



Orders received amounted to EUR 835 million and  
Comparable EBITA to EUR 47 million in Q1/2019

Interim Review, January–March 2019

*April 26, 2019*

Pasi Laine, President and CEO

Kari Saarinen, CFO

# Agenda

## Interim Review, January–March 2019

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- 2 Development of the business lines
- 3 Financial development
- 4 Guidance and short-term market outlook
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# Q1/2019 in brief

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- Orders received remained at the previous year's level at EUR 461 million in stable business<sup>1</sup>
- Orders received decreased to EUR 382 million in capital business<sup>2</sup>
- Net sales decreased to EUR 686 million
- Order backlog increased to EUR 3.0 billion
- Comparable EBITA increased to EUR 47 million and margin was 6.9%
- Gearing was -20%

As of January 1, 2019, Valmet has adopted IFRS 16 without restating the figures for the comparison period.

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 Q1/2019

**Orders received**  
EUR 835 million

**Net sales**  
EUR 686 million

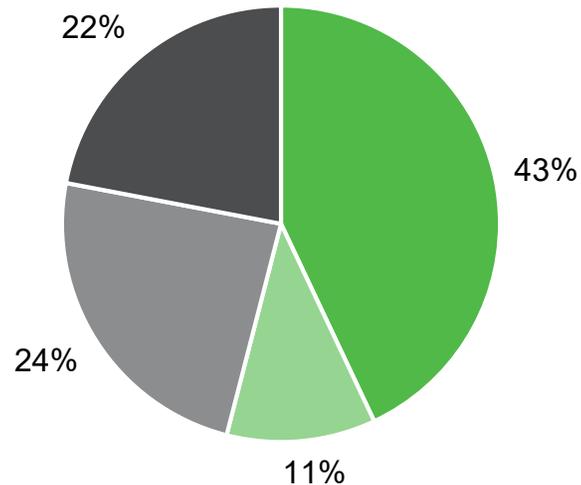
**Comparable EBITA**  
EUR 47 million

**Comparable EBITA margin**  
6.9%

**Order backlog**  
EUR 3,001 million

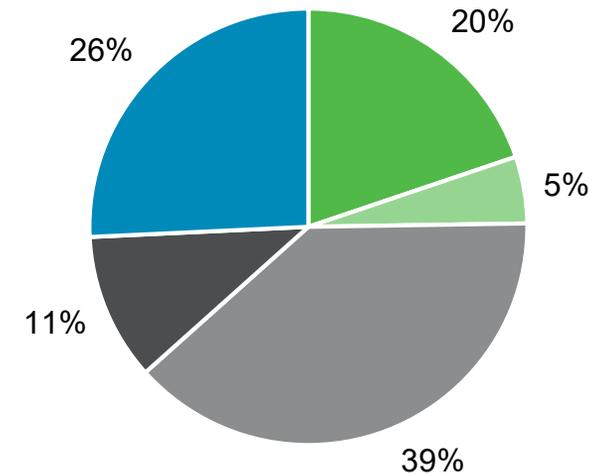
**Employees**  
12,539

Orders received by business line



- Services
- Automation
- Pulp and Energy
- Paper

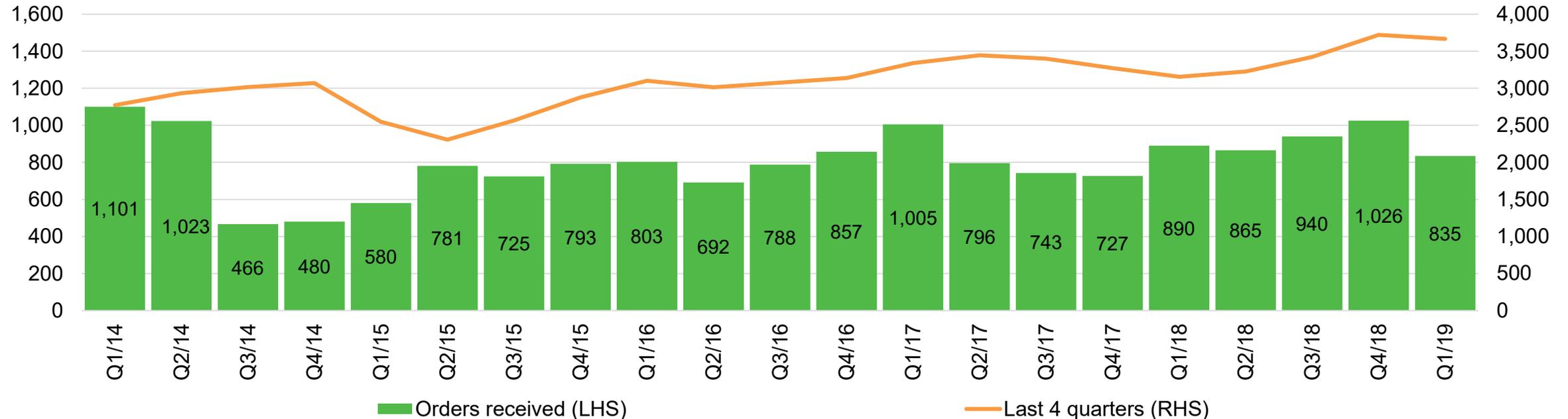
Orders received by area



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

# Orders received decreased to EUR 835 million in Q1/2019

Orders received (EUR million)

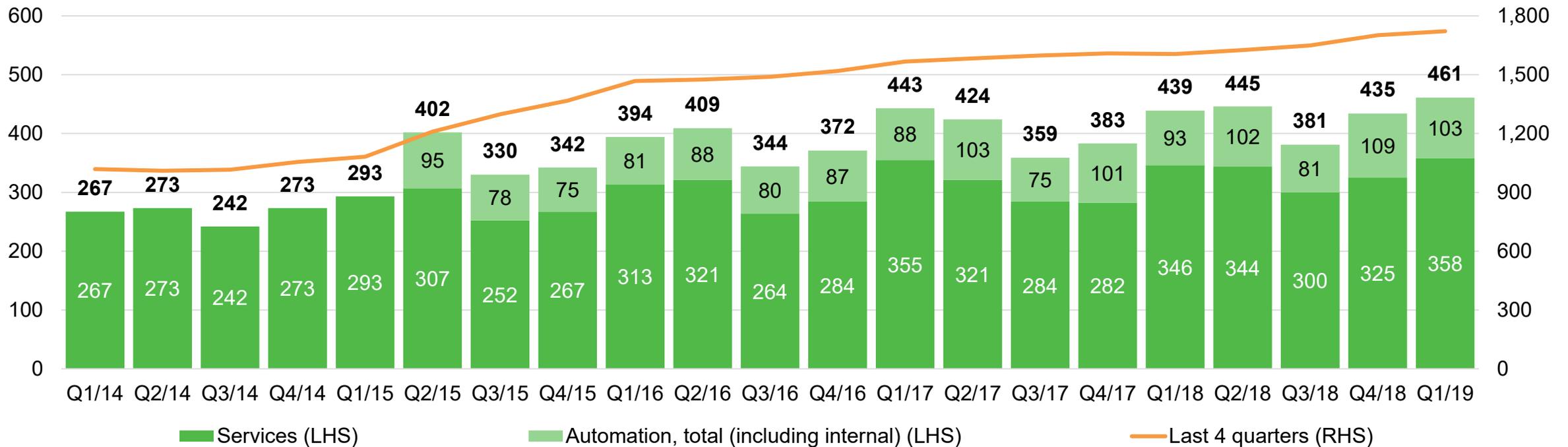


- In stable business, orders received remained at the previous year’s level at EUR 461 million in Q1/2019<sup>1</sup>
- In capital business, orders received decreased to EUR 382 million in Q1/2019
- Orders received increased in emerging markets and decreased in developed markets in Q1/2019
  - South America, China and Asia-Pacific together accounted for 41% of orders received

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

# Stable business orders received totaled EUR 1,722 million during last four quarters

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

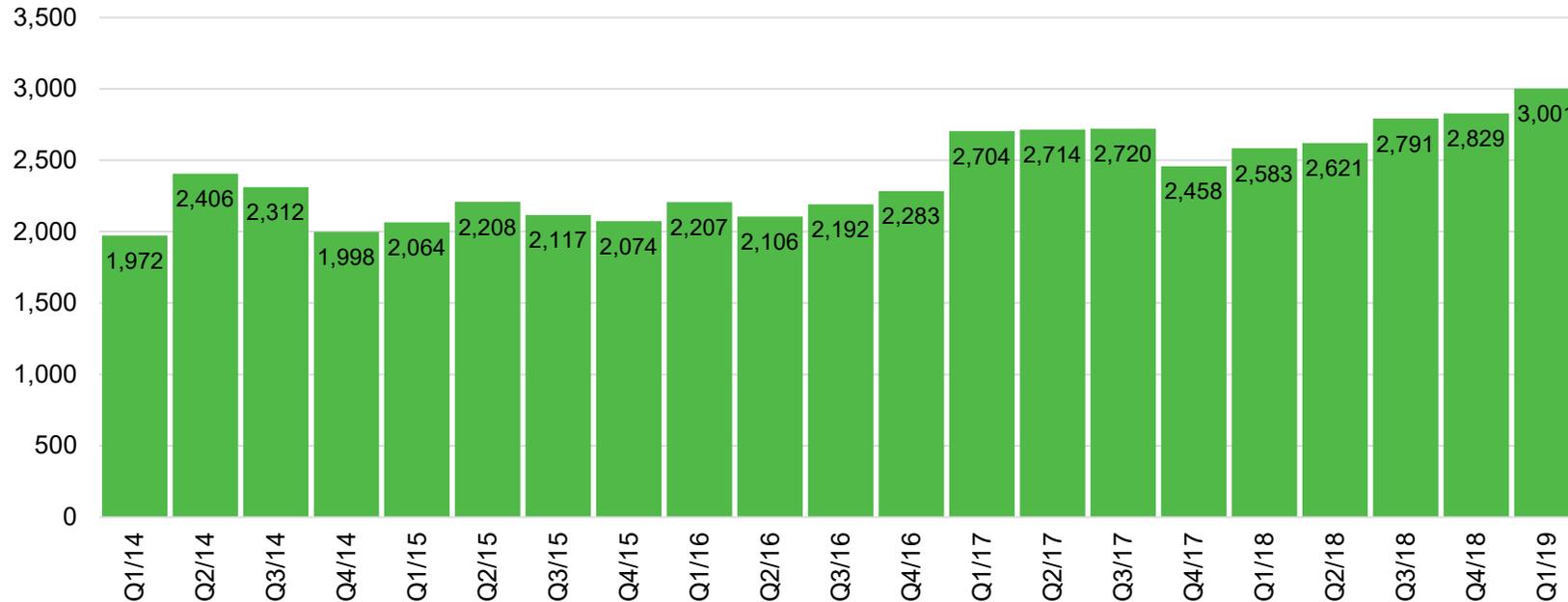


- Total orders received in stable business increased by EUR 21 million in Q1/2019

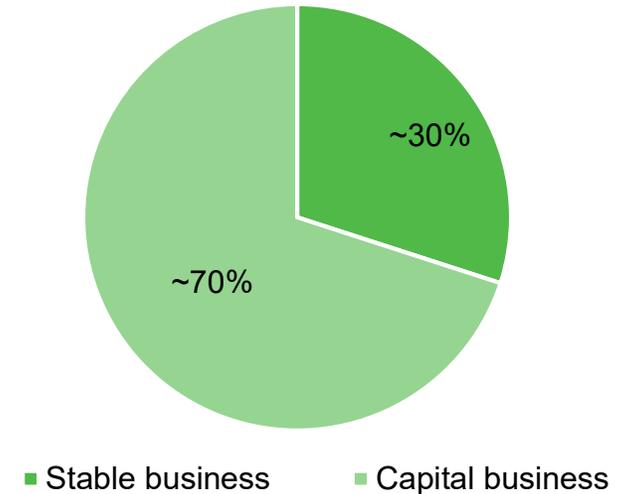
1) Including internal orders received for the Automation business line.

# Order backlog at EUR 3,001 million at the end of Q1/2019

Order backlog (EUR million)



Structure of order backlog



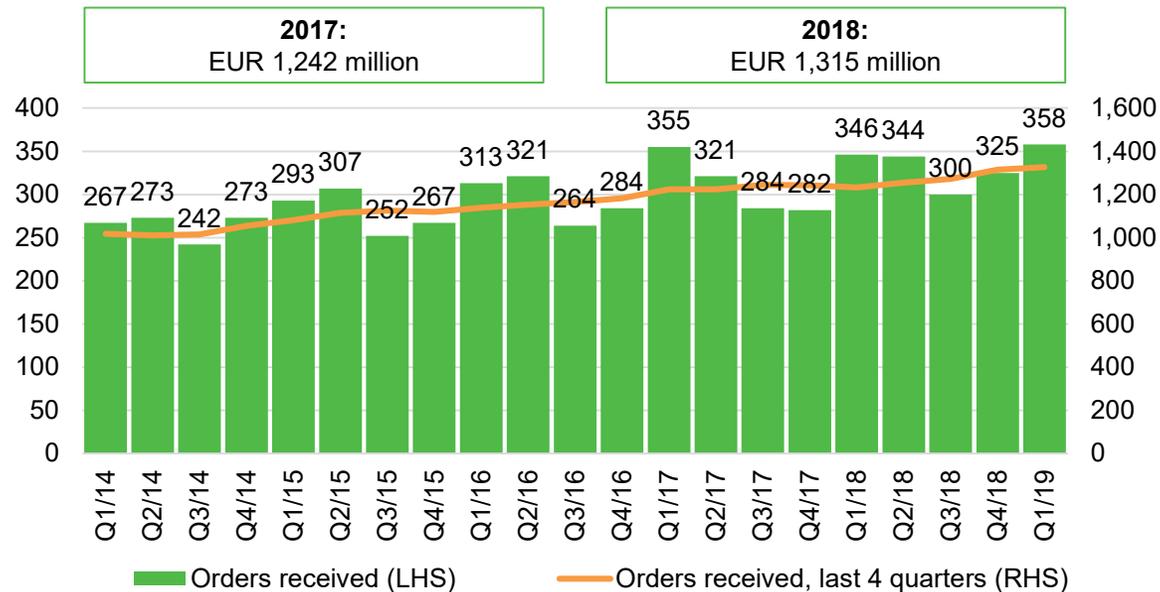
- Order backlog was EUR 172 million higher than at the end of Q4/2018
- Approximately 65% of the order backlog is currently expected to be realized as net sales during 2019 (at the end of Q1/2018, ~65% during 2018)
- Approximately 30% of the order backlog relates to stable business (~30% at the end of Q1/2018)



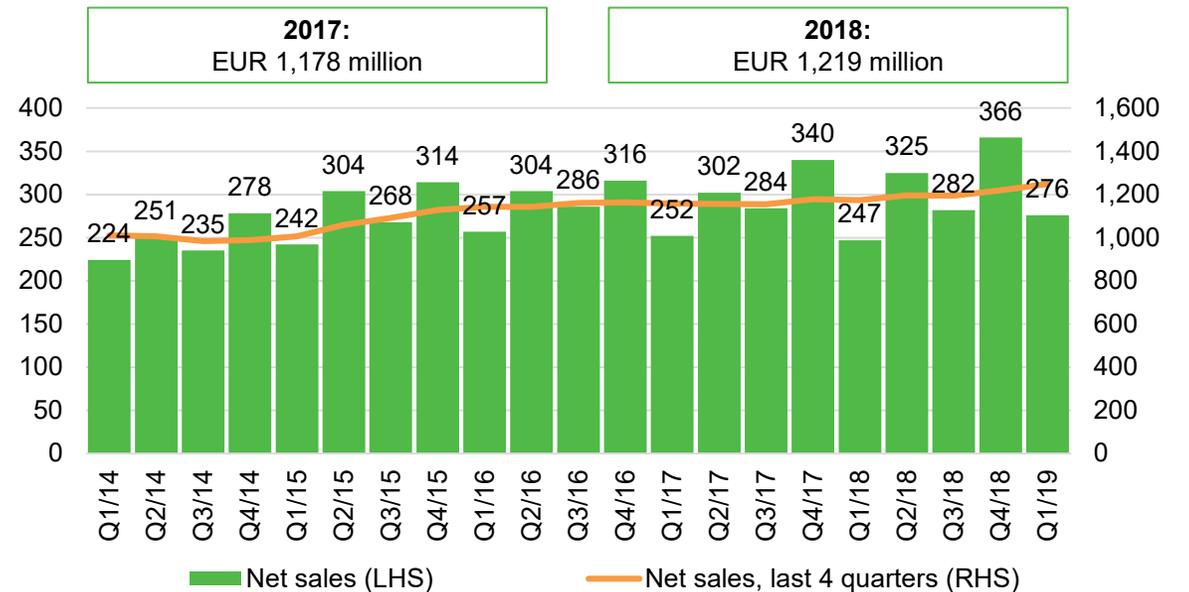
# Development of the business lines

# Services: Orders received remained at the previous year's level and net sales increased

Orders received (EUR million)



Net sales (EUR million)

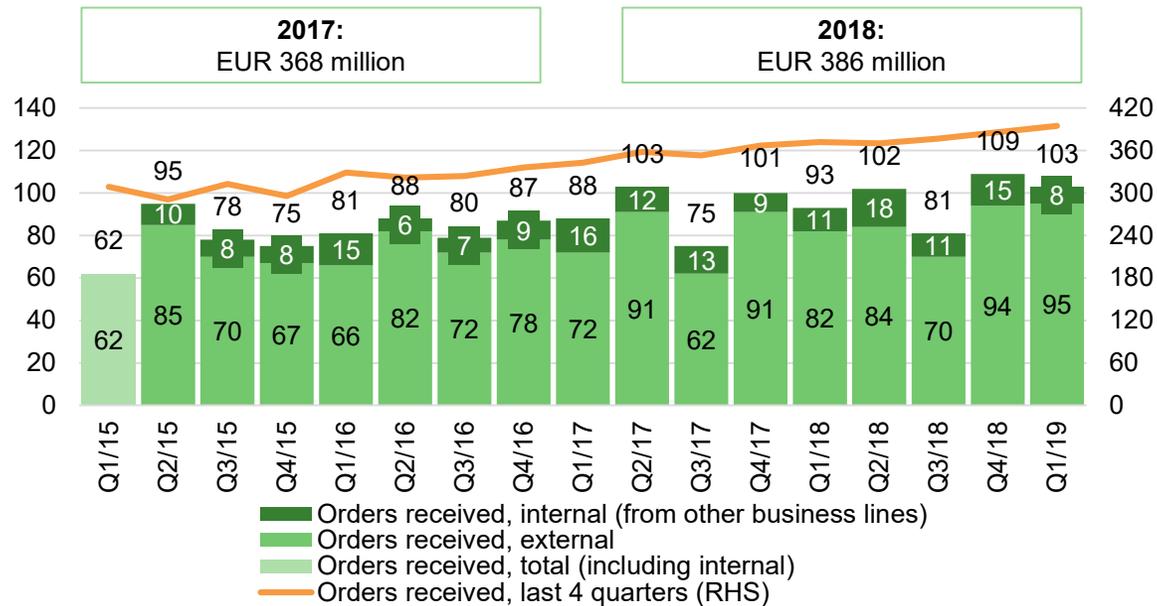


- Orders received remained at the previous year's level compared with Q1/2018
  - Orders received increased in Asia-Pacific and North America, remained at the previous year's level in South America and EMEA, and decreased in China
  - Orders received increased in Energy and Environmental, Fabrics and Rolls, remained at the previous year's level in Performance Parts, and decreased in Mill Improvements
- Net sales increased compared with Q1/2018

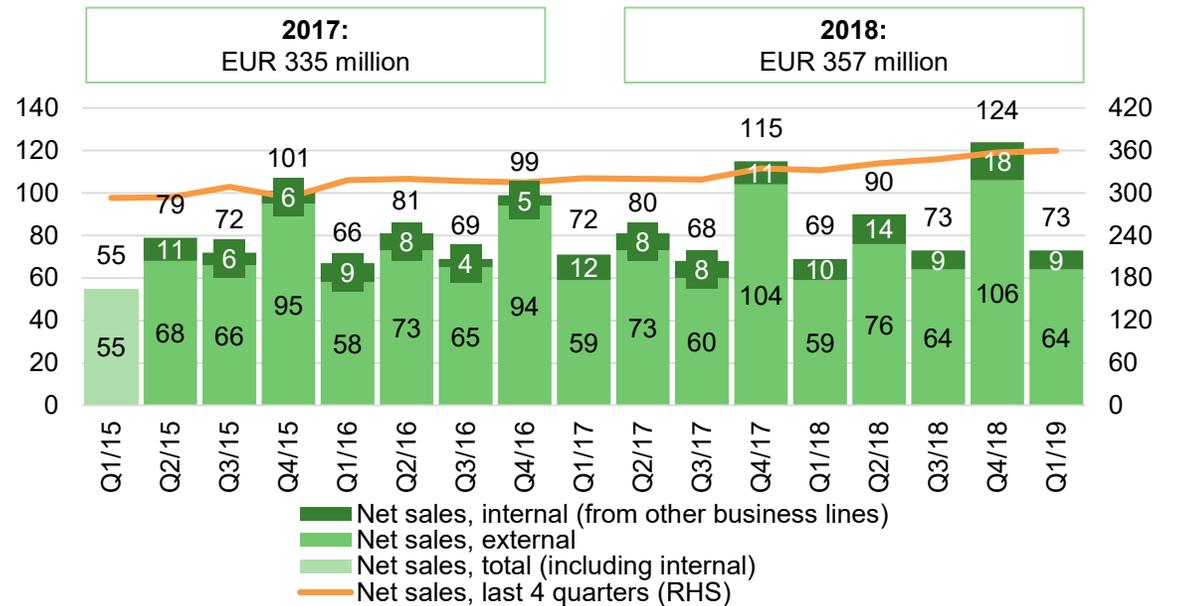


# Automation<sup>1</sup>: Orders received and net sales increased

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



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



- Orders received increased compared with Q1/2018
  - Orders received increased in North America, South America and EMEA, and decreased in China and Asia-Pacific
  - Orders received increased in both Pulp and Paper, and Energy and Process
- Net sales increased compared with Q1/2018

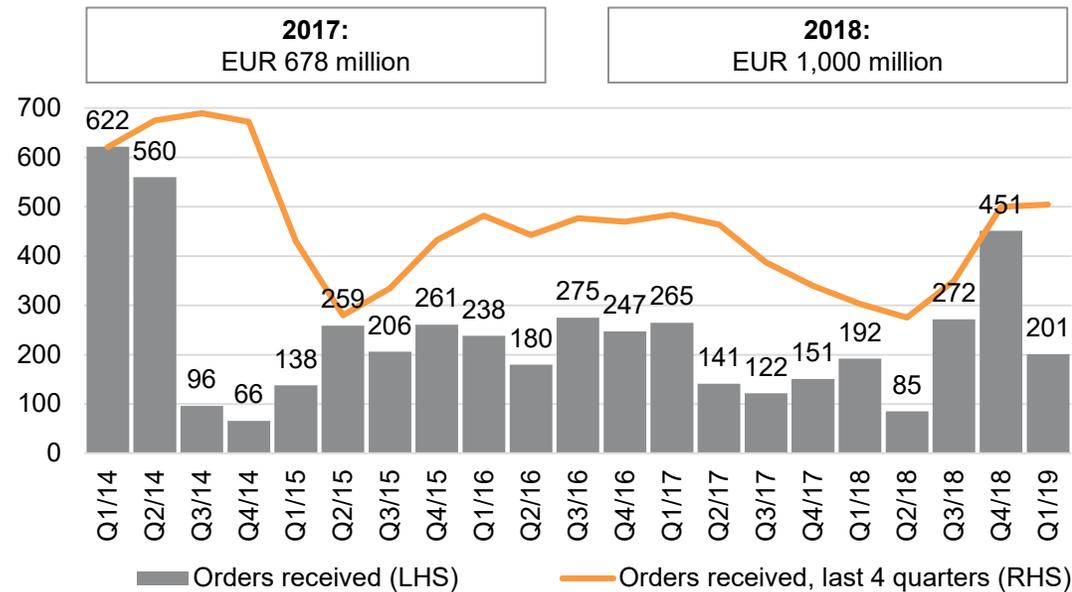


1) Comments refer to orders received and net sales including also internal orders received and net sales.

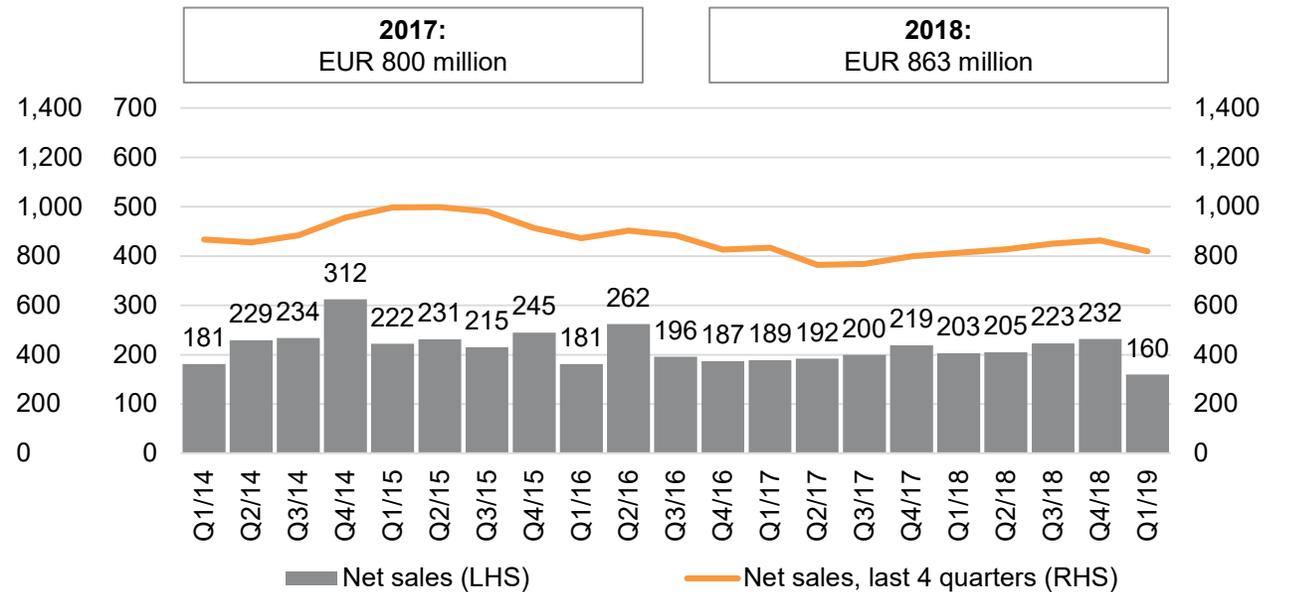
2) Q1/2015 orders received and the underlying figures for 'Orders received, last 4 quarters' and 'Net sales, last 4 quarters' are calculated based on Metso's reported figures and pro forma figures excluding Process Automation Systems and are therefore indicative only.

# Pulp and Energy: Orders received remained at the previous year's level and net sales decreased

Orders received (EUR million)



Net sales (EUR million)

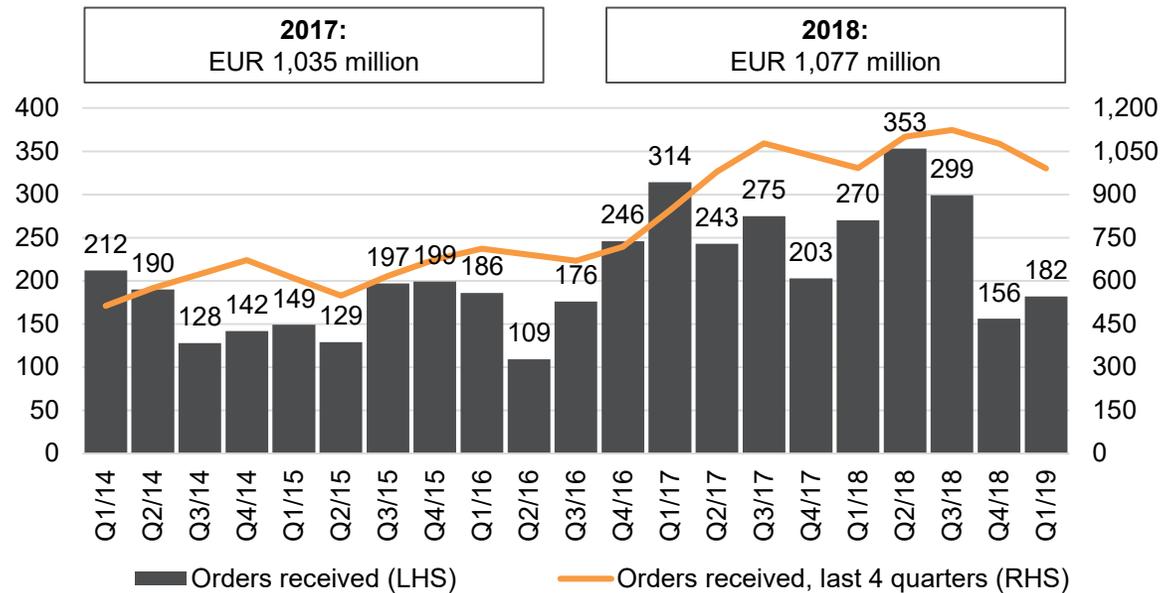


- Orders received remained at the previous year's level compared with Q1/2018
  - Orders received increased in China, South America and Asia-Pacific, and decreased in EMEA and North America
  - Orders received increased in Pulp and decreased in Energy
- Net sales decreased compared with Q1/2018

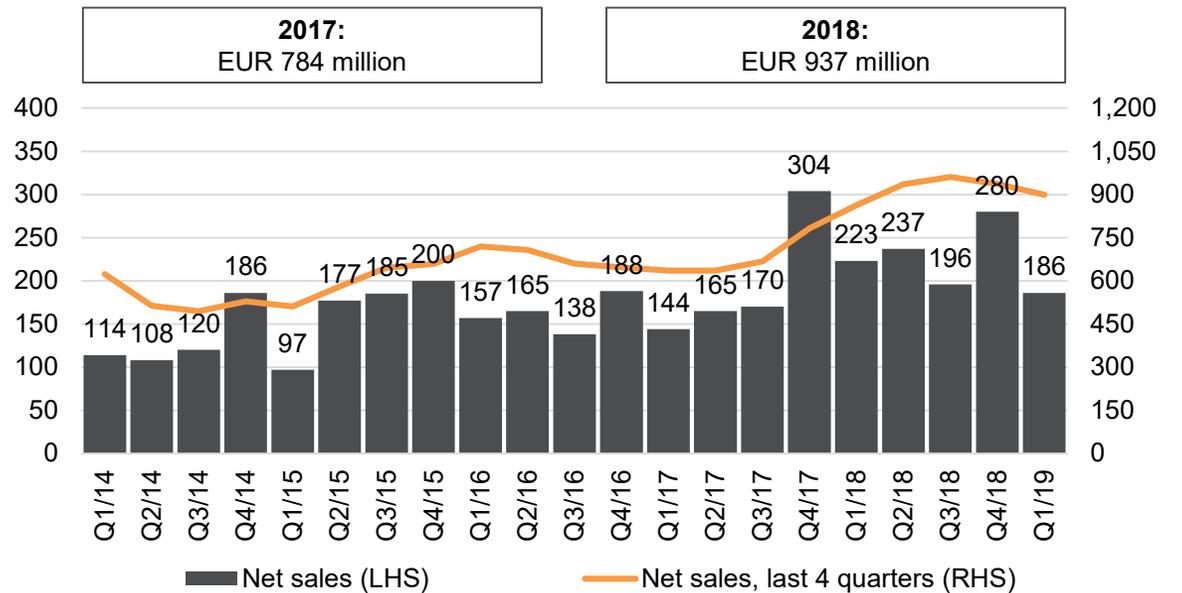


# Paper: Orders received and net sales decreased

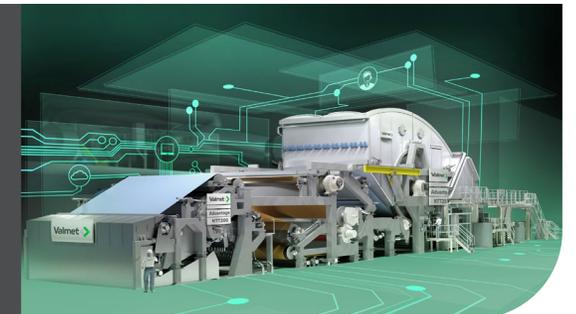
Orders received (EUR million)



Net sales (EUR million)



- Orders received decreased compared with Q1/2018
  - Orders received increased in Asia-Pacific and EMEA, and decreased in South America, North America and China
  - Orders received increased in Tissue and decreased in Board and Paper
- Net sales decreased compared with Q1/2018



# Valmet strengthens its stable business by acquiring GL&V

The acquisition was announced on February 26, 2019 and completed on April 1, 2019

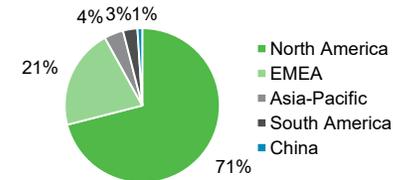
- GL&V is a supplier of technologies, upgrade and process optimization services, rebuilds and spare parts for the pulp and paper industry globally
  - Focus in chemical pulping, stock preparation, papermaking and finishing
  - Key locations in the US and Canada, operations also in Europe, India and South America
- The acquisition has an excellent strategic fit
  - Strengthens Valmet's global services business, complements technology offering and builds further local presence and capabilities especially in North America
- The acquired operations form a new business unit within the Services business line called Mill Process Solutions
  - A majority of the business will be reported in the Services business line

## Key information about the acquired operations

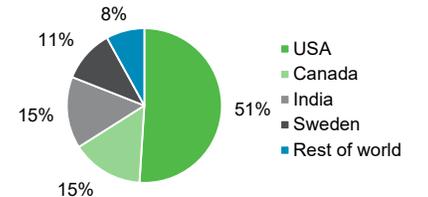
Net sales in 2018	EUR ~160 million
EBITA margin in 2018	~11%
Number of employees	~630
Value of acquisition <sup>1</sup>	EUR ~113 million

1) Value on a cash and debt free basis subject to ordinary post-closing adjustments

## Approximate split of net sales



## Approximate split of employees



## Global footprint, with largest locations in North America





# Financial development

# Key figures

EUR million	Q1/2019 <sup>1</sup>	Q1/2018	Change	2018
Orders received	<b>835</b>	890	-6%	3,722
Order backlog <sup>2</sup>	<b>3,001</b>	2,583	16%	2,829
Net sales	<b>686</b>	732	-6%	3,325
Comparable EBITA	<b>47</b>	22	>100%	257
% of net sales	<b>6.9%</b>	3.0%		7.7%
EBITA	<b>49</b>	19	>100%	241
Operating profit (EBIT)	<b>43</b>	12	>100%	211
% of net sales	<b>6.2%</b>	1.6%		6.4%
Earnings per share, EUR	<b>0.21</b>	0.05	>100%	1.01
Return on capital employed (ROCE) before taxes <sup>3</sup>	<b>15%</b>	5%		19%
Cash flow provided by operating activities	<b>30</b>	19	59%	284
Gearing <sup>2</sup>	<b>-20%</b>	-12%		-23%

Items affecting comparability: EUR 2 million in Q1/2019 (EUR -3 million in Q1/2018)

1) Valmet implemented IFRS 16 – Leases as of January 1, 2019 by applying the simplified transition method and therefore 2018 figures are not restated.

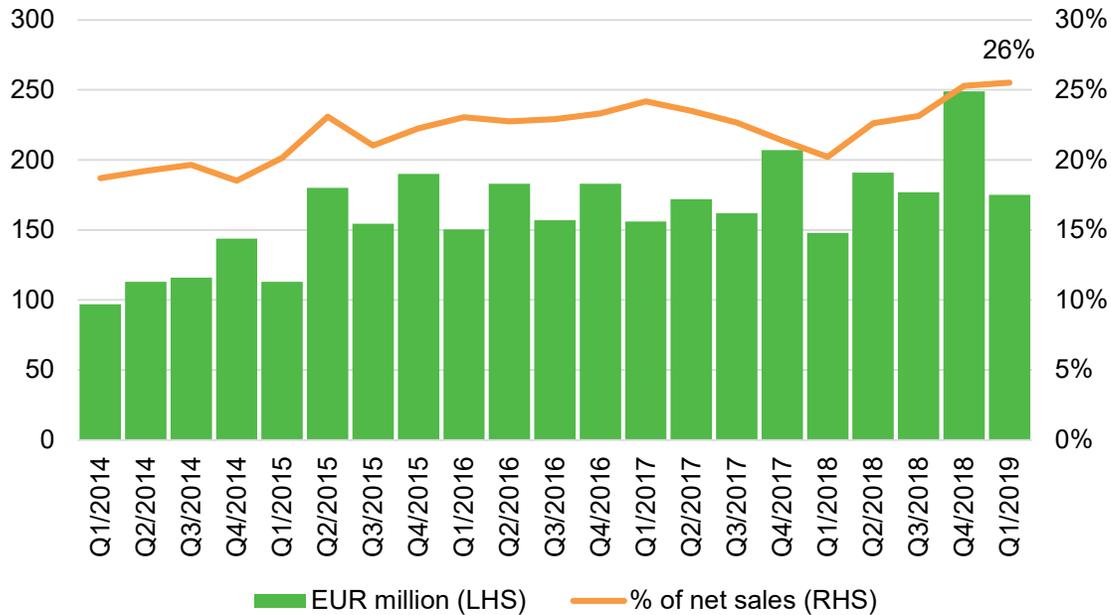
2) At the end of period

3) Annualized

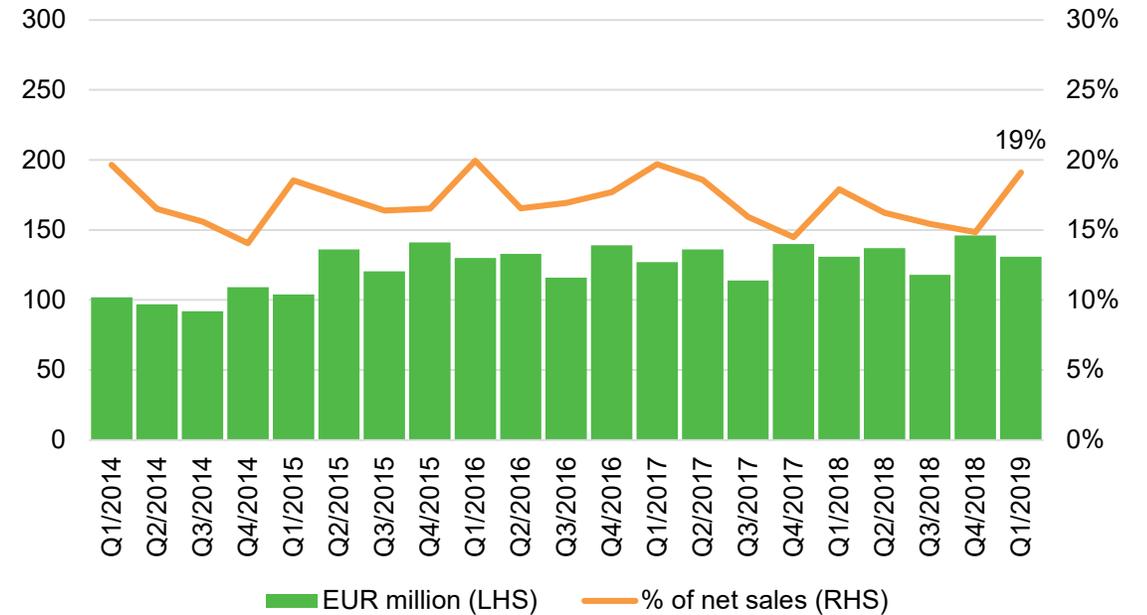


# Gross profit and SG&A development

Gross profit (EUR million and % of net sales)



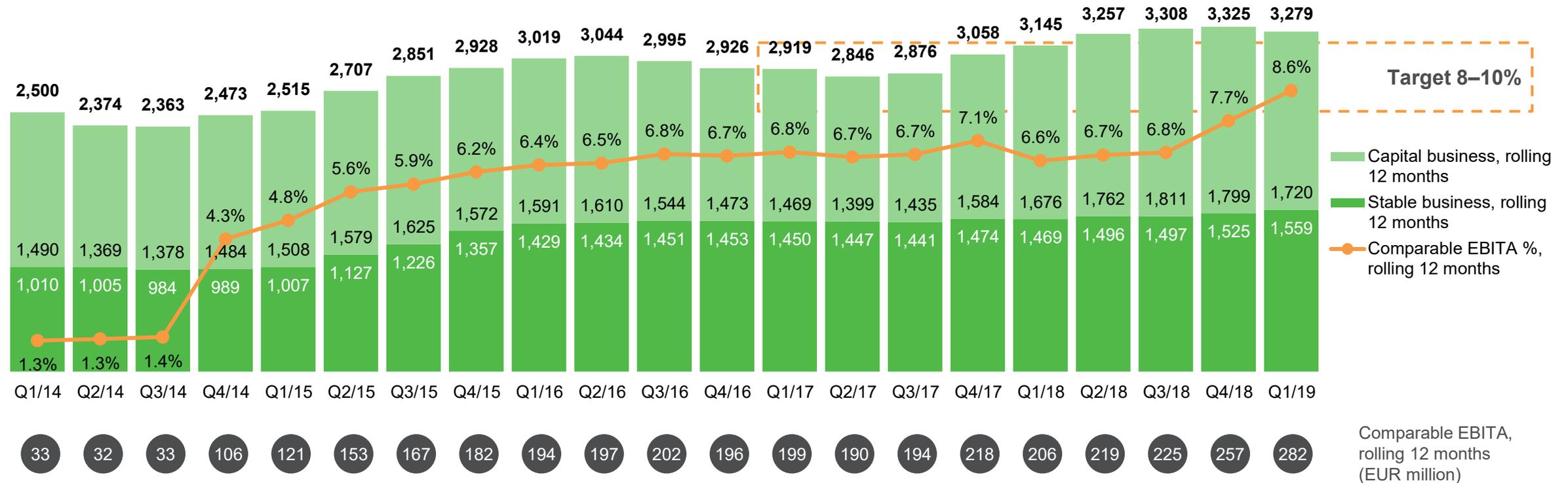
SG&A (EUR million and % of net sales)



- Gross profit was 26% of net sales (20% in Q1/2018)
  - Stable business had a higher share of net sales in Q1/2019
  - Better execution in all businesses in Q1/2019
- Selling, general & administrative (SG&A) expenses decreased by EUR 1 million
  - SG&A was 19% of net sales (18% in Q1/2018)

# Comparable EBITA margin development

Net sales and Comparable EBITA, rolling 12 months (EUR million and %)<sup>1</sup>

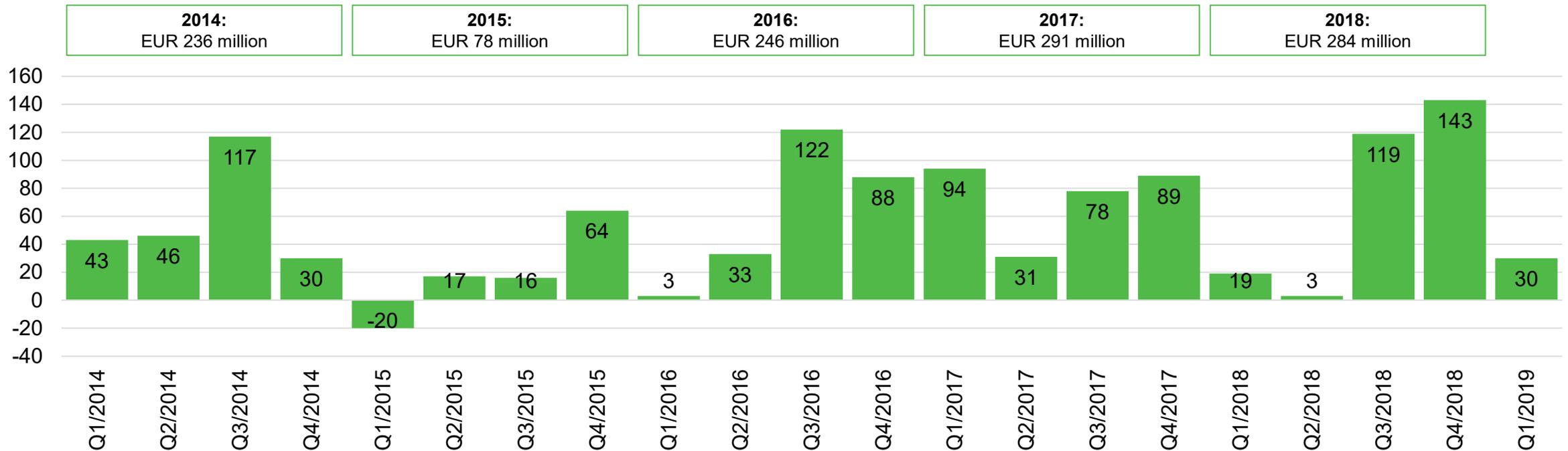


- Net sales decreased and Comparable EBITA increased compared with Q1/2018
  - Profitability improved due to improved sales mix, higher gross profit and unchanged level of SG&A costs

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 capital<sup>1</sup> EUR -20 million in Q1/2019
- Cash flow provided by operating activities EUR 30 million in Q1/2019
- CAPEX<sup>2</sup> EUR 18 million in Q1/2019

As of January 1, 2019, Valmet has adopted IFRS 16 without restating the figures for the comparison period.

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

2) Excluding business combinations and leased assets.

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

Net working capital and orders received (EUR million)

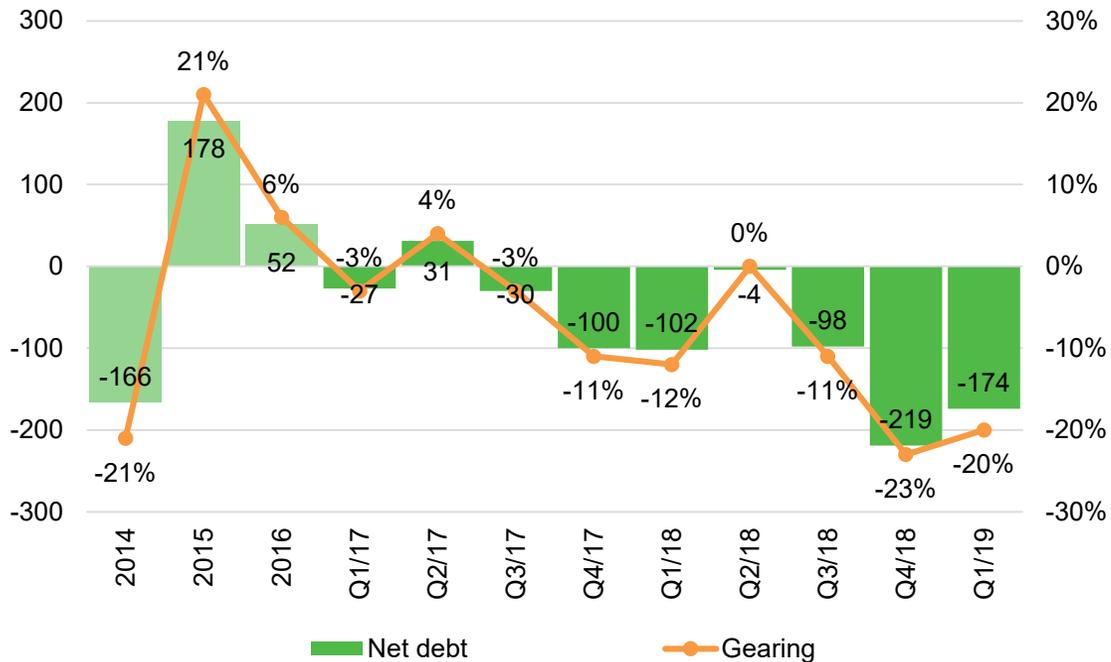


- Net working capital EUR -459 million, which equals -13% of rolling 12 months orders received

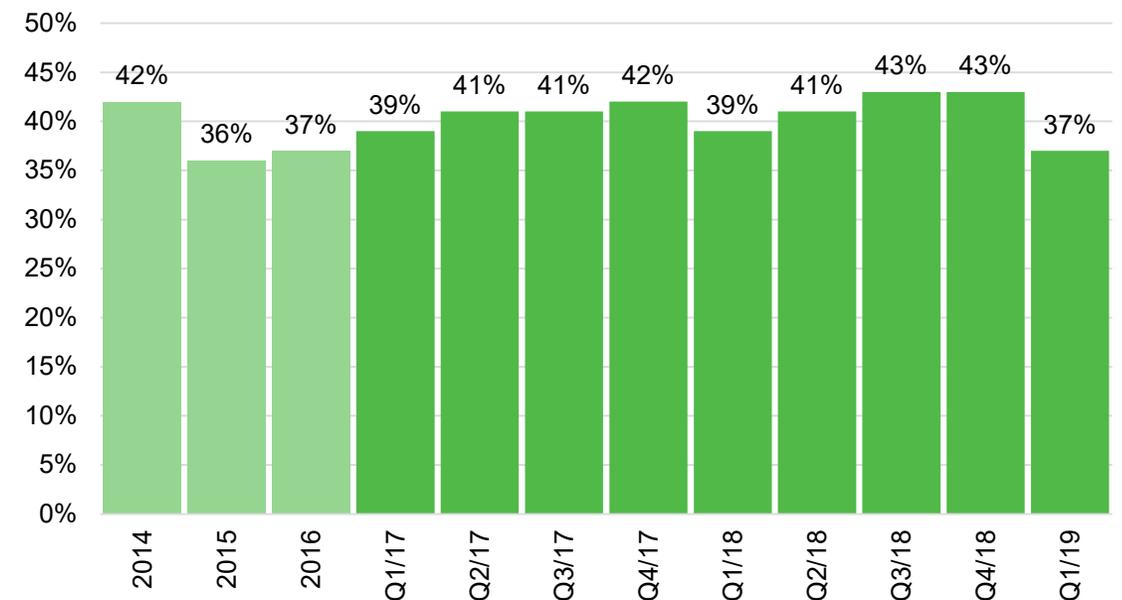
Net working capital excluding non-cash net working capital impact from dividend liability.

# Net debt and gearing decreased compared with Q1/2018

Net debt (EUR million) and gearing (%)



Equity to assets ratio (%)

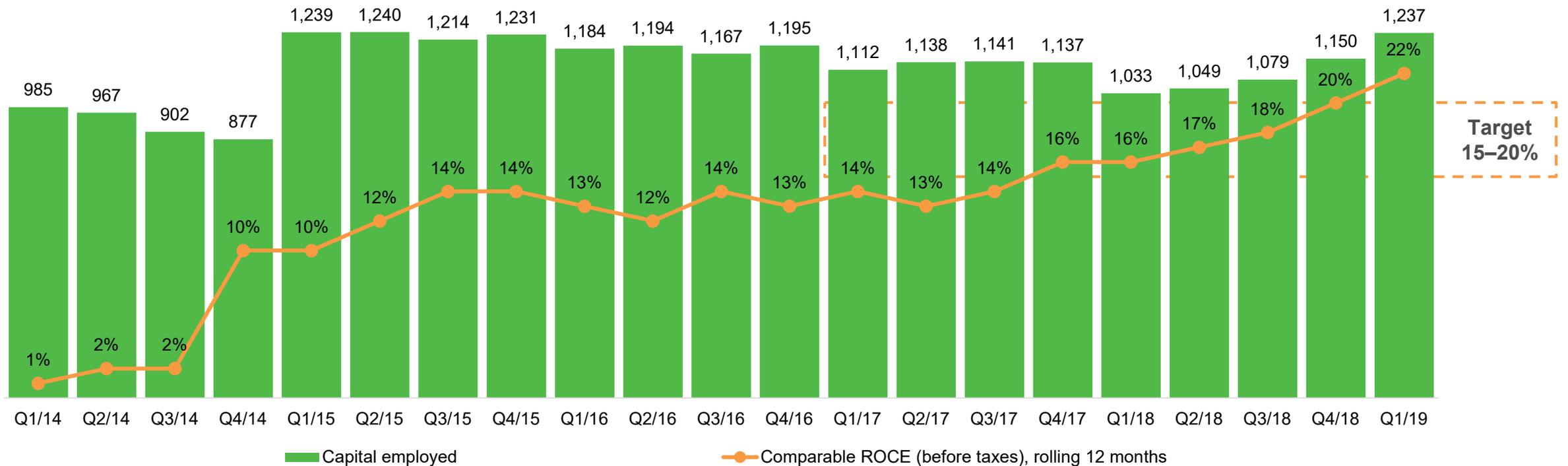


- Gearing (-20%) and net debt (EUR -174 million) decreased compared with Q1/2019
  - Without the effect from IFRS 16 gearing would have been -26%
- Equity to assets ratio decreased compared with Q1/2018

As of January 1, 2019, Valmet has adopted IFRS 16 without restating the figures for the comparison period.

# 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%

As of January 1, 2019, Valmet has adopted IFRS 16 without restating the figures for the comparison period.

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# Effects of IFRS 16

- IFRS 16, effective as of January 1, 2019, requires to recognize almost all lease contracts as an asset and liability

## Approximate effects of IFRS 16 for 2019<sup>1</sup>

Depreciation	Increases (approx. EUR 20 million)
EBITA	Increases (approx. EUR 2 million)
Net debt	Increases (approx. EUR 50 million)
Fixed assets	Increases (approx. EUR 50 million)
Cash flow from operating activities	Increases (approx. EUR 20 million)
Cash flow from financing activities	Decreases (approx. EUR 20 million)

1) Approximate effects for the full year and are subject to change.



# Guidance and short-term market outlook

# Guidance and short-term market outlook

Guidance for 2019 (confirmed on April 1, 2019 following the completion of the acquisition of GL&V)

<b>Guidance</b>	Valmet estimates that net sales in 2019 will increase in comparison with 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

		Q2/2018	Q3/2018	Q4/2018	Q1/2019
Services		Good	Good	Good	Good
Automation		Good	Good	Good	Good
Pulp and Energy	Pulp	Weak	Satisfactory	Satisfactory	Good
	Energy	Satisfactory	Satisfactory	Satisfactory	Satisfactory
Paper	Board and Paper	Good	Good	Good	Good
	Tissue	Good	Good	Satisfactory	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 Interim Review Q1/2019

# Q1/2019 in brief

- Orders received remained at the previous year's level at EUR 461 million in stable business<sup>1</sup>
- Orders received decreased to EUR 382 million in capital business<sup>2</sup>
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- Order backlog increased to EUR 3.0 billion
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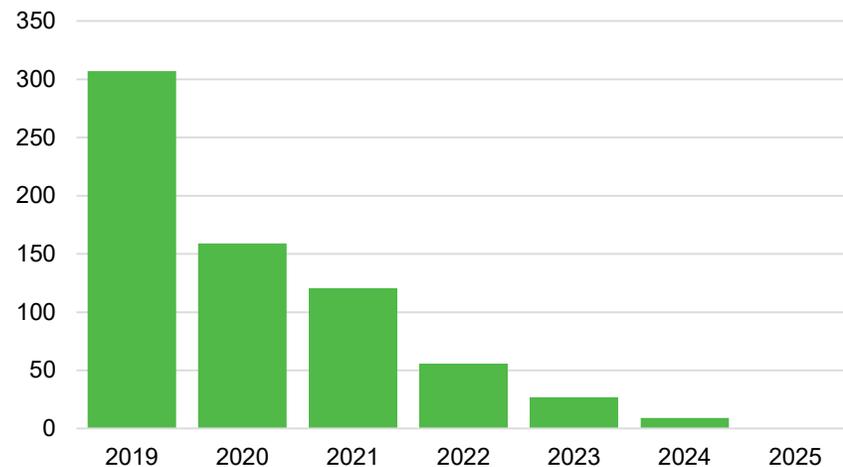


# Appendix

# Structure of loans and borrowings

Interest-bearing debt EUR 307 million as at March 31, 2019

Amount of outstanding interest-bearing debt (EUR million)



Main financing sources and facilities

Source	Amount outstanding
Loans from banks and financial institutions	EUR 307 million
EUR 200 million committed syndicated revolving credit facility <sup>1</sup>	None outstanding
EUR 200 million domestic commercial paper program	EUR 90 million

1) EUR 200 million syndicated revolving credit facility agreement matures in January 2024.

- Average maturity of long-term loans is 3.7 years
- Average interest rate is 0.8%

Lease liabilities are excluded in the calculation of the figures.

# Largest shareholders on March 31, 2019

Based on information given by Euroclear Finland Ltd

#	Shareholder name	Number of shares	% of shares
1	Solidium Oy <sup>1</sup>	16,695,287	11.14%
2	Elo Pension Company	3,600,000	2.40%
3	Ilmarinen Mutual Pension Insurance Company	3,160,000	2.11%
4	Varma Mutual Pension Insurance Company	3,012,465	2.01%
5	Keva	1,502,166	1.00%
6	The State Pension Fund	1,345,000	0.90%
7	Evli Funds	780,000	0.52%
8	Danske Invest funds	690,943	0.46%
9	Nordea Funds	671,604	0.45%
10	Sigrid Jusélius Foundation	610,865	0.41%
11	Odin Funds	574,945	0.38%
12	The Finnish Cultural Foundation	508,902	0.34%
13	Sijoitusrahasto Aktia Capital	500,000	0.33%
14	Foundation of Brita Maria Renlunds minne	423,000	0.28%
15	The Social Insurance Institution of Finland, KELA	396,316	0.26%
16	SEB Finlandia Investment Fund	371,172	0.25%
17	Evli Europe Fund	369,454	0.25%
18	Mandatum Life Insurance Company Limited	341,673	0.23%
19	Samfundet folkhälsan i Svenska Finland rf	320,985	0.21%
20	Ingman Finance Oy Ab	300,000	0.20%
	20 largest shareholders, total	36,174,777	24.14%
	Other shareholders	113,689,842	75.86%
	<b>Total</b>	<b>149,864,619</b>	<b>100.00%</b>

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

# Shareholder structure on March 31, 2019



- Nominee registered and non-Finnish holders 56.2%
- Solidium Oy 11.1%
- Finnish private investors 12.5%
- Finnish institutions, companies and foundations 20.2%

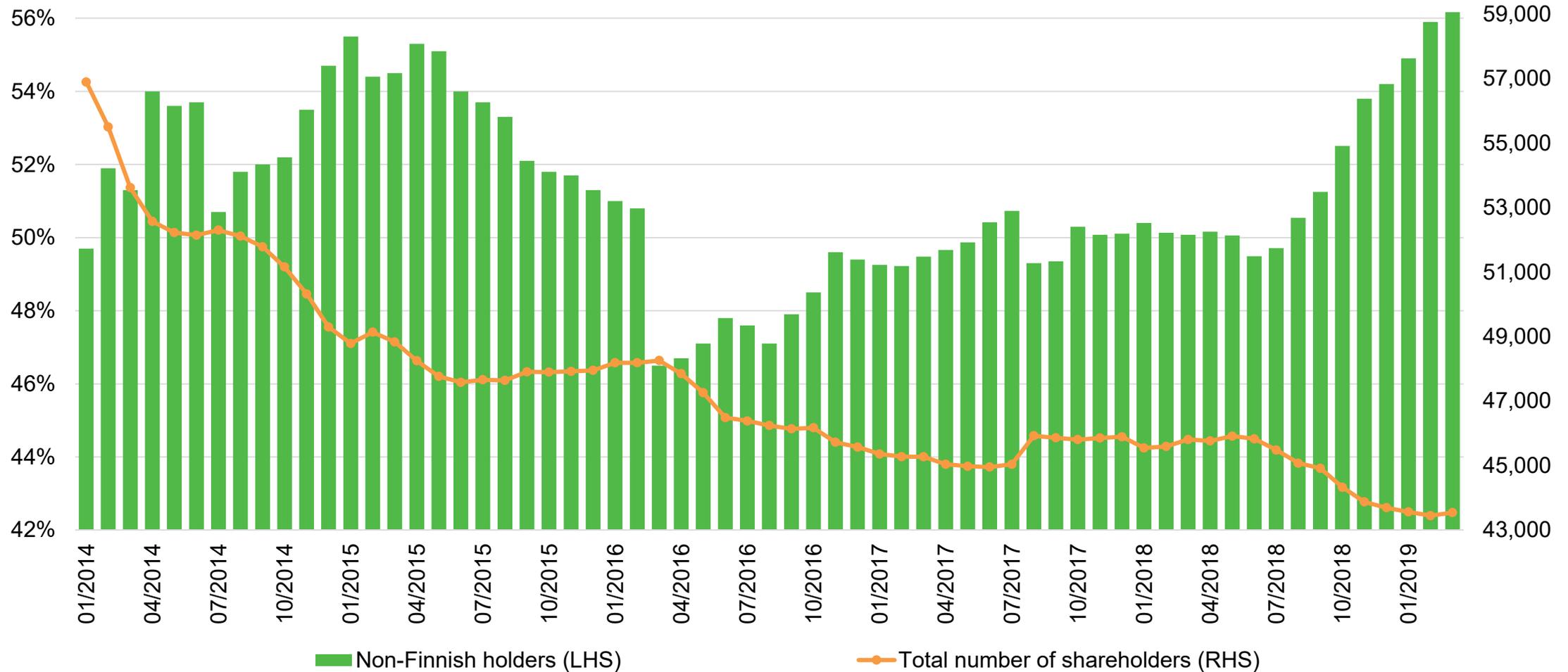
Sector	Number of shareholders	% of total shareholders	Number of shares	% of shares
Nominee registered and non-Finnish holders <sup>1</sup>	335	0.78%	84,180,328	56.17%
Finnish institutions, companies and foundations	2,167	4.98%	30,200,405	20.15%
Solidium Oy <sup>2</sup>	0	0.00%	16,695,287	11.14%
Finnish private investors	41,039	94.25%	18,780,519	12.53%
On issuer account	0	0.00%	8,080	0.01%
<b>Total</b>	<b>43,541</b>	<b>100.00%</b>	<b>149,864,619</b>	<b>100.00%</b>

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

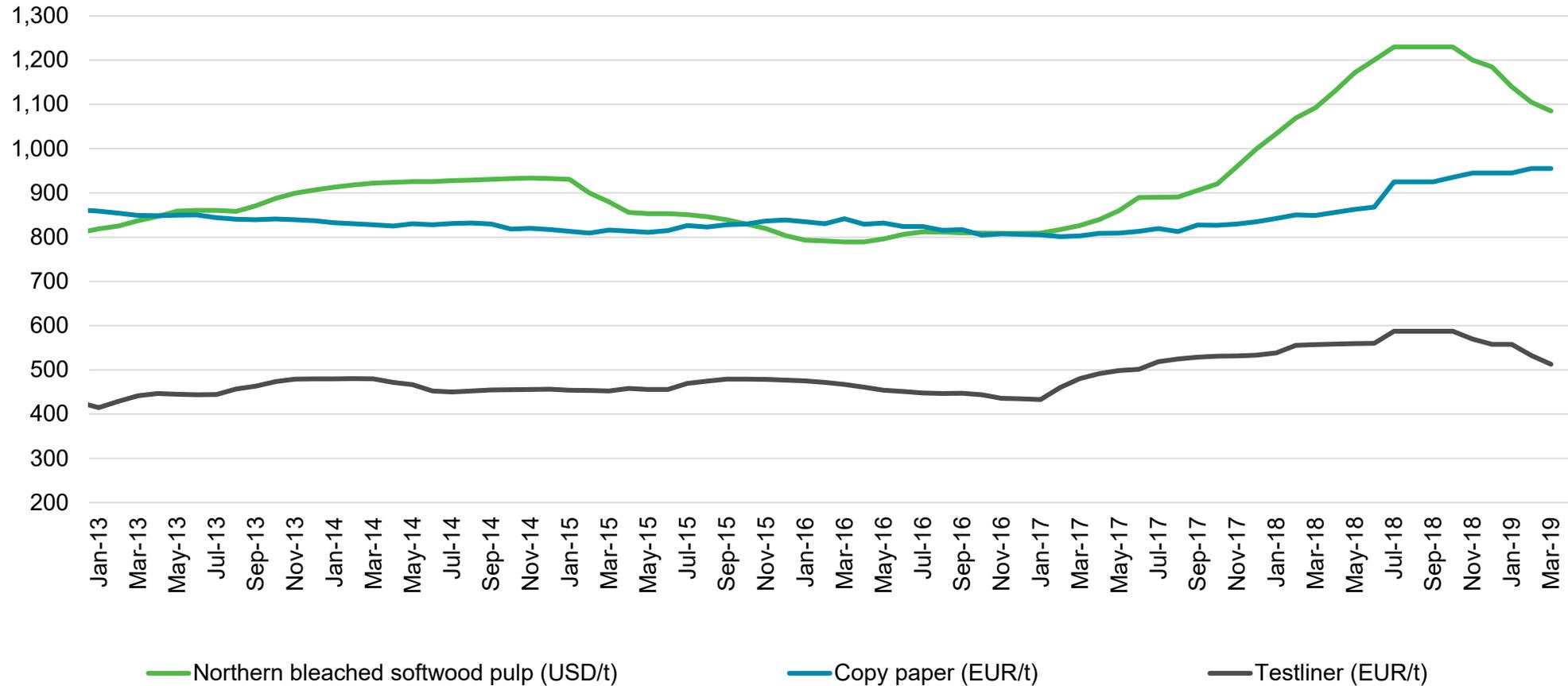
1) Of which 82,703,597 nominee registered shares

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

# Share of non-Finnish holders and number of shareholders

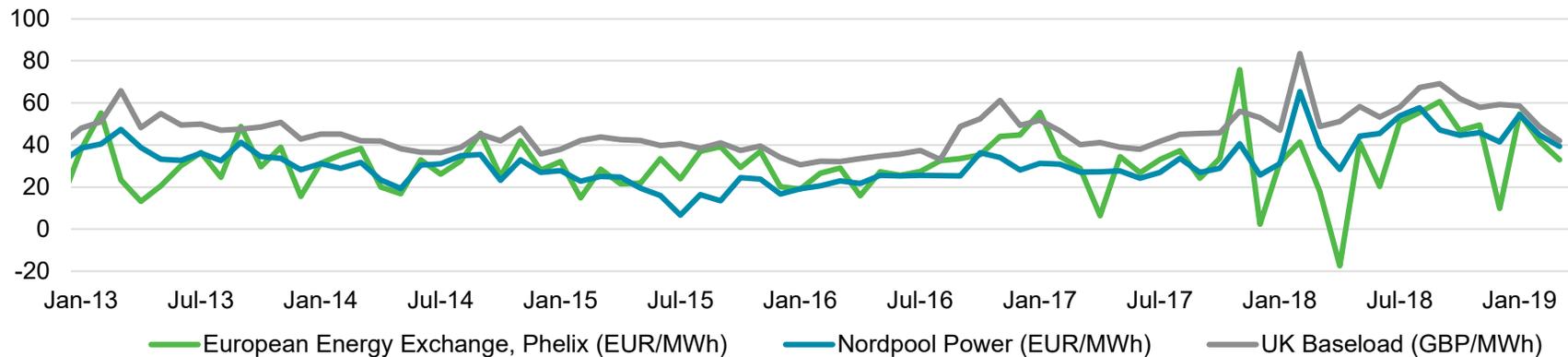
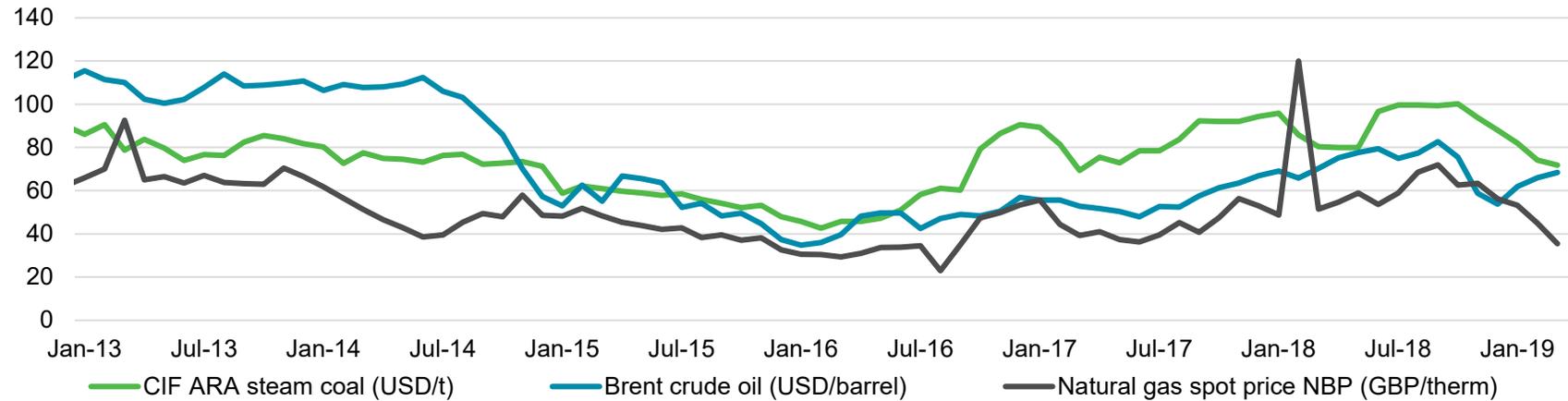


# Pulp and paper price trends



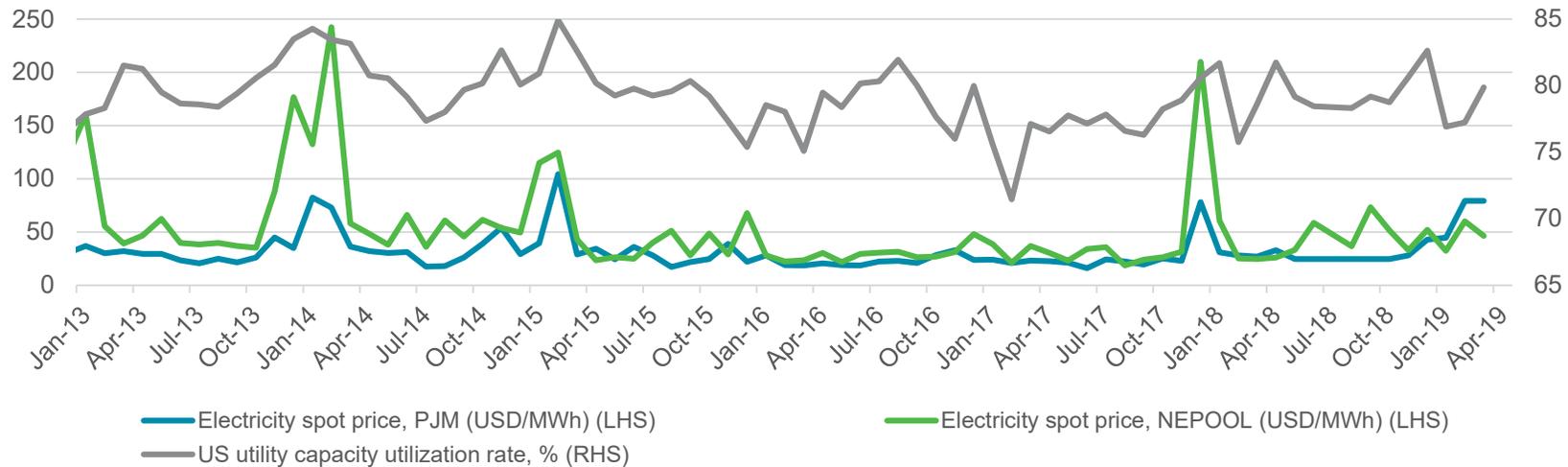
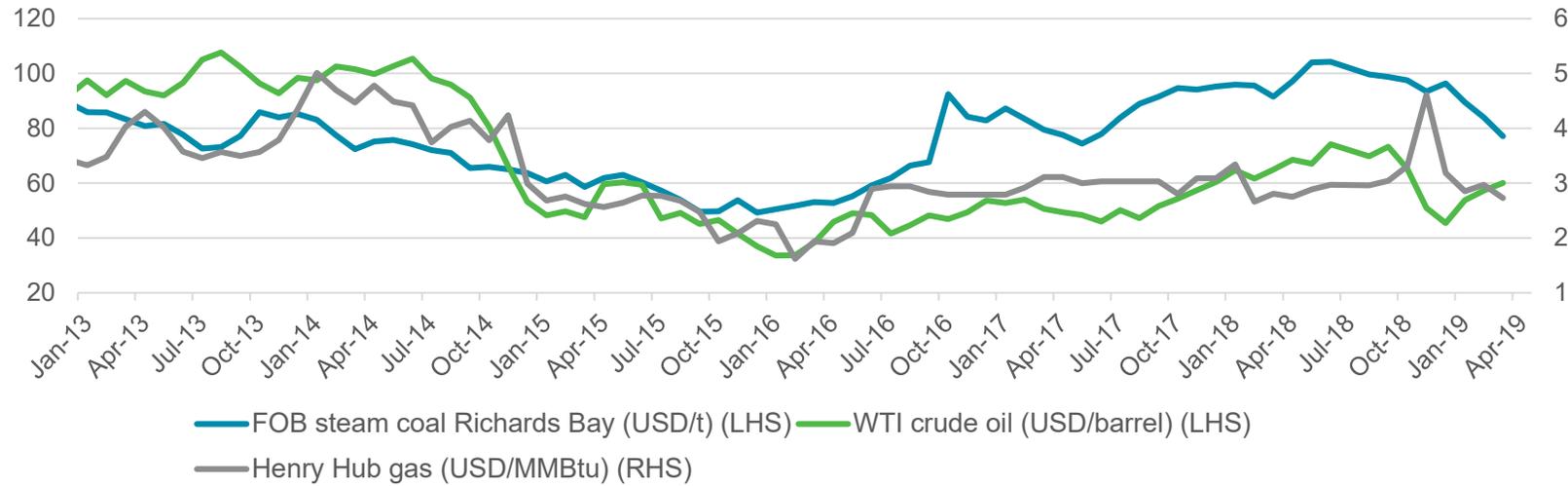
# Crude oil, steam coal, natural gas and electricity

## Europe

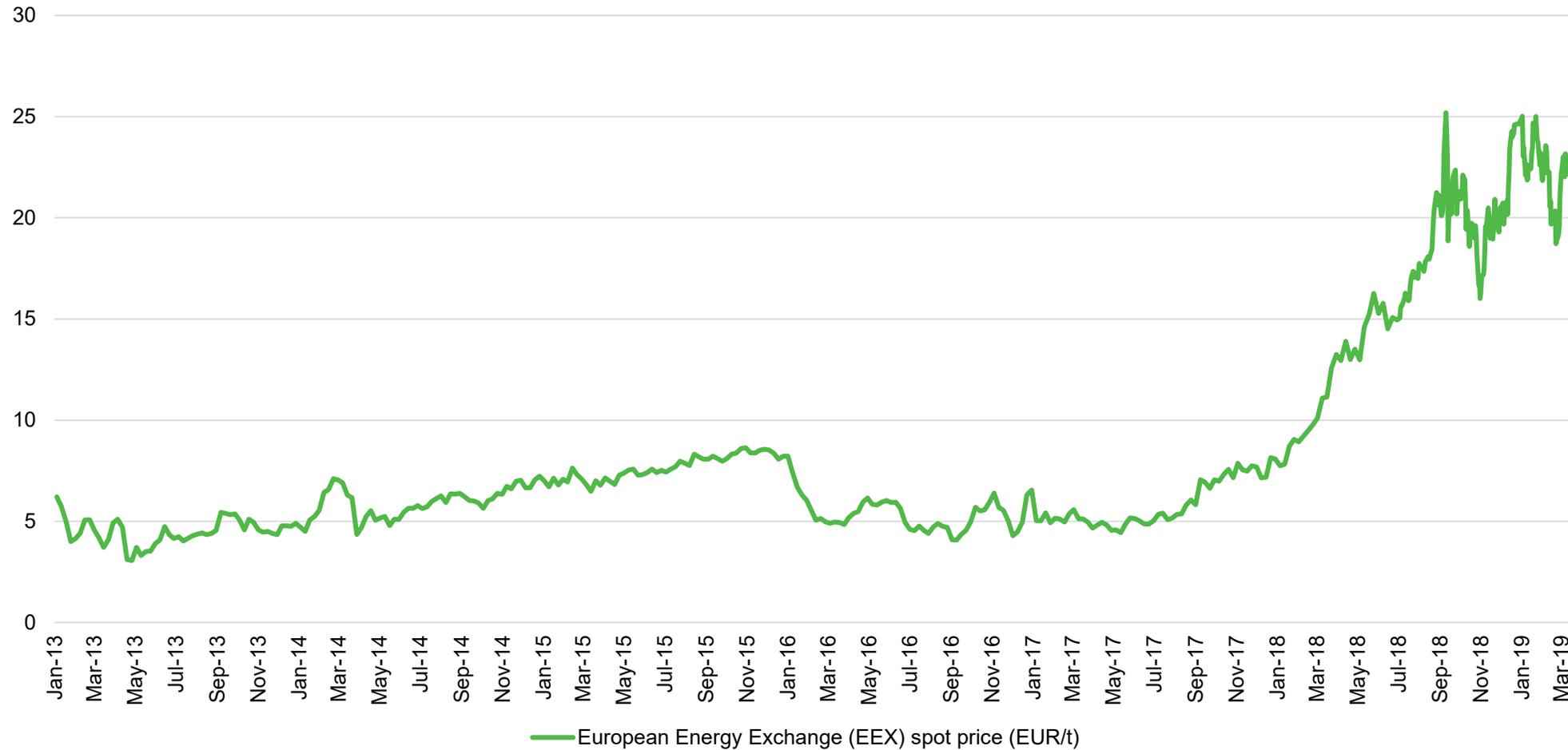


# Crude oil, steam coal, natural gas and electricity

## United States



# European Carbon Emission Allowance



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