



VALMET
CAPITAL
MARKETS
DAY 2013



Valmet's path forward

Pasi Laine, President and CEO

November 26, 2013

Agenda

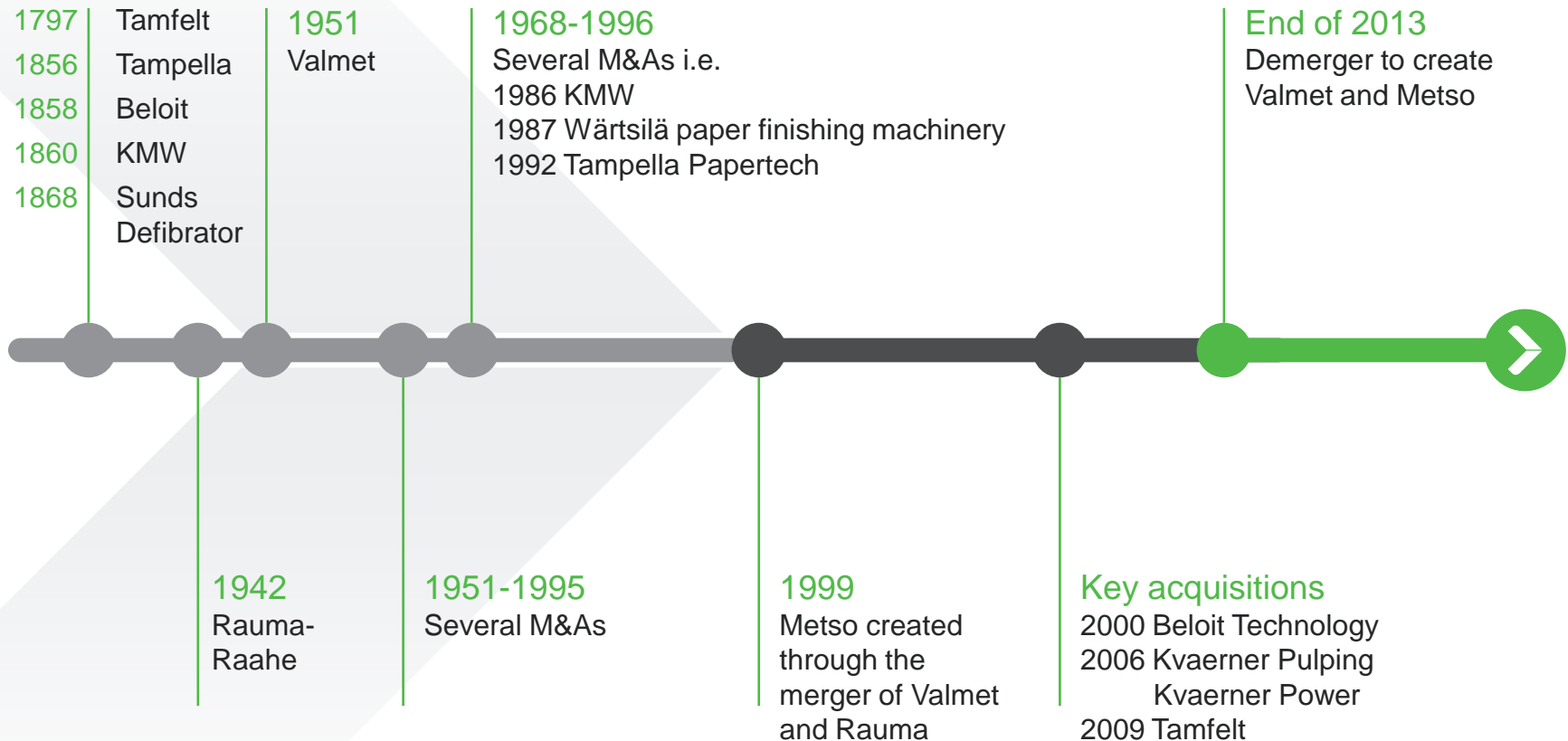
Capital Markets Day 2013

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- 4 Market outlook and profitability
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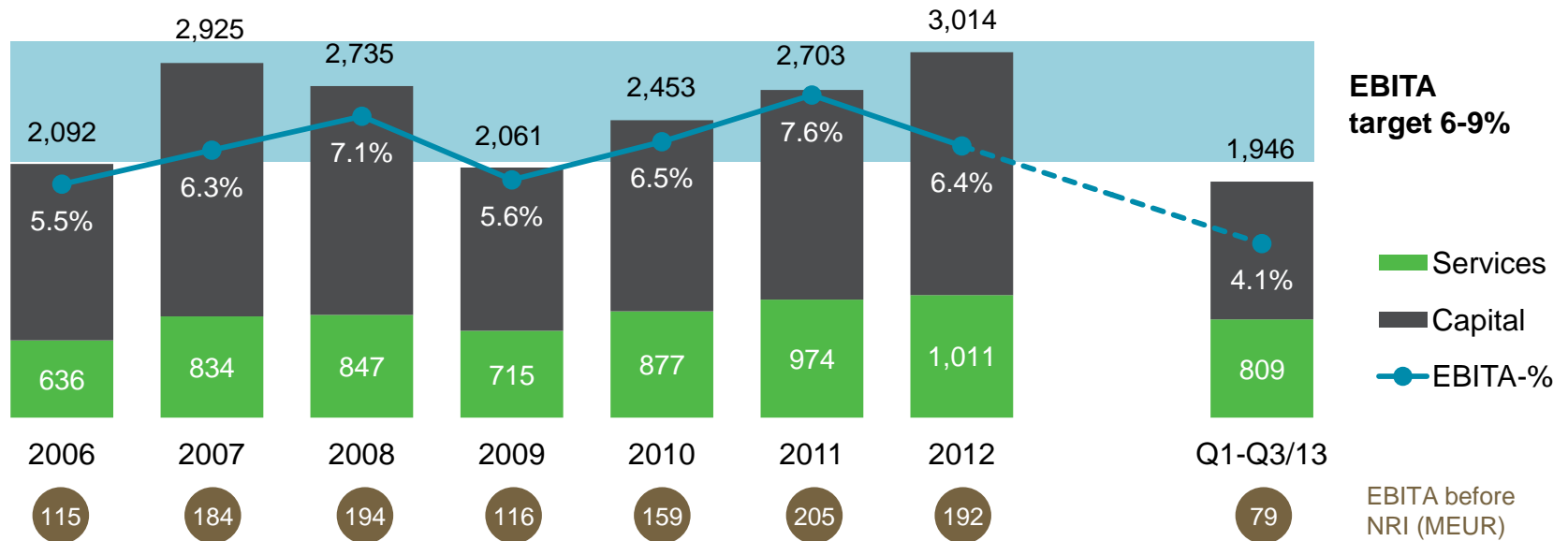
Valmet in brief

Valmet's road to becoming a global market leader



Valmet's historical performance

Net sales and EBITA before NRI (EUR million)¹



- Services has been growing steadily
- Cyclicity in capital business
- EBITA-% has been relatively stable over time

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

Capitalizing on the growing pulp, energy, tissue, and packaging board needs globally

Global market leader with #1-2 market positions in all markets served

Stable, growing and profitable EUR 1 billion services business

High barrier to entry capital business with good long-term growth potential in businesses such as board, tissue, pulp and biotechnology

2012 figures¹

Net sales¹ EUR 3,014 m

Profit² EUR 192 m

Employees 12,000

Position

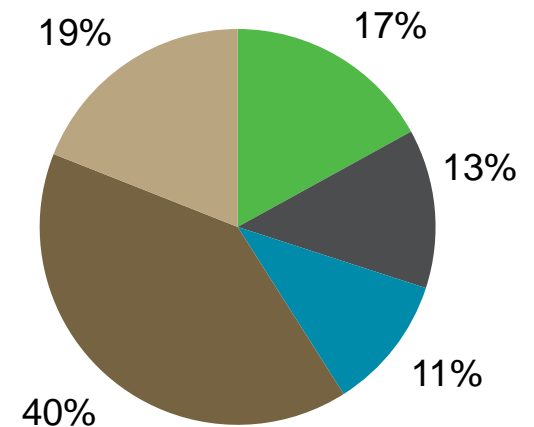
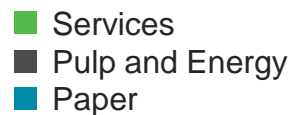
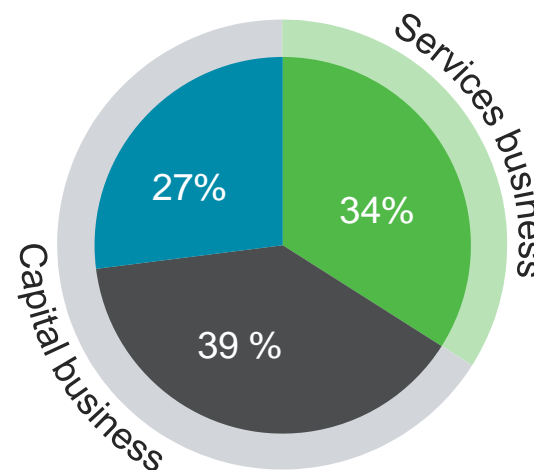
#1-2 Services

#1-2 Pulping

#1-2 Bioenergy generation

#1-2 Paper, board, tissue

Sales¹



1) Carve-out figures for the periods indicated, 2012

2) EBITA before non-recurring items

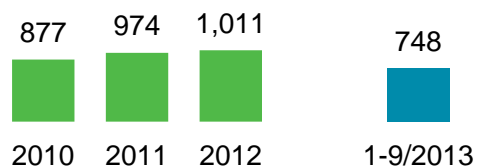
Our three business lines serve the same customer base



Services

Net sales¹ 1.0 bn, 34%

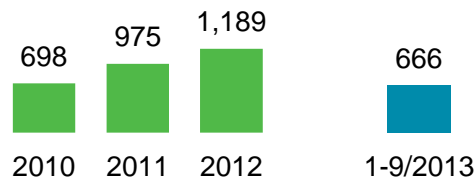
- Mill and plant improvements
- Roll and workshop services
- Parts and fabrics
- Life-cycle services



Pulp and Energy

Net sales¹ 1.2 bn, 39%

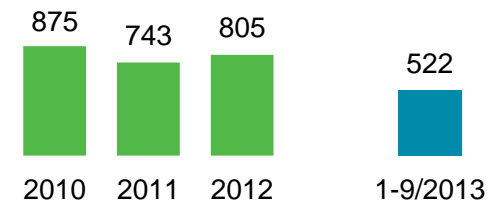
- Technologies and solutions for
- Pulp production
 - Power generation
 - Biomass conversion



Paper

Net sales¹ 0.8 bn, 27%

- Technologies and solutions for
- Board
 - Tissue
 - Paper



1) Net sales by business line on a carve-out basis for the periods indicated (excl. Intra-Metso net sales)

Strong global presence – good platform for growth

North America

- Large installed base to be serviced
- Growth opportunity in increased outsourcing
- Capital project opportunities in tissue and board

1,112 employees



Net sales¹⁾
EUR 572 m



South and Central America

- Capital project opportunities in pulp, tissue and bioenergy
- Good services growth potential

419 employees



Net sales¹⁾
EUR 512 m



EMEA

- Large installed base to be serviced
- Growth opportunity in increased outsourcing
- Machine closures in printing and writing
- Capital project opportunities in pulp, tissue, and bioenergy

7,850 employees



Net sales¹⁾
EUR 1,208 m



China

- Capital project opportunities in board and tissue
- Good services market with growth potential

2,084 employees



Net sales¹⁾
EUR 398 m



Asia Pacific

- Capital project opportunities in pulp, tissue, and board
- Good services market with growth potential

613 employees



Net sales¹⁾
EUR 324 m



1) Net sales breakdown by area on a carve-out basis for 2012 and breakdown of employees by area on a carve-out basis as at June 30, 2013

Serving global customer base



Key customers



Key customers



Key customers



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Valmet's way forward

Mission



Converting renewable resources into sustainable results

Strategy



Competitive technologies and services to the pulp, paper and energy industries.

Strong commitment to move 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's Must-Win initiatives and objectives

Must-Wins	Primary Must-Win objectives
1. Customer excellence	<ul style="list-style-type: none">• Strengthen our presence close to customers and growth markets• Strengthen Key Account Management to enhance growth at the customer• Drive service growth through long-term agreements and expanded customer base
2. Leader in technology and innovation	<ul style="list-style-type: none">• Improve product cost competitiveness to increase gross profit• Create new revenue from biotechnology solutions and new offering
3. Excellence in processes	<ul style="list-style-type: none">• Reduce quality costs• Savings in procurement• Reduction in lead times• Improve health and safety• Improve project and service margin• Implement cost competitiveness program to reach EUR 100 million cost savings
4. Winning team	<ul style="list-style-type: none">• Strengthen high-performance culture• Continue further globalization of our capabilities to be closer to customers

Experienced management team

Corporate



Pasi Laine
President and CEO



Markku Honkasalo
Chief Financial Officer



Kari Saarinen
Head of Strategy and
Operational Development



Julia Macharey
Head of Human Resources



Anu Salonsaari-Posti
Head of Marketing &
Communications

Business lines



Jukka Tiitinen
Business Line President,
Services

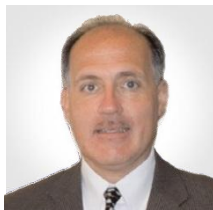


Jyrki Holmala
Business Line President,
Pulp and Energy



Jari Vähäpesola
Business Line President,
Paper

Areas



William Bohn
Area President, North
America



Celso Tacla
Area President, South
America



Hannu Mälkiä
Area President, EMEA



Aki Niemi
Area President, China



Hannu T. Pietilä
Area President, Asia-Pacific



Investment highlights

Investment highlight summary

1

Established market leader with #1-2 market positions in all markets served

2

Stable, growing, and profitable **services business** with over **EUR 1 billion sales** provides good visibility and resilience

3

Long-term growth potential in capital business from increase in pulp, energy, board and tissue consumption and from substitution of fossil fuels

4

Global diversified footprint with large exposure to growing emerging markets

5

Strong **focus on profitability** improvement



Established market leader with #1-2 market positions in all markets served

Services (>EUR 1 bn)¹



Market position

Services #1-2

Large installed base

- 3,800 pulp and paper mills in the world
- Over 50% purchase services from Valmet

Capital (~EUR 2 bn)¹



Pulp

Pulping #1-2

- 200 wood-handling systems
- 470 cooking systems
- 300 complete fiber lines
- 400 evaporation systems
- 350 recovery islands
- 200 mechanical pulping lines



Energy

Bioenergy generation #1-2

- 270 fluidized bed boilers
- 120 BioGrate boilers
- 400 environmental protection systems



Paper

Machines

Board #1-2
Tissue #1
Paper #1-2

- 700 board machines
- 180 tissue machines
- 900 paper machines

Superior technological know-how

Consistent investments in R&D

2010-2012 average ~EUR 70 m (2.5% of sales)

Extensive IP portfolio

~1,800 protected inventions – June 30, 2013

>70 new products launched per year

1) Net sales in 2012 on a carve-out basis

EUR 1 billion of net sales from stable and growing services

Strong trends driving services market expansion

- Customers outsource non-core operations
- Capacity increases in China, South America and Asia-Pacific
- Customer cost pressure and efficiency requirements increase demand for process improvements and maintenance services
- Machine closures in EMEA region and North America

Large target market¹

➤ EUR 7.0 bn

Comprehensive offering

Spare and wear parts

Mill and plant improvements

Fabrics

Roll and workshop services

>7.4%
2010-2012
p.a.²

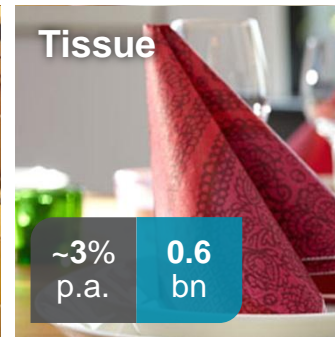
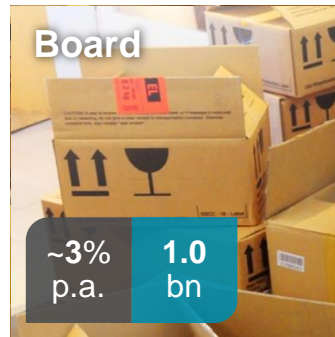
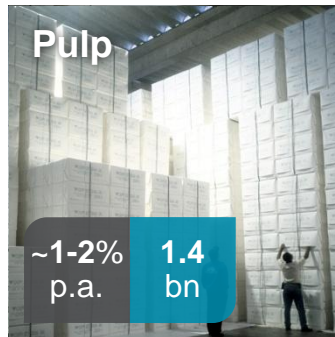
Valmet services business line growth

1) Management estimate based on the size of Valmet's services markets using an average services cost per volume produced, based on Valmet's existing customers and estimates of current and forecasted growth in total production volumes
2) Annual growth between 2010 and 2012 based on available carve-out financials

Pulp, energy, board, and tissue capital business on long-term growth trajectory

Pulp and Energy

Paper



Demand drivers

- Growth in energy consumption
- Demand for sustainable energy
- Modernization of aging plants
- Incentives and regulation
- Shale gas in North America and the recession in Europe reducing demand
- Growth in paper, board, and tissue consumption in Asia
- Need for virgin wood pulp, as recycling rates can not grow infinitely
- Increased size of pulp lines and mills
- Growth in pulping in Asia and South America
- World trade, e-commerce and emerging markets growth drive packaging
- Shift from plastic packaging to renewable materials
- Growth in emerging markets
- Rise in purchasing power and living standards in emerging markets
- Increasing role of digital media decreases demand for printing and writing papers
- Some growth in emerging markets

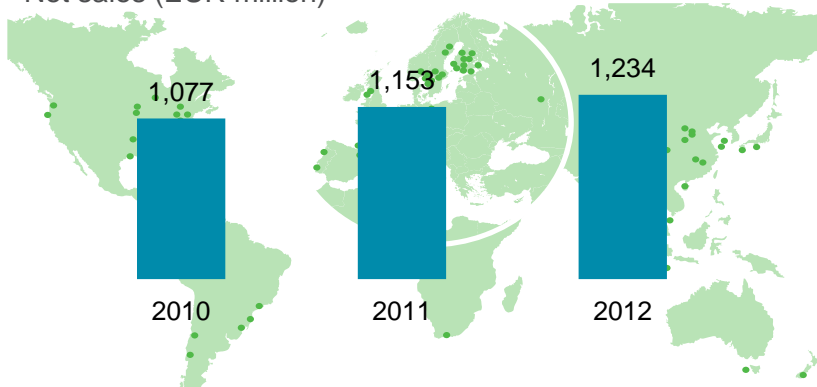
- Anticipated long-term market growth
- Estimated market size for current offering in 2012 (EUR)

Source: Leading consulting firms, RISI, management estimates

Global diversified footprint with large exposure to growing emerging markets

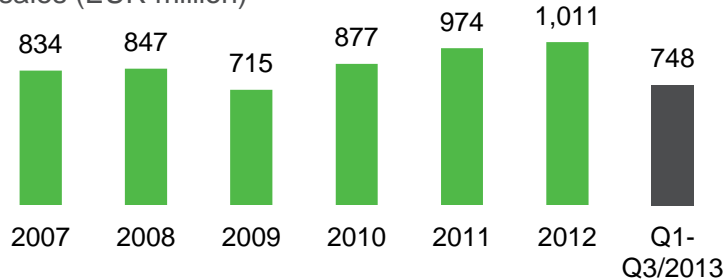
Emerging markets expansion¹

Net sales (EUR million)

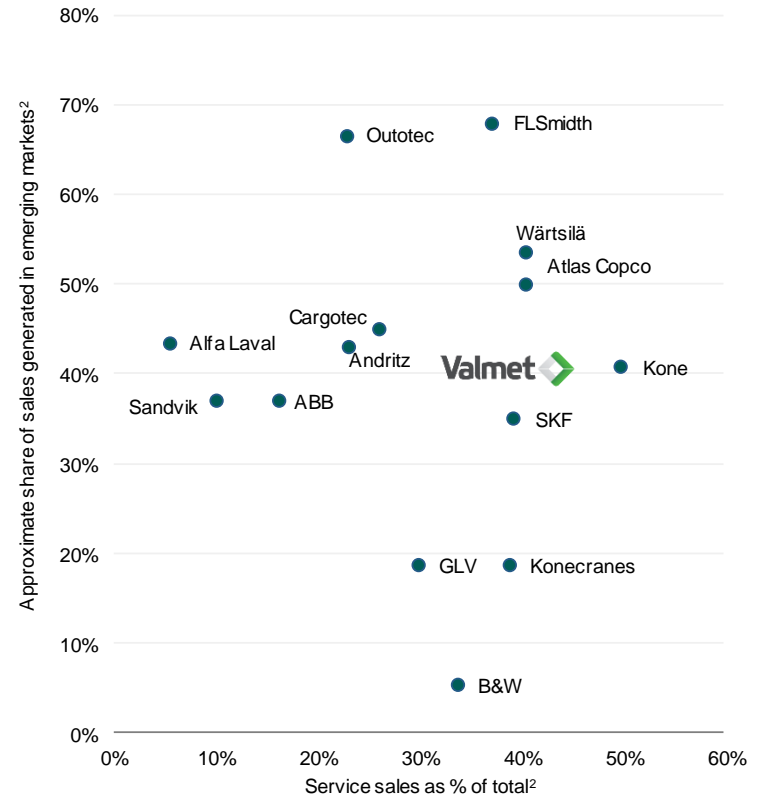


Services expansion³

Net sales (EUR million)



Exposure to emerging markets²



- 1) Illustrative exposure to emerging markets calculated by combining net sales on a carve-out basis in following areas: Asia Pacific, China and South America
- 2) Estimate based on latest reported annual financials and other investor relations material where geographic split and service sales / service order data is available. Estimated emerging market exposure based on company announcement (e.g. Outotec) or otherwise incl. Africa, Asia, Asia Pacific, Latin America, Middle East, South America, and depending on the reporting structure of the companies parts of 'Rest of the world' or 'Other' (the method applied may lead to potential biases in the estimate, which are thus only indicative)
- 3) Carve-out figures for Services business line for 2010-2013; as reported for Metso Pulp, Paper and Power -segment services sales for 2007-2009

Strong focus on profitability improvement

We are addressing the current decline in the capital business



- Cost-savings program EUR 100 million

Valmet is re-shaping its operations to become leaner, more flexible, and agile



- Capacity being adjusted to meet the new level of demand
- Current level of SG&A expense base to be lowered
- Additional actions to increase operational efficiency
- Target to reach historical gross margin levels

Short- to mid-term profitability improvement through cost-reduction program with clearly defined steps that take profitability towards the targeted level





Market outlook and profitability

Valmet's policy on commenting on market outlook and the profitability of our business lines

	Services	Pulp and Energy		Paper	
		Pulp	Energy	Board & paper	Tissue
Market outlook	Satisfactory	Satisfactory	Weak	Weak	Satisfactory
Profitability	Satisfactory	Weak		Weak	

Valmet will comment on its market outlook and the profitability of its business lines using the following scale:



- Profitability will be commented on for each business line
- Market outlook will be split up into 5 categories



Summary

Valmet - unique combination of technology, capital equipment and services globally

Global, diversified customer base

Global organization close to customers



Services

- >EUR 1 bn business
- >2,000 customer plants worldwide
- ~70 service centers

Capital

- Established market leader
- Global, diversified footprint

Technology

- ~1,800 protected inventions
- High barrier to entry

