



Capital  
Markets Day  
2015

March 19, London

[www.valmet.com/cmd](http://www.valmet.com/cmd)

# Valmet becomes stronger as a result of acquiring Process Automation Systems

Roadshow material  
February 2015

# Agenda

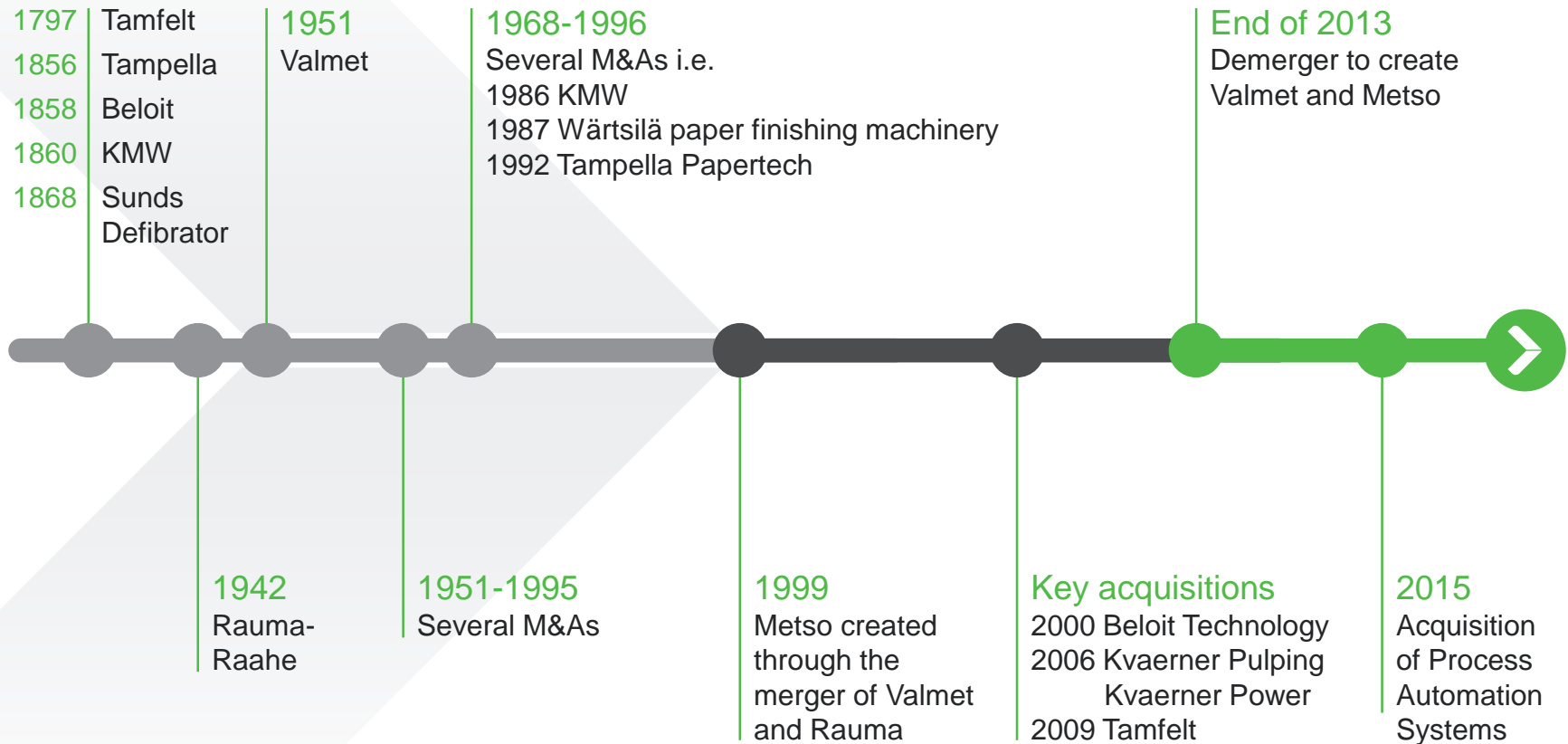
## Valmet Roadshow

- 1 Valmet overview
- 2 Investment highlights
- 3 Financials
- 4 Acquisition of Process Automation Systems
- 5 Conclusions
- 6 Appendix



# Valmet overview

# Valmet's road to becoming a global market leader



# 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

## 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

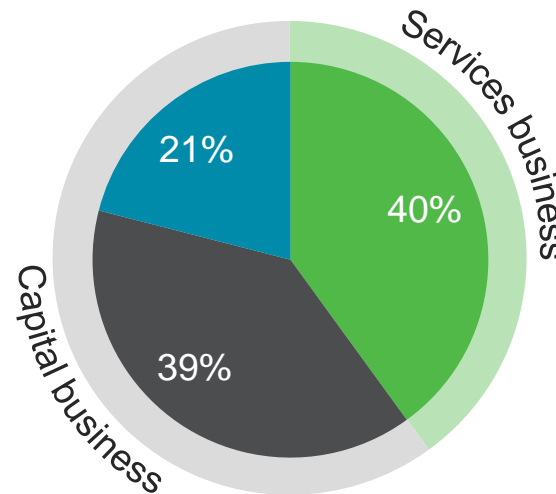
#1-2 Pulping

#1-2 Bioenergy generation

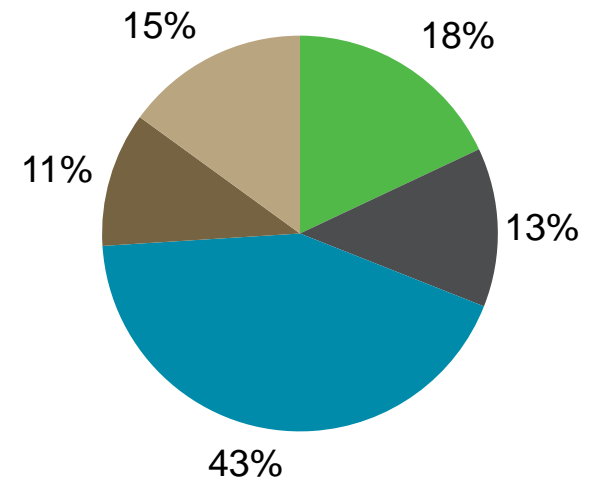
#1-2 Paper, board, tissue

1) EBITA before non-recurring items

## Net sales (2014)



- Services
- Pulp and Energy
- Paper



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

# Our three business lines serve the same customer base



Services



Pulp and Energy



Paper

**Description**

Mill and plant improvements, roll and workshop services, parts and fabrics, and life-cycle services

Technologies and solutions for pulp production, power generation, and biomass conversion

Technologies and solutions for board, tissue, and paper

**Market position**

#1-2

Pulping #1-2,  
Bioenergy generation #1-2

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

**Market size<sup>1</sup>**

EUR 7 bn

Pulp EUR 1.4 bn,  
Energy EUR 2.0 bn

Board EUR 1.0 bn, Tissue EUR 0.6  
bn, Paper EUR 0.6 bn

**Customers**

Companies mainly in the pulp, paper and energy industries

In pulp, mechanical and chemical pulp producers as well as companies in the panelboard industry

Mainly paper companies as well as board and tissue producers

**Main competitors**

Voith, Andritz, Xerium Technologies, AstenJohnson, Foster Wheeler, Alstom etc.

Andritz in Pulp; Andritz and Foster Wheeler in Energy; Andritz main global competitor in biomass

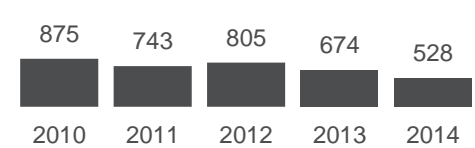
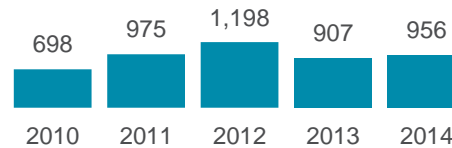
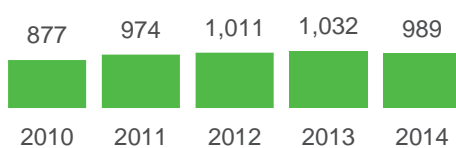
Voith and Andritz

**Net sales<sup>2</sup>**

1.0 bn, 40%

1.0 bn, 39%

0.5 bn, 21%



1) Estimated market size for current offering in 2012 (EUR)

2) Net sales 2010–2013 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

1,141 employees



Net sales<sup>1)</sup>  
EUR 449 m



## South America

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

432 employees



Net sales<sup>1)</sup>  
EUR 325 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

6,376 employees



Net sales<sup>1)</sup>  
EUR 1,053 m



## China

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

1,927 employees



Net sales<sup>1)</sup>  
EUR 266 m



## Asia Pacific

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

588 employees



Net sales<sup>1)</sup>  
EUR 381 m



<sup>1)</sup> Net sales breakdown by area for 2014. Breakdown of employees by area as at December 31, 2014.



# 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





# 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)<sup>1</sup>



### 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 1.5 bn)<sup>1</sup>



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**  
2014: EUR 42 m (1.7% of sales)

**Extensive IP portfolio**  
~1,800 protected inventions

**>70 new products launched per year**

1) Net sales in 2014.

# 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 market<sup>1</sup>

➤ EUR 7.0 bn

## Comprehensive offering



>3.1%  
2010-2014  
p.a.<sup>2</sup>

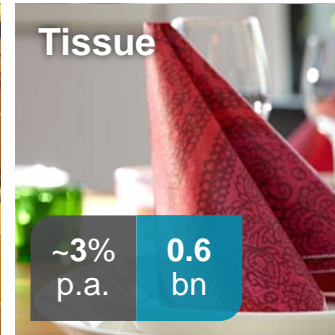
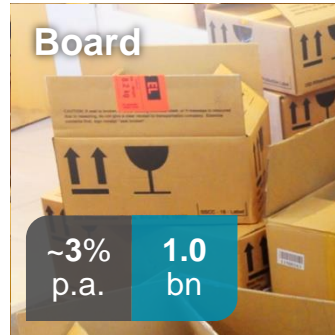
Valmet services  
business line growth

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 2014 based on actual figures and available carve-out financials

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

## Pulp and Energy

## Paper



### Demand drivers

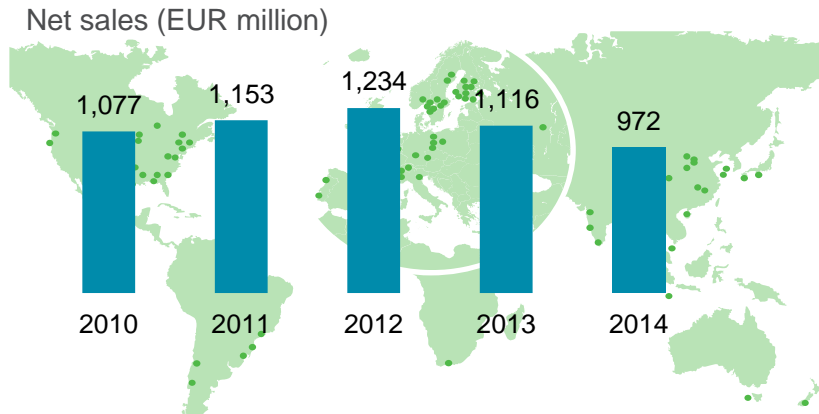
- Growth in energy consumption
- Demand for sustainable energy
- Modernization of aging plants
- Incentives and regulation
- Shale gas in North America and the recession in Europe reducing demand
- Growth in paper, board, and tissue consumption in Asia
- Need for virgin wood pulp, as recycling rates 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)

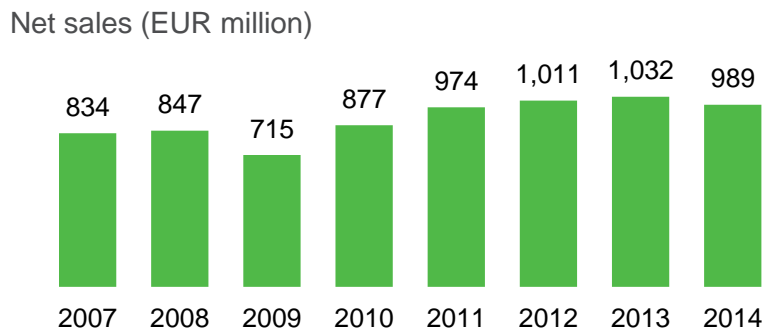
Source: Leading consulting firms, RISI, management estimates

# Global diversified footprint with large exposure to growing emerging markets

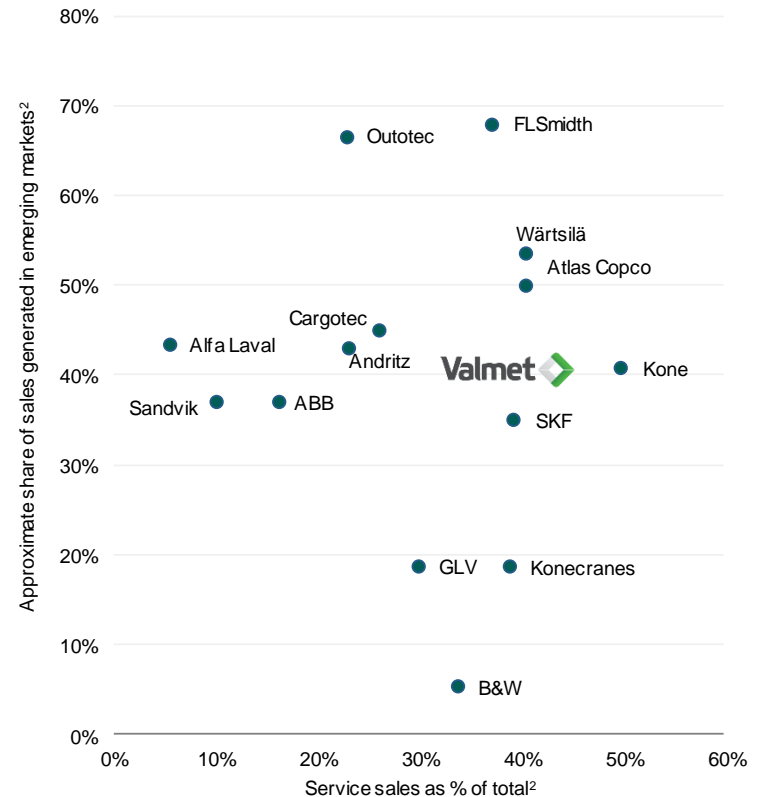
## Emerging markets expansion<sup>1</sup>



## Services expansion<sup>3</sup>



## Exposure to emerging markets<sup>2</sup>



1) Illustrative exposure to emerging markets calculated by combining net sales in following areas: Asia Pacific, China and South America. 2014 figure is actual, while others are on a carve-out basis.

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) 2014 figure is actual. 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

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	Continue to improve cost competitiveness	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 competitiveness also after the EUR 100 million program</li> </ul>	<ul style="list-style-type: none"> <li>• Focus on cost efficient design</li> <li>• Modularity and standardization</li> </ul> 





# Financials

# Financial targets

## Growth



Net sales growth to exceed market growth

## Profitability



EBITA<sup>1</sup> before non-recurring items: 6-9%

## ROCE

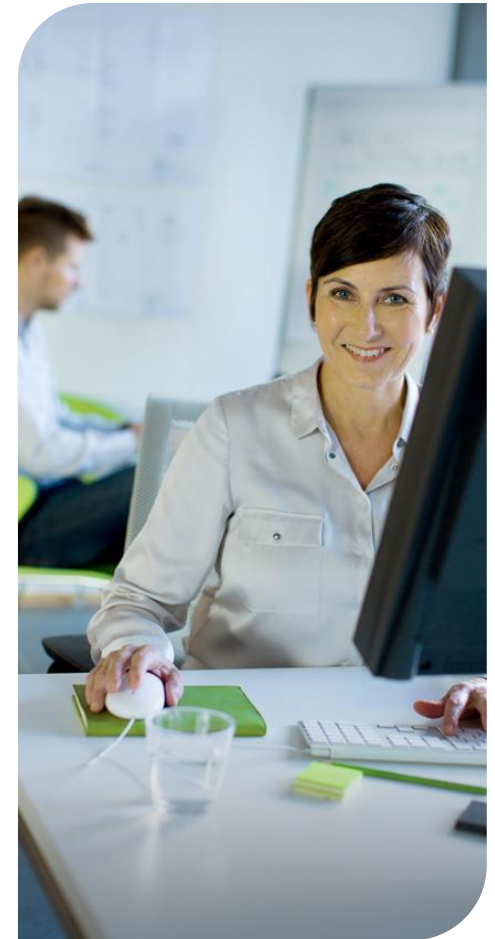


Return on capital employed (pre-tax),  
ROCE<sup>2</sup>: minimum of 15%

## Dividend policy



Dividend payout at least 40% of net profit



- 1) EBITA before non-recurring items = operating profit + amortization + non-recurring items
- 2) ROCE (pre-tax) = ( profit before taxes + interests and other financial expenses ) / ( balance sheet total - non-interest-bearing liabilities )

# Q4/2014 in brief



## Orders received increased in services in Q4/2014

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- Orders received increased by 17%
- Services net sales stable



## Orders received increased in capital business

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- Orders received increased in Paper and decreased in Pulp and Energy
- Net sales increased in Paper, and Pulp and Energy



## Order backlog decreased compared with Q3/2014

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- Order backlog approximately EUR 2 billion at the end of 2014



## Profitability reached the targeted range in Q4/2014

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- EBITA<sup>1</sup> increased in Q4/2014 compared with Q4/2013
- Profitability improved in every quarter of 2014
- Further profitability improvement potential through savings in procurement and quality, by actions to improve project and service margin, by continuing to improve cost competitiveness, and by improving product cost competitiveness to increase gross profit



## Balance sheet continues to be strong

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- Net debt EUR -166 million, and gearing -21%
- Cash flow provided by operating activities EUR 30 million in Q4/2014

1) EBITA before non-recurring items

# Key figures Q4/2014

EUR million	Q4/2014	Q4/2013	Change	2014	2013	Change
Orders received	<b>480</b>	428	12%	<b>3,071</b>	2,182	41%
Order backlog				<b>1,998</b>	1,398	43%
Net sales	<b>777</b>	666	17%	<b>2,473</b>	2,613	-5%
EBITA <sup>1</sup>	<b>48</b>	-25		<b>106</b>	54	94%
% of net sales	<b>6.1%</b>	-3.7%		<b>4.3%</b>	2.1%	
EBIT <sup>2</sup>	<b>38</b>	-66		<b>72</b>	-59	
% of net sales	<b>4.8%</b>	-9.9%		<b>2.9%</b>	-2.2%	
Earnings per share, EUR	<b>0.17</b>	-0.41		<b>0.31</b>	-0.42	
Return on capital employed (ROCE), before taxes				<b>9%</b>	-4%	
Dividend per share, EUR				<b>0.25<sup>3</sup></b>	0.15	
Cash flow provided by operating activities	<b>30</b>	-38		<b>236</b>	-43	
Gearing at the end of period				<b>-21%</b>	0%	

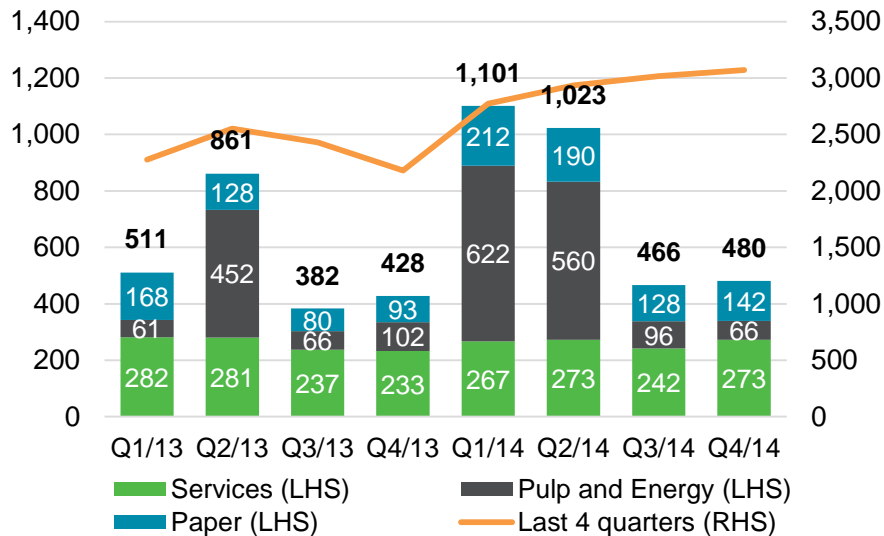
Non-recurring items: EUR -5 million in Q4/2014 (EUR -34 million in Q4/2013)  
 EUR -12 million in 2014 (EUR -86 million in 2013)

- 1) Before non-recurring items
- 2) After non-recurring items
- 3) Proposal made by the Board of Directors

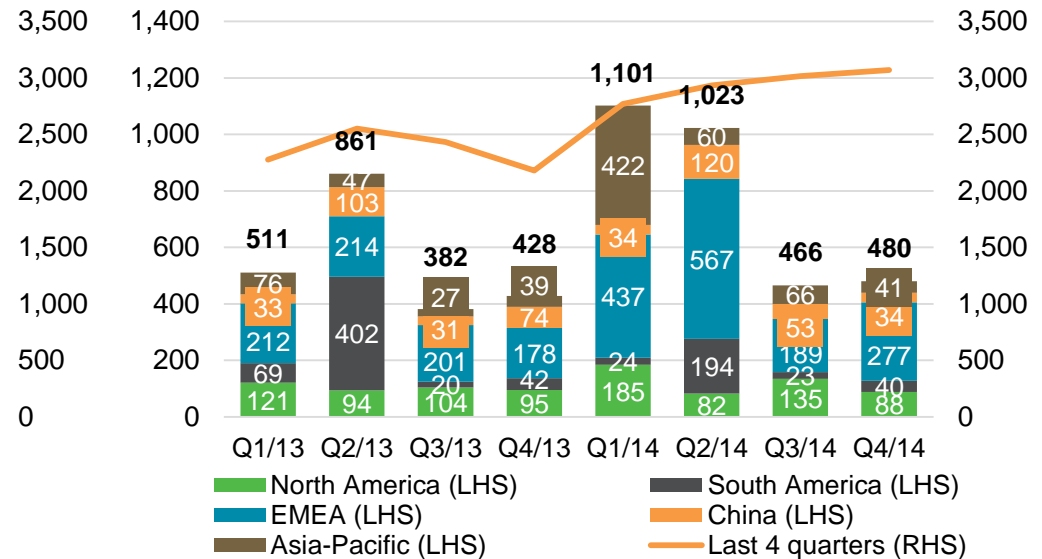
The comparison figures are based on financial carve-out data. The balance sheet and its related key figures as at December 31, 2013 are based on actual figures.

# Orders received exceeded EUR 3 billion in 2014

Orders received (EUR million),  
by business line



Orders received (EUR million),  
by area

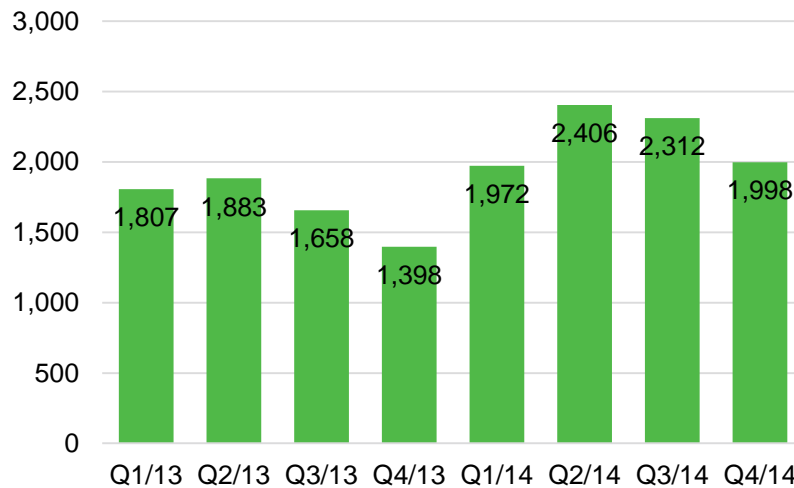


## Development in Q4/2014 compared with Q4/2013:

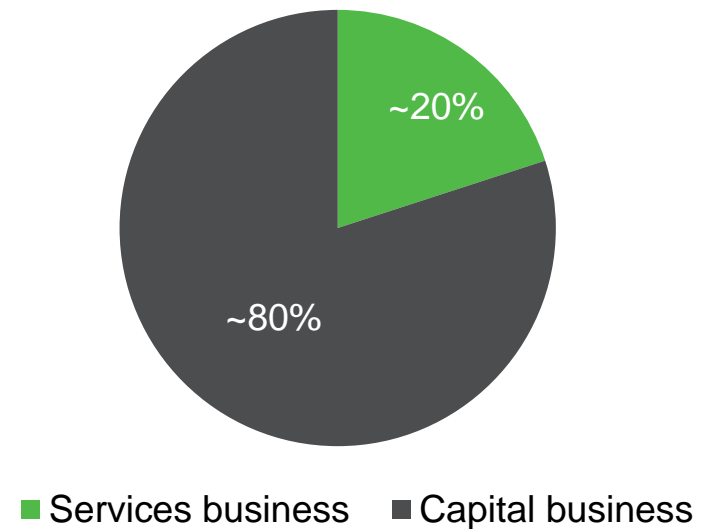
- Orders received increased in Services
- Orders received decreased in Pulp and Energy
- Orders received increased in Paper
- Orders received increased in EMEA and Asia-Pacific and decreased in China and North America

# Order backlog approximately EUR 2 billion

Order backlog (EUR million)



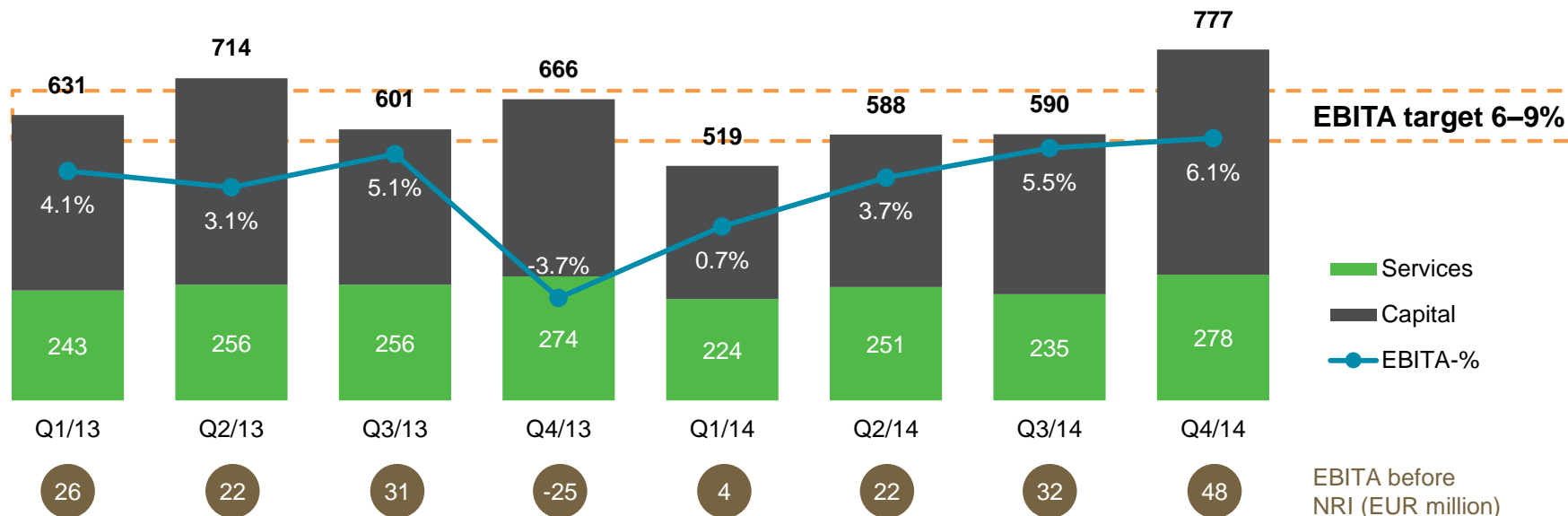
Structure of order backlog



- Management estimates that ~80% of the order backlog will be recognized as net sales during 2015
- Approximately 20% of the order backlog relates to the Services business line

# EBITA margin in the targeted range in Q4/2014

Net sales and EBITA before NRI (EUR million)

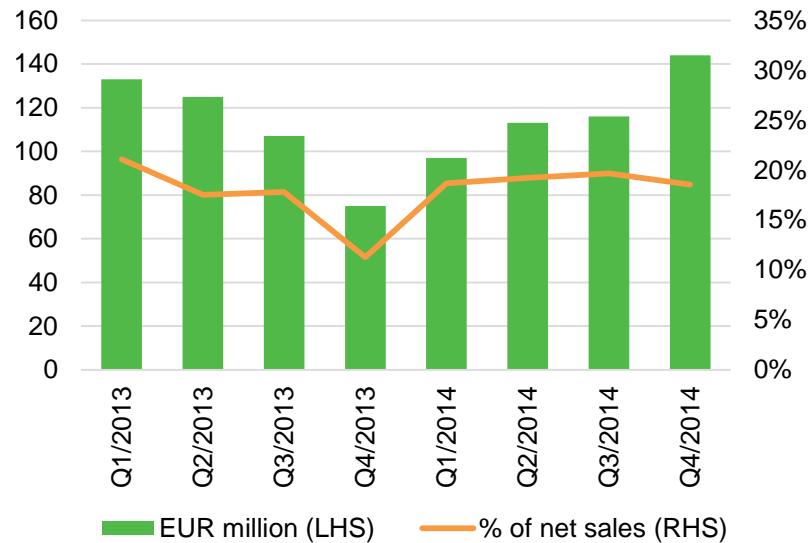


- Net sales increased compared with Q4/2013
- Profitability improved in every quarter of 2014

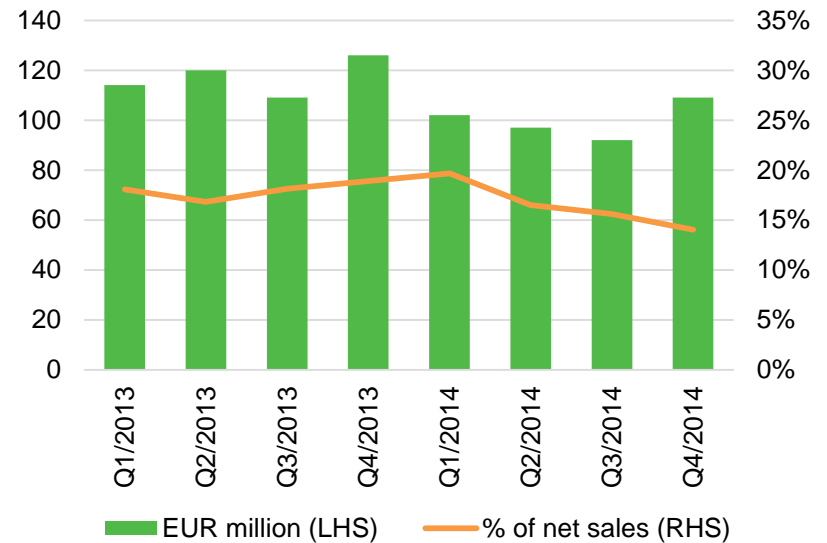


# Good development in gross profit – SG&A at a normalized level

Gross profit (EUR million and % of net sales)



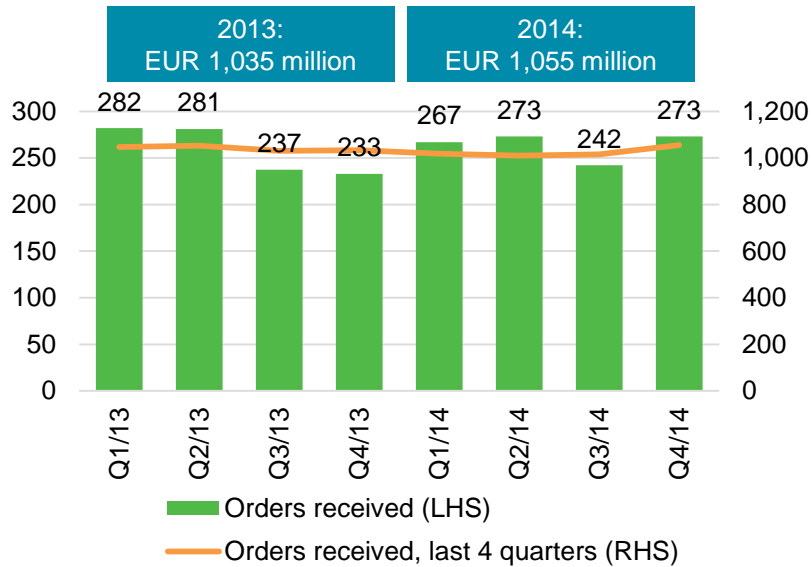
SG&A (EUR million and % of net sales)



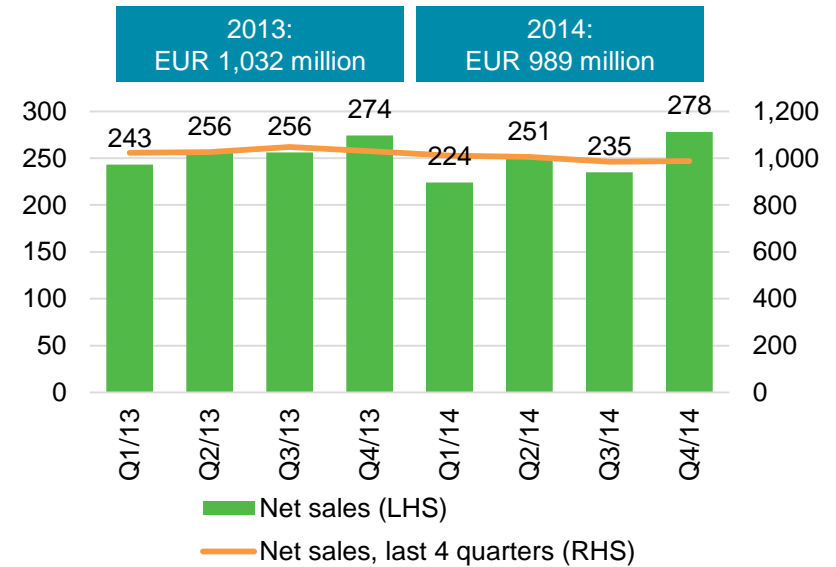
- Selling, general and administrative expenses (SG&A) at an annual level of approximately EUR 400 million
  - SG&A in relation to net sales decreased in every quarter of 2014
- Gross profit improved
- Further actions to improve gross profit through Must-Win implementation

# Services orders received stable in 2014, growth in Q4/2014

Orders received (EUR million)



Net sales (EUR million)

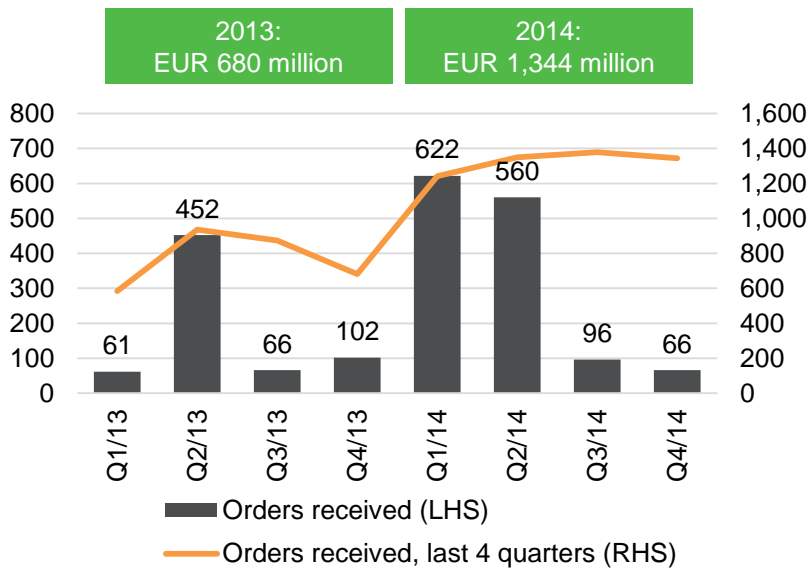


- Services orders received increased compared with Q4/2013
  - Orders received increased in all areas, especially in North America
  - Orders received increased in the Energy and Environmental, Mill Improvements, and Performance Parts business units, and remained on a par with the comparison period in Rolls, and Fabrics business units
- Orders received stable in 2014 compared with 2013
- Net sales stable compared with Q4/2013

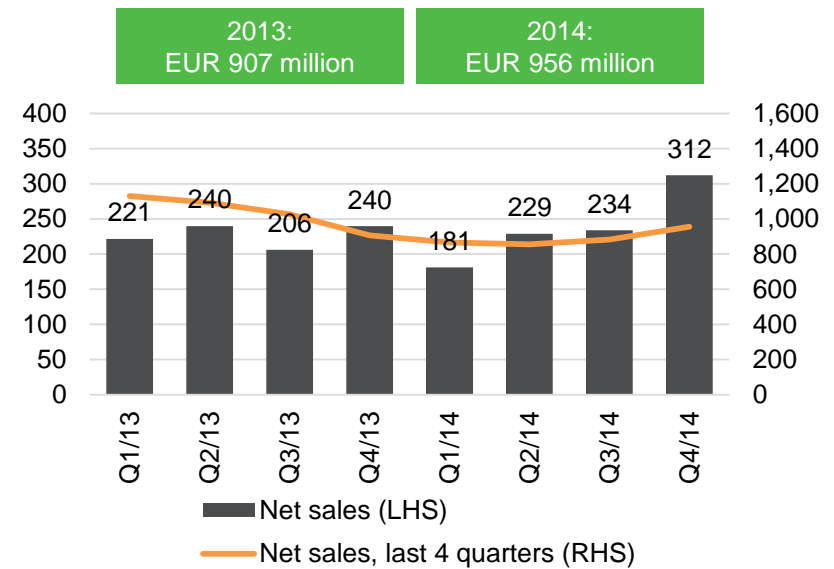


# Pulp and Energy orders received almost doubled in 2014

Orders received (EUR million)



Net sales (EUR million)

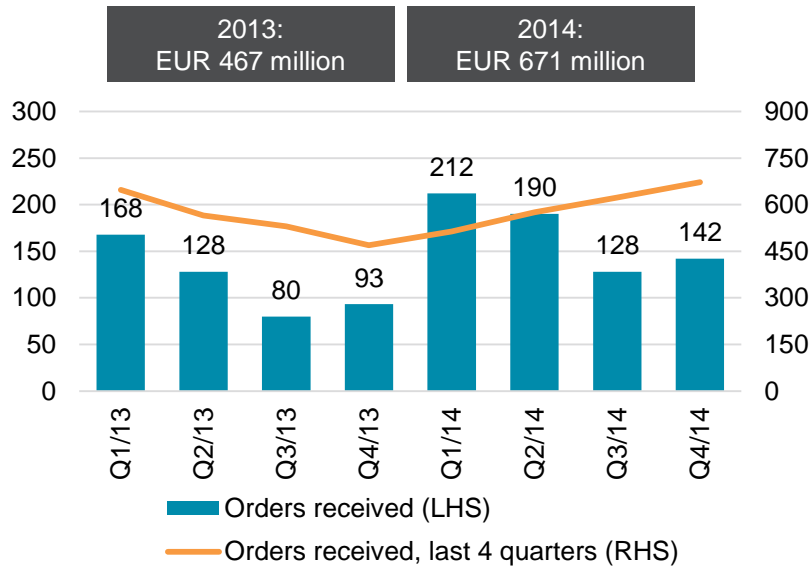


- Orders received decreased compared with Q4/2013
  - Orders received decreased in all areas
  - Orders received increased in Energy and decreased in Pulp
- Orders received almost doubled in 2014 compared with 2013
- Net sales increased compared with Q4/2013

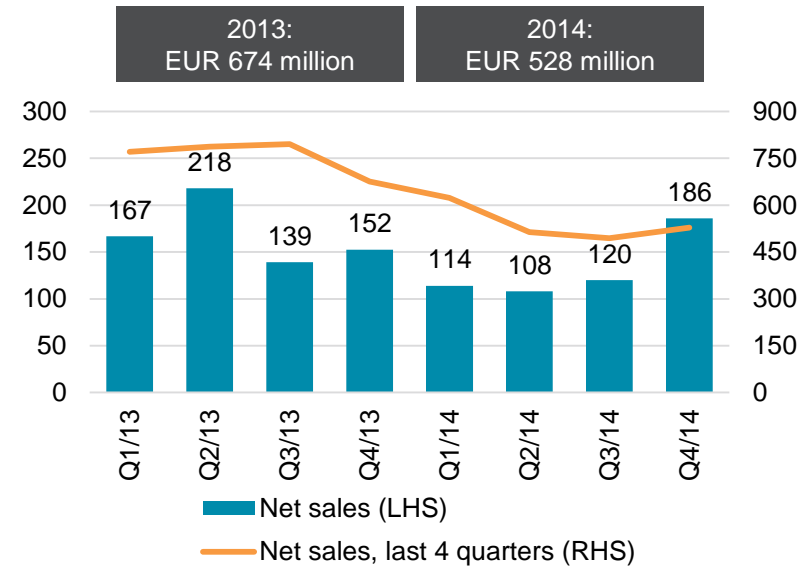


# Paper orders received approximately EUR 670 million in 2014

Orders received (EUR million)



Net sales (EUR million)



- Orders received increased compared with Q4/2013
  - Orders received increased in EMEA and decreased in China, North America and Asia-Pacific
  - Orders received increased in Board and Paper, and remained on a par with Q4/2013 in Tissue
- Orders received increased in 2014 compared with 2013
- Net sales increased compared with Q4/2013



# Dividend proposal

Dividend policy



Dividend payout at least 40% of net profit

Board of Directors' dividend proposal to the  
Annual General Meeting



EUR 0.25 per share



# Guidance and short-term market outlook

## Guidance for 2015

### Guidance for 2015



Valmet estimates that, including the acquisition of Process Automation Systems<sup>1</sup>, 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).

*1) The completion of the acquisition of Process Automation Systems is subject to approval by the competition authorities.*

## Short-term market outlook

		Q1/2014	Q2/2014	Q3/2014	Q4/2014
Services		Satisfactory	Satisfactory	Satisfactory	Satisfactory
Pulp and Energy	Pulp	Satisfactory	Satisfactory	Satisfactory	Satisfactory
	Energy	Satisfactory	Satisfactory	Satisfactory	Satisfactory
Paper	Board and Paper	Satisfactory	Good	Good	Good
	Tissue	Satisfactory	Satisfactory	Satisfactory	Satisfactory



# Acquisition of Process Automation Systems



# 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



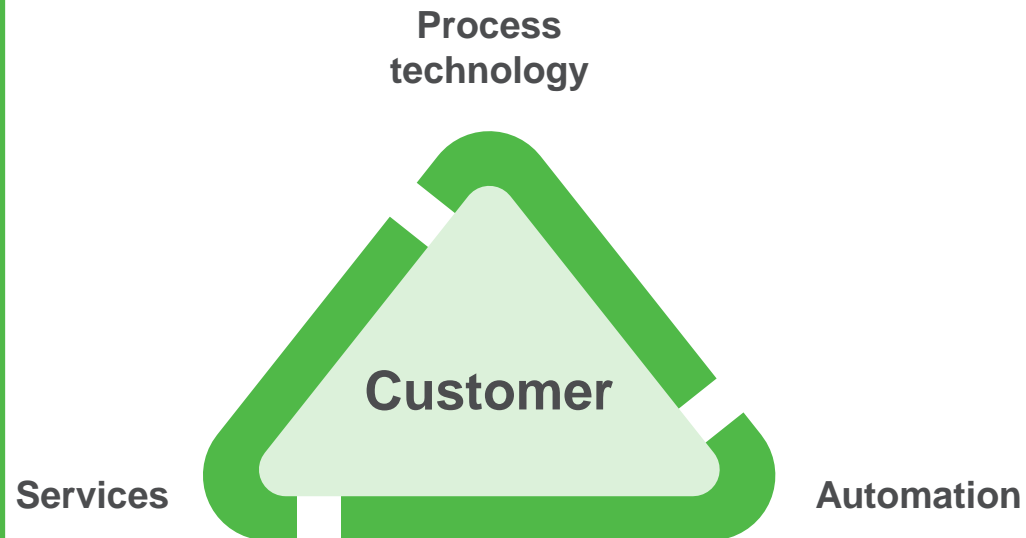
Acquisition makes Valmet more stable and more profitable



# 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



# 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

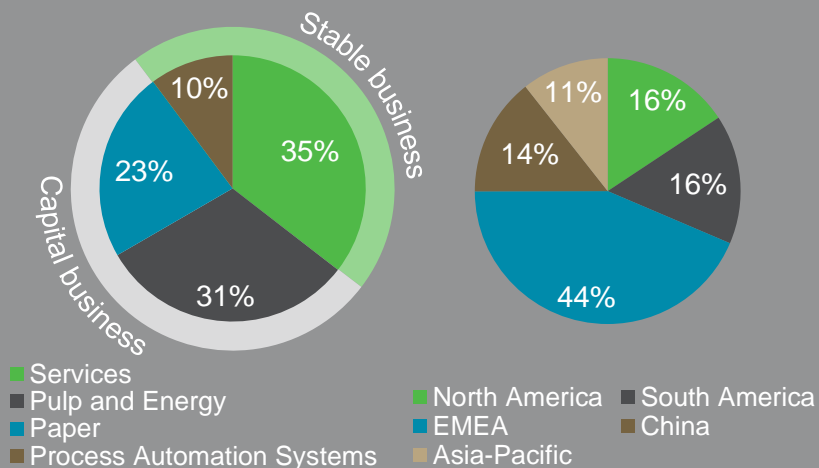


# Increasing stability and improving profitability

## 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



# Conclusion

# 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

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# Appendix

1 Management, ownership and share price development

2 Financials

3 Process Automation Systems

4 Market statistics





# Appendix

Management, ownership and share  
price development

# Experienced management team

## Corporate



23

23

### Pasi Laine

President and CEO  
Share ownership: 30,046



1

6

### Markku Honkasalo

Chief Financial Officer  
Share ownership: 700



2

2

### Kari Saarinen

SVP, Strategy and  
Operational Development  
Share ownership: -



1

10

### Julia Macharey

SVP, Human Resources  
Share ownership: -



1

19

### Anu Salonsaari-Posti

SVP, Marketing &  
Communications  
Share ownership<sup>1</sup>: 100

## Business lines



24

24

### Jukka Tiitinen

Business Line President,  
Services  
Share ownership<sup>2</sup>: 13,748



17

17

### Bertel Karlstedt

Business Line President, Pulp  
and Energy  
Share ownership: 0



26

26

### Jari Vähäpesola

Business Line President,  
Paper  
Share ownership: 5,013

■ # years at Valmet /  
its predecessor

■ # years of experience  
in the sector

## Areas

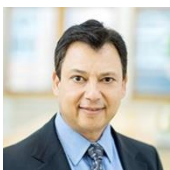


20

37

### William Bohn

Area President, North  
America  
Share ownership: -

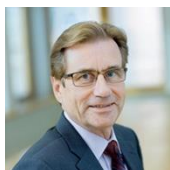


19

27

### Celso Tacla

Area President, South  
America  
Share ownership: 4,740



35

37

### Hannu Mälkiä

Area President, EMEA  
Share ownership: 10,559



19

21

### Aki Niemi

Area President, China  
Share ownership: -



27

30

### Hannu T. Pietilä

Area President, Asia Pacific  
Share ownership: 1,000

- 1) Includes 100 shares in Valmet owned by Ms. Salonsaari-Posti's family members  
2) Includes 100 shares in Valmet owned by Mr. Tiitinen's family members

# Board of Directors



**Jukka Viinanen**  
(b. 1948)  
Chairman of the Board  
Finnish citizen

- MSc in Engineering
- Selected experience:
  - CoB of Metso since 2009, board member since 2008
  - CoB of Kemira
- Share ownership: 10,820
- Independent of company: Yes
- Independent of owners: Yes



**Mikael Von Frenckell**  
(b. 1947)  
Vice Chairman of the Board  
Finnish citizen

- MSc in Social Sciences
- Selected experience:
  - Vice CoB of Metso since 2012, board member since 2010
  - Member of the BoD of Antti Ahlströmin Perilliset Oy and Sponsor Capital Oy
- Share ownership: 105,636
- Independent of company: Yes
- Independent of owners: Yes



**Friederike Helfer**  
(b. 1976)  
Board member  
Austrian citizen

- MSc in Real Estate Development, Diplom-Ingenieur in Urban Planning, CFA charterholder
- Selected experience:
  - Partner at Cevian Capital, joined Cevian Capital in 2008
  - Engagement Manager at McKinsey (2004-2008)
- Share ownership<sup>1</sup>: 2,305
- Independent of company: Yes
- Independent of owners: not independent of a significant shareholder



**Erkki Pehu-Lehtonen**  
(b. 1950)  
Board member  
Finnish citizen

- MSc in Mechanical Engineering
- Selected experience:
  - Member of Metso board since 2010
  - CoB of Raute Corporation
  - President and CEO of Pöyry (1999-2008)
- Share ownership: 5,484
- Independent of company: Yes
- Independent of owners: Yes



**Pekka Lundmark**  
(b. 1963)  
Board member  
Finnish Citizen

- MSc in Engineering
- Selected experience:
  - President and CEO of Konecranes
  - CoB of Marimekko and Vice COB of the Federation of Finnish Technology Industries (CoB in 2011 and 2012)
- Share ownership<sup>2</sup>: 2,309
- Independent of company: Yes
- Independent of owners: Yes



**Lone Fønss Schrøder**  
(b. 1960)  
Board member  
Danish citizen

- MSc in Economics, Accounting; LL.M.
- Selected experience:
  - Member of the BoD of Saxobank A/S, Aker Solutions, Volvo PV AB, NKT Holding A/S, Schneider SE, Bilfinger Berger SE
- Share ownership: 2,882
- Independent of company: Yes
- Independent of owners: Yes



**Rogério Ziviani**  
(b. 1956)  
Board member  
Brazilian citizen

- BSc in Business Management, MSc in Business Administration
- Selected experience:
  - Member of the BoD of Contax Participações S.A and HSBC – SRI – FI – Sustainability Fund
  - Member of the Brazilian Institute of Corporate Governance
- Share ownership: 2,305
- Independent of company: Yes
- Independent of owners: Yes

The Nomination Board of Valmet Corporation proposes to the AGM (planned to be held on March 27, 2015) that Bo Risberg is elected as the Chairman of the Board.

**Bo Risberg** (b. 1956, Swedish citizen, BSc (Mech. Eng), MBA) serves as the Chairman of the Board of Directors in Piab Group Holding AB. Before that Risberg worked for Hilti Corporation during years 1999-2013 of which as Chief Executive Officer during 2007-2013.

- 1) Ms. Helfer is employed by Cevian Capital. The total holding of Cevian funds amounted to 20,813,714 shares in Valmet Corporation on March 10, 2013.
- 2) Includes 4 shares in Valmet owned by Mr. Lundmark's family members

# Largest shareholders on January 31, 2014

Based on the information given by Euroclear Finland Ltd.

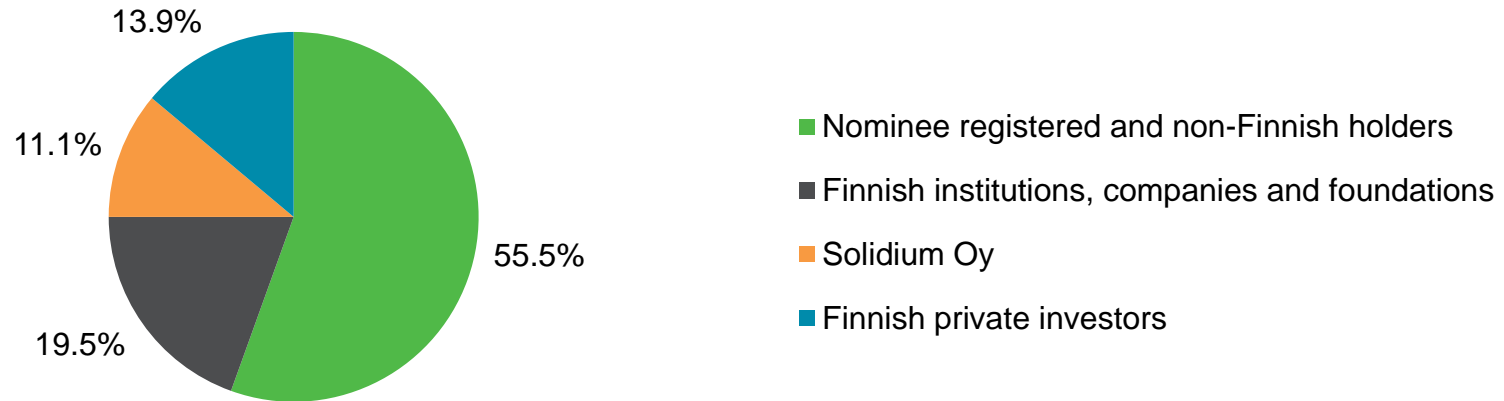
#	Shareholder name	Number of shares	% of shares and votes
1	Solidium Oy <sup>1</sup>	16,695,287	11.14%
2	Nordea Funds	5,099,644	3.40%
3	Skagen Global Verdipapirfond	3,202,627	2.14%
4	Ilmarinen Mutual Pension Insurance Company	3,092,126	2.06%
5	Varma Mutual Pension Insurance Company	2,908,465	1.94%
6	The State Pension Fund	1,520,000	1.01%
7	Keva	1,502,166	1.00%
8	Mandatum Life Insurance Company Limited	1,500,307	1.00%
9	Skagen Global II Verdipapirfond	987,963	0.66%
10	Sigríd Jusélius Foundation	610,865	0.41%
	10 largest shareholders, total	37,119,450	24.76%
	Other shareholders	112,745,169	75.24%
	Total	149,864,619	100.00%

## Flagging notifications

Date	Shareholder name	Number of shares	% of shares and votes
November 6, 2014	Nordea Funds Oy	7,240,716	4.83%
October 15, 2014	Franklin Templeton Institutional, LLC	7,517,629	5.02%
March 10, 2014	Cevian Capital Partners Ltd.	20,813,714	13.89%

1) A holding company that is wholly owned by the Finnish State

# Ownership structure on January 31, 2014

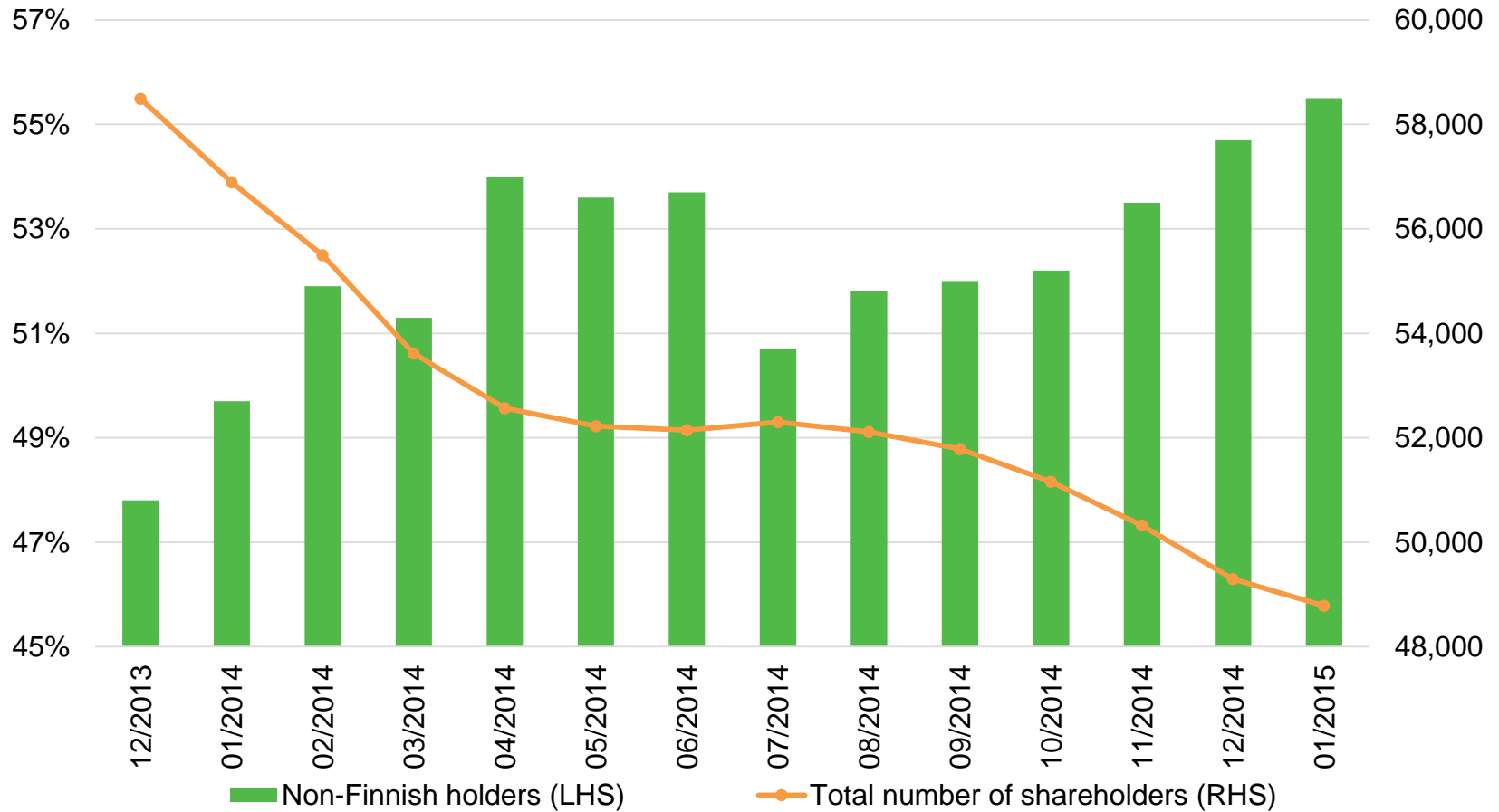


Sector	Number of shareholders	% of total shareholders	Number of shares	% of shares
Nominee registered and non-Finnish holders	305	0.6%	83,104,132	55.5%
Finnish institutions, companies and foundations	2,764	5.7%	29,278,567	19.5%
Solidium Oy <sup>1</sup>	0	0.0%	16,695,287	11.1%
Finnish private investors	45,806	93.7%	20,786,633	13.9%
<b>Total</b>	<b>48,875</b>	<b>100.0%</b>	<b>149,864,619</b>	<b>100.0%</b>

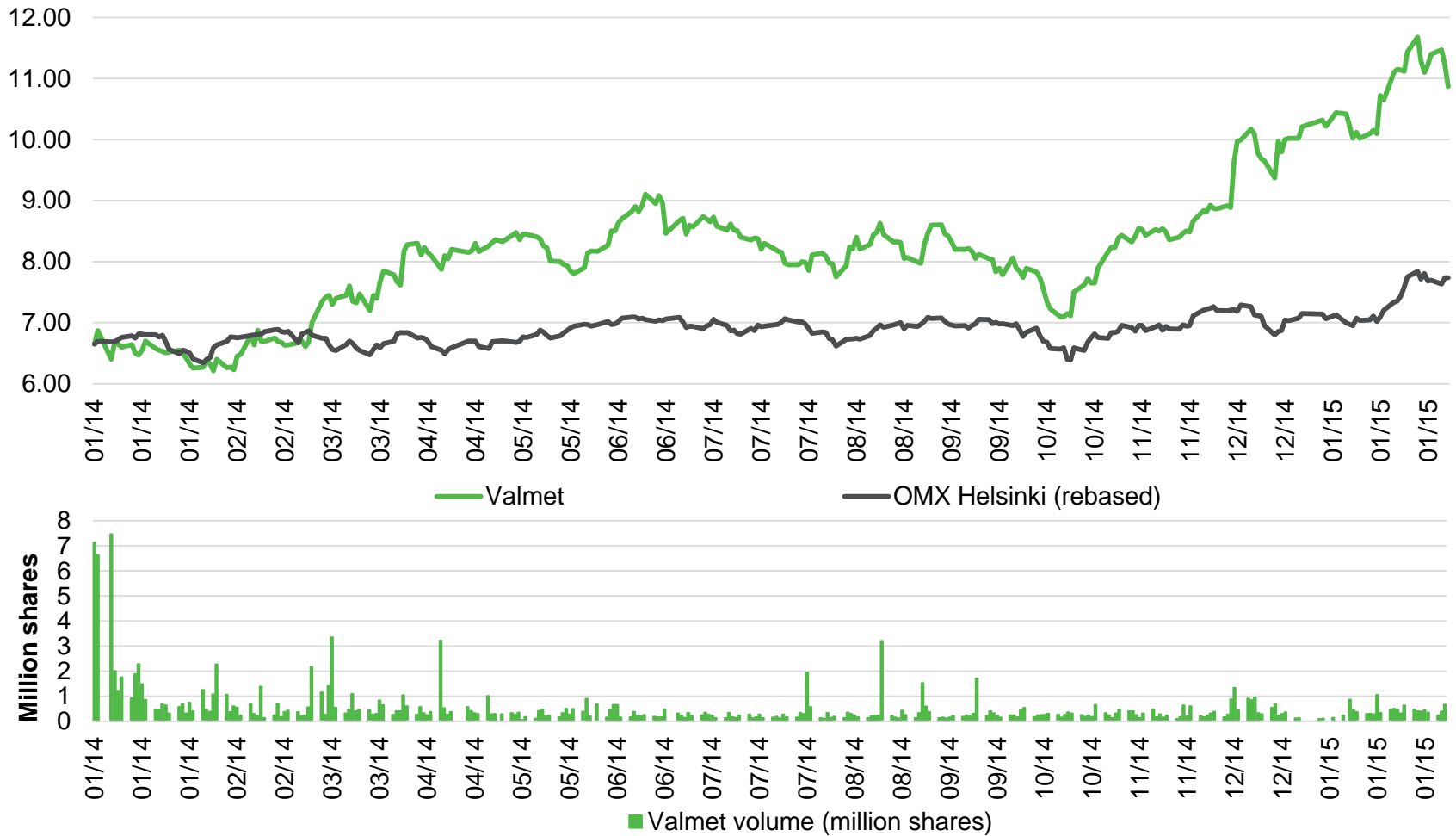
The ownership structure is based on the classification of sectors determined by Statistics Finland.

1) A holding company that is wholly owned by the Finnish State

# Share of non-Finnish holders and number of shareholders



# Share price development and trading volume





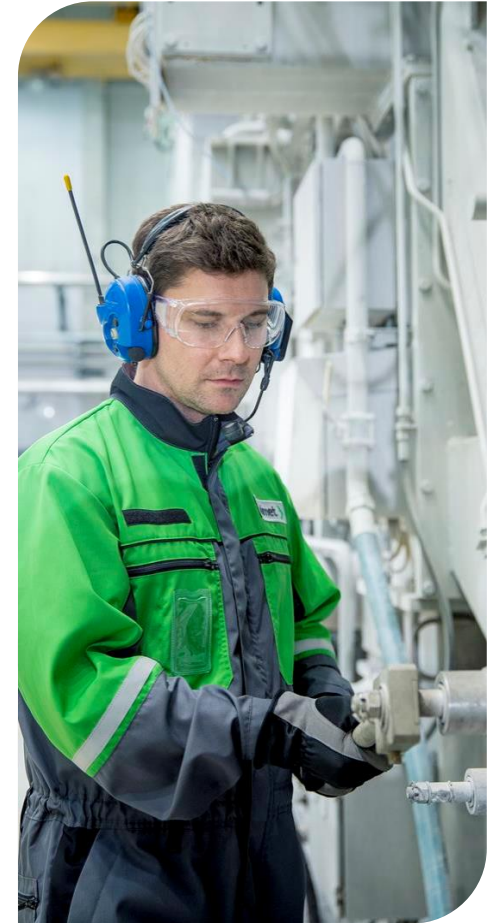
# Appendix

## Financials



# Latest development in sustainability

- Valmet has defined a sustainability agenda as part of the implementation of its business strategy
- Valmet has been selected for the world's leading Dow Jones Sustainability Index among three (3) other Finnish companies
- Valmet scored high points in CDP climate change index and was included in the Nordic Climate Disclosure Leadership Index (CDLI)
- Join the discussion to develop Valmet's sustainability performance further at Valmet's website



# Customer activity increased in 2014

## Announced orders during H1/2014

Date	Description	Business line	Country	Value
Jan 9	Prehydrolysis system (pilot scale)	Pulp and Energy	Netherlands	Not disclosed
Jan 27	Multi-fuel boiler	Pulp and Energy	Finland	Not disclosed
Jan 31	Upgrade of recovery boiler and power boiler	Pulp and Energy	Sweden and Bulgaria	Not disclosed
Feb 7	Key technology for pulp mill	Pulp and Energy	Indonesia	Approximately EUR 340 million
Feb 10	Paper machine rebuild	Paper	Austria	Not disclosed (typically above EUR 20 million)
Feb 13	Heat recovery steam generator	Pulp and Energy	Sweden	Nearly EUR 10 million
Feb 17	Bleach plant rebuild	Pulp and Energy	Portugal	Not disclosed (typically above EUR 20 million)
Feb 27	Wood-chip-fired heating plant	Pulp and Energy	Finland	Around EUR 27 million
Mar 7	Containerboard line	Paper	Vietnam	Not disclosed
Mar 19	Tissue production line	Paper	Mexico	Not disclosed (typically EUR 20-40 million)
Mar 27	CompactCooking G2 cooking plant	Pulp and Energy	Sweden	About EUR 30 million
Mar 27	Waste to energy boiler	Pulp and Energy	Sweden	Not disclosed
Apr 3	Advantage tissue production line	Paper	Turkey	Not disclosed
Apr 28	Large-scale boiler plant	Pulp and Energy	Finland	Typically one third of the total investment of EUR 260 million.
May 5	Pulp and board production lines	Paper, and Pulp and Energy	China	Around EUR 115 million
May 6	Finalized order agreement for pulp dryers	Pulp and Energy	Brazil	A project of this size and scope is typically valued at EUR 150-200 million.
May 13	Paper machine grade conversion rebuild	Paper	Finland	Around EUR 30 million
May 20	Complete boiler plant	Pulp and Energy	Hungary	About EUR 50 million
May 20	Complete boiler plant	Pulp and Energy	Czech Republic	About EUR 50 million
May 21	Part of a major pulp mill rebuild	Pulp and Energy	Thailand	Around EUR 30 million
May 21	A boiler plant	Pulp and Energy	Finland	Around EUR 30 million
Jun 3	Major rebuild and new equipment for pulp mill	Pulp and Energy	Sweden	Around EUR 200 million
Jun 16	Part of a pulp mill upgrade	Pulp and Energy	Portugal	Not disclosed
Jun 24	New sizing technology	Paper	Germany	Not disclosed
Jun 27	Complete Advantage ThruAir tissue line	Paper	USA	Not disclosed

# Customer activity increased in 2014

## Announced orders during H2/2014

Date	Description	Business line	Country	Value
Jul 2	Advantage DCT 200 tissue line	Paper	Middle East	Not disclosed
Jul 8	Wood chipping plant	Pulp and Energy	Sweden	Around EUR 20 million
Aug 4	Advantage NTT line	Paper	USA	Not disclosed
Aug 15	Paper machine grade conversion rebuild	Paper	Thailand	Typically valued at around EUR 20 million
Aug 18	OptiConcept M board production line	Paper	USA	Not disclosed
Aug 20	Tissue production line	Paper	Turkey	Not disclosed
Sep 11	Flue-gas cleaning system	Pulp and Energy	Finland	Roughly EUR 10 million
Oct 7	Equipment for evaporator train upgrade	Pulp and Energy	USA	Not disclosed
Oct 13	Biomass based power plant	Pulp and Energy	Sweden	About EUR 30 million
Oct 30	Advantage DCT 200HS tissue line	Paper	China	Not disclosed
Nov 18	Flue gas scrubber	Pulp and Energy	Finland	Not disclosed
Nov 19	Press section rebuild	Paper	Czech Republic	Not disclosed
Nov 20	Advantage DCT 200HS tissue line	Paper	Poland	Not disclosed
Dec 3	A winder and auxiliaries	Paper	Finland	Not disclosed
Dec 8	Flue-gas cleaning and condensation plant	Pulp and Energy	Finland	Around EUR 8 million
Dec 15	New machine for folding boxboard production	Paper	Sweden	Typically valued at around EUR 60-70 million

## Announced orders during 2015

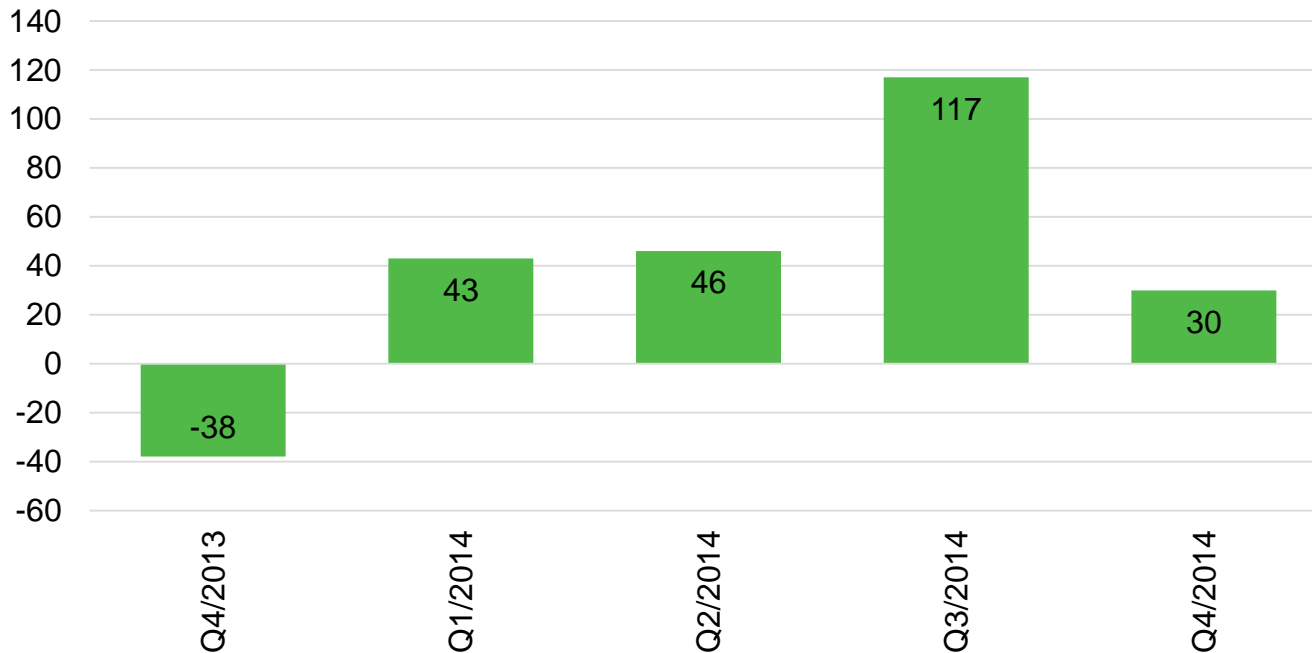
Date	Description	Business line	Country	Value
Jan 23	Key board machine solutions	Paper	China	Not disclosed
Feb 4	Flue-gas cleaning and condensation plant	Pulp and Energy	Finland	Around EUR 8 million

# Valmet's Must-Win initiatives and objectives

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

# Positive cash flow

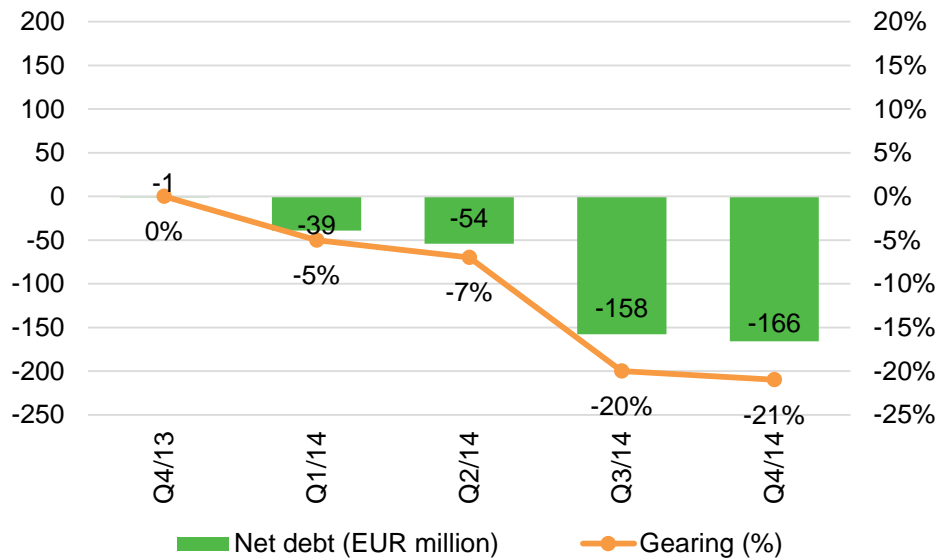
Cash flow provided by operating activities (EUR million)



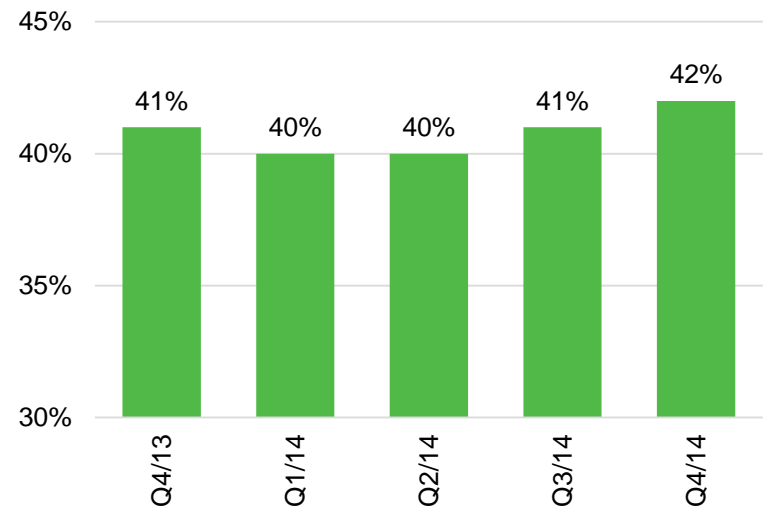
- At the end of 2014, net working capital was EUR -353 million
- CAPEX less than depreciation

# Strong balance sheet with negative gearing

Net debt (EUR million) and gearing (%)



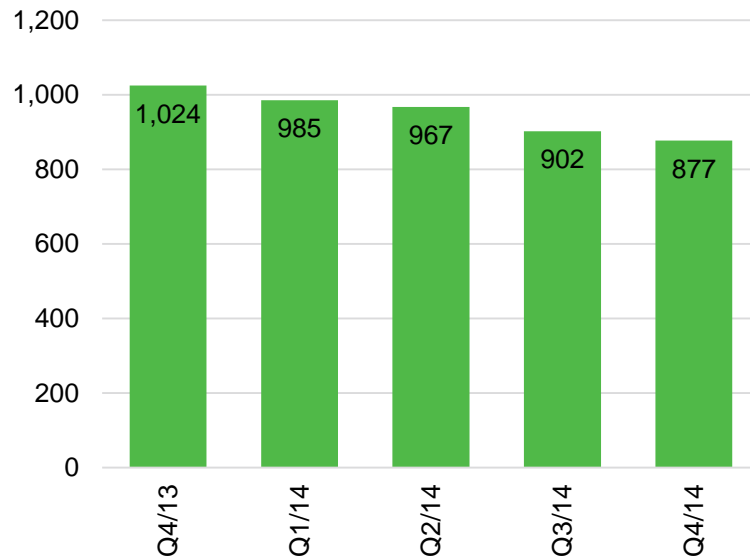
Equity to assets ratio (%)



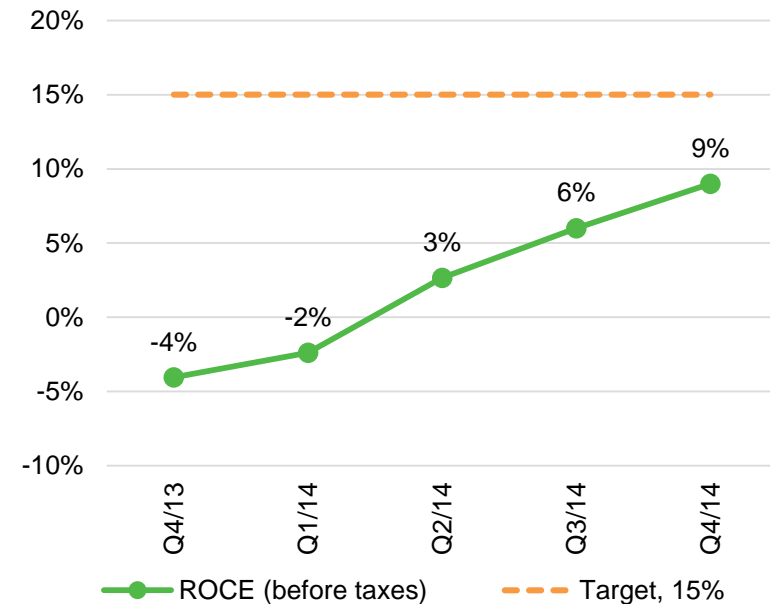
- Gearing -21% and net debt EUR -166 million

# ROCE on improving trend

Capital employed (EUR million)



Return on capital employed (ROCE), before taxes<sup>1</sup> (%)



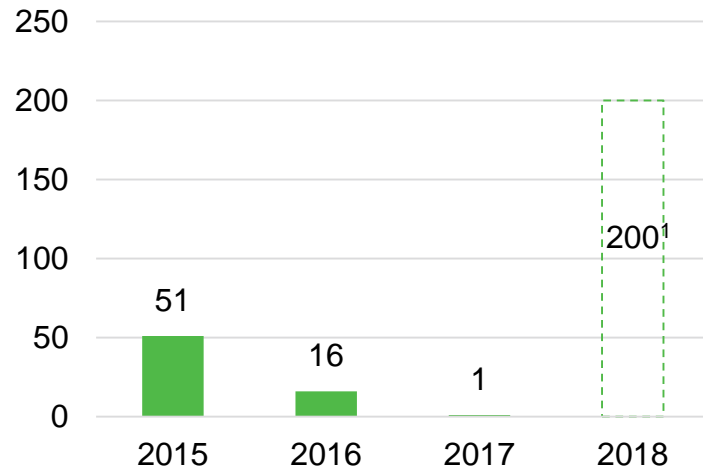
- Decrease in capital employed due to increase in trade and other payables and change in POC receivables and liabilities

1) Annualized year-to-date figures

# Long-term financing

Amount of outstanding interest-bearing debt: EUR 68 million (Dec 31, 2014)

## Maturity profile of interest-bearing debt (EUR millions)



1) EUR 200 million syndicated revolving credit facility, of which none is outstanding as of December 31, 2014.

- Average maturity of non-current loans is 3.2 years

## Main financing sources

EUR 64 million EIB loan

- Maturing in: H2/2016

EUR 4 million other financing sources

## Back-up facilities

EUR 200 million syndicated revolving credit facility

- None outstanding
- Maturity: December 2018

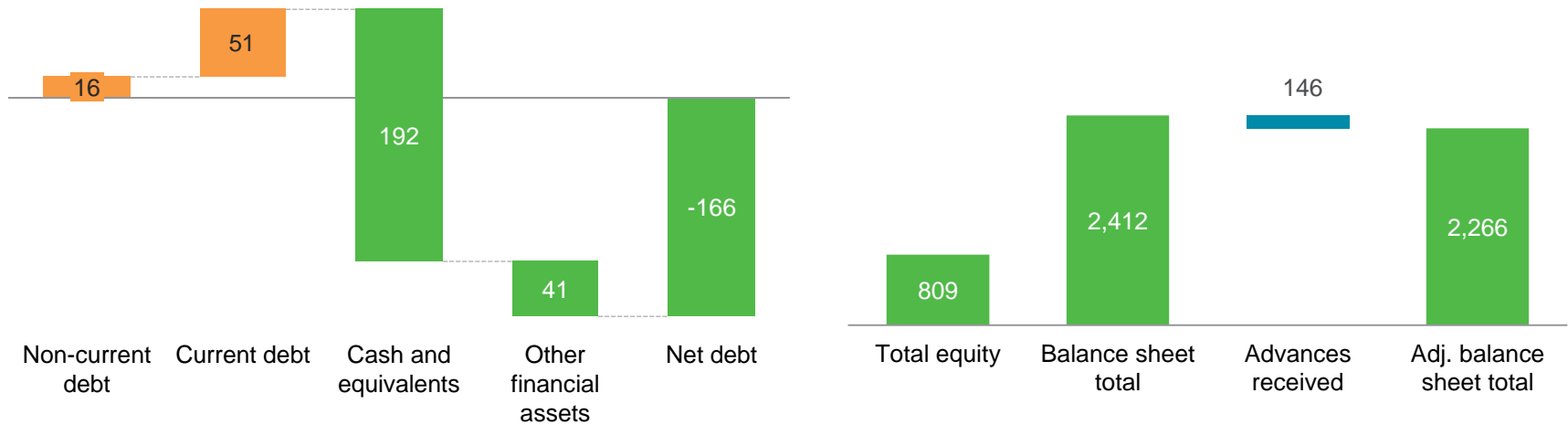
EUR 200 million domestic commercial paper program

- None outstanding



# Strong balance sheet to support large orders

Financial position as of December 31, 2014 (EUR million)



Net debt



EUR -166 million

Gearing



-21%

Equity to assets ratio<sup>1</sup>



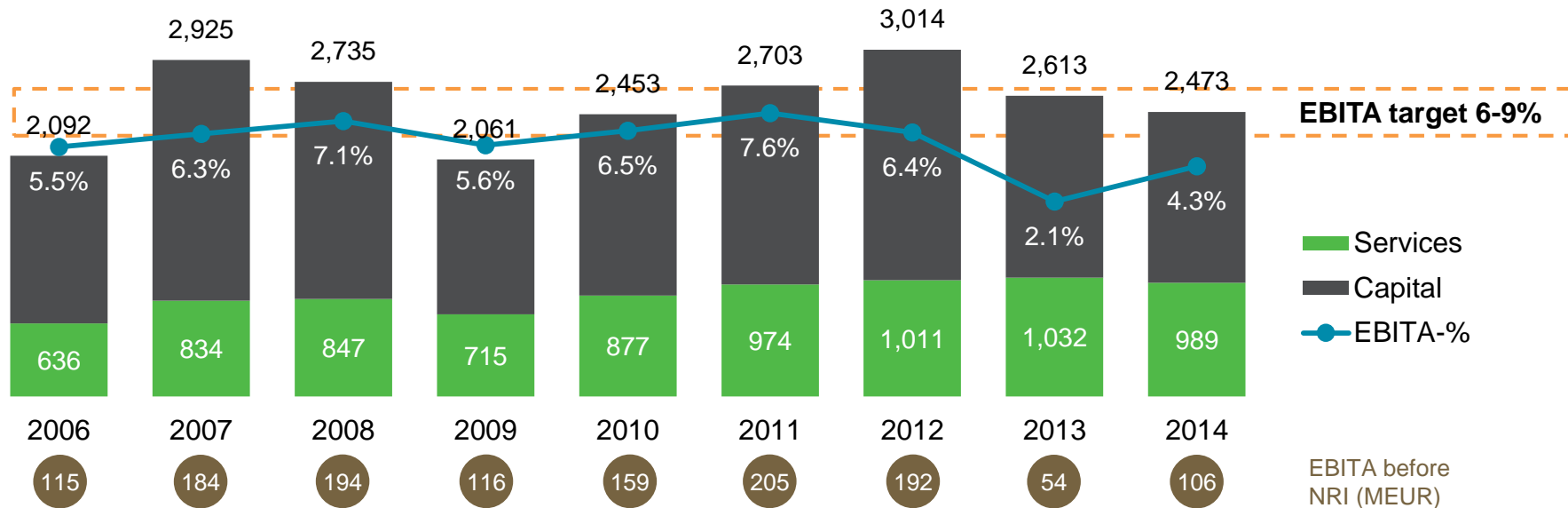
42%

- Valmet has a strong balance sheet that enables it to participate in large projects
- Valmet has long-term liquidity in place

1) Total equity / (Balance sheet total - advances received - billings in excess of cost and earnings of projects under construction)

# Net sales and profitability development, annual

Net sales and EBITA before NRI (EUR million)<sup>1</sup>



- Timing of large projects has had an impact on the level of net sales
- Good stimulus-driven demand in China 2009–2010 supported orders
- The paper machine market has shifted to smaller and lower-cost machines
- In 2013, the power generation market was affected by low-cost shale gas and political and economical uncertainty in Europe
- Profitability improved in 2014 as a result of cost savings

<sup>1)</sup> Actual figures for 2014. Carve-out figures for 2010-2013; as reported for Metso's Pulp, Paper and Power segment for 2006-2009

# Key ratios

	2014	2013
		Carve-out
Earnings per share, EUR	<b>0.31</b>	-0.42 <sup>1</sup>
Diluted earnings per share, EUR	<b>0.31</b>	-0.42 <sup>1</sup>
Equity per share at end of period, EUR	<b>5.36</b>	5.39
Return on equity (ROE), % (annualized)	<b>6%</b>	-7% <sup>2</sup>
Return on capital employed (ROCE) before taxes, % (annualized)	<b>9%</b>	-4%
Equity to assets ratio at end of period, %	<b>42%</b>	41%
Gearing at end of period, %	<b>-21%</b>	0%
Cash flow provided by operating activities, EUR million	<b>236</b>	-43
Cash flow after investments, EUR million	<b>194</b>	-97
Gross capital expenditure (excl. business acquisitions), EUR million	<b>-46</b>	-54
Business acquisitions, net of cash acquired, EUR million	-	-3
Depreciation and amortization, EUR million	<b>-72</b>	-82
Number of outstanding shares at end of period	<b>149,864,220</b>	149,864,619
Average number of outstanding shares	<b>149,863,252</b>	149,864,619
Average number of diluted shares	<b>149,863,252</b>	149,864,619
Net interest-bearing liabilities at end of period, EUR million	<b>-166</b>	-1

1) The earnings per share information was computed as if the shares issued in conjunction with the Demerger had been outstanding for the entire comparison period.

2) In calculating this key ratio, an adjustment of EUR 468 million has been made from 'Non-current debt, Metso Group' to 'equity' in order to reflect the conversion of Metso Svenska AB's non-current debt to Metso Group which took place in January 2013.

# Consolidated statement of income

	Q4/2014	Q4/2013	Q1-Q4/ 2014	Q1-Q4/ 2013
		Carve-out		Carve-out
<b>EUR million</b>				
Net sales	777	666	2,473	2,613
Cost of goods sold	-633	-591	-2,004	-2,172
Gross profit	144	75	469	441
Selling, general and administrative expenses	-109	-126	-401	-469
Other operating income and expenses, net	3	-15	4	-32
Share in profits and losses of associated companies	0	0	0	1
Operating profit	38	-66	72	-59
Financial income and expenses, net	-1	3	-5	-5
Profit before taxes	36	-63	67	-64
Income taxes	-11	2	-21	2
<b>Profit / loss</b>	<b>25</b>	<b>-61</b>	<b>46</b>	<b>-62</b>
<b>Attributable to:</b>				
Owners of the parent	25	-61	46	-63
Non-controlling interests	0	0	0	1
<b>Profit / loss</b>	<b>25</b>	<b>-61</b>	<b>46</b>	<b>-62</b>
<b>Earnings per share attributable to owners of the parent</b>				
Earnings per share, EUR	0.17	-0.41 <sup>1</sup>	0.31	-0.42 <sup>1</sup>
Diluted earnings per share, EUR	0.17	-0.41 <sup>1</sup>	0.31	-0.42 <sup>1</sup>

1) The earnings per share information was computed as if the shares issued in conjunction with the Demerger had been outstanding for the entire comparison period.

# Balance sheet as at December 31, 2014

Assets	As at December 31, 2014	As at December 31, 2013
<b>EUR million</b>		
<b>Non-current assets</b>		
<b>Intangible assets</b>		
Goodwill	446	443
Other intangible assets	91	107
<b>Total intangible assets</b>	537	550
<b>Property, plant and equipment</b>		
Land and water areas	22	21
Buildings and structures	132	137
Machinery and equipment	202	210
Assets under construction	25	21
<b>Total property, plant and equipment</b>	381	389
<b>Financial and other non-current assets</b>		
Investments in associated companies	5	5
Available-for-sale financial assets	9	3
Loan and other receivables	7	1
Derivative financial instruments	0	-
Deferred tax asset	86	80
Other non-current assets	14	8
<b>Total financial and other non-current assets</b>	121	97
<b>Total non-current assets</b>	1,040	1,036
<b>Current assets</b>		
<b>Inventories</b>	474	431
<b>Receivables</b>		
Trade and other receivables	445	436
Cost and earnings of projects under construction in excess of advance billings	192	159
Loan and other receivables	0	-
Available-for-sale financial assets	28	1
Derivative financial instruments	20	18
Income tax receivables	22	21
<b>Total receivables</b>	706	635
<b>Cash and cash equivalents</b>	192	211
<b>Total current assets</b>	1,372	1,277
<b>Total assets</b>	2,412	2,313

# Balance sheet as at December 31, 2014

Equity and liabilities EUR million	As at December 31, 2014	As at December 31, 2013
<b>Equity</b>		
Share capital	100	100
Reserve for invested unrestricted equity	403	402
Cumulative translation adjustments	9	2
Fair value and other reserves	-3	5
Retained earnings	296	299
<b>Equity attributable to owners of the parent</b>	<b>804</b>	<b>808</b>
<b>Non-controlling interests</b>	<b>5</b>	<b>5</b>
<b>Total equity</b>	<b>809</b>	<b>813</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Non-current debt	16	140
Post-employment benefits	144	103
Provisions	10	32
Derivative financial instruments	3	2
Deferred tax liability	22	29
Other non-current liabilities	1	1
<b>Total non-current liabilities</b>	<b>195</b>	<b>307</b>
<b>Current liabilities</b>		
Current portion of non-current debt	51	63
Current debt	-	8
Trade and other payables	740	673
Provisions	98	105
Advances received	146	139
Billings in excess of cost and earnings of projects under construction	327	176
Derivative financial instruments	30	8
Income tax liabilities	16	21
<b>Total current liabilities</b>	<b>1,408</b>	<b>1,193</b>
<b>Total liabilities</b>	<b>1,603</b>	<b>1,500</b>
<b>Total equity and liabilities</b>	<b>2,412</b>	<b>2,313</b>



# Appendix

## Process Automation Systems

# 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%

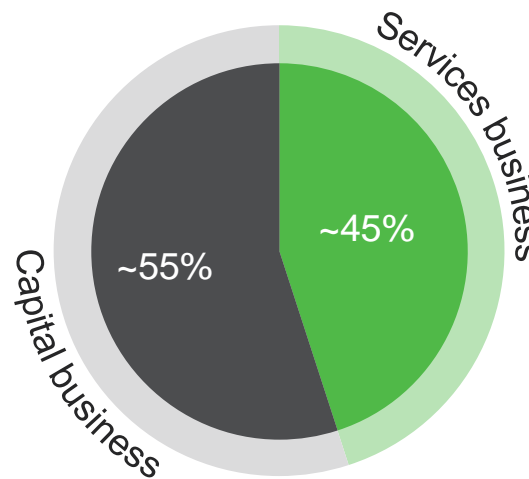
## Position in Pulp and Paper

#1 Analyzers

#1-2 Quality control systems

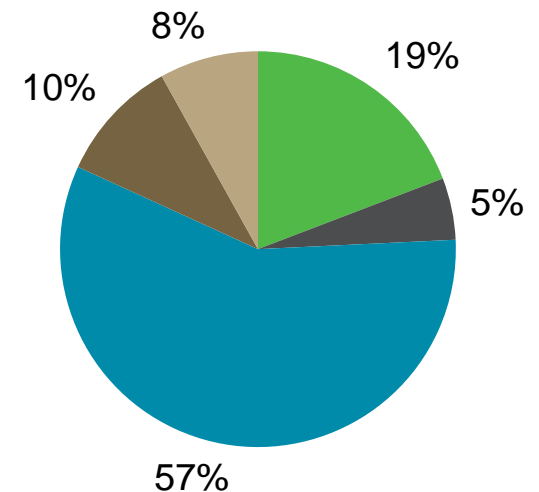
#3 Distributed control systems

## 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



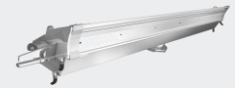
## Quality Control System (QCS)

- 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

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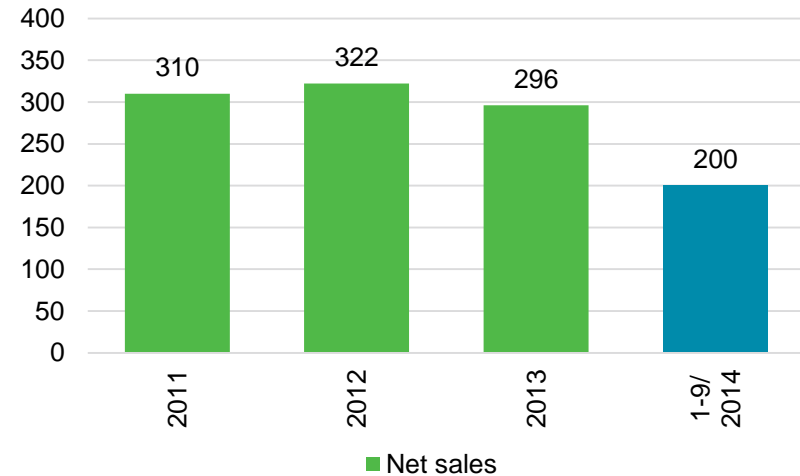


# Recent development

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 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).

# Automation will be Valmet's fourth business line



Services  
business line



Pulp and Energy  
business line



Paper  
business line



Automation  
business line

North America

South America

EMEA

China

Asia-Pacific



- Acquisition is estimated to be completed by April 1, 2015 and is subject to approval by the competition authorities
- Valmet will continue to have a single reporting segment
- Net sales, orders received and personnel will be reported for all business lines and areas after the completion of the acquisition
- Sakari Ruotsalainen appointed as Business Line President, Automation



# Appendix

## Market statistics

# Comprehensive life-cycle services offering and large customer base with significant potential

## Comprehensive life-cycle services offering



Comprehensive life-cycle services offering serving global customer base with over 2,000 plants purchasing services from Valmet annually

### Spare and wear parts

- All OEM spare parts and standard parts in Valmet deliveries
- Inventory management services and process parts, such as consumables and auxiliary products

### Fabrics

- Paper machinery clothing
- Filter fabrics used in the pulp and paper, mining and chemical industries and power plants for various filtration purposes as well as in commercial laundries

### Mill and plant improvements

- Plant upgrades
- Modifications and environmental improvements
- Troubleshooting
- Shutdown maintenance
- Maintenance outsourcing for the entire customer plant

### Roll and workshop services

- Maintenance services on rotating equipment: roll covers, spare rolls and roll upgrades
- Rebuilds for all manufacturers' board, tissue, pulp and paper machines
- Workshop services: pressure part manufacturing, boiler component services, parts to protect and enhance boiler performance and fiber equipment refurbishing

### Energy and environmental

- Services for evaporation plants, power and recovery boilers, and environmental equipment



# Services market

## Market trends

### Cost pressure and outsourcing

- ▶ Customer cost pressure and machine closures increase demand for solutions decreasing costs, net working capital, and raw material and energy consumption
- ▶ Increased demand for more competitive processes and decreasing in-house customer competencies expected to provide growth in demand for services

### Packaging growth

- ▶ Growing demand for containerboard expected to increase need for services

### Closure of graphic machines

- ▶ Reduces demand for spare parts and process consumables, but instead
- ▶ Increases demand for expert and outsourcing services
- ▶ Increases demand for process improvements and debottlenecking of the remaining machines

### EMEA and North America

- ▶ Largest market for the Services BL where majority of installed base is located
- ▶ Customer cost pressure and machine closures key drivers

### South and Central America

- ▶ Important growth market, together with China and Asia Pacific

### Asia Pacific

- ▶ Important growth market, together with China and South and Central America

## Total market for Valmet's services offering ~EUR 7bn<sup>1</sup>

- Pulp and paper services = ~EUR 6bn
- Power services market = ~EUR 1bn

### China

- ▶ Largest single country for Valmet
- ▶ The services market expected to grow by ~5% in 2012-2016 in China, South America and Asia Pacific region
- ▶ Growth supported by significant amounts of new capacity being installed in these areas during the last ten years and the installed base is aging

The total market for Valmet's services offering estimated to grow to EUR 7.7 billion by the end of 2016, corresponding to an annual global growth rate of about 2.0%<sup>1</sup>

1) Global market size for current offering in 2012 estimated by 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

# Pulp market

## Market trends

### Virgin wood pulp growth due to limitations of recycled paper growth and growing demand for tissue

- ▶ Growth of pulp produced from recycled paper limited by increasing marginal costs and the decreasing quality of recovered paper<sup>3</sup>
- ▶ Management expects demand for pulp to be driven primarily by tissue production growth

### Increased size of pulp lines and mills

- ▶ Typical greenfield pulp mill size up from avg. capacity of ~0.7-1.0m metric tons of pulp p.a. in 2000-2007 to ~1.3-1.5m metric tons of pulp p.a. in 2007-2013
- ▶ Expected to benefit technology providers, such as Valmet and Andritz with good references of large project deliveries and comprehensive product offering covering complete plant solutions

### EMEA and North America

- ▶ Chemical pulp production growing by ~1% p.a. in 2010-2020 in the EMEA region and decline by ~0.2% p.a. in North America<sup>3</sup>
- ▶ Demand in Europe and North America mainly focused on upgrades and conversions

### South and Central America

- ▶ Chemical wood pulp production growing by ~3.4% p.a. in 2011-2025<sup>3</sup>
- ▶ Main markets for larger pulp plant deliveries are South America and Asia Pacific region
- ▶ Growing virgin fiber demand expected to be met primarily by increase in new hardwood pulp production capacity, especially in South America

### Asia Pacific

- ▶ Chemical pulp production growing by ~3% p.a. in 2010-2020<sup>3</sup>
- ▶ Main markets for larger pulp plant deliveries are South America and Asia Pacific region
- ▶ Especially mid-sized plants market segment growing in Asia
- ▶ Increase in new hardwood pulp production capacity second largest in Asia after South America

### Total market for Valmet's pulp technology ~EUR 1.4bn<sup>1</sup>

- Chemical pulp accounts for ~70% of the total volume of virgin papermaking fiber raw materials<sup>2</sup>

### China

- ▶ Chemical pulp production growing by ~6% p.a. in 2010-2020<sup>3</sup>
- ▶ Chemical wood pulp production growing by ~2.4% p.a. in Asia in 2011-2025<sup>3</sup>
- ▶ Especially mid-sized plants market segment growing in Asia
- ▶ Increase in new hardwood pulp production capacity second largest in Asia after South America
- ▶ Increasing standard of living in Asia driving demand for paper, board and tissue based products, expected to increase the demand for fiber
- ▶ Paper, board and tissue growing fastest in Asia, especially China and India, which do not have sufficient indigenous fiber resources<sup>3</sup>

Total market for Valmet's pulp technology estimated to be around EUR 1.4bn<sup>1</sup> and virgin pulp consumption is estimated to grow 1.0% annually on average between 2010 and 2025<sup>3</sup>

1) Management estimate for total market size for Valmet's pulp production technology offering based on historical and projected pulp capacity increases

2) Virgin papermaking fibre raw materials in 2011, where virgin papermaking fibre raw materials include chemical wood pulp, mechanical and semi-mechanical wood pulp and non-wood pulp (source: Leading consulting firm)

3) Source: Leading consulting firm

# Energy market

## Market trends

### Growth in energy consumption and demand for sustainable energy

- ▶ Global electricity demand to grow 2.2% p.a. from 18,443 TWh in 2010 to 31,859 TWh in 2035<sup>3</sup>
- ▶ Fossil fuels continue to be the predominant fuel in energy production, but the share of fossil fuels in energy production expected to decrease from 68% in 2010 to 58% in 2035<sup>3</sup>
- ▶ Biomass-based electricity generation represented ~1.6% of global electricity generation in 2011, but is forecast to grow 6.9% p.a. between 2011 and 2018<sup>3</sup>

### Incentives and regulation supporting biomass and new biomass conversion technology-based solutions

- ▶ Aim to reduce emissions and mitigate climate change has resulted in targeted reductions of CO2 emissions and use of fossil fuel-based energy production in many countries
- ▶ Policy decisions also impacted by governments' objectives to increase the energy security and decrease dependence on imported energy

### EMEA and North America

- ▶ EMEA region and North America, represent ~50% of the global market<sup>4</sup>
- ▶ Totals ~ EUR 2.3bn in 2013-2015 on average<sup>4</sup>
- ▶ Expected to grow to an average of EUR 2.6bn in next 3 years<sup>4</sup>
- ▶ North American market impacted by low price of natural gas
- ▶ EMEA region impacted by slow economy and political uncertainty around renewable energy support schemes
- ▶ EU target of 20% share of energy from renewable sources in overall EU energy consumption by 2020

### South and Central America

- ▶ Market in Asia-Pacific, China and South America, estimated to EUR 2.1bn between 2013 and 2015<sup>4</sup>
- ▶ Expected to grow to EUR 3.6bn in next 3 year period<sup>4</sup>

### Asia Pacific

- ▶ Market in Asia-Pacific, China and South America, estimated to EUR 2.1bn between 2013 and 2015<sup>4</sup>
- ▶ Expected to grow to EUR 3.6bn in next 3 year period<sup>4</sup>

### Global biomass and waste power plant market ~EUR 4.5bn<sup>1</sup>

- Average estimate for global biomass and waste power plant market between 2013-2015

### Biomass conversion technology market >EUR 1.5bn by 2020<sup>2</sup>

- Management estimate for Valmet's offering

### China

- ▶ Market in Asia-Pacific, China and South America, estimated to EUR 2.1bn between 2013 and 2015<sup>4</sup>
- ▶ Expected to grow to EUR 3.6bn in next 3 year period<sup>4</sup>
- ▶ China's current 5 year plan targets 13,000 MW of biomass power production capacity by 2015, a substantial increase from the 5,500 MW installed biomass-based power capacity in 2010

The global biomass and waste power plant market estimated to be some EUR 4.5 billion on average in 2013-2015 and increase to EUR 6.2 billion on average in 2016-2018

1) Global biomass and waste power plant market estimated by Management to total ~ EUR 4.5bn on average between 2013 and 2015, a decline from an average of EUR 5.0bn between 2010 and 2012. The market is forecast to recuperate and reach an average of EUR 6.2bn between 2016 and 2018

2) Management estimates that the market for its biomass conversion technology solutions will exceed EUR 1.5 billion in 2020

3) Source: IEA, 2012

4) Source: Leading consulting firm

# Paper market

## Market trends

### General: Demand for increased energy, water and raw material efficiency

- ▶ Focus on environmental responsibilities and stricter energy and environmental regulations drive demand for machines that use less energy, water and raw materials, as well as use of renewable energy sources

### Board: Increased demand due to growth in packaging and emerging markets

- ▶ Containerboard demand driven by GDP growth and industrial manufacturing
- ▶ Demand for carton board driven by increased retail sales, consumer packaging and urbanization<sup>3</sup>

### Tissue: Growth driven by increasing standard of living and tissue consumption

- ▶ Use of tissue-based hygiene products generally correlated with economic growth, population growth and standard of living
- ▶ Increased product penetration from improved product quality drive tissue consumption e.g. in China<sup>3</sup>
- ▶ Tissue products not conducive to long-distance transportation due to their bulky nature, thus the size of tissue mills expected to continue to be relatively small while the number of mills is expected to increase

### EMEA and North America

- ▶ Market expected to mainly relate to rebuilds of existing installed capacity
- ▶ Changes in consumer demographics and shopping behavior expected to create additional demand for board in developed countries<sup>2</sup>
- ▶ Tissue consumption growth 1.4% p.a. in North America, 5-9% p.a. in Eastern Europe and 3.5% p.a. in Western Europe in 2010-2021<sup>3</sup>

### South and Central America

- ▶ Tissue consumption growing 5-9% between 2010-2021 in Latin America<sup>3</sup>

### Newsprint and writing and printing papers: Decreased demand due to growth of digital media

- ▶ Ongoing structural change resulting in production overcapacity in EMEA region and North America has weakened demand for writing and printing paper machines and shifted demand to lower-cost solutions, mid-sized machines and machine rebuilds

### Asia Pacific

- ▶ Emerging markets expected to account for largest share of capacity growth for carton board<sup>3</sup>

- ▶ Despite decline in demand in EMEA region and North America the demand is still growing in China and other emerging markets<sup>2</sup>

### Total market for Valmet's<sup>1</sup>: Board technology ~EUR 1bn

- Containerboard consumption growing by ~2.7% and carton board by ~2.4% p.a. in 2010-2025<sup>5</sup>

### Tissue technology ~EUR 0.6bn

- Global tissue paper consumption growing by ~3% p.a. through 2025<sup>2</sup>

### Newsprint and P&W paper technology ~EUR 0.6bn

- P&W paper demand growing marginally while global consumption of newsprint declines ~1-2% p.a. in 2010-2025<sup>2</sup>

### China

- ▶ Emerging markets, e.g. China, expected to drive containerboard demand
- ▶ Higher product penetration together with improved product quality drive tissue consumption e.g. in China
- ▶ Tissue consumption growing 5-9% between 2010-2021<sup>3</sup>

- ▶ Average order size from the paper industry to decrease and paper machines will need to produce different paper grades more flexibly and meet more stringent environmental regulations

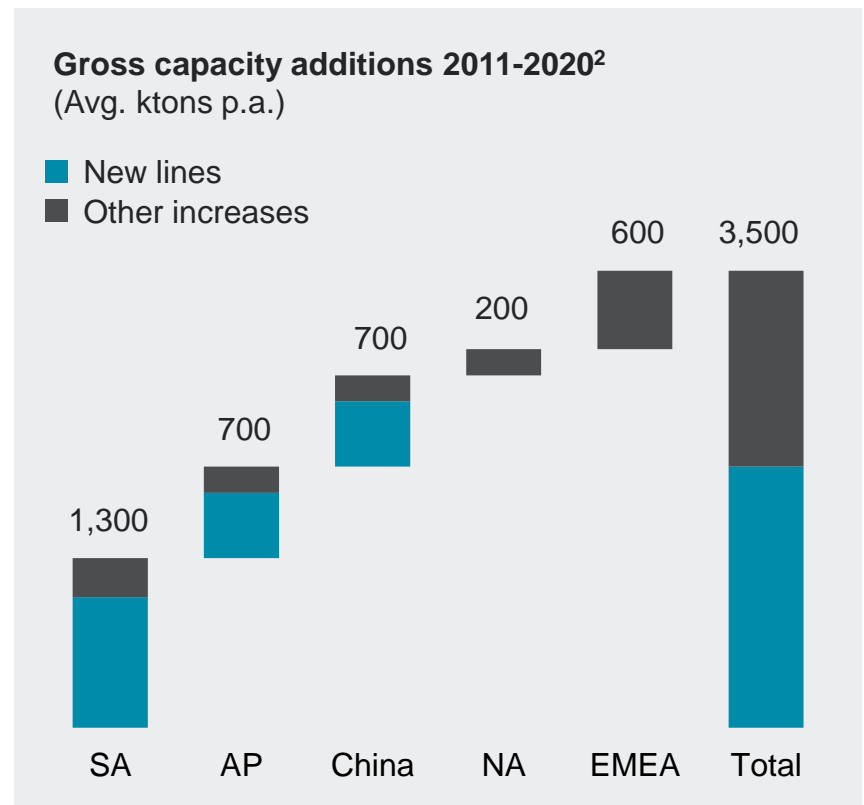
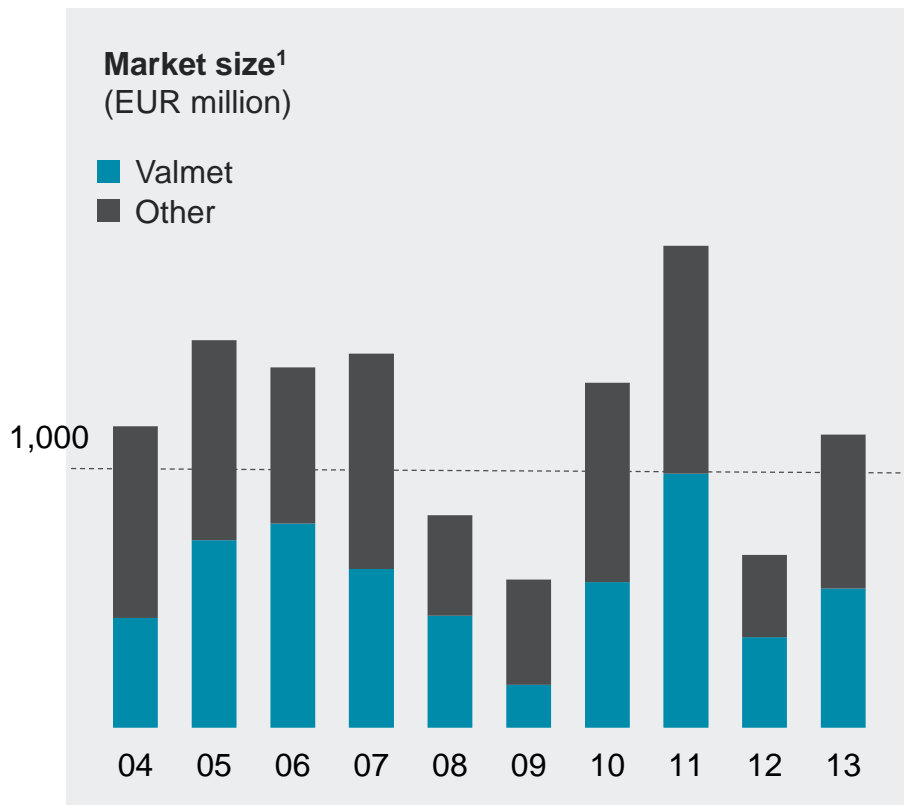
General demand driven by increased need for energy, water and raw material efficiency; board and tissue demand growing with packaging and emerging markets

1) Management estimate based on current machine demand  
2) Source: Leading consulting firms  
3) RISI

# The majority of new pulp lines are being built in South America and Asia

Market fluctuates from year to year

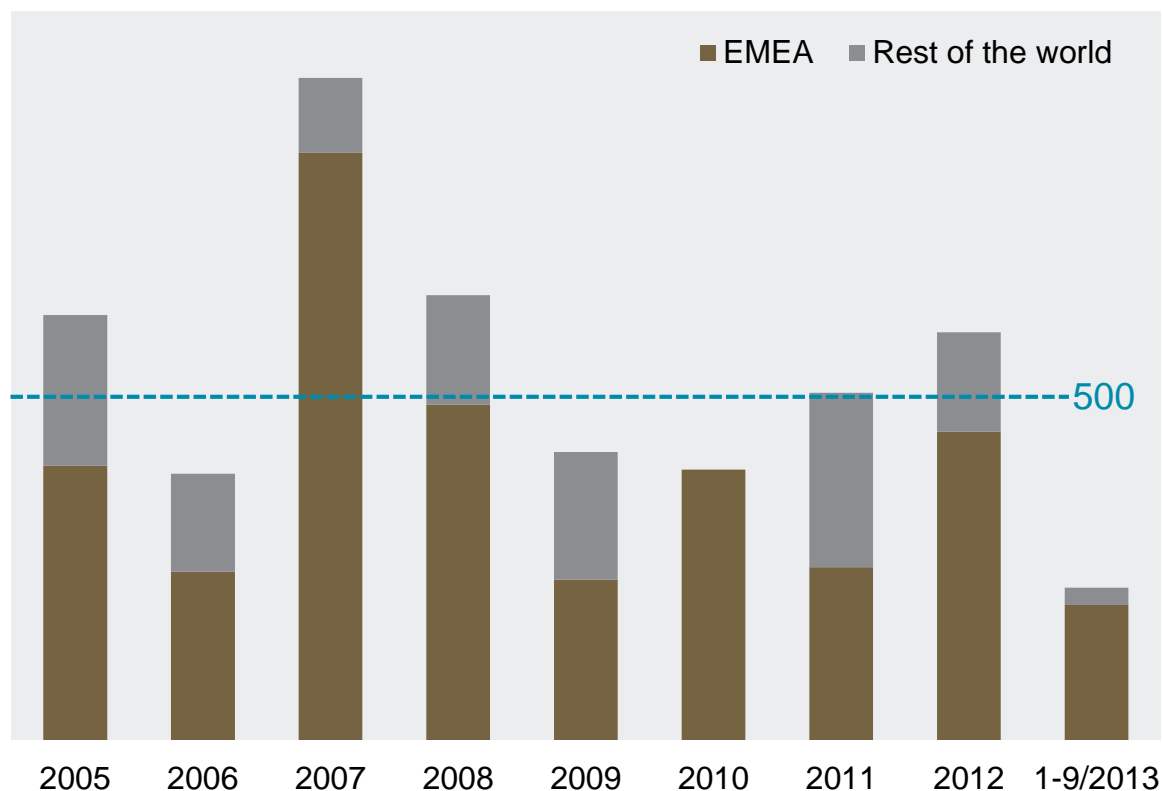
New chemical pulp lines in SA and Asia



1) Market size based on orders received. Includes all pulp business units, recovery boilers, and evaporation plants  
 2) Average capacity additions p.a. 2011-2020. Only positive capacity changes included, not shutdowns  
 Source: Valmet, Pöyry

# Market for larger size (> 50 MWth) biomass boilers has significantly declined in EMEA and North America

New boiler market served by Valmet<sup>1</sup> (EUR million)  
(only projects where Valmet has been involved)



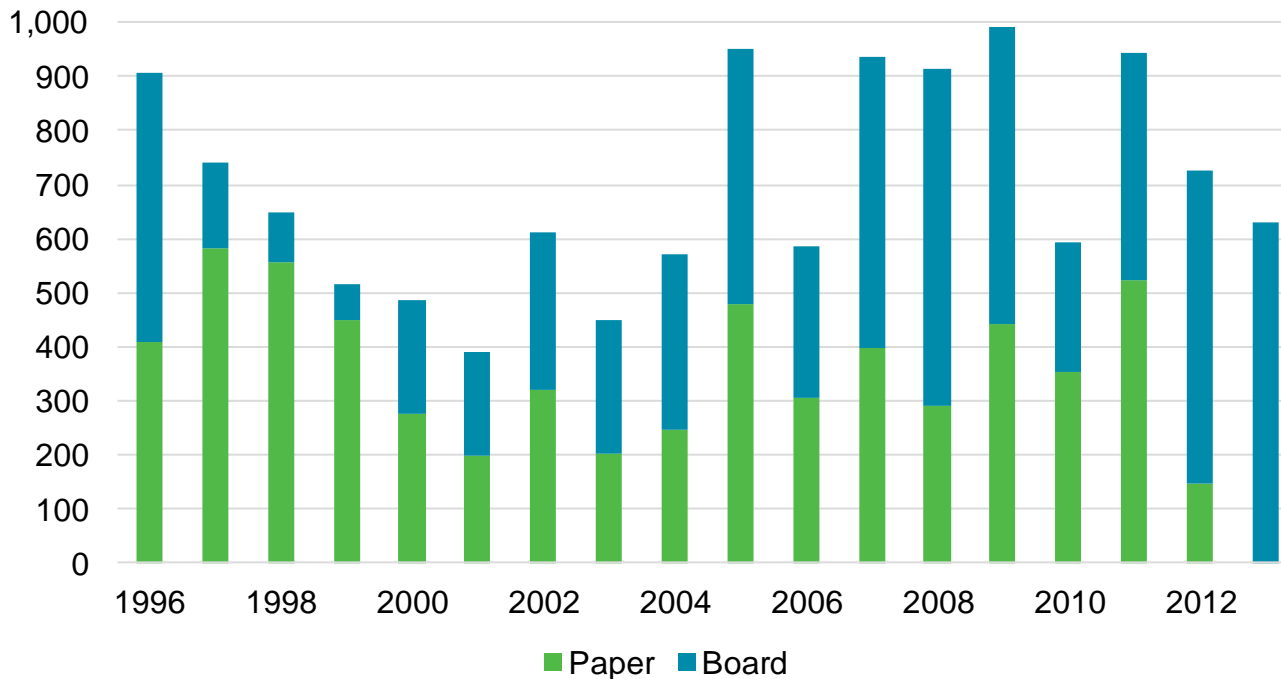
## Key messages and implications

- Strong market decline in 2013 and unclear future market development
- Increased political uncertainty about meeting CO<sub>2</sub> targets and reduced ability to finance support schemes
- Price of coal has reduced, making it more attractive for power generation in Europe and elsewhere
- North American biomass power market has declined significantly
- Price of energy has dropped and previous subsidy schemes supporting biomass have expired

1) Note: Includes the power boiler market served by Valmet excluding small power plants < 50MW (EUR 200-300 million), air pollution control (EUR 50-100 million p.a.), retrofits (EUR 100-200 million), and projects where Valmet has not competed (boilers ~EUR 1 billion p.a.)  
Source: Valmet

# Major changes in the paper and board market

Estimated net sales<sup>1</sup> (EUR millions)



**Board machines:**

Narrow, slow, and lower technology

**Paper machines:**

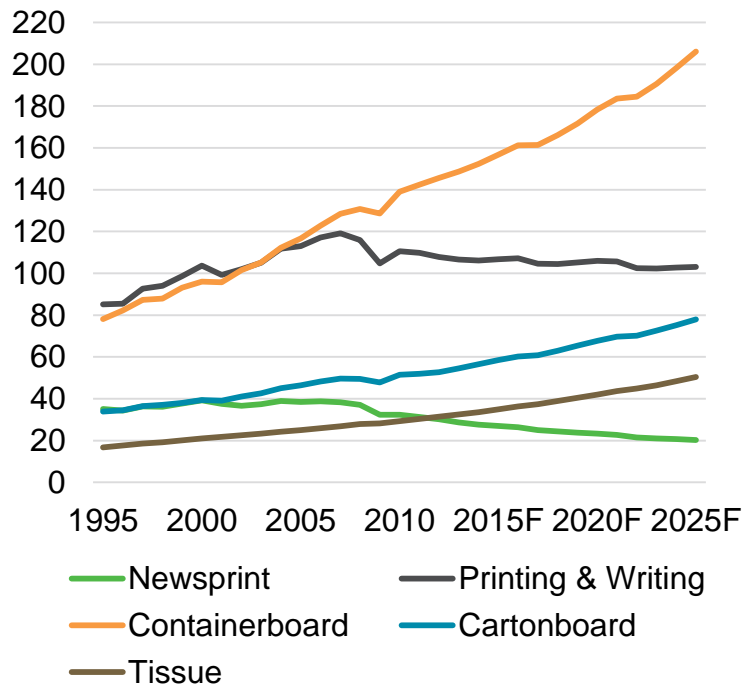
Wide, fast, and high technology

1) Company estimate based on estimated capacity by start-up year and estimated average price per ton (constant value of EUR180/ton used over time)

# Consumption development

Growth in board and tissue consumption is expected to continue while newsprint is declining

Paper consumption<sup>1</sup> (Mton)



CAGR	2001-2013	2013-2025F
Containerboard	+3.4%	+2.5%
Printing & Writing	+0.5%	-0.3%
Cartonboard	+2.6%	+2.8%
Tissue	+3.1%	+3.5%
Newsprint	-2.1%	-2.6%

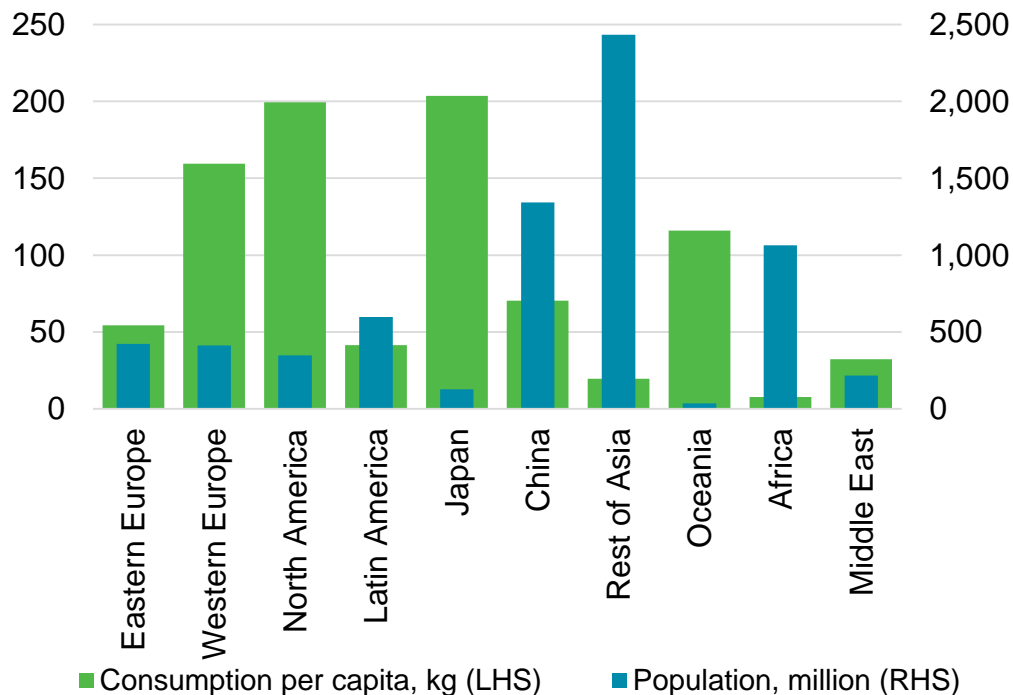


1) Source: RISI



# Paper and board consumption growth trends

Paper and board consumption per capita vs. population<sup>1</sup>



Average global consumption: 53 kg per capita

Population growth in emerging markets is larger than in developed markets

Level of consumption per capita in emerging markets clearly below that in developed markets

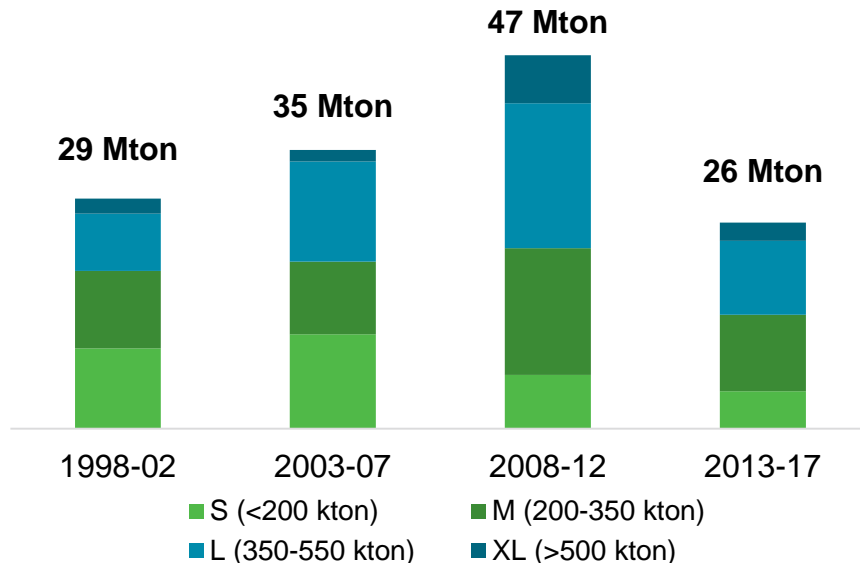
This offers us long-term growth potential

1) Source: PPI Annual Review 2013 (2012 figures)

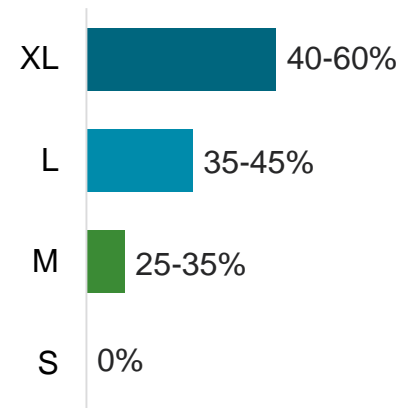
# Demand has shifted more towards smaller paper and board machines

- We are focusing more on modularized and standardized solutions
- Competition is higher in smaller machines

Capacity of start-ups<sup>1</sup>, by machine size



Valmet's market share<sup>1</sup>, by machine size



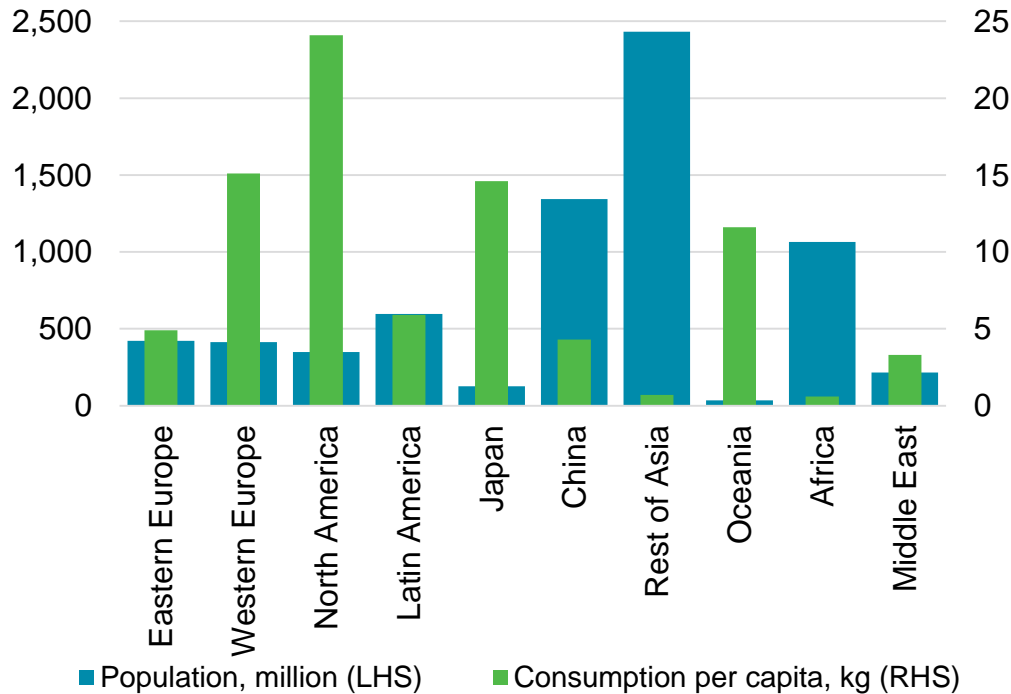
Competition is lower in larger machine sizes.

Higher number of players in smaller machines.

1) Source: Pöyry, Valmet

# Tissue consumption growth trends

Tissue consumption per capita vs. population<sup>1</sup>



Average global consumption: 4.5 kg per capita

New products and consumption models based on tissue are helping increase consumption in developed markets

Consumption in emerging markets is still low, but growing

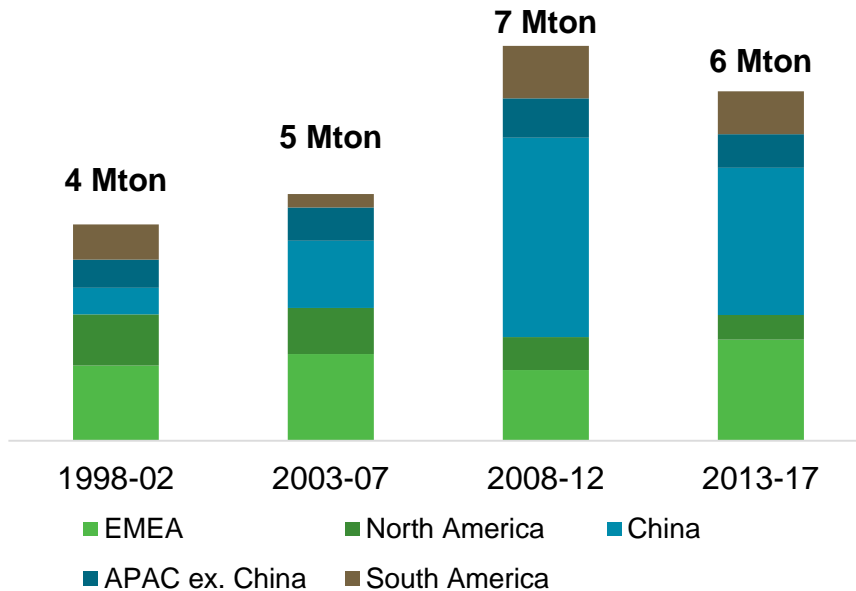
Offers us long-term growth potential in both developed and emerging markets

1) Source: PPI Annual Review 2013 (2012 figures)

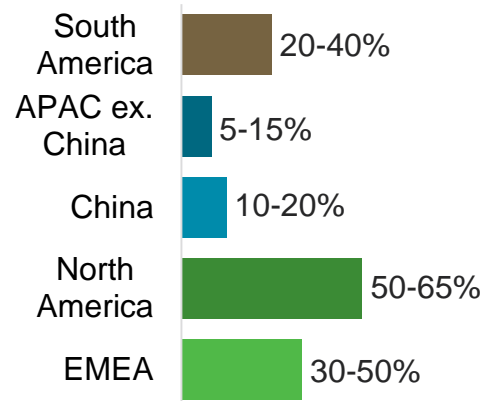
# Tissue market growing long term

- Recent market reduction due to heavy Chinese investments
- Competition is high in all areas, Valmet is strongest in North America

Capacity of start-ups<sup>1</sup>, by area



Valmet's market share<sup>1</sup>, by area



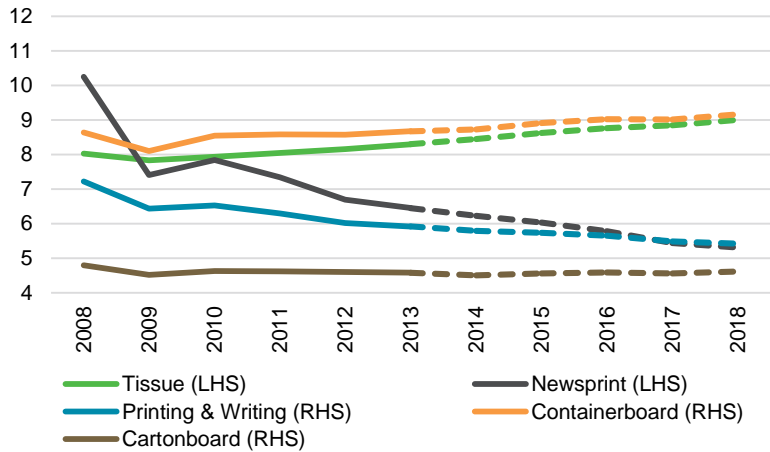
Number of competitors is low in the Americas and EMEA.

Smaller Chinese companies present in China and Asia.

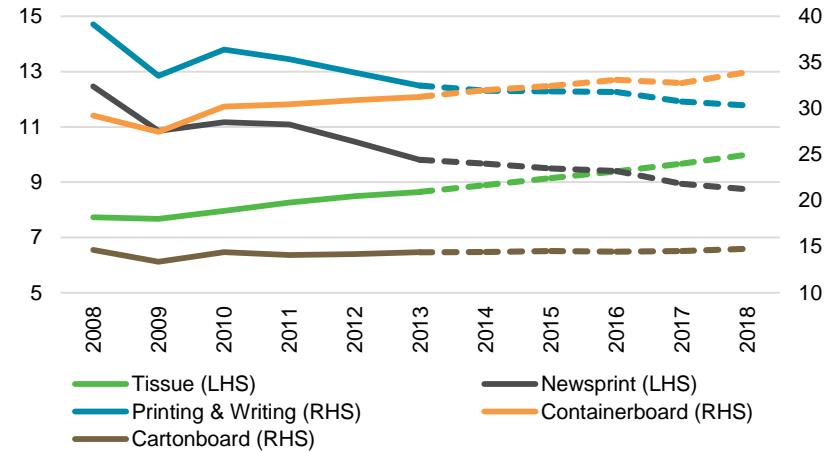
1) Source: Pöyry, Valmet

# Paper, board, and tissue production trends

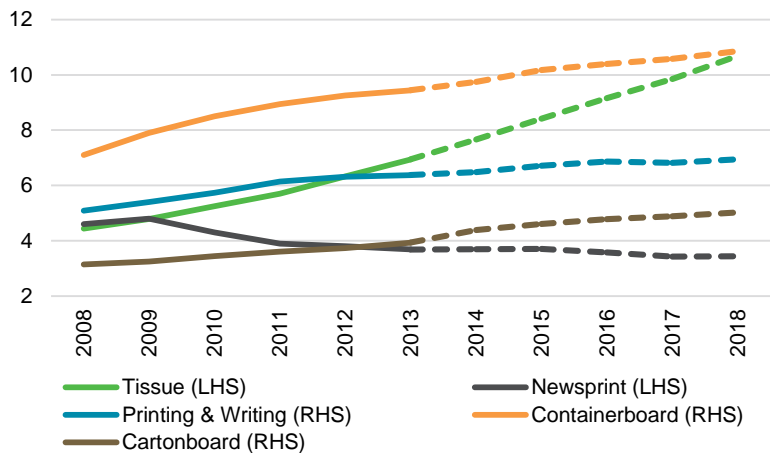
## North America (million tonnes)



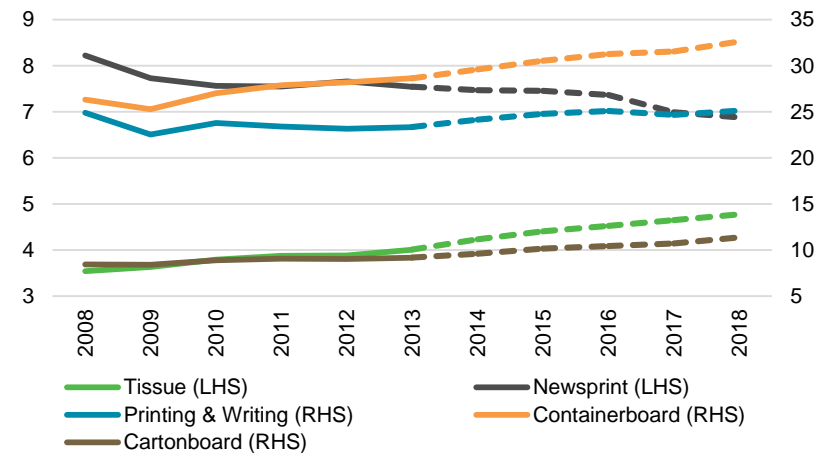
## Europe (million tonnes)



## China (million tonnes)



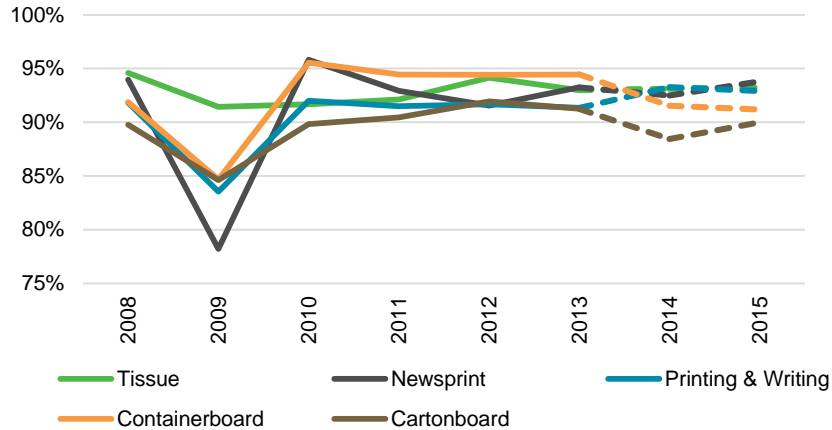
## Asia-Pacific (million tonnes)



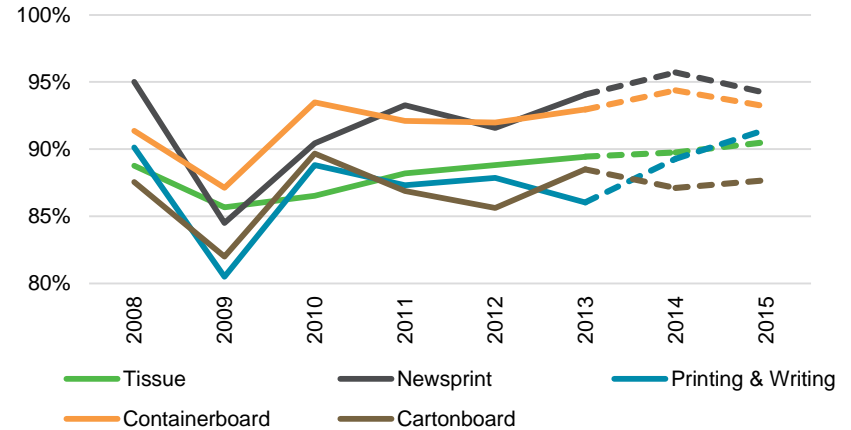
Source: RISI

# Paper, board, and tissue operating rates

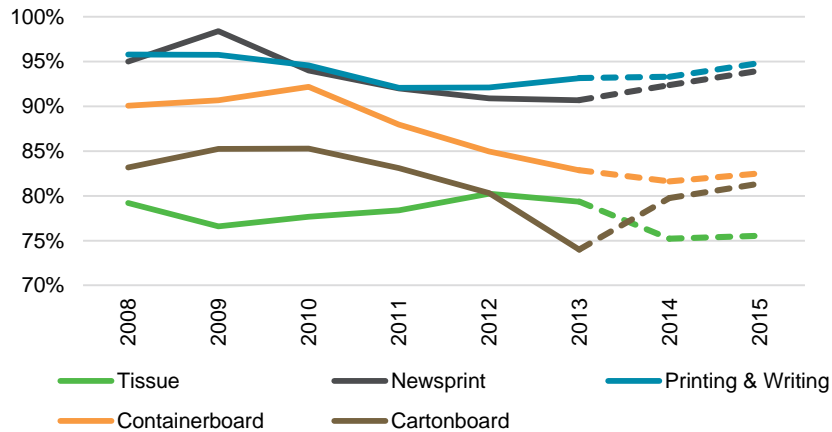
## North America



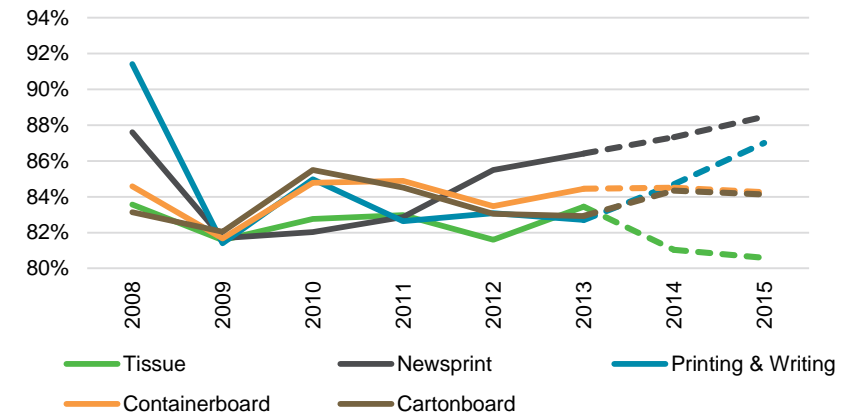
## Europe



## China

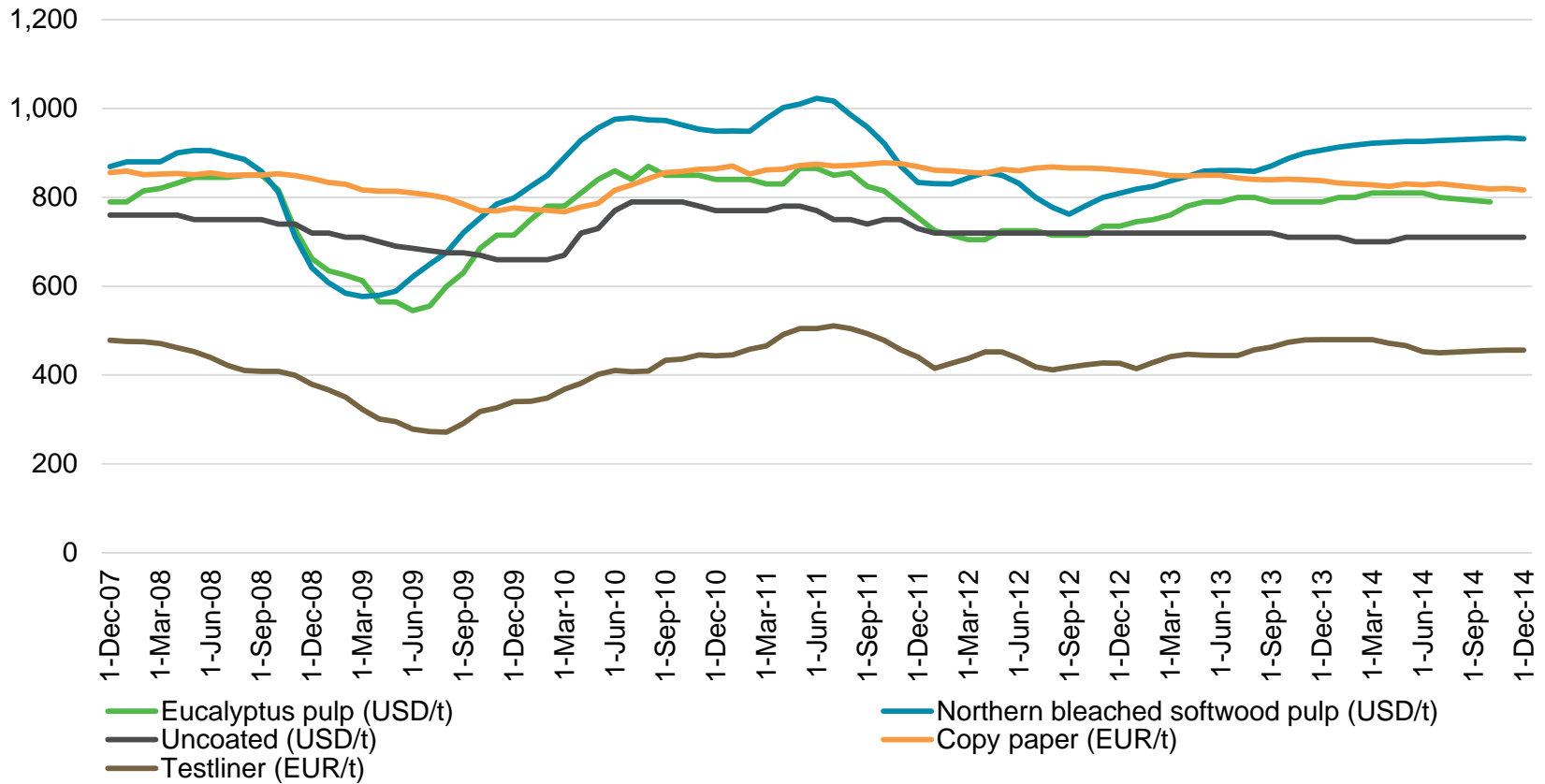


## Asia-Pacific



Source: RISI

# Pulp and paper price trends

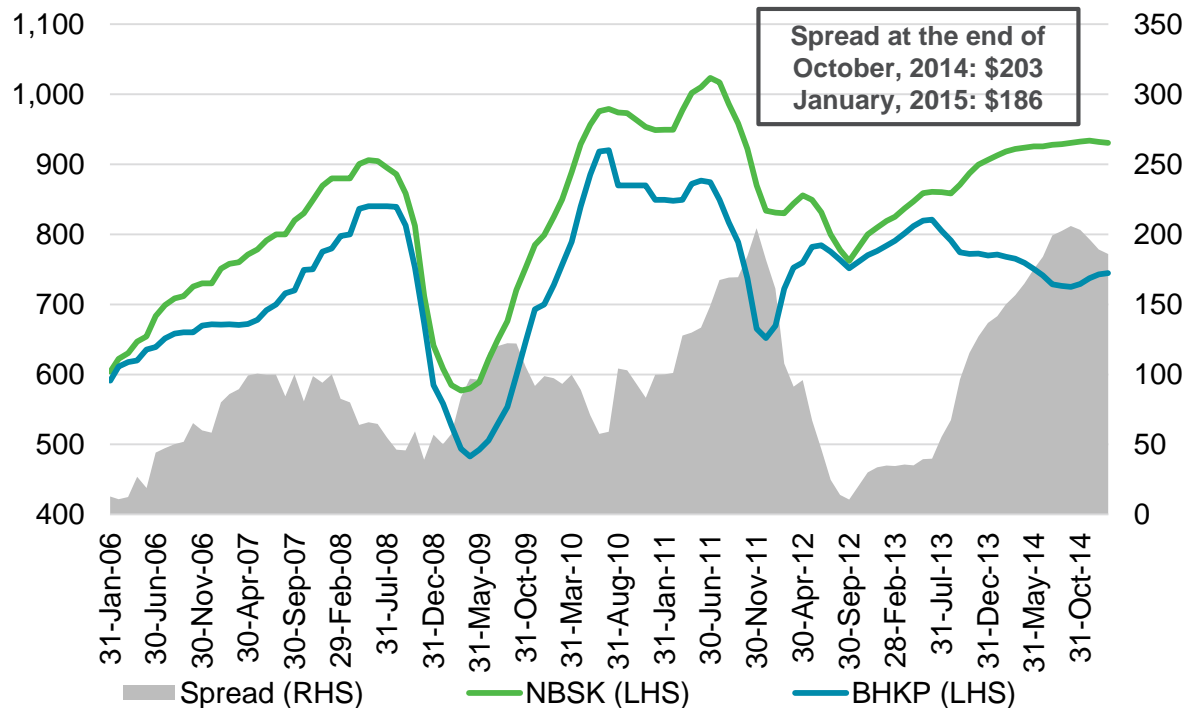


Source: Bloomberg

# Historically large spread in pulp prices

- In the autumn of 2014, many pulp producers announced price hikes

Pulp prices, Europe: NBSK and BHKP (USD/ton)



## NBSK

Northern bleached softwood kraft pulp is produced mainly in Canada and the Nordic countries. NBSK is based on long fibre wood species. It adds strength to the final product.

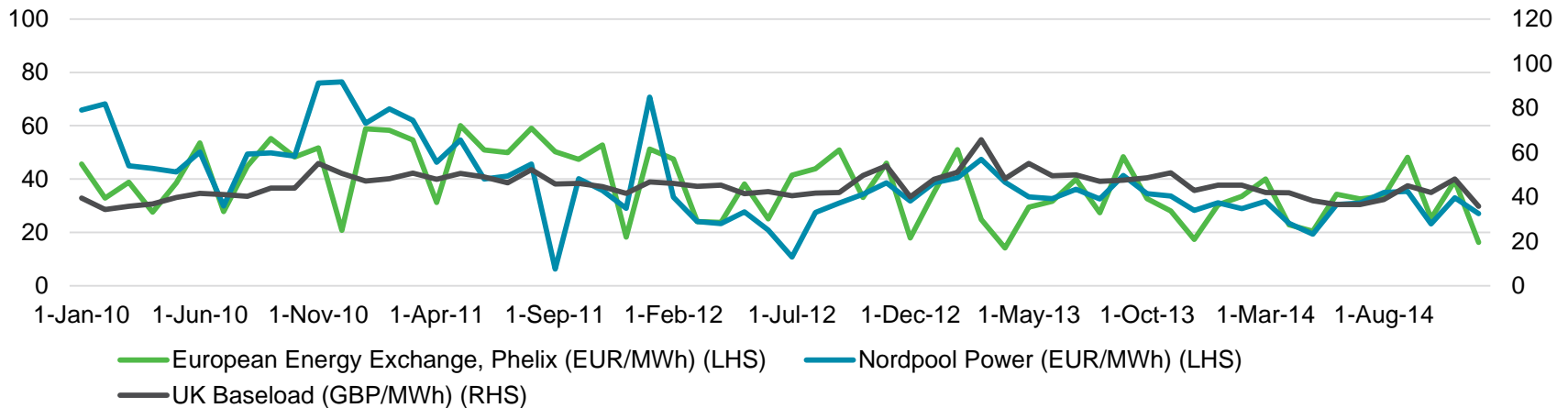
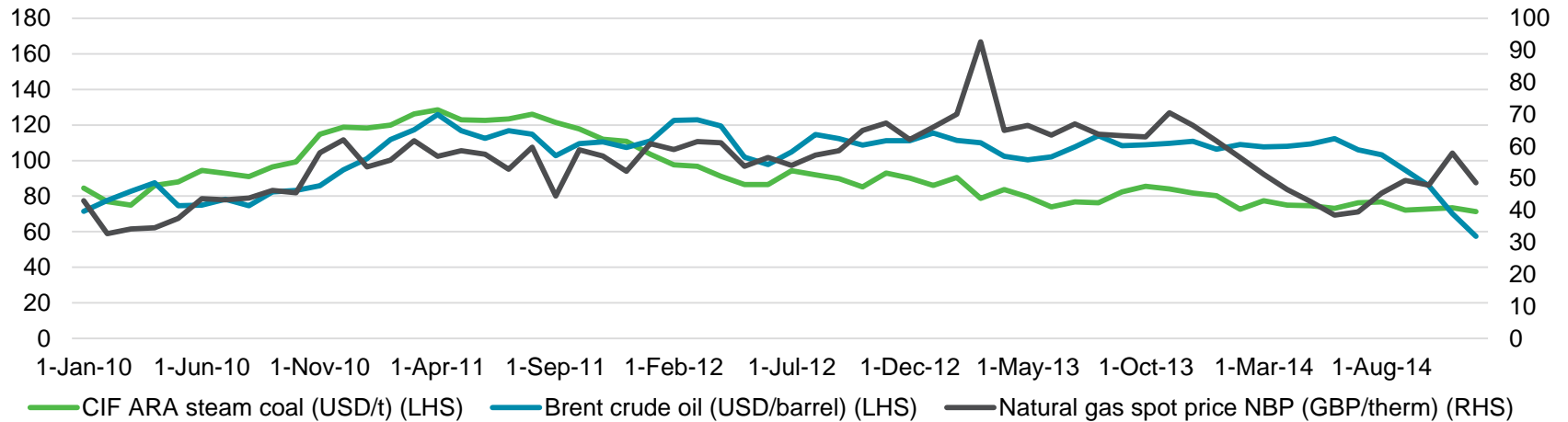
## BHKP

Bleached hardwood kraft pulp, produced e.g. in Brazil and Indonesia, is based on short fibre wood species. It adds softness to the final product.



# Crude oil, steam coal, natural gas and electricity

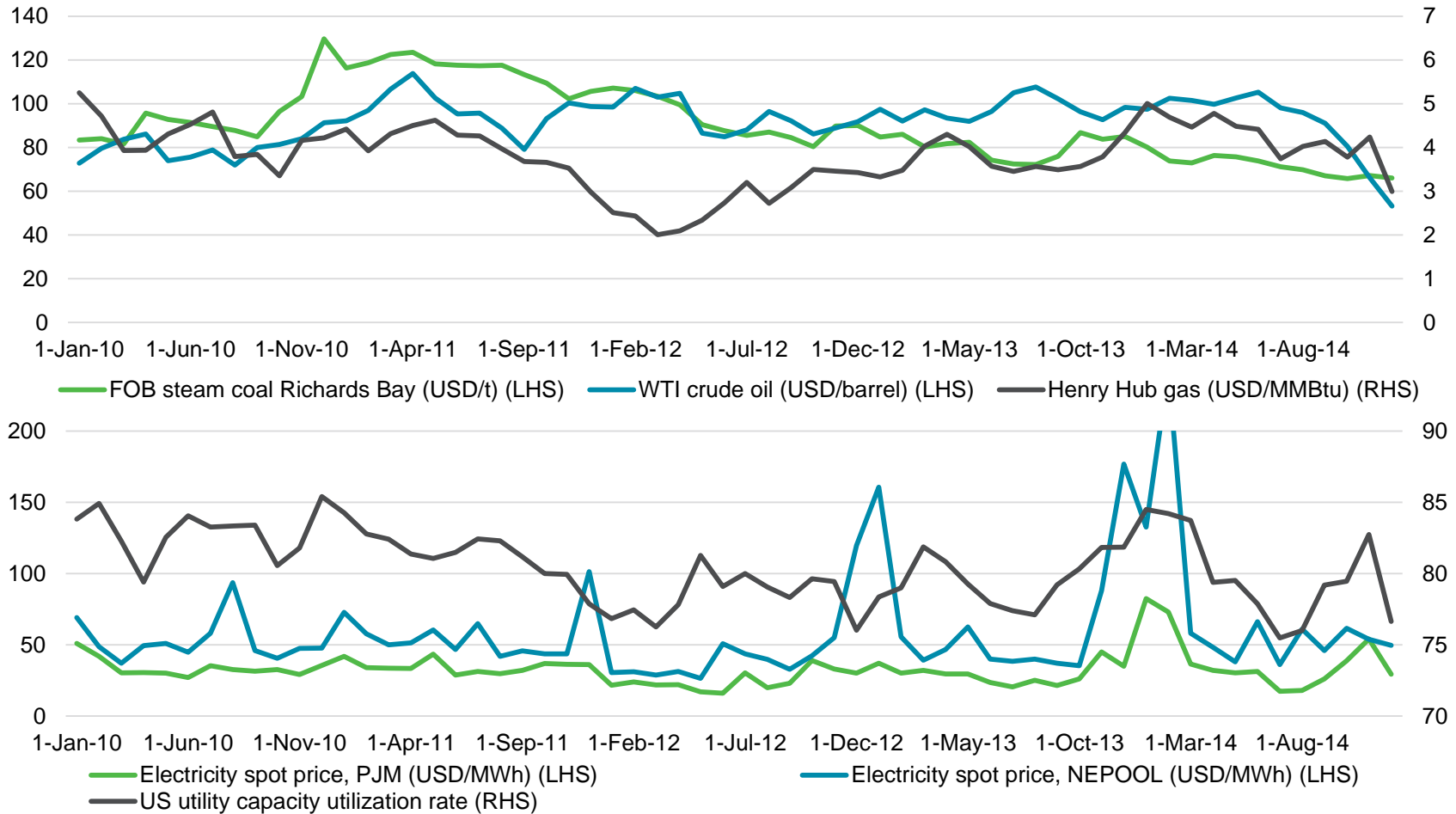
## Europe



Source: Bloomberg

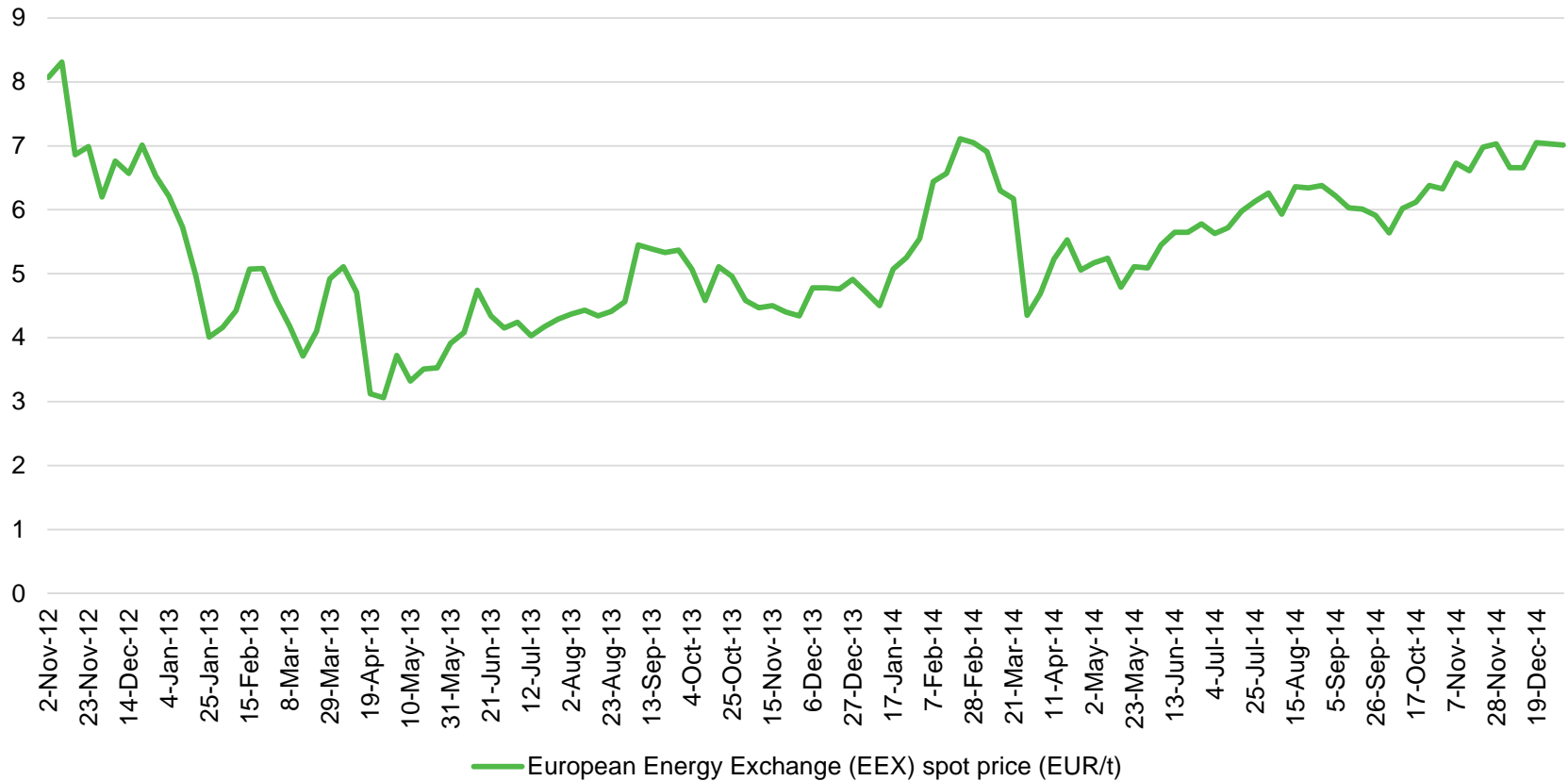
# Crude oil, steam coal, natural gas and electricity

## United States



Source: Bloomberg

# European Carbon Emission Allowance



Source: Bloomberg

