

Strong development in
orders received –
profitability improvement
continues to be in focus

Interim Review,
January–March 2014

April 25, 2014

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Agenda

Interim Review, January–March 2014

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- 3 Financial development
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- 5 Summary of the Interim Review Q1/2014
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Q1/2014 in brief

Q1/2014 in brief

Success in orders received in capital business

- Orders received increased in Pulp and Energy
- Orders received increased in Paper
- Net sales declined in capital business

Stable development in services

- Stable orders received
- Services net sales decreased slightly

Order backlog increased from the level at the end of 2013

- Order backlog increased by EUR 574 million compared to Q4/2013, to EUR 1,972 million

Profitability improvement continues to be in focus

- Profitability below targeted level
- Profitability improved compared to Q4/2013, despite of net sales decline
- Profitability improvement program, targeting EUR 100 million in savings by the end of 2014, proceeding according to plan
- Operational excellence: Further savings potential in procurement and quality

Strong balance and good cash flow generation

- Net debt EUR -39 million, and gearing -5%
- Cash flow provided by operating activities EUR 43 million

Key figures Q1/2014

EUR million	Q1/2014	Q1/2013	Change	2013
Orders received	1,101	511	116%	2,182
Order backlog	1,972	1,807 ¹	9%	1,398
Net sales	519	631	-18%	2,613
EBITA ²	4	26	-85%	54
% of net sales	0.7%	4.1%		2.1%
EBIT ³	-8	19		-59
% of net sales	-1.5%	3.0%		-2.2%
Earnings per share, EUR	-0.04	0.08		-0.42
Return on capital employed (ROCE), before taxes	-2%	8%		-4%
Cash flow provided by operating activities	43	-5		-43
Gearing at the end of period	-5%	3%		0%

Non-recurring items: EUR -6 million in Q1/2014 (EUR 0 million in Q1/2013)

Cost accrual of approximately EUR 10 million linked to an individual major pulp project had negative impact on the Q1/2014 result.

1) Excludes cancelled Fibria order (EUR 331 million)

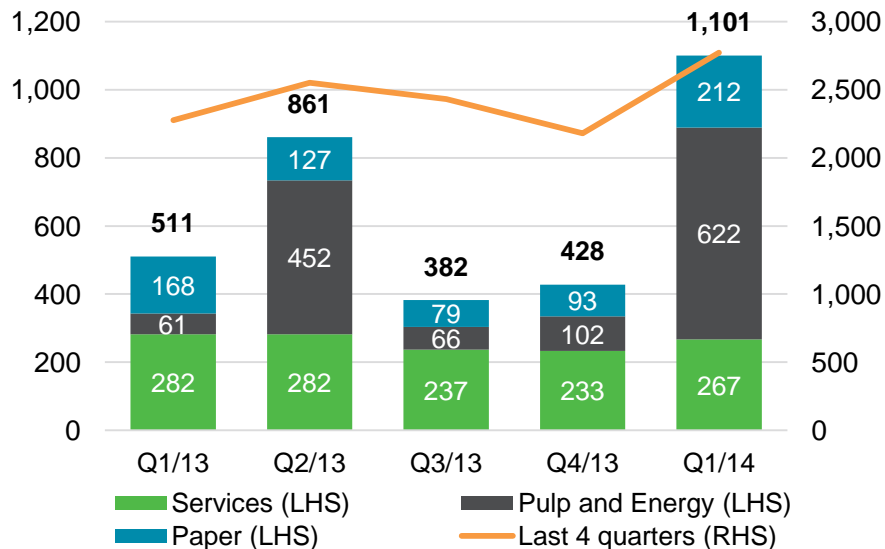
2) Before non-recurring items

3) After non-recurring items

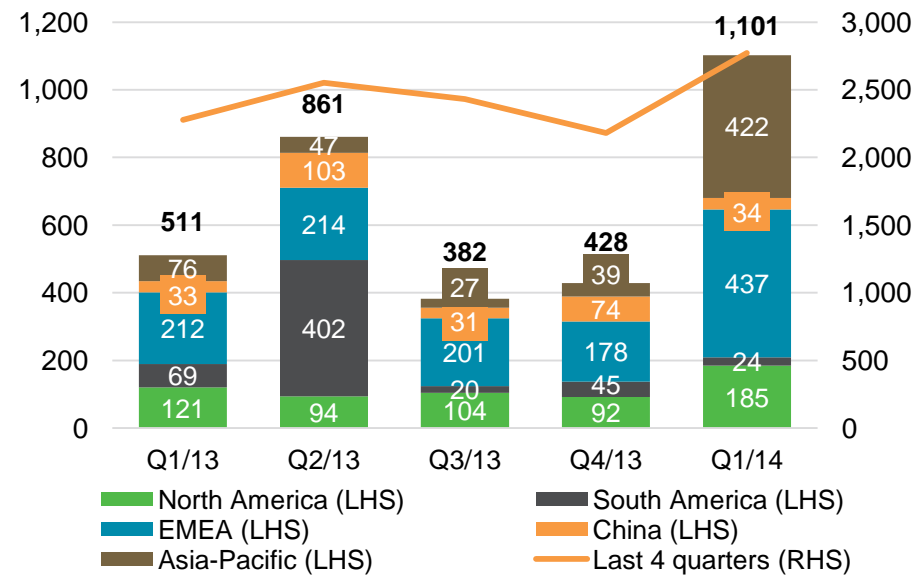
The comparison figures are based on financial carve-out data. The balance sheet and its related key figures on December 31, 2013 are based on actual figures.

Strong development in orders received

Orders received (EUR million),
by business line



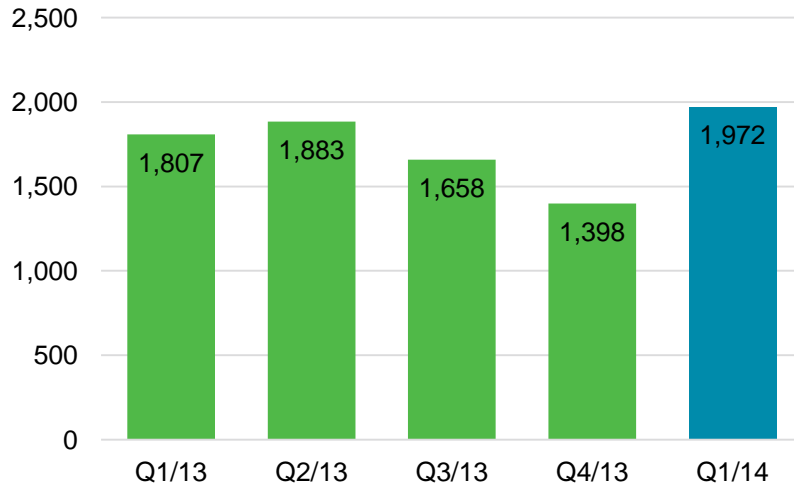
Orders received (EUR million),
by area



- Orders received relatively stable in Services
- Large order in Pulp and several orders in Energy
- Increased activity in Paper business line

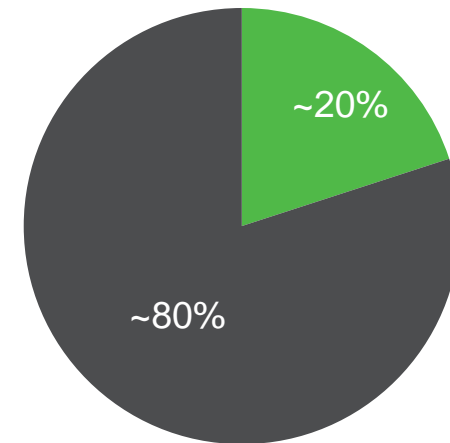
Order backlog increased by EUR 574 million

Order backlog (EUR million)



Cancelled Fibria order of EUR 331 million excluded from Q1/2013 figures

Structure of the order backlog

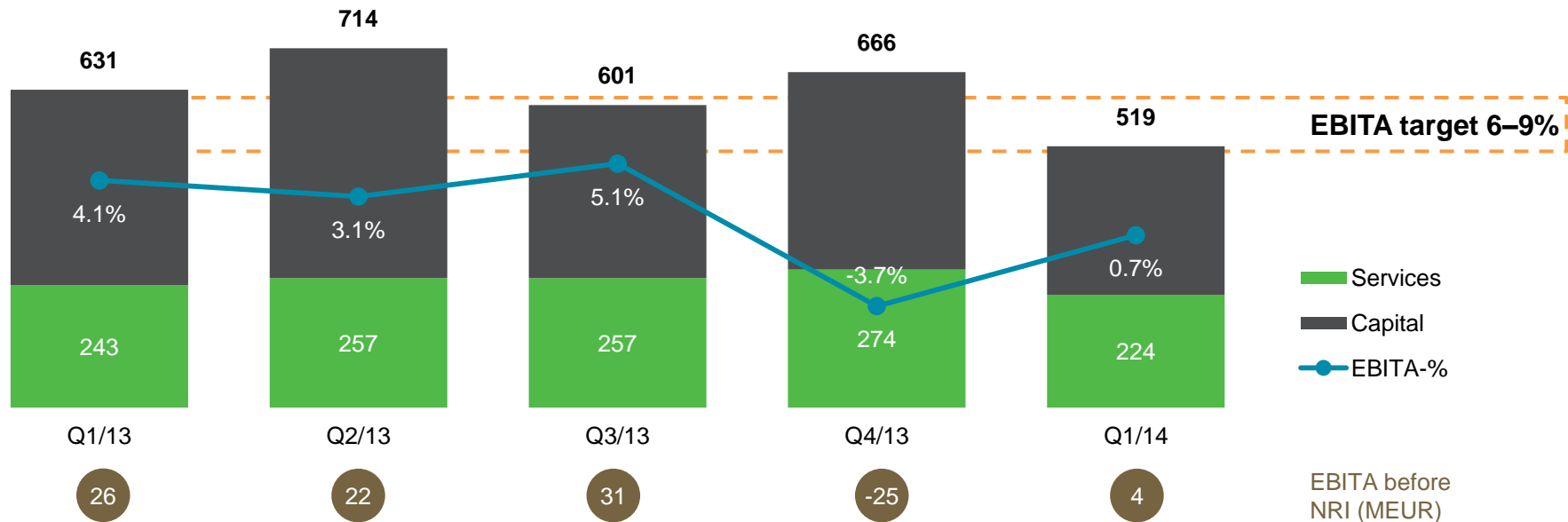


■ Services business ■ Capital business

- About 70% of the order backlog is currently expected to be realized as sales during 2014
- Approximately 20% of the order backlog relates to the Services business line

Net sales and profitability development

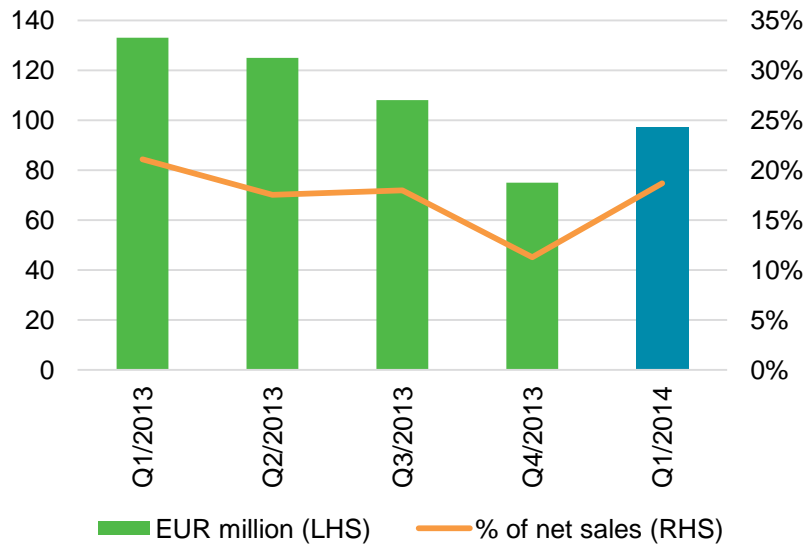
Net sales and EBITA before NRI (EUR million)



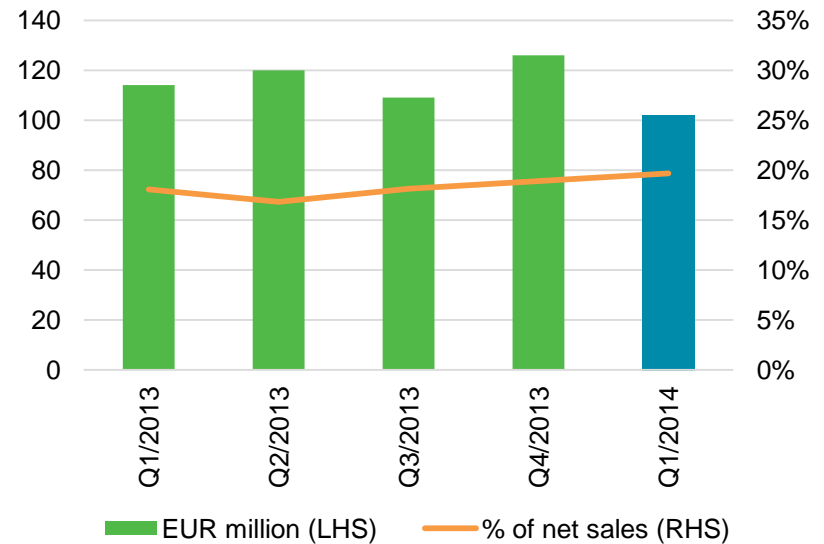
- Net sales declined
- Profitability improved compared to Q4/2013

Profitability improvement continues to be a focus area for Valmet

Gross profit (EUR million and % of net sales)



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



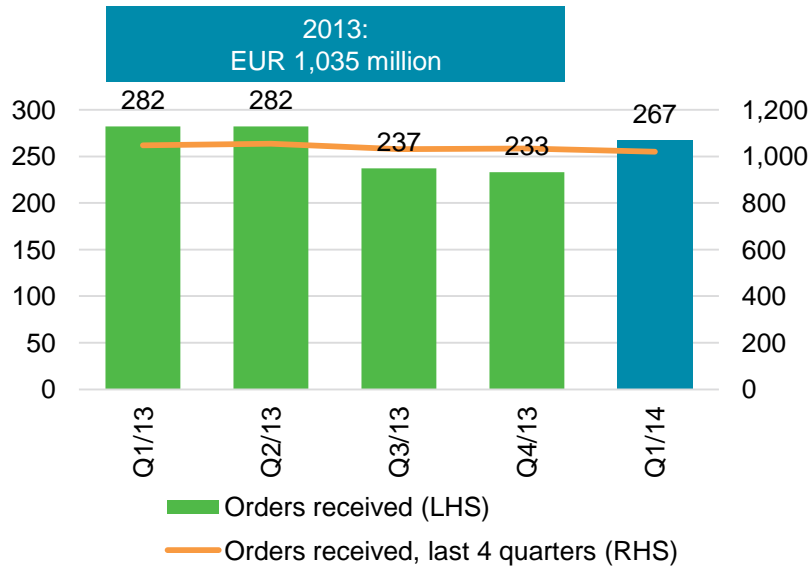
- Savings program impact visible in selling, general and administrative expenses (SG&A) development
- Further actions to improve gross profit through quality and procurement



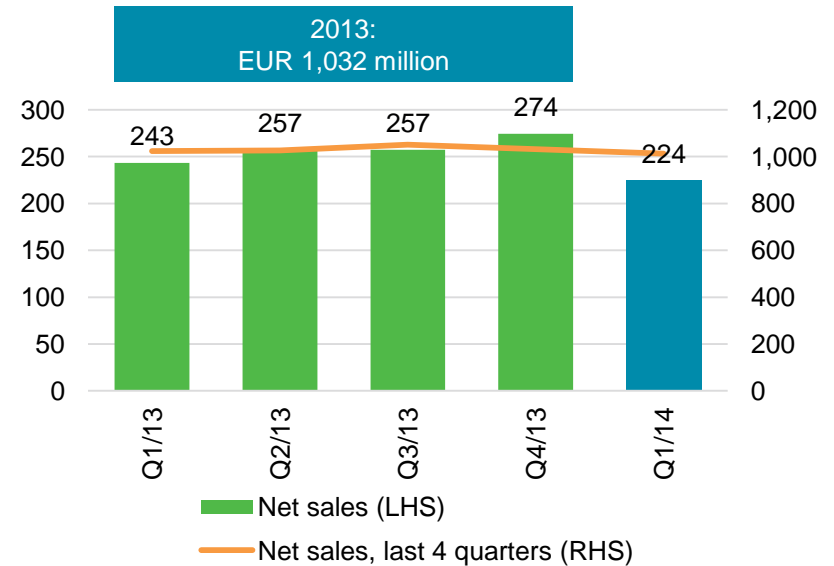
Business lines' development

Services business line

Orders received (EUR million)



Sales (EUR million)

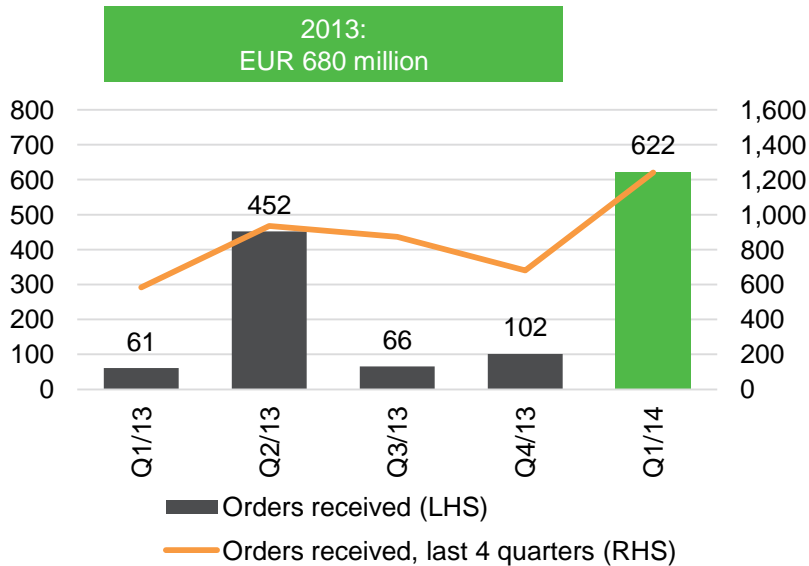


- Orders received stable in Q1/2014 compared to Q1/2013
 - Orders received declined in North America
 - In the business units, orders received increased in Fabrics, and declined in Mill Improvements
- Net sales decreased slightly

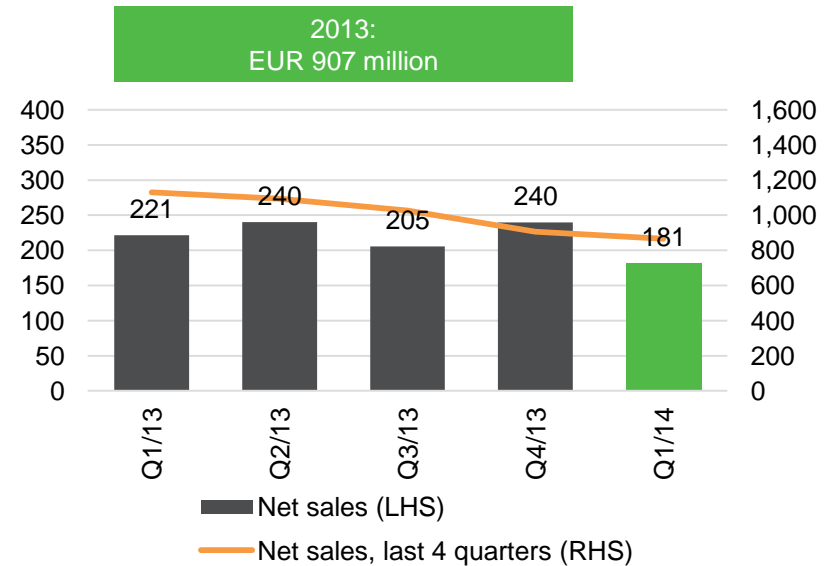


Pulp and Energy business line

Orders received (EUR million)



Sales (EUR million)

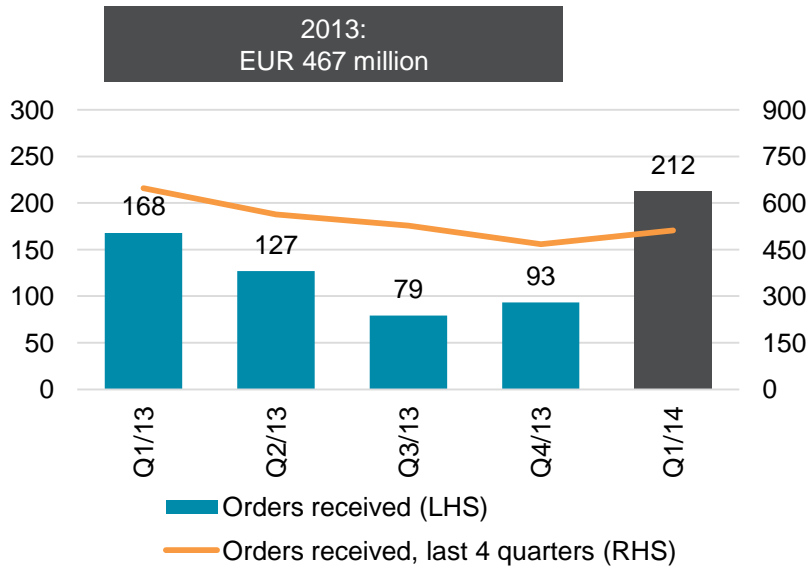


- Strong orders received in Q1/2014
 - Orders received increased in North America, EMEA, and Asia-Pacific
 - A large pulp order from OKI, with a value of approximately EUR 340 million
 - Several orders in Energy
- Sales declined in Q1/2014 from the previous year's level

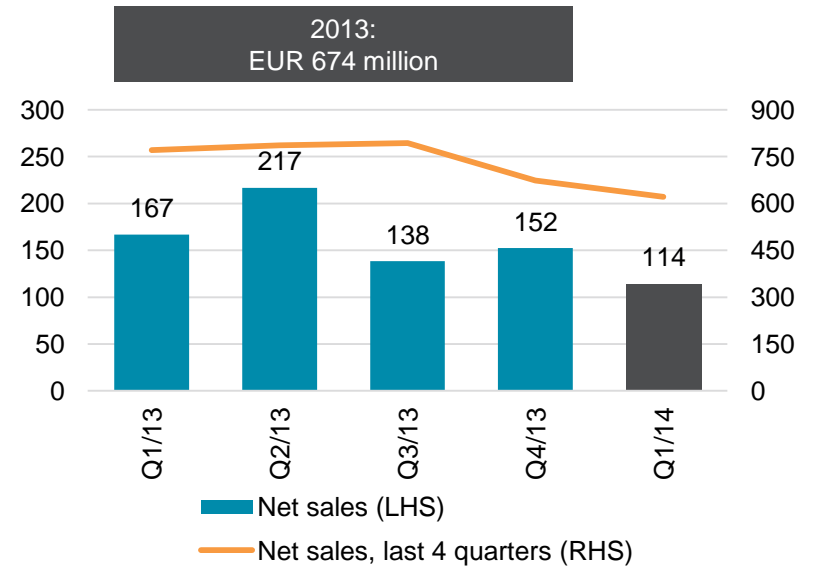


Paper business line

Orders received (EUR million)



Sales (EUR million)



- Orders received increased in Q1/2014
 - Orders received increased in North America, EMEA, and Asia-Pacific
 - Orders received increased in Board and Paper
 - Orders received remained at the previous year's good level in Tissue
- Sales declined in Q1/2014 from the previous year's level



Customer activity increased in early 2014

OKI's pulp mill project

- › Key technology for a pulp mill project in Indonesia
- › Commercial production is expected to begin in 2016
- › Value of the order: approximately EUR 340 million

Letter of intent regarding Klabin's pulp mill project

- › Two pulp drying lines to a new plant in Brazil
- › The start-up is scheduled to take place in the first half of 2016
- › Value of the order: Not disclosed, typically approximately EUR 150-200 million
- › Letter of intent: Not in Q1 orders received

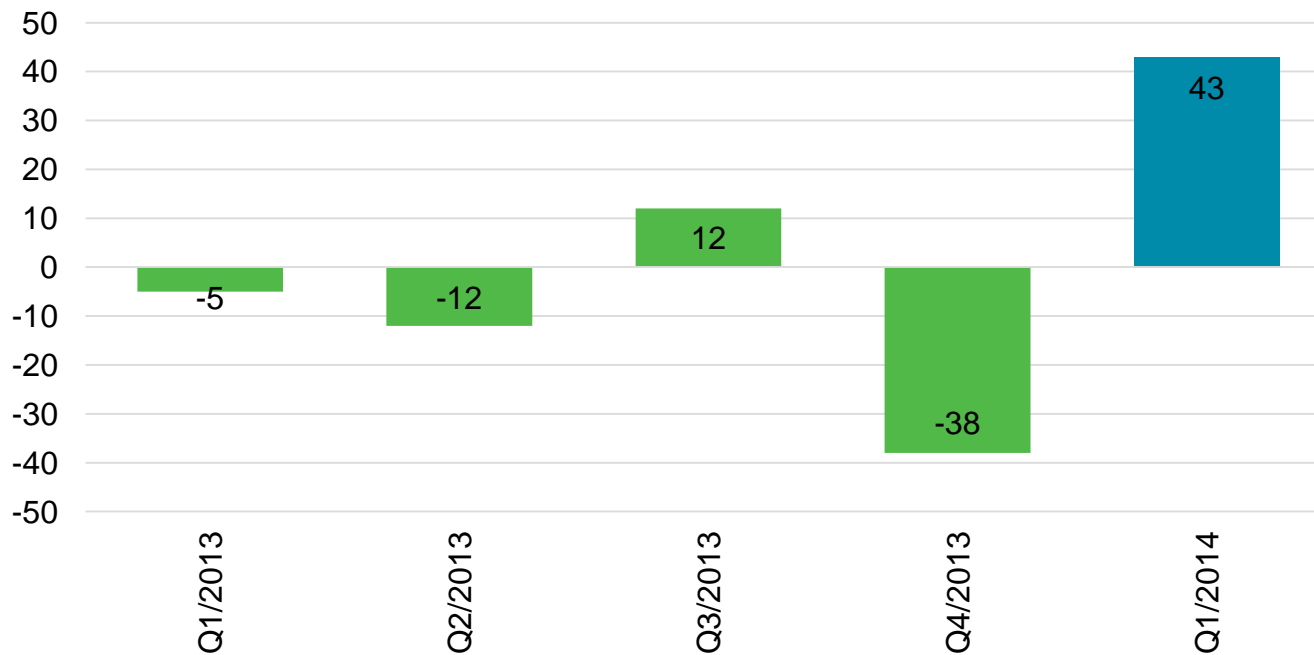
Date	Description	Business line	Country
Jan 9	Prehydrolysis system (pilot scale)	Pulp and Energy	Netherlands
Jan 27	Multi-fuel boiler	Pulp and Energy	Finland
Jan 31	Upgrade of recovery boiler and power boiler	Pulp and Energy	Sweden and Bulgaria
Feb 10	Paper machine rebuild	Paper	Austria
Feb 13	Heat recovery steam generator	Pulp and Energy	Sweden
Feb 17	Bleach plant rebuild	Pulp and Energy	Portugal
Feb 27	Wood-chip-fired heating plant	Pulp and Energy	Finland
Mar 7	Containerboard line	Paper	Vietnam
Mar 19	Tissue production line	Paper	Mexico
Mar 27	CompactCooking G2 cooking plant	Pulp and Energy	Sweden
Mar 27	Waste to energy boiler	Pulp and Energy	Sweden
Apr 3	Advantage tissue production line	Paper	Turkey



Financial development

Positive cash flow

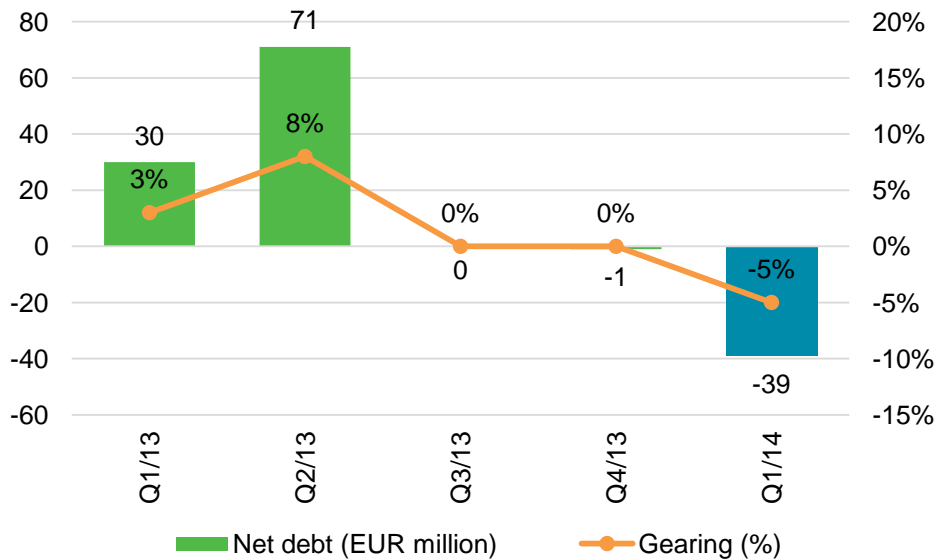
Cash flow provided by operating activities (EUR million)



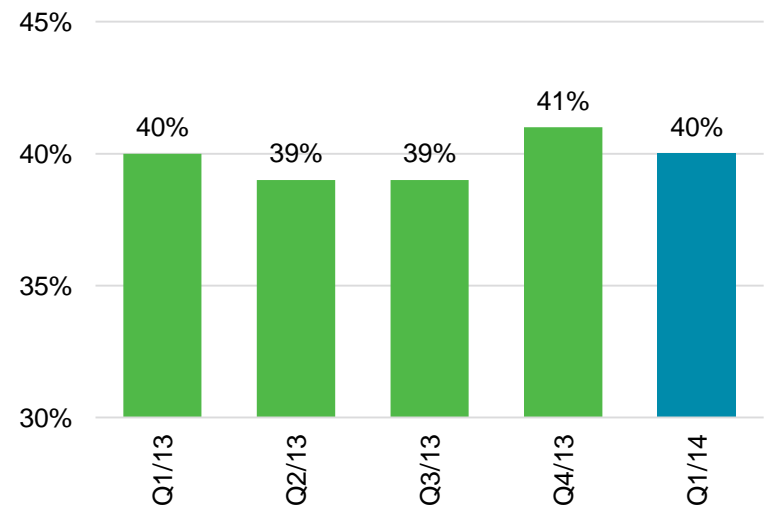
- At the end of March 2014, net working capital was EUR -257 million
- CAPEX less than depreciation

Net debt, gearing and equity ratio

Net debt (EUR million) and gearing (%)



Equity ratio (%)

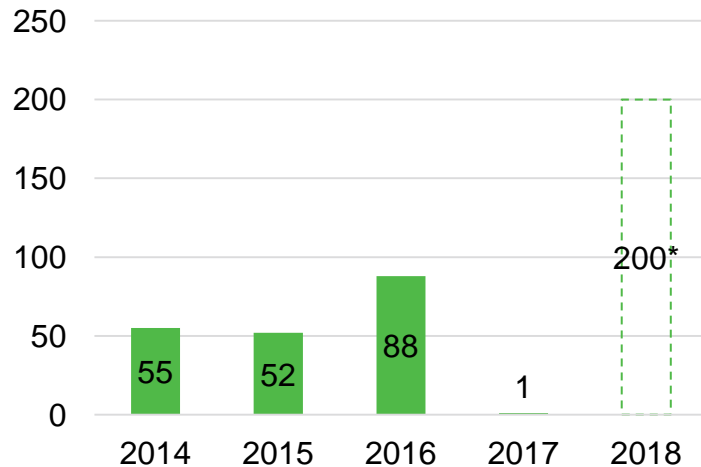


- Negative gearing (-5%) and net debt EUR -39 million

Structure of loans and borrowings

Amount of outstanding interest-bearing debt: EUR 212 million (Mar 31, 2014)

Maturity profile of long-term loans (EUR millions)



*) EUR 200 million syndicated revolving credit facility, of which none is outstanding as of March 31, 2014.

- Average maturity of long-term loans is 2.8 years

Main financing sources

EUR 107 million EIB loan

- Maturing in: H2/2016

EUR 72 million bank loan

- Maturing in: H1/2016

EUR 33 million other financing sources


Back-up facilities

EUR 200 million domestic commercial paper program

- EUR 191 million undrawn

EUR 200 million syndicated revolving credit facility

- None outstanding
- Maturity: 5 years from the demerger date



Guidance and short-term outlook

Guidance and short-term market outlook

Guidance for 2014 (as given on February 6, 2014)

Guidance for
2014



Valmet estimates that net sales in 2014 will decline from the 2013 level and EBITA before non-recurring items will increase in comparison with 2013

Short-term market outlook

		Q3/2013	Q4/2013	Q1/2014
Services		Satisfactory	Satisfactory	Satisfactory
Pulp and Energy	Pulp	Satisfactory	Satisfactory	Satisfactory
	Energy	Weak	Satisfactory	Satisfactory
Paper	Board and Paper	Weak	Satisfactory	Satisfactory
	Tissue	Satisfactory	Satisfactory	Satisfactory



Summary of the Interim Review Q1/2014

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Appendix

Largest shareholders on March 31, 2014

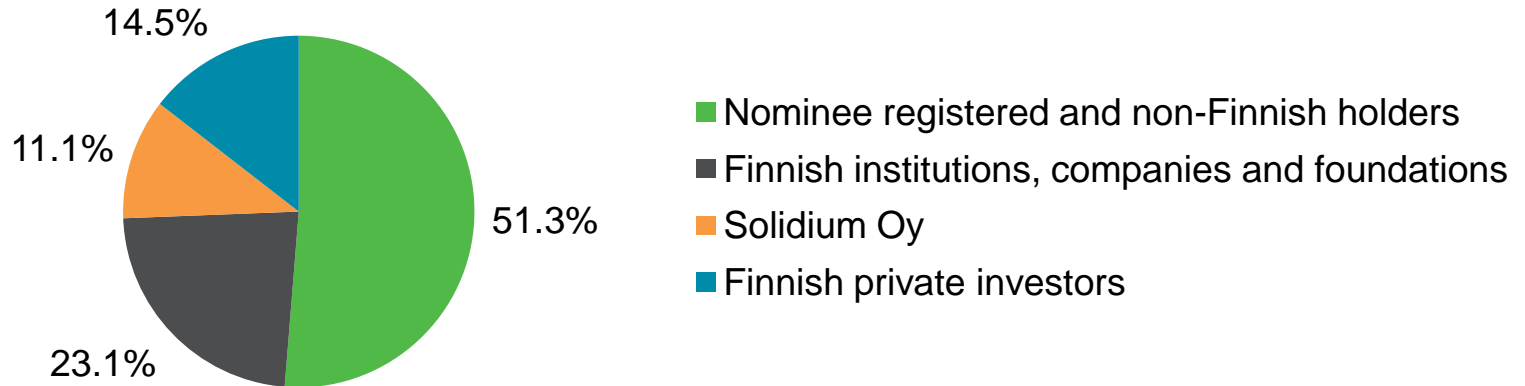
Based on the information given by Euroclear Finland Ltd.

Largest shareholders

#	Shareholder name	Number of shares	% of shares and votes
1	Cevian Capital Partners Ltd	20,813,714	13.89%
2	Solidium Oy ¹	16,695,287	11.14%
3	Ilmarinen Mutual Pension Insurance Company	4,448,126	2.97%
4	Nordea Bank Finland Plc	3,056,228	2.04%
5	Varma Mutual Pension Insurance Company	2,908,465	1.94%
6	Nordea Nordenfonden	2,406,666	1.61%
7	Nordea Funds	2,322,801	1.55%
8	The State Pension Fund	1,720,000	1.15%
9	Keva	1,543,015	1.03%
10	Mandatum Life Insurance Company Limited	1,400,307	0.93%
	10 largest shareholders, total	57,314,609	38.24%
	Other shareholders	92,550,010	61.76%
	Total	149,864,619	100.00%

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

Ownership structure on March 31, 2014



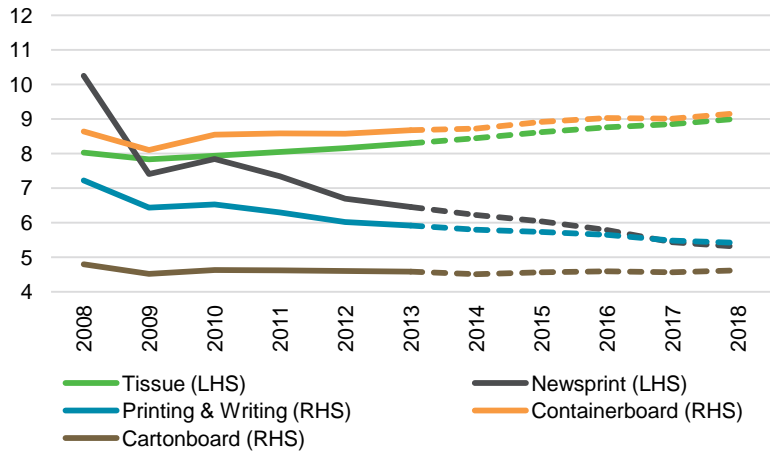
Sector	Number of shareholders	% of total shareholders	Number of shares	% of shares
Nominee registered and non-Finnish holders	341	0.6%	76,821,343	51.3%
Finnish institutions, companies and foundations	3,334	6.2%	34,692,187	23.1%
Solidium Oy ¹	0	0.0%	16,695,287	11.1%
Finnish private investors	49,938	93.2%	21,655,802	14.5%
Total	53,613	100.0%	149,864,619	100.0%

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

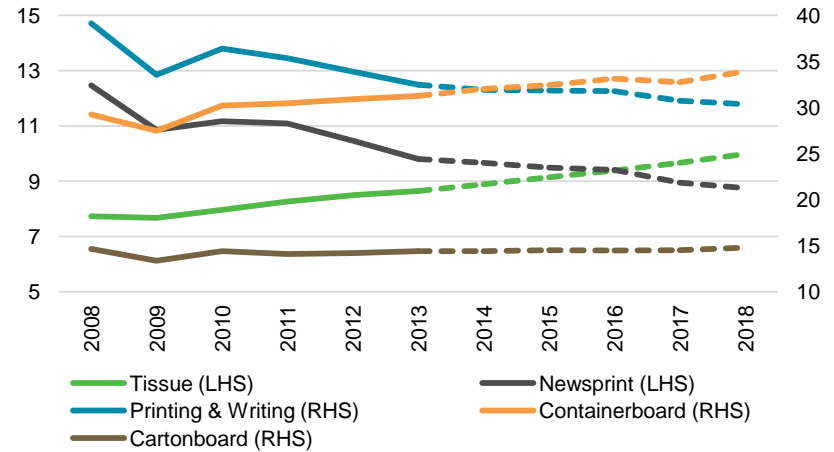
1) A holding company that is wholly owned by the Finnish State

Paper, board, and tissue production trends

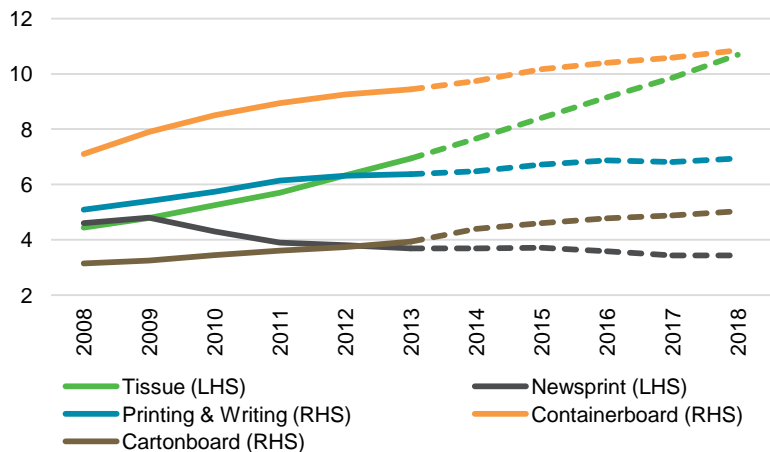
North America (million tonnes)



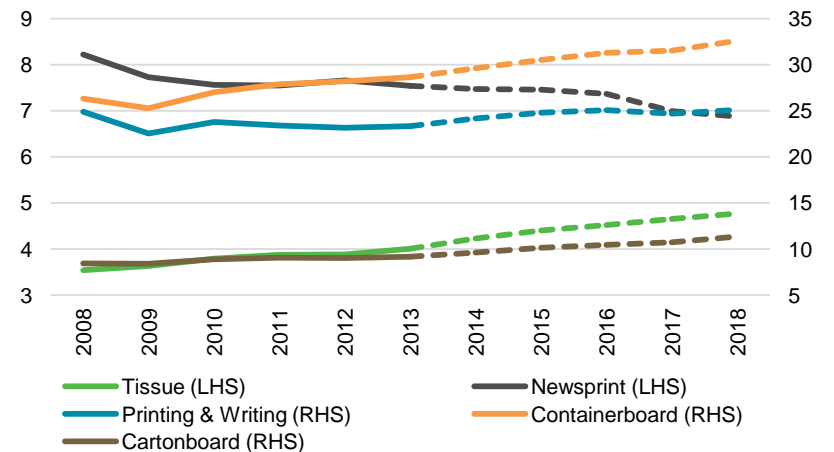
Europe (million tonnes)



China (million tonnes)



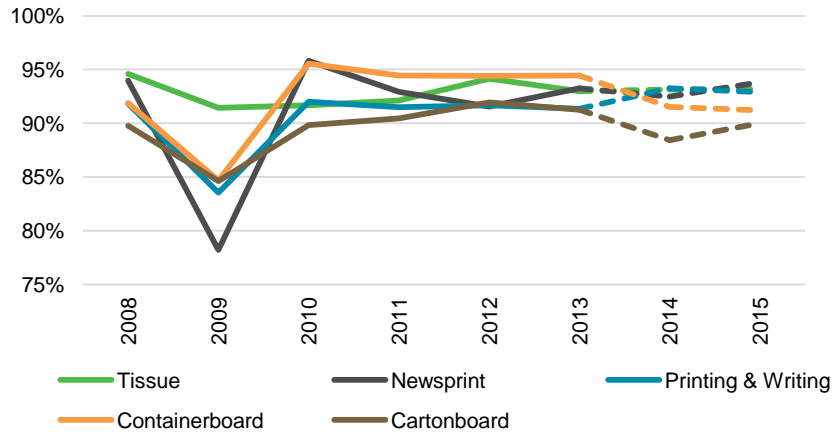
Asia-Pacific (million tonnes)



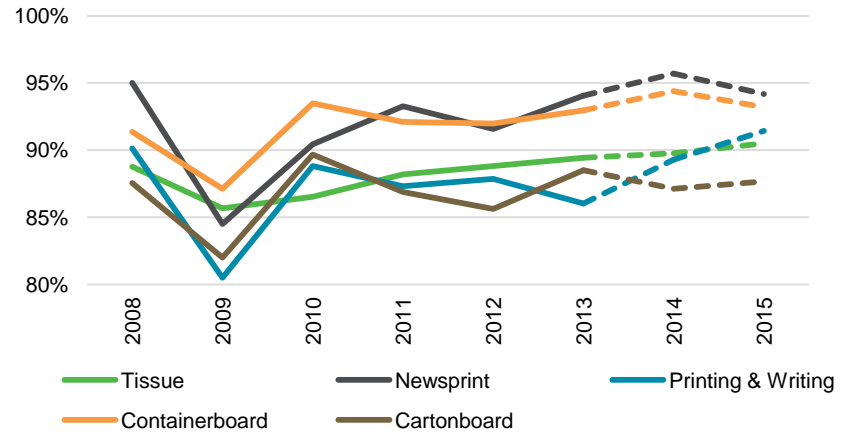
Source: RISI

Paper, board, and tissue operating rates

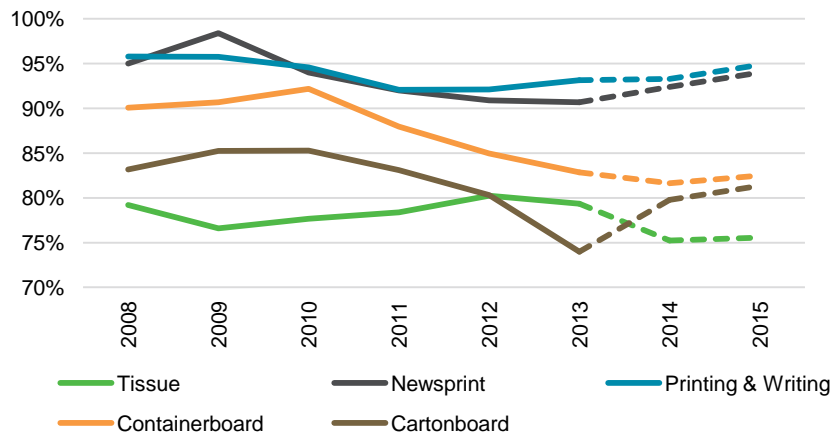
North America



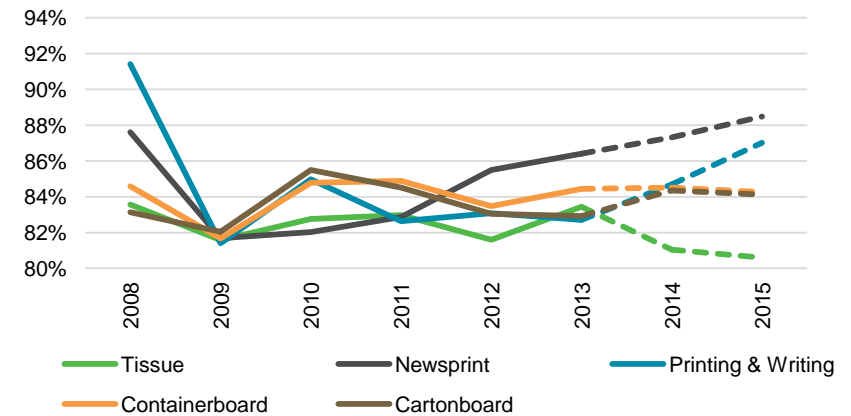
Europe



China



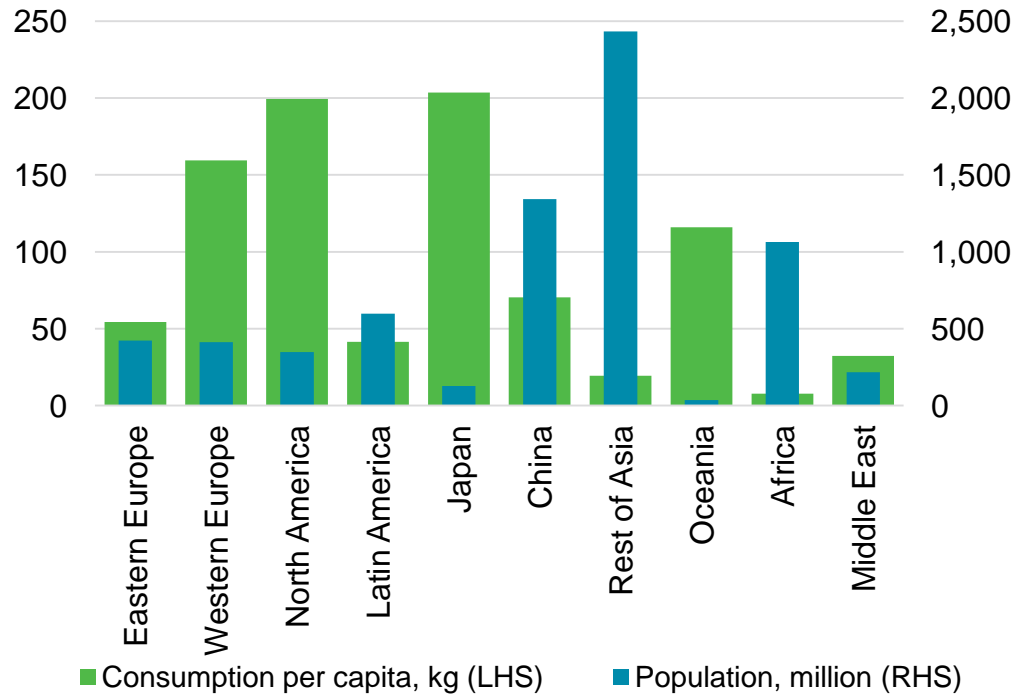
Asia-Pacific



Source: RISI

Paper and board consumption growth trends

Paper and board consumption per capita vs. population



Population growth in emerging markets is larger than in developed markets

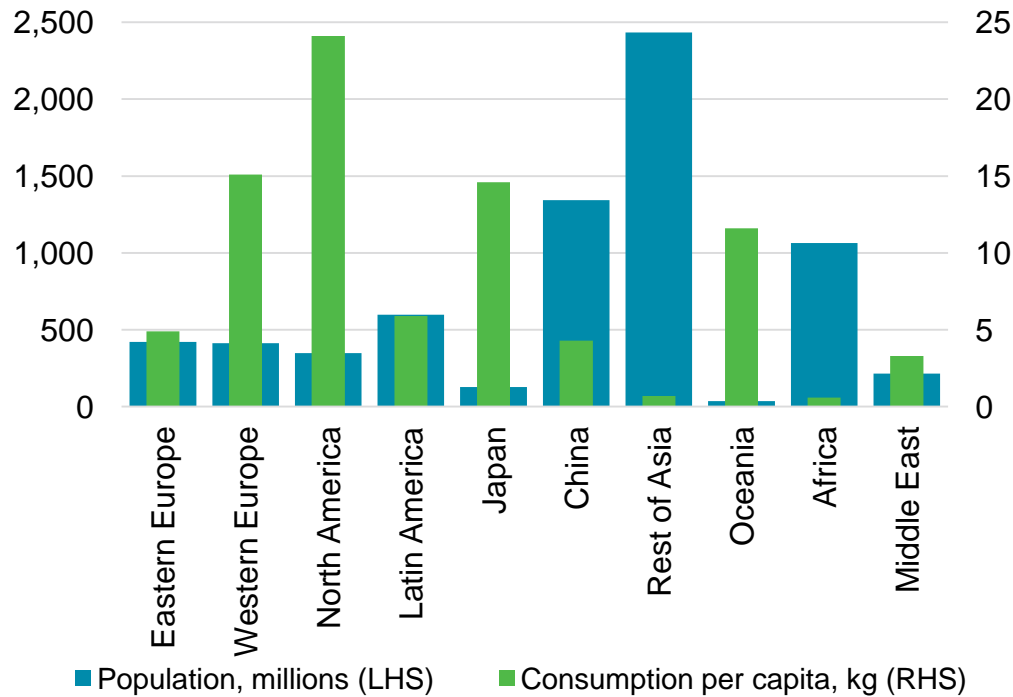
Level of consumption per capita in emerging markets clearly below that in developed markets

This offers us long-term growth potential

Average global consumption: 53 kg per capita

Tissue consumption growth trends

Tissue consumption per capita vs. population



Average global consumption: 4.5 kg per capita

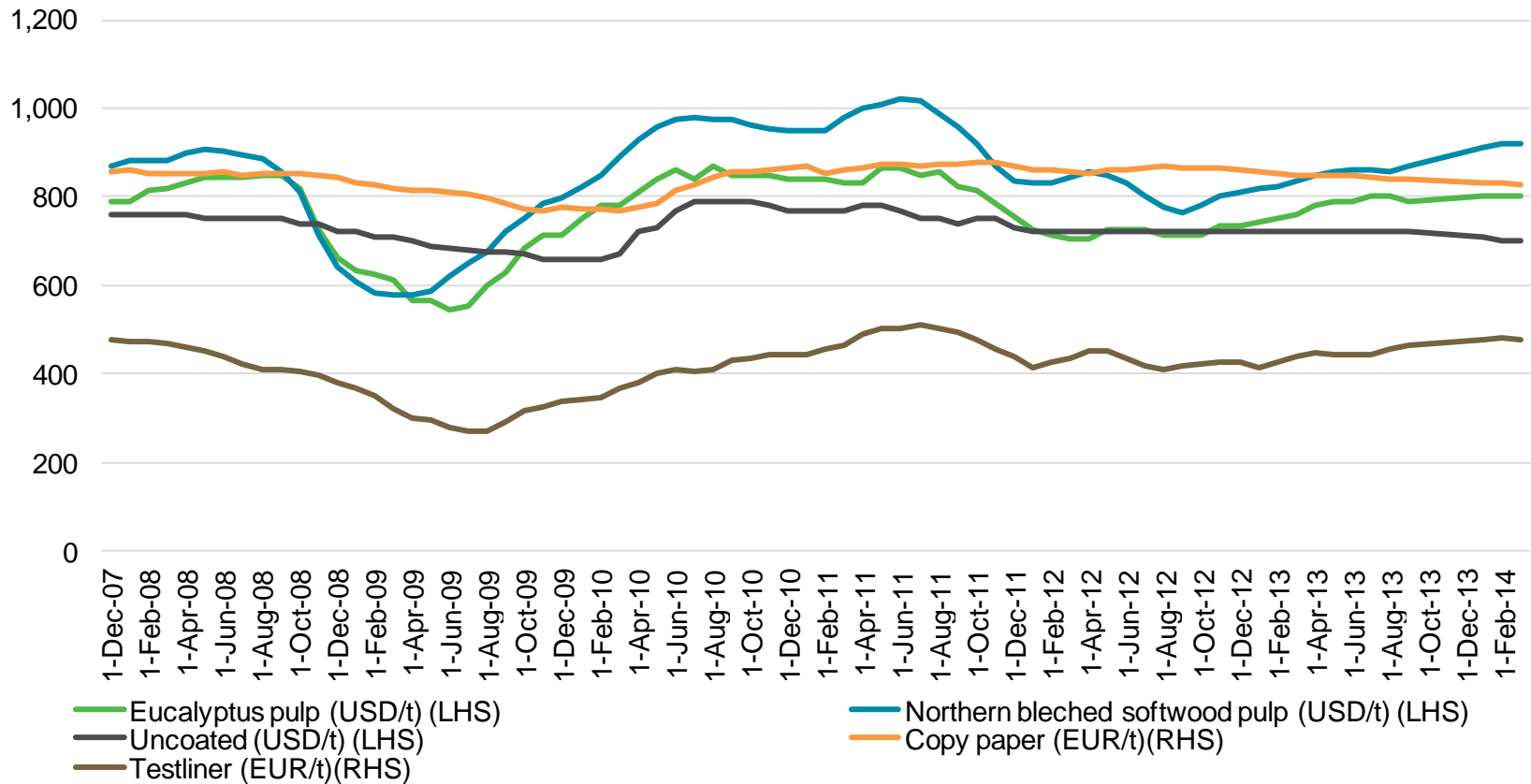
New products and consumption models based on tissue are helping increase consumption in developed markets

Consumption in emerging markets is still low, but growing

Offers us long-term growth potential in both developed and emerging markets

Source: RISI

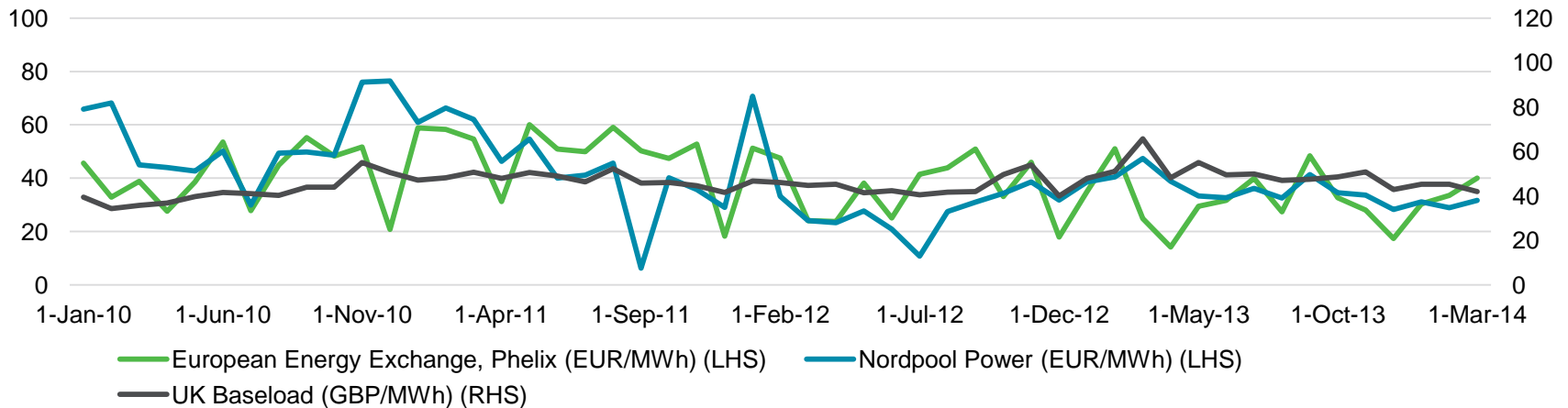
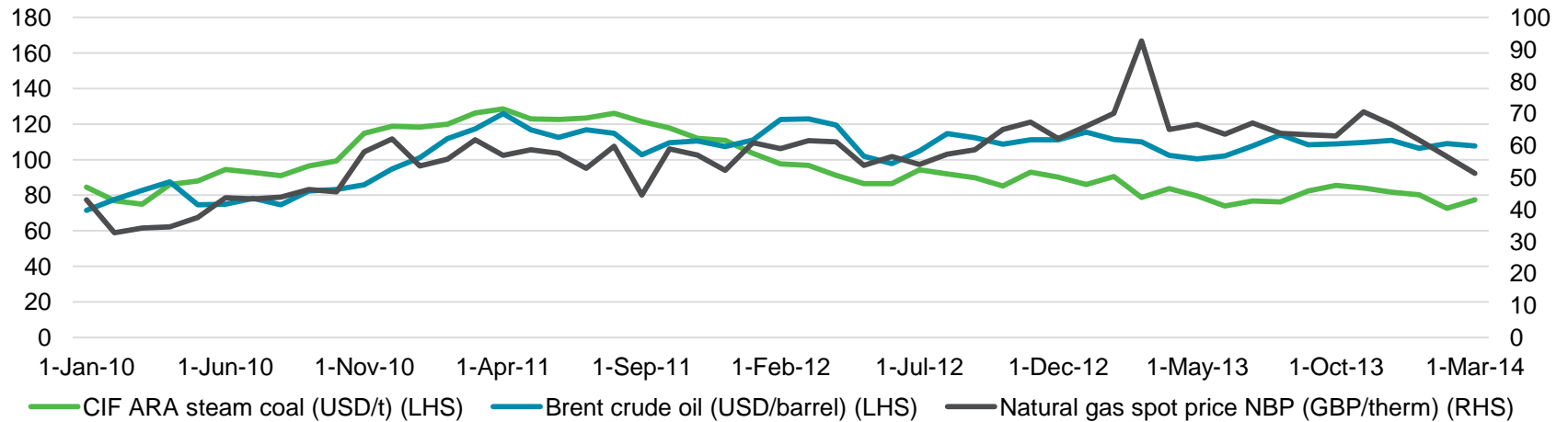
Pulp and paper price trends



Source: Bloomberg

Crude oil, steam coal, natural gas and electricity

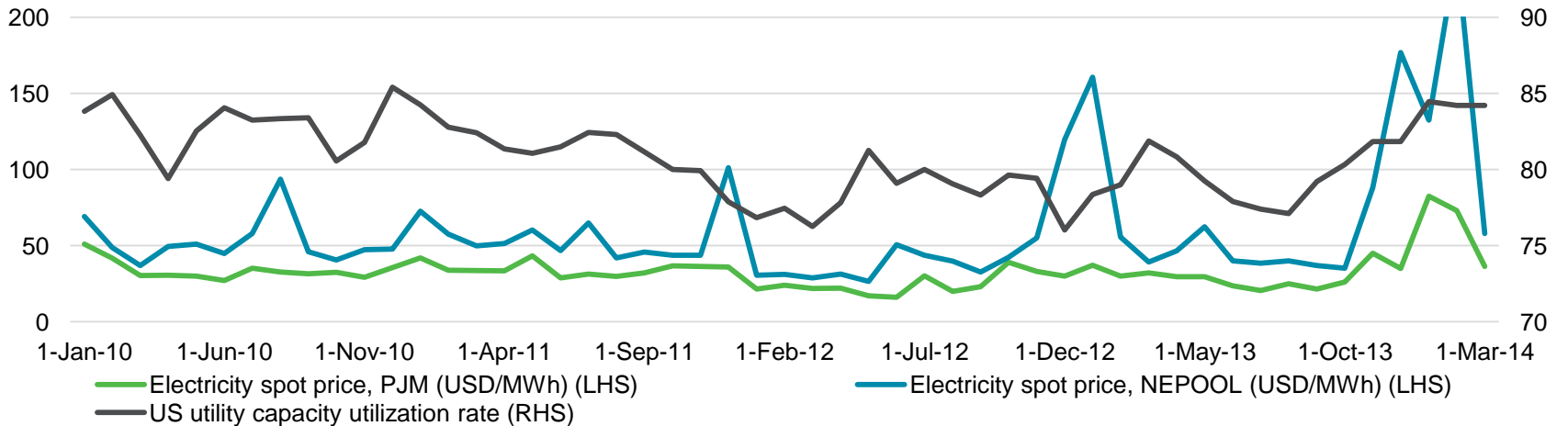
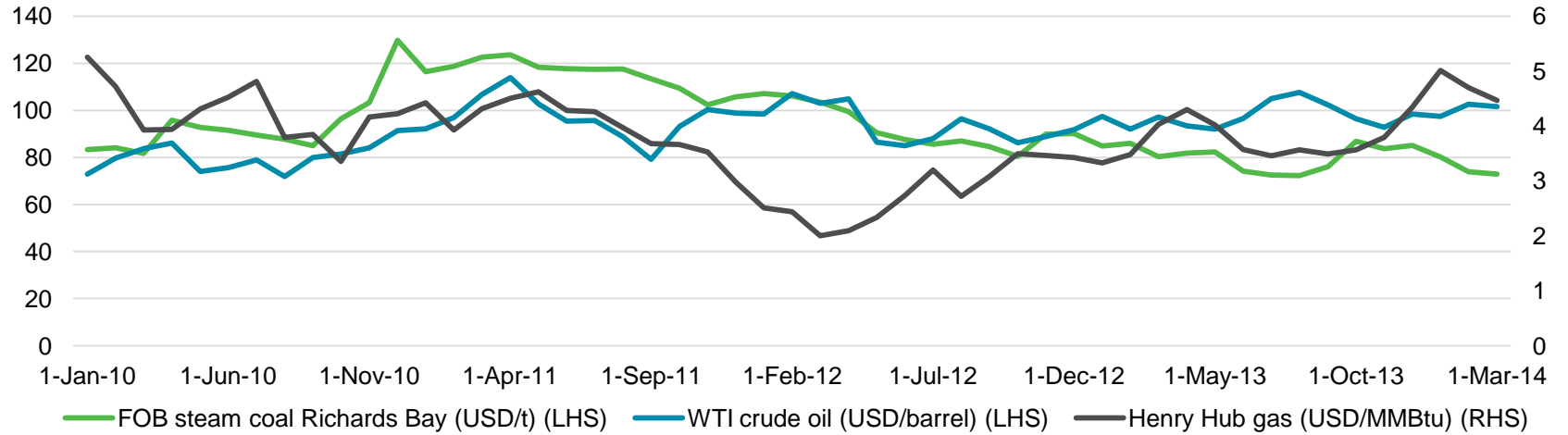
Europe



Source: Bloomberg

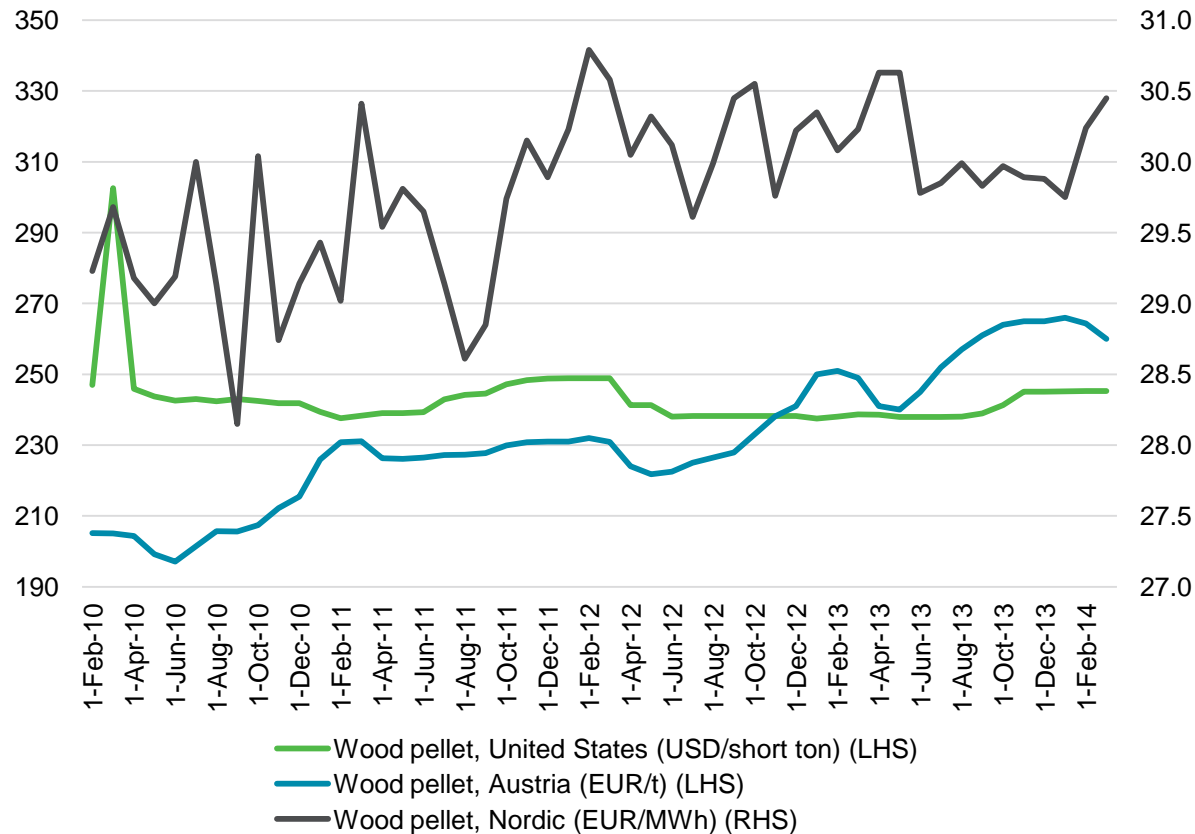
Crude oil, steam coal, natural gas and electricity

United States



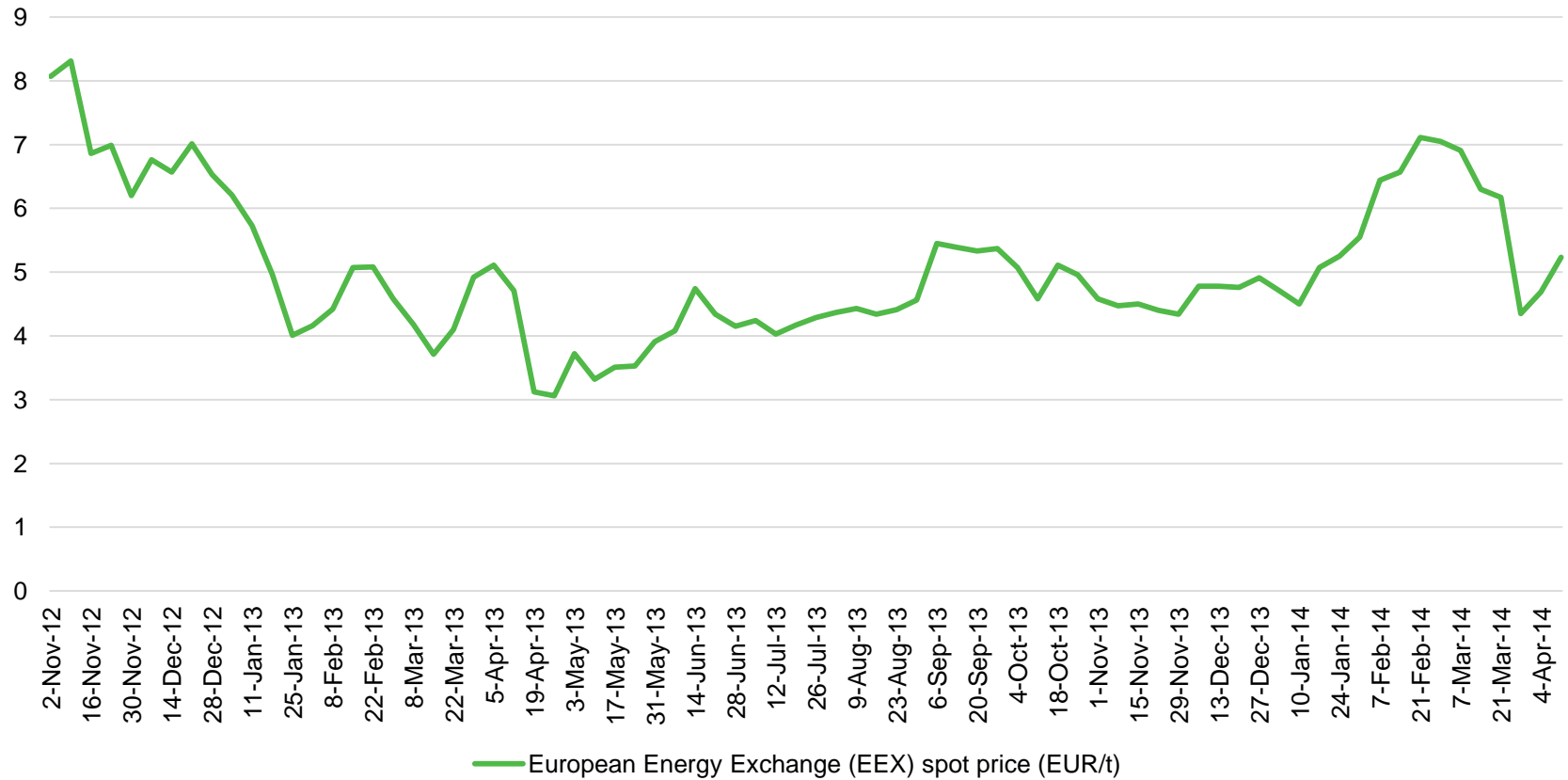
Source: Bloomberg

Wood pellet price



Source: Bloomberg

European Carbon Emission Allowance



Source: Bloomberg

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