



Valmet – unique offering  
with process technology,  
automation and services

Forest Products & Paper Seminar 2015

Pasi Laine

President and CEO

# Agenda

## Forest Products & Paper Seminar 2015

1 Valmet overview

2 Q1/2015 in brief

3 Automation

4 Investment highlights

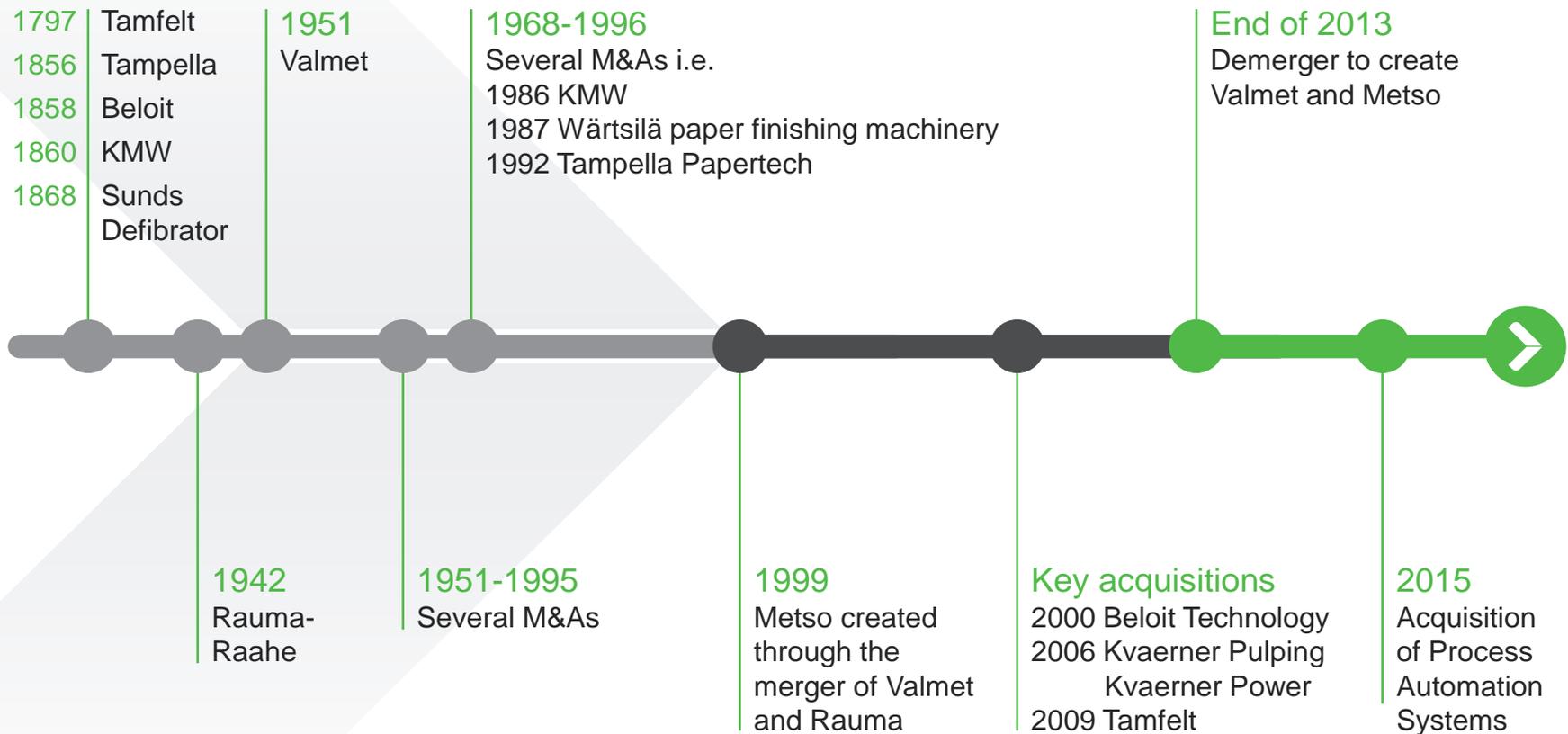
5 Customer cases

6 Conclusions



# Valmet overview

# Valmet's road to becoming a global market leader



# A leading service and technology company

Strong market position in all markets served

Stable, growing and profitable services business

Strong capital business with high technological know-how

## 2014 figures

Orders received EUR 3,071 M

Net sales EUR 2,473 M

EBITA<sup>1</sup> EUR 106 M

Employees 10,464

## Market position

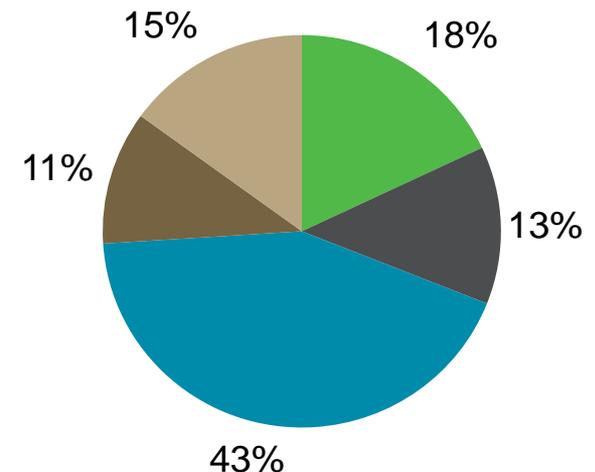
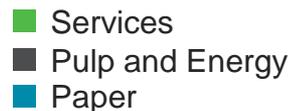
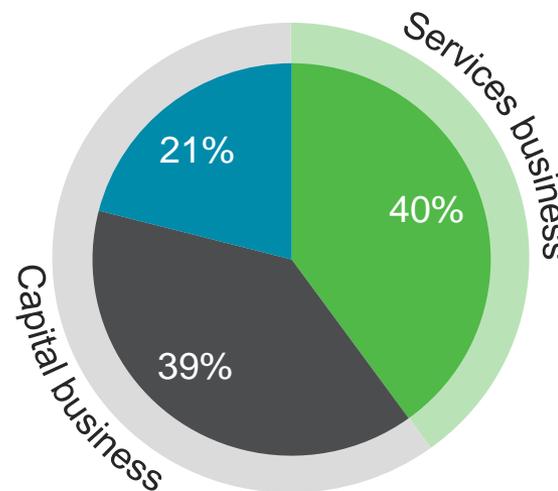
#1-2 Services

#1-2 Pulp

#1-3 Energy

#1-2 Paper, board, tissue

## Net sales (2014)



1) EBITA before non-recurring items

# Our four business lines serve the same customer base



## Services

Net sales<sup>1</sup> 1.0 bn

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

## Pulp and Energy

Net sales<sup>1</sup> 1.0 bn

- Technologies and solutions for
- Pulp production
  - Energy production
  - Biomass conversion

## Paper

Net sales<sup>1</sup> 0.5 bn

- Technologies and solutions for
- Board production
  - Tissue production
  - Paper production

## Automation

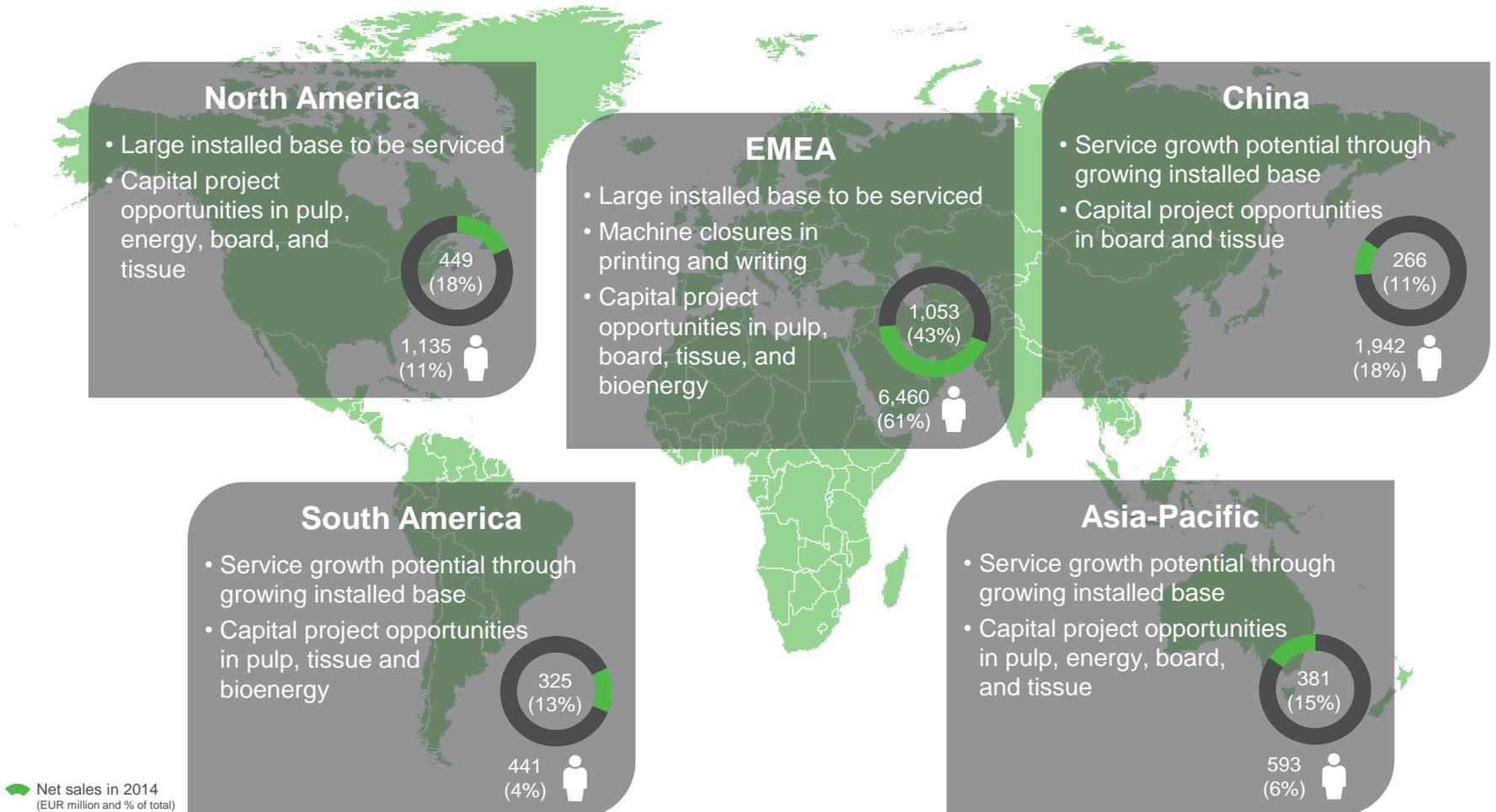
Net sales<sup>2</sup> 0.3 bn

- Process automation solutions for
- Pulp and paper industry
  - Energy production
  - Selected other process industries
  - Marine

1) Net sales by business line on a carve-out basis 2010–2013 (excl. Intra-Metso net sales. 2014 is actual figures.

2) Stand-alone figures

# Strong global presence – good platform for growth



Net sales in 2014  
(EUR million and % of total)

Employees as at March 31, 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



# Q1/2015 in brief

# Q1/2015 in brief



## Orders received and net sales increased in services

---

- Services orders received increased compared with Q1/2014
- Net sales increased compared with Q1/2014 in Services



## Orders received decreased and net sales increased in capital business

---

- Orders received decreased in Pulp and Energy, and Paper business lines from the high levels in Q1/2014
- Net sales increased in Pulp and Energy and decreased in Paper compared with Q1/2014



## Order backlog at EUR 2.1 billion

---

- Order backlog EUR 66 million higher than at year-end 2014



## Focus on profitability improvement

---

- Gross profit increased by EUR 16 million compared with Q1/2014
- SG&A<sup>1</sup> expenses increased by EUR 3 million compared with Q1/2014
- EBITA<sup>2</sup>-margin improved but is below targeted level



## Strong balance sheet, negative cash flow provided by operating activities

---

- Net debt EUR -134 million, and gearing -17%
- Cash flow provided by operating activities EUR -20 million

1) Selling, general and administrative expenses before non-recurring items

2) EBITA = Earnings before interest, taxes and amortization and non-recurring items

# Key figures Q1/2015

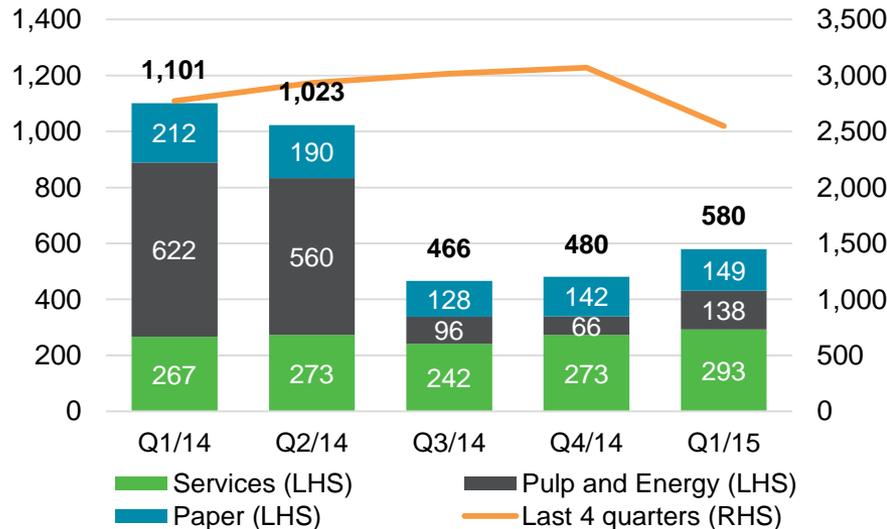
EUR million	Q1/2015	Q1/2014	Change
Orders received	<b>580</b>	1,101	-47%
Order backlog <sup>1</sup>	<b>2,064</b>	1,972	5%
Net sales	<b>561</b>	519	8%
EBITA <sup>2</sup>	<b>19</b>	4	>100%
% of net sales	<b>3.5%</b>	0.7%	
EBIT <sup>3</sup>	<b>13</b>	-8	
% of net sales	<b>2.4%</b>	-1.5%	
Earnings per share, EUR	<b>0.05</b>	-0.04	
Return on capital employed (ROCE), before taxes <sup>4</sup>	<b>6%</b>	-2%	
Cash flow provided by operating activities	<b>-20</b>	43	
Gearing <sup>1</sup>	<b>-17%</b>	-5%	

Non-recurring items: EUR 0 million in Q1/2015 (EUR -6 million in Q1/2014)

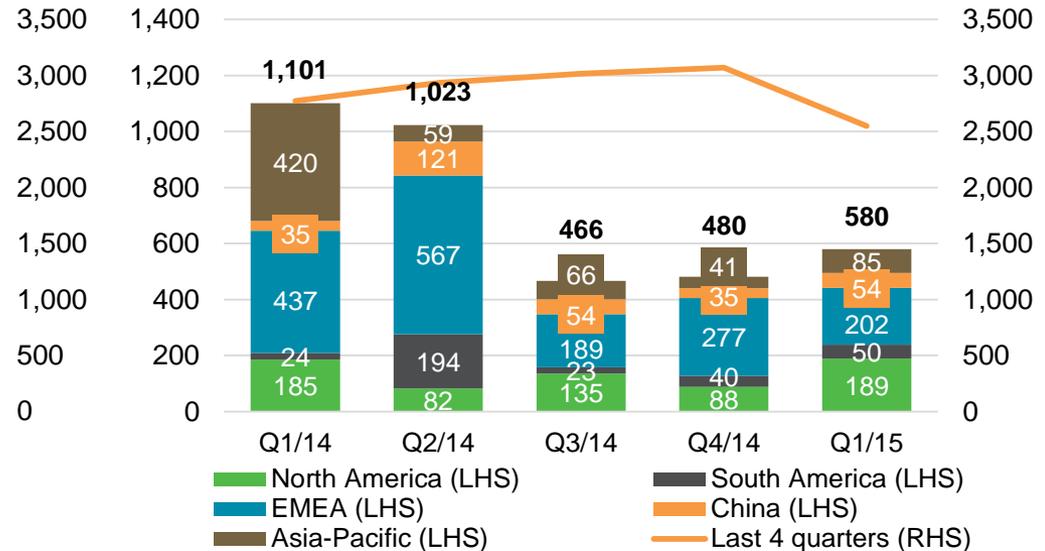
- 1) At the end of period
- 2) Before non-recurring items
- 3) After non-recurring items
- 4) Annualized

# Orders received declined from the high level in Q1/2014

Orders received (EUR million),  
by business line



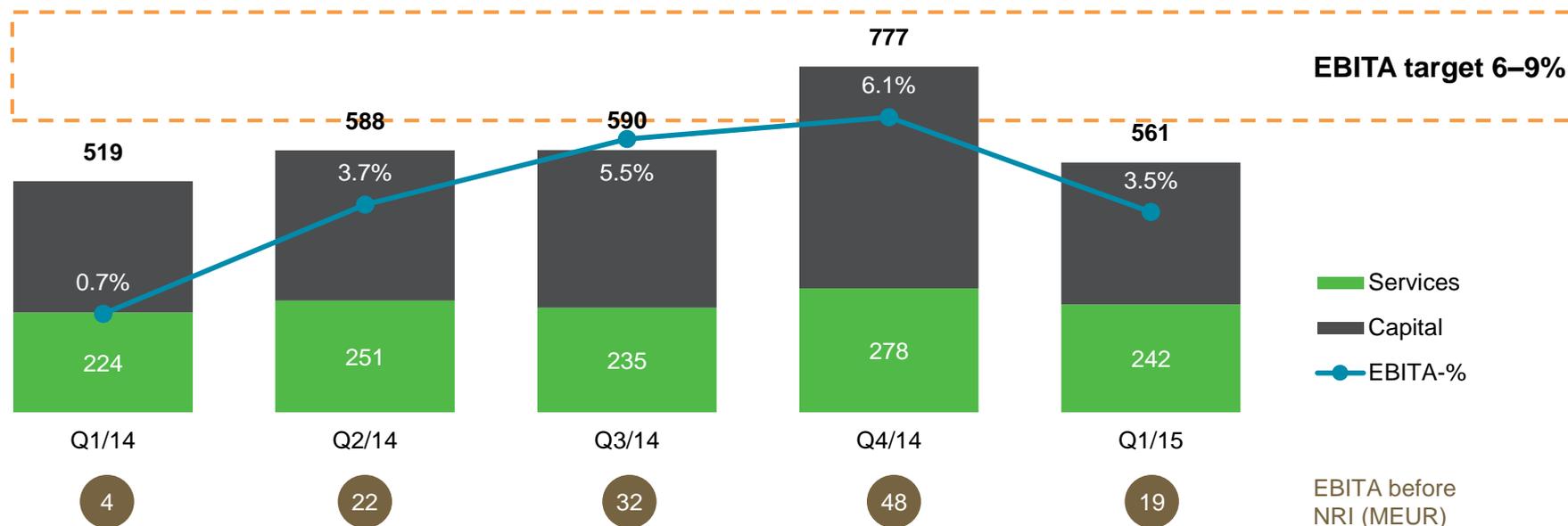
Orders received (EUR million),  
by area



- Orders received increased in Services
- Orders received decreased in Pulp and Energy
- Orders received decreased in Paper
- Orders received increased in South America and China

# EBITA-margin increased compared with Q1/2014

Net sales and EBITA before NRI (EUR million)



- Net sales and profitability increased compared with Q1/2014
  - Changes in foreign exchange rates<sup>1</sup> increased net sales by EUR 20 million and EBITA by EUR 1 million
- Exceptionally many POC<sup>2</sup> milestones in Q4/2014, while less in Q1/2015

1) Compared with the exchange rates for January–March, 2014

2) POC = Percentage of completion

# Key Must-Win objectives to improve profitability to the targeted level of 6–9%

Improve project and service margin	Reduce quality costs and lead times	Savings in procurement	Improve product cost competitiveness to increase gross profit
<ul style="list-style-type: none"><li>• Harmonization of processes</li><li>• Localization of competencies</li><li>• Better selection of sales cases</li><li>• Development in project management</li></ul>	<ul style="list-style-type: none"><li>• Common quality development approach</li><li>• Quality tools and processes</li><li>• Highlight the importance of quality initiatives and accountability</li></ul>	<ul style="list-style-type: none"><li>• Increase sourcing from cost competitive countries</li><li>• Increase use of sub-contracting</li><li>• Consolidation of shipment and warehouse network</li></ul>	<ul style="list-style-type: none"><li>• Focus on cost efficient design</li><li>• Modularity and standardization</li></ul>

# 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

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



# Automation

# Valmet becomes a stronger company as a result of the acquisition of Process Automation Systems

The acquisition was announced on January 15, 2015

The acquisition has an excellent strategic fit

- Combination of Valmet and Automation creates a unique customer offering
- Automation is a strong, established business
- Acquisition makes Valmet more stable and more profitable



# Combination of Valmet and Automation creates a unique customer offering

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

Valmet is a unique company



# Automation 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

## 2014 figures

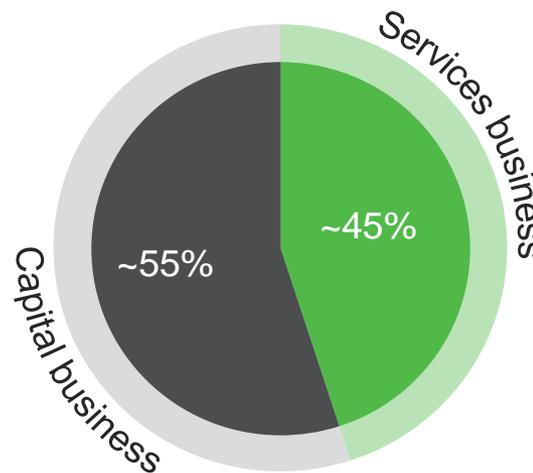
Net sales            EUR 297 M  
 Orders received    EUR 336 M  
 Employees           ~1,600

EBITA margin historically approximately 10–12%

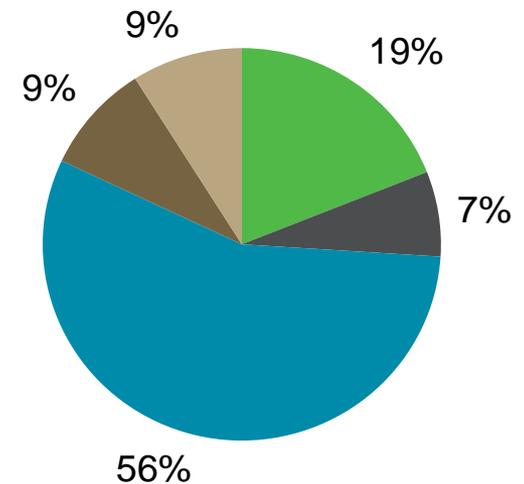
## Position in Pulp and Paper

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

## Net sales (2014)



■ Services business  
 ■ Capital business



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

# Automation 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

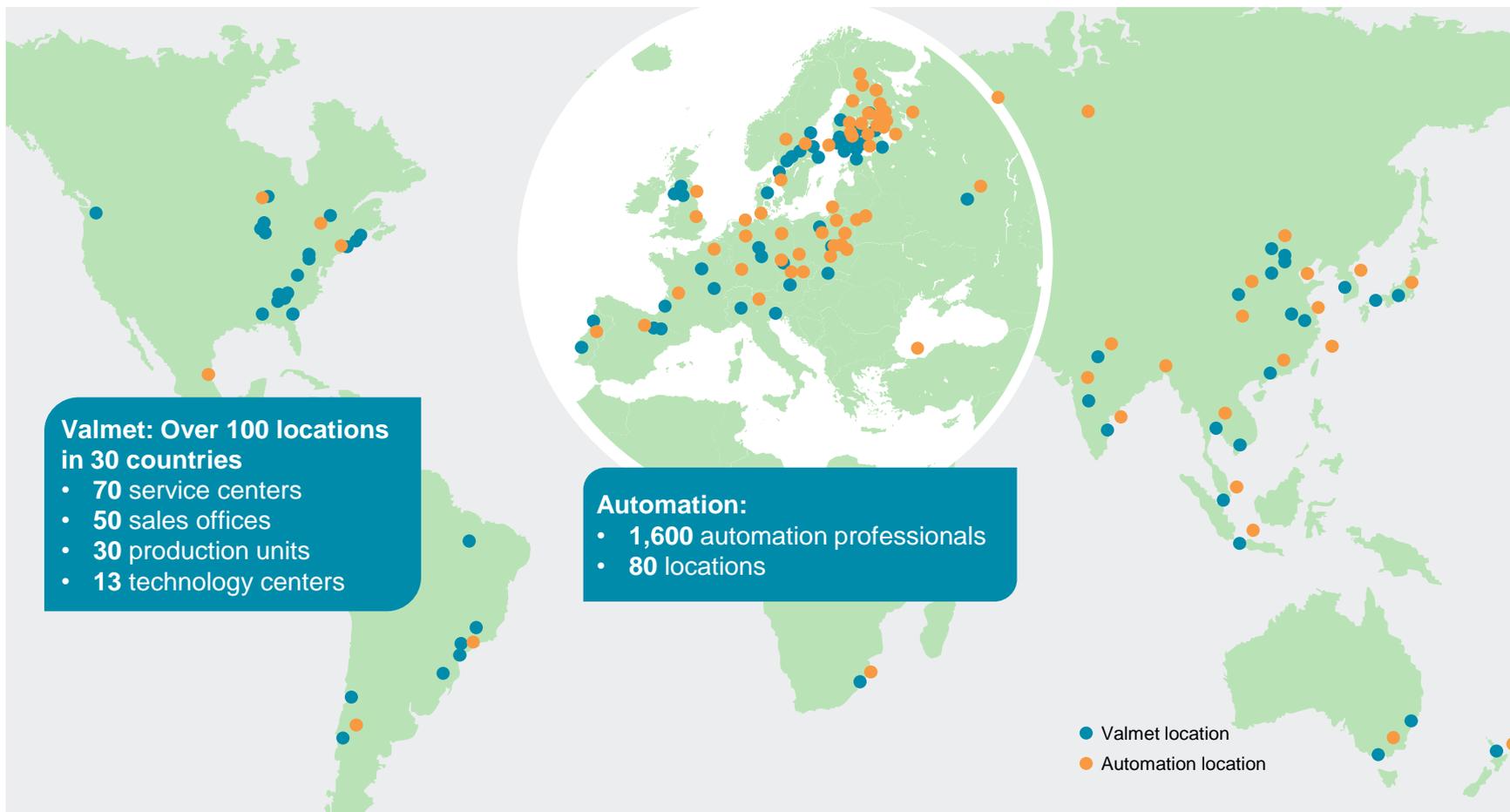


## Performance solutions

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



# Strengthened presence close to customers





# 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**

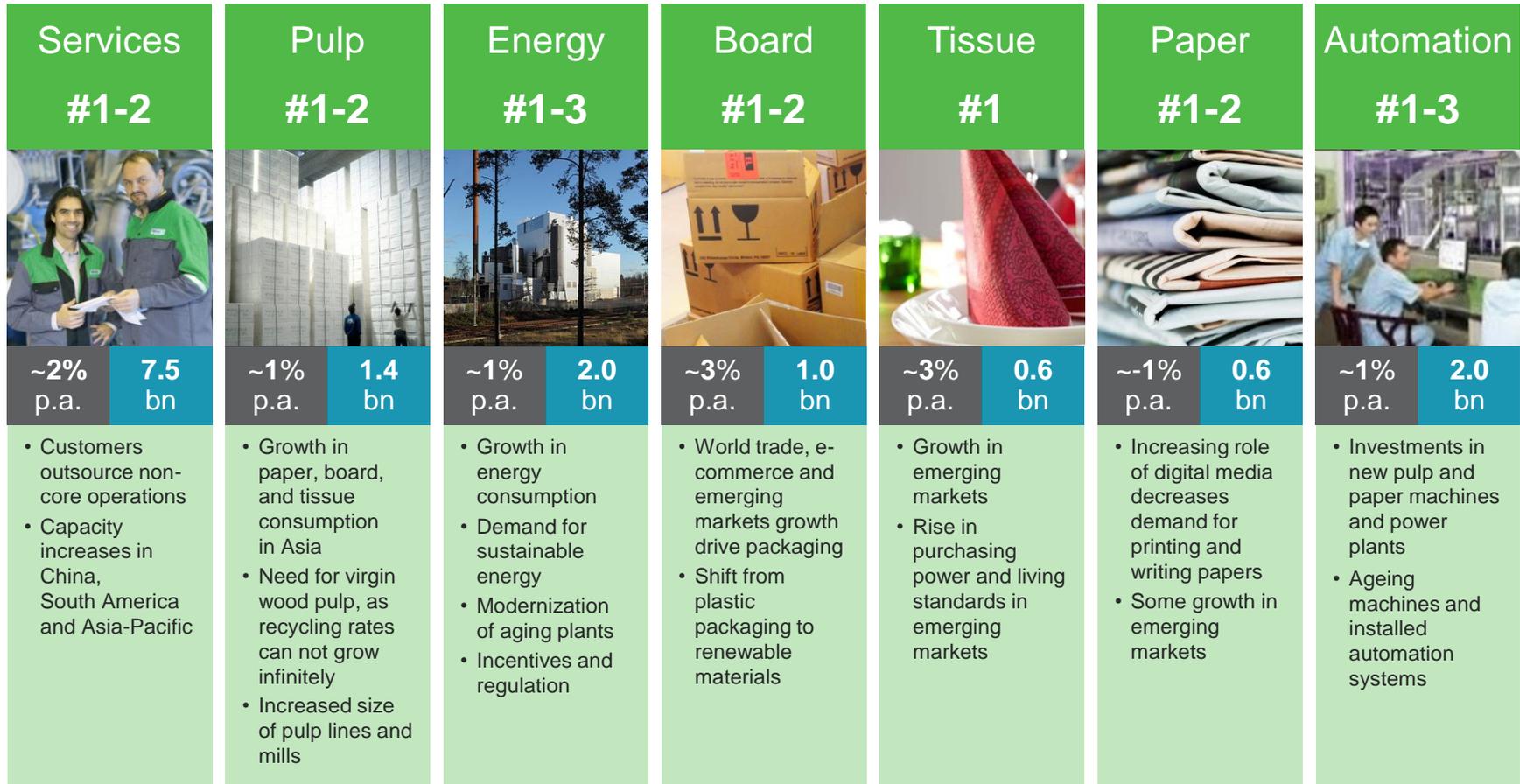
**3** Strong in cyclical capital business with long-term **growth potential** and **increased flexibility in cost structure**

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

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



# Strong market position in growing markets



**~12,000** professionals working globally close to customers

Source: Leading consulting firms, RISI, management estimates

■ Anticipated long-term market growth

■ Estimated market size for current offering (EUR)

# 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 reduction<sup>1</sup>:

**~500**

Capacity cost reduction:

**10%**

(Capacity cost to sales 24% in 2014)



## Paper

Market position:

**#1-2**

Headcount reduction<sup>1</sup>:

**~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





# Customer cases

# Key technology to CMPC Celulose Riograndense's new pulp line in Brazil

- Agreement was finalized in June 2013 and the successful start-up was on May 3, 2015
- Valmet's delivery covered the main parts of the pulp line
  - The total value of the project was around EUR 800–900 million, of which around EUR 400 million consisted of Valmet's own equipment and systems
- Valmet's solutions for the project were based on the best technologies available
  - The capacity of the evaporation plant is the largest in operation in the world
  - The stationary cooler of the lime kiln brings significant savings in the fuel oil
  - The recovery boiler is designed for high power generation

Main parts of the pulp line, an integrated automation solution and operator training simulator for all mill process areas



"The project execution was a great success. This showcase demonstrates our capacity and competence to deliver a complete pulp plant in the right time and quality,"

Celso Tacla, Area President, South America

# Siam Kraft PM 16, Thailand

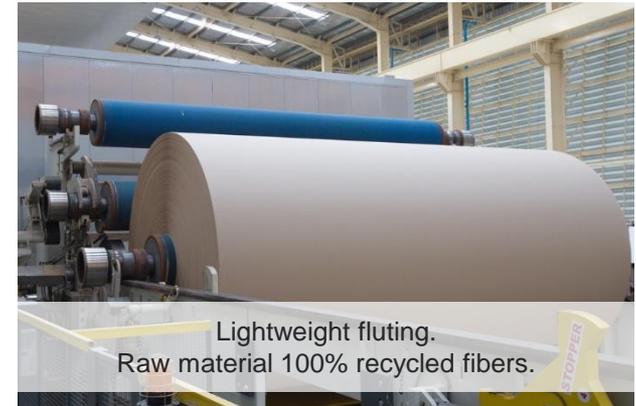
The third OptiConcept M containerboard line in operation



Latest containerboard making technology.  
Trim width 6,660 mm. Design speed 1,300 m/min.



Sompob Witworrasakul  
Engineering Director, SCG Paper



Lightweight fluting.  
Raw material 100% recycled fibers.

## Extended scope of supply project implementation from Valmet

### World-class energy efficiency

- Very low energy consumption per ton
- High production speed
- Latest technologies available: spray sizing, VacuMaster, EnergyOperator

### Lightweighting

- Possibility to produce very low grammage containerboard
- 100% recycled fibers (OCC) as raw material

### Economy of scale

- Wide delivery from one supplier covering paper machine and project services
- Minimized risks for wide investment project
- Service close to customer

# Fabrica de Papel San Francisco PM6, Mexico

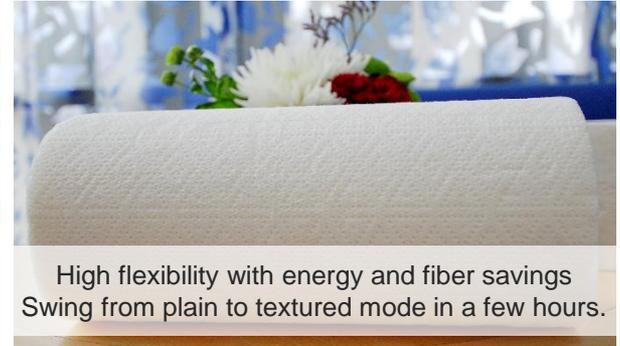
Full flexibility and high capacity with Advantage NTT Tissue Technology



Valmet Advantage NTT tissue machine



Dario Palma y Meza Espinoza,  
Director of Operations



High flexibility with energy and fiber savings  
Swing from plain to textured mode in a few hours.

## Quality according to expectations

### High speed and record high capacity

- Speed 2,000 m/min (plain)
- Capacity 178 tons/day (2.6 m wide machine)

### Production of all types of products

- Low to high basis weight
- Plain and textured
- Toilet, towel, facial
- Virgin and recycled pulp

### First Advantage NTT 100

*“We have tested a large amount of different grades and basis weights, in both plain and textured mode, all with good result. We have actually set some production records with the new NTT concept”*

**Dario Palma y Meza Espinoza,  
Director of Operations**

# LignoBoost lignin separation plant to Stora Enso

Lignin can be utilized as renewable fuel replacing fossil fuels and as new bio-material for many industries

- The LignoBoost plant is integrated with Stora Enso's Sunila pulp mill to separate and collect lignin from the black liquor
- The LignoBoost plant will produce 50,000 metric tons of dried lignin per year
  - It is the second commercial LignoBoost in the world.
- The order was announced in October 2013, and the plant was started-up in the first quarter of 2015

Stora Enso Sunila, Kotka, Finland

Photo: Stora Enso



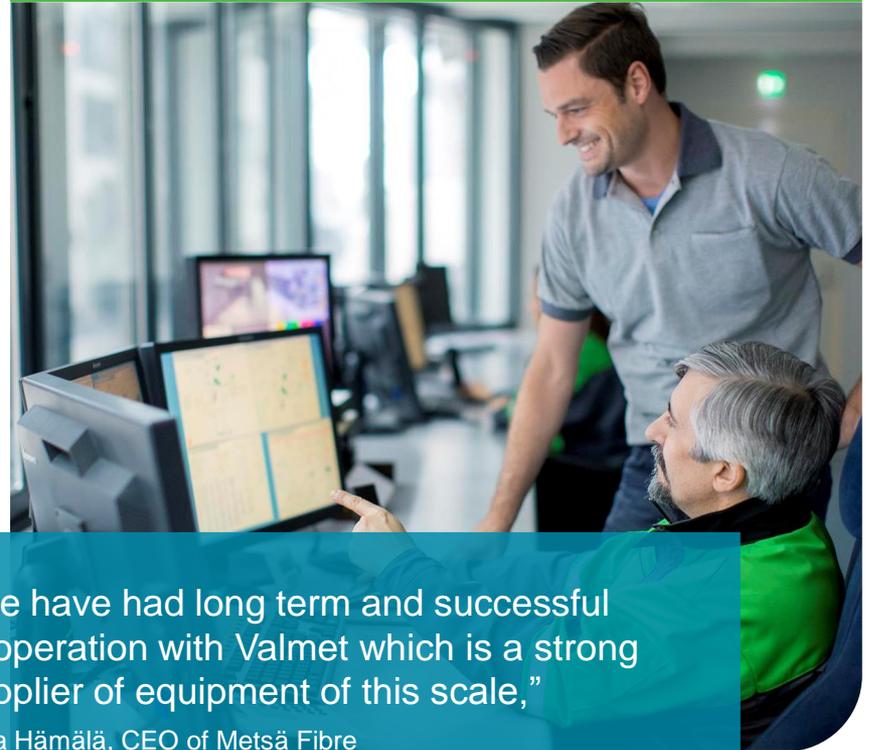
"This investment is a significant step in the transformation of the Sunila mill towards an innovative and customer focused biorefinery,"

Sakari Eloranta, Senior Vice President, Operations and Investment Projects, Stora Enso Biomaterials

# Äänekoski bioproduct mill

- Valmet and Metsä Fibre have signed the agreement for the supply of key technology to Metsä Fibre's new Äänekoski bioproduct mill in Finland
- Valmet delivery includes recovery boiler, pulp drying line, gasification plant, lime kiln and a mill wide Valmet DNA automation system
- The estimated value of Valmet's delivery is about EUR 125–150 million.
- The order is included in Valmet's second quarter 2015 orders received.

Process know-how and automation expertise combined



“We have had long term and successful cooperation with Valmet which is a strong supplier of equipment of this scale,”

Ilkka Härmälä, CEO of Metsä Fibre



# Conclusion

# 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**



# 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.

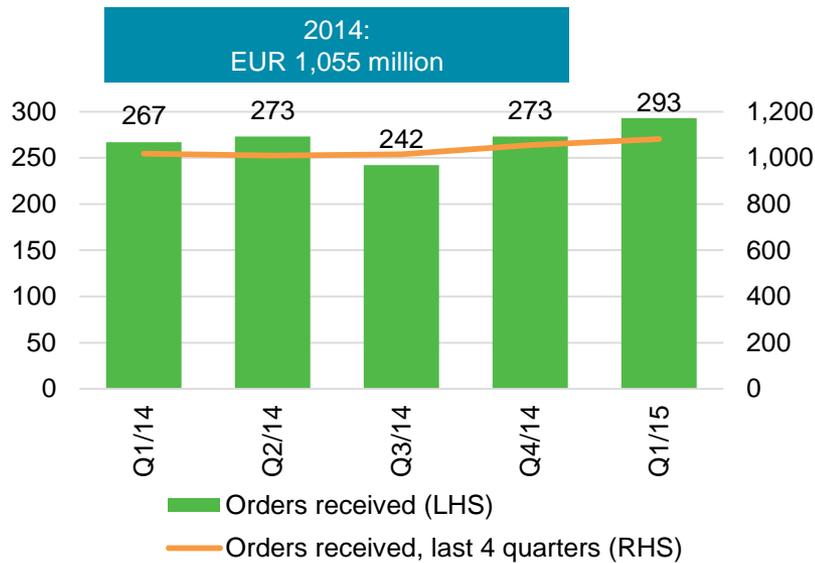




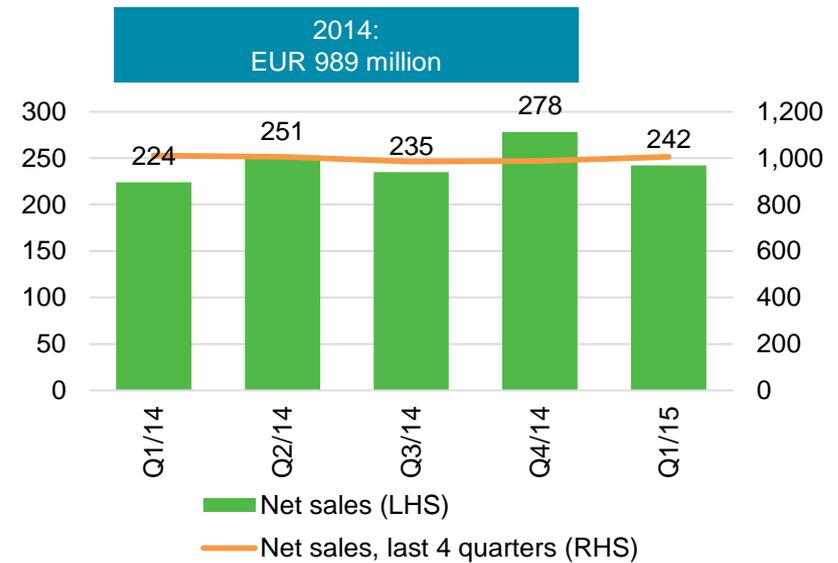
# Appendix

# Growth in orders received and net sales in Services

Orders received (EUR million)



Net sales (EUR million)



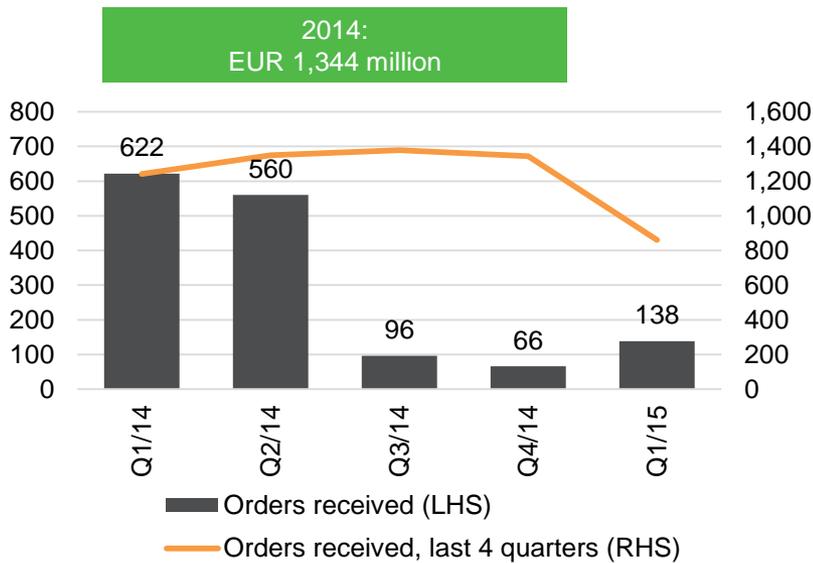
- Services orders received increased compared with Q1/2014
  - Orders received increased in North America, South America, EMEA and Asia-Pacific, and decreased in China
  - Orders received remained stable compared with Q1/2014 in Fabrics and increased in all other business units
  - Changes in foreign exchange rates<sup>1</sup> increased orders received by approximately EUR 16 million
- Net sales increased compared with Q1/2014



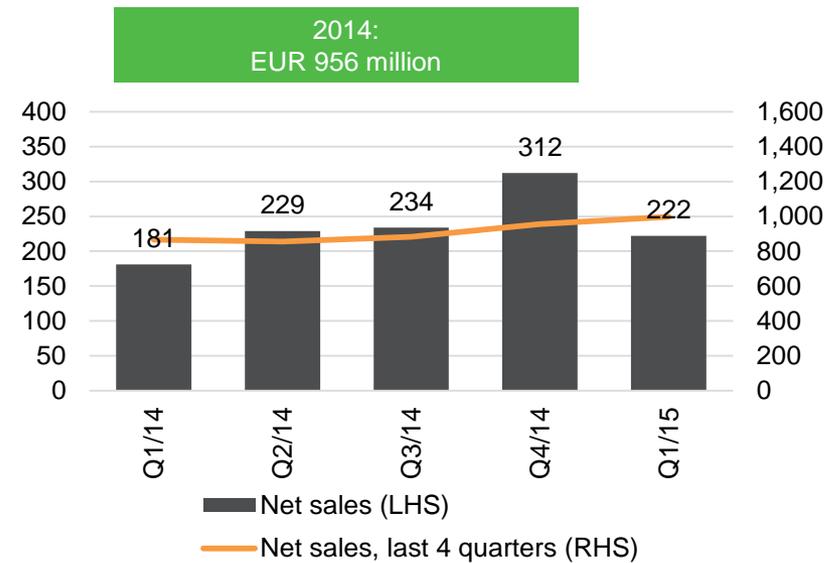
1) Compared with the exchange rates for January–March, 2014

# Orders received decreased and net sales increased in Pulp and Energy

Orders received (EUR million)



Net sales (EUR million)

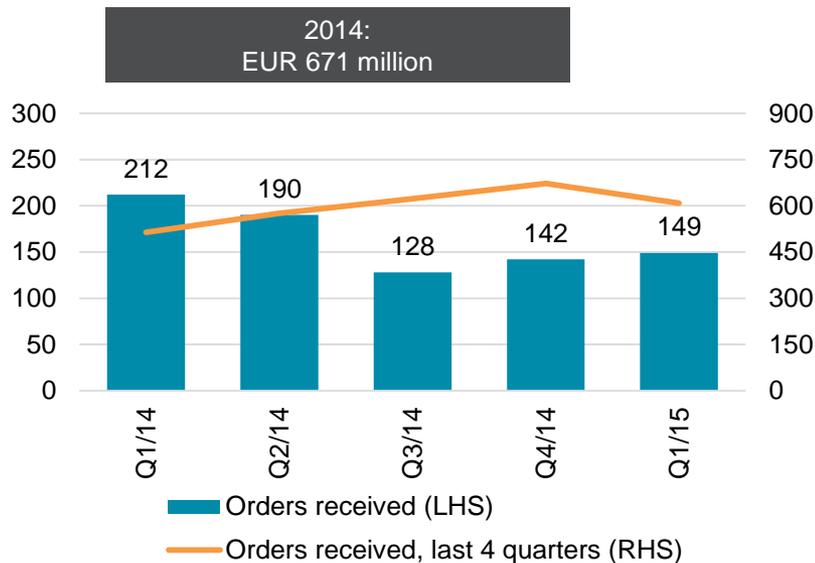


- Orders received decreased compared with Q1/2014
  - Orders received increased in South America and North America, and decreased in other areas
  - Orders received decreased in both Pulp and Energy
- Net sales increased compared with Q1/2014

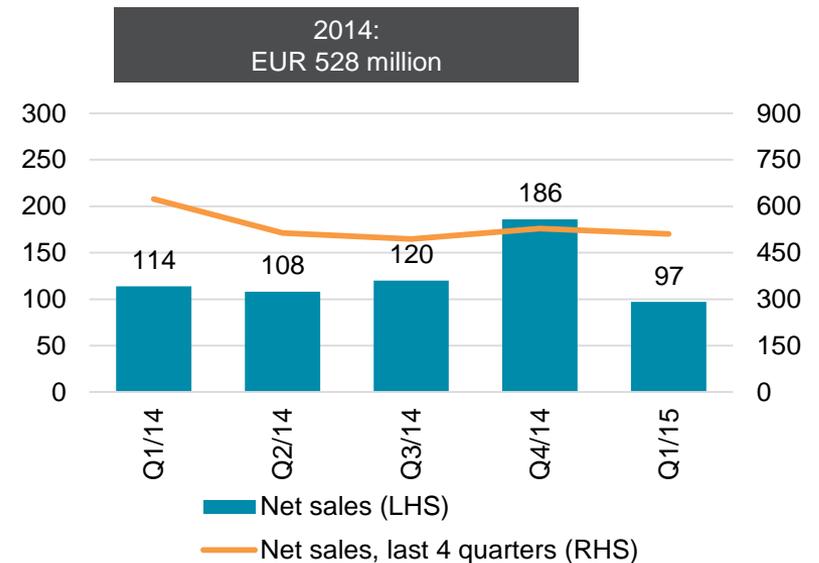


# Orders received and net sales decreased in Paper

Orders received (EUR million)



Net sales (EUR million)



- Orders received decreased compared with Q1/2014
  - Orders received increased in China and South America and decreased in other areas
  - Orders received increased in Board and Paper, and decreased in Tissue
- Net sales decreased compared with Q1/2014
- Timing of POC<sup>1</sup> milestones had a negative impact on net sales in Q1/2015



1) POC = Percentage of completion

