



Must-Win status and actions forward

Juha Lappalainen
SVP, Strategy and Operational
Development

Valmet Capital Markets Day
September 20, 2016

Agenda

Capital Markets Day 2016

- 1 Customer excellence
- 2 Leader in technology and innovation
- 3 Excellence in processes
- 4 Winning team
- 5 Summary

Topics in break-out sessions:

- R&D
- Industrial Internet
- Valmet way to serve

Sales and key account management

Agility through sales training program

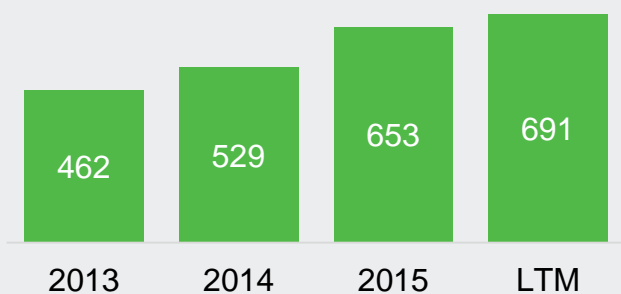


Targeting market share improvement at key customers

- 30 agility through sales workshops done with 600 participants during first half of 2016
- New sales process and CRM version launched
- Focusing on mill teams' capability to sell the complete offering
- Way to serve implementation ongoing

R&D focus areas

Orders received from new products¹ (EUR million)



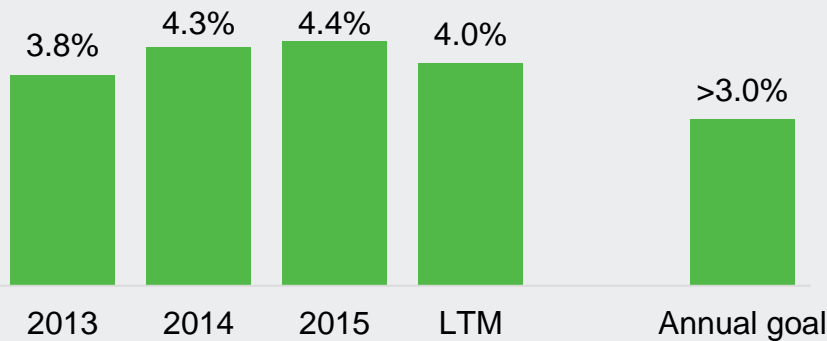
Optimizing our EUR 64 million R&D spend

- 16 centers and over 400 R&D professionals globally
- ~1,500 protected innovations
- Improving product cost competitiveness and performance
- Enhancing raw material, water and energy efficiency
- Promoting renewable materials
- Share of new products and technologies is increasing

1) Product is new 5 years after launch in capital business and 3 years in services business.
LTM = Last twelve months (July 1, 2015 – June 30, 2016)

Development of procurement costs

Implemented procurement savings of annual direct spend



Reaching and exceeding our original three-year 10% savings target

- Continuing to target >3% annual savings with new actions
 - Increasing design-to-cost (DTC) to create new sources for savings
 - More supplier involvement through supplier relationship management
- Continuing sustainable supply chain implementation

Highlights

Paper machine frame from India to Japan – from lowest cost source to highest quality requirements

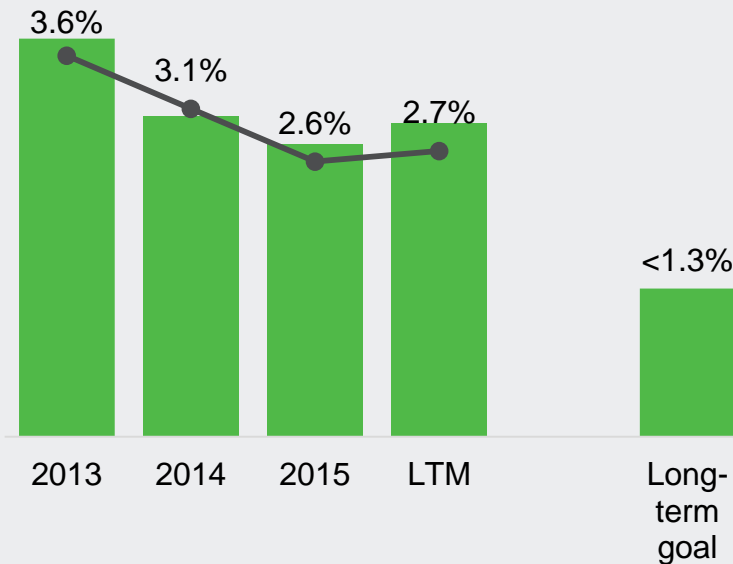


Material and manufacturing method DTC change in service business yielding >50% improvement in cost base



Development of quality costs

Quality costs (EUR million and % of net sales)



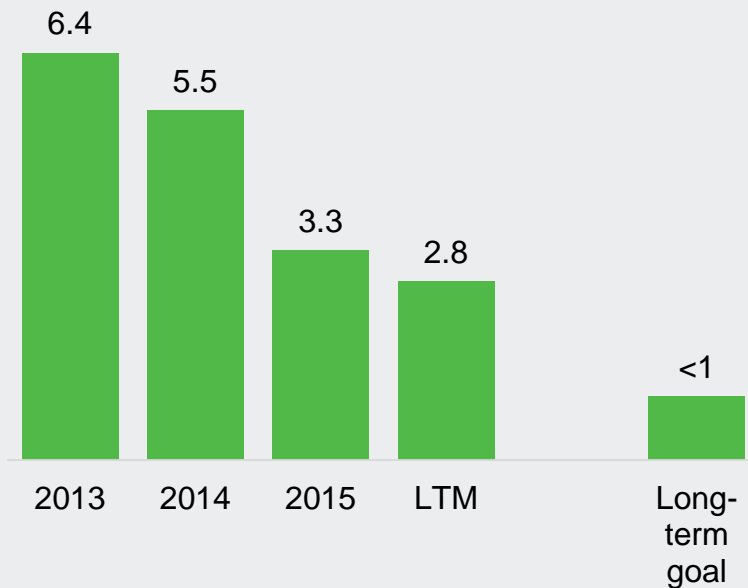
Original three-year target to reduce quality costs by 50% by the end of 2016

Progressing in cutting the quality costs by 50%

- LTM is currently higher than full year 2015, but our original target setting remains valid
- Adding focus in root cause analysis of the quality deviations
- Extensive Lean implementation and training
 - Over 4,000 Valmet employees completed Lean e-learning
 - Lean being deployed in all major locations and businesses

Development of health and safety

LTIF (lost time incident frequency rate¹⁾)



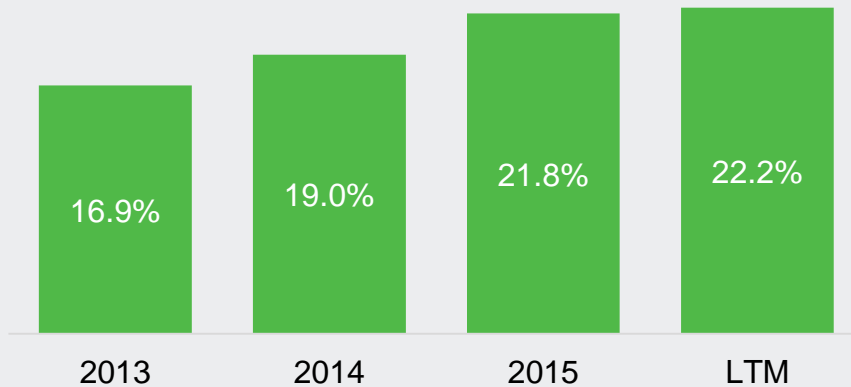
Pursuing the goal of zero harm to people and environment

- Over 7,000 Valmet employees completed Safety@Valmet e-learning
- Common Valmet site safety instructions launched
- Improving preventative safety measures
- Strengthening activities to cover suppliers

1) This rate refers to the number of workplace injuries resulting in absence of at least one workday per million hours worked (own employees).

Development of project management

Gross profit (% of net sales)



Targeting to continuously improve gross profit

- New Valmet-wide project execution model going into global implementation
- Improving transparency and control in projects via the ERP and project management tool deployment
- Several detailed actions ongoing in business units to decrease variation in project execution

New ERP

Valmet continues to invest in operational excellence

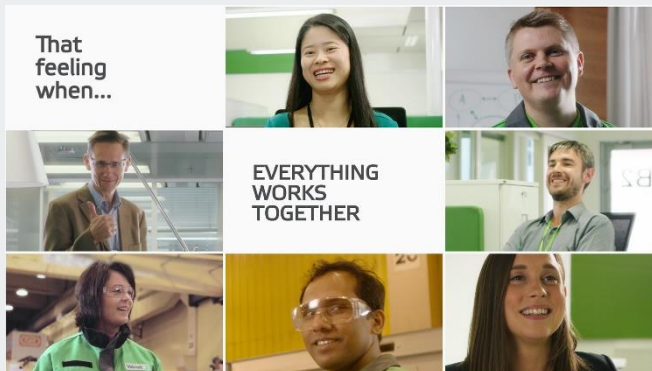


All Valmet business lines, geographical areas and corporate functions are in scope

- Focus on order to cash business transactions, end-to-end harmonization of processes, and integration of people to serve customers better
- Phase Nordics ERP investment approximately EUR 50 million, of which
 - Approximately EUR 30 million external investment
 - Approximately EUR 20 million expenses

Human resources achievements and actions

Employer Value Proposition to attract right talent



Focusing on high performance

- Five existing and two new global training programs: over 800 participants over the past two years
 - Champions in services
 - Networking in procurement
 - Fast Forward and Strategy Forward
 - Leading through Lean
 - Agility through sales
 - New: Project execution and R&D
- Strong managerial competence and performance focus through Forward for Managers and Manager Academy training

Summary

Actions for growth...

- Global implementation of Way to Serve
- Added focus in Industrial Internet and sales development

...and profitability

- Quality, HSE and procurement programs in their third year and re-focusing actions
- Project management, R&D and ERP programs starting



