increased to EUR 3,325 million
- Order backlog increased to EUR 2.8 billion
- Comparable EBITA increased to EUR 257 million and margin improved to 7.7%
- Gearing was -23%

2017 financials have been restated following the adoption of IFRS 15.

1) Stable business = Services business line and Automation business line. For Automation, this figure includes internal orders received from other business lines.

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

Valmet in 2018

Orders received
EUR 3,722 million

Net sales
EUR 3,325 million

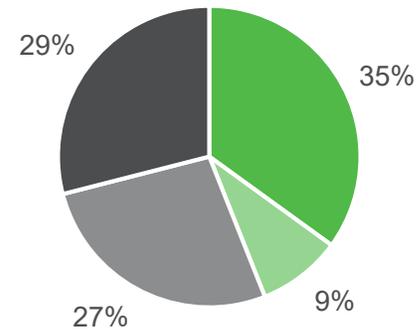
Comparable EBITA
EUR 257 million

Comparable EBITA margin
7.7%

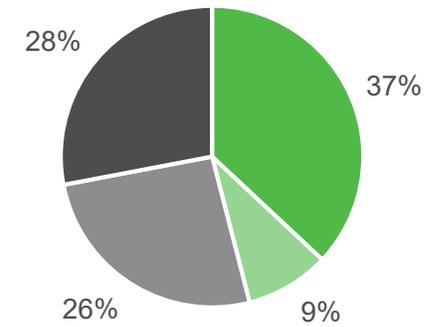
Order backlog
EUR 2,829 million

Employees
12,528

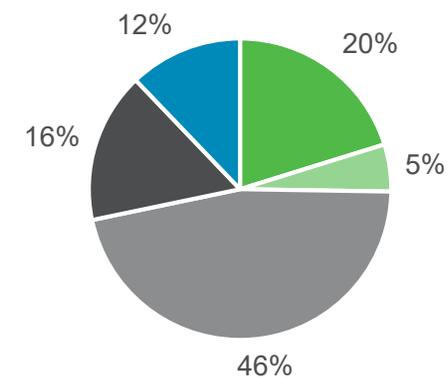
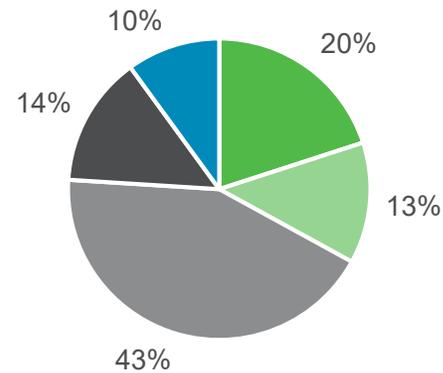
Orders received



Net sales



- Services
- Automation
- Pulp and Energy
- Paper

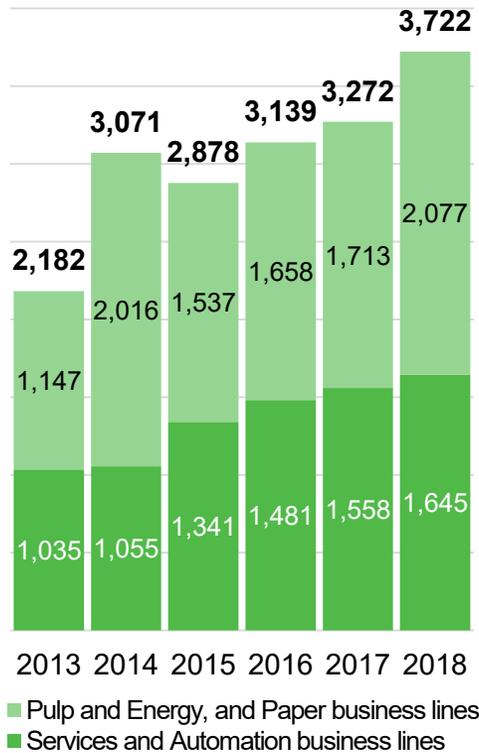


- North America
- South America
- EMEA
- China
- Asia-Pacific

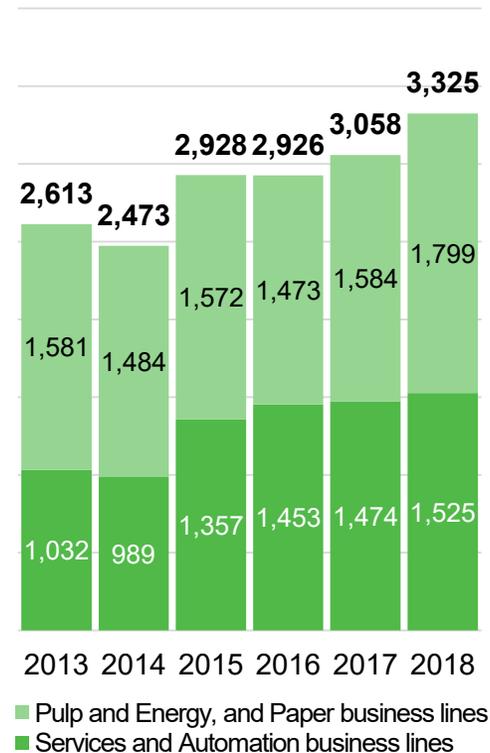
Valmet's development since 2013

Comparable EBITA
target 8–10%

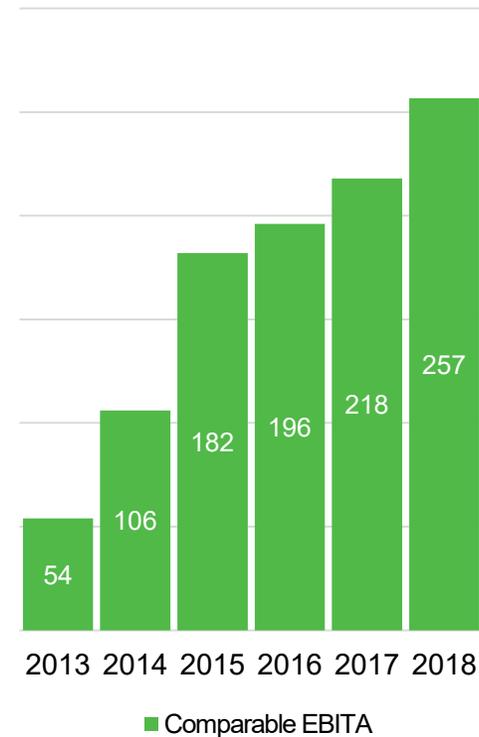
Orders received
(EUR million)



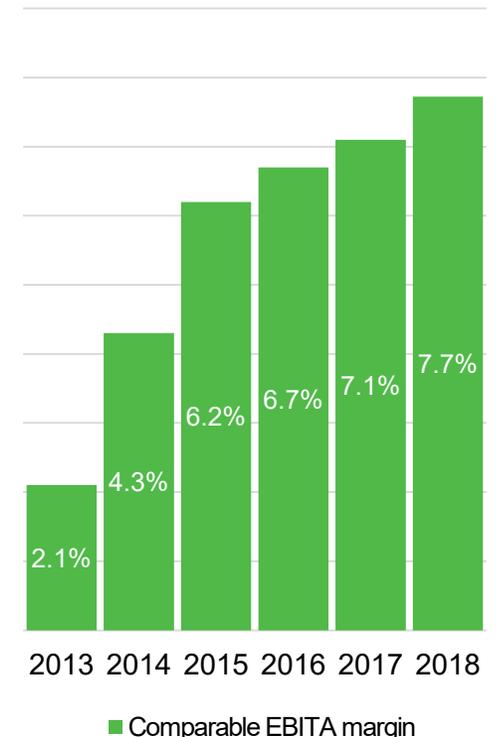
Net sales
(EUR million)



Comparable EBITA
(EUR million)



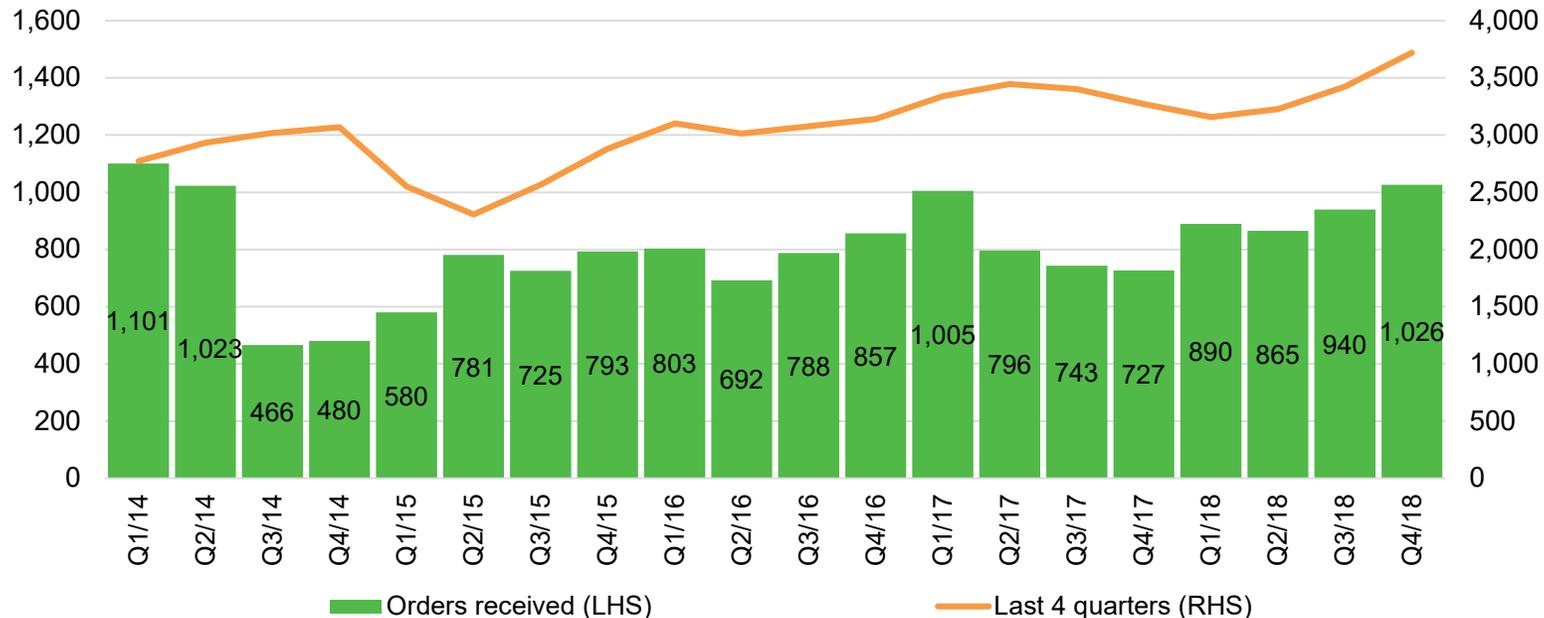
Comparable EBITA margin
(%)



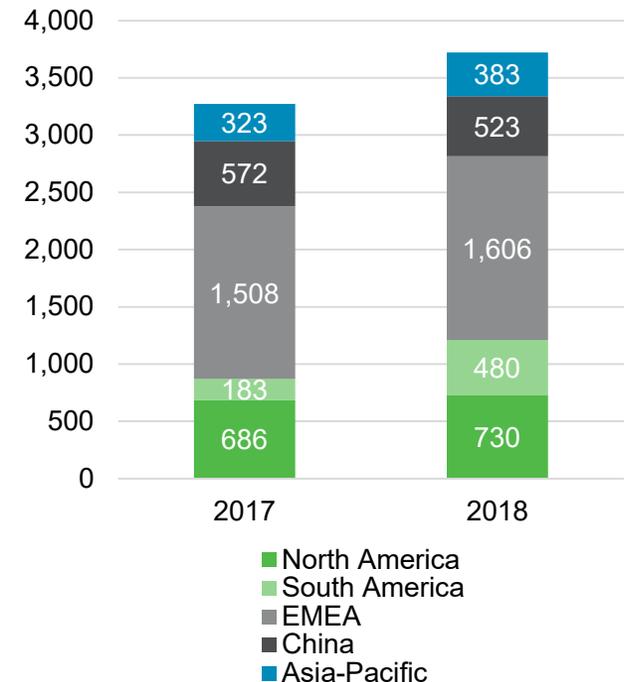
2013 figures on carve-out basis

Orders received increased to EUR 3,722 million in 2018

Orders received (EUR million)



Orders received by area (EUR million)

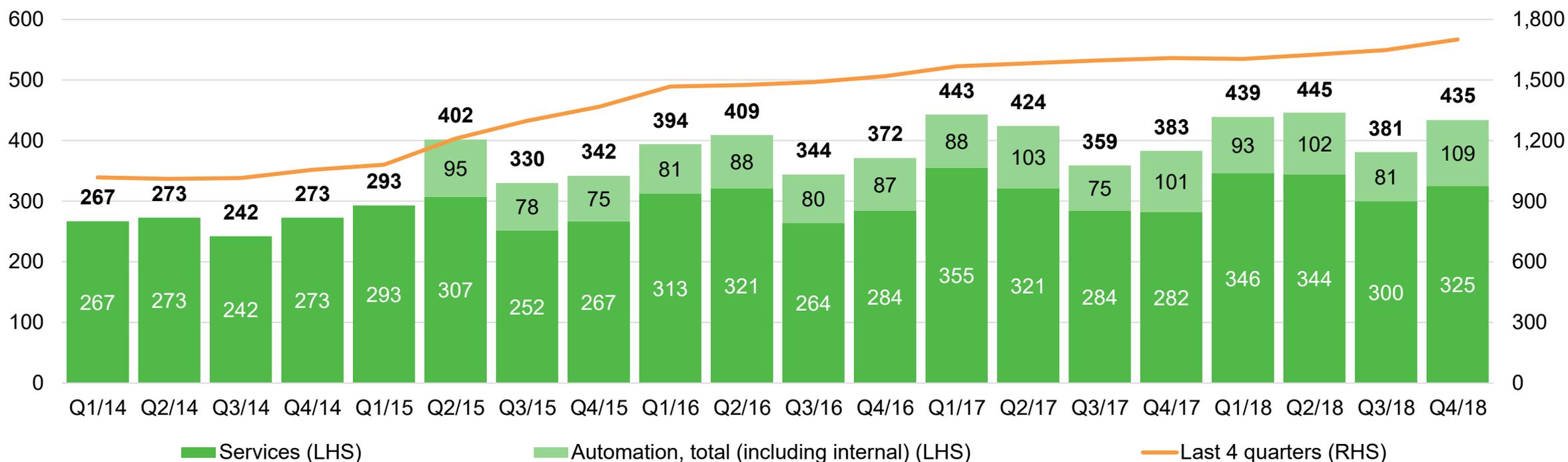


- In stable business, orders received increased to EUR 1.7 billion in 2018¹
- In capital business, orders received increased to EUR 2.1 billion in 2018
- Orders received increased in both emerging and developed markets in 2018
 - China, South America and Asia-Pacific together accounted for 37% of orders received

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

Stable business orders received totaled EUR 1,701 million in 2018

Orders received (EUR million) in stable business¹

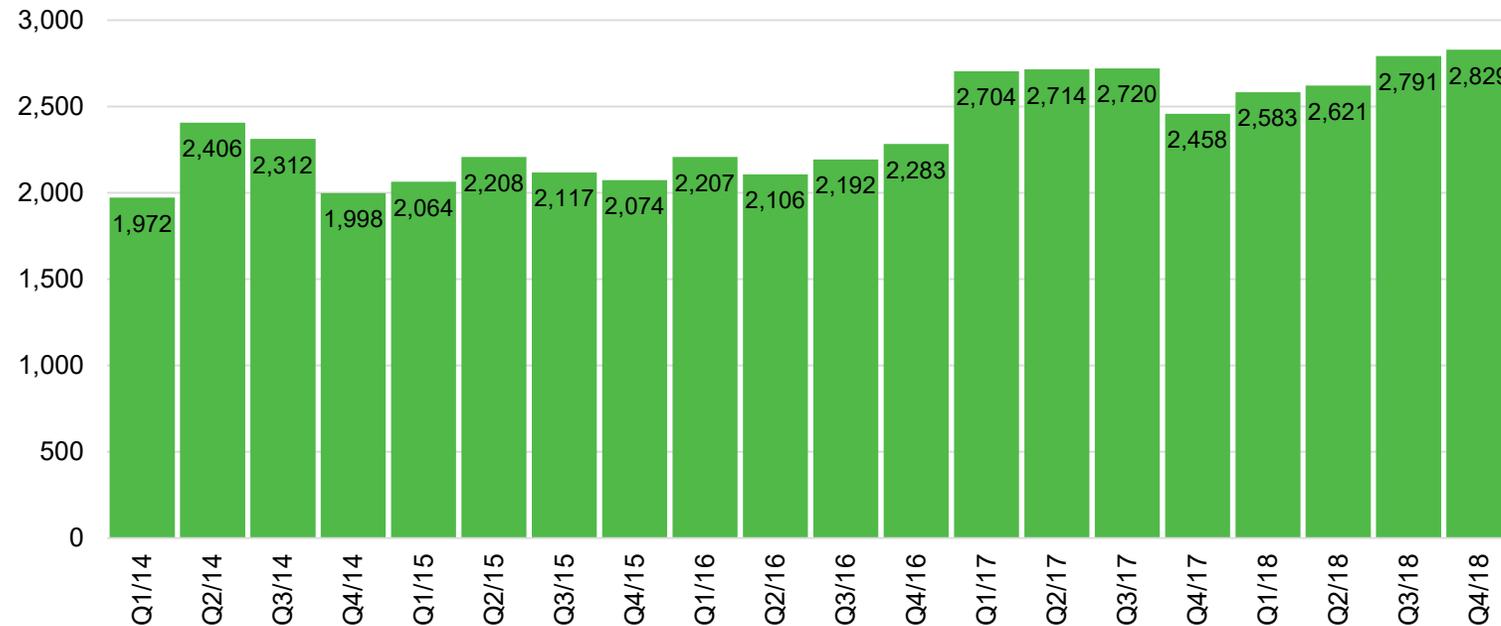


- Total orders received in stable business increased by EUR 92 million in 2018

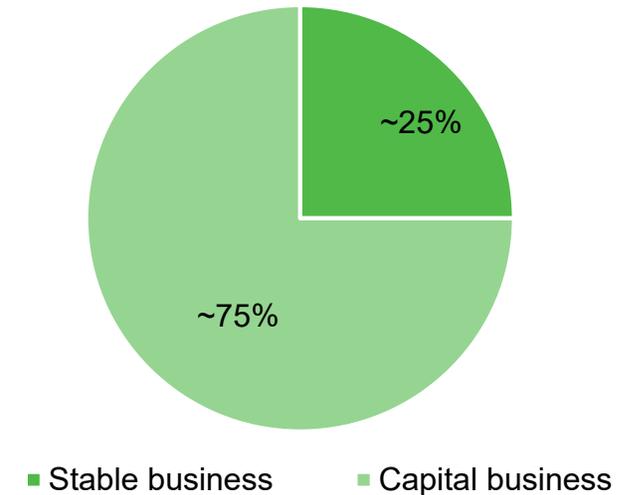
1) Including internal orders received for the Automation business line.

Order backlog at EUR 2,829 million at the end of 2018

Order backlog (EUR million)



Structure of order backlog



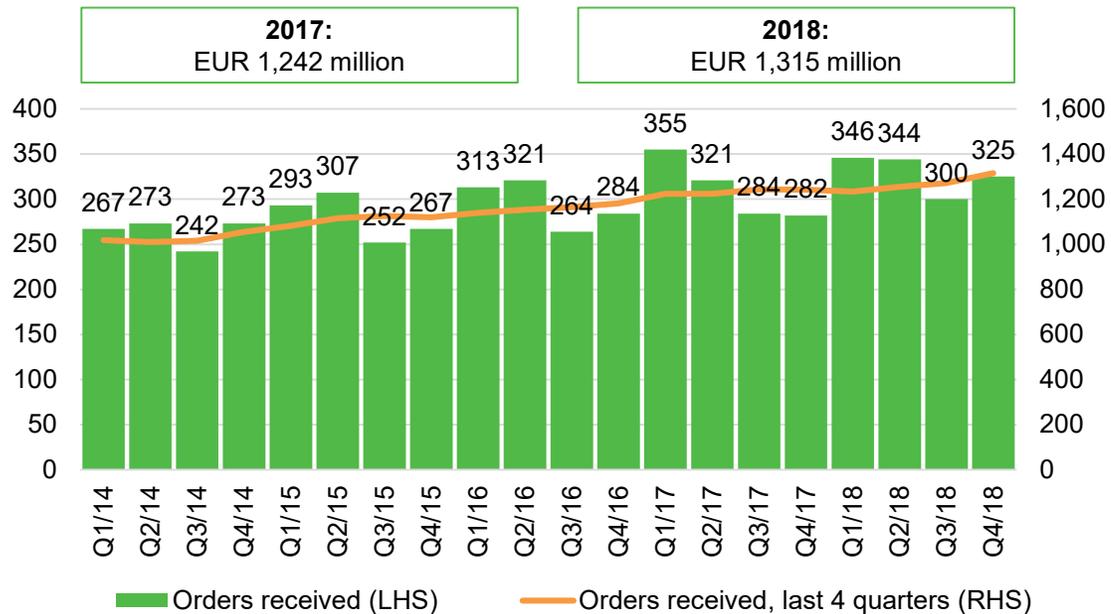
- Order backlog was EUR 37 million higher than at the end of Q3/2018
- Approximately 75% of the order backlog is currently expected to be realized as net sales during 2019 (at the end of 2017, ~80% during 2018)
- Approximately 25% of the order backlog relates to stable business (~25% at the end of 2017)



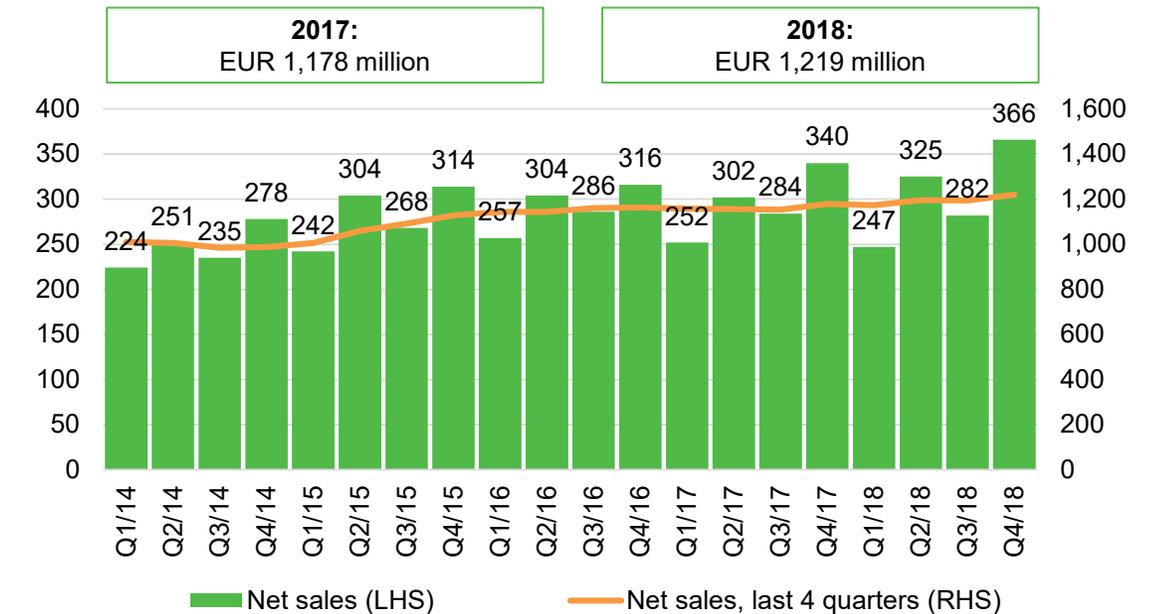
Development of the business lines

Services: Orders received increased to EUR 1,315 million in 2018

Orders received (EUR million)



Net sales (EUR million)



- Orders received increased compared with Q4/2017
 - Orders received increased in South America, China, North America and Asia-Pacific, and remained at the previous year's level in EMEA
 - Orders received increased in Mill Improvements, Rolls, Energy and Environmental, and Fabrics and remained at the previous year's level in Performance Parts
- Net sales increased compared with Q4/2017



Services business line in 2018

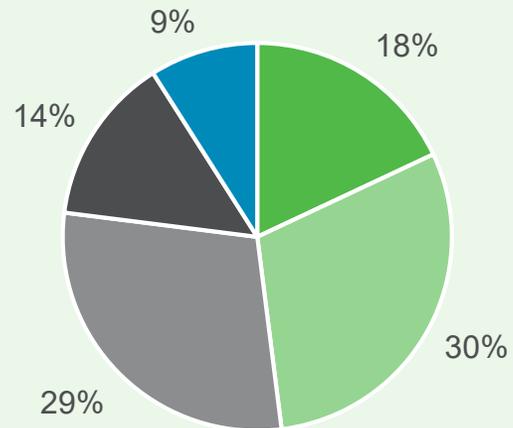
Orders received
EUR 1,315 million

Net sales
EUR 1,219 million

Employees
5,544

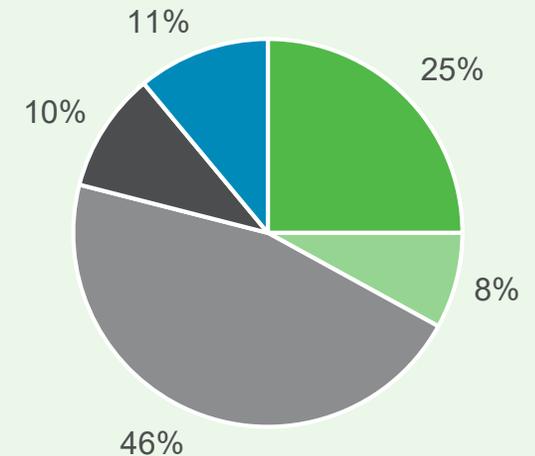
Market position
#1–2 Services

Orders received by business



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

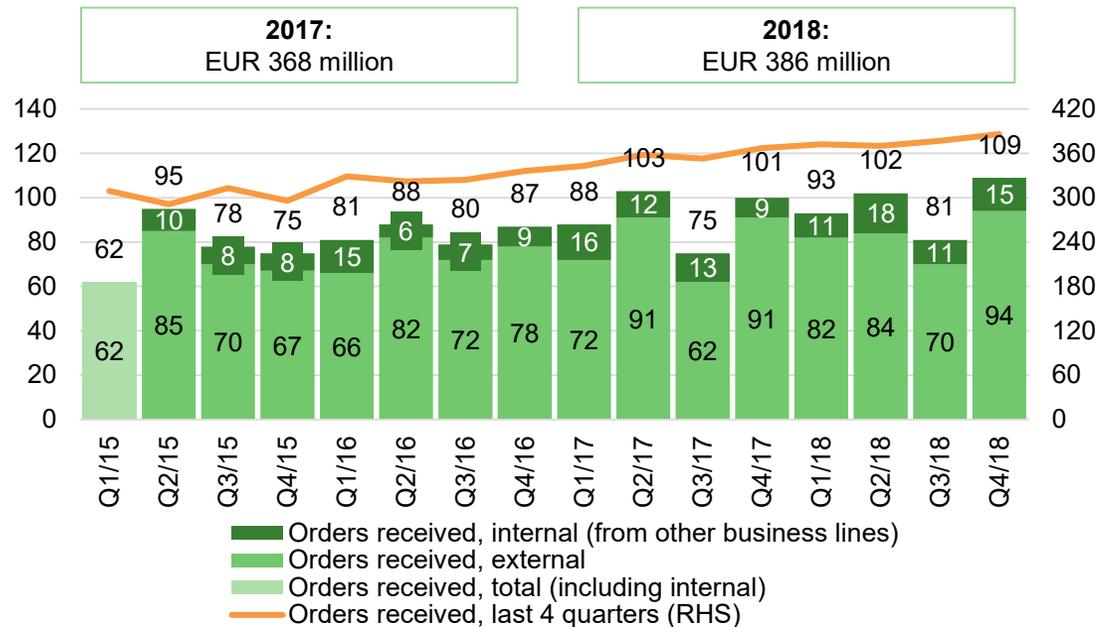
Orders received by area



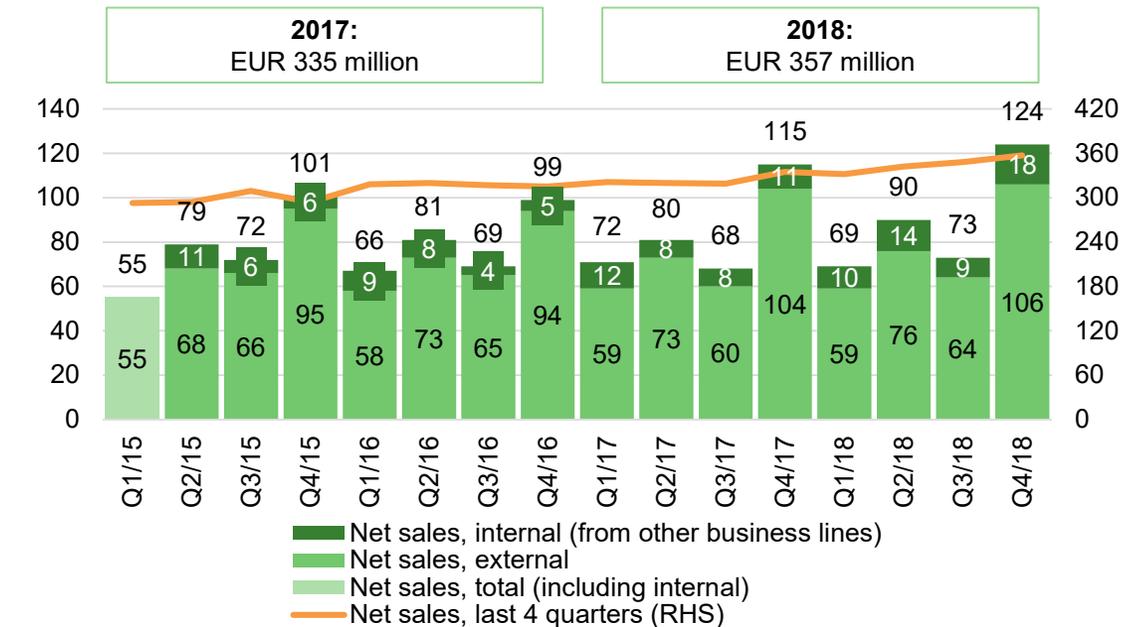
- North America
- South America
- EMEA
- China
- Asia-Pacific

Automation¹: Orders received remained at the previous year's level at EUR 386 million in 2018

Orders received² (EUR million)



Net sales² (EUR million)



- Orders received remained at the previous year's level compared with Q4/2017
 - Orders received increased in South America and EMEA, remained at the previous year's level in North America, and decreased in China and Asia-Pacific
 - Orders received increased in Energy and Process and remained at the previous year's level in Pulp and Paper
- Net sales remained at the previous year's level compared with Q4/2017



1) Comments refer to orders received and net sales including also internal orders received and net sales.

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.

Automation business line in 2018

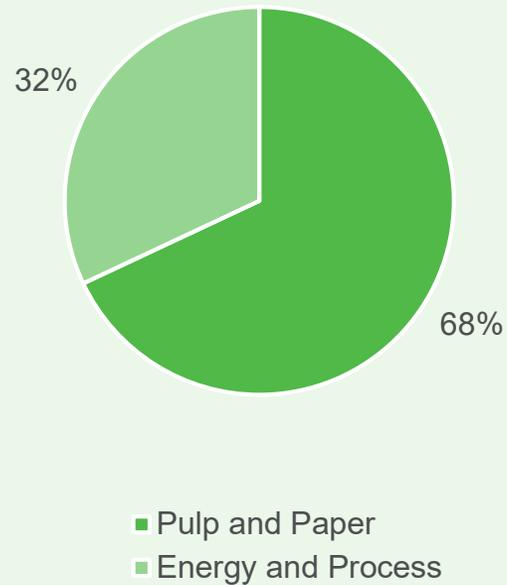
Orders received¹
EUR 386 million

Net sales¹
EUR 357 million

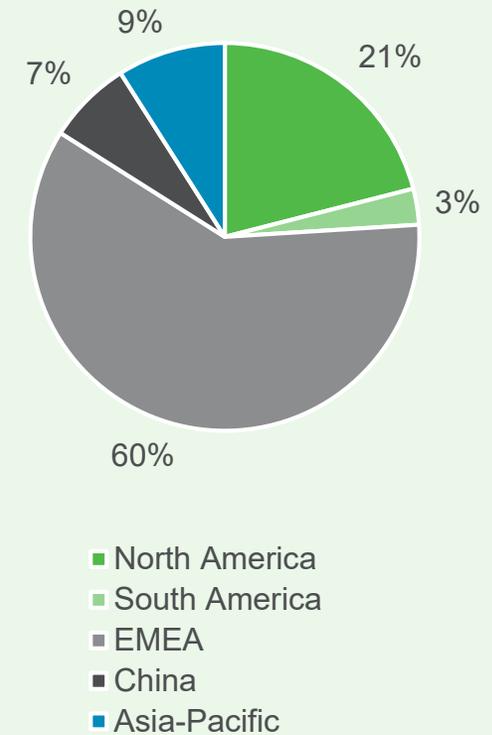
Employees
1,802

Market position
#1–2 Pulp and Paper
#2–4 Energy and Process

Orders received by business



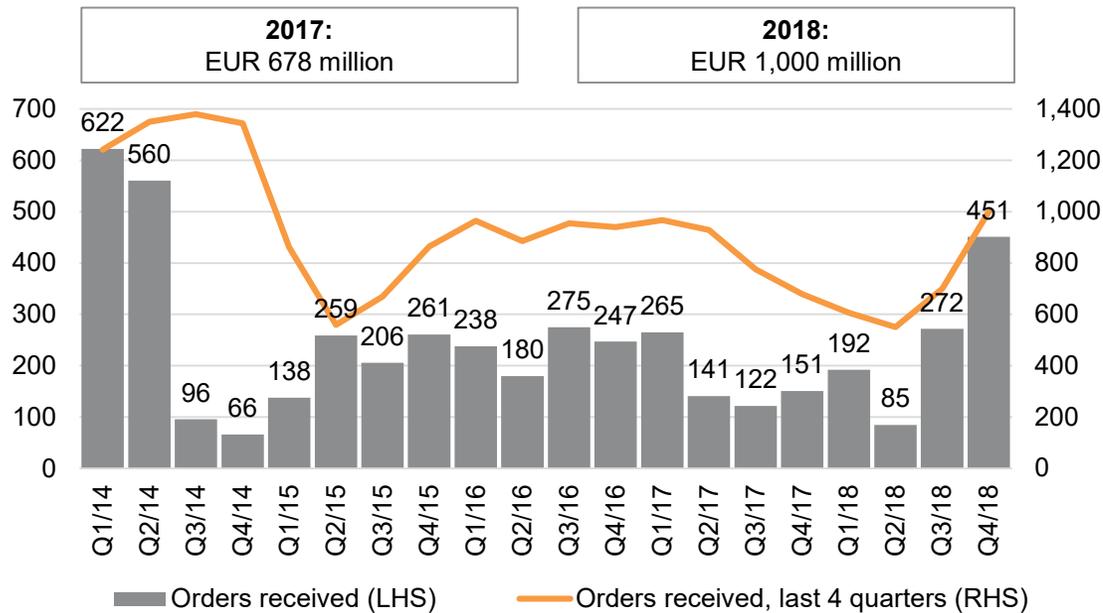
Orders received by area



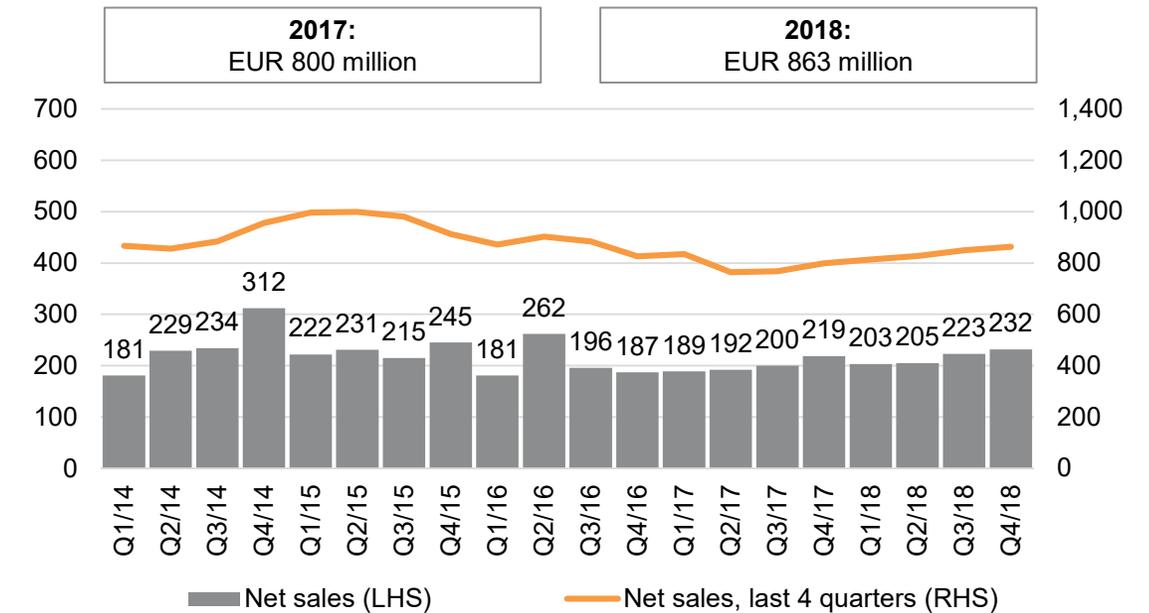
1) Orders received EUR 386 million includes internal orders received and net sales EUR 357 million includes internal net sales.

Pulp and Energy: Orders received increased to EUR 1,000 million in 2018

Orders received (EUR million)



Net sales (EUR million)



- Orders received increased compared with Q4/2017
 - Orders received increased in South America, Asia-Pacific and China, and decreased in North America and EMEA
 - Orders received increased in both Pulp and Energy
 - Approximately EUR 90 million of marine scrubber orders received in Q4/2018
- Net sales increased compared with Q4/2017



Pulp and Energy business line in 2018

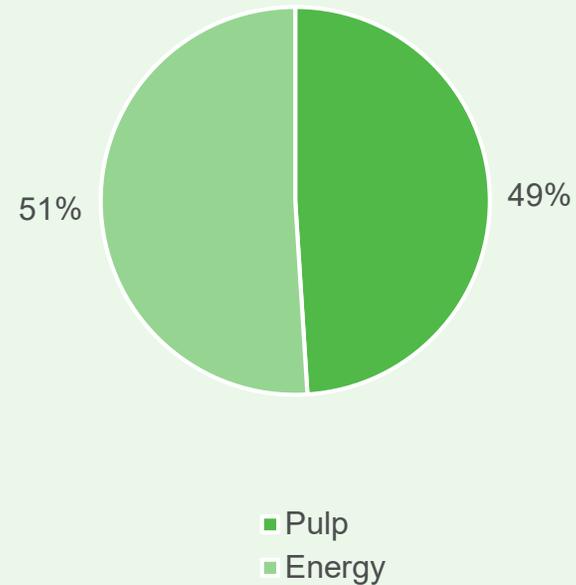
Orders received
EUR 1,000 million

Net sales
EUR 863 million

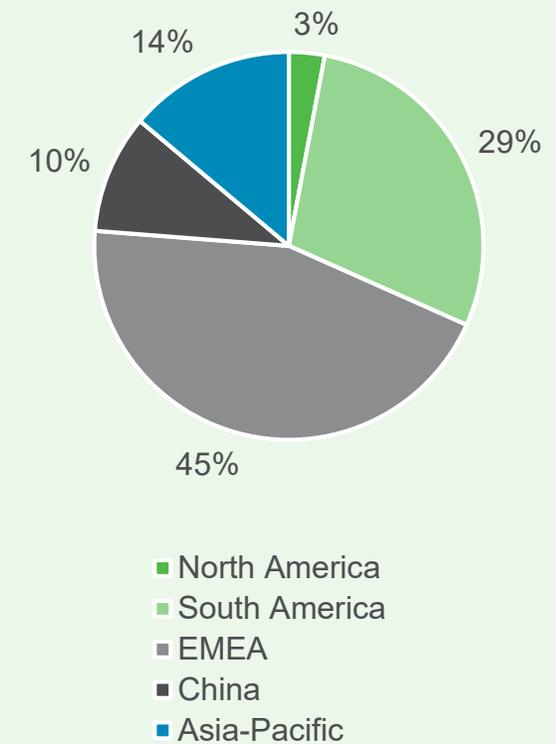
Employees
1,748

Market position
#1–2 Pulp
#1–3 Energy

Orders received by business

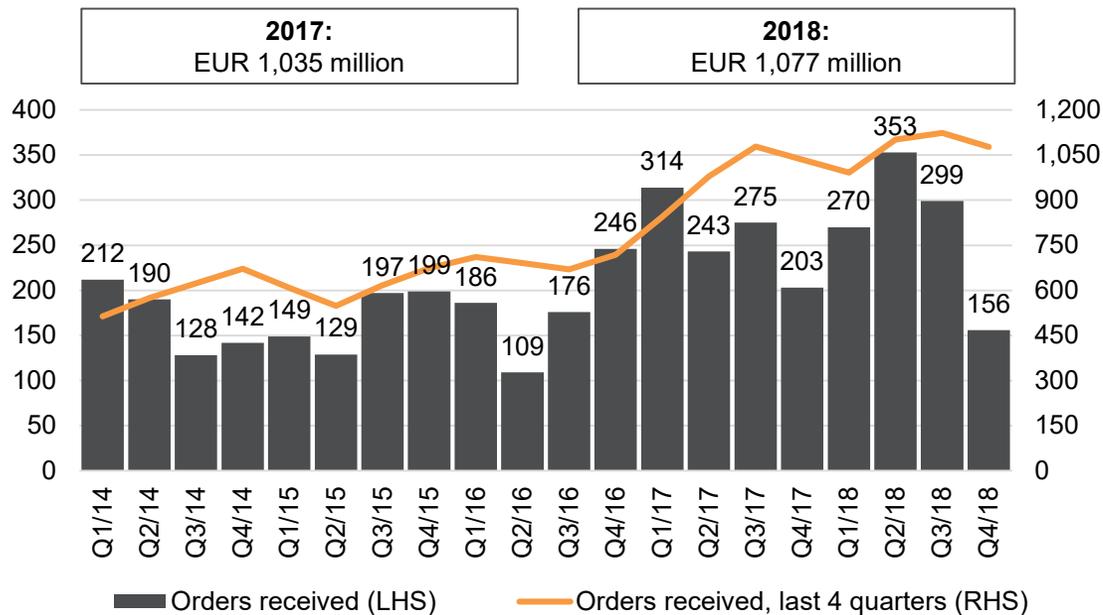


Orders received by area

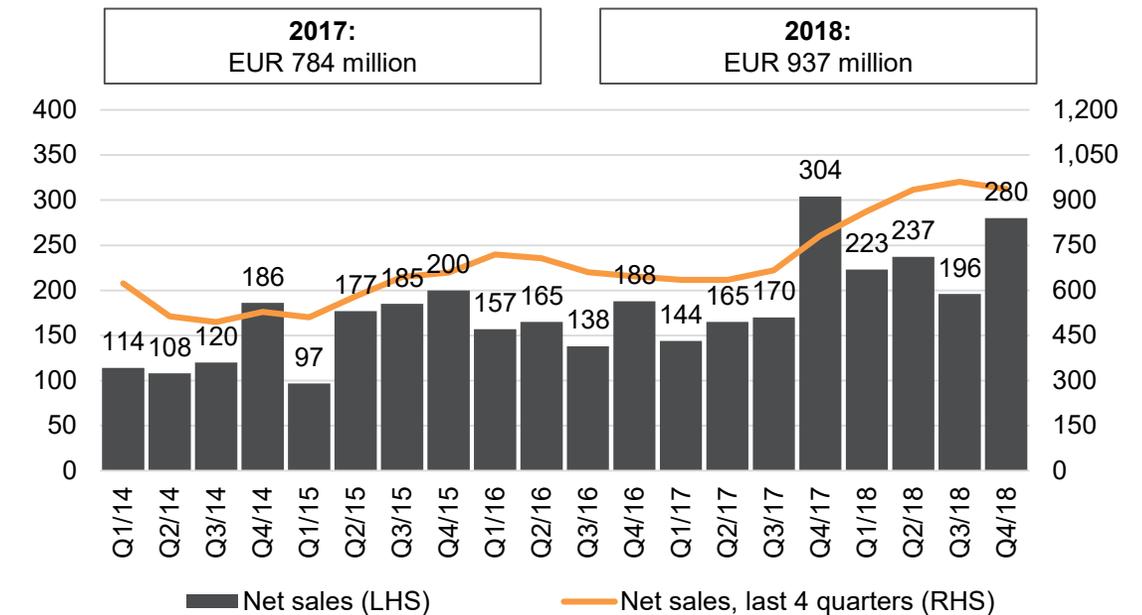


Paper: Orders received remained at the previous year's level and were EUR 1,077 million in 2018

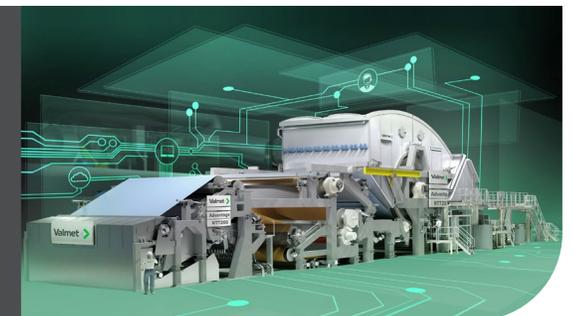
Orders received (EUR million)



Net sales (EUR million)



- Orders received decreased compared with Q4/2017
 - Orders received increased in EMEA and Asia-Pacific, remained at the previous year's level in South America and decreased in China and North America
 - Orders received remained at the previous year's level in Board and Paper, and decreased in Tissue
- Net sales decreased compared with Q4/2017



Paper business line in 2018

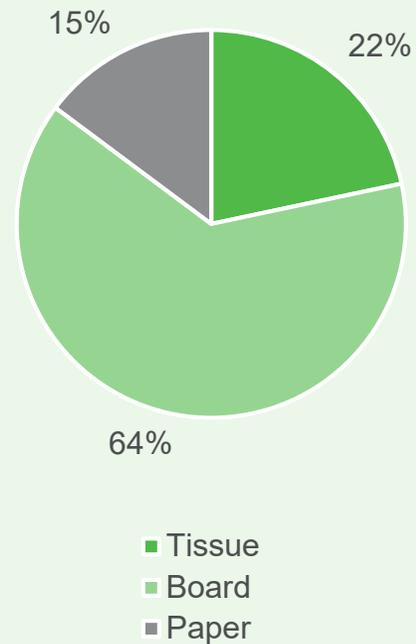
Orders received
EUR 1,077 million

Net sales
EUR 937 million

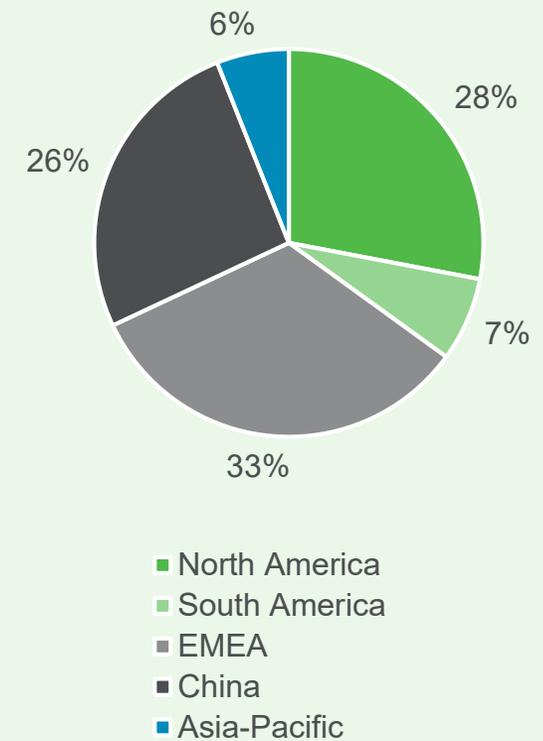
Employees
2,904

Market position
#1 Tissue
#1 Board
#1 Paper

Orders received by business



Orders received by area





Financial development

Q4/2018 in brief

- Orders received increased to EUR 435 million in stable business¹
- Orders received increased to EUR 606 million in capital business²
- Net sales remained at the previous year's level at EUR 984 million
- Order backlog increased to EUR 2.8 billion
- Comparable EBITA increased to EUR 113 million and margin was 11.5%
- Gearing was -23%

1) Stable business = Services business line and Automation business line. For Automation, this figure includes internal orders received from other business lines.

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

Key figures

EUR million	Q4/2018	Q4/2017	Change	2018	2017	Change
Orders received	1,026	727	41%	3,722	3,272	14%
Order backlog ¹	2,829	2,458	15%	2,829	2,458	15%
Net sales	984	967	2%	3,325	3,058	9%
Comparable EBITA	113	81	39%	257	218	18%
% of net sales	11.5%	8.4%		7.7%	7.1%	
EBITA	110	69	60%	241	202	20%
Operating profit (EBIT)	102	61	69%	211	170	24%
% of net sales	10.4%	6.3%		6.4%	5.6%	
Earnings per share, EUR	0.49	0.33	51%	1.01	0.81	25%
Return on capital employed (ROCE) before taxes ²				19%	14%	
Cash flow provided by operating activities	143	89	61%	284	291	-3%
Gearing ¹				-23%	-11%	

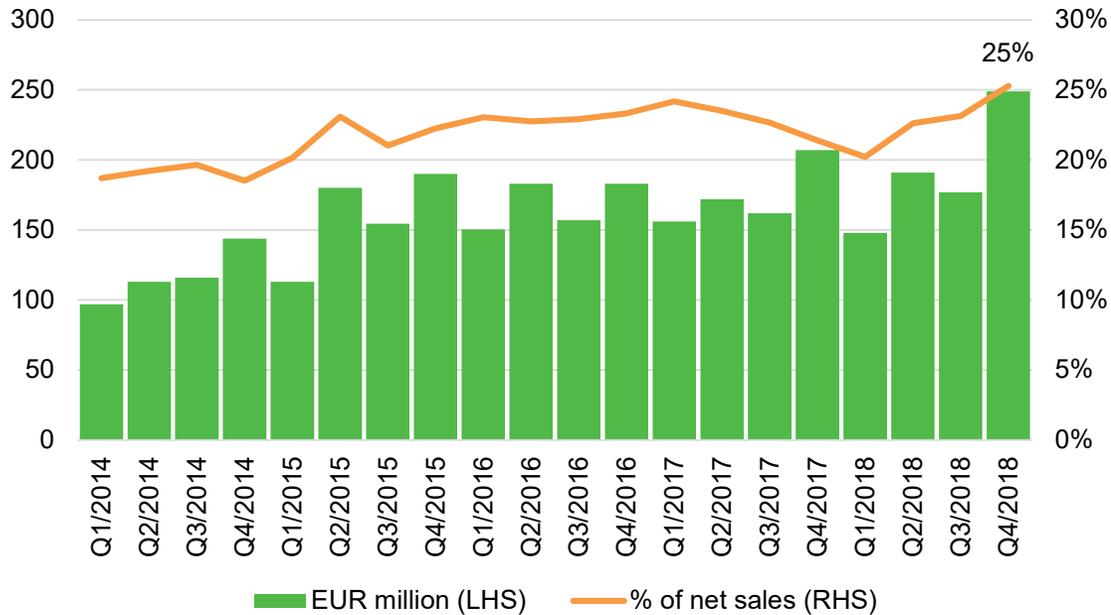
Items affecting comparability: EUR -3 million in Q4/2018 (EUR -12 million in Q4/2017), EUR -16 million in 2018 (EUR -17 million in 2017)

1) At the end of period

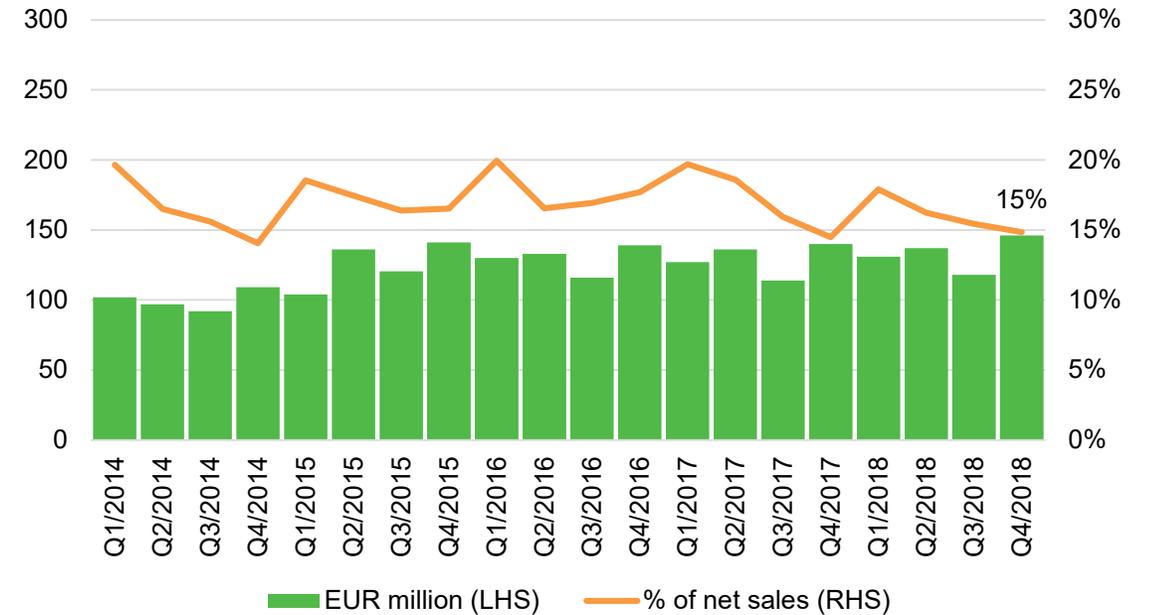
2) In the calculation of 2017 figures, non-restated data points from 2016 have been used.

Gross profit and SG&A development

Gross profit (EUR million and % of net sales)



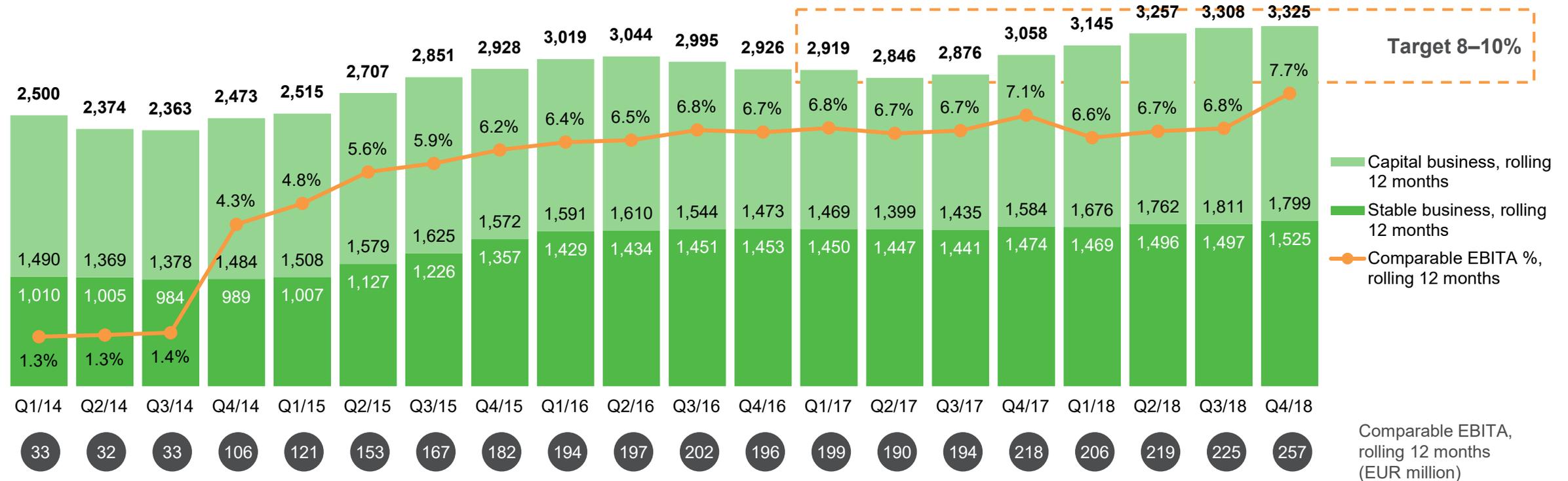
SG&A (EUR million and % of net sales)



- Gross profit was 25% of net sales (21% in Q4/2017)
 - Stable business had a higher share of net sales in Q4/2018
- Selling, general & administrative (SG&A) expenses increased by EUR 6 million
 - SG&A was 15% of net sales (15% in Q4/2017)

Comparable EBITA margin development

Net sales and Comparable EBITA, rolling 12 months (EUR million and %)¹

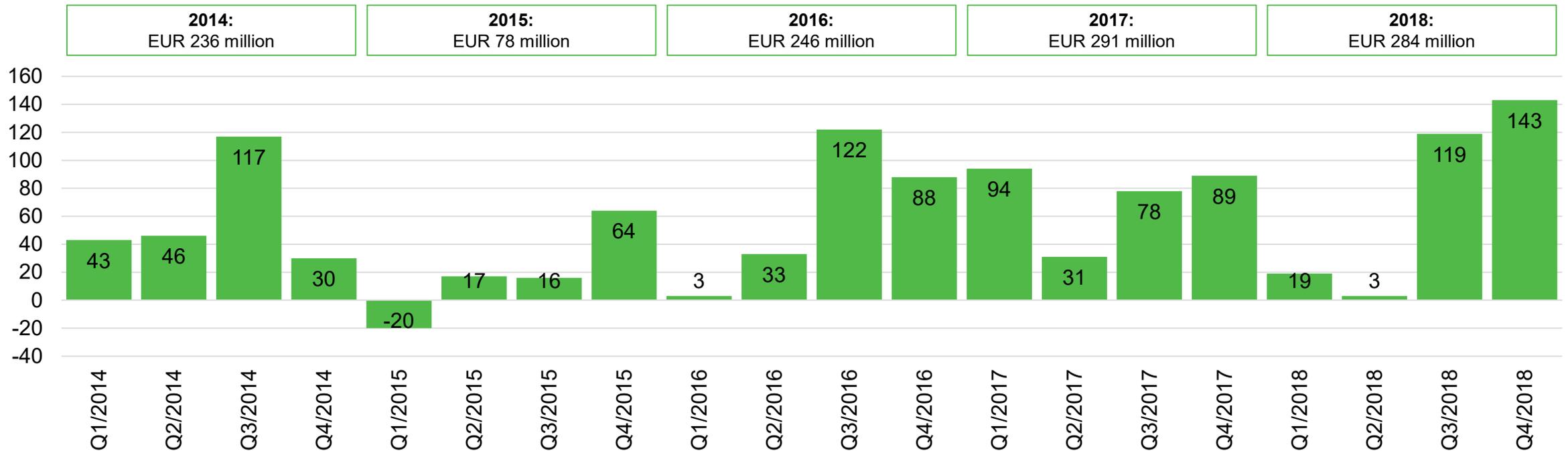


- Net sales remained at the previous year's level and Comparable EBITA increased compared with Q4/2017
 - Profitability improved due to higher gross profit and improved project execution.

1) Rolling 12 months. Carve-out figures for 2013 have been used in the calculation of Q1–Q3/2014 figures. In the calculation of 2017 figures, data points from 2016 that have not been restated have been used.

Cash flow provided by operating activities

Cash flow provided by operating activities (EUR million)

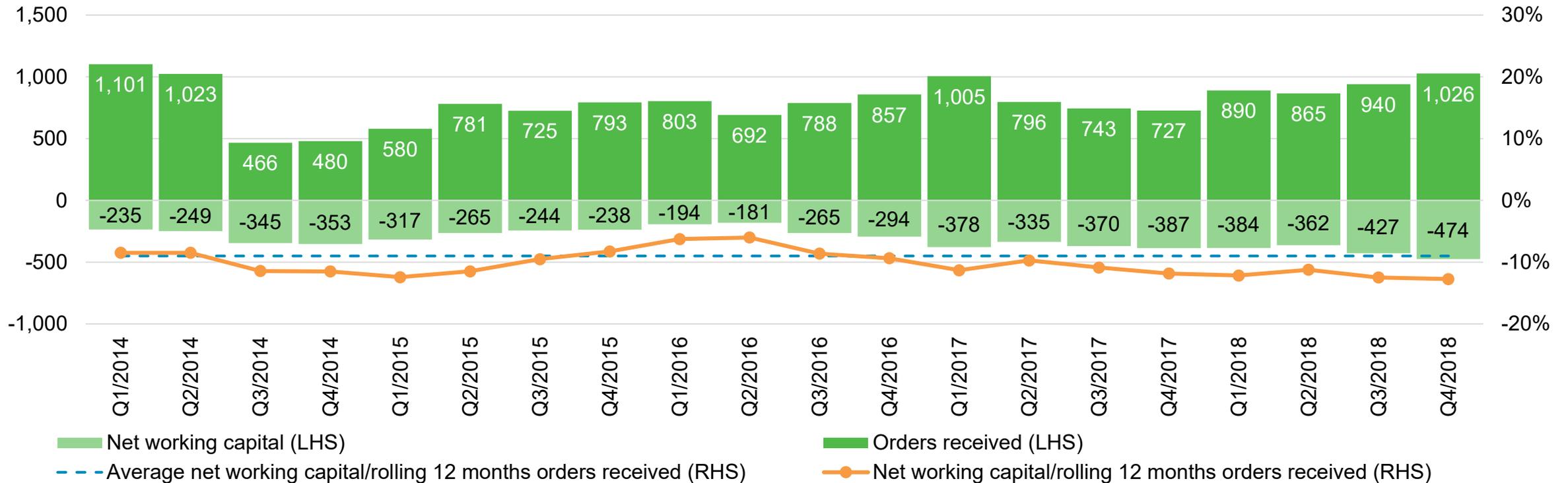


- Change in net working capital¹ EUR 51 million in Q4/2018
- Cash flow provided by operating activities EUR 143 million in Q4/2018
- CAPEX² EUR 22 million in Q4/2018

1) Change in net working capital in the consolidated statement of cash flows.
 2) Excluding business combinations.

Net working capital at -13% of rolling 12 months orders received

Net working capital and orders received (EUR million)

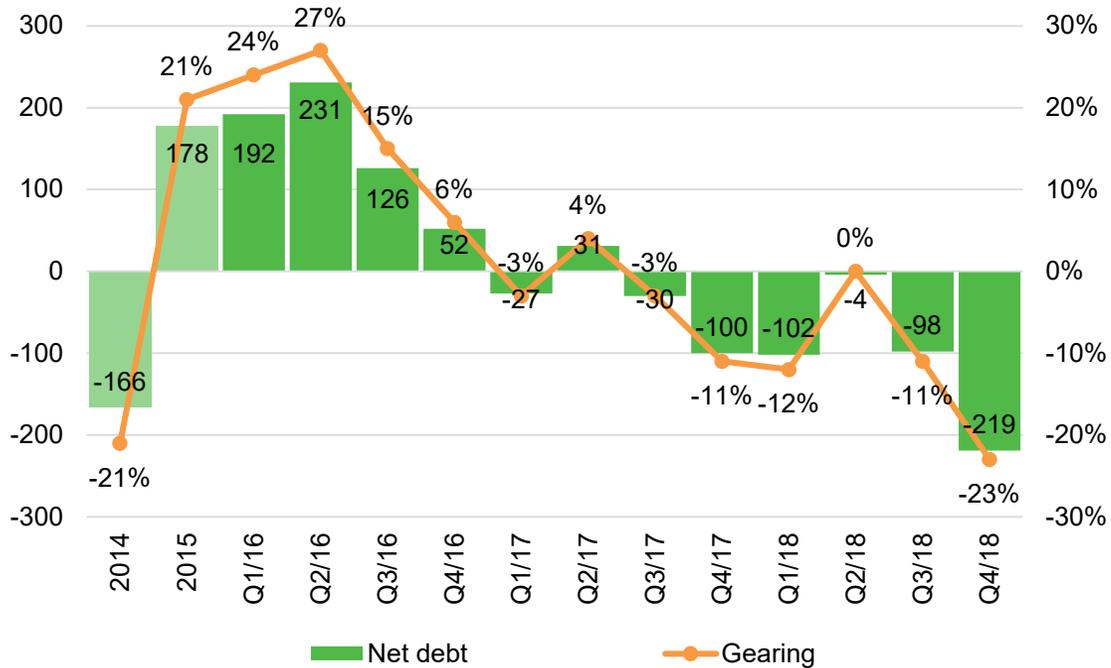


- Net working capital EUR -474 million, which equals -13% of rolling 12 months orders received

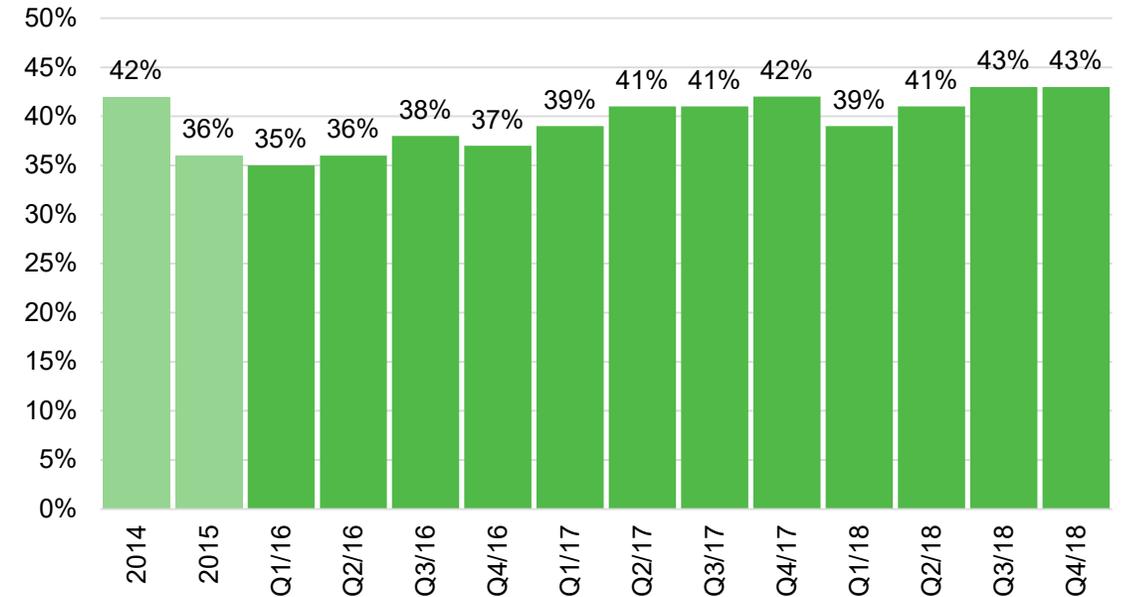
Net working capital excluding non-cash net working capital impact from dividend liability.

Net debt and gearing decreased compared with Q4/2017

Net debt (EUR million) and gearing (%)



Equity to assets ratio (%)

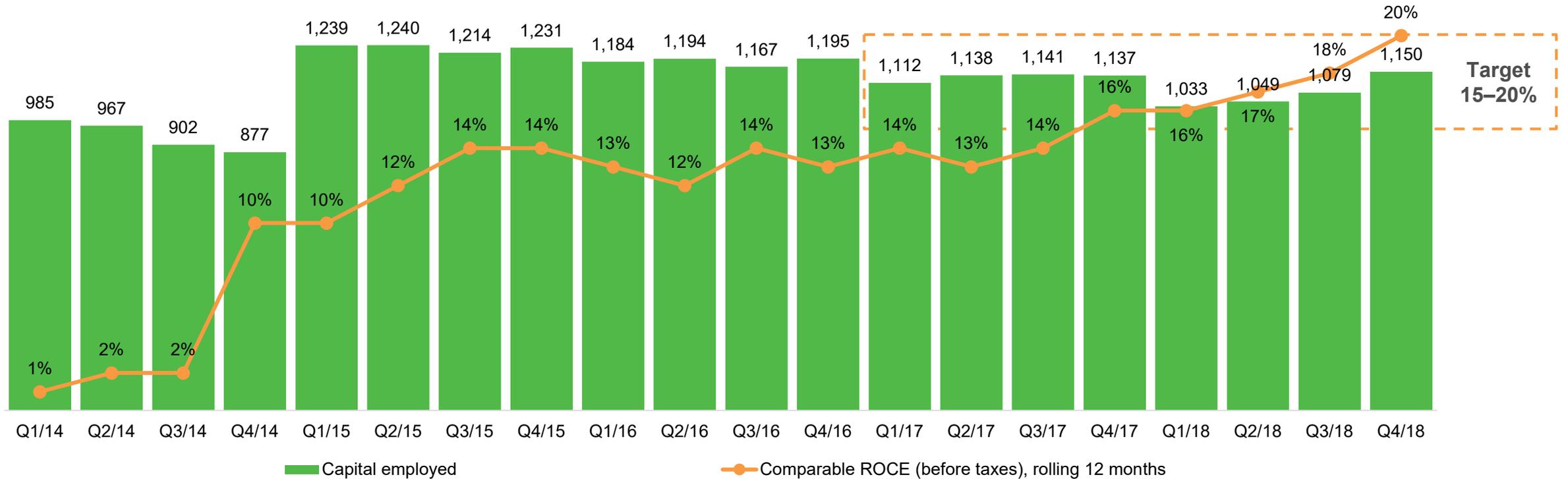


- Gearing (-23%) and net debt (EUR -219 million) decreased compared with both Q3/2018 and Q4/2017
- Equity to assets ratio increased compared with Q4/2017

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 (%)



- Target for Comparable return on capital employed (ROCE): 15–20%

1) Rolling 12 months. Carve-out figures for 2013 have been used in the calculation of Q1–Q3/2014 figures. In the calculation of 2017 figures, data points from 2016 that have not been restated have been used.



Dividend proposal, guidance and short-term market outlook

Dividend proposal

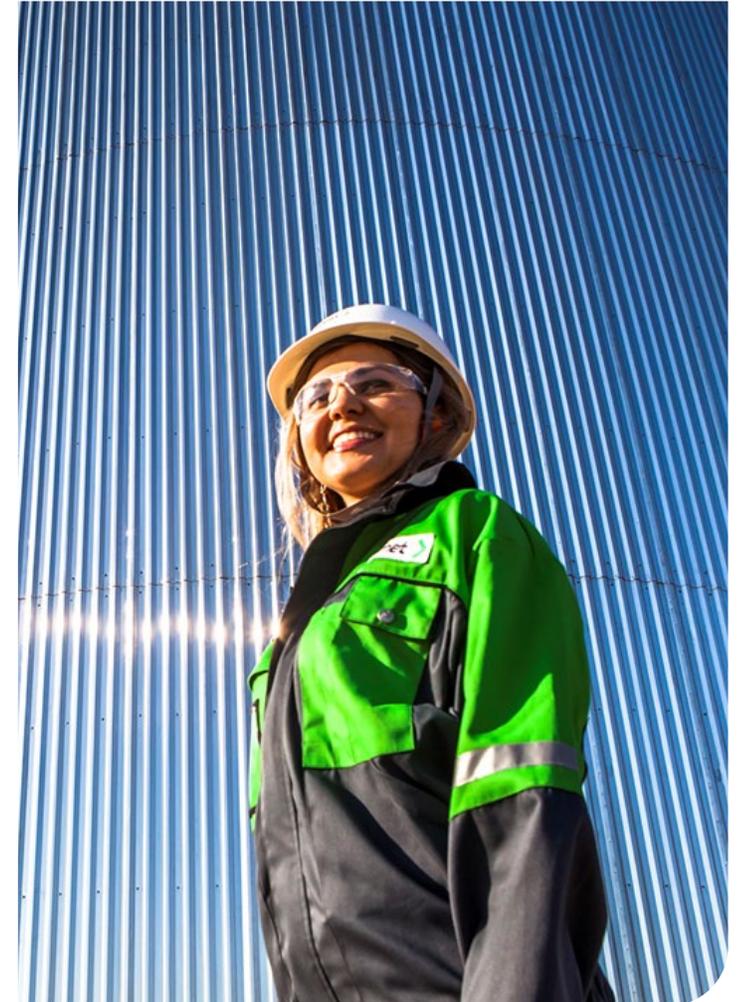
Dividend policy

- Dividend payout at least 50% of net profit

Board of Directors' dividend proposal to the Annual General Meeting

- EUR 0.65 per share

Dividend per share (euro)



Guidance and short-term market outlook

Guidance for 2019

Guidance 	Valmet estimates that net sales in 2019 will remain at the same level as in 2018 (EUR 3,325 million) and Comparable EBITA in 2019 will increase in comparison with 2018 (EUR 257 million).
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Short-term market outlook

		Q1/2018	Q2/2018	Q3/2018	Q4/2018
Services		Good	Good	Good	Good
Automation		Good	Good	Good	Good
Pulp and Energy	Pulp	Weak	Weak	Satisfactory	Satisfactory
	Energy	Satisfactory	Satisfactory	Satisfactory	Satisfactory
Paper	Board and Paper	Good	Good	Good	Good
	Tissue	Good	Good	Good	Satisfactory

The short-term market outlook is based on customer activity (50%) and Valmet's capacity utilization (50%) and is given for the next six months from the end of the respective quarter. The scale is 'weak-satisfactory-good'.



Summary of Financial Statements Review 2018

2018 in brief

- Orders received increased to EUR 1,701 million in stable business¹
- Orders received increased to EUR 2,077 million in capital business²
- Net sales increased to EUR 3,325 million
- Order backlog increased to EUR 2.8 billion
- Comparable EBITA increased to EUR 257 million and margin improved to 7.7%
- Gearing was -23%

2017 financials have been restated following the adoption of IFRS 15.

1) Stable business = Services business line and Automation business line. For Automation, this figure includes internal orders received from other business lines.

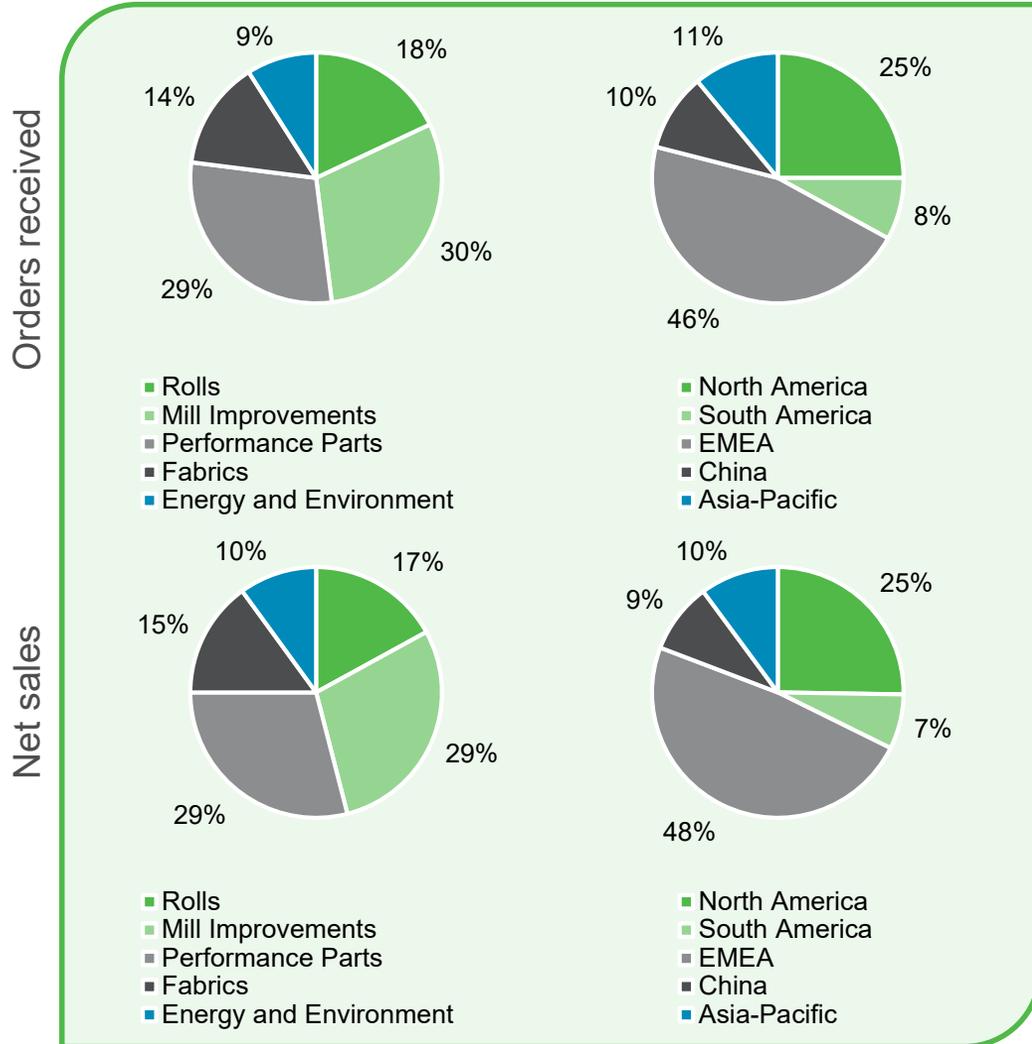
2) Capital business = Pulp and Energy business line and Paper business line



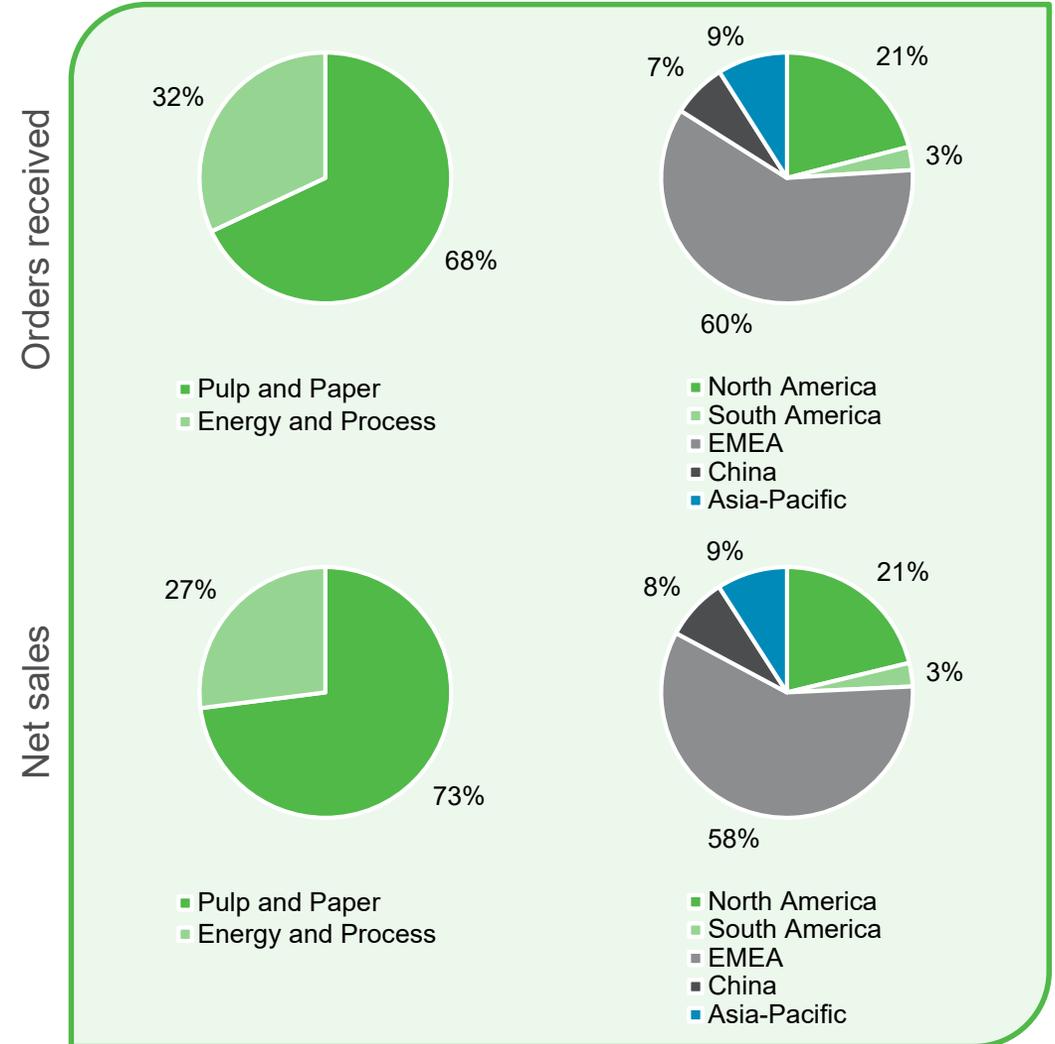
Appendix

Business lines in 2018: Stable business

Services business line

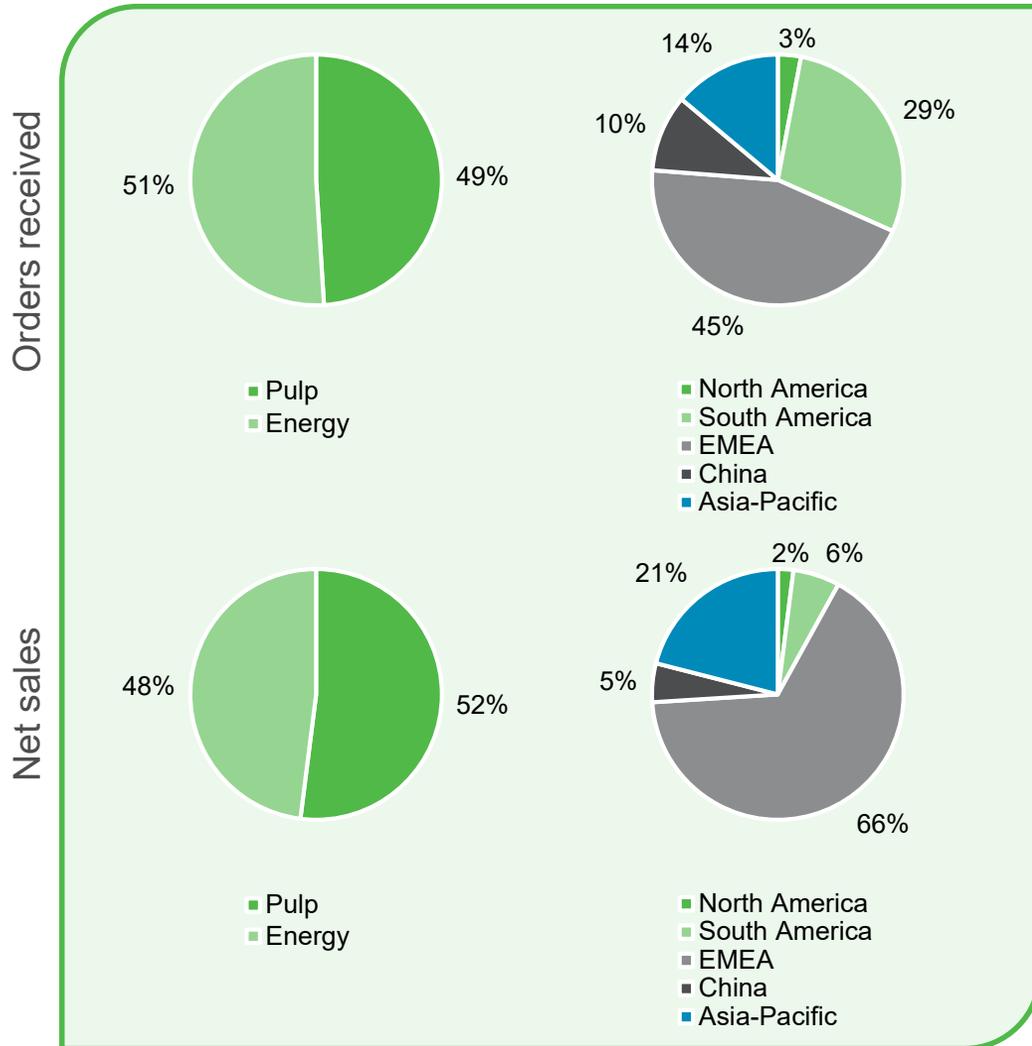


Automation business line

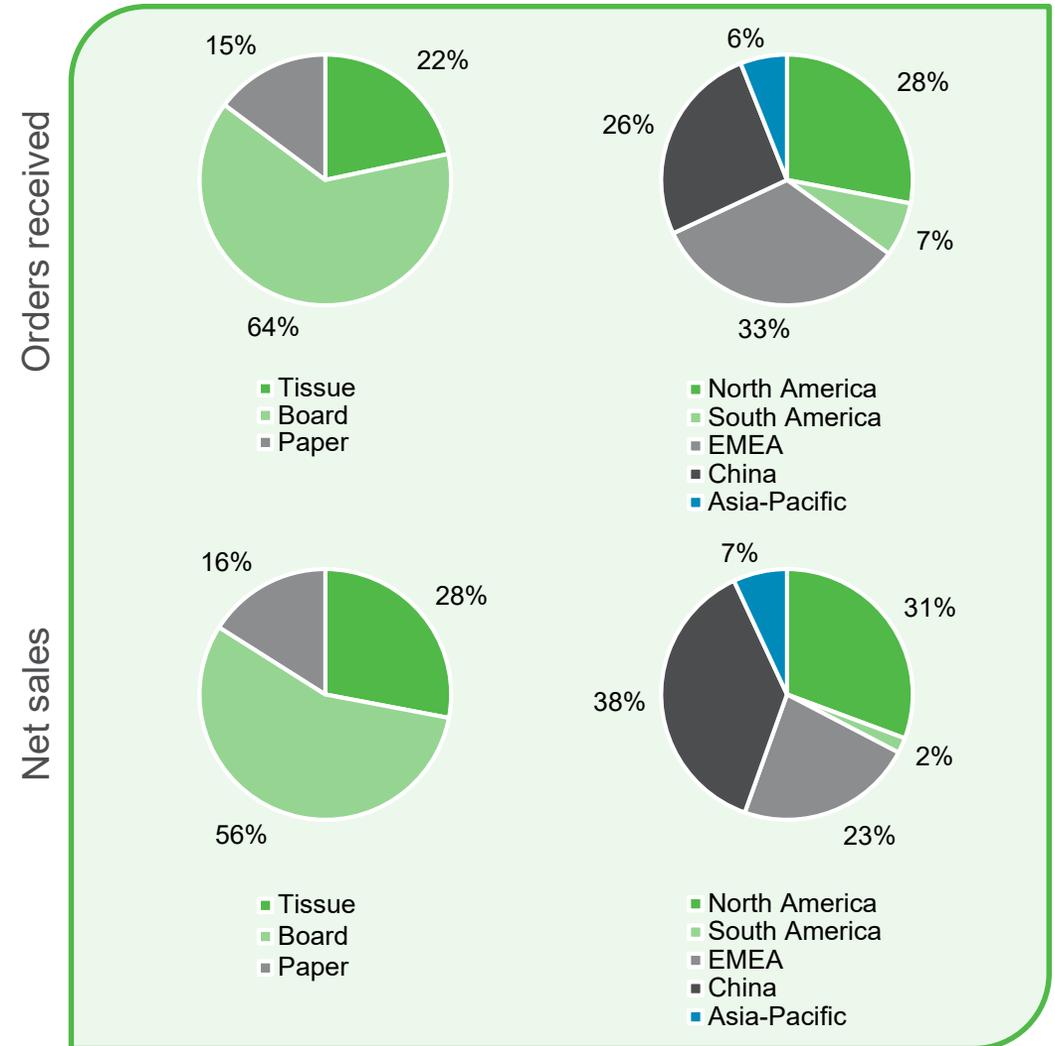


Business lines in 2018: Capital business

Pulp and Energy business line



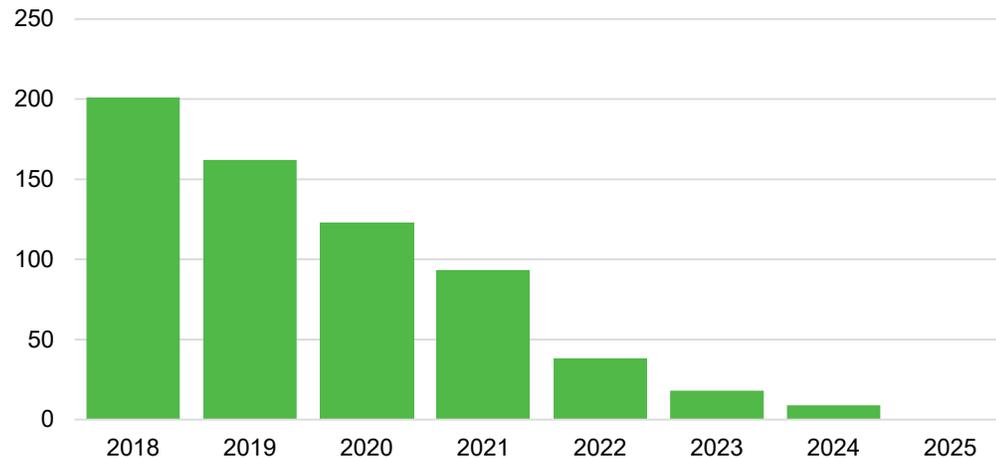
Paper business line



Structure of loans and borrowings

Interest-bearing debt EUR 201 million as at December 31, 2018

Amount of outstanding interest-bearing debt (EUR million)



- Average maturity of long-term loans is 3.7 years
- Average interest rate is 1.3%

Main financing sources and facilities

Source	Amount outstanding
Loans from banks and financial institutions	EUR 201 million
EUR 200 million committed 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 matures in January 2024.

Largest shareholders on December 31, 2018

Based on the information given by Euroclear Finland Ltd.

Largest holders	Number of shares	%
1 Solidium Oy ¹	16,695,287	11.14%
2 Varma Mutual Pension Insurance Company	4,165,465	2.78%
3 Elo Pension Company	3,600,000	2.40%
4 Ilmarinen Mutual Pension Insurance Company	3,040,000	2.03%
5 The State Pension Fund	1,545,000	1.03%
6 Keva	1,502,166	1.00%
7 Danske Invest funds	843,190	0.56%
8 Evli Funds	843,000	0.56%
9 Nordea Funds	742,705	0.50%
10 Mandatum Life Insurance Company Limited	739,656	0.49%
11 Odin Funds	674,945	0.45%
12 Sigrid Jusélius Foundation	610,865	0.41%
13 The Finnish Cultural Foundation	506,452	0.34%
14 Sijoitusrahasto Aktia Capital	500,000	0.33%
15 Evli Europe Fund	478,767	0.32%
16 Kaleva Mutual Insurance Company	456,970	0.31%
17 SEB Finlandia Investment Fund	439,172	0.29%
18 Foundation of Brita Maria Renlunds minne	423,000	0.28%
19 Veritas Pension Insurance Company Ltd.	396,408	0.27%
20 The Social Insurance Institution of Finland, KELA	396,316	0.26%
Total	38,599,364	25.76%

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

Shareholder structure on December 31, 2018



- Nominee registered and non-Finnish holders 54.2%
- Solidium Oy 11.1%
- Finnish private investors 12.6%
- Finnish institutions, companies and foundations 22.1%

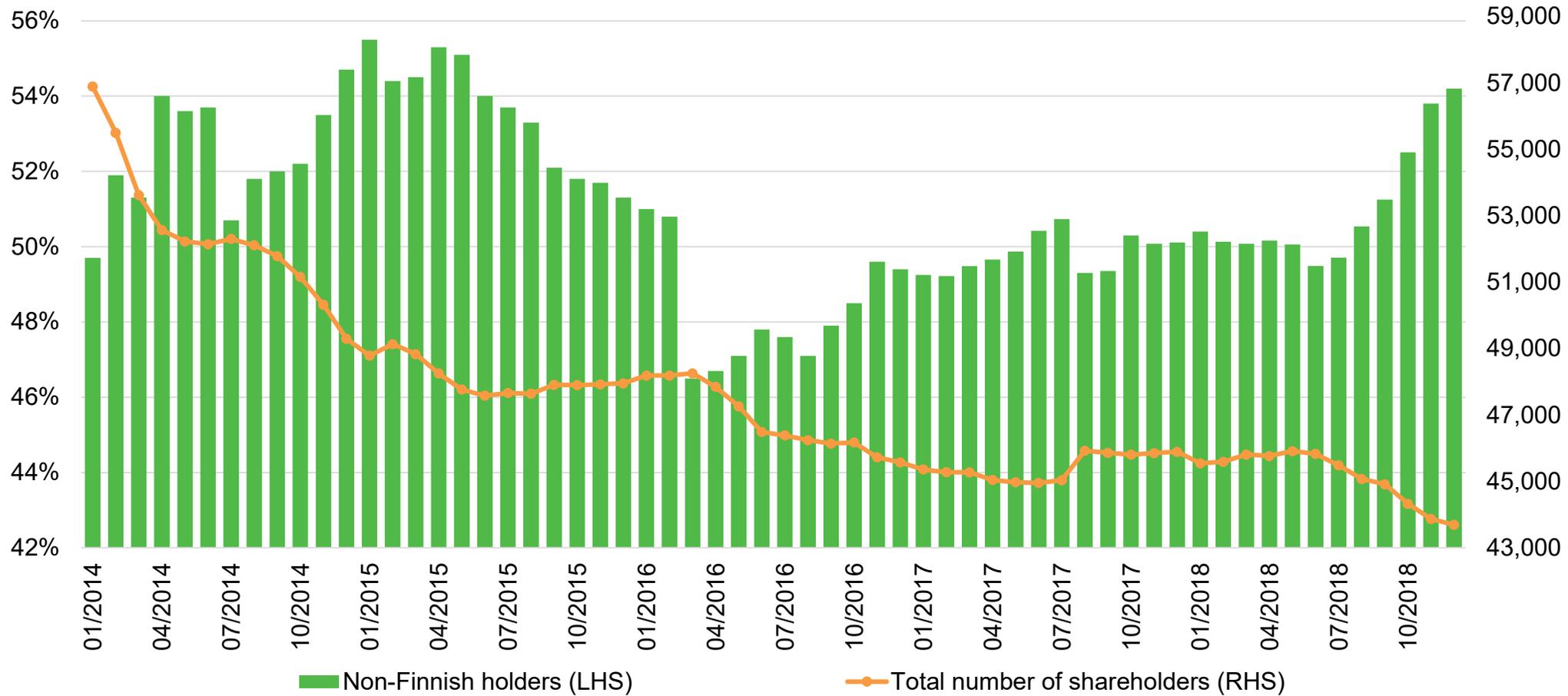
Sector	Number of shareholders	% of total shareholders	Number of shares	% of shares
Nominee registered and non-Finnish holders ¹	332	0.77%	81,221,483	54.20%
Finnish institutions, companies and foundations	2,219	5.08%	33,098,337	22.09%
Solidium Oy ²	0	0.00%	16,695,287	11.14%
Finnish private investors	41,141	94.16%	18,841,432	12.57%
On issuer account	0	0.00%	8,080	0.00%
Total:	43,692	100.00%	149,864,619	100.00%

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

1) Of which 79,703,198 nominee registered shares

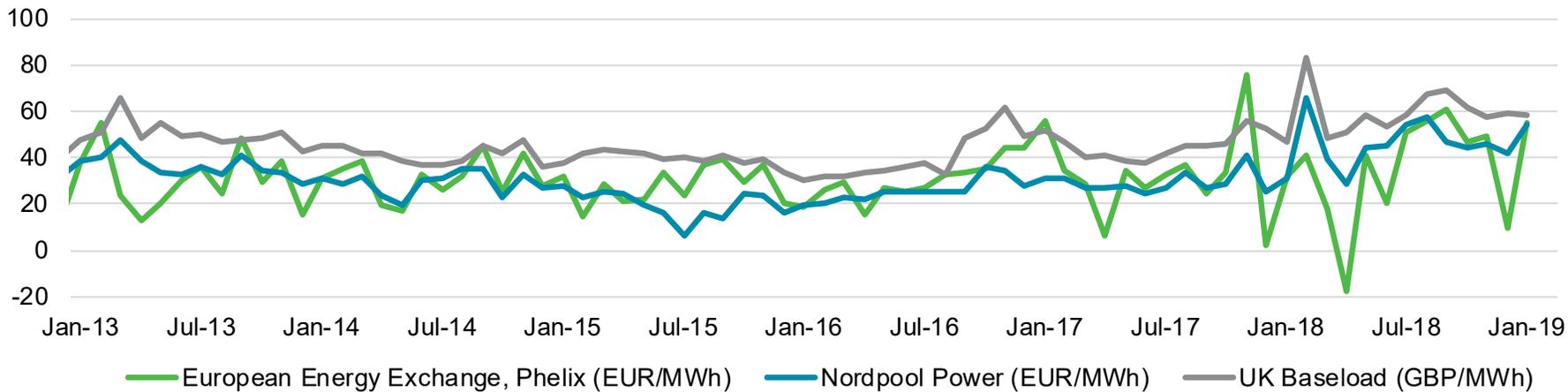
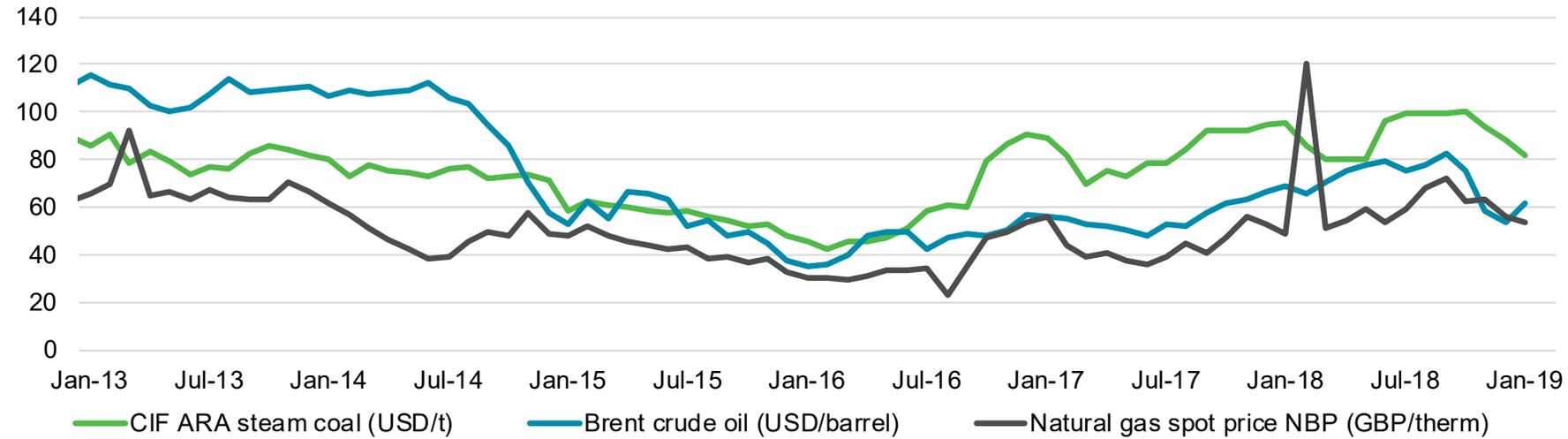
2) A holding company that is wholly owned by the Finnish State

Share of non-Finnish holders and number of shareholders



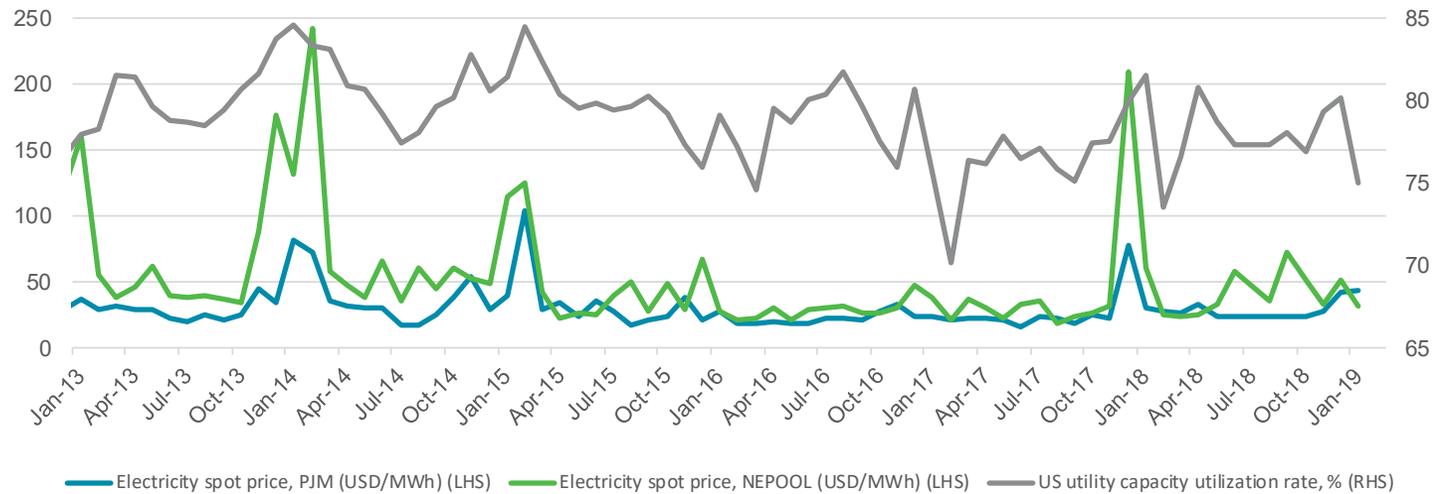
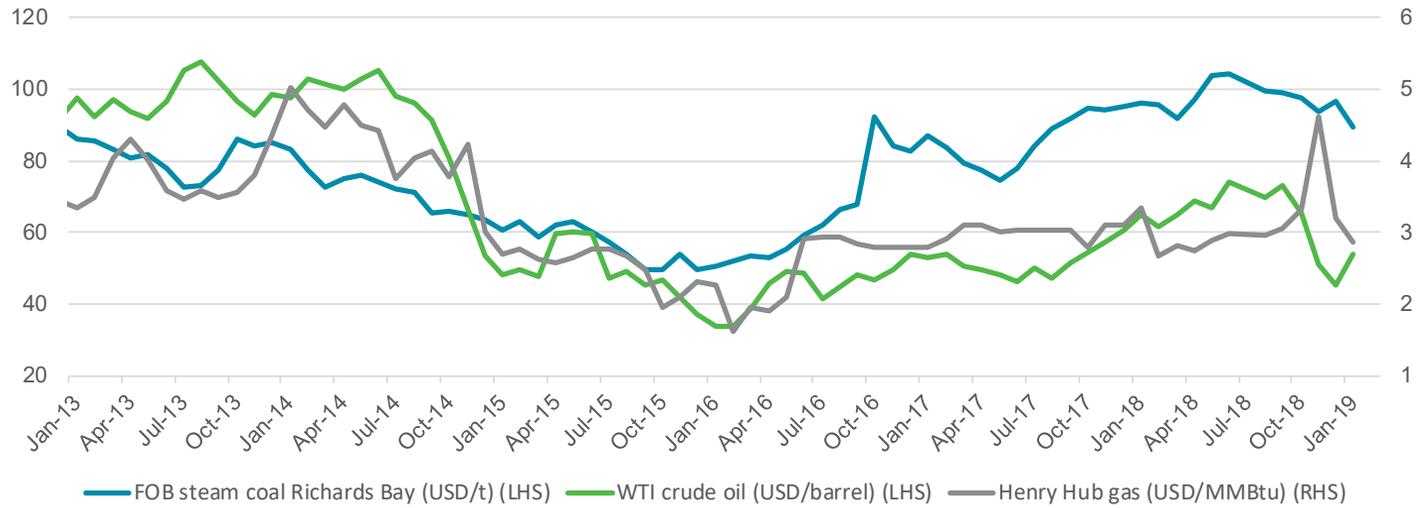
Crude oil, steam coal, natural gas and electricity

Europe



Crude oil, steam coal, natural gas and electricity

United States



European Carbon Emission Allowance



Important notice

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