



# Global market leader building the future

Pasi Laine

President and CEO

*Capital Markets Day 2018*

# Agenda

- 1 Overview of Valmet
- 2 Recent development
- 3 Valmet's way forward
- 4 Investment highlights



# Overview of Valmet: Key figures for last 12 months

**Orders received**  
EUR 3,226 million

**Net sales**  
EUR 3,257 million

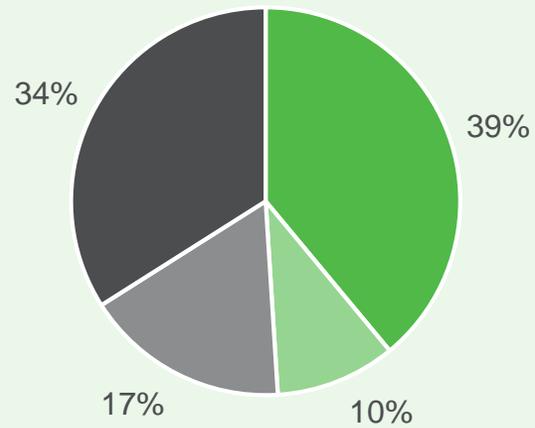
**Comparable EBITA**  
EUR 219 million

**Comparable EBITA margin**  
6.7%

**Order backlog<sup>1</sup>**  
EUR 2,621 million

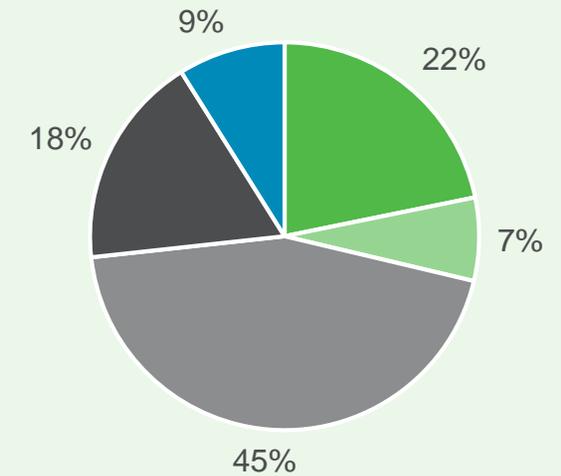
**Employees<sup>1</sup>**  
12,668

Orders received by business line



- Services
- Automation
- Pulp and Energy
- Paper

Orders received by area



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

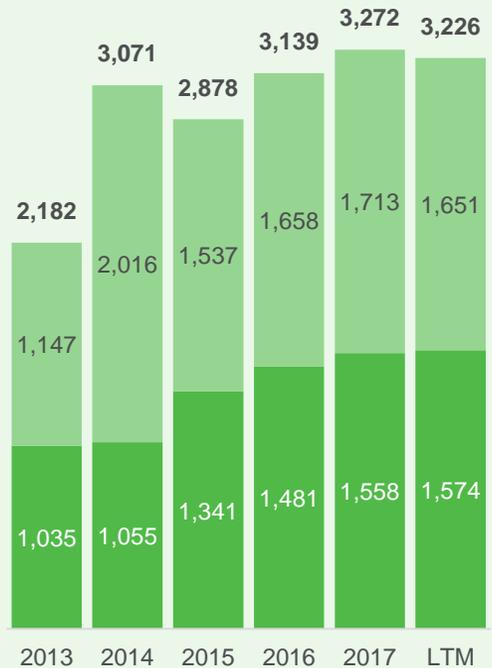
Last twelve months refers to the period July 1, 2017 – June 30, 2018.

<sup>1</sup> At the end of June 2018

# Development since 2013

## Orders received

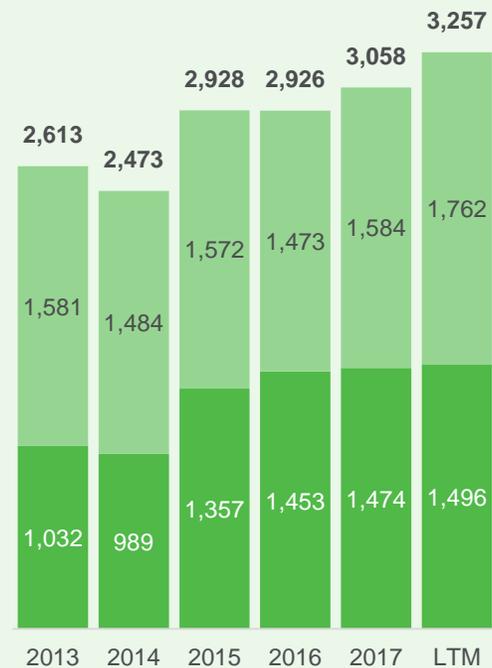
(EUR million)



■ Pulp and Energy, and Paper business lines  
■ Services and Automation business lines

## Net sales

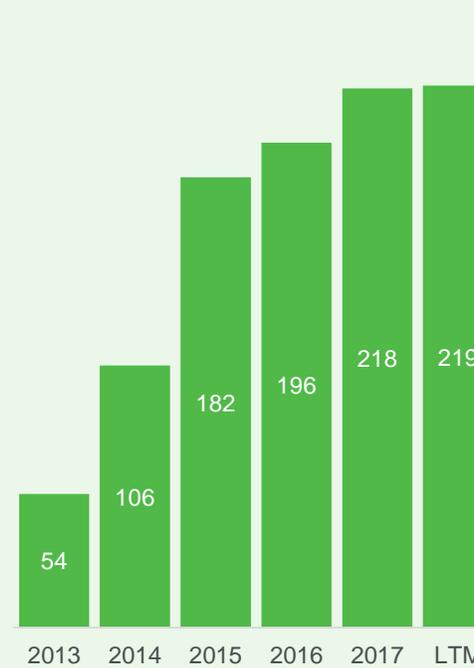
(EUR million)



■ Pulp and Energy, and Paper business lines  
■ Services and Automation business lines

## Comparable EBITA

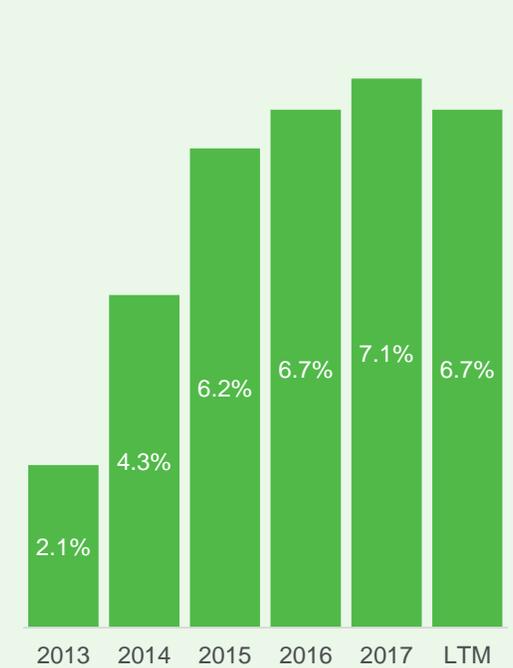
(EUR million)



■ Comparable EBITA

## Comparable EBITA margin

(%)



■ Comparable EBITA margin

2013 figures on carve-out basis. 2017 financials have been restated following the adoption of IFRS 15. LTM = Last twelve months, refers to the period July 1, 2017 – June 30, 2018

# Recent market trends

## Pulp and paper prices have increased and demand has been high

- Pulp prices at all-time high levels
- Paper prices (excluding tissue) have increased

## Customers' profitability has continued to improve

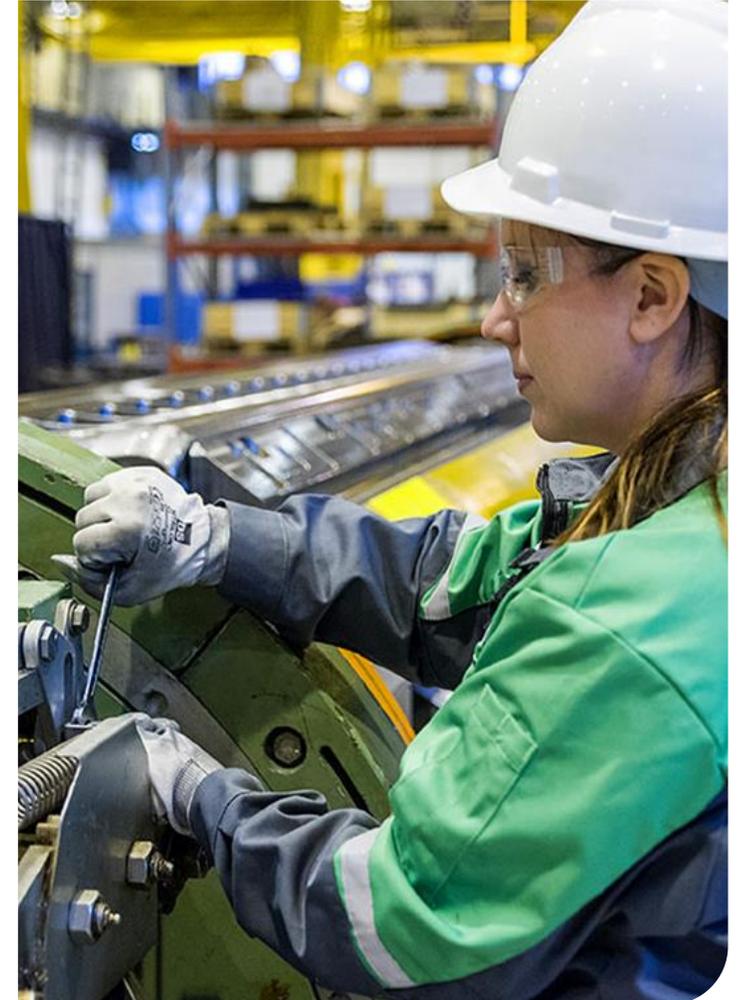
- Valmet's major customers' EBIT margins have improved from an average of 9.3% in 2013–2015 to 10.3% in 2016 and 12.2% in 2017

## Market development has been diverse in the capital business

- Paper machine market has been very active since Q4/2016
- Activity has been high in smaller pulp projects while no mega mill decisions have been made
- Energy market has been active in Japan and remained stable in Europe

## High operating rates have supported demand in stable business

- Services market has been active following customers' improved profitability and high operating rates
- Both new machine sales and replacement investments have driven the automation market



# Recent development at Valmet

## Recent development

Customer	<ul style="list-style-type: none"> <li>• Good progress with Shared Journey Forward service concept</li> <li>• All-time high Valmet package sales in Automation</li> </ul>	<ul style="list-style-type: none"> <li>• #1 position in tissue, board and paper</li> <li>• Increased orders received from small and medium sized pulp projects</li> </ul>
Technology	<ul style="list-style-type: none"> <li>• Industrial Internet solutions and digitalized services commercialized, e.g. Valmet Performance Centers operational</li> </ul>	<ul style="list-style-type: none"> <li>• New products<sup>1</sup> &gt;20% of net sales in 2017</li> <li>• Improvement in product cost competitiveness</li> </ul>
Process	<ul style="list-style-type: none"> <li>• ERP renewal proceeding</li> <li>• Valmet in Dow Jones Sustainability Index for the fifth consecutive year</li> </ul>	<ul style="list-style-type: none"> <li>• Positive project margin deviation in Paper and in most Pulp and Energy projects. Cost overrun in one project in Pulp and Energy</li> <li>• Procurement savings continue</li> </ul>
People	<ul style="list-style-type: none"> <li>• LTIF<sup>2</sup> for own employees reached record low level at 2.1 (June 2018)</li> <li>• Sales Journey and Innovation Pathways training programs ongoing</li> </ul>	<ul style="list-style-type: none"> <li>• Developing local competences close to customers</li> <li>• Strengthened service capability in new regions</li> <li>• ~1,400 Valmet employees in new or refurbished offices and facilities</li> </ul>



<sup>1</sup> Commercialized within 5 years  
<sup>2</sup> Lost time incident frequency rate

# Valmet's way forward

## Introducing growth accelerators

### Our Mission

Converting renewable resources into sustainable results

### Our Strategy

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

We are committed to moving our customers' performance forward with our unique offering and way to serve.

### Our Must-Wins

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

### Growth accelerators

- Field services
- Industrial Internet and digitalization

### Our Vision

To become the global champion in serving our customers

### Our Values



#### 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

- Resource efficient and clean world
- Digitalization and new technologies
- Urban, responsible and global consumer



## Investment highlights

# Investment highlights

- 1 Strong position in the growing market of converting renewables**
- 2 Widest offering combining process technology, services and automation in a unique way**
- 3 Large stable business offering growth and profitability**
- 4 Strong capital business with high market share and flexible cost structure**
- 5 Systematically building the future**



# Strong position in the growing market of converting renewables

Services	Automation	Pulp	Energy	Tissue	Board	Paper
						
<p><b>#1-2</b>   <b>8.0</b>   <b>~1-2%</b></p> <p>EUR bn   p.a.</p>	<p><b>#1-3</b>   <b>2.0</b>   <b>~1%</b></p> <p>EUR bn   p.a.</p>	<p><b>#1-2</b>   <b>1.4</b>   <b>~1%</b></p> <p>EUR bn   p.a.</p>	<p><b>#1-3</b>   <b>2.0</b>   <b>~1%</b></p> <p>EUR bn   p.a.</p>	<p><b>#1</b>   <b>0.7</b>   <b>~3%</b></p> <p>EUR bn   p.a.</p>	<p><b>#1</b>   <b>1.0</b>   <b>~2-3%</b></p> <p>EUR bn   p.a.</p>	<p><b>#1</b>   <b>0.3</b>   <b>~1%</b></p> <p>EUR bn   p.a.</p>
<ul style="list-style-type: none"> <li>Increasing pulp, paper and energy production</li> <li>Demand for more efficient processes, maintenance and outsourcing of non-core operations</li> <li>Customers decreasing own resources</li> <li>Size and gradually aging installed base, capacity increases in China, South America and Asia-Pacific</li> <li>Closures of non-competitive production lines</li> </ul>	<ul style="list-style-type: none"> <li>Ageing machines and installed automation systems</li> <li>Investments in new pulp and paper machines and power plants</li> <li>Demand for raw material savings, process efficiencies and sustainability</li> <li>Demand for Industrial Internet based solutions</li> </ul>	<ul style="list-style-type: none"> <li>Growth in board and tissue consumption</li> <li>Need for virgin wood pulp. Decreasing availability of recycled paper and limitations to recycling rates</li> <li>Increased size of pulp lines and mills</li> <li>New applications for bio based products</li> <li>Increasing environmental awareness and stricter regulations</li> </ul>	<ul style="list-style-type: none"> <li>Growth in energy consumption</li> <li>Demand for sustainable energy and shutdowns of coal capacity</li> <li>Modernization of aging plants</li> <li>Incentives and regulation, e.g. SOx and NOx emissions</li> </ul>	<ul style="list-style-type: none"> <li>Rise in purchasing power and living standards</li> <li>Fast growth in emerging markets</li> <li>Demand for higher quality</li> </ul>	<ul style="list-style-type: none"> <li>World trade, e-commerce and emerging markets growth drive packaging</li> <li>Demand for light weight board</li> <li>Shift from plastic packaging to renewable materials</li> <li>Conversions from paper to board</li> </ul>	<ul style="list-style-type: none"> <li>Increasing role of digital media decreases demand for print papers</li> <li>Demand for technology driven efficiency improvements</li> <li>Demand for specialty papers</li> </ul>
<p><b>39%</b> of net sales</p>	<p><b>10%</b> of net sales</p>	<p><b>17%</b> of net sales</p>	<p><b>10%</b> of net sales</p>	<p><b>9%</b> of net sales</p>	<p><b>10%</b> of net sales</p>	<p><b>6%</b> of net sales</p>

■ Market position  
 ■ Estimated market size for current offering (EUR)  
 ■ Anticipated long-term market growth  
 ■ Market drivers  
 ■ % of net sales (2017)



# Widest offering combining process technology, services and automation in a unique way

### Paper

- Board, paper and tissue production lines
- Rebuilds
- Stand-alone products

### Pulp

- Wood and pulp handling
- Fiber processing
- Recovery

### Energy

- Heat and power generation
- Air emission control
- Biofuels

Process technology

Customer

### Services

- Spare parts and components
- Maintenance and shutdown services
- Outsourcing services
- Production consumables
- Process support and optimization

Services

### Automation

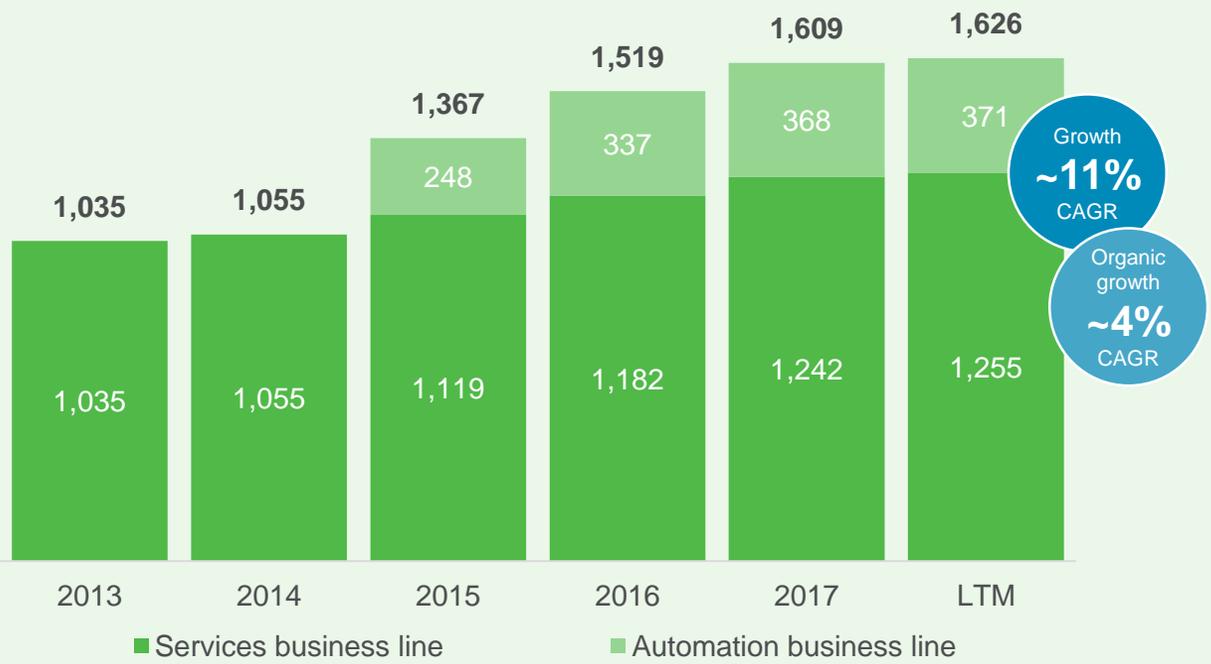
- Distributed Control Systems (DCS)
- Quality Management Systems (QMS)
- Analyzers and measurements
- Industrial Internet solutions

Automation



# Large stable business offering growth and profitability

Orders received (EUR million)



## Services

- 16% market share offers room for growth
- Wide offering to support customers' all service needs
- Opportunities to win new customers and increase share of wallet with existing customers

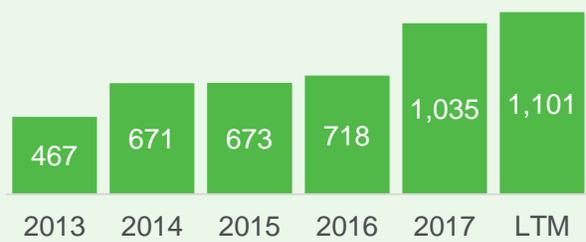
## Automation

- Strong as a stand-alone business as well as packaged with Valmet's equipment
- Growth possibilities through replacing competitors' installed base, entering new industries and capturing Valmet synergies
- Lead the market through Industrial Internet offering

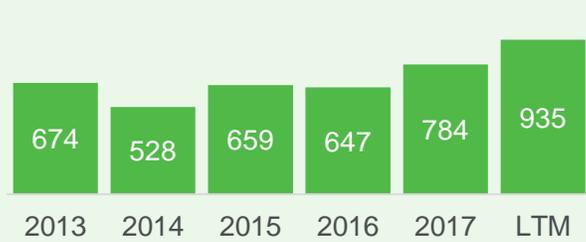
# Strong capital business with high market share and flexible cost structure

## Paper business line

Orders received (EUR million)

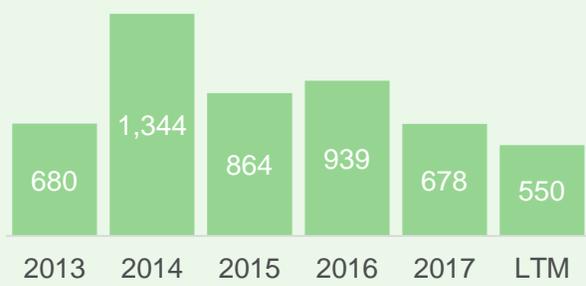


Net sales (EUR million)



## Pulp and Energy business line

Orders received (EUR million)



Net sales (EUR million)



## Market share

- High market share in all businesses

Board and paper	Tissue	Pulp	Energy
~40%	~35%	~40%	~20%

## Flexibility

- Low capacity cost provides resilience to market fluctuations
- Capacity costs:

	LTM:	2015:
Paper	29% of net sales EUR 273 million	41% of net sales EUR 270 million

	LTM:	2015:
Pulp and Energy	25% of net sales EUR 208 million	24% of net sales EUR 218 million



# Systematically building the future

<b>Customer</b>	<ul style="list-style-type: none"><li>• Shared Journey Forward: a unified and unique way to serve</li><li>• Add value to customers through Industrial Internet solutions</li><li>• Ensure strong market position in capital business</li></ul>
<b>Technology</b>	<ul style="list-style-type: none"><li>• Develop new products and technologies</li><li>• Improve product cost competitiveness</li><li>• Lead the market through Industrial Internet offering</li></ul>
<b>Process</b>	<ul style="list-style-type: none"><li>• Investing in new ERP and other new business platforms</li><li>• Continue to improve project management and project execution</li><li>• Continued focus on sustainability</li></ul>
<b>People</b>	<ul style="list-style-type: none"><li>• Continue to improve safety and lower LTIF</li><li>• Continuous training of employees, e.g. Sales Journey and Innovation Pathways training programs</li><li>• Building capabilities globally</li></ul>



