



Valmet – unique offering
with process technology,
automation and services

Finnish Capital Goods Companies:
Services Operations

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President and CEO

Agenda

Finnish Capital Goods Companies: Services Operations

- 1 Valmet overview
- 2 Investment highlights
- 3 Services business line
- 4 Automation business line
- 5 Conclusions



Valmet overview

Key figures 2014

Excluding Automation business line

Orders received
EUR 3,071 million

Net Sales
EUR 2,473 million

EBITA before NRI¹
EUR 106 million

Employees 10,464

Market position

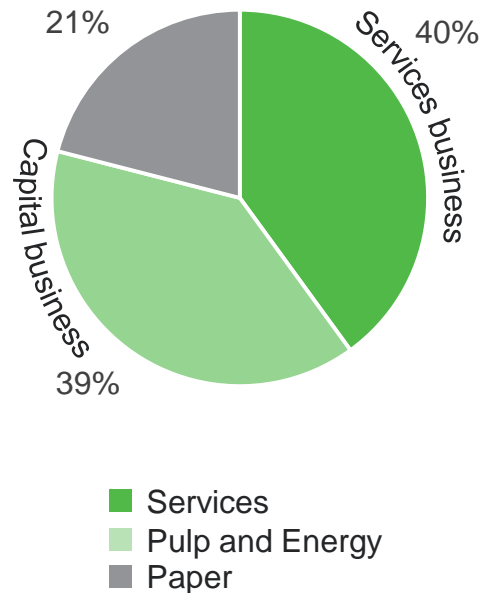
#1-2 Services

#1-2 Pulp

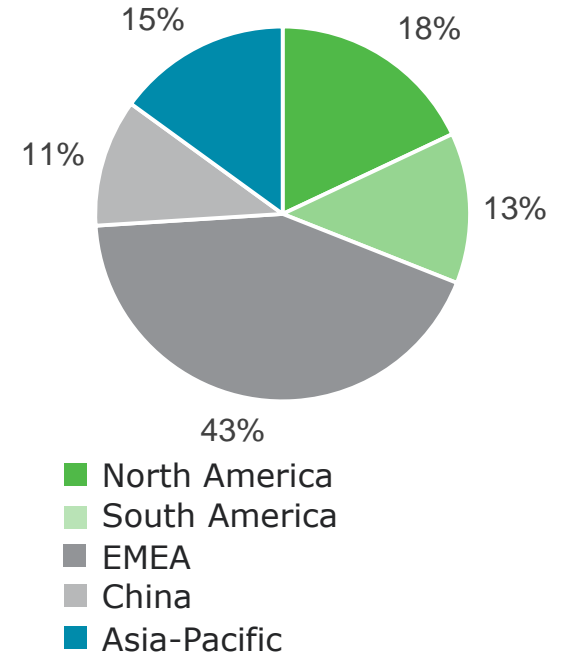
#1-3 Energy

#1-2 Paper, board, tissue

Net sales split by
business line



Net sales split by
geographic area



1) NRI = non-recurring items

Our four business lines serve the same customer base



Services

Net sales¹ 1.0 bn

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

Automation

Net sales² 0.3 bn

Process automation solutions for

- Pulp and paper industry
- Energy production
- Selected other process industries
- Marine

Pulp and Energy

Net sales¹ 1.0 bn

Technologies and solutions for

- Pulp production
- Energy production
- Biomass conversion

Paper

Net sales¹ 0.5 bn

Technologies and solutions for

- Board production
- Tissue production
- Paper production

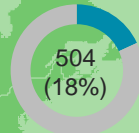
1) Net sales by business line for 2014.

2) Stand-alone figure

Strong global presence provides a good platform for growth

North America

- Large installed base to be served
- Capital project opportunities in pulp, energy, board, and tissue

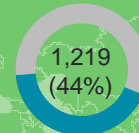


1,348
(11%)




EMEA

- Large installed base to be served
- Machine closures in printing and writing
- Capital project opportunities in pulp, board, tissue, and bioenergy

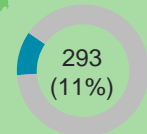


7,897
(63%)



China

- Services growth potential through growing installed base
- Capital project opportunities in board and tissue

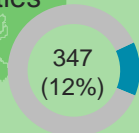


2,043
(16%)



South America

- Services growth potential through growing installed base
- Capital project opportunities in pulp, tissue and bioenergy

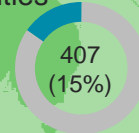


526
(4%)




Asia-Pacific

- Services growth potential through growing installed base
- Capital project opportunities in pulp, energy, board, and tissue



710
(6%)



 Illustrative net sales in 2014
(EUR million and % of total)

 Number of employees in June, 2015
(number of employees and % of total)



Investment highlights

Investment highlight summary

1 **Strong market position** in growing markets

2 **Growing, profitable and stable** service and automation business with **EUR 1.3 billion sales**

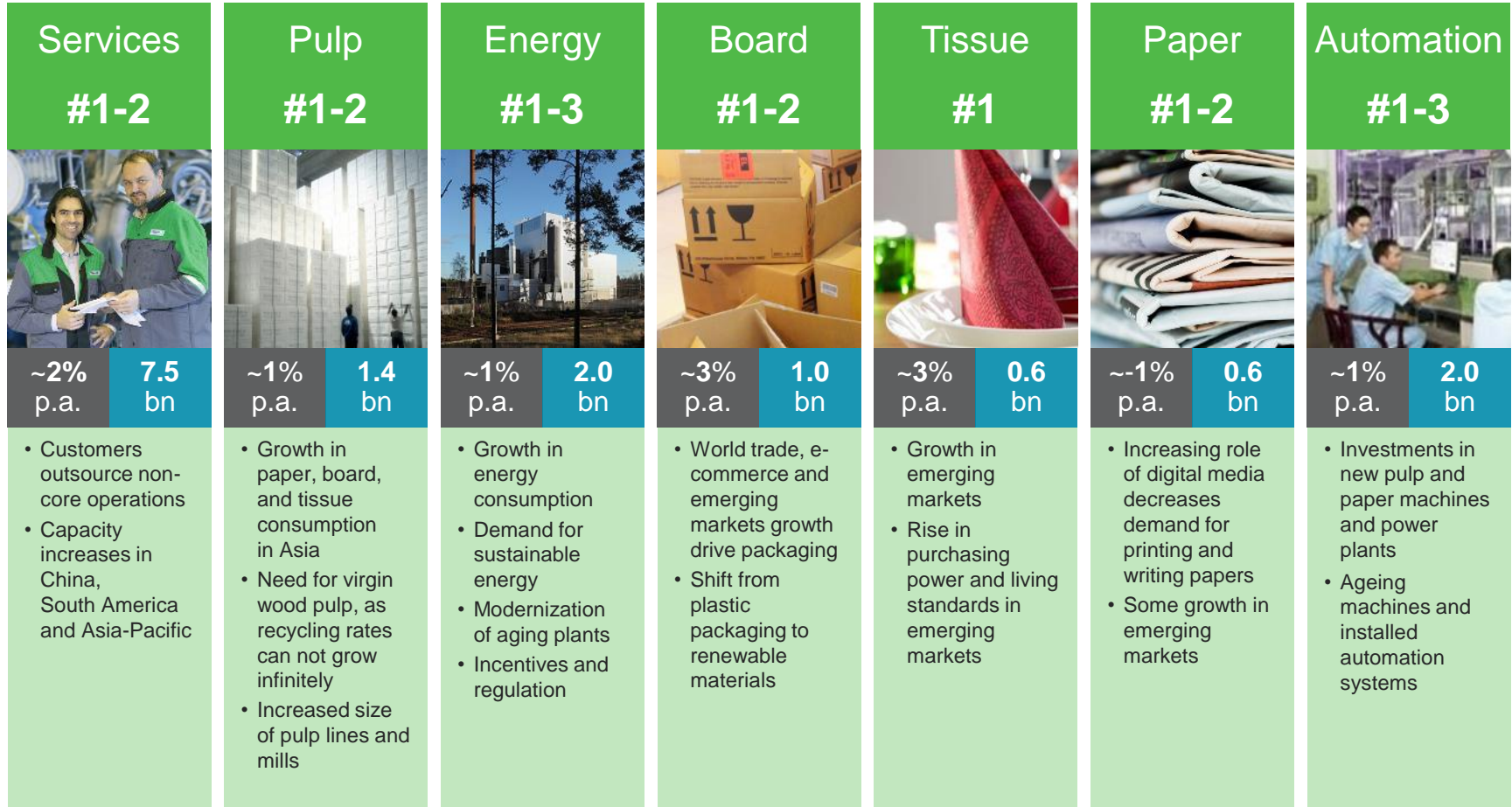
3 Strong in cyclical capital business with long-term **growth potential** and **increased flexibility in cost structure**

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

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



Strong market position in growing markets



Anticipated long-term market growth
 Estimated market size for current offering (EUR)
 Market drivers

Source: Leading consulting firms, RISI, management estimates

Growing, profitable and stable service and automation business with EUR 1.3 billion sales



Growing

- Services net sales growth on average over 3% p.a. during the last 5 years
- Slight growth in Automation net sales over the last 10 years

Profitable

- Relatively stable margins in Automation during the last 10 years, EBITA margin 10–12%

Stable

- Services and Automation together approximately EUR 1.3 billion of stable business

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



Pulp and Energy

Market position:

#1-3

Headcount reduction¹:

~500

Capacity cost reduction:

10%

(Capacity cost to sales 24% in 2014)



Paper

Market position:

#1-2

Headcount reduction¹:

~800

Capacity cost reduction:

20%

(Capacity cost to sales 47% in 2014)



1) Reduction in number of employees during 2014

Unique offering with process technology, automation and services



- Valmet is a technology and service company with full automation offering
- Strengthened competitiveness from combination of paper, pulp and power plant technology, process know-how and automation
- Full scope offering gives better differentiation from competitors

Continued focus on profitability, more effort into renewal

Continued focus on profitability improvement measures

- Improve project and service margin
- Reduce quality costs and lead times
- Savings in procurement
- Continue to improve cost competitiveness
- Improve cost competitiveness to increase gross profit

Increased focus on renewal

- Constant improvement of technology and offering
- Results in research and development, e.g. OptiConcept M
- Improvement in customer relations
- Development of personnel
- Acquiring Process Automation Systems renews Valmet and strengthens know-how





Services business line

Services business line in brief

Sustainable services for energy production, fiber processing, paper, board and tissue production lines

Committed to sustainability, customers' profitability, optimized production and maintenance, long-term partnership

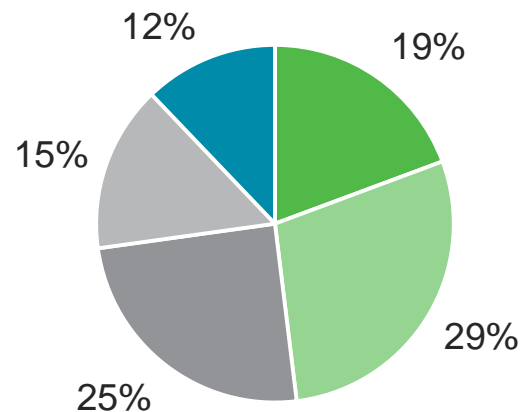
2014 figures

Orders received EUR 1,055 M
 Net sales EUR 989 M
 Employees 5,230

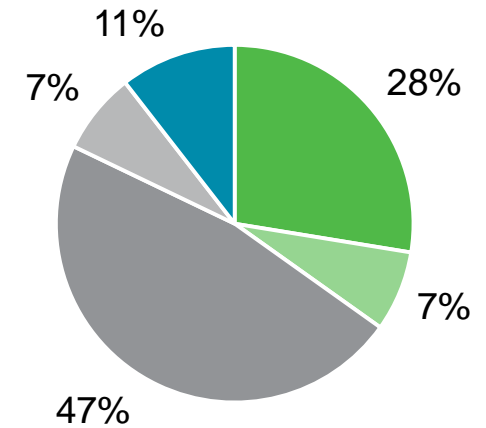
Position

#1-2 Services

Net sales (2014)



- Rolls and Workshop Services
- Mill Improvements
- Performance Parts
- Fabrics
- Energy and Environmental



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

Services offering

Comprehensive life-cycle services offering



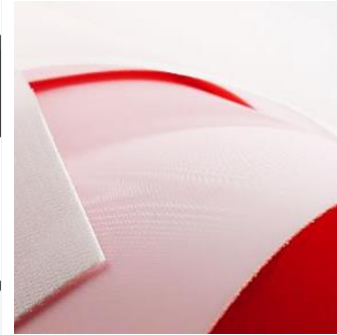
PressRhino composite roll cover for press rolls



Greenpac board mill



Valmet's eServices online application



Filter fabrics



Evaporation plant in Metsä Board's mill in Kaskinen

Rolls and Workshop Services

- Rolls
- Roll covers and maintenance
- Workshop services

Mill Improvements

- Upgrades
- Components
- Expert services

Performance Parts

- Original equipment manufacturer (OEM) spare parts
- Consumables

Fabrics

- Paper machine clothing
- Filter fabrics

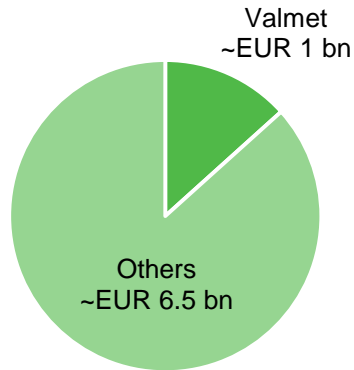
Energy and Environmental

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

Services market position

Target market size is approximately EUR 7.5 billion

Valmet's market share

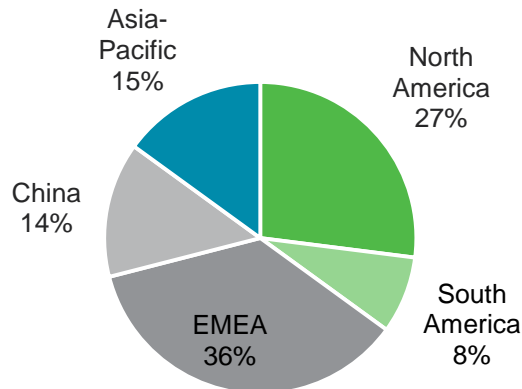


Market position¹

#1-2

- Competitors vary from global companies to local niche suppliers
- Broadest and competitive offering with strong process and machinery know-how close to the customer

Valmet's target market by area



Market drivers

- Growth in industrial services due to increasing outsourcing of non-core operations
- Capacity increases in China, South America and Asia-Pacific
- Customer cost pressure and efficiency requirements increase demand for process improvements and efficient maintenance services
- Machine and mill closures in EMEA and North America
- Increasing complexity of the machinery and processes increase demand for OEM experts
- Shutdowns have a negative annual effect of EUR 15–20 million on orders received

¹ Overall market position based on Valmet's offering.
Source: Leading consulting firms, RISI, Fisher Solve, management estimates

Growth possibilities

Growth possibilities



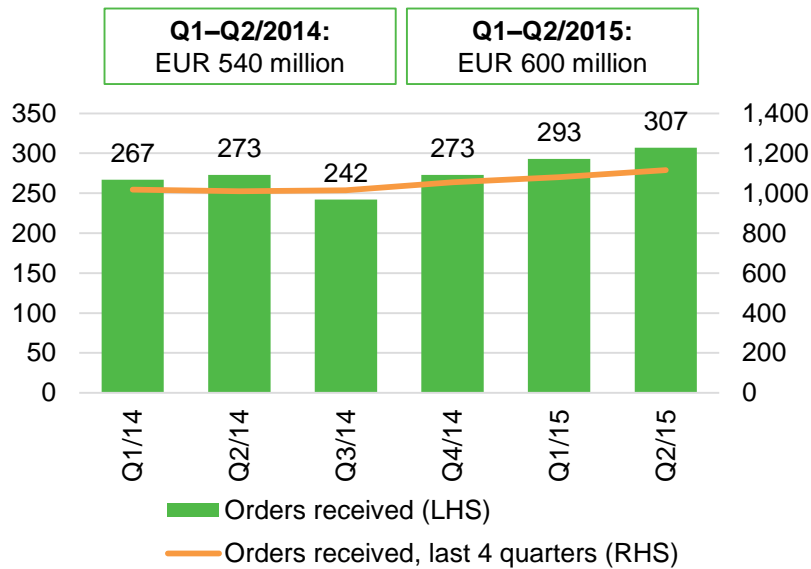
Services

- Agreement based business
- Continuous flow of new products and solutions
- New concepts to integrate Valmet with its customers' operations
- Key account management
- Existing local network for Energy and Environmental Services
- Presence in growth countries
- Improvement in cost competitiveness
- Combination of automation and service offering

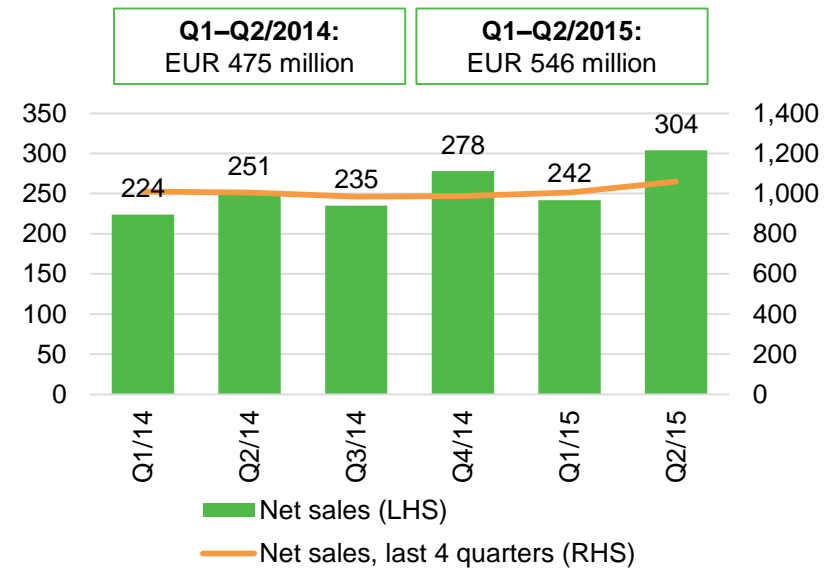


Growth in orders received and net sales in Services

Orders received (EUR million)



Net sales (EUR million)



- Services orders received increased compared with Q2/2014
 - Orders received increased in China, South America and Asia-Pacific, and remained stable compared with Q2/2014 in EMEA and North America
 - Orders received decreased in Mill Improvements, and increased in all other business units
- Net sales increased compared with Q2/2014





Automation business line

Automation in brief

Supplies and develops automation and information management systems, applications and services

Global market leader with #1 market position in pulp and paper
 Industry-leading product portfolio
 Comprehensive services
 High barriers to entry and a limited number of focused players

2014 figures

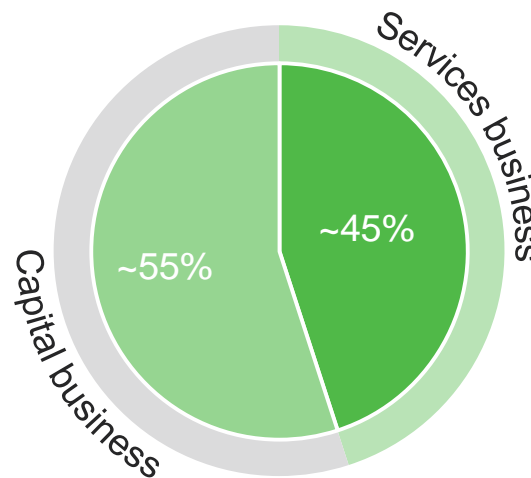
Net sales EUR 297 M
 Orders received EUR 336 M
 Employees ~1,600

EBITA margin historically approximately 10–12%

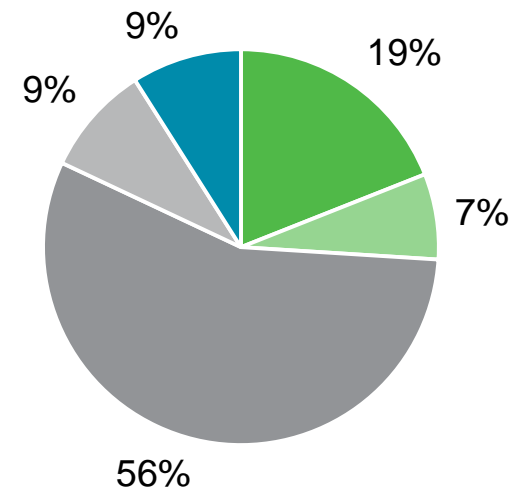
Position in Pulp and Paper

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

Net sales (2014)



■ Services business
 ■ Capital business



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

Automation offering



Distributed Control System (DCS)

- DCS for process and machines controls
- Condition monitoring
- Information management
- APC



Quality Management System

- QCS (Quality Control Systems)
- Profilers
- Web inspection and web break analysis systems



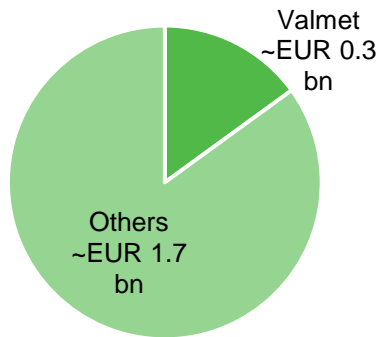
Analyzers and measurements

- Paper analyzers
- Pulp analyzers
- Pulp consistency measurements
- Conductivity measurements
- Power analyzers

Automation market position

Target market size is approximately EUR 2 billion

Valmet's market share



Market position¹

#1-3

#1 Analyzers
#1-2 QCS²
#3 DCS³

- 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

Business drivers

- Customers choose an automation provider even for more than a decade
- High service business content (~45%)
- On Valmet level, full scope offering gives better differentiation from competitors
- Combining Valmet technology, process know-how and automation offers growth possibilities and potential to create new solutions for customers



1) Overall market position based on Valmet's offering.
Source: Leading consulting firms, RISI, Fisher Solve, management estimates

2) QCS = Quality control systems
3) DCS = Distributed control systems

Growth possibilities



Automation

Pulp and Paper

Power and Process

Market drivers

- World trade, e-commerce and emerging markets growth
- Rise in purchasing power and living standards

- Urbanization and growing middle class especially in emerging markets
- Growing share of renewable energy generation in the energy mix

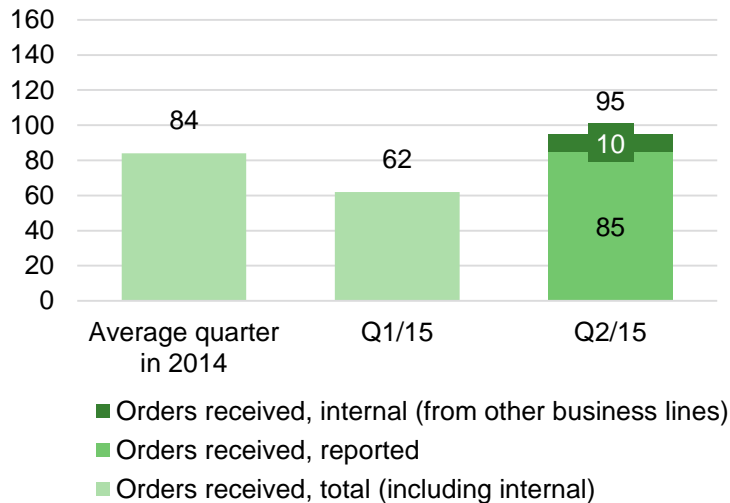
Market opportunities

- Very large ageing competitor installed base of systems
- Valmet synergies
- New mills and lines
- Expansion to new application areas
- New offering
- Services

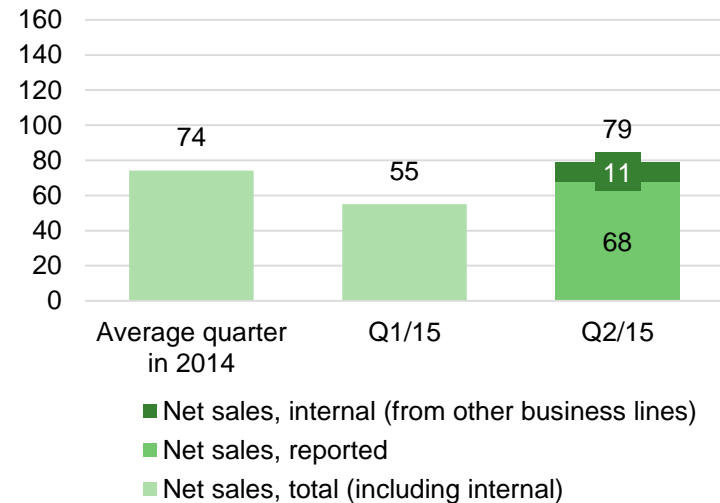
- Renewables
- Expansion to new geographies and processes and with new offering
- Plant retrofits and conversions
- Marine: cruise market growth
- Partners
- Services

Strong start for Automation as part of Valmet

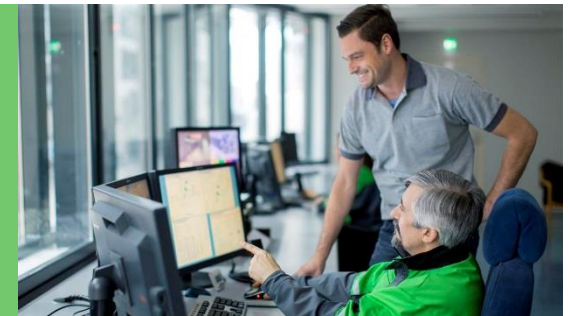
Orders received^{1, 2} (EUR million)



Net sales² (EUR million)



- Orders received EUR 95 million in Q2/2015
 - Internal orders received amounted to EUR 10 million
 - EMEA accounted for ~60% and North America for ~20% of orders received
 - Pulp and Paper accounted for ~70% and Energy and Process for ~30% of orders received
- Net sales EUR 79 million in Q2/2015
 - Internal net sales amounted to EUR 11 million



- 1) Q1/2015 orders received is calculated from Metso's reported figures and pro forma figures excluding Process Automation Systems and are therefore indicative only. Q2/2015 figures are Automation business line figures.
- 2) Average quarter has been calculated by dividing 2014 figures by 4 (in 2014, orders received EUR 336 million and net sales EUR 297 million).



Conclusion

Investment highlight summary

1 **Strong market position** in growing markets

2 **Growing, profitable and stable** service and automation business with **EUR 1.3 billion sales**

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

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

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





Appendix

Key figures Q2/2015

EUR million	Q2/2015	Q2/2014	Change	Q1–Q2/2015	Q1–Q2/2014	Change
Orders received	781	1,023	-24%	1,360	2,124	-36%
Order backlog ¹	2,208	2,406	-8%	2,208	2,406	-8%
Net sales	779	588	33%	1,340	1,107	21%
EBITA ²	54	22	>100%	73	26	>100%
% of net sales	6.9%	3.7%		5.5%	2.3%	
EBIT ³	32	16	96%	46	9	>100%
% of net sales	4.1%	2.8%		3.4%	0.8%	
Earnings per share, EUR	0.14	0.07	97%	0.19	0.03	>100%
Return on capital employed (ROCE), before taxes ⁴				9%	3%	
Cash flow provided by operating activities	17	46	-63%	-3	89	
Gearing ¹	29%	-7%		29%	-7%	

Non-recurring items: EUR -12 million in Q2/2015 (EUR 0 million in Q2/2014), EUR -12 million in Q1–Q2/2015 (EUR -6 million in Q1–Q2/2014). Costs related to acquisition of Automation amounted to approximately EUR 10 million in Q2/2015.

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

Important notice

It should be noted that certain statements herein which are not historical facts, including, without limitation, those regarding expectations for general economic development and the market situation, expectations for growth, profitability and investment willingness, expectations for company development, growth and profitability and the realization of synergy benefits and cost savings, and statements preceded by “anticipates”, “believes”, “estimates”, “expects”, “foresees” or similar expressions, are forward-looking statements. Since these statements are based on current decisions and plans, estimates and projections, they involve risks and uncertainties which may cause the actual results to materially differ from the results currently expressed. Such factors include, but are not limited to:

- 1) general economic conditions, including fluctuations in exchange rates and interest levels which influence the operating environment and profitability of customers of the company or economic growth in the company’s principal geographic markets.
- 2) industry conditions, intensity of competition situation, especially potential introduction of significant technological solutions developed by competitors, financial condition of the customers and the competitors of the company,
- 3) the company’s own operating factors, such as the success of production, product development and project management and the efficiencies therein including continuous development and improvement
- 4) the success of pending and future acquisitions and restructuring.

