



Securing order backlog and results

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Valmet Capital Markets Day
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Agenda

Capital Markets Day 2015

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- 2 Performance in 2014
- 3 Market and market position
- 4 Must-Wins in Pulp and Energy
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Pulp and Energy business line in brief

Pulp and Energy business line in brief

World-class pulp mill offering and complete delivery capability.

Global technology and know-how leader in bioenergy and multifuels.

A natural growth platform for environmental systems and biomass conversion technologies.

2014 figures

Orders received EUR 1,344 M

Net sales EUR 956 M

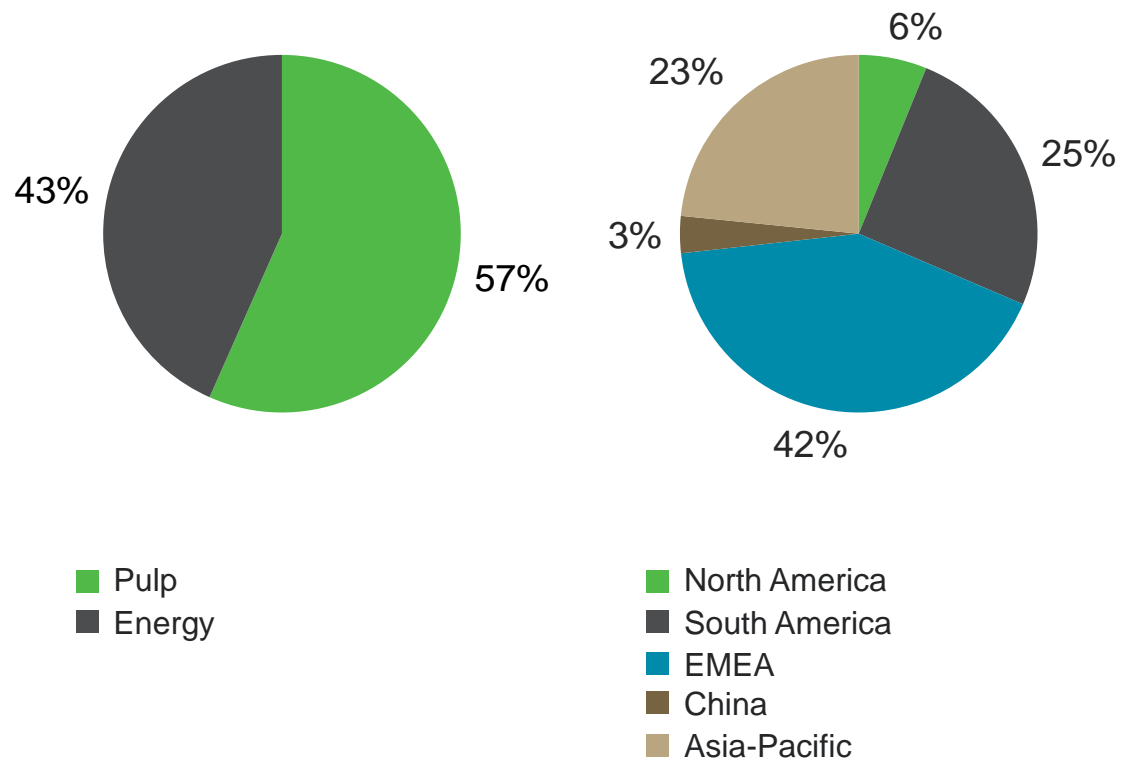
Employees 1,737

Position

#1-2 Pulp

#1-3 Energy

Net sales (2014)



Pulp and Energy offering

A range of solutions and technologies adjusted to our customers' needs



Suzano Mucuri pulp mill in Brazil



Valmet's CYMIC boiler at Stora Enso Langerbrugge



First demonstration scale integrated pyrolysis unit, Fortum

Pulp

- Wood and pulp handling
 - Wood handling, fuel handling, pulp drying
- Fiber processing
 - Cooking systems, mechanical pulping, complete fiber lines
- Recovery
 - Recovery boilers, evaporation systems, recovery islands

Energy

- Heat and power generation
 - Fluidized bed boilers, bio-grate boilers, biomass and waste gasification
 - Boiler islands and small power plants

Biotechnologies and Environmental Systems

- Biotechnologies
 - Lignin recovery, pre-hydrolysis, pyrolysis, bio-coal
- Air pollution control
 - Flue gas cleaning and heat recovery for boilers
 - Odour and pulp mill balance control
 - Environmental systems for biotechnologies

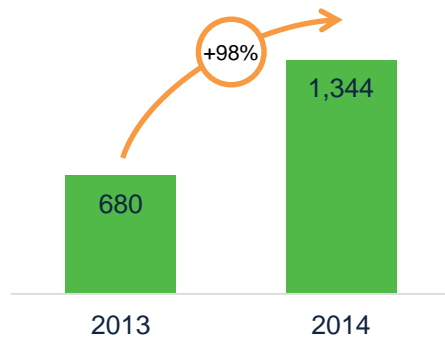


Performance in 2014

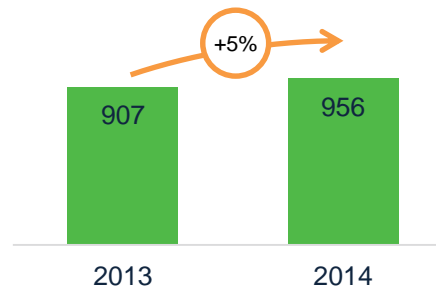
Key actions and results in 2014

Cost competitiveness through renewal

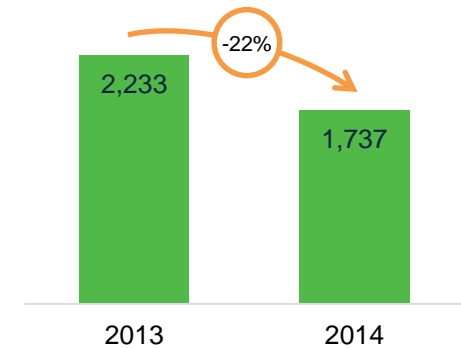
Orders received
(EUR million)



Net sales
(EUR million)



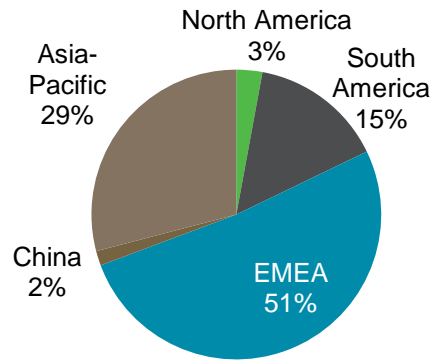
Employees



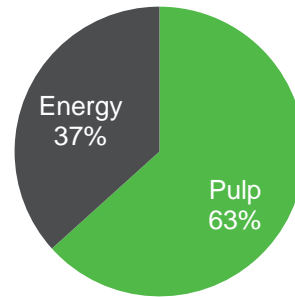
- Capitalized the global market opportunities in pulp mills, heat and power generation, and environmental systems
- Careful mega mill case selection and risk management
- Improved cost competitiveness by product design, engineering, supply and partnering network
- Improvement in project management
- Focus in reducing quality costs
- Completed cost savings program and restructuring

Growth in orders received in 2014

Orders received, split by area



Orders received, split by business



- Orders received almost doubled in 2014 encompassing e.g. OKI and Värö pulp mill and Klabin's Puma project in H1
- Energy orders more than tripled encompassing e.g. Sappi Kirkniemi, Dunaujvaros, and ArcelorMittal
- Orders received more than doubled in Asia-Pacific and EMEA, increased in China and decreased in South America and North America

Additional flexibility as result of restructuring

Continued focus on operational efficiency to improve performance

- Leveraging full potential of integrated Pulp and Energy in all markets by cross utilisation of resources and building on the best practices
- Improved capacity cost structure provides a flexible and cost effective platform in highly competitive and fluctuating markets
- Significant potential to increase further the share of cost competitive country engineering and production with increasing sales volumes

Streamlined platform secures efficiency in execution

**Improved
health and
safety**


**Efficient
supply chain**

**Cost
competitive
production**

**Profit
oriented
project
management**

**Improving
quality costs**

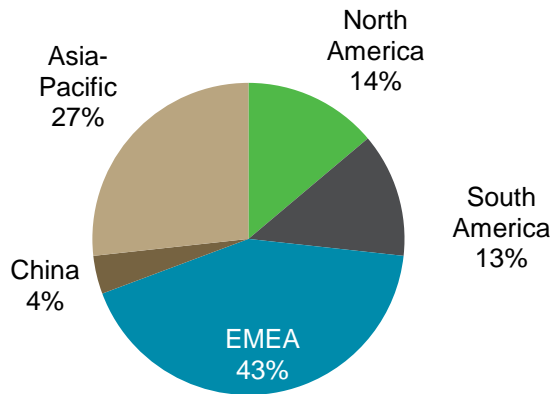
**Integrated
Pulp and
Energy way
of working**



Market position and key drivers

Market position

Valmet's target market by area



Market position

#1-3

Competition with few global companies and many smaller, regional, or local players

#1-2 Pulp
#1-3 Energy

- Two strong players in pulp
- Few global players in Heat and Power generation
- Very diverse field with few global players in biotechnologies

Source: Leading consulting firms, RISI, management estimates

Market drivers

- Anticipated long-term market growth
- Estimated market size for the current offering (EUR)
- Valmet's market share



~1% p.a. 1.4 bn ~45%

~1% p.a. 2.0 bn ~20%

n.a. n.a. n.a.

Market drivers

- 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

- Growth in energy consumption and increasing demand for sustainable energy
- Modernization of aging power plants in e.g. Europe
- Incentives and regulation
- Competitiveness of different energy sources and fuels
- Increased focus on security of supply

- Emerging market for converting biomass into fuels, chemicals and materials
- Growth of energy, transportation, and chemical industry sectors
- De-bottlenecking and making value from waste and residues
- Volatile due to changes in regulations and oil price

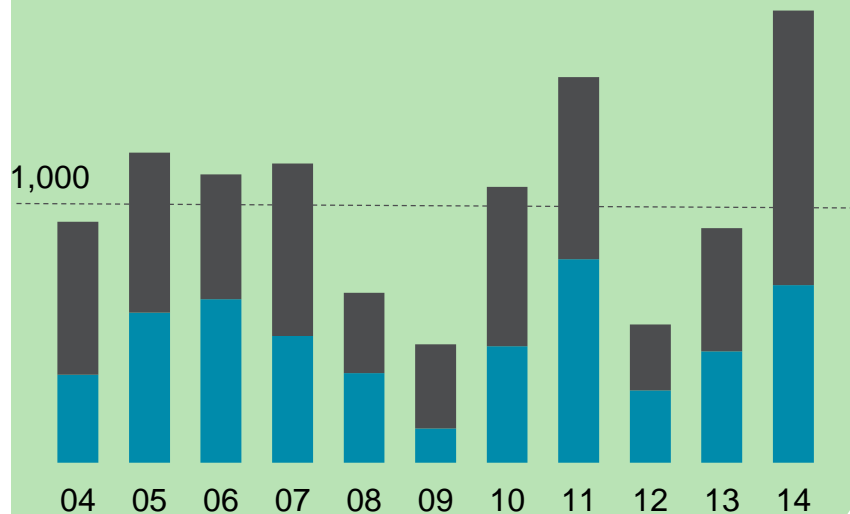
Source: Leading consulting firms, RISI, management estimates

Pulp mill market is cyclical and characterized by large orders

Market fluctuates from year to year

Market size¹
(EUR million)

■ Valmet
■ Others



Valmet is well prepared for the cyclical nature of the business

- Own capacity has been reduced during the last few years
- Capacity cost reduced 10% in 2014
- Capacity cost to net sales was 24% in 2014

1) Market size based on orders received. Includes all pulp business units, recovery boilers, and evaporation plants



Must-Wins in Pulp and Energy

Must-Wins in Pulp and Energy

Growth close to customers

Must-Wins

Must-Win initiatives



Customer excellence

- Strengthen Heat and Power Generation position in Asia-Pacific, e.g. in boiler island deliveries by partnering with local EPC contractors
- Capitalize on Northern hemisphere softwood opportunities by securing sales targets in Äänekoski and Värö mills

Leader in technology and innovation

- Significant R&D investments focused in increasing cost competitiveness
- Further commercialization of new offering of Pulp and Energy business line targeting in >20% of orders received in 2015 from new offerings

Excellence in processes

- Savings through efforts in the field of procurement, and through further development in the utilization of cost competitive countries opportunities
- Continued focus on harmonized project control, reporting & follow-up, and lowered cost of product quality.

Winning team

- Unified local presence close to customers, suppliers and partners
- Focus on global processes and competence development



Case examples

Recent orders in Pulp and Energy



Södra Cell's major pulp mill rebuild, Värö

Photo: Södra Cell



A boiler plant to ArcelorMittal Energy Ostrava s.r.o.

Photo: ArcelorMittal



Second commercial installation of Lignoboost™ lignin recovery, Stora Enso

Photo: Stora Enso

World class Pulp Mills, Heat and Power Generation, and Biotechnologies

Värö in Sweden

- Increase of pulp production capacity from 425,000 tons to 700,000 tons per year, start-up in spring 2016
- ~EUR 200 million
- Scope: Rebuild

Ostrava in Czech Republic

- Circulated fluidized bed boiler plant for a steel mill, capacity 248 MW, start-up by mid-2016
- ~EUR 50 million
- Scope: A boiler plant

Sunila mill in Finland

- 50,000 metric tons of dried lignin per year, start-up in 2015
- Scope: Lignin recovery island



Summary

Pulp and Energy summary

Securing order backlog and results

- Unique and compelling offering by combining process technology, automation and services
- Developing the offering to maintain market position and presence, and to generate long-term growth
- Leveraging the strong market position and presence of Pulp and Energy
- Continued focus on profitability improvement and implementing Must-Win action plans
- Benefiting from the more flexible cost structure and improved processes



