



Valmet – unique offering
with process technology,
automation and services

Berenberg European Conference 2015

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Valmet

Agenda

- 1 Valmet overview
- 2 Investment highlights
- 3 Industrial Internet
- 4 Financials
- 5 Conclusion



Valmet overview

Key figures 2014

Excluding Automation business line

Orders received
EUR 3,071 million

Net sales
EUR 2,473 million

EBITA before NRI¹
EUR 106 million

Employees 10,464

Market position

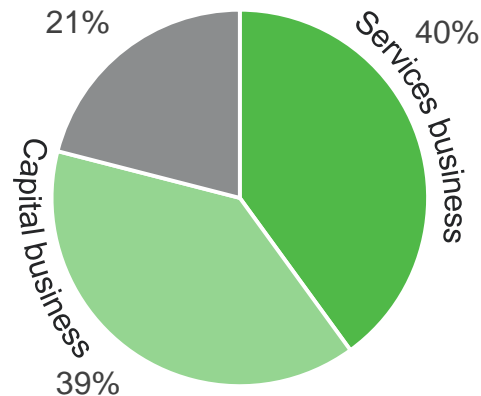
#1-2 Services

#1-2 Pulp

#1-3 Energy

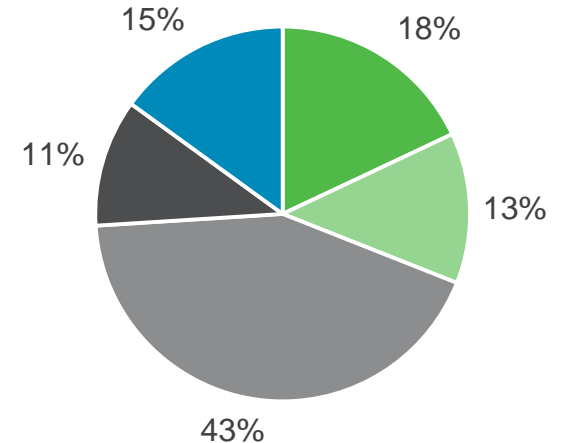
#1-2 Paper, board, tissue

Net sales split by
business line



■ Services
■ Pulp and Energy
■ Paper

Net sales split by
geographic area



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

1) NRI = non-recurring items

Automation in brief (2014)

Supplies and develops automation and information management systems, applications and services

Orders received
EUR 336 million

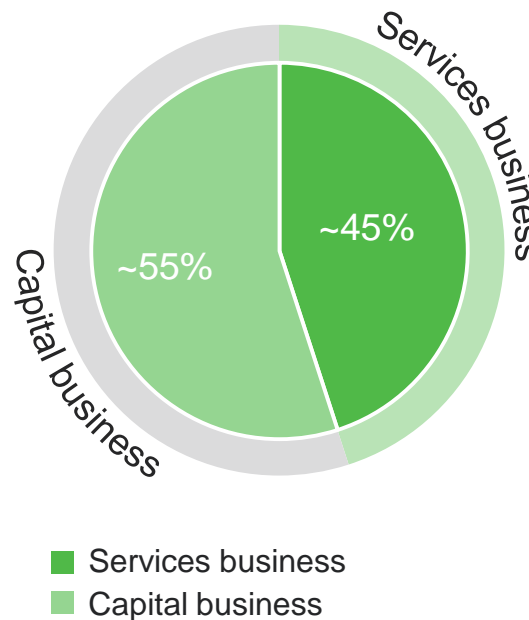
Net sales
EUR 297 million

Employees ~1,600

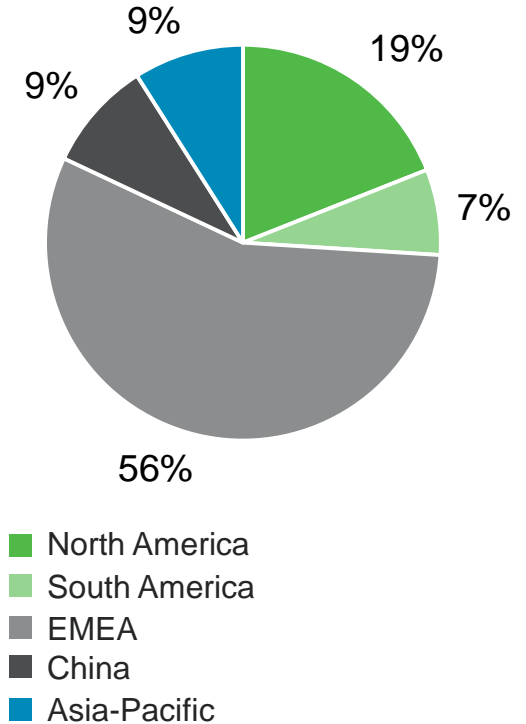
Position in pulp and paper

- #1 Analyzers
- #1-2 Quality control systems
- #3 Distributed control systems

Net sales by business line



Net sales by geographic area



Our four business lines serve the same customer base



Services

Net sales 1.0 bn, 40%

- Mill and plant improvements
- Roll and workshop services
- Parts and fabrics
- Life-cycle services



Automation

Net sales 0.3 bn

Supplies and develops automation and information management systems, applications and services



Pulp and Energy

Net sales 1.0 bn, 39%

Technologies and solutions for

- Pulp production
- Power generation
- Biomass conversion



Paper

Net sales 0.5 bn, 21%

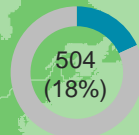
Technologies and solutions for

- Board
- Tissue
- Paper

Strong global presence provides a good platform for growth

North America

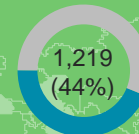
- Large installed base to be served
- Capital project opportunities in pulp, energy, board, and tissue



1,357
(11%) 

EMEA

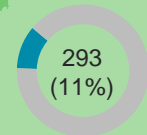
- Large installed base to be served
- Machine closures in printing and writing
- Capital project opportunities in pulp, board, tissue, and bioenergy




7,714
(63%) 

China

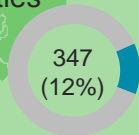
- Services growth potential through growing installed base
- Capital project opportunities in board and tissue



1,999
(16%) 

South America

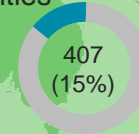
- Services growth potential through growing installed base
- Capital project opportunities in pulp, tissue and bioenergy




520
(4%) 


Asia-Pacific

- Services growth potential through growing installed base
- Capital project opportunities in pulp, energy, board, and tissue



706
(6%) 

 Illustrative net sales in 2014
(EUR million and % of total)

 Number of employees in September, 2015
(number of employees and % of total)

Valmet's way forward

Our Mission

Converting renewable resources into sustainable results

Our Strategy

Valmet develops and supplies competitive technology and services to the pulp, paper and energy industries.

We are committed to moving our customers' performance forward.

Our Must-Wins

- Customer excellence
- Leader in technology and innovation
- Excellence in processes
- Winning team

Our Vision

To become the global champion in serving our customers

Our Values create and strengthen our culture

Customers - We move our customers' performance forward

Renewal – We promote new ideas to create the future

Excellence – We improve every day to deliver results

People – We work together to make a difference

Megatrends

- Need for renewable solutions
- Bio-economy and climate change
- Increase in standards of living

Key Must-Win objectives to develop Valmet further and continue to improve profitability

Must-Wins

Customer excellence

Must-Win implementation objectives for 2016

- Strengthen our presence close to customers and growth markets
- Strengthen Key Account Management to serve customers with our full offering
- Provide customer benefits by combining process technology, automation and services
- Develop Valmet service concept, remote services and drive growth through service agreements

Leader in technology and innovation

- Improve product cost competitiveness to increase gross profit and reduce customer investment and operational costs
- Develop new products and technologies to create new revenue

Excellence in processes

- Sales and project management process to improve product margin
- Implement Lean to reduce quality costs and lead times
- Save in procurement and ensure sustainable supply chain
- Improve health and safety
- Continue to improve cost competitiveness

Winning team

- Nurture shared values
- Drive high performance
- Continue globalization of our capabilities

Financial targets

Growth



Net sales growth to exceed market growth

Profitability



EBITA¹ before non-recurring items: 6-9%

ROCE

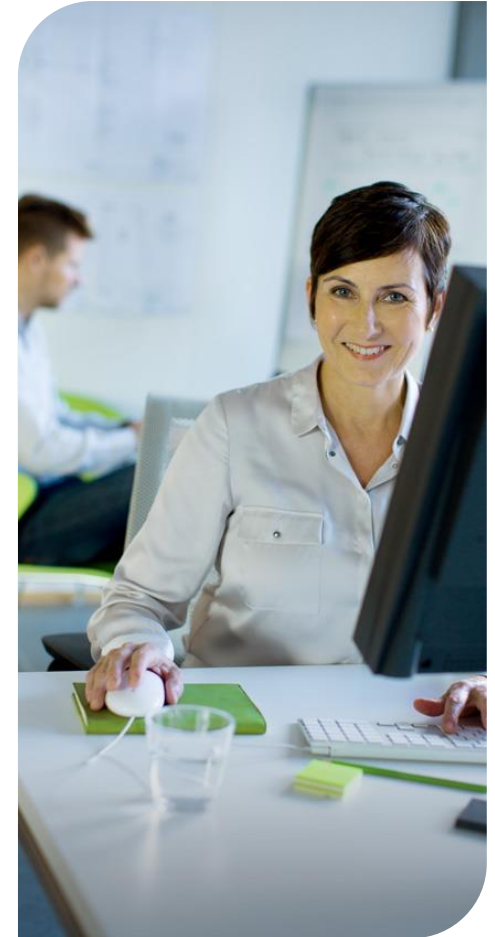


Return on capital employed (pre-tax),
ROCE²: minimum of 15%

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)



Investment highlights

Investment highlight summary

1 **Strong market position** in growing markets

2 **Growing, profitable and stable** service and automation business with **EUR 1.3 billion sales**

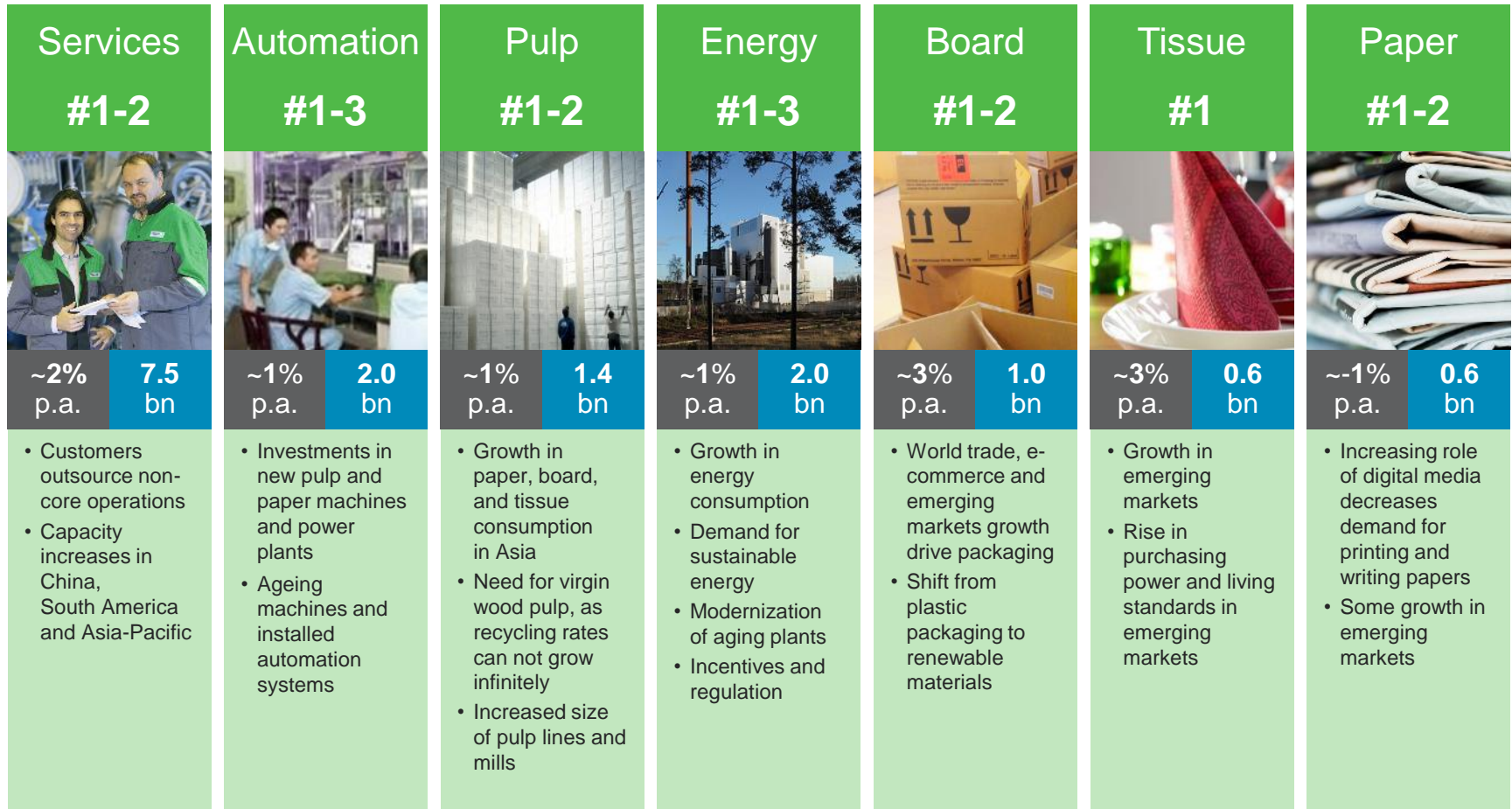
3 Strong in cyclical capital business with long-term **growth potential** and **increased flexibility in cost structure**

4 **Unique offering** with process technology, automation and services

5 Continued **focus on profitability**, more **effort into renewal**



Strong market position in growing markets



Anticipated long-term market growth
 Estimated market size for current offering (EUR)
 Market drivers

Source: Leading consulting firms, RISI, management estimates

Growing, profitable and stable service and automation business with EUR 1.3 billion sales



Growing

- Services net sales growth on average over 3% p.a. during the last 5 years
- Slight growth in Automation net sales over the last 10 years

Profitable

- Relatively stable margins in Automation during the last 10 years, EBITA margin 10–12%

Stable

- Services and Automation together approximately EUR 1.3 billion of stable business

Strong in cyclical capital business with long-term growth potential and increased flexibility in cost structure



Pulp and Energy

Market position:

#1-3

Headcount reduction¹:

~500

Capacity cost reduction:

10%

(Capacity cost to sales 24% in 2014)



Paper

Market position:

#1-2

Headcount reduction¹:

~800

Capacity cost reduction:

20%

(Capacity cost to sales 47% in 2014)



1) Reduction in number of employees during 2014

Unique offering with process technology, automation and services



- Valmet is a technology and service company with full automation offering
- Strengthened competitiveness from combination of paper, pulp and power plant technology, process know-how and automation
- Full scope offering gives better differentiation from competitors

Continued focus on profitability, more effort into renewal

Continued focus on profitability improvement measures

- Improve project and service margin
- Reduce quality costs and lead times
- Savings in procurement
- Continue to improve cost competitiveness
- Improve cost competitiveness to increase gross profit

Increased focus on renewal

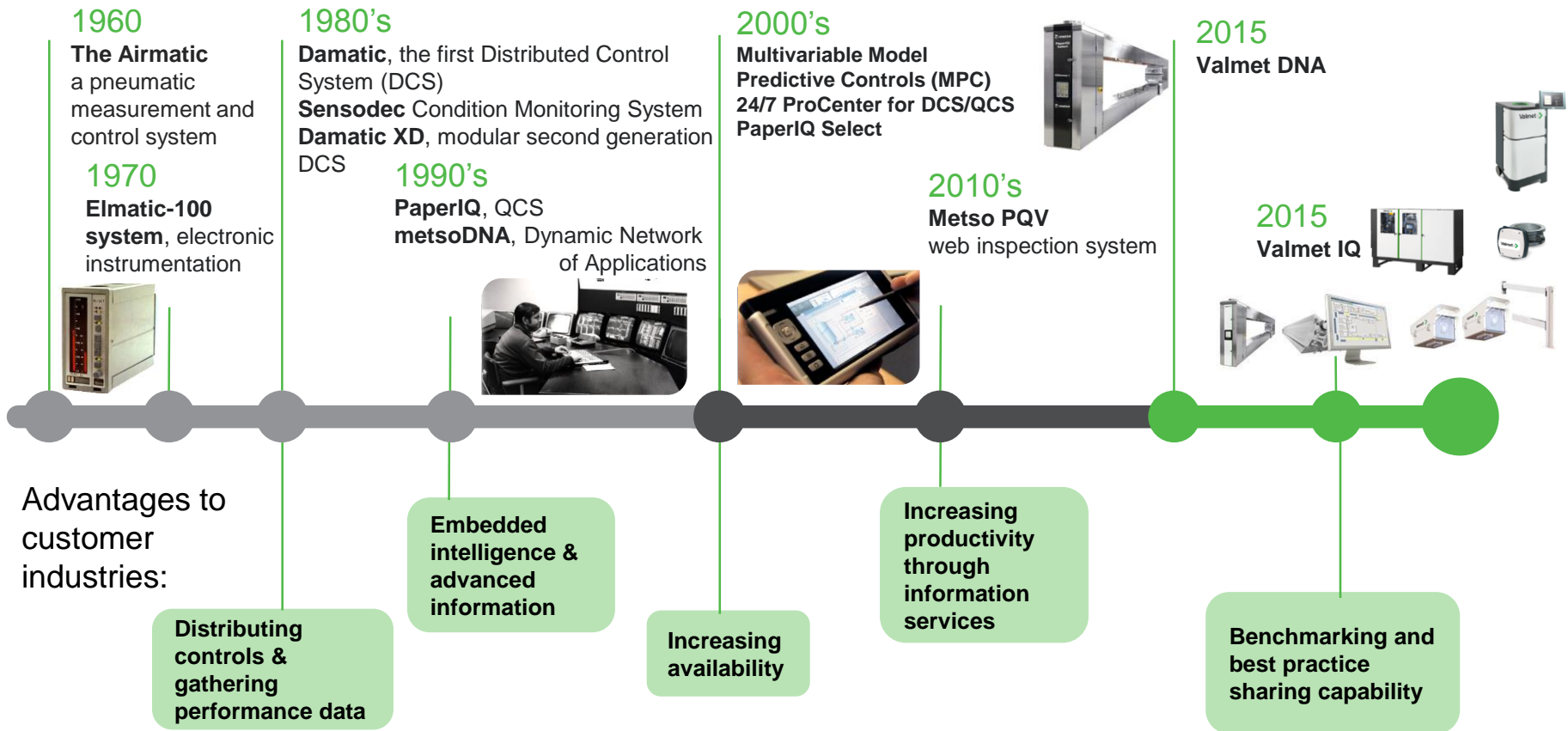
- Constant improvement of technology and offering
- Results in research and development, e.g. OptiConcept M
- Improvement in customer relations
- Development of personnel
- Acquiring Process Automation Systems renews Valmet and strengthens know-how



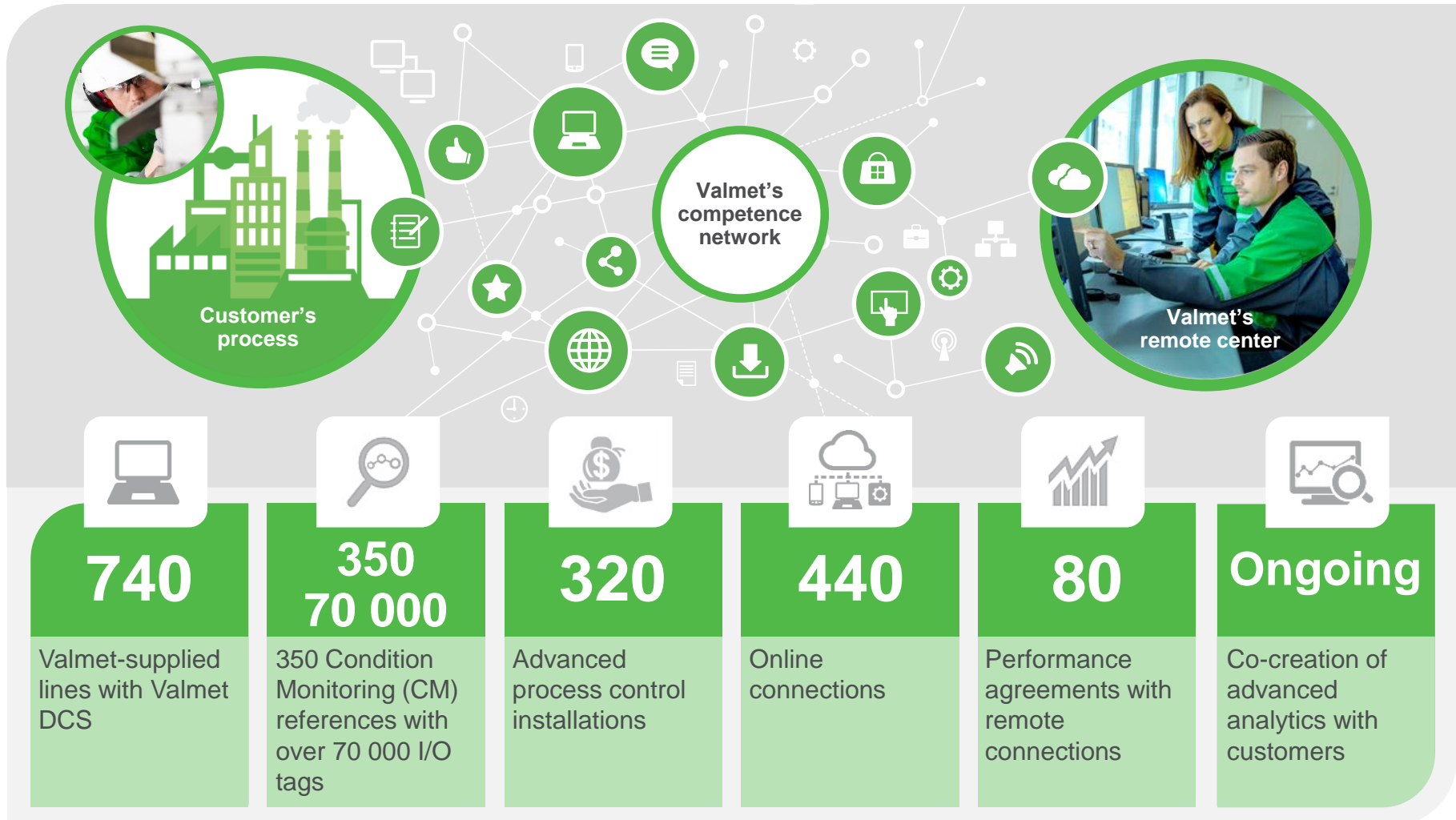


Industrial Internet

Valmet has a long history in the digitalization of process industries



Today, customers are extensively utilizing our Industrial Internet capabilities



Today, we serve our customers with intelligent technology, automation and services locally and remotely



- Fully automated, intelligent machines with connectivity for Industrial Internet
- The Valmet DNA automation platform connects instruments, analyzers, vision systems and process controls
- Advanced Process Control enables real time optimization of core processes
- Expert support locally and through remote services
- Performance optimization and support agreements

2016-2018 we enhance mobility and introduce even more advanced automation technologies and embedded diagnostics

Process technology

Customer

Services

Automation

- Growing fleet of intelligent machines and mills leveraged
- More diagnostics embedded into processes
- Next generation analytics introduced to selected processes
- Valmet DNA evolves to include virtual and cloud-based applications and services
- Integrated customer portal and mobility enable secure access to all information and expertise anytime and anywhere
- Advanced benchmarking and best practice sharing tools



Financials

Key figures Q3/2015

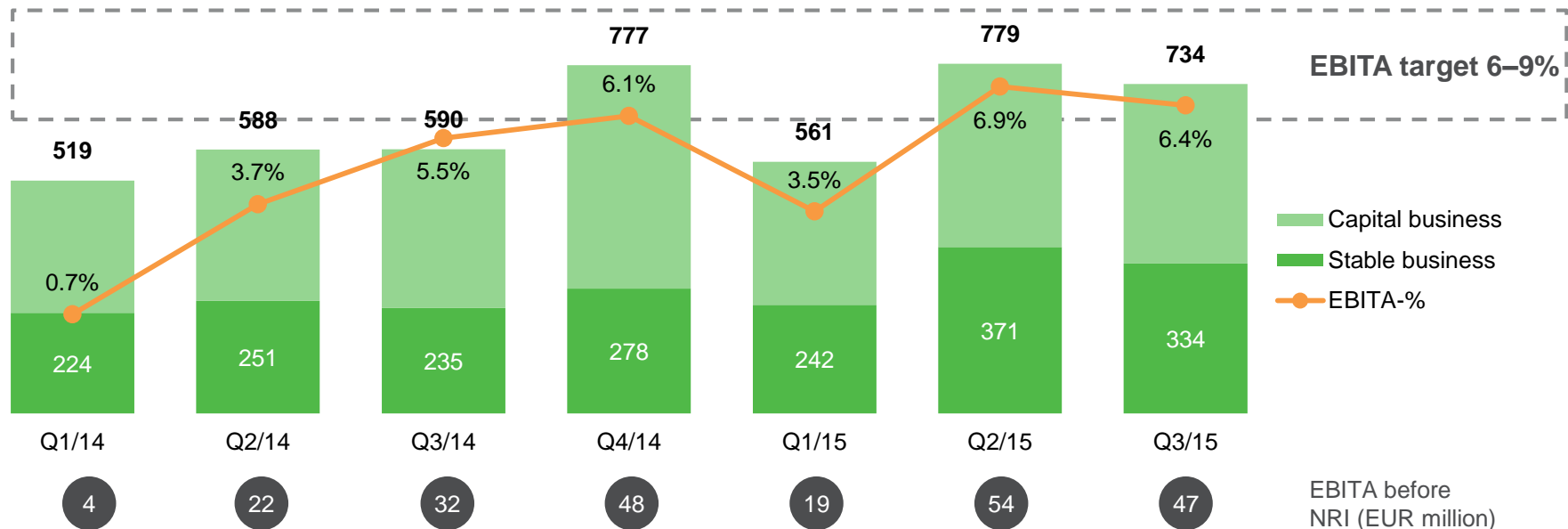
EUR million	Q3/2015	Q3/2014	Change	Q1–Q3/2015	Q1–Q3/2014	Change
Orders received	725	466	56%	2,085	2,590	-19%
Order backlog ¹	2,117	2,312	-8%	2,117	2,312	-8%
Net sales	734	590	25%	2,074	1,697	22%
EBITA ²	47	32	45%	120	58	>100%
% of net sales	6.4%	5.5%		5.8%	3.4%	
EBIT ³	33	26	25%	78	35	>100%
% of net sales	4.4%	4.4%		3.8%	2.1%	
Earnings per share, EUR	0.14	0.11	25%	0.33	0.14	>100%
Return on capital employed (ROCE), before taxes ⁴				11%	6%	
Cash flow provided by operating activities	16	117	-86%	14	206	-93%
Gearing ¹				28%	-20%	

Non-recurring items: EUR -4 million in Q3/2015 (EUR -1 million in Q3/2014), EUR -16 million in Q1–Q3/2015 (EUR -7 million in Q1–Q3/2014).

- 1) At the end of period
- 2) Before non-recurring items
- 3) After non-recurring items
- 4) Annualized

EBITA margin in the targeted range

Net sales and EBITA before NRI (EUR million)



- Net sales and profitability increased compared with Q3/2014

- Profitability improved due to the higher level of net sales, improved gross profit, and the acquisition of Automation
- Changes in foreign exchange rates¹ increased net sales by approximately EUR 14 million and EBITA by approximately EUR 1 million²

1) Compared with the exchange rates for July–September 2014

2) Indicative only

Guidance and short-term market outlook

Guidance for 2015 (as given on February 6, 2015)

Guidance for 2015



Valmet estimates that, including the acquisition of Process Automation Systems, net sales in 2015 will increase in comparison with 2014 (EUR 2,473 million) and EBITA before non-recurring items in 2015 will increase in comparison with 2014 (EUR 106 million).

Short-term market outlook

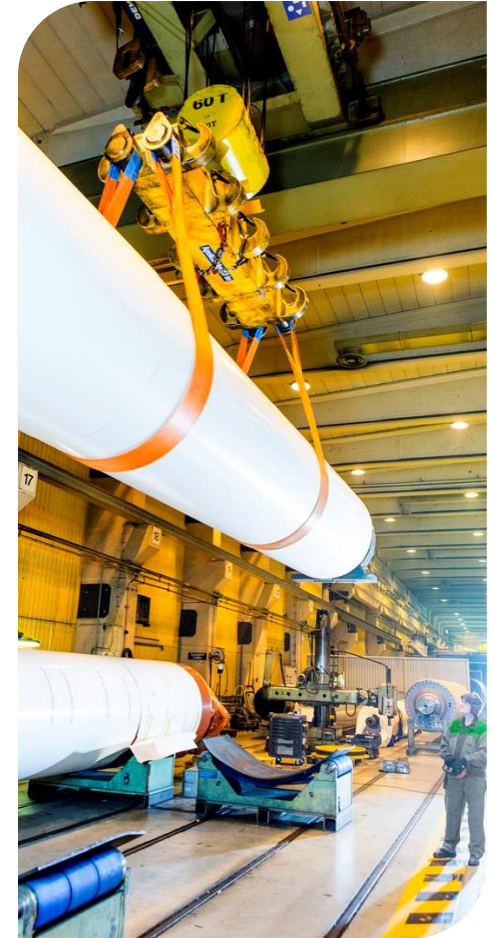
		Q4/2014	Q1/2015	Q2/2015	Q3/2015
Services		Satisfactory	Satisfactory	Satisfactory	Satisfactory
Automation		-	Satisfactory	Satisfactory	Satisfactory
Pulp and Energy	Pulp	Satisfactory	Good	Good	Good
	Energy	Satisfactory	Weak	Weak	Weak
Paper	Board and Paper	Good	Good	Good	Satisfactory
	Tissue	Satisfactory	Satisfactory	Satisfactory	Satisfactory



Conclusion

Conclusion

- Strong global presence close to customers
- #1-3 market position in growing markets
- EUR 1.3 billion net sales in stable business
- Unique offering with process technology, services and automation differentiates Valmet from its competitors
- Forerunner in Industrial Internet



Important notice

It should be noted that certain statements herein which are not historical facts, including, without limitation, those regarding expectations for general economic development and the market situation, expectations for growth, profitability and investment willingness, expectations for company development, growth and profitability and the realization of synergy benefits and cost savings, and statements preceded by “anticipates”, “believes”, “estimates”, “expects”, “foresees” or similar expressions, are forward-looking statements. Since these statements are based on current decisions and plans, estimates and projections, they involve risks and uncertainties which may cause the actual results to materially differ from the results currently expressed. Such factors include, but are not limited to:

- 1) general economic conditions, including fluctuations in exchange rates and interest levels which influence the operating environment and profitability of customers of the company or economic growth in the company’s principal geographic markets.
- 2) industry conditions, intensity of competition situation, especially potential introduction of significant technological solutions developed by competitors, financial condition of the customers and the competitors of the company,
- 3) the company’s own operating factors, such as the success of production, product development and project management and the efficiencies therein including continuous development and improvement
- 4) the success of pending and future acquisitions and restructuring.

