

Valmet becomes stronger  
as a result of acquiring  
Process Automation  
Systems

*January 15, 2015*

Pasi Laine, President and CEO

# Agenda

- 1 Rationale for the acquisition
- 2 Process Automation Systems in brief
- 3 Price and financing of the transaction
- 4 Next steps
- 5 Summary



# Rationale for the acquisition

# Valmet's way forward

## Mission



Converting renewable resources into sustainable results

## Strategy



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

We are committed to moving our customers' performance forward.

## Must-wins



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

## Vision



To become the global champion in serving our customers

# Valmet becomes a stronger company

The acquisition has an excellent strategic fit

Combination of Valmet and Process Automation Systems creates a unique customer offering



Process Automation Systems is a strong, established business



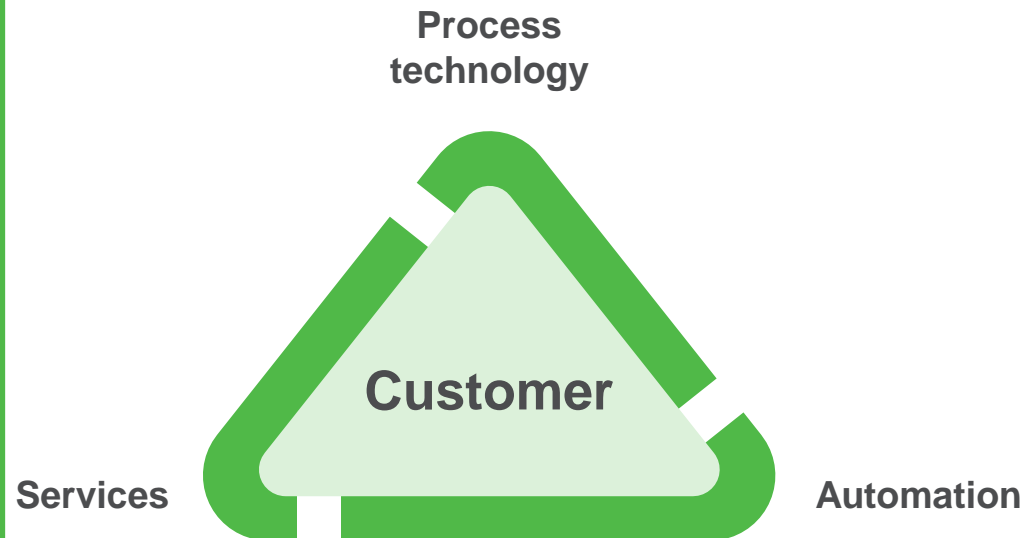
Acquisition makes Valmet more stable and more profitable



# Combination of Valmet and Process Automation Systems creates a unique customer offering

- Valmet becomes a technology and service company with full automation offering
- Strengthened competitiveness from combining paper, pulp and power plant technology, process know-how and automation
- Full scope offering gives better differentiation from competitors
- 80% of Process Automation Systems' sales to Valmet's current customer industries

Valmet becomes a unique company



# Valmet's automation offering for pulp mills

- **Distributed Control System (DCS)**

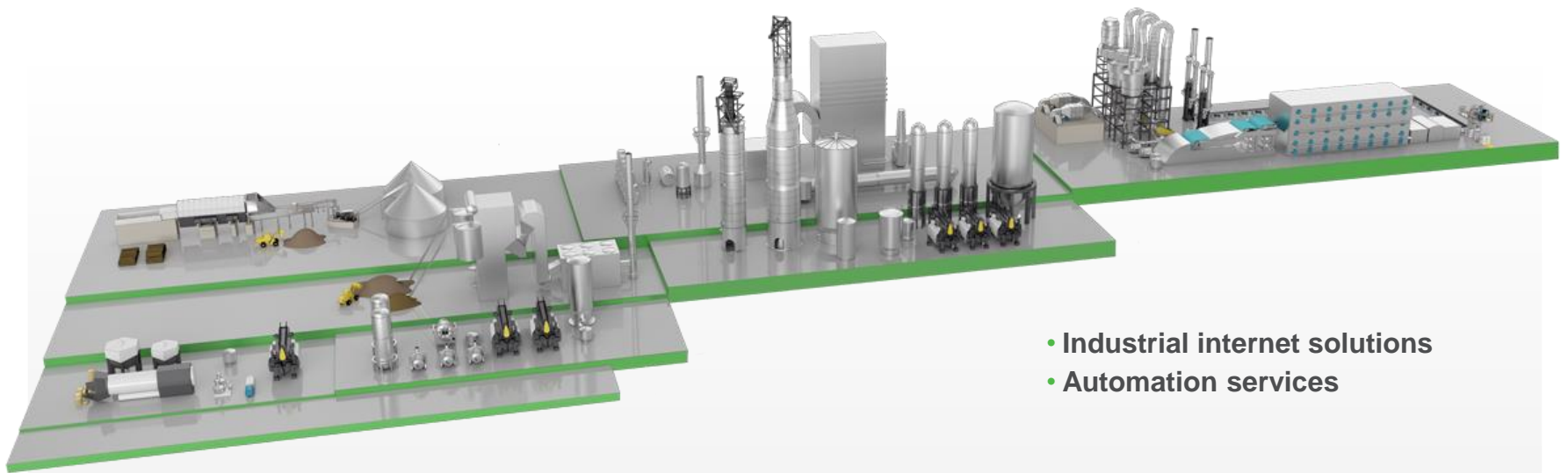
- Process controls
- Machine controls
- Drive controls
- Information management

- **Performance solutions**

- Advanced process controls
- Energy efficiency monitoring
- Condition monitoring
- Process simulators
- Safety systems and solutions

- **Quality control system (QCS)**

- **Profilers**
- **Analyzers and measurements**
- **Vision systems**
  - Pulp web inspection
  - Pulp web break analysis



- **Industrial internet solutions**
- **Automation services**

# Valmet's automation offering for board, paper and tissue mills

- **Distributed Control System (DCS)**

- Process controls
- Machine controls
- Drive controls
- Information management

- **Performance solutions**

- Energy efficiency monitoring
- Condition and runnability monitoring
- Process simulators
- Safety systems and solutions

- **Quality Control System (QCS)**

- **Profilers**
- **Analyzers and measurements**
- **Vision systems**
  - Paper web inspection
  - Paper web break analysis



- **Industrial internet solutions**
- **Automation services**



# Valmet's automation offering for energy and other process industries

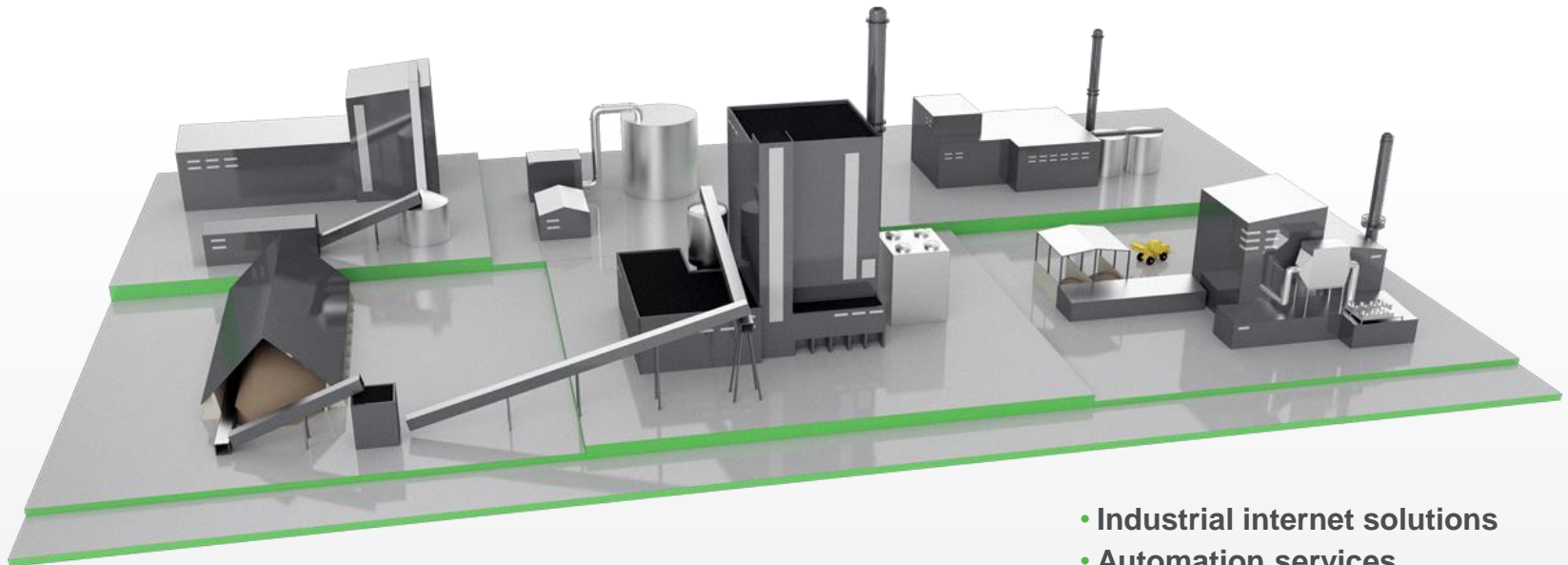
- **Distributed Control System (DCS)**

- Process controls
- Information management

- **Performance solutions**

- Advanced process controls
- Energy efficiency monitoring
- Condition monitoring
- Process simulators
- Safety systems and solutions

- **Analyzers and measurements**



- **Industrial internet solutions**
- **Automation services**

# Process Automation Systems is a strong, established business

- Long-term customer relations
- High level of technology and know-how
- Strong service business, based on large installed base and captive business model
- ~1,600 automation professionals working close to customers at ~80 locations around the world
- Significant proprietary know-how
- Good financial track record and stable cash flow

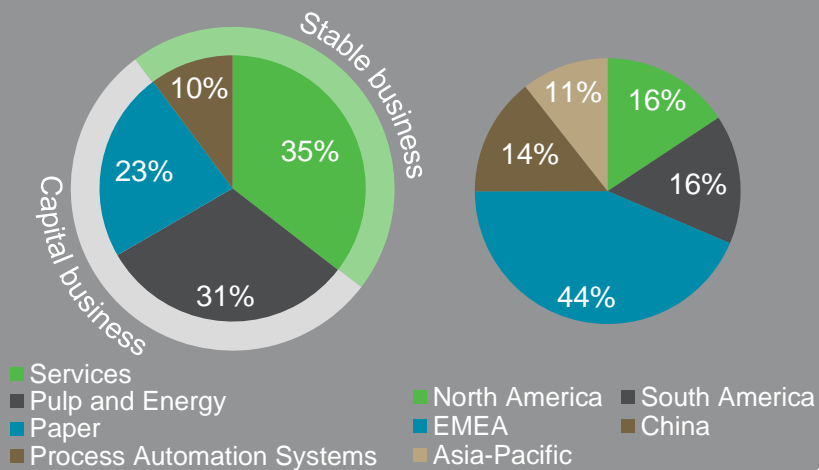


# Increasing stability and improving profitability

## Increasing stability

- Valmet will have approximately EUR 1,300 million of stable business
  - Existing services EUR 1,000 million
  - Process Automation Systems EUR 300 million


Illustrative net sales (2013)<sup>1</sup>



1) Illustrative net sales split when Valmet and Process Automation Systems combined (2013 figures).

## Improving profitability

- Process Automation Systems has solid financial track record
  - Relatively stable margins during the last 10 years, EBITA margin 10–12%
  - Stable net sales, with slight growth
- Increases Valmet's profitability
  - Valmet's financial target: EBITA margin of 6–9%
- Strengthens Valmet's differentiation from competitors
- No significant cost synergies



# Process Automation Systems in brief

# Process Automation Systems in brief

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

Global market leader with #1 market position in pulp and paper

Industry-leading product portfolio

Comprehensive services

High barriers to entry and a limited number of focused players

## 2013 figures<sup>1</sup>

Net sales      EUR 296 m

Employees     ~1,600

EBITA margin historically approximately 10–12%

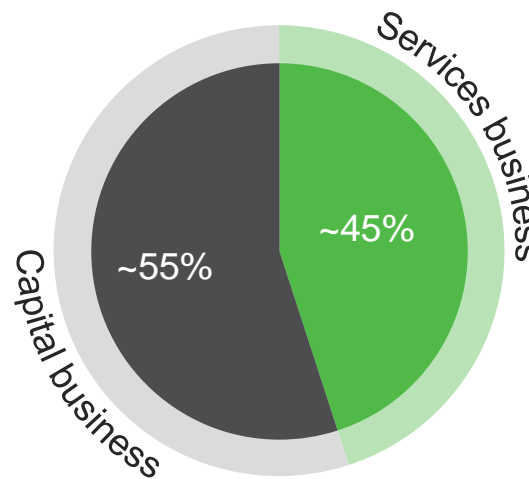
Position in Pulp and Paper

#1 Analyzers

#1-2 Quality control systems

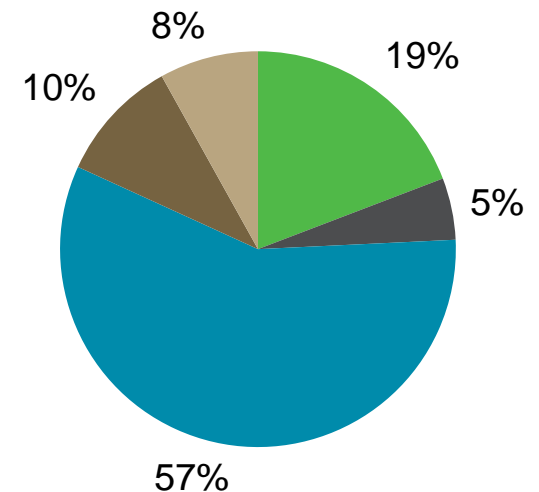
#3 Distributed control systems

## Process Automation Systems' net sales<sup>1</sup>



■ Services business

■ Capital business



■ North America

■ South America

■ EMEA

■ China

■ Asia-Pacific

1) Stand-alone figures for the year of 2013

# Process Automation Systems' offering

## Distributed Control System (DCS)

- Complete control system platform for several processes: process, machine, drive controls and information management
- Used for monitoring and controlling distributed equipment in process plants and industrial processes



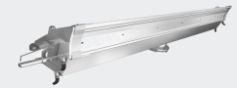
## Quality Control System (QCS)

- A system that controls process quality
- Integrates process quality management, measurements and profilers



## Profilers

- Profilers control the process as part of the QCS system



## Analyzers and measurements

- Equipment that analyzes and helps optimize the process
- Equipment that measures different variables in industrial processes, e.g. consistency in pulp and paper processes



## Vision systems

- High resolution and high speed digital imaging technology, e.g. pulp or paper web inspection and web break analysis system
- The system improves process runnability and end product quality



## Performance solutions

- Advanced process controls for process optimization
- Condition monitoring in paper, power and process plants
- Systems for simulating and analyzing industrial production processes



# Valmet and Process Automation Systems serve mainly the same customer base



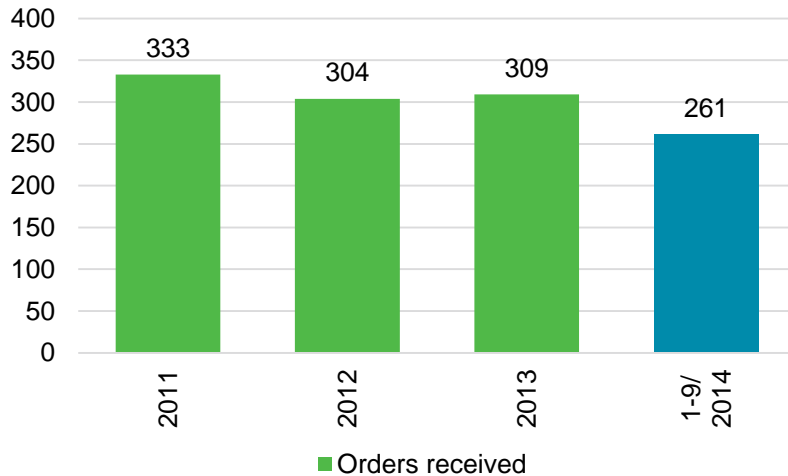
80% of Process Automation Systems' sales to Valmet's current customer industries

20% of Process Automation Systems' sales to other process industries

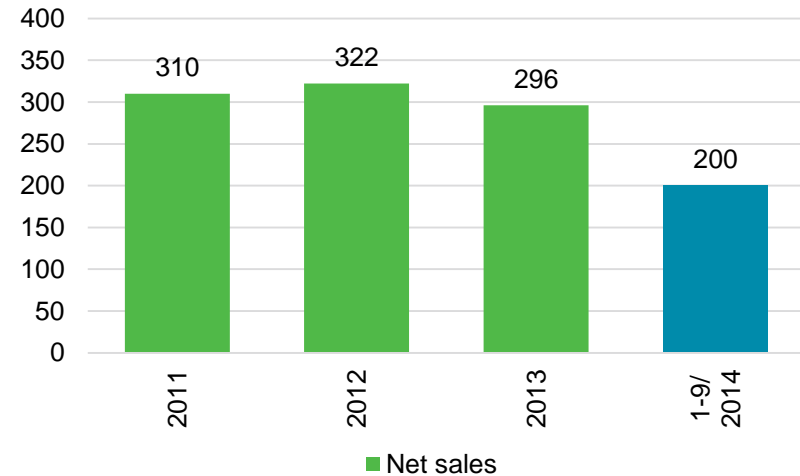
Valmet is a registered trademark of Valmet Corporation. Other trademarks appearing here are trademarks of their respective owners.

# Recent development

Orders received (EUR million)<sup>1</sup>

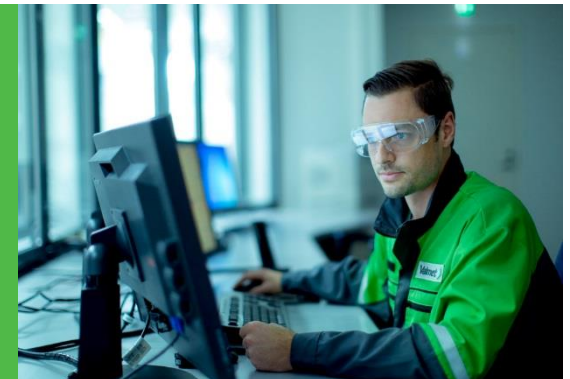


Net sales (EUR million)<sup>1</sup>




## Process Automation Systems is relatively stable business

- Customers choose an automation provider for as long as a decade
  - During this time, servicing and upgrading is needed
- High service business content (~45%)
- High-level technology and know-how business with high barriers to entry
- Strong focus on R&D ensures a high level of technology, know-how and innovations



1) Stand-alone figures





# Price and financing of the transaction

# Price and financing the acquisition

Enterprise value of acquisition<sup>1</sup>:

**EUR 340 million**

- The acquisition will be financed with committed long-term financing
- Average maturity of long-term debt will increase to over 4 years<sup>2</sup>



1) Refers to the debt-free enterprise value of the acquisition.

2) Average maturity 2.8 years on September 30, 2014

# Valmet will have a strong balance sheet also after the acquisition

- Process Automation Systems had net assets of approximately EUR 55 million on June 30, 2014
- Valmet will have a strong balance sheet also after the acquisition
- To illustrate, if the transaction would have taken place on September 30, 2014, Valmet's gearing would have been approximately 23% and equity ratio approximately 35%<sup>1</sup>

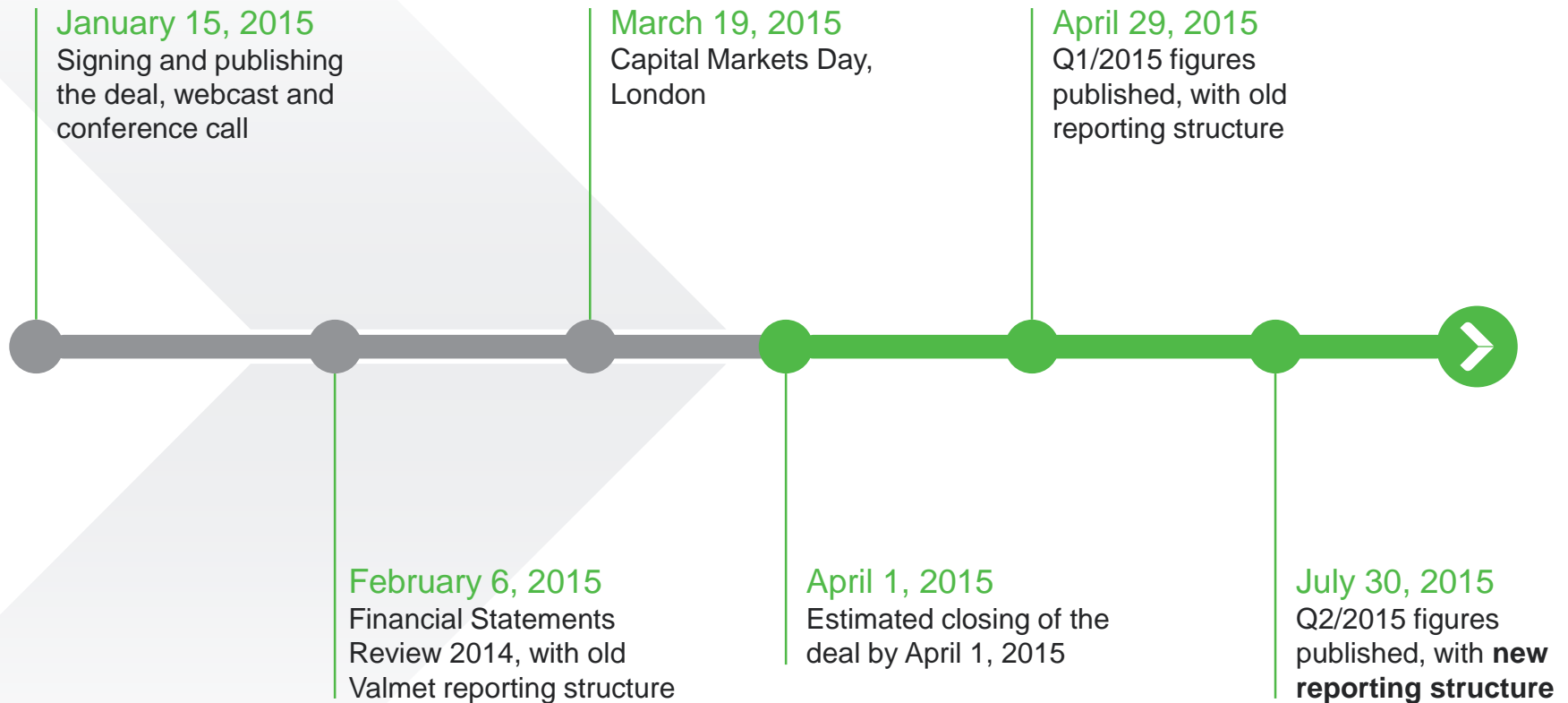


1) Illustrative figures when Valmet and Process Automation Systems combined (based on 09/2014 figures).



Next steps

# Acquisition timeline



The completion of the transaction is subject to approval by the competition authorities.



# Summary

# Valmet becomes a unique market leader

Services <b>#1-2</b>	Pulp <b>#1-2</b>	Energy <b>#1-2</b>	Paper <b>#1-2</b>	Process Automation <b>#1-3</b>
<b>3,800</b> pulp and paper mills in the world, of which <b>over 50%</b> purchase services from Valmet	<b>200</b> wood-handling systems <b>470</b> cooking systems <b>300</b> complete fiber lines <b>400</b> evaporation systems <b>350</b> recovery islands <b>200</b> mechanical pulping lines	<b>270</b> fluidized bed boilers <b>120</b> BioGrate boilers <b>400</b> environmental protection systems	<b>700</b> board machines <b>180</b> tissue machines <b>900</b> paper machines	<b>4,500</b> delivered automation systems <b>40,000</b> analyzers and measurements delivered

**~12,000**

professionals working close to customers

# Valmet – Committed to moving our customers' performance forward

- Combination of Valmet and Process Automation Systems creates a unique customer offering
- The acquired business is a strong, established business with a good financial track record
- Acquisition makes Valmet more stable and more profitable





# Valmet's way forward

## Mission



Converting renewable resources into sustainable results

## Strategy



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

We are committed to moving our customers' performance forward.

## Must-wins



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

## Vision



To become the global champion in serving our customers

# Important notice

**IMPORTANT:** You must read the following before continuing. The following applies to this document, the oral presentation of the information in this document by Valmet (the “Company”) or any person on behalf of the Company, and any question-and-answer session that follows the oral presentation (collectively, the “Information”). In accessing the Information, you agree to be bound by the following terms and conditions.

The Information is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident of, or located in, any locality, state, country or other jurisdiction where such distribution or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction. The Information is not for publication, release or distribution in the United States, the United Kingdom, Australia, Canada or Japan.

The Information does not constitute or form part of, and should not be construed as an offer or the solicitation of an offer to subscribe for or purchase any securities, and nothing contained therein shall form the basis of or be relied on in connection with any contract or commitment whatsoever, nor does it constitute a recommendation regarding any securities. Prospective investors are required to make their own independent investigations and appraisals of the business and financial condition of the Company before taking any investment decision with respect to securities of the Company. Prospective investors should make any investment decision solely on the basis of the information contained in the demerger prospectus published on September 23, 2013 and any stock exchange releases regarding the Company following the publication of the demerger prospectus.

No securities of the Company are being offered or sold, directly or indirectly, in or into the United States and no shares in the Company have been, or will be, registered under the Securities Act of 1933, as amended (the “Securities Act”), or under the securities laws of any state of the United States and, accordingly, may not be offered or sold, directly or indirectly, in or into the United States (as defined in Regulation S under the Securities Act), unless registered under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act and in compliance with any applicable state securities laws of the United States.

The Information is directed solely at: (i) persons outside the United Kingdom, (ii) persons with professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 as amended (the “Order”), (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order and (iv) persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities of the Company or any member of its group may otherwise lawfully be communicated or caused to be communicated (all such persons in (i)-(iv) above being “Relevant Persons”). Any investment activity to which the Information relates will only be available to and will only be engaged with Relevant Persons. Any person who is not a Relevant Person should not act or rely on the Information. By accessing the Information, you represent that you are a Relevant Person.

The Information contains forward-looking statements. All statements other than statements of historical fact included in the Information are forward-looking statements. Forward-looking statements give the Company’s current expectations and projections relating to its financial condition, results of operations, plans, objectives, future performance and business. These statements may include, without limitation, any statements preceded by, followed by or including words such as “target,” “believe,” “expect,” “aim,” “intend,” “may,” “anticipate,” “estimate,” “plan,” “project,” “will,” “can have,” “likely,” “should,” “would,” “could” and other words and terms of similar meaning or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company’s control that could cause the Company’s actual results, performance or achievements to be materially different from the expected results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company’s present and future business strategies and the environment in which it will operate in the future.

No representation, warranty or undertaking, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the Information or the opinions contained therein. The Information has not been independently verified and will not be updated. The Information, including but not limited to forward-looking statements, applies only as of the date of this document and is not intended to give any assurances as to future results. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to the Information, including any financial data or forward-looking statements, and will not publicly release any revisions it may make to the Information that may result from any change in the Company’s expectations, any change in events, conditions or circumstances on which these forward-looking statements are based, or other events or circumstances arising after the date of this document. Market data used in the Information not attributed to a specific source are estimates of the Company and have not been independently verified.

