Financial update

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November 26, 2013

Valmet

Agenda

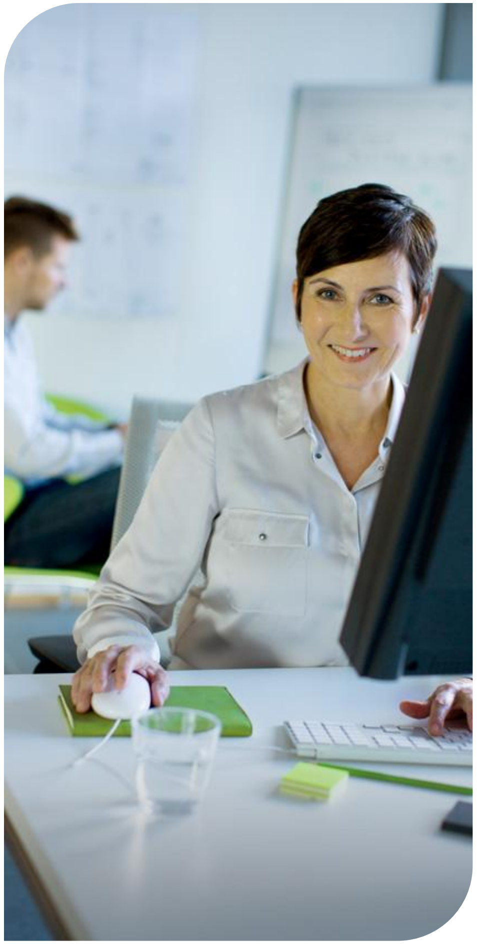
Capital Markets Day 2013

1. Financial targets
2. Growth
3. Profitability
4. ROCE
5. Balance sheet and cash flow
6. Summary

Financial targets

Financial targets

Growth	Net sales growth to exceed market growth
Profitability	EBITA[1] before non-recurring items: 6-9%
ROCE	Return on capital employed (pre-tax), ROCE [2]: minimum of 15%
Dividend policy	Dividend payout at least 40% of net profit



1) EBITA before non-recurring items = operating profit + amortization + non-recurring items
2) ROCE (pre-tax) = (profit before taxes + interests and other financial expenses) / (balance sheet total - non-interest-bearing liabilities)

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Growth

Global growth drivers

	Services opportunities	Capital project opportunities
North America	Increased outsourcing	Tissue and board
South America	Services growth potential	Pulp, tissue, and bioenergy
EMEA	Increased outsourcing	Pulp, tissue, and bioenergy
Asia-Pacific	Services growth potential	Pulp, tissue, and board
China	Services growth potential	Pulp, tissue, and board

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Growth drivers by business line

Services	• Customers are outsourcing non-core operations • Capacity increases in China, South America, and Asia-Pacific • Customer cost pressure and efficiency requirements are increasing demand for process improvements and maintenance services
Pulp and Energy	• Growth in paper, board, and tissue consumption, primarily in Asia • Need for virgin wood pulp, as recycling rates cannot grow indefinetly • Growth of energy consumption and demand for sustainable energy • Modernization of aging plants • Incentives and regulation
Paper	• Growth and rise of purchasing power and living standards in emerging markets • Increase in world trade, growth of e-commerce • Shift from plastic to renewable materials • Conversions of paper machines into board machines

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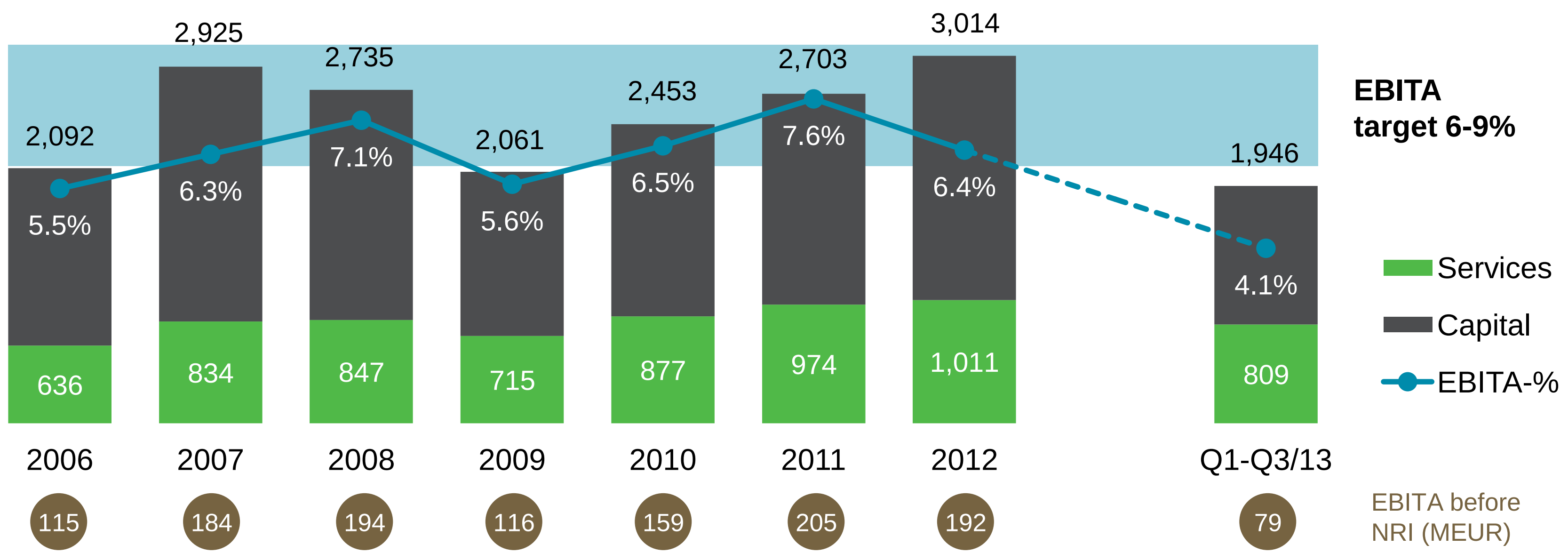
Profitability

Net sales and profitability development, annual

Net sales and EBITA before NRI (EUR million)[1]



- Timing of large projects has had an impact on the level of net sales
- EBITA-% has been relatively stable over time
- The paper machine market has shifted to smaller and lower-cost machines
- The power generation market is changing due to low-cost shale gas and political and economical uncertainty in Europe
- Intensified competition has had an impact on profitability

1) Carve-out figures for 2010-2012; as reported for Metso's Pulp, Paper and Power segment for 2006-2009

Profitability improvement program

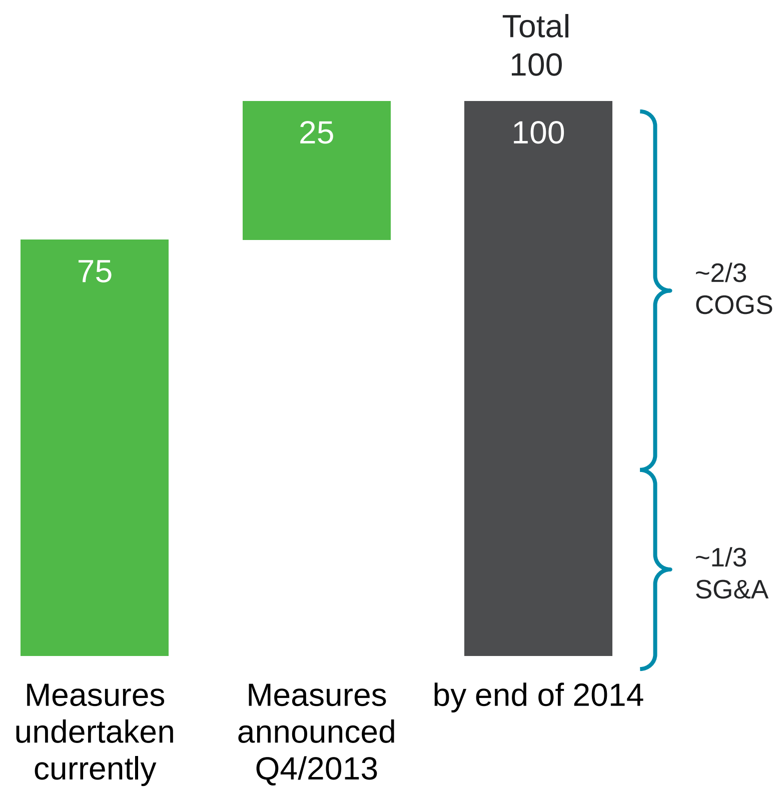
EUR 100 million savings program

- Announced in April, 2013
- Capacity being adjusted
- SG&A expense base is being reduced

Status of the program

- Two major negotiation processes completed
  - Total cost reduction: EUR 75 million
  - Total headcount reduction: approximately 1,000
  - Major impact in Jyväskylä, Järvenpää, Tampere, Pori, and Örnsköldsvik
  - All business lines, areas, and functions impacted
- Additional negotiations announced on October 21
  - Targeted cost reduction: EUR 25 million by the end of 2014
  - Targeted headcount reduction: 425
  - Impact on Energy and Service
- Savings schedule advanced: EUR 100 million impact by the end of 2014

Impact of announced actions (EUR million)



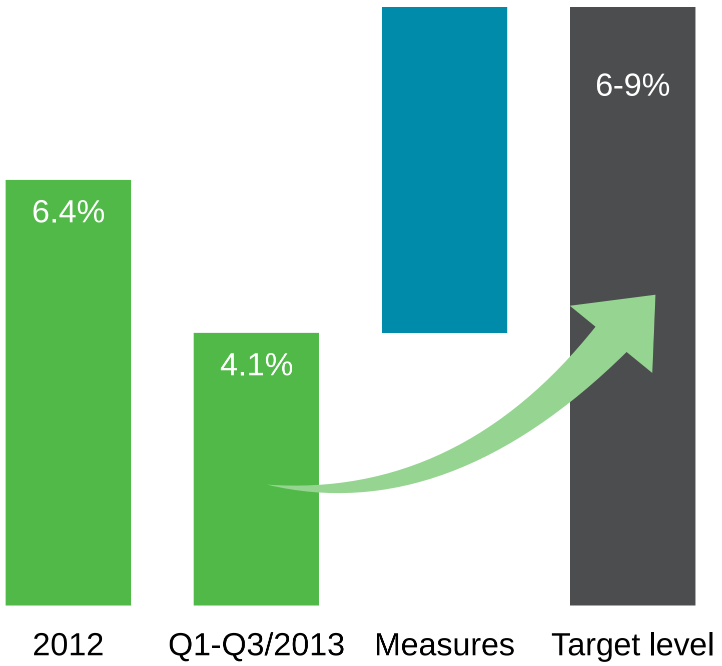
Profitability improvement actions

Actions to reach target margin

- EUR 100 million savings program
- Efficiency improvement actions aimed at reaching historical gross margin levels
  - Development of modularized and standardized solutions
  - Procurement savings
  - Increased use of subcontracting and external service providers
  - Increasing the role of low-cost countries in production and sourcing

Increased flexibility and better capability to react to changes in market conditions

EBITA margin before NRI[1]



1) Carve-out figures for the periods indicated

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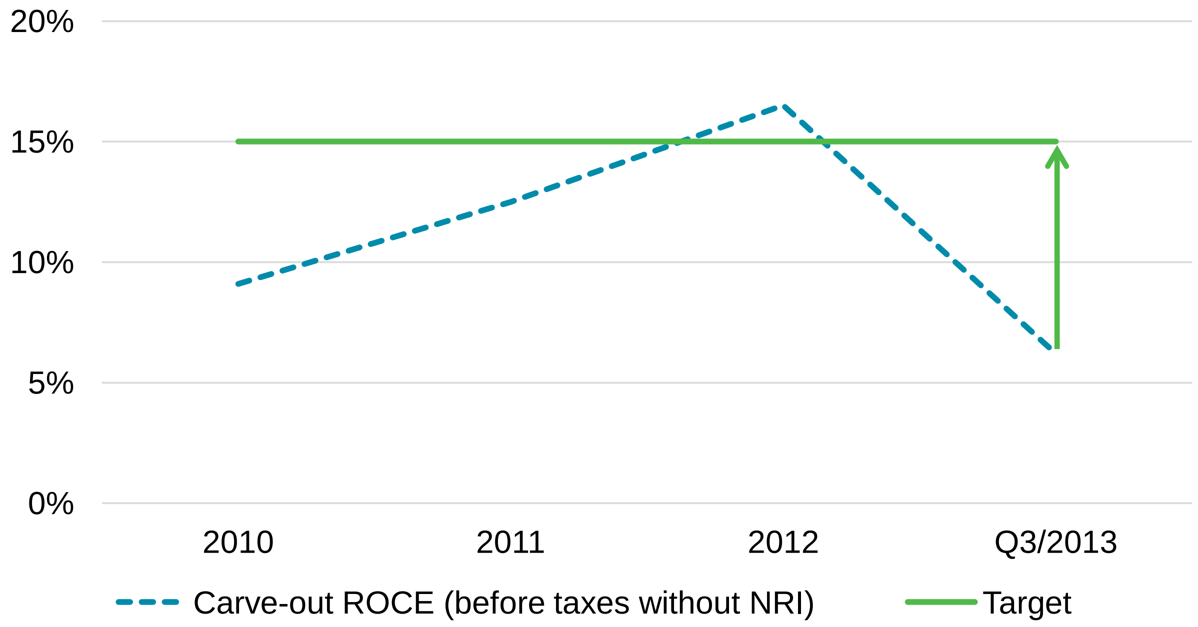
ROCE

Return on capital employed

Return on capital employed (ROCE), before taxes and without NRI



Financial target:

ROCE minimum of 15%

Managing working capital to improve ROCE

Components of capital employed

1) Fixed capital

- Not much can be affected in the short term

2) Working capital

- Can be affected in the short term

Higher EBITA has a bigger impact on ROCE over the short term

Trade receivables
- Amount owed by customers

CONTROL

Trade payables
- Amount owed to suppliers

INCREASE

Inventories
Cash tied up in inventories
- Raw materials
- WIP
- Finished goods

DECREASE

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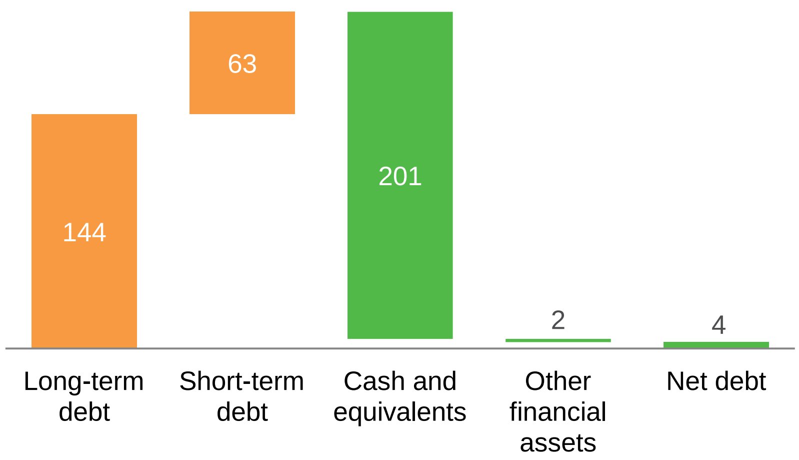
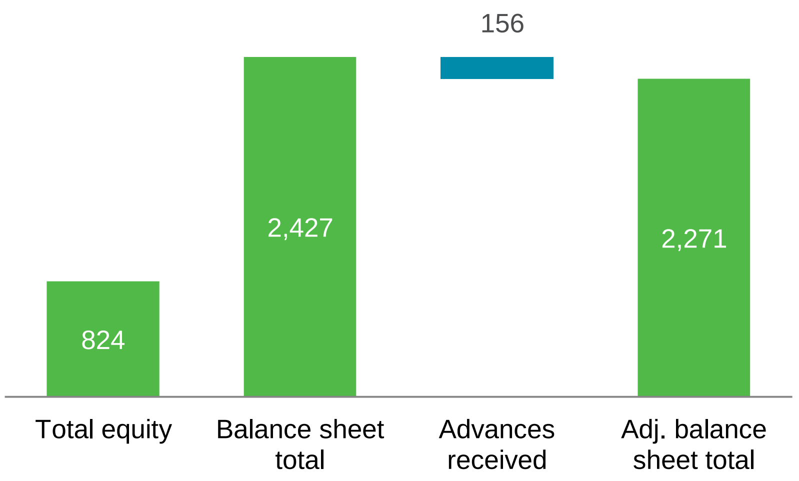
Balance sheet and cash flow

Strong balance sheet to support large orders

Pro forma financial position as of September 30, 2013 (EUR million)





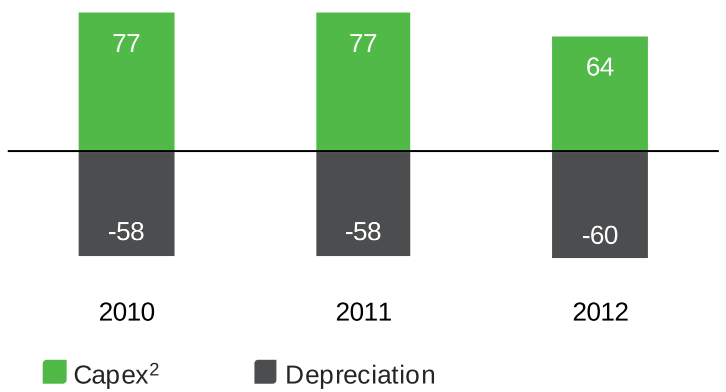
Net debt	EUR 4 million
Gearing	0.5%
Equity ratio[1]	36.3%

- Valmet has a strong balance sheet that enables it to participate in large projects
- Valmet has long-term liquidity in place

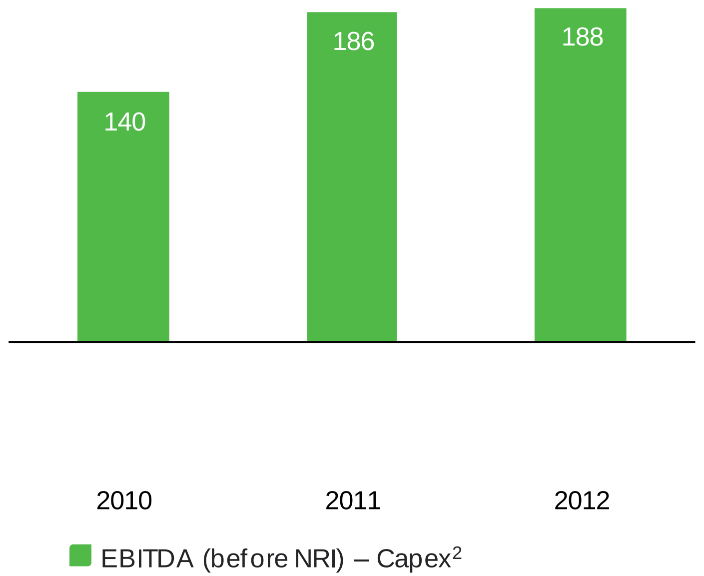
1) Total equity / (Balance sheet total – advances received)

Strong underlying cash flow generation from operations

Capex and Depreciation (EUR million)[1]



EBITDA (before NRI) less Capex (EUR million)[1]



- Relatively low need for capex
- Long-term average working capital is approximately -5% of net sales

Valmet has a well-invested capital base offering strong cash conversion

1) Based on audited not restated carve-out figures for 2010-2011 and unaudited restated carve-out figures for 2012
2) Gross capital expenditure (including business acquisitions)

Long-term liquidity in place

New financing facilities

EUR 200 million syndicated revolving credit facility

- Maturity: 5 years from the demerger date
- International bank syndicate

EUR 52 million term loan

- Maturity: 3 years
- For refinancing of Metso's loans or other liabilities that relate to Valmet

Other borrowings

EUR 139 million EIB loan

- Amount outstanding of two EIB loans:
  - EUR 135 million loan entered into in May 2004, and
  - EUR 160 million loan entered into in November 2008

USD 23 million NIB loan

- Amount outstanding of one loan:
  - USD 85 million loan entered into in December 2007

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Valmet's reporting policy

Valmet will be one reporting segment as of January 1, 2014

- One set of consolidated numbers

Reported numbers for business lines and areas

- Orders received
- Net sales

Comparable numbers will be prepared for 2012, 2011, and 2010

- Comparison figures on carve-out basis

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Summary

Summary – Key messages

Focus on profitability improvement and efficiency improvement actions

EBITA and ROCE targets are ambitious but reachable

Further improvement needed in working capital management

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FORWARD