

# Orders received increased in Paper and Services – Comparable EBITA increased

Half Year Financial Review,  
January–June 2018

*July 25, 2018*

Pasi Laine, President and CEO

Kari Saarinen, CFO

# Agenda

## Half Year Financial Review, January–June 2018

- 1 Q2/2018 in brief
- 2 Development of the business lines
- 3 Financial development
- 4 Guidance and short-term market outlook
- 5 Summary of Q2/2018
- 6 Appendix



# Q2/2018 in brief

# Q2/2018 in brief

- Orders received increased to EUR 445 million in stable business<sup>1</sup>
- Orders received increased to EUR 438 million in capital business<sup>2</sup>
- Net sales increased to EUR 844 million
- Order backlog remained at the previous year's level at EUR 2.6 billion
- Comparable EBITA increased to EUR 61 million and margin was 7.2%
- Gearing was 0%

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 Q2/2018

**Orders received**  
EUR 865 million

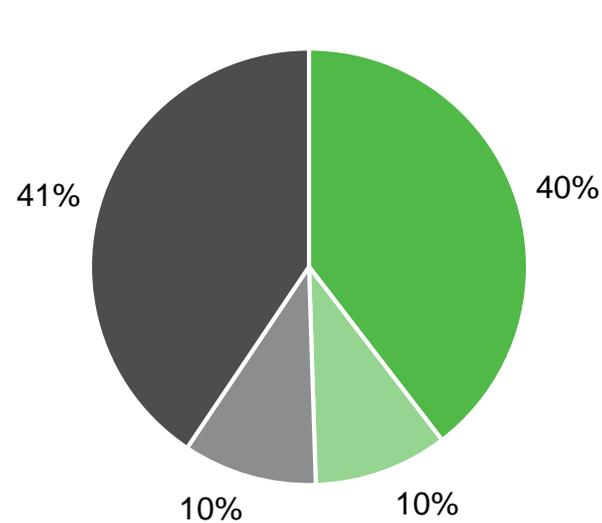
**Net sales**  
EUR 844 million

**Comparable EBITA**  
EUR 61 million

**Comparable EBITA margin**  
7.2%

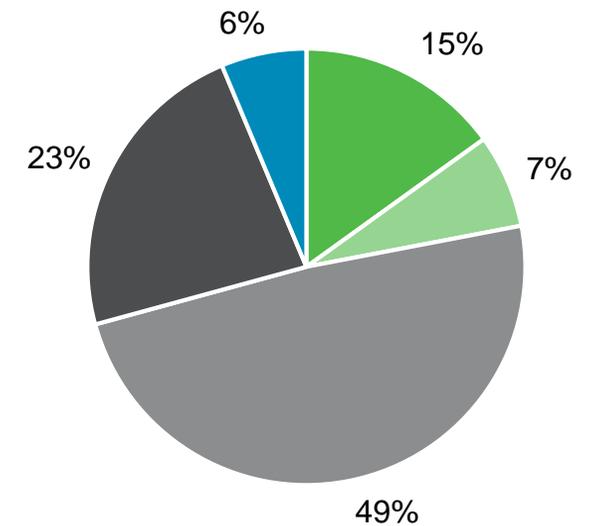
**Employees**  
12,668

Orders received by business line



- Services
- Automation
- Pulp and Energy
- Paper

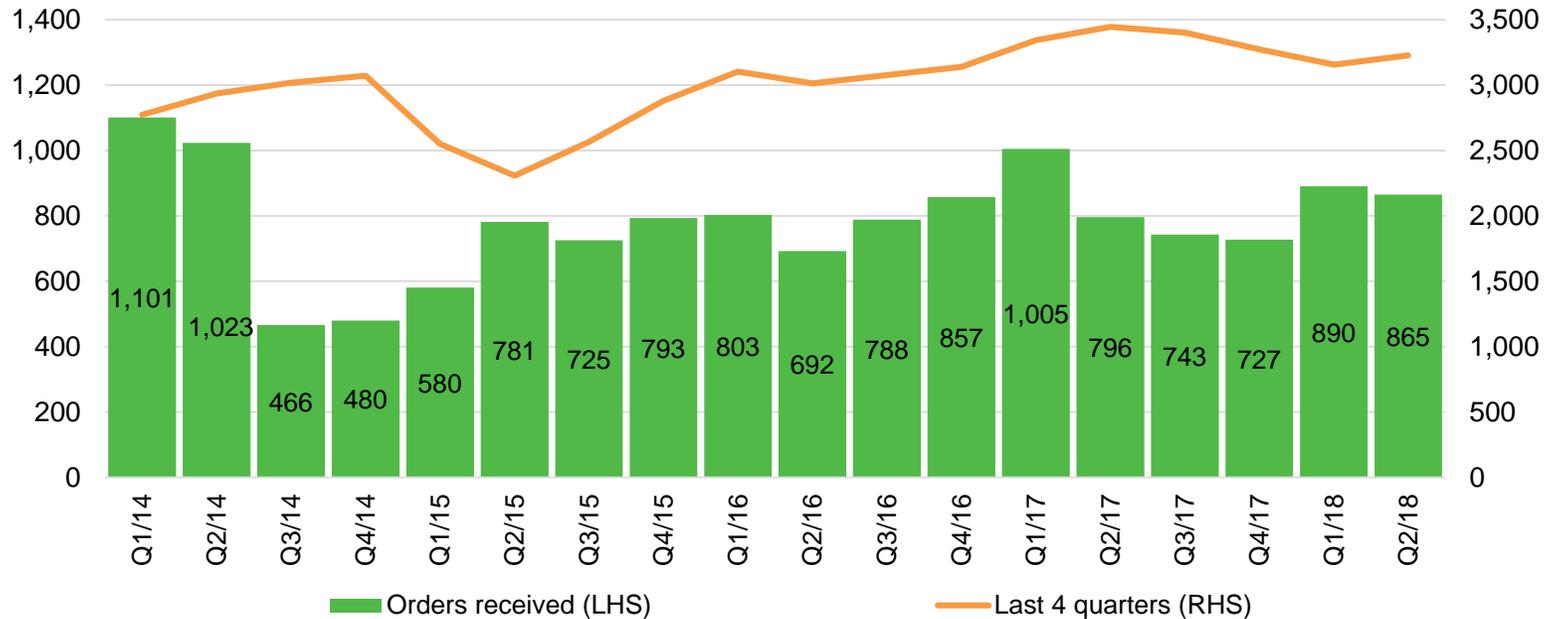
Orders received by area



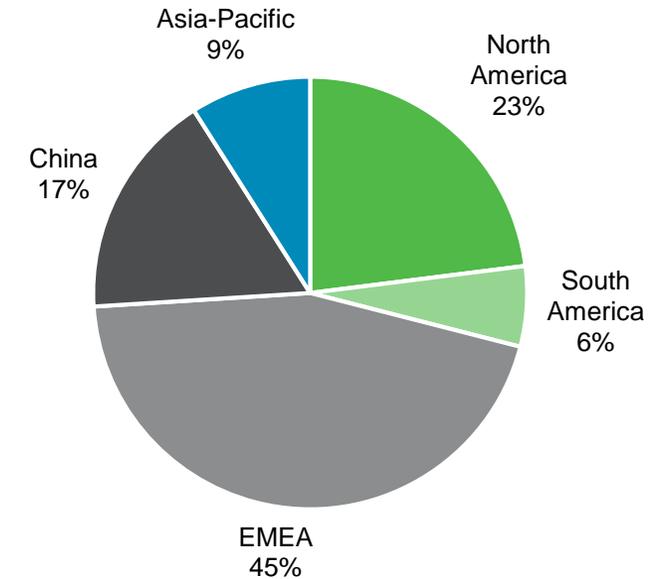
- North America
- South America
- EMEA
- China
- Asia-Pacific

# Orders received increased to EUR 865 million in Q2/2018

Orders received (EUR million)



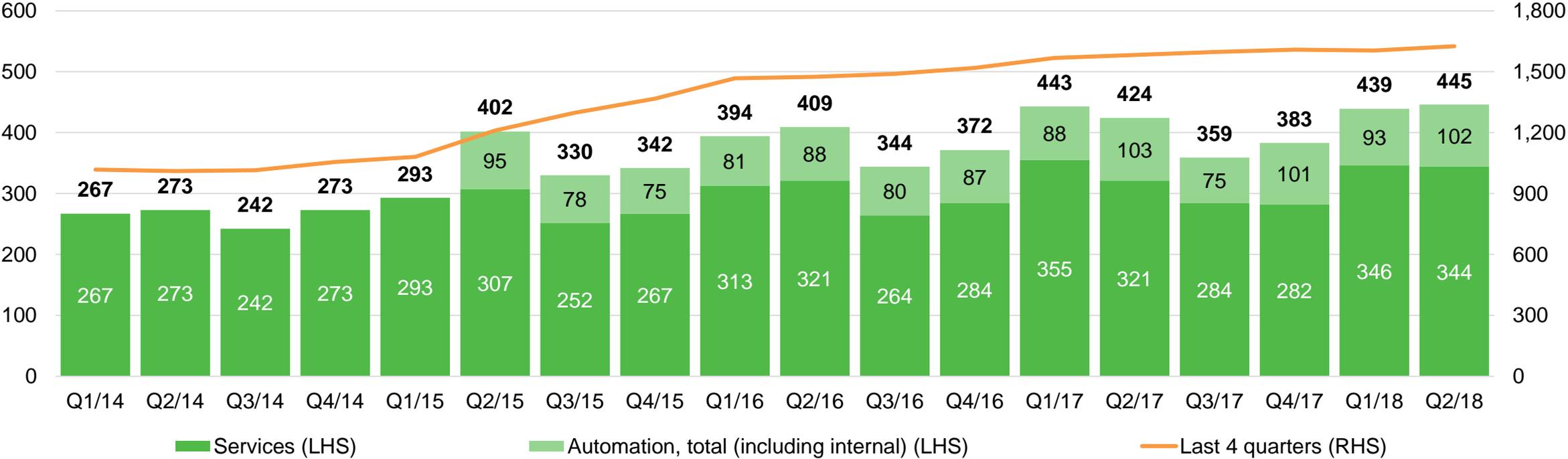
Orders received in Q1–Q2/2018 by area



- In stable business, orders received increased to EUR 445 million in Q2/2018
- In capital business, orders received increased to EUR 438 million in Q2/2018
- EMEA and North America accounted for 67% of orders received during first half of the year

# Stable business orders received totaled EUR 1,626 million during the last four quarters

Orders received (EUR million) in stable business<sup>1</sup>



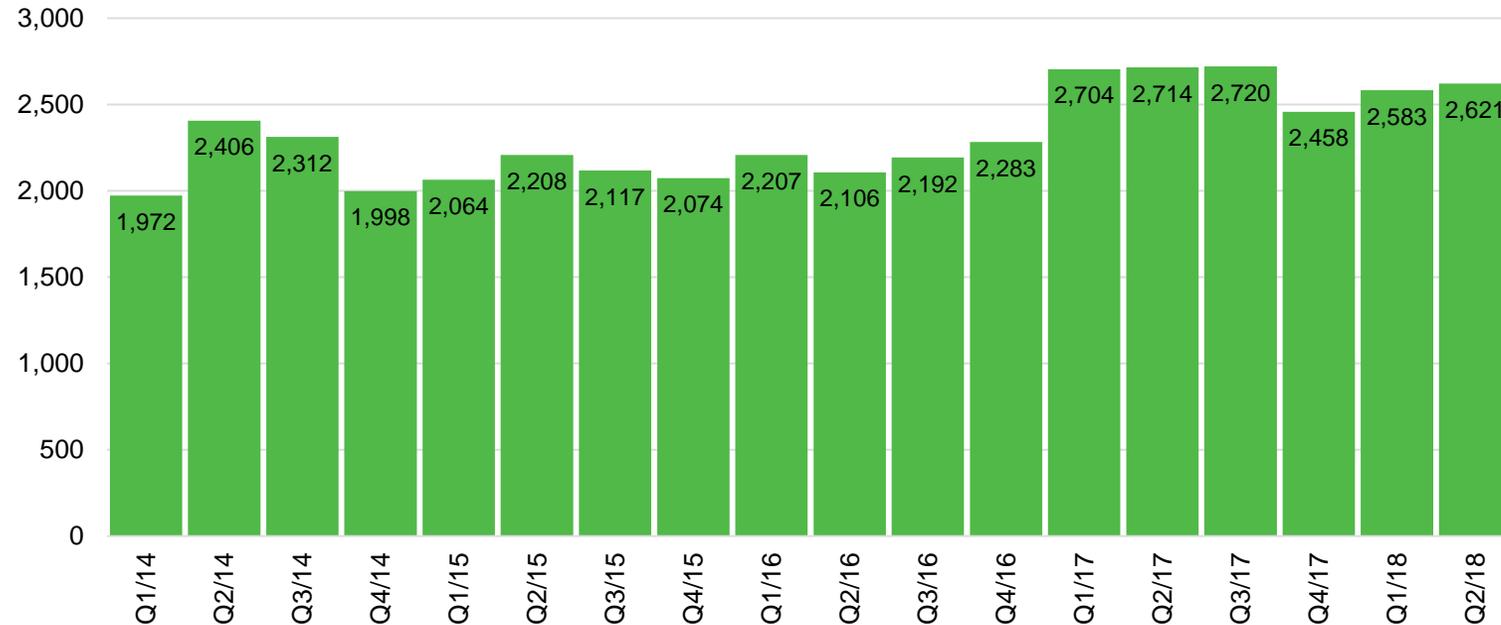
- In Q2/2018, total orders received in stable business increased

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

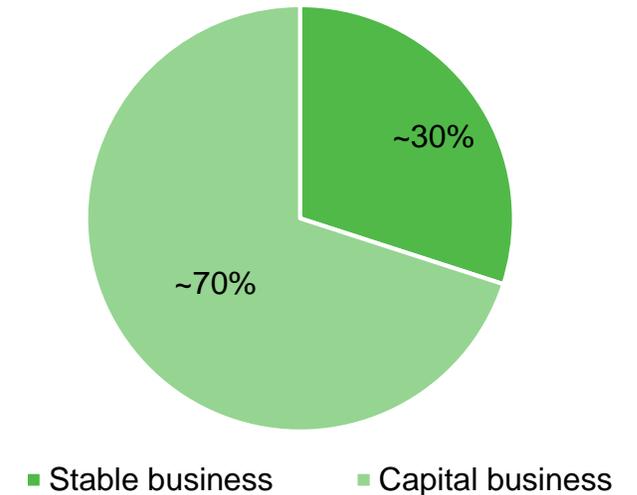


# Order backlog at EUR 2,621 million at the end of Q2/2018

Order backlog (EUR million)



Structure of order backlog



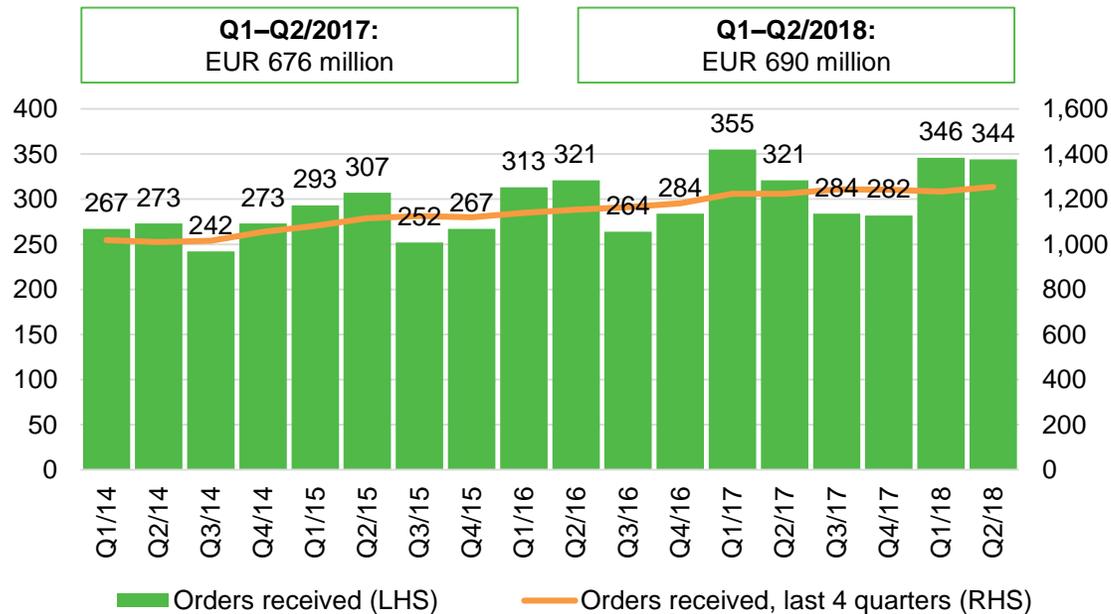
- Order backlog was EUR 37 million higher than at the end of Q1/2018
- Approximately 55% of the order backlog is currently expected to be recognized as net sales during 2018
- Approximately 30% of the order backlog relates to stable business



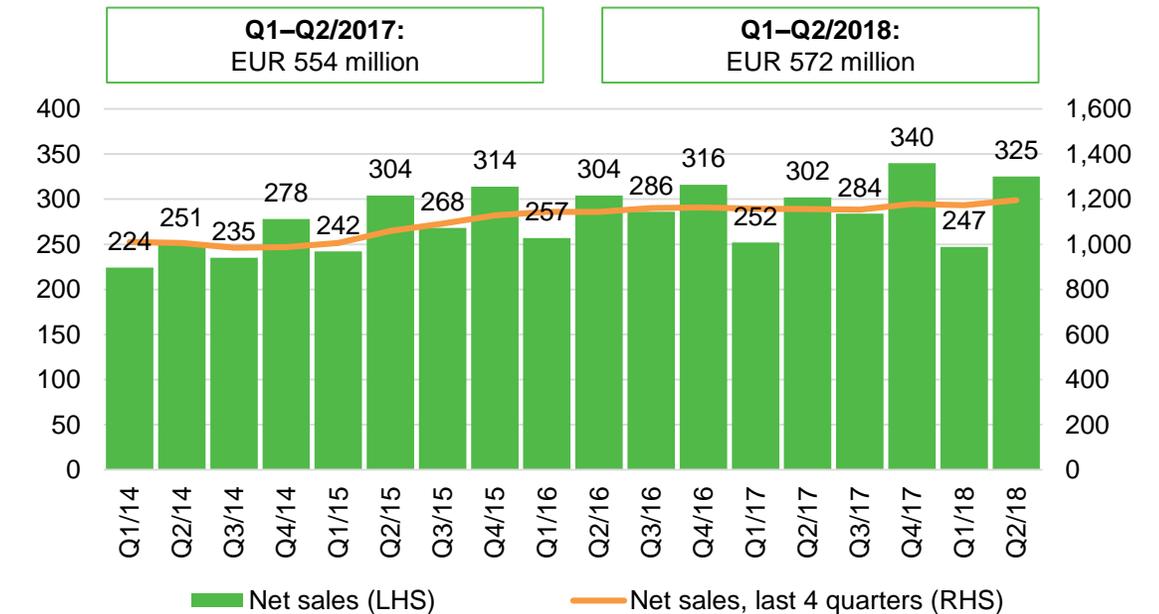
# Development of the business lines

# Services: Orders received and net sales increased

Orders received (EUR million)



Net sales (EUR million)

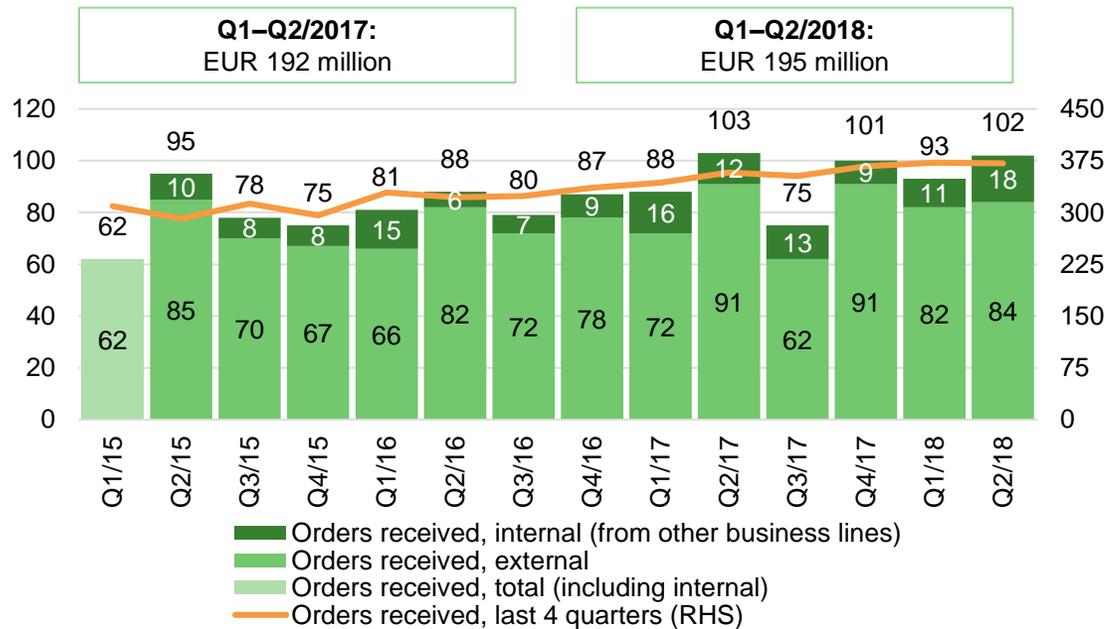


- Orders received increased compared with Q2/2017
  - Orders received increased in EMEA and China, remained at the previous year's level in North America and decreased in South America and Asia-Pacific
  - Orders received increased in Performance Parts, Rolls, and Energy and Environmental, and remained at the previous year's level in Mill Improvements, and Fabrics
- Net sales increased compared with Q2/2017

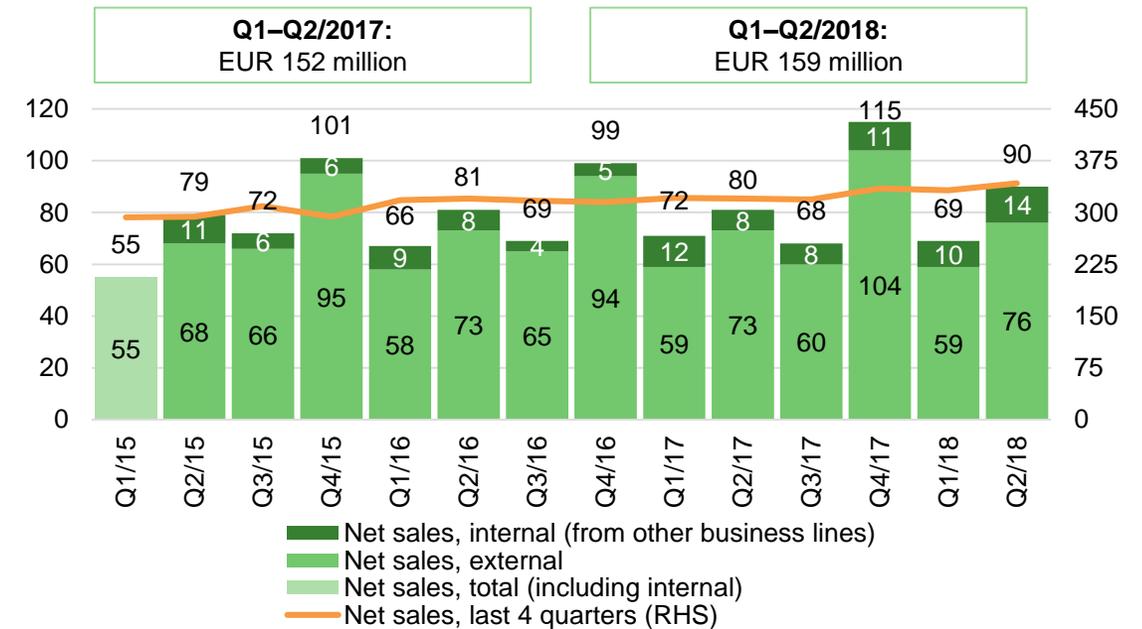


# Automation<sup>1</sup>: Orders received remained at the previous years level and net sales increased

Orders received<sup>2</sup> (EUR million)



Net sales<sup>2</sup> (EUR million)



- Orders received remained at the previous year's level
  - Orders received increased in South America, remained at the previous year's level in EMEA and Asia-Pacific, and decreased in China and North America
  - Orders received increased in Energy and Process and decreased in Pulp and Paper
- Net sales increased compared with Q2/2017

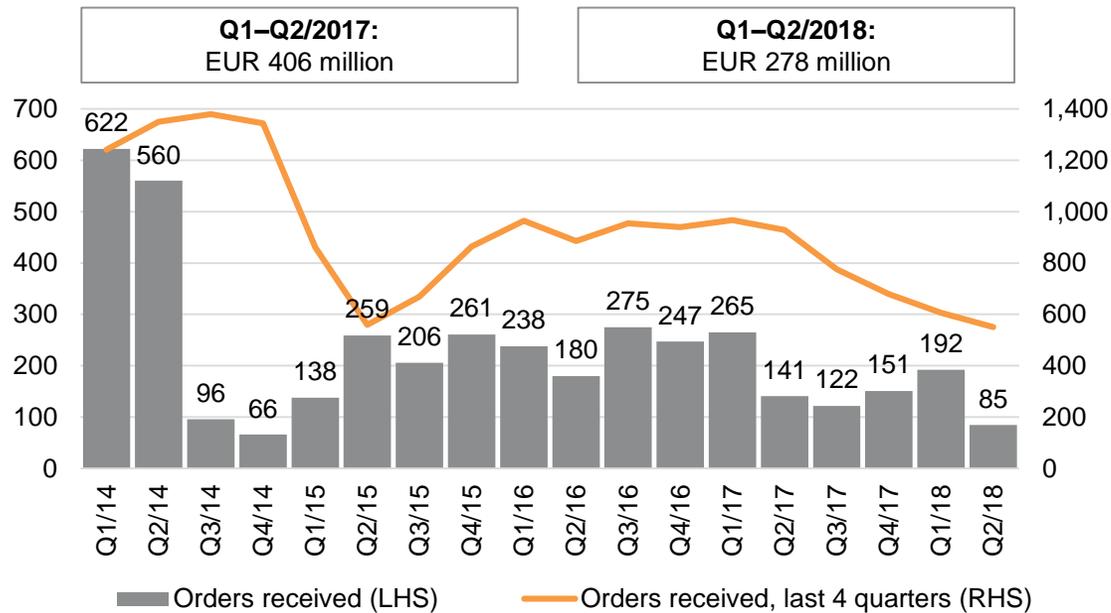


1) Comments refer to orders received and net sales including also internal orders received and net sales.

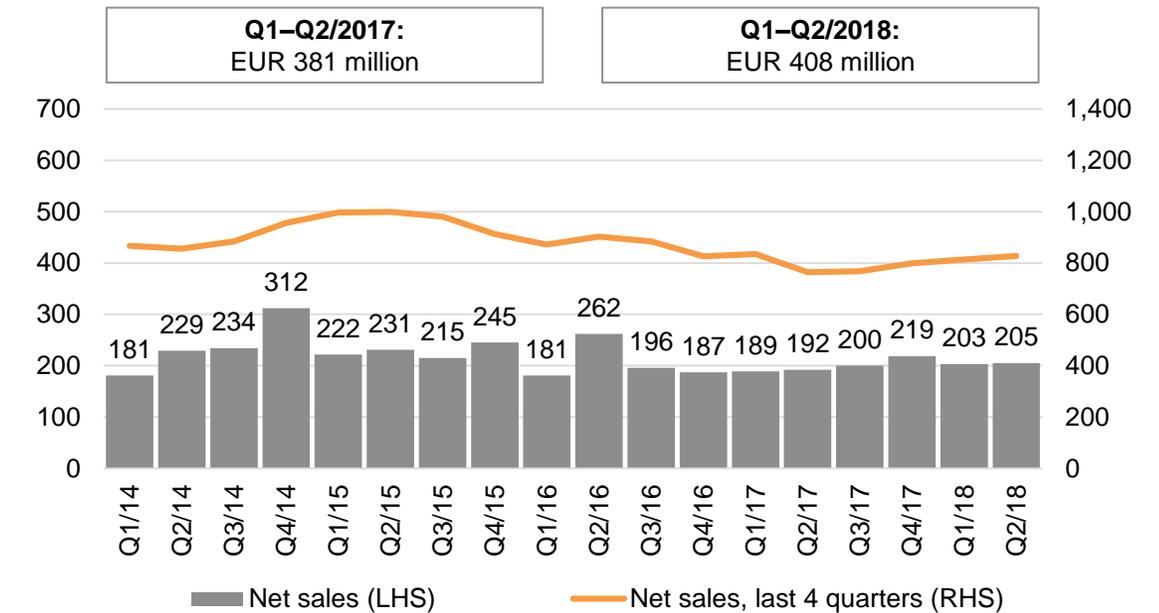
2) Q1/2015 orders received and the underlying figures for 'Orders received, last 4 quarters' and 'Net sales, last 4 quarters' are calculated based on Metso's reported figures and pro forma figures excluding Process Automation Systems and are therefore indicative only.

# Pulp and Energy: Orders received decreased and net sales increased

Orders received (EUR million)



Net sales (EUR million)

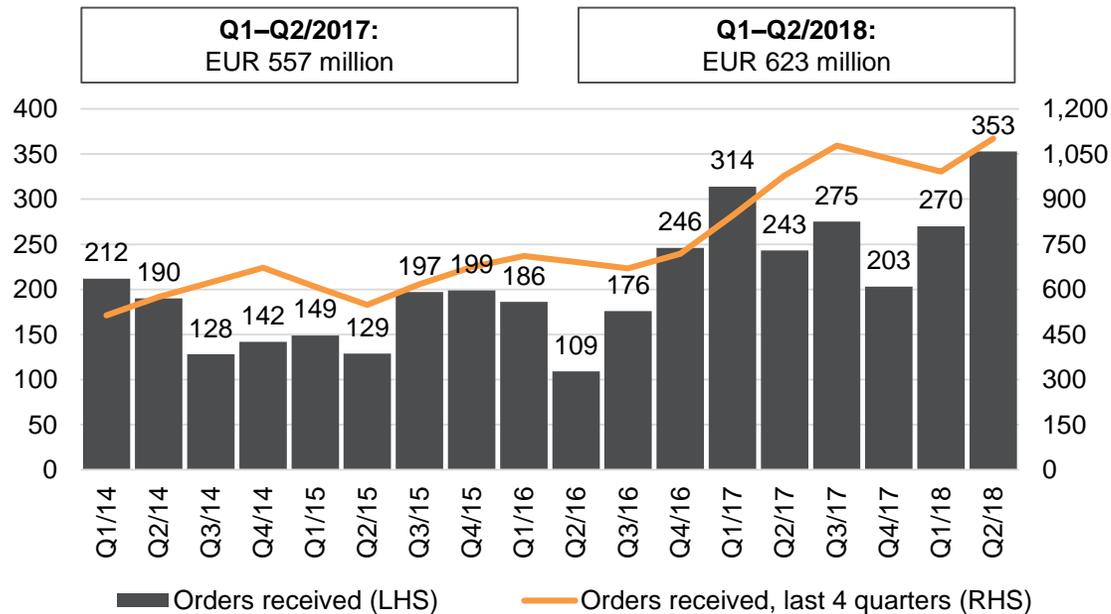


- Orders received decreased compared with Q2/2017
  - Orders received increased in North America, and decreased in the other regions
  - Orders received increased in Pulp and decreased in Energy
- Net sales increased compared with Q2/2017

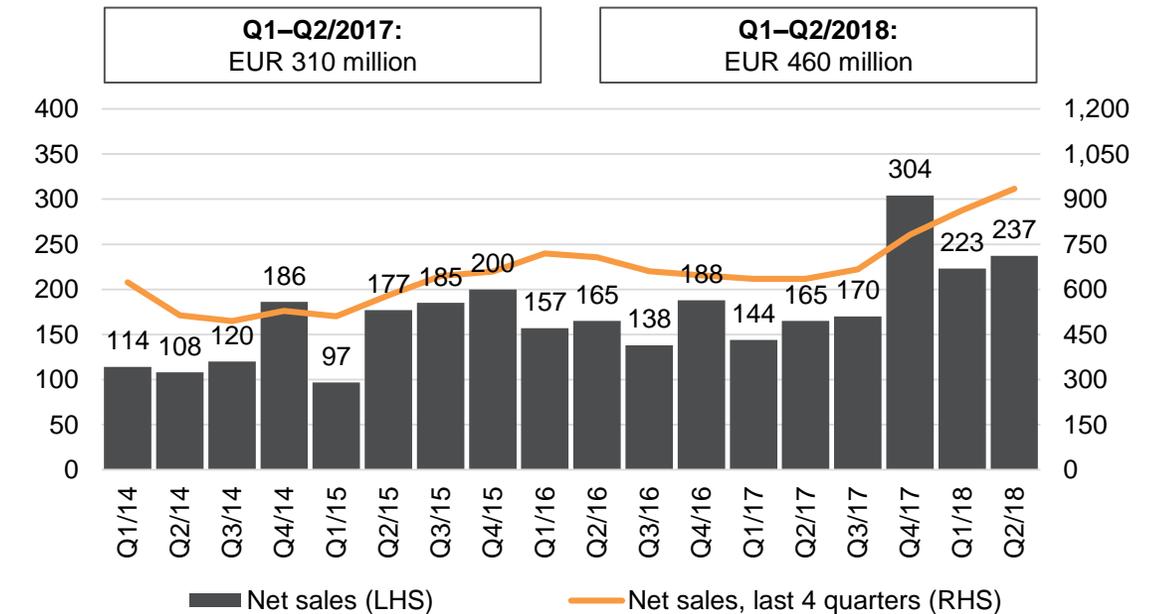


# Paper: Orders received and net sales increased

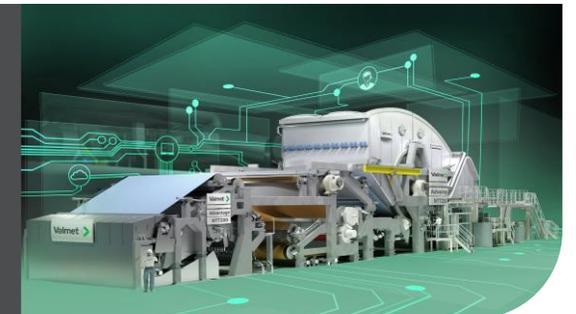
Orders received (EUR million)



Net sales (EUR million)



- Orders received increased compared with Q2/2017
  - Orders received increased in South America, EMEA and China, remained at the previous year's level in North America, and decreased in Asia-Pacific
  - Orders received increased in Board and Paper, and decreased in Tissue
- Net sales increased compared with Q2/2017





# Financial development

# Key figures

EUR million	Q2/2018	Q2/2017	Change	Q1–Q2/2018	Q1–Q2/2017	Change
Orders received	<b>865</b>	796	9%	<b>1,756</b>	1,802	-3%
Order backlog <sup>1</sup>	<b>2,621</b>	2,714	-3%	<b>2,621</b>	2,714	-3%
Net sales	<b>844</b>	732	15%	<b>1,575</b>	1,376	14%
Comparable EBITA	<b>61</b>	48	27%	<b>82</b>	82	1%
% of net sales	<b>7.2%</b>	6.5%		<b>5.2%</b>	5.9%	
EBITA	<b>57</b>	47	22%	<b>76</b>	84	-10%
Operating profit (EBIT)	<b>49</b>	39	27%	<b>61</b>	68	-10%
% of net sales	<b>5.9%</b>	5.3%		<b>3.9%</b>	4.9%	
Earnings per share, EUR	<b>0.23</b>	0.18	32%	<b>0.29</b>	0.30	-4%
Return on capital employed (ROCE) before taxes <sup>2</sup>				<b>11%</b>	11%	
Cash flow provided by operating activities	<b>3</b>	31	-91%	<b>22</b>	125	-83%
Gearing <sup>1</sup>				<b>0%</b>	4%	

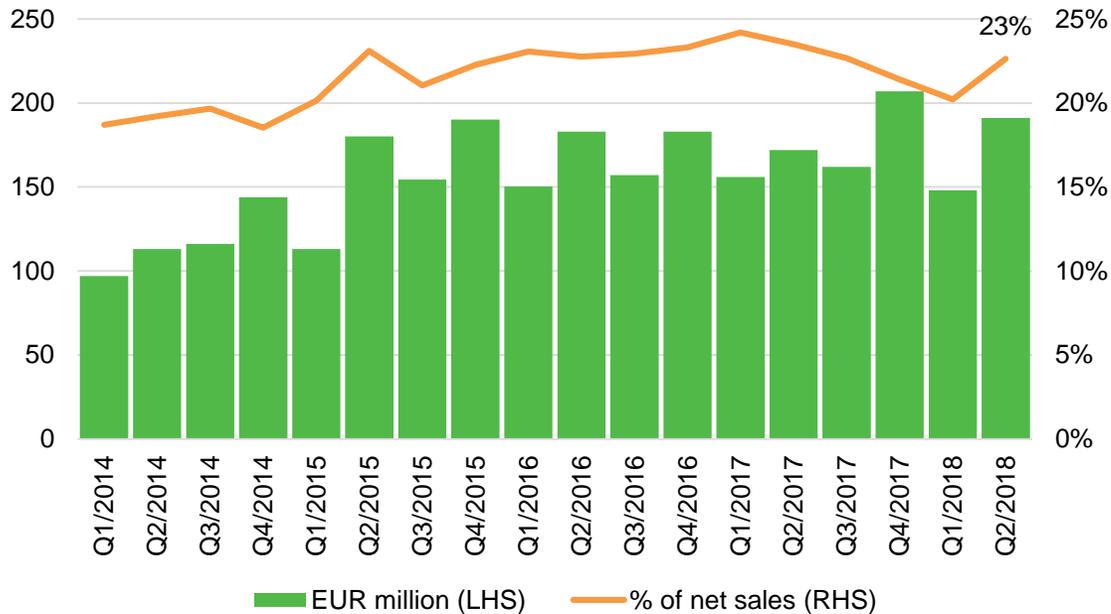
Items affecting comparability: EUR -4 million in Q2/2018 (EUR -1 million in Q2/2017), EUR -7 million in Q1–Q2/2018 (EUR 2 million in Q1–Q2/2017)

1) At the end of period

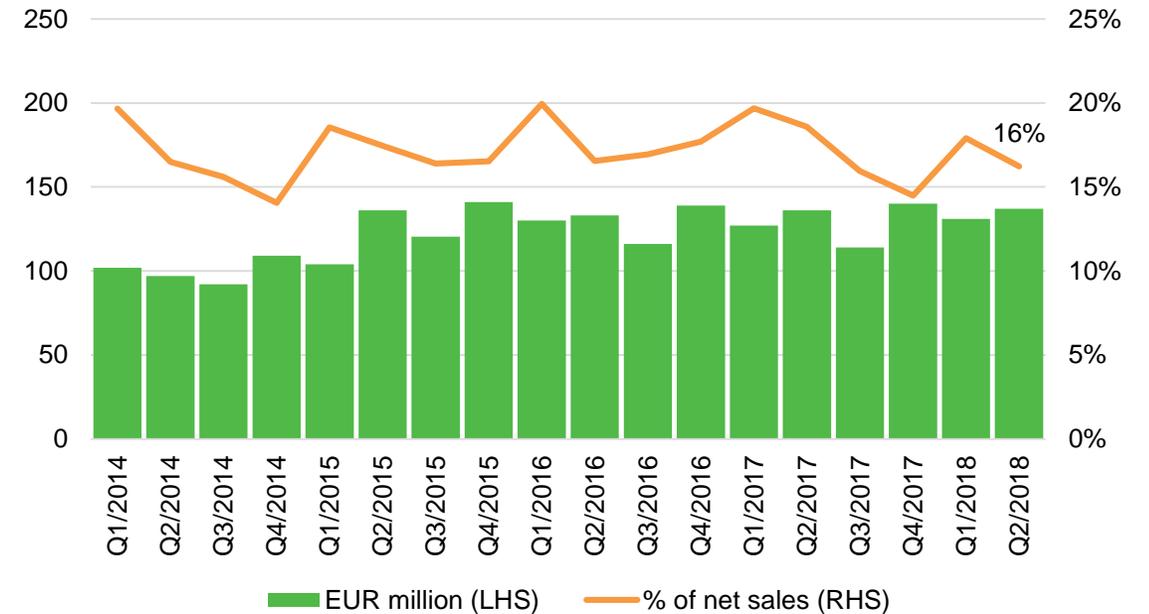
2) Annualized. In the calculation of 2017 figures, data points from 2016 that have not been restated have been used.

# Gross profit and SG&A development

Gross profit (EUR million and % of net sales)



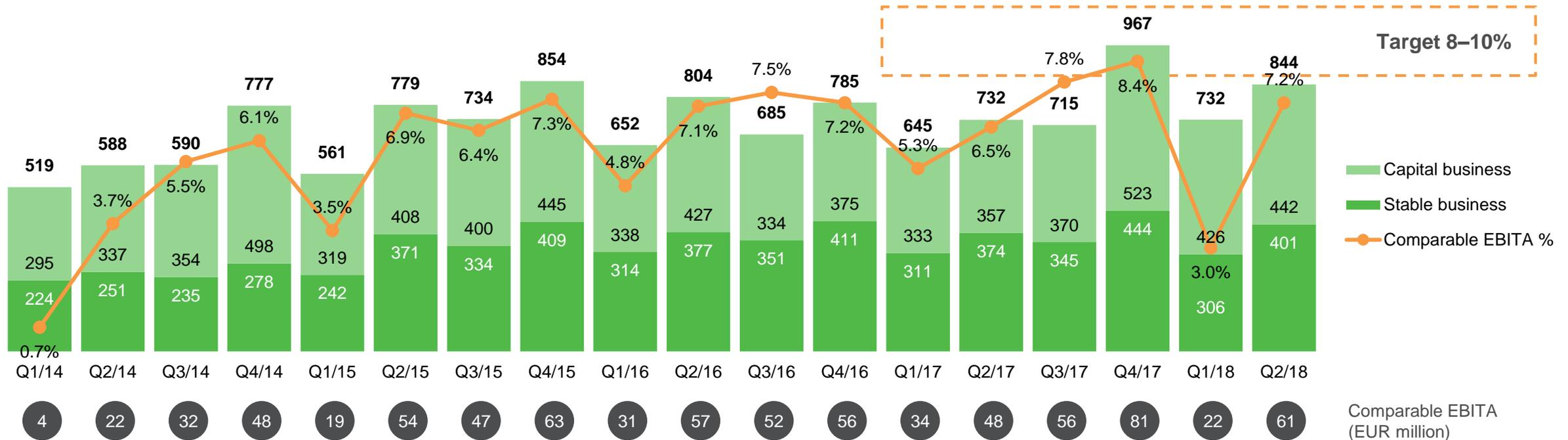
SG&A (EUR million and % of net sales)



- Gross profit was 23% of net sales (24% in Q2/2017)
  - Capital business had a higher share of net sales in Q2/2018
- Selling, general & administrative (SG&A) expenses increased by EUR 1 million
  - SG&A was 16% of net sales (19% in Q2/2017)

# Comparable EBITA margin development

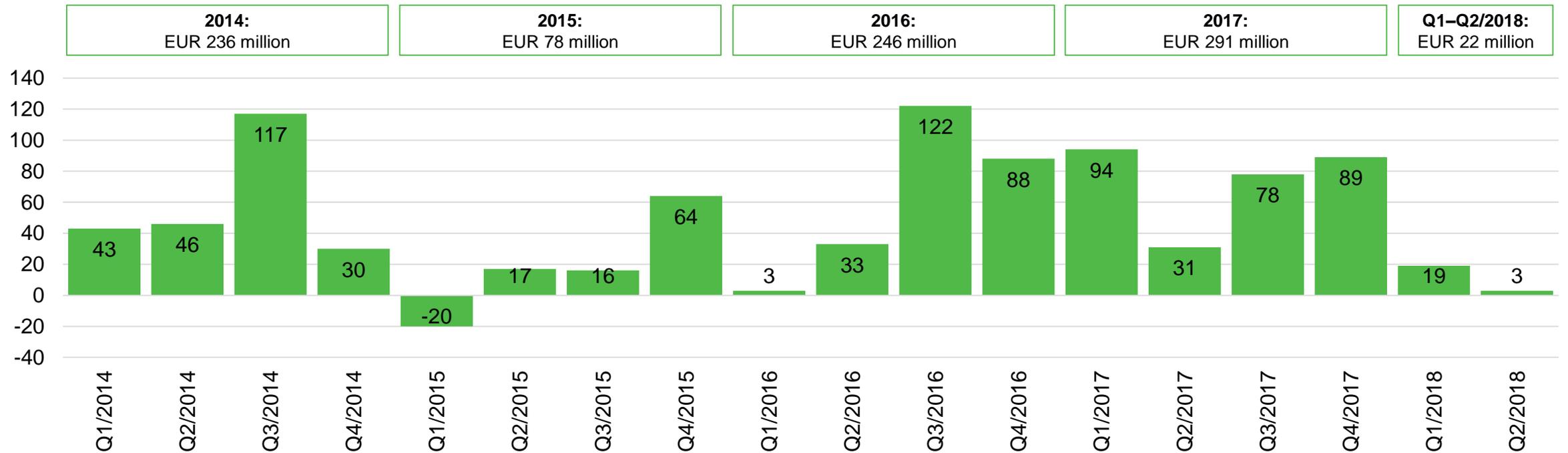
Net sales and Comparable EBITA (EUR million and %)



- Net sales and Comparable EBITA increased compared with Q2/2017
  - Profitability improved due to higher net sales

# Cash flow provided by operating activities

Cash flow provided by operating activities (EUR million)

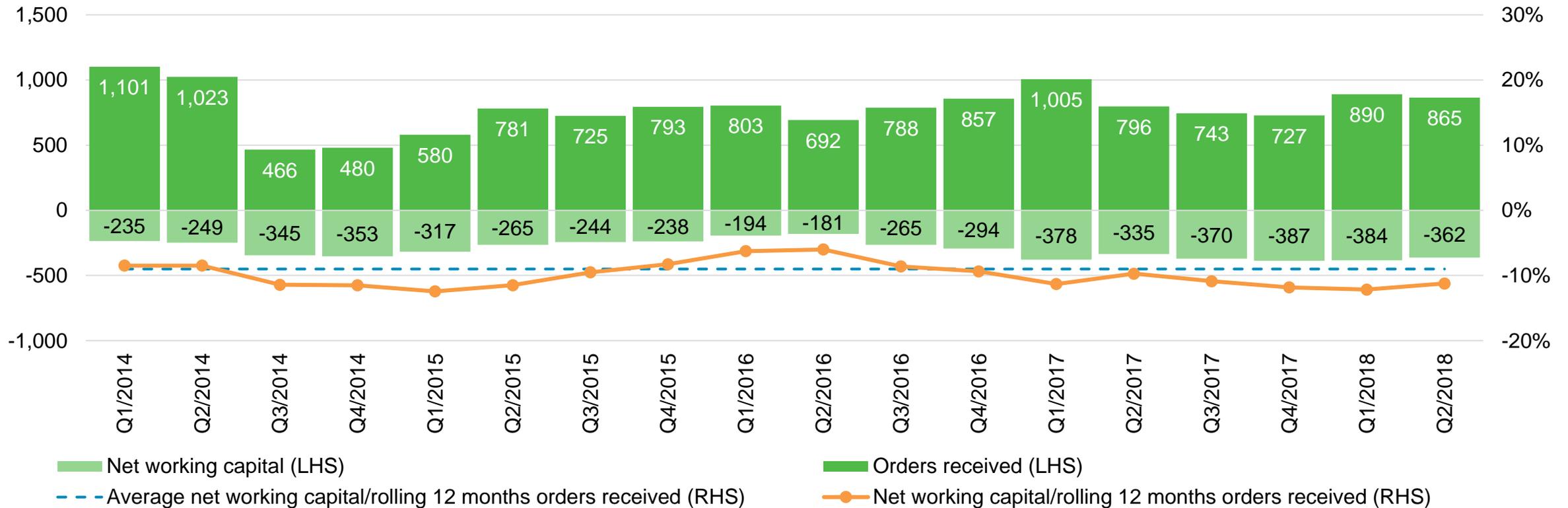


- Change in net working capital<sup>1</sup> EUR -27 million in Q2/2018
- Cash flow provided by operating activities EUR 3 million in Q2/2018
- CAPEX EUR 20 million in Q2/2018

1) Change in net working capital in the consolidated statement of cash flows.

# Net working capital at -11% of rolling 12 months orders received

Net working capital and orders received (EUR million)

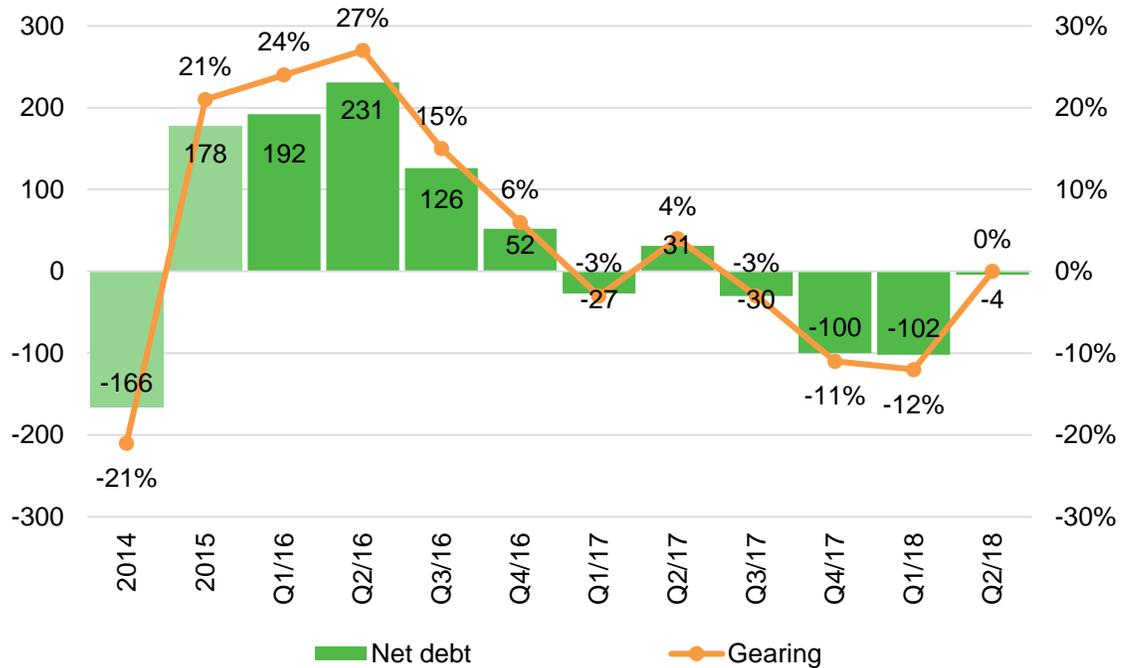


- Net working capital EUR -362 million, which equals -11% of rolling 12 months orders received

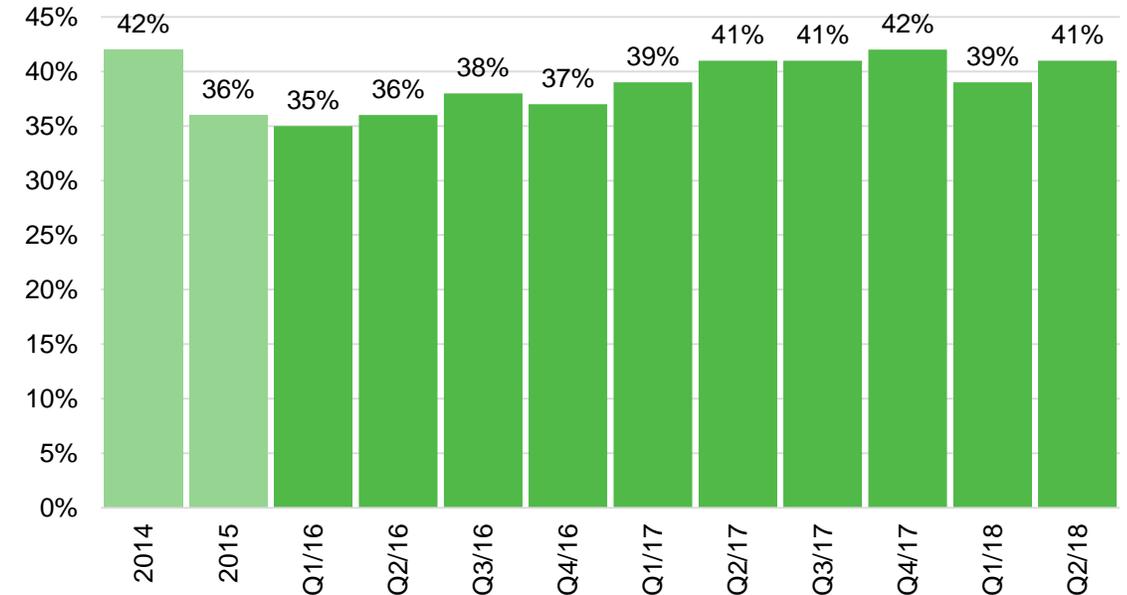
Net working capital excluding non-cash net working capital impact from dividend liability.

# Net debt decreased compared with Q2/2017

Net debt (EUR million) and gearing (%)



Equity to assets ratio (%)

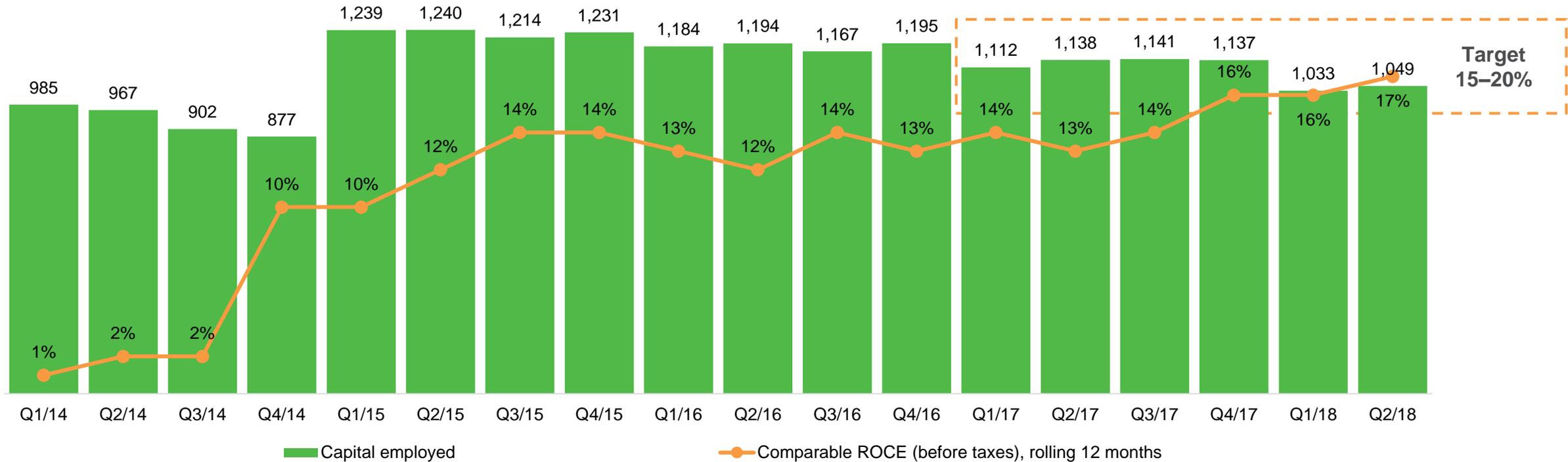


- Gearing (0%) and net debt (EUR -4 million) increased compared with Q1/2018 due to dividend payout of EUR 82 million
- Equity to assets ratio remained at the same level as in Q2/2017

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 taxes<sup>1</sup> (%)



- 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.



# Guidance and short-term market outlook

# Guidance and short-term market outlook

## Guidance for 2018 (as announced on July 17, 2018)

<b>Guidance</b> 	Valmet estimates that net sales in 2018 will increase in comparison with 2017 (EUR 3,058 million) and Comparable EBITA in 2018 will increase in comparison with 2017 (EUR 218 million).
---	---

## Short-term market outlook

		Q3/2017	Q4/2017	Q1/2018	Q2/2018
Services		Good	Good	Good	Good
Automation		Satisfactory	Good	Good	Good
Pulp and Energy	Pulp	Weak	Weak	Weak	Weak
	Energy	Satisfactory	Satisfactory	Satisfactory	Satisfactory
Paper	Board and Paper	Good	Good	Good	Good
	Tissue	Good	Good	Good	Good

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 Q2/2018

# Q2/2018 in brief

- Orders received increased to EUR 445 million in stable business<sup>1</sup>
- Orders received increased to EUR 438 million in capital business<sup>2</sup>
- Net sales increased to EUR 844 million
- Order backlog remained at the previous year's level at EUR 2.6 billion
- Comparable EBITA increased to EUR 61 million and margin was 7.2%
- Gearing was 0%

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

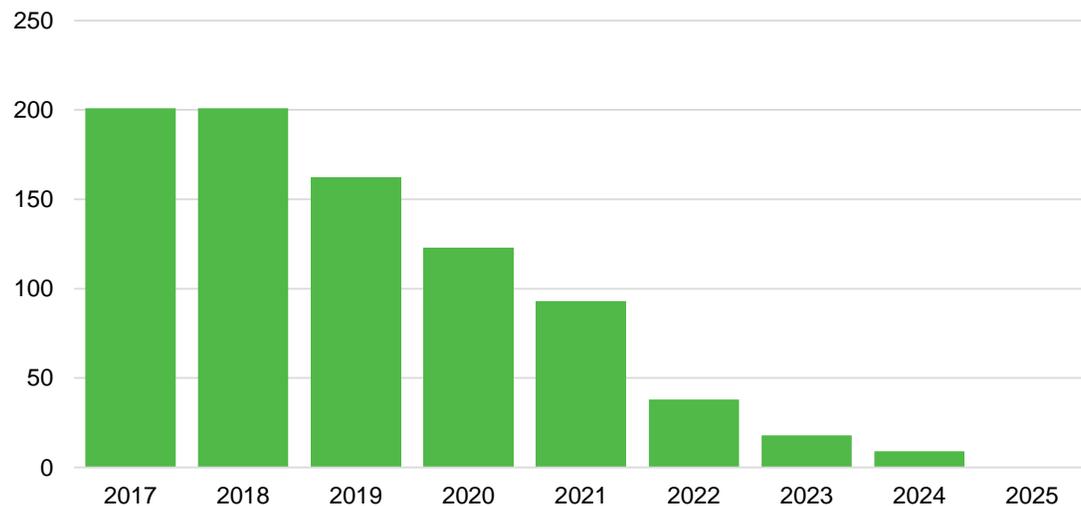


# Appendix

# Structure of loans and borrowings

Interest-bearing debt EUR 201 million as at June 30, 2018

Amount of outstanding interest-bearing debt (EUR million)



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 <sup>1</sup>	None outstanding
EUR 200 million domestic commercial paper program	None outstanding

1) EUR 200 million syndicated revolving credit facility agreement matures on January 14, 2023 with a 1-year extension option.

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

# Largest shareholders on June 30, 2018

Based on the information given by Euroclear Finland Ltd.

## Largest shareholders

#	Shareholder name	Number of shares	% of shares and votes
1	Solidium Oy <sup>1</sup>	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	3,416,000	2.28%
5	OP Funds	2,305,691	1.54%
6	The State Pension Fund	1,545,000	1.03%
7	Keva	1,502,166	1.00%
8	Nordea Funds	1,181,077	0.79%
9	Evli Funds	1,147,326	0.77%
10	Mandatum Life Insurance Company Limited	1,022,537	0.68%
	10 largest shareholders, total	36,580,549	24.41%
	Other shareholders	113,284,070	75.59%
	<b>Total</b>	<b>149,864,619</b>	<b>100%</b>

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

# Shareholder structure on June 30, 2018



- Nominee registered and non-Finnish holders 49.5%
- Solidium Oy 11.1%
- Finnish private investors 13.4%
- Finnish institutions, companies and foundations 25.9%

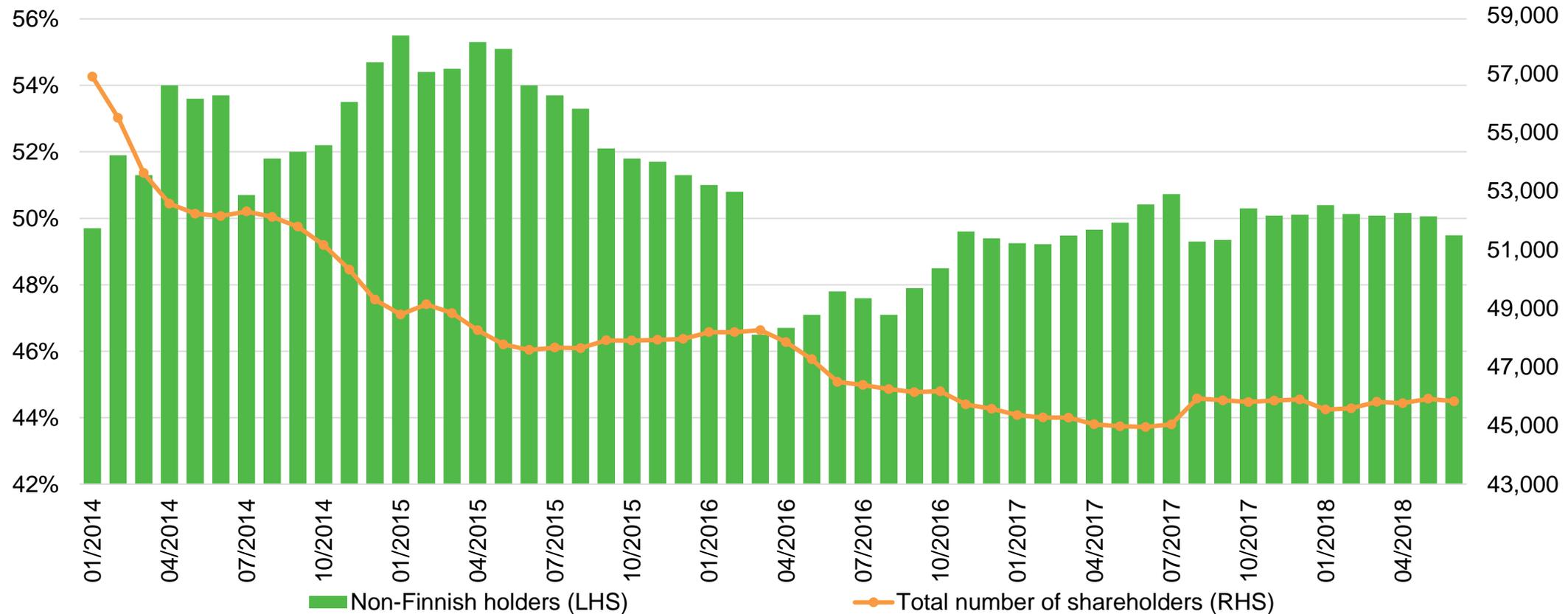
Sector	Number of shareholders	% of total shareholders	Number of shares	% of shares
Nominee registered and non-Finnish holders <sup>1</sup>	329	0.7%	74,166,597	49.5%
Finnish institutions, companies and foundations	2,414	5.3%	38,846,778	25.9%
Solidium Oy <sup>2</sup>	0	0.0%	16,695,287	11.1%
Finnish private investors	43,085	94.0%	20,147,877	13.4%
On the issuer account	0	0.0%	8,080	0.0%
<b>Total</b>	<b>45,828</b>	<b>100.0 %</b>	<b>149,864,619</b>	<b>100.0%</b>

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

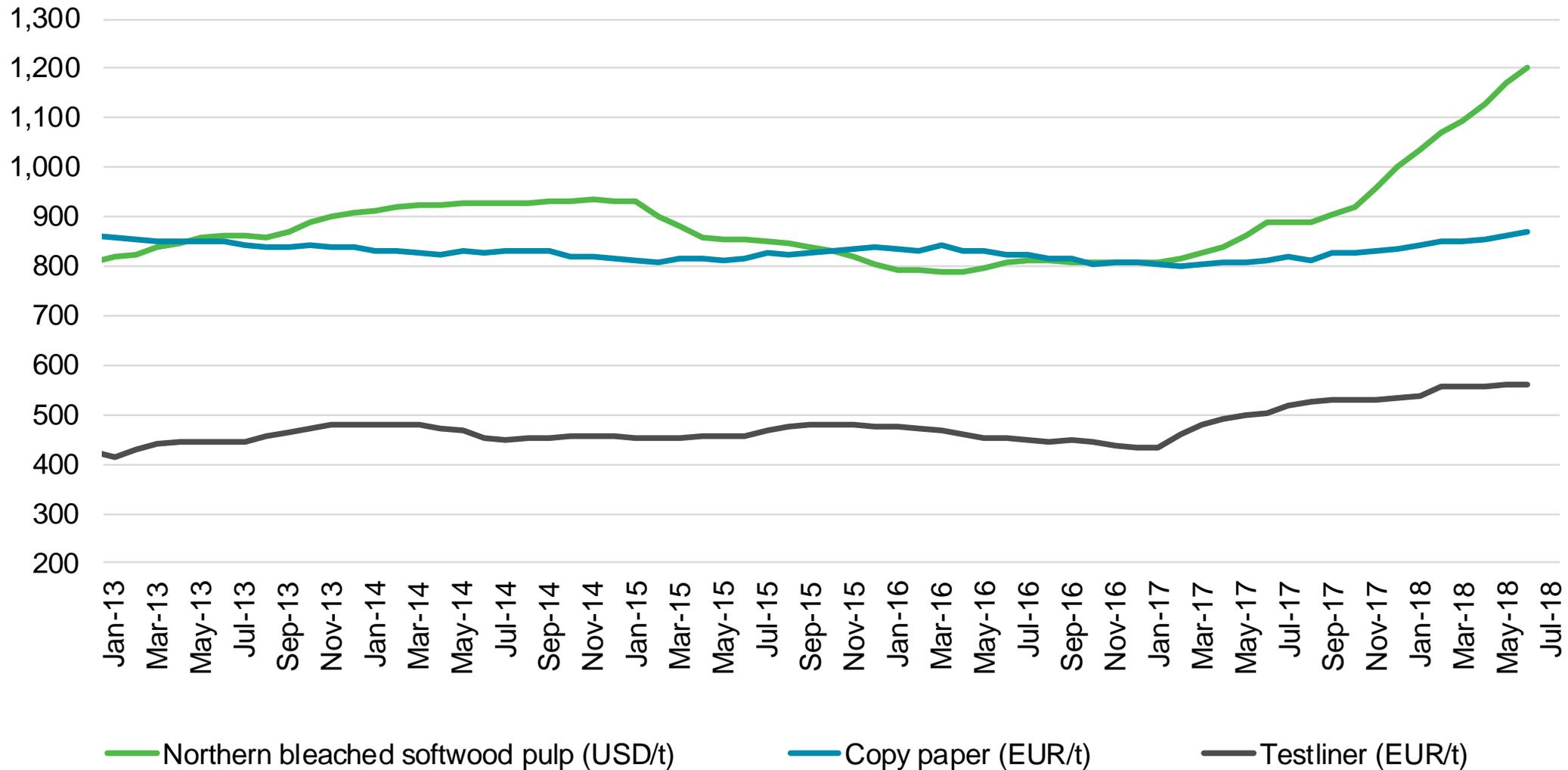
1) Of which 71,699,313 nominee registered shares

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

# Share of non-Finnish holders and number of shareholders

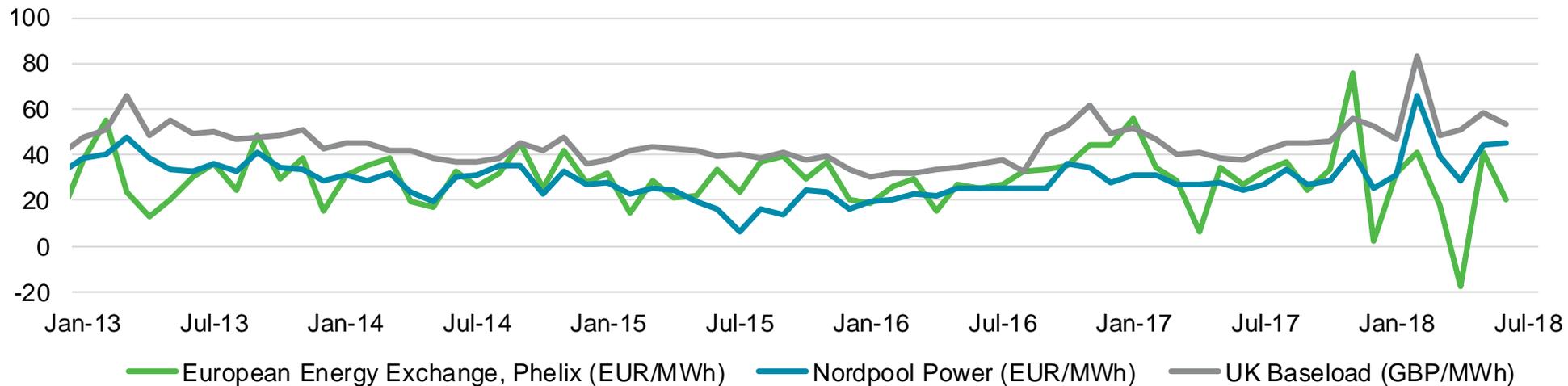
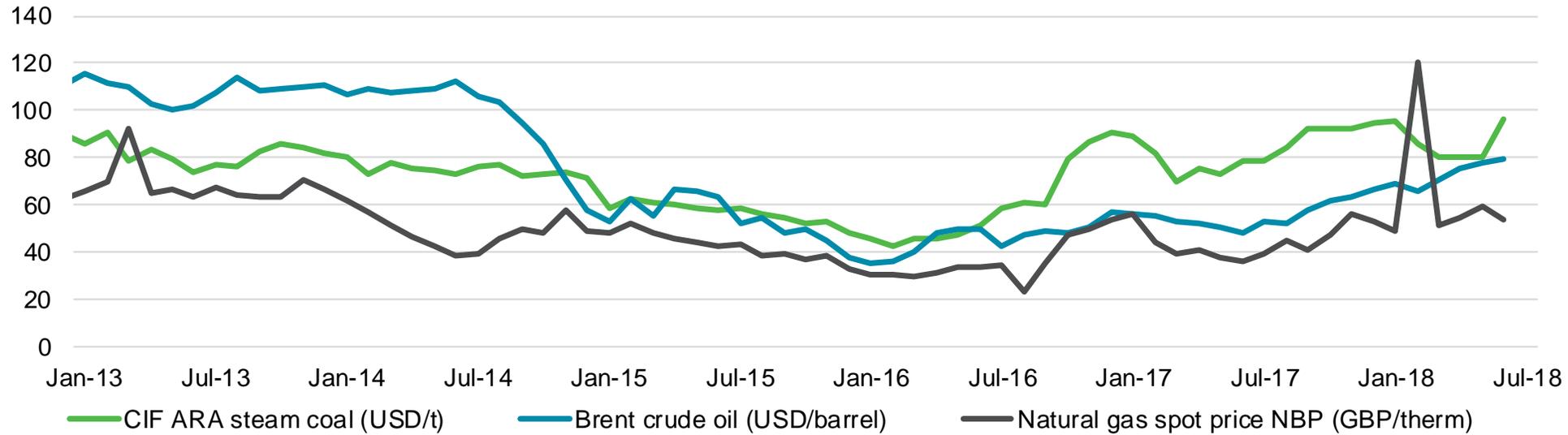


# Pulp and paper price trends



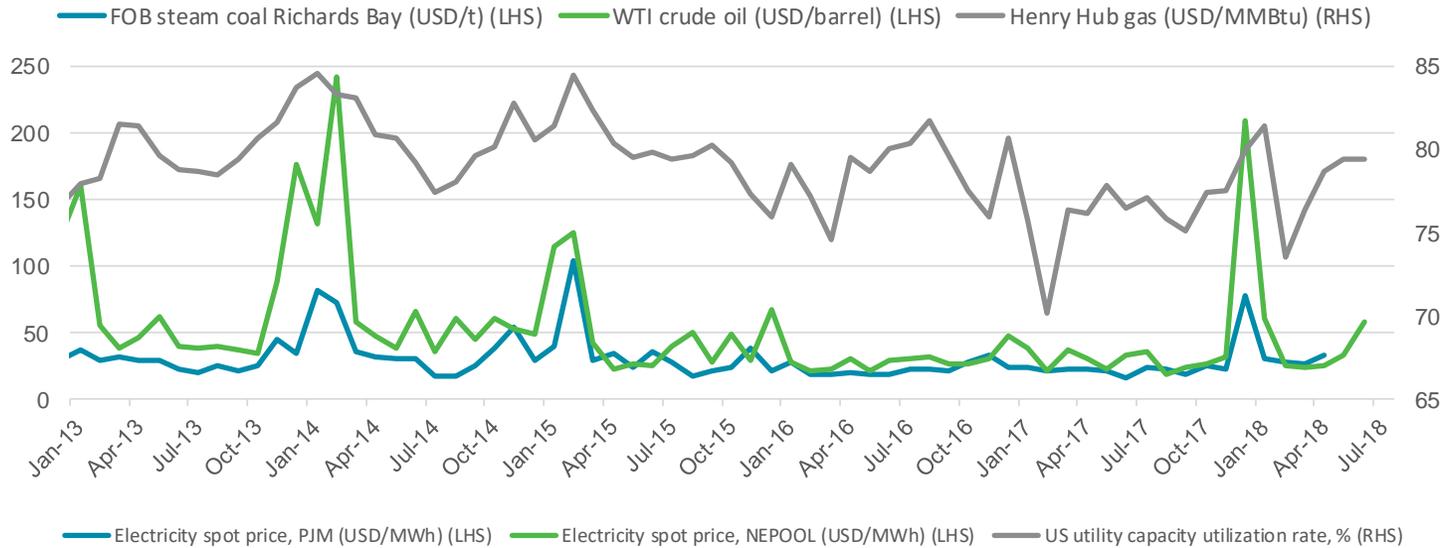
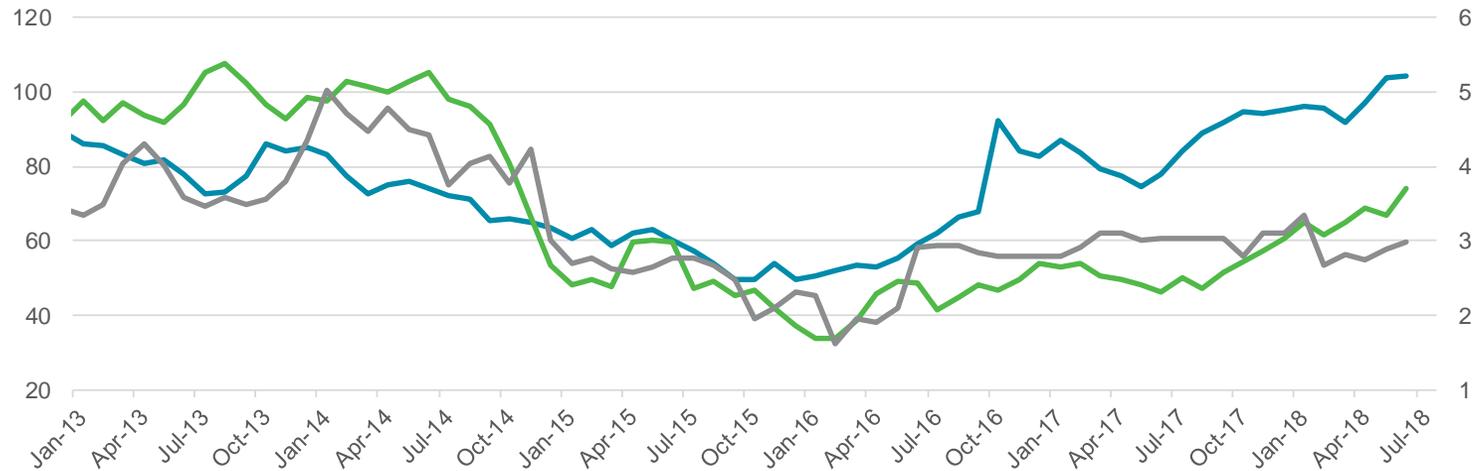
# Crude oil, steam coal, natural gas and electricity

## Europe

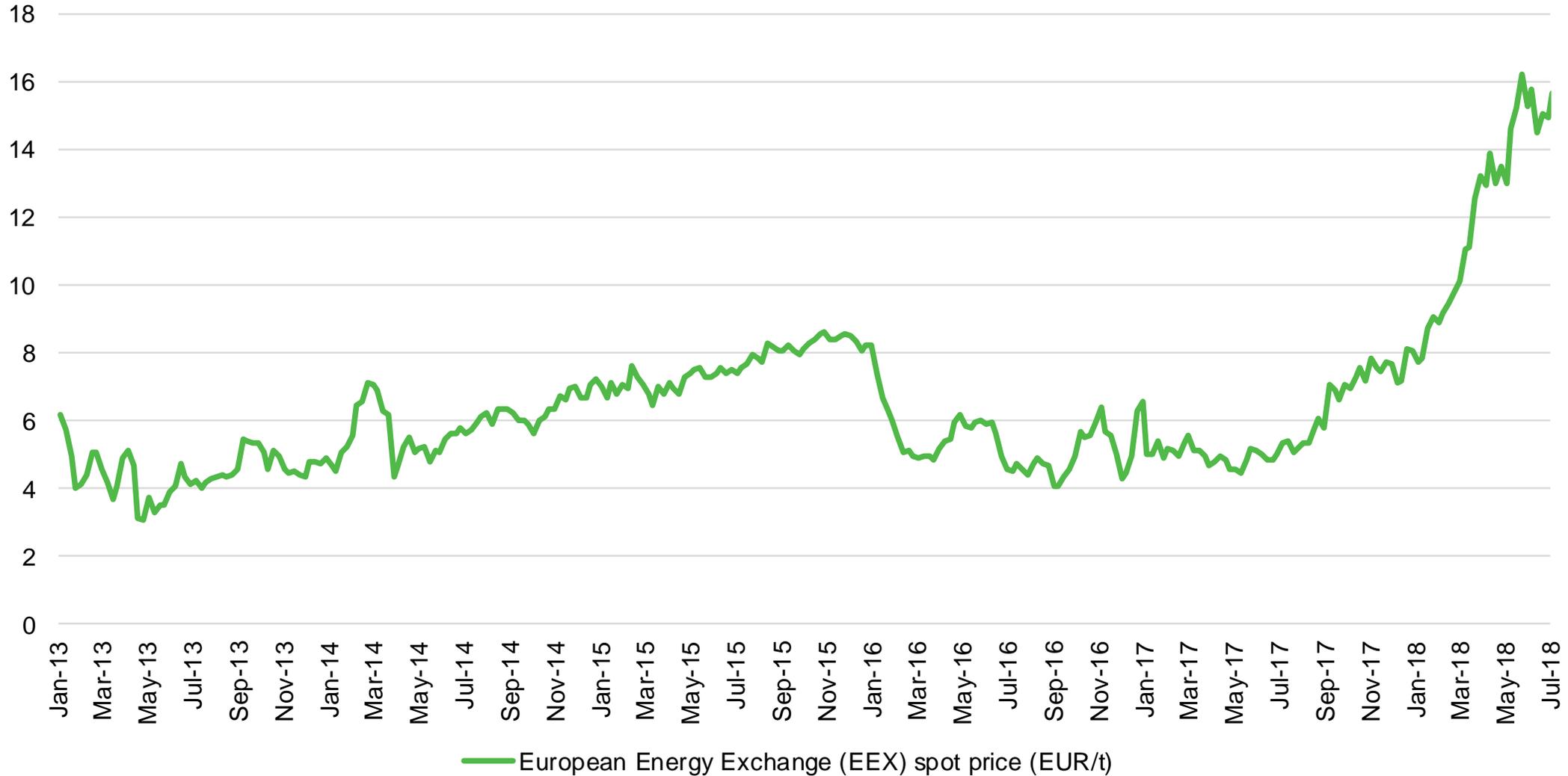


# Crude oil, steam coal, natural gas and electricity

## United States



# European Carbon Emission Allowance



# Important notice

**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–September 2018  
Interim Review

October 23, 2018

[www.valmet.com/investors](http://www.valmet.com/investors)

Register now for

**Valmet's  
Capital Markets Day**

September 18, 2018  
Helsinki, Finland

For more information, contact Valmet's IR

