

Orders received increased in all business lines – Comparable EBITA increased

Interim Review,
January–September 2018

October 23, 2018

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Agenda

Interim Review, January–September 2018

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- 2 Development of the business lines
- 3 Moving the industry forward with Industrial Internet
- 4 Financial development
- 5 Guidance and short-term market outlook
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Q3/2018 in brief

Q3/2018 in brief

- Orders received increased to EUR 381 million in stable business¹
- Orders received increased to EUR 570 million in capital business²
- Net sales increased to EUR 765 million
- Order backlog remained at the previous year's level at EUR 2.8 billion
- Comparable EBITA increased to EUR 61 million and margin was 8.0%
- Gearing was -11%

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 Q3/2018

Orders received
EUR 940 million

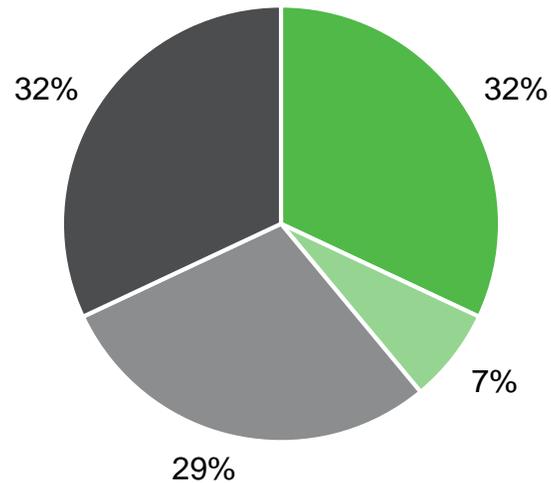
Net sales
EUR 765 million

Comparable EBITA
EUR 61 million

Comparable EBITA margin
8.0%

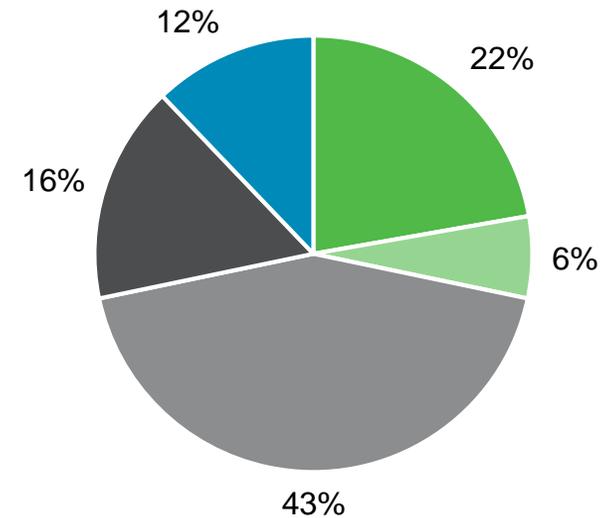
Employees
12,481

Orders received by business line



- Services
- Automation
- Pulp and Energy
- Paper

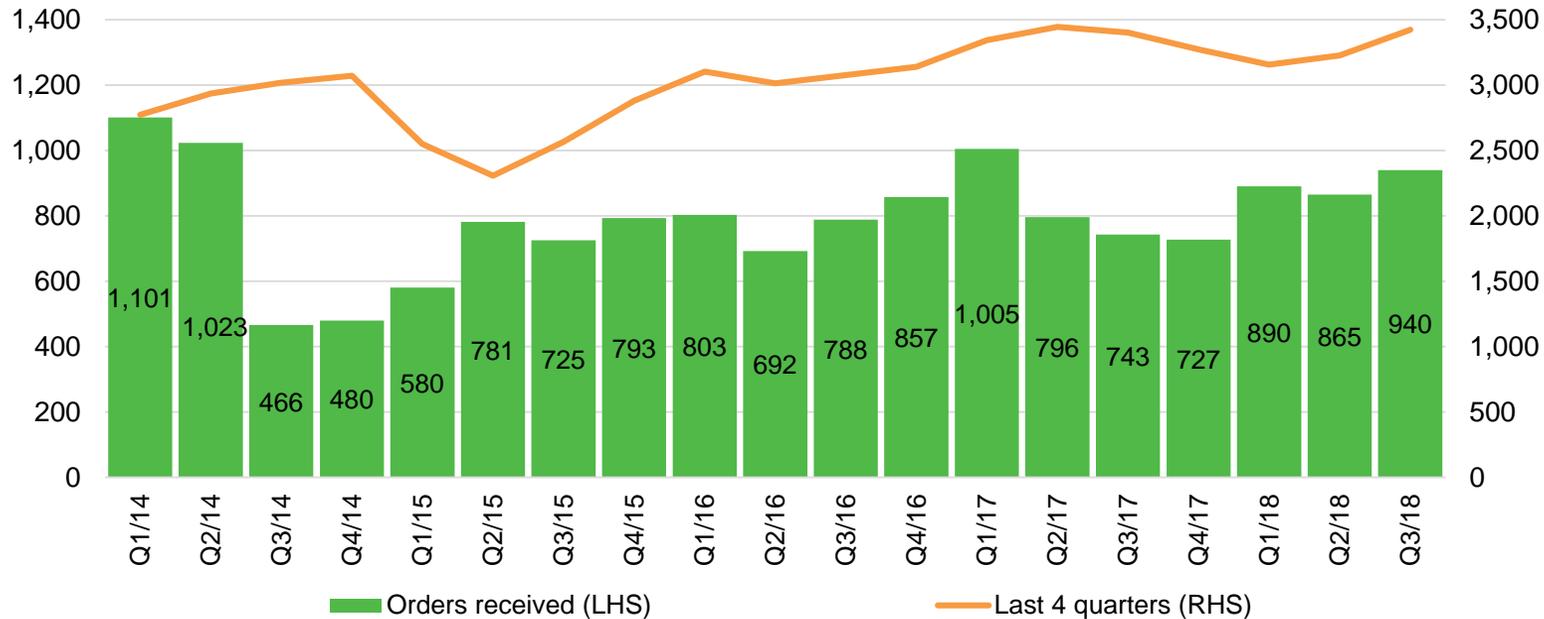
Orders received by area



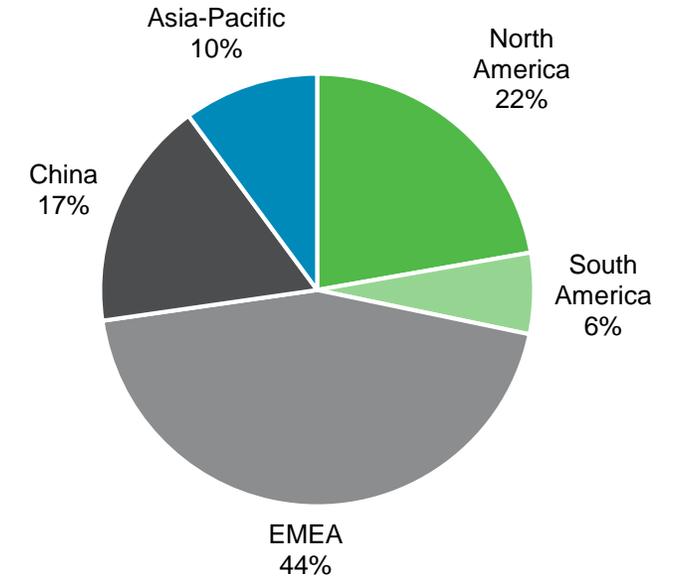
- North America
- South America
- EMEA
- China
- Asia-Pacific

Orders received increased to EUR 940 million in Q3/2018

Orders received (EUR million)



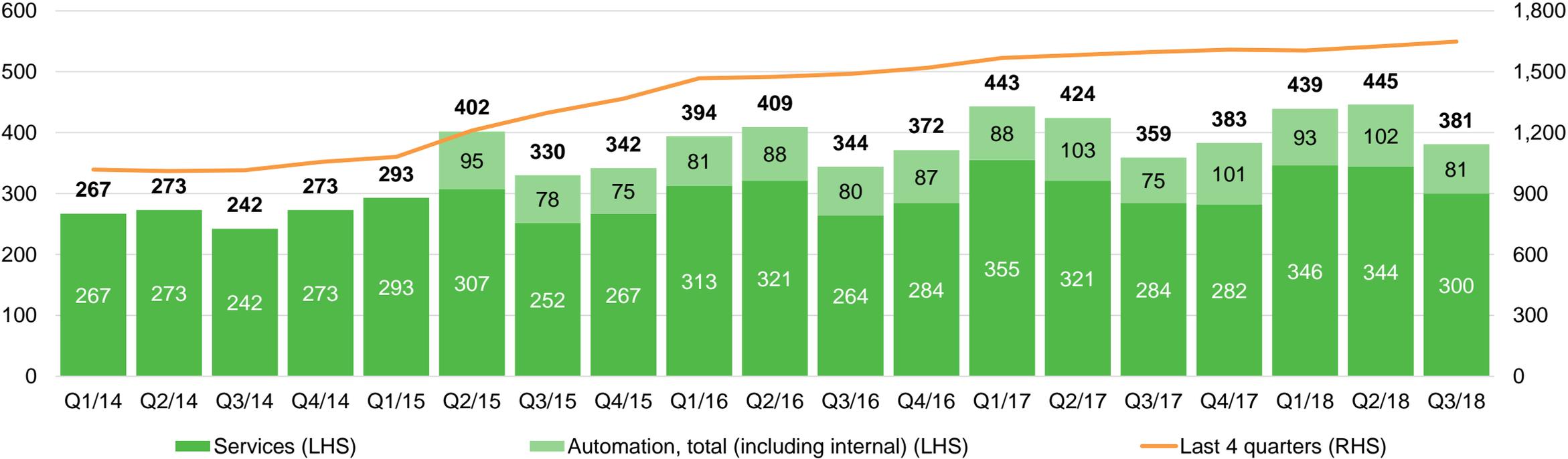
Orders received in Q1–Q3/2018 by area



- In stable business, orders received increased to EUR 381 million in Q3/2018
- In capital business, orders received increased to EUR 570 million in Q3/2018
- EMEA and North America accounted for 67% of orders received during first three quarters of the year

Stable business orders received totaled EUR 1,649 million during the last four quarters

Orders received (EUR million) in stable business¹

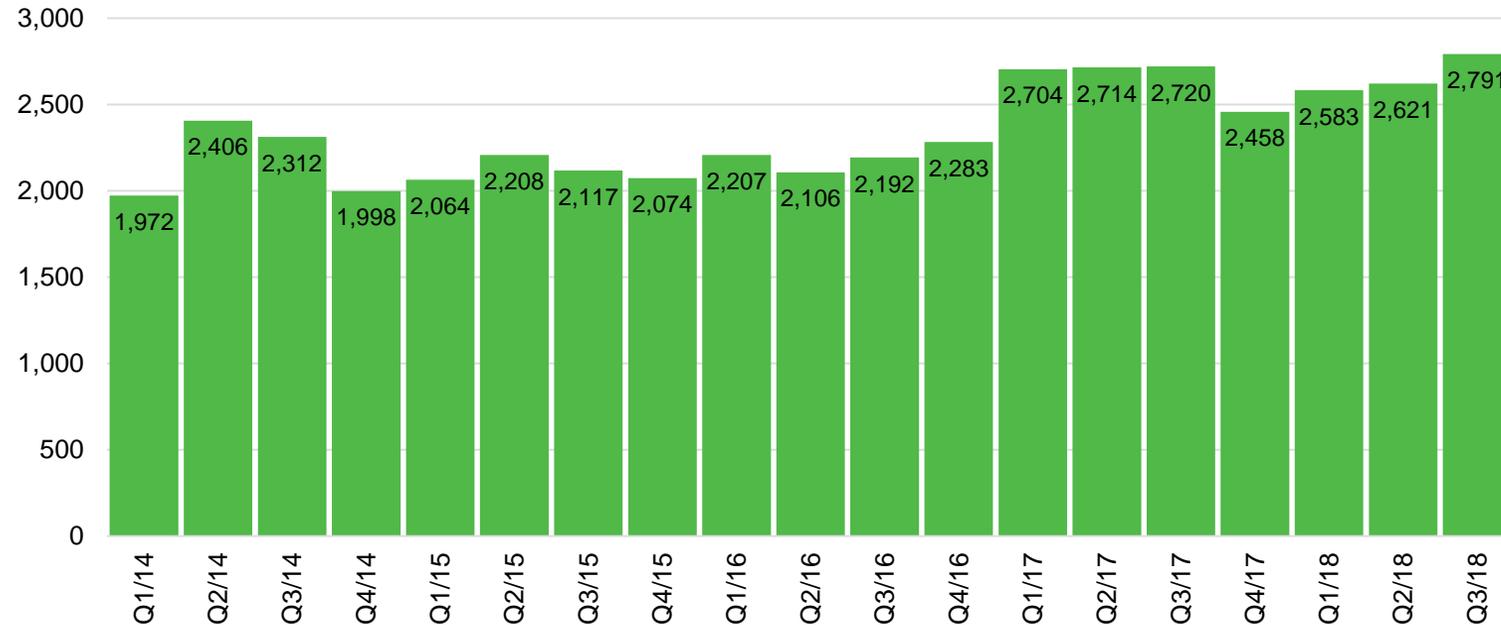


- In Q3/2018, total orders received in stable business increased

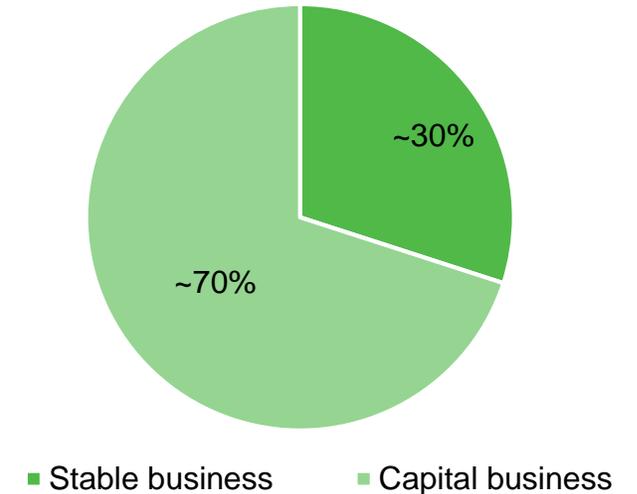
1) Including internal orders received for the Automation business line.

Order backlog at EUR 2,791 million at the end of Q3/2018

Order backlog (EUR million)



Structure of order backlog



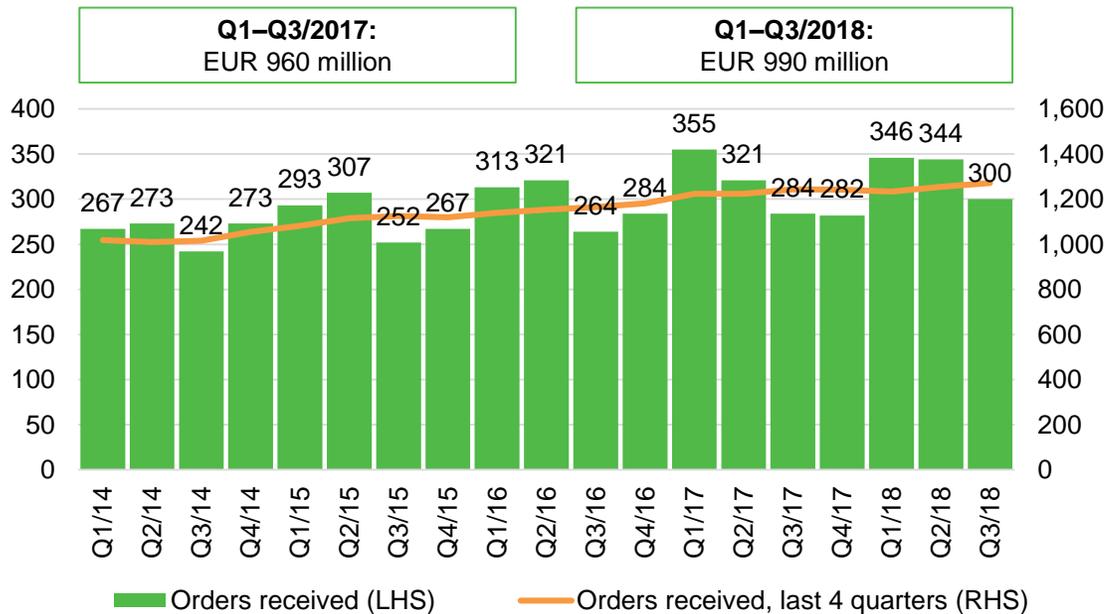
- Order backlog was EUR 170 million higher than at the end of Q2/2018
- Approximately 30% of the order backlog relates to stable business



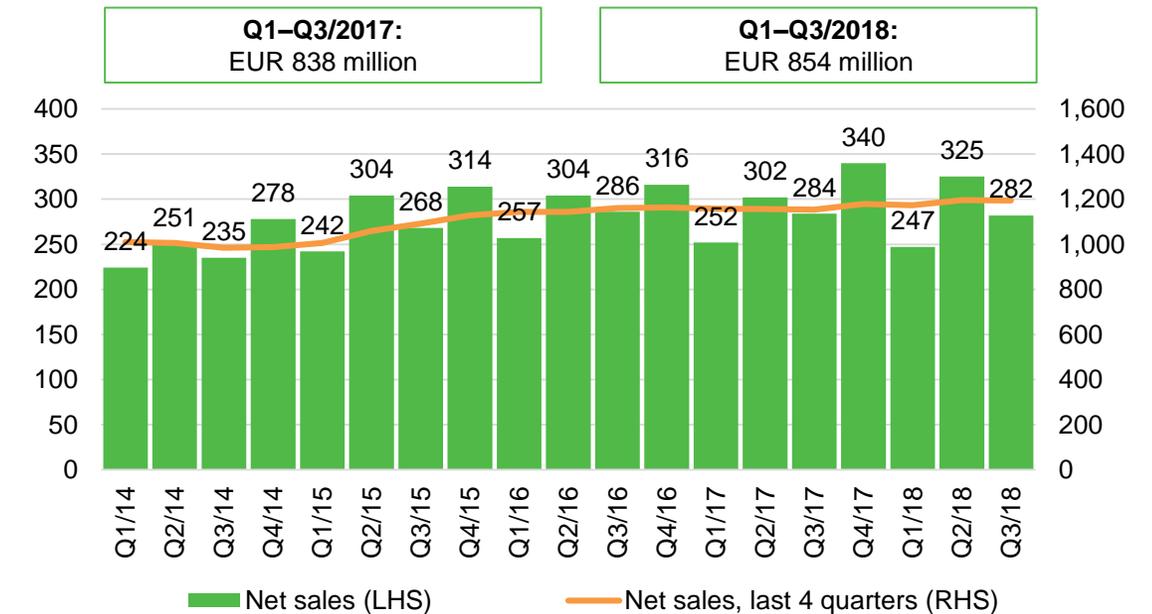
Development of the business lines

Services: Orders received increased and net sales remained at the previous years' level

Orders received (EUR million)



Net sales (EUR million)

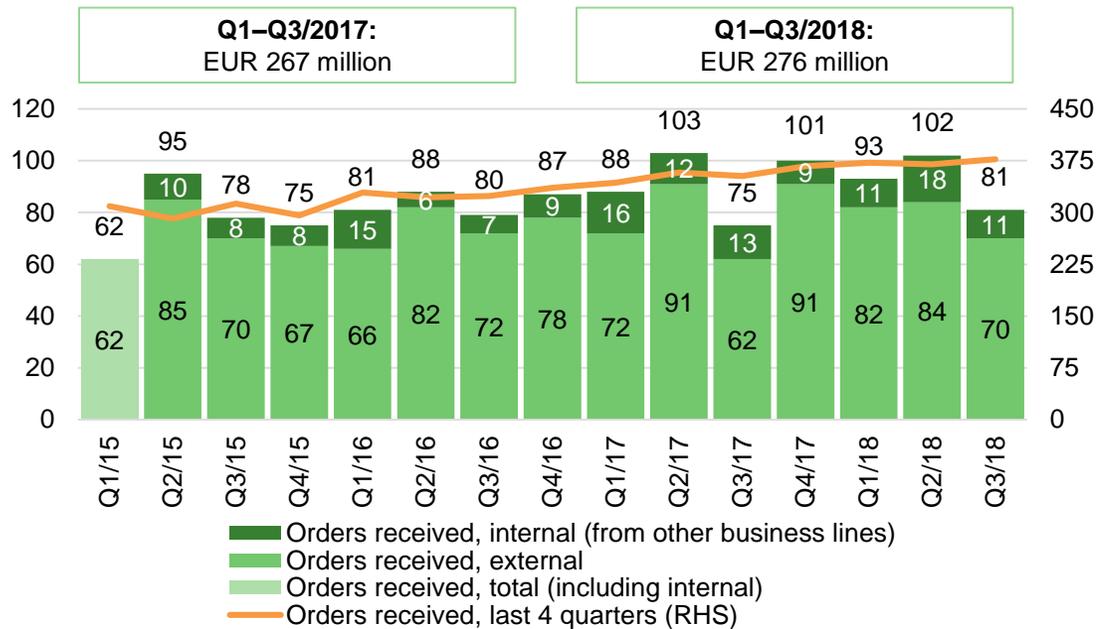


- Orders received increased compared with Q3/2017
 - Orders received increased in North America, China and EMEA, remained at the previous year's level in Asia-Pacific and decreased in South America
 - Orders received increased in Rolls, Performance Parts, Fabrics, and Mill Improvements and decreased in Energy and Environmental
- Net sales remained at the previous year's level

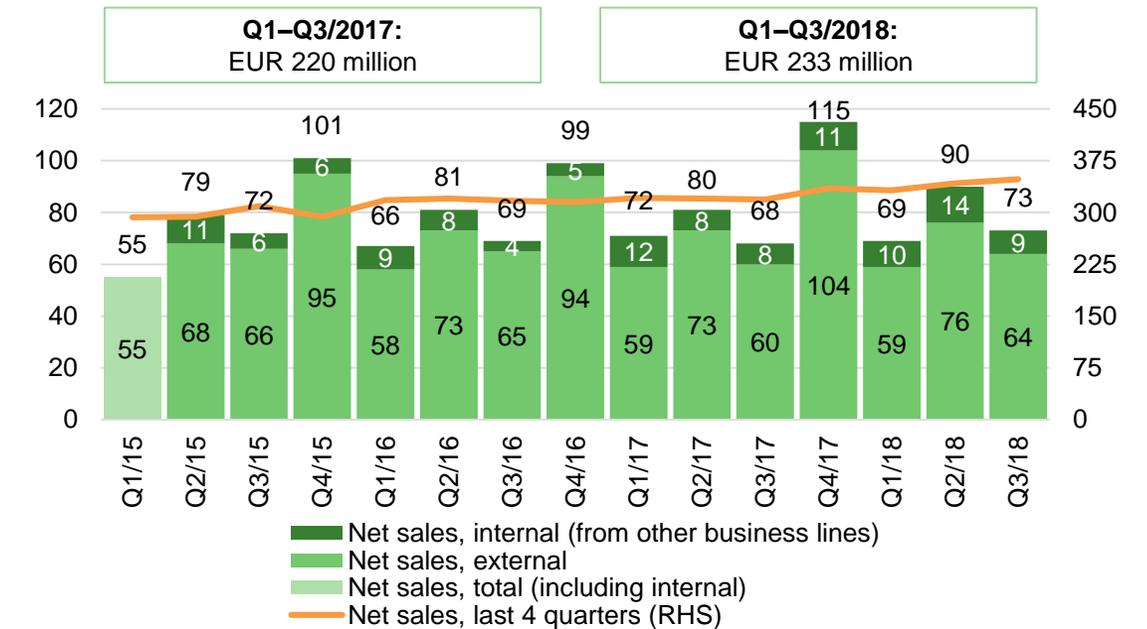


Automation¹: Orders received and net sales increased

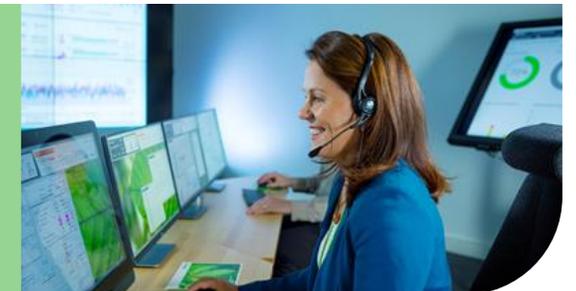
Orders received² (EUR million)



Net sales² (EUR million)



- Orders received increased compared with Q3/2017
 - Orders received increased in China, Asia-Pacific and North America, remained at the previous year's level in EMEA and decreased in South America
 - Orders received increased in Energy and Process and remained at the previous year's level in Pulp and Paper
- Net sales increased compared with Q3/2017

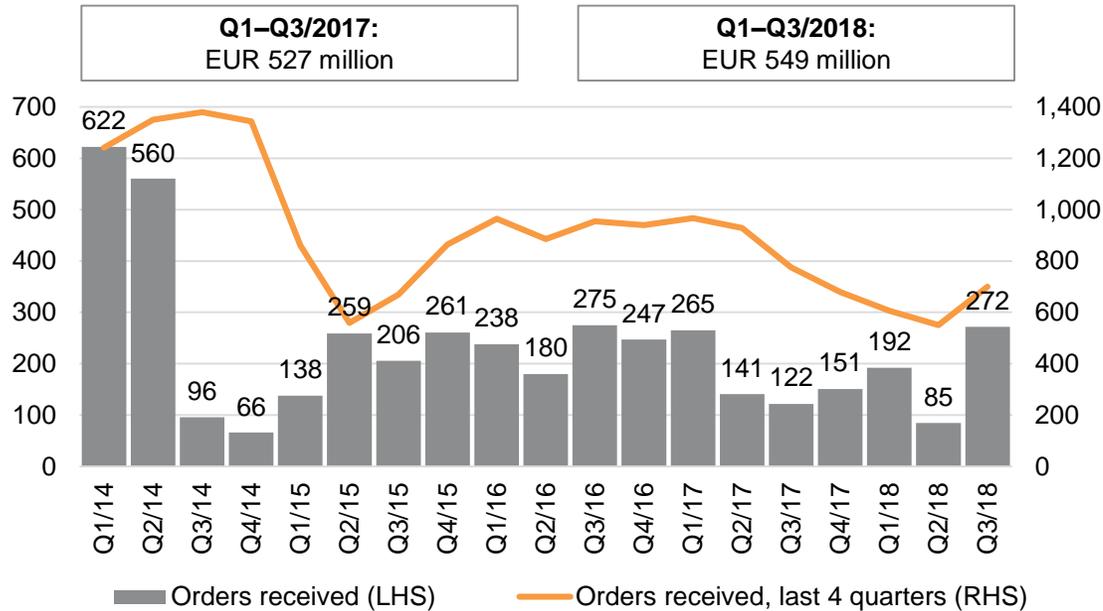


1) Comments refer to orders received and net sales including also internal orders received and net sales.

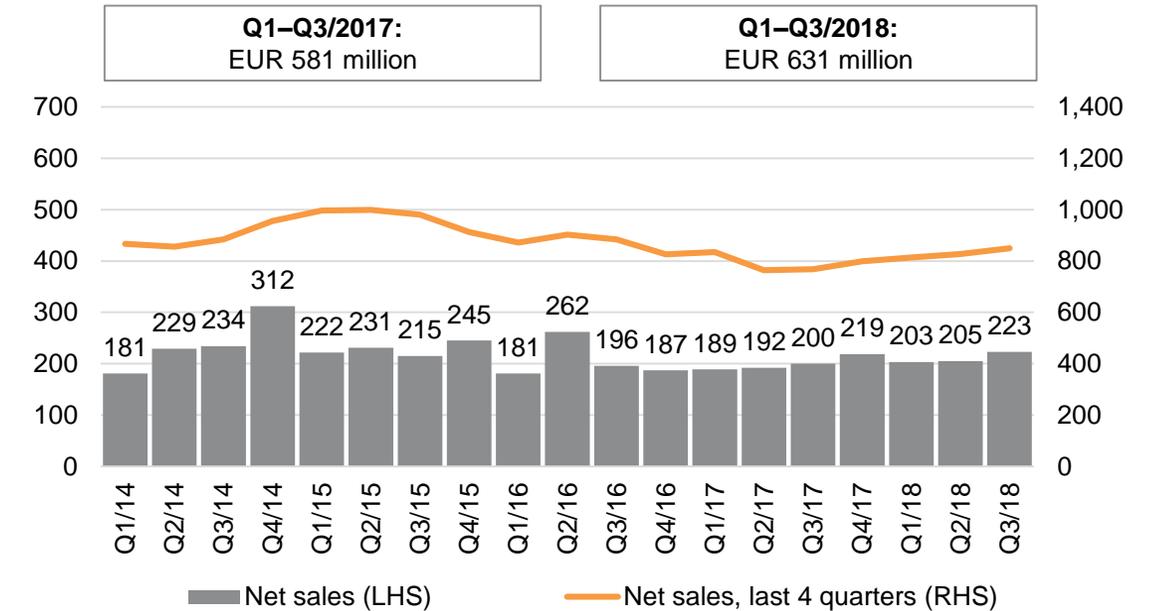
2) Q1/2015 orders received and the underlying figures for 'Orders received, last 4 quarters' and 'Net sales, last 4 quarters' are calculated based on Metso's reported figures and pro forma figures excluding Process Automation Systems and are therefore indicative only.

Pulp and Energy: Orders received and net sales increased

Orders received (EUR million)



Net sales (EUR million)

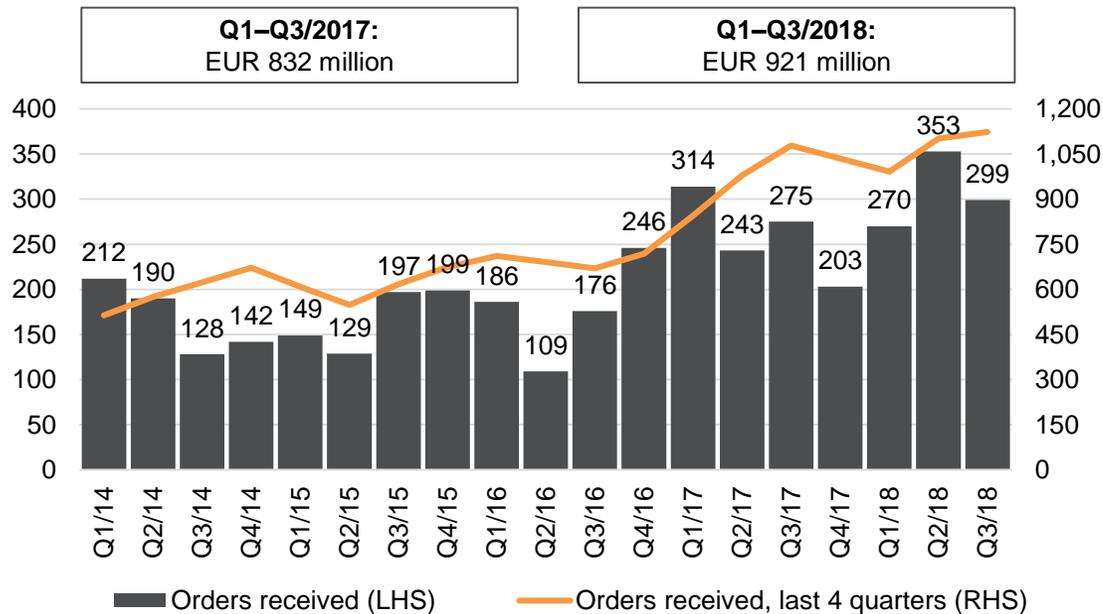


- Orders received increased compared with Q3/2017
 - Orders received increased in China, North America, Asia-Pacific and EMEA and decreased in South America
 - Orders received increased in Energy and decreased in Pulp
 - Approximately EUR 100 million of marine scrubber orders received in Q3/2018
- Net sales increased compared with Q3/2017

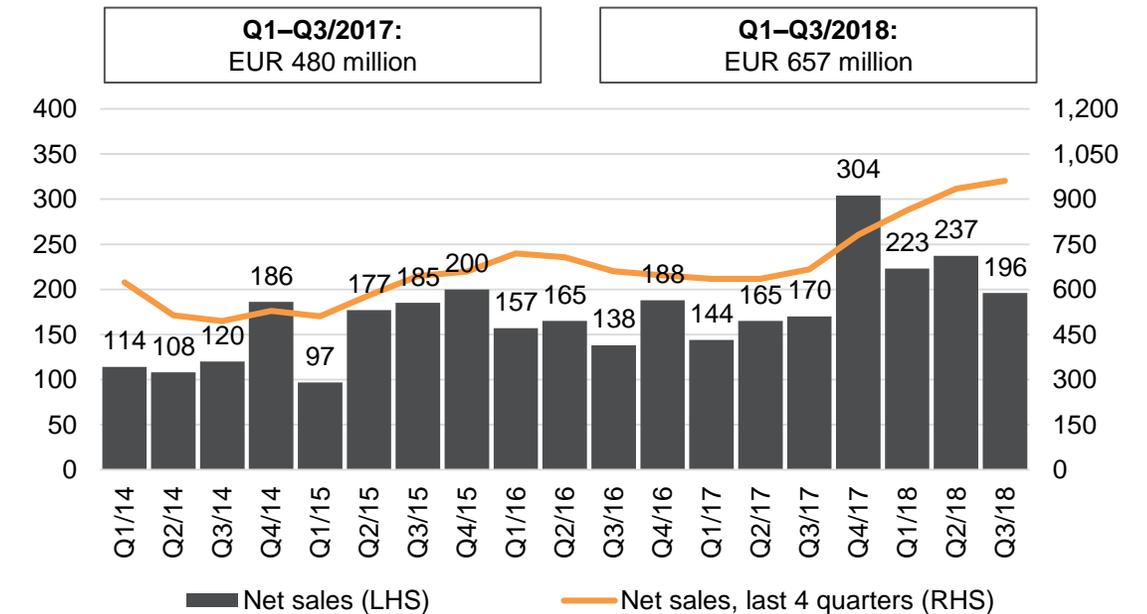


Paper: Orders received and net sales increased

Orders received (EUR million)



Net sales (EUR million)



- Orders received increased compared with Q3/2017
 - Orders received increased in South America, Asia-Pacific and North America and decreased in China and EMEA
 - Orders received increased in Tissue and decreased in Board and Paper
- Net sales increased compared with Q3/2017





Moving the industry forward with Industrial Internet

Valmet transforms Industrial Internet and digitalization into peak performance and excellent customer experience



Industrial Internet applications and services

- Data visualization, reporting and guidance
- Asset reliability optimization
- Operations performance optimization
- Five global and two Area Performance Centers
 - Remote monitoring and optimization
 - On-demand expert support
 - Data discovery and analysis



Customer Portal

- Our expertise and on-line services in one platform
- Four modules and more to come
 - Expert Fastlane
 - Opportunities
 - Learning
 - Operations Panel

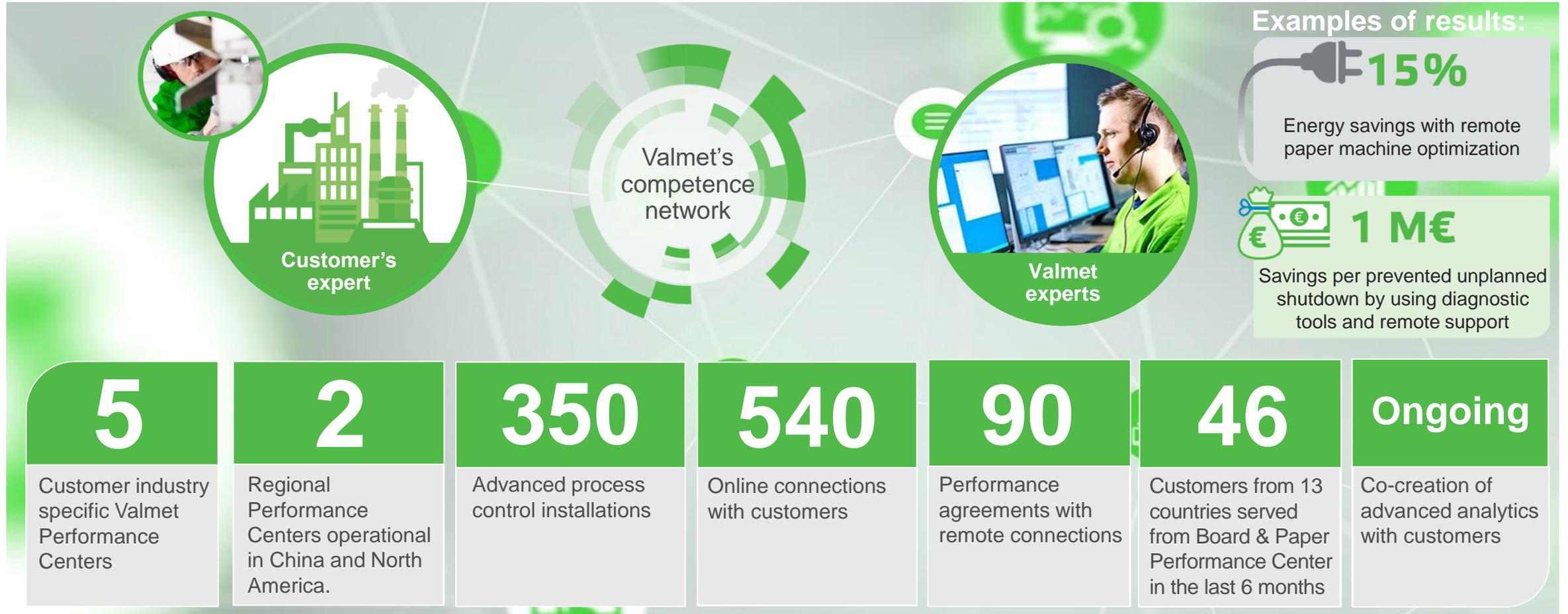


Solution Ecosystem

- Leading industry players gathered together by Valmet
 - To create new value-adding applications and services to customers
 - Current partners in the ecosystem are Tieto, Kemira and Energy Optimon

Intelligent machines and automation

Today, customers are extensively utilizing Valmet's Industrial Internet capabilities





Financial development

Key figures

EUR million	Q3/2018	Q3/2017	Change	Q1–Q3/2018	Q1–Q3/2017	Change
Orders received	940	743	27%	2,696	2,544	6%
Order backlog ¹	2,791	2,720	3%	2,791	2,720	3%
Net sales	765	715	7%	2,340	2,091	12%
Comparable EBITA	61	56	10%	144	138	5%
% of net sales	8.0%	7.8%		6.2%	6.6%	
EBITA	55	49	12%	131	133	-1%
Operating profit (EBIT)	48	41	16%	109	109	0%
% of net sales	6.3%	5.8%		4.7%	5.2%	
Earnings per share, EUR	0.23	0.18	26%	0.52	0.48	8%
Return on capital employed (ROCE) before taxes ²				13%	12%	
Cash flow provided by operating activities	119	78	52%	141	203	-31%
Gearing ¹				-11%	-3%	

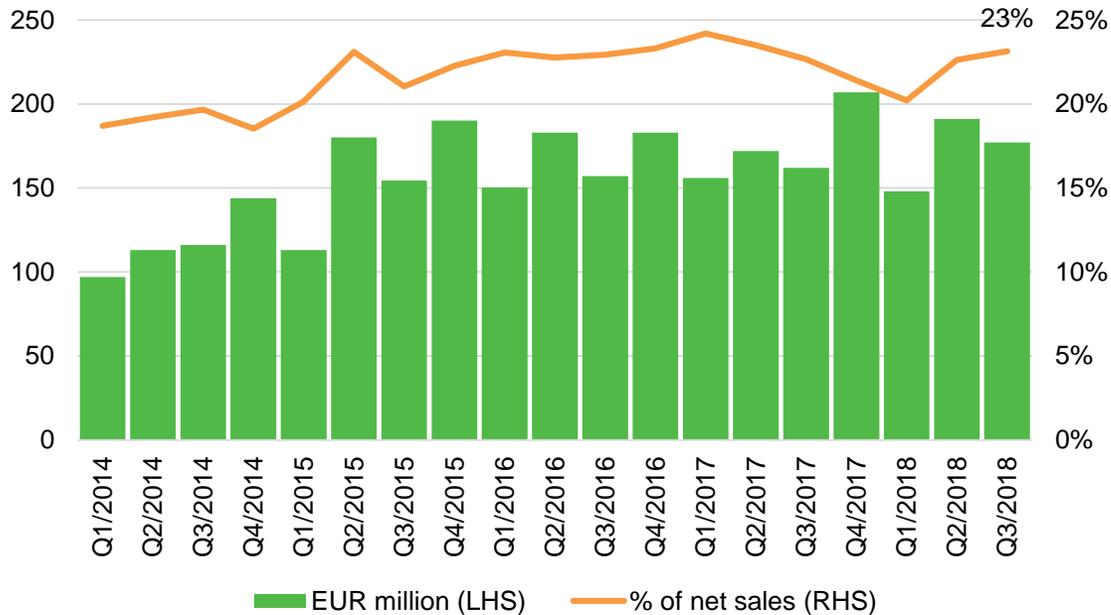
Items affecting comparability: EUR -6 million in Q3/2018 (EUR -6 million in Q3/2017), EUR -13 million in Q1–Q3/2018 (EUR -5 million in Q1–Q3/2017)

1) At the end of period

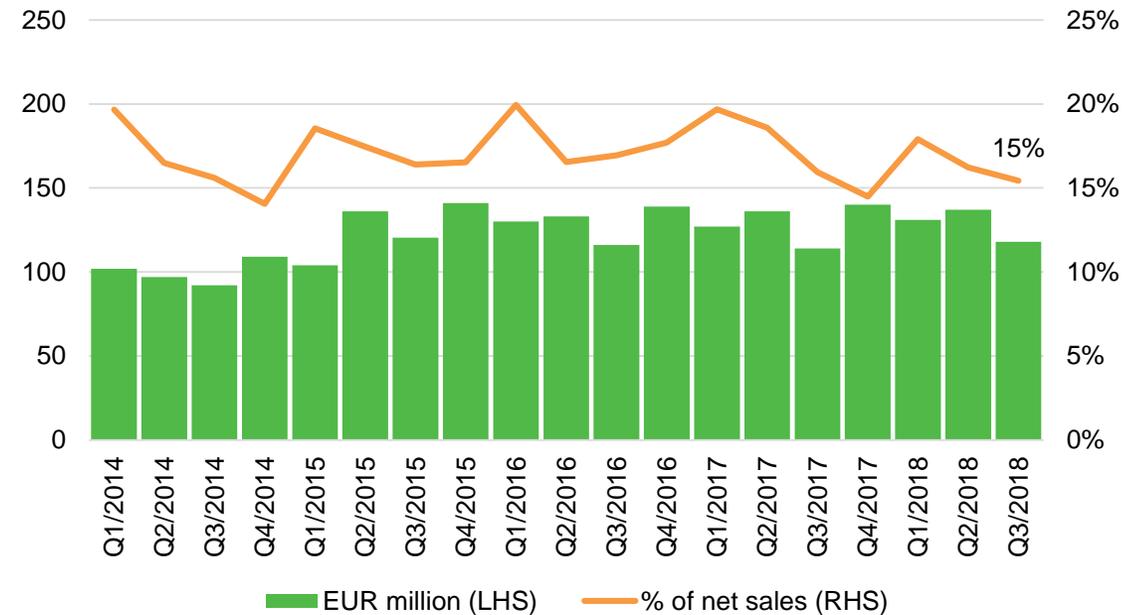
2) Annualized. In the calculation of 2017 figures, non-restated data points from 2016 have been used.

Gross profit and SG&A development

Gross profit (EUR million and % of net sales)



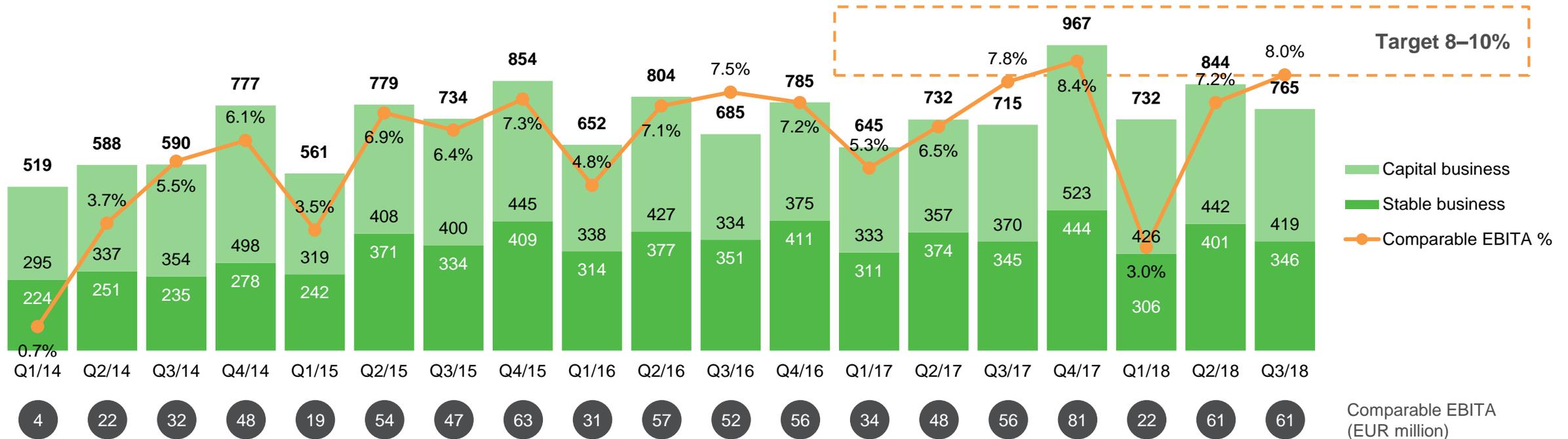
SG&A (EUR million and % of net sales)



- Gross profit was 23% of net sales (23% in Q3/2017)
 - Capital business had a higher share of net sales in Q3/2018
- Selling, general & administrative (SG&A) expenses increased by EUR 4 million
 - SG&A was 15% of net sales (16% in Q3/2017)

Comparable EBITA margin development

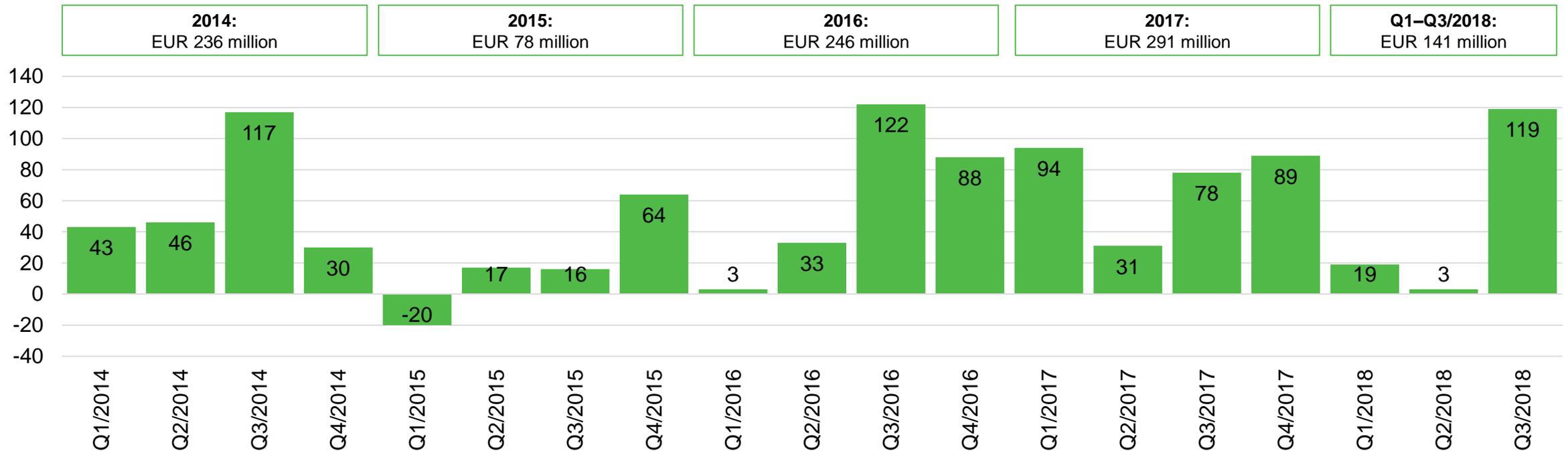
Net sales and Comparable EBITA (EUR million and %)



- Net sales and Comparable EBITA increased compared with Q3/2017
 - Profitability improved due to higher net sales

Cash flow provided by operating activities

Cash flow provided by operating activities (EUR million)

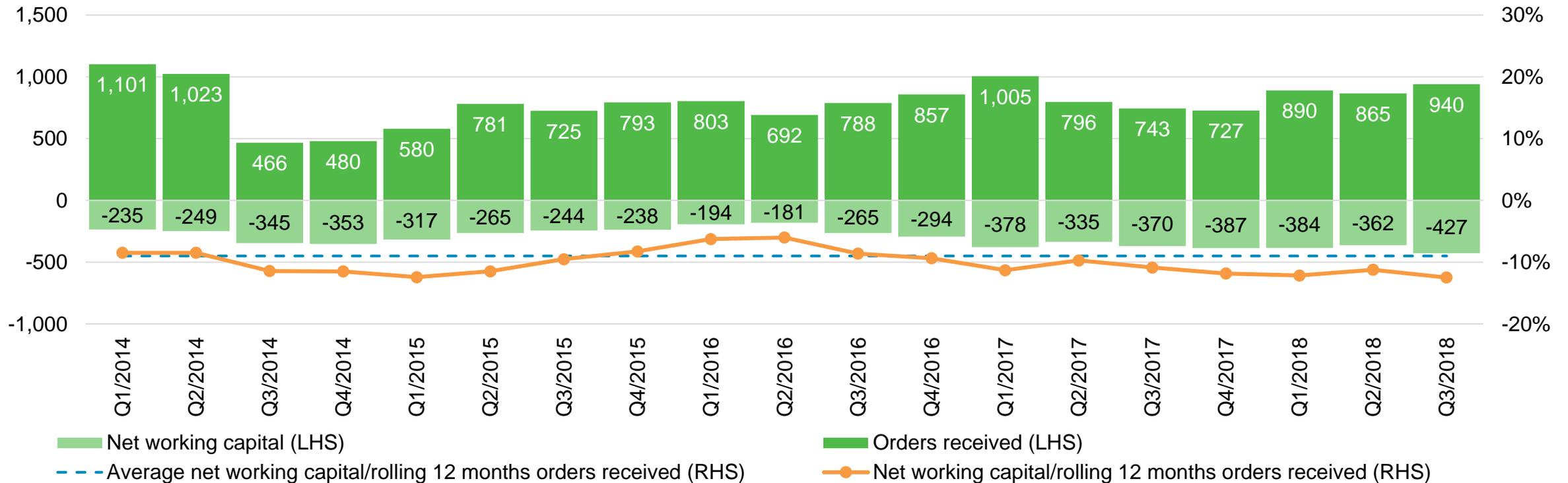


- Change in net working capital¹ EUR 65 million in Q3/2018
- Cash flow provided by operating activities EUR 119 million in Q3/2018
- CAPEX EUR 21 million in Q3/2018

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

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

Net working capital and orders received (EUR million)

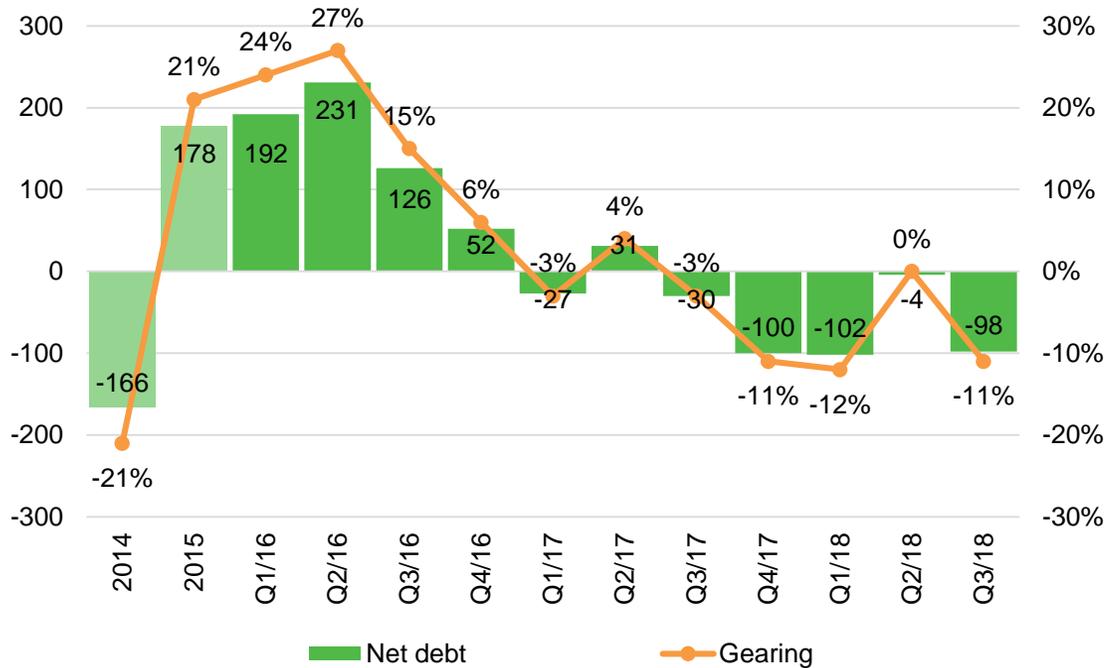


- Net working capital EUR -427 million, which equals -12% of rolling 12 months orders received

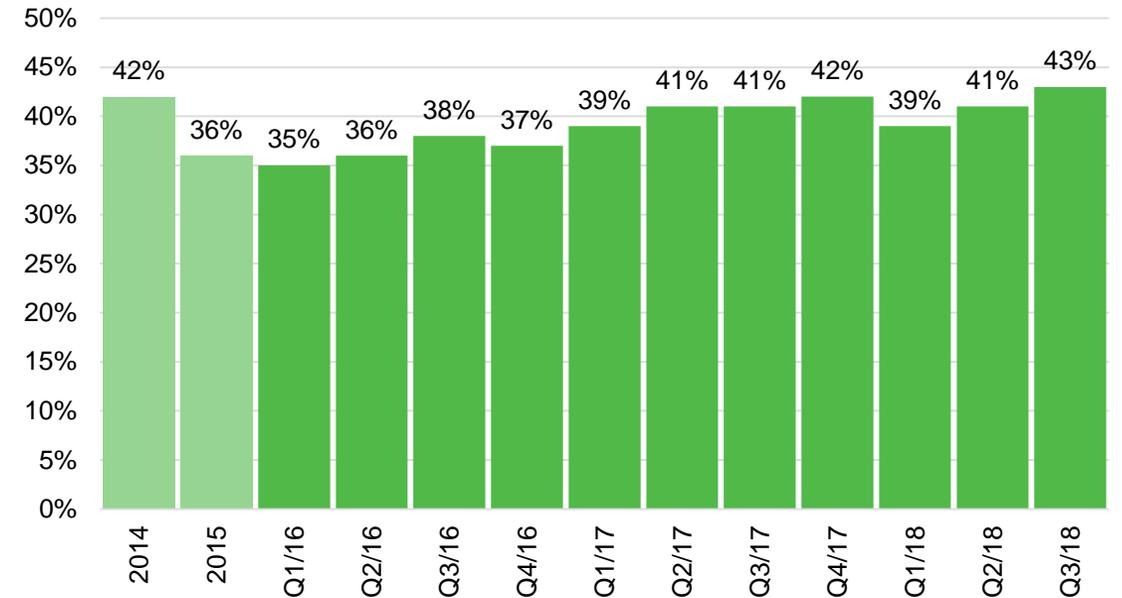
Net working capital excluding non-cash net working capital impact from dividend liability.

Net debt and gearing decreased compared with Q3/2017

Net debt (EUR million) and gearing (%)



Equity to assets ratio (%)

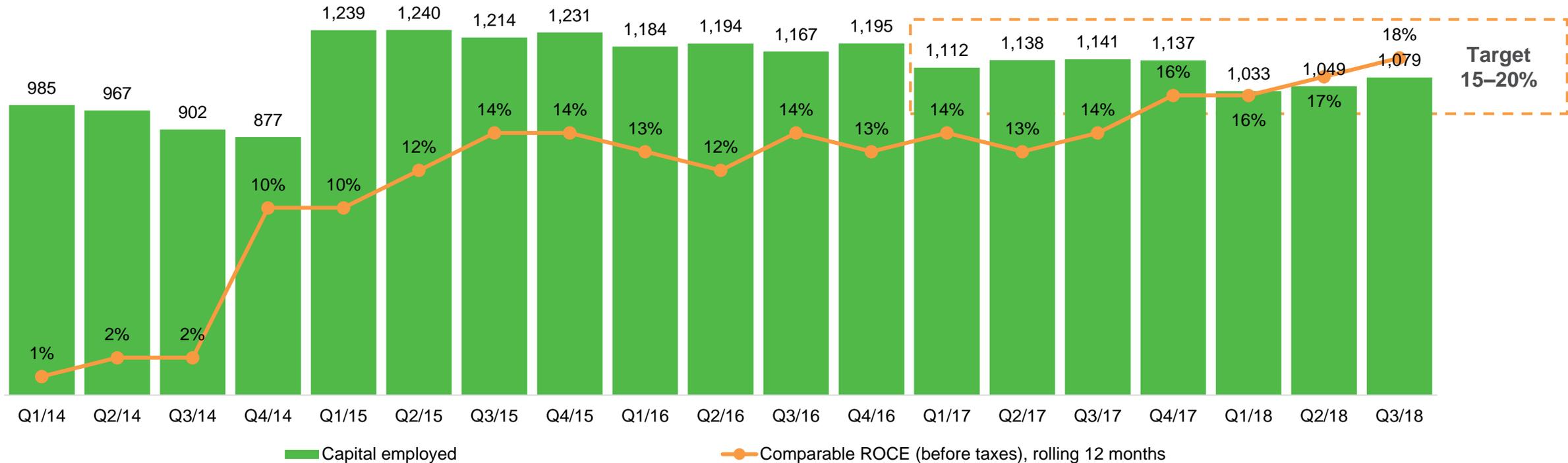


- Gearing (-11%) and net debt (EUR -98 million) decreased compared with both Q2/2018 and Q3/2017
- Equity to assets ratio increased compared with both Q2/2018 and Q3/2017

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.



Guidance and short-term market outlook

Guidance and short-term market outlook

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

Guidance	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).
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Short-term market outlook

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

Q3/2018 in brief

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- Order backlog remained at the previous year's level at EUR 2.8 billion
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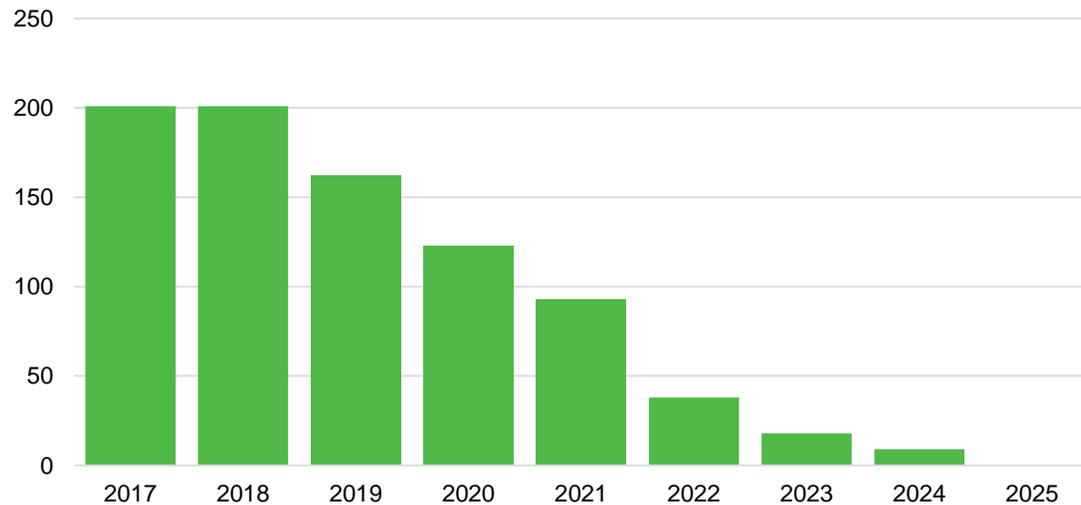


Appendix

Structure of loans and borrowings

Interest-bearing debt EUR 201 million as at September 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 ¹	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 3.5 years
- Average interest rate is 1.3%

Largest shareholders on September 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 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	3,416,000	2.28%
5	The State Pension Fund	1,545,000	1.03%
6	Keva	1,502,166	1.00%
7	OP Funds	1,282,552	0.86%
8	Evli Funds	1,116,000	0.74%
9	Mandatum Life Insurance Company Limited	1,022,537	0.68%
10	Danske Invest funds	809,442	0.54%
	10 largest shareholders, total	35,154,449	23.45%
	Other shareholders	114,710,170	76.54%
	Total	149,864,619	100%

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

Shareholder structure on September 30, 2018



- Nominee registered and non-Finnish holders 51.3%
- Solidium Oy 11.1%
- Finnish private investors 13.1%
- Finnish institutions, companies and foundations 24.6%

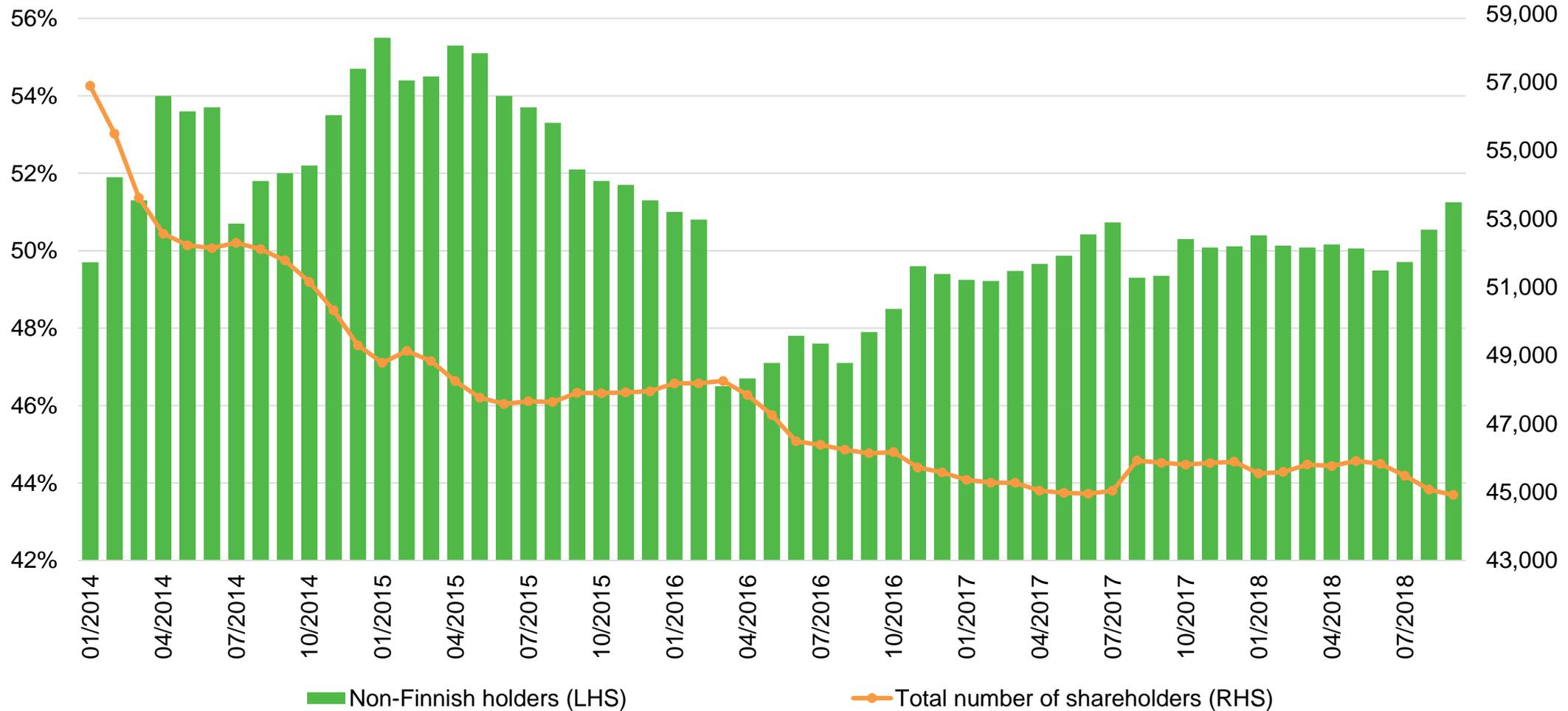
Sector	Number of shareholders	% of total shareholders	Number of shares	% of shares
Nominee registered and non-Finnish holders ¹	339	0.8%	76,797,478	51.3%
Finnish institutions, companies and foundations	2,372	5.3%	36,784,491	24.6%
Solidium Oy ²	0	0.0%	16,695,287	11.1%
Finnish private investors	42,203	94.0%	19,579,283	13.1%
On the issuer account	0	0.0%	8,080	0.0%
Total	44,914	100.0%	149,864,619	100.0%

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

1) Of which 74,932,071 nominee registered shares

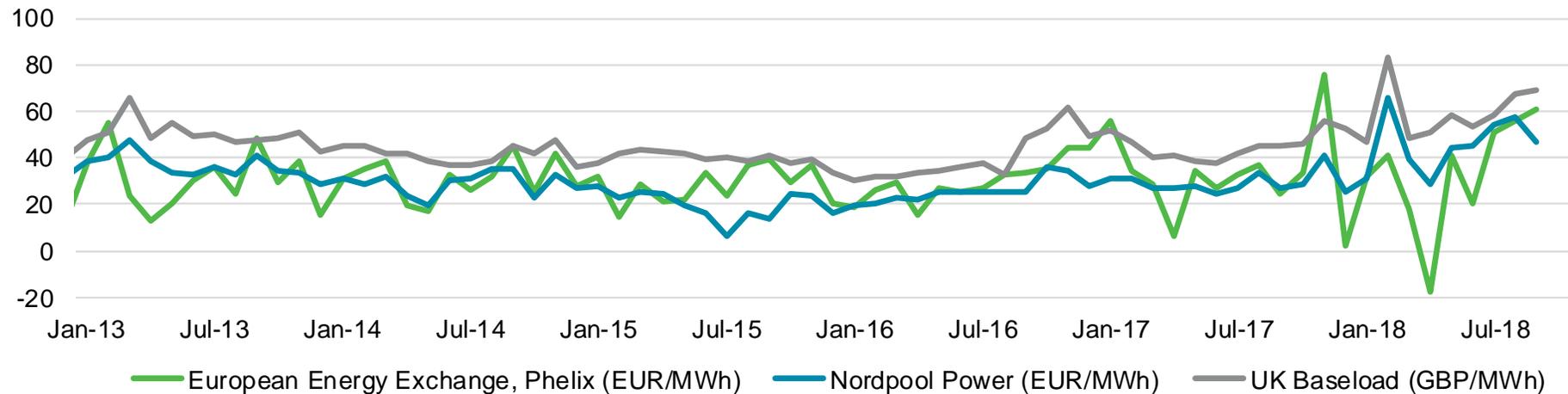
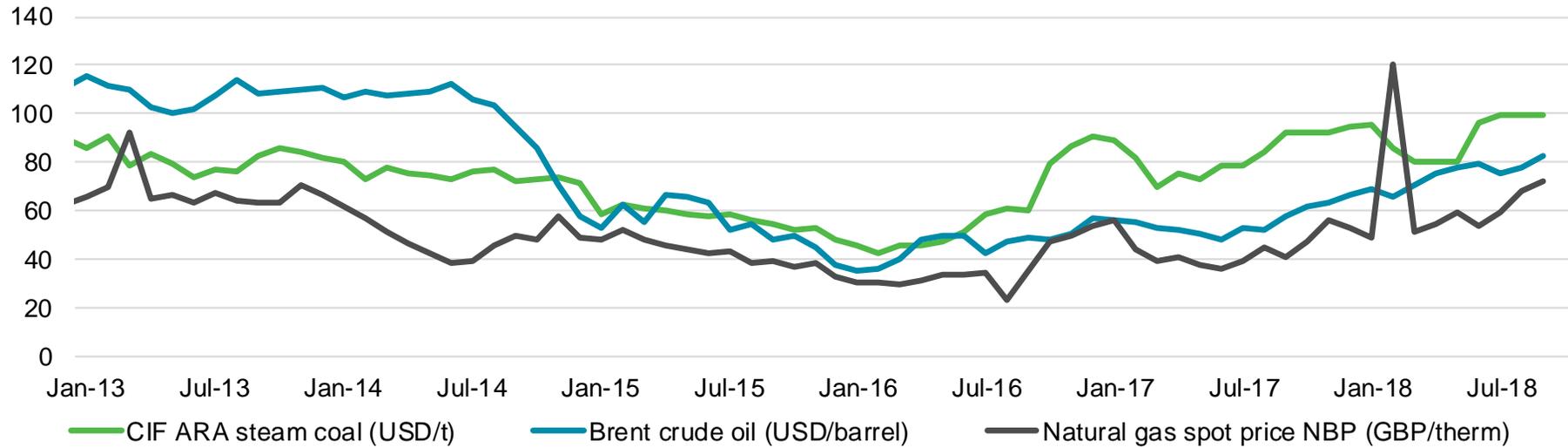
2) A holding company that is wholly owned by the Finnish State

Share of non-Finnish holders and number of shareholders



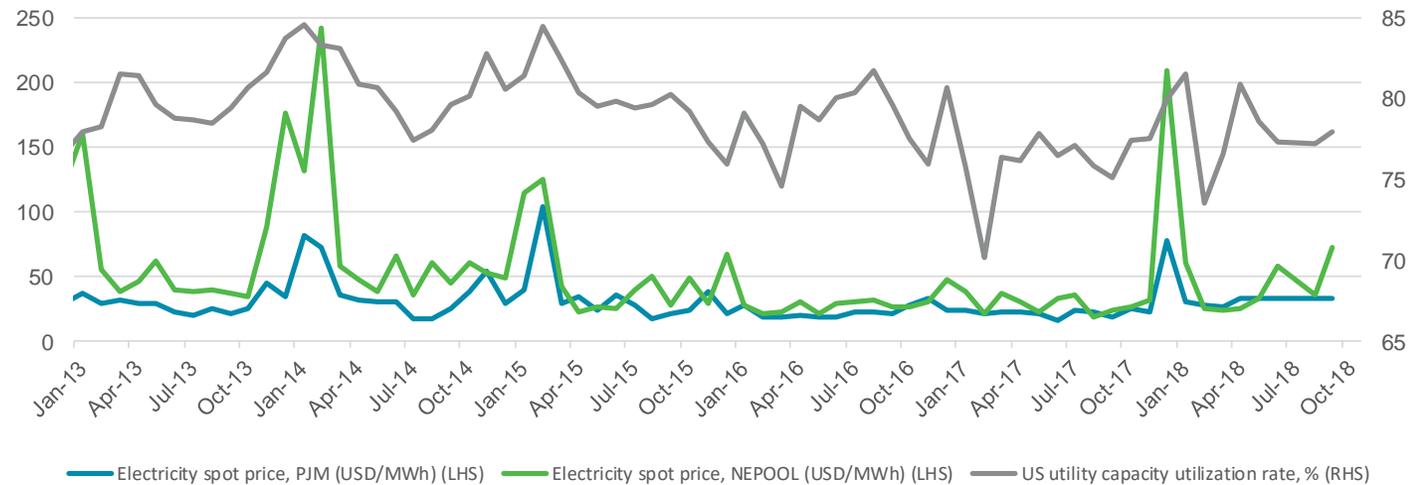
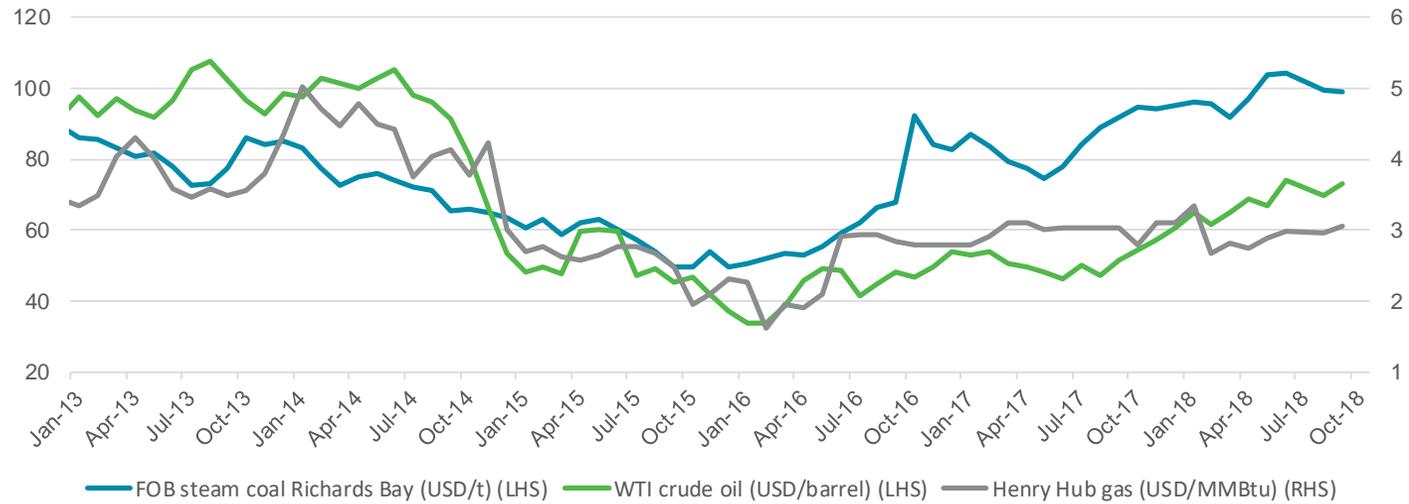
Crude oil, steam coal, natural gas and electricity

Europe

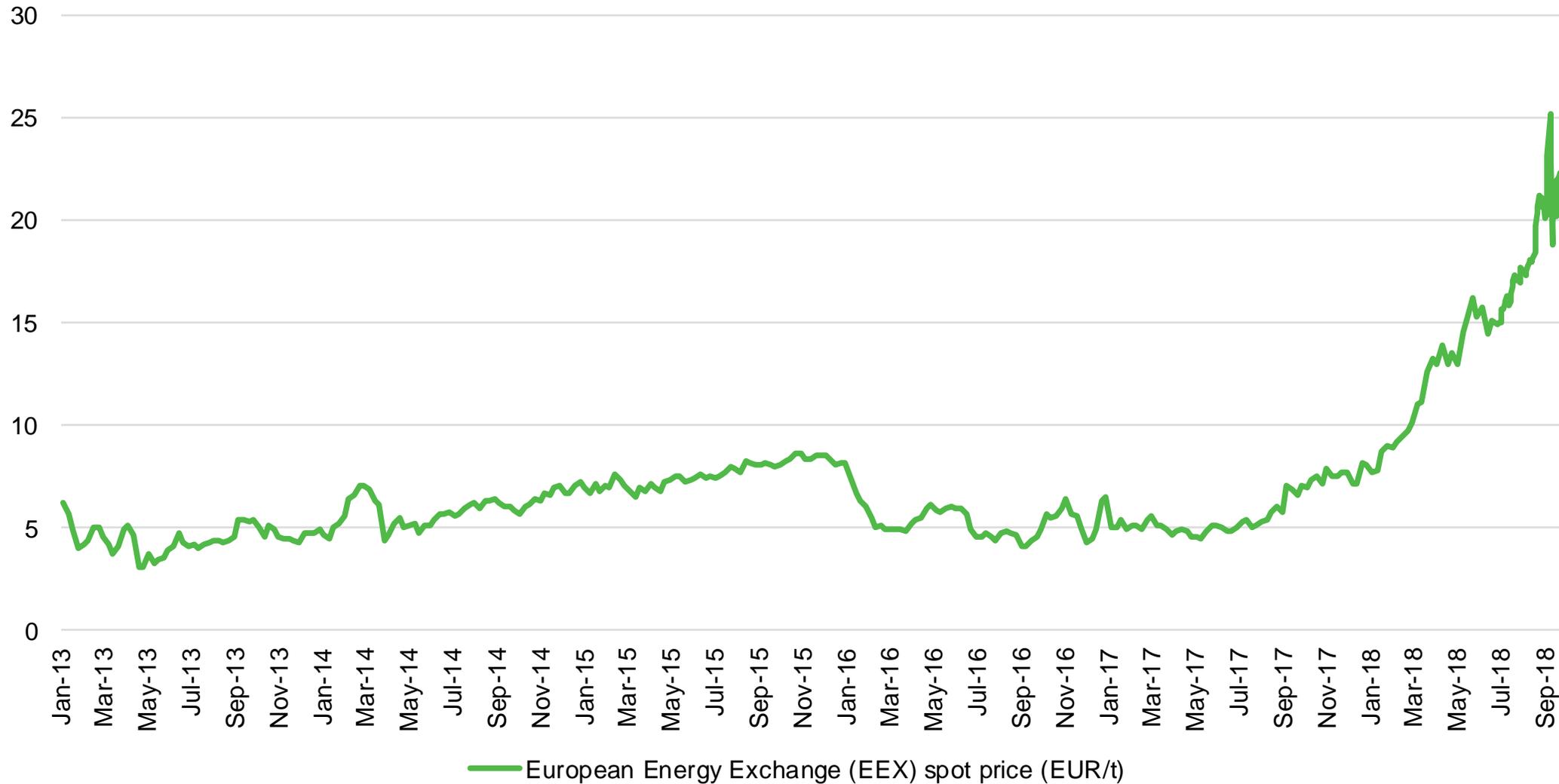


Crude oil, steam coal, natural gas and electricity

United States



European Carbon Emission Allowance



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