



Long-term maintenance agreements

Ari Telama, VP, Mill Improvements

June 14, 2016

Content

1 Key elements of Valmet maintenance agreement business

2 Pricing and revenue recognition

3 Market information

Valmet UK operations

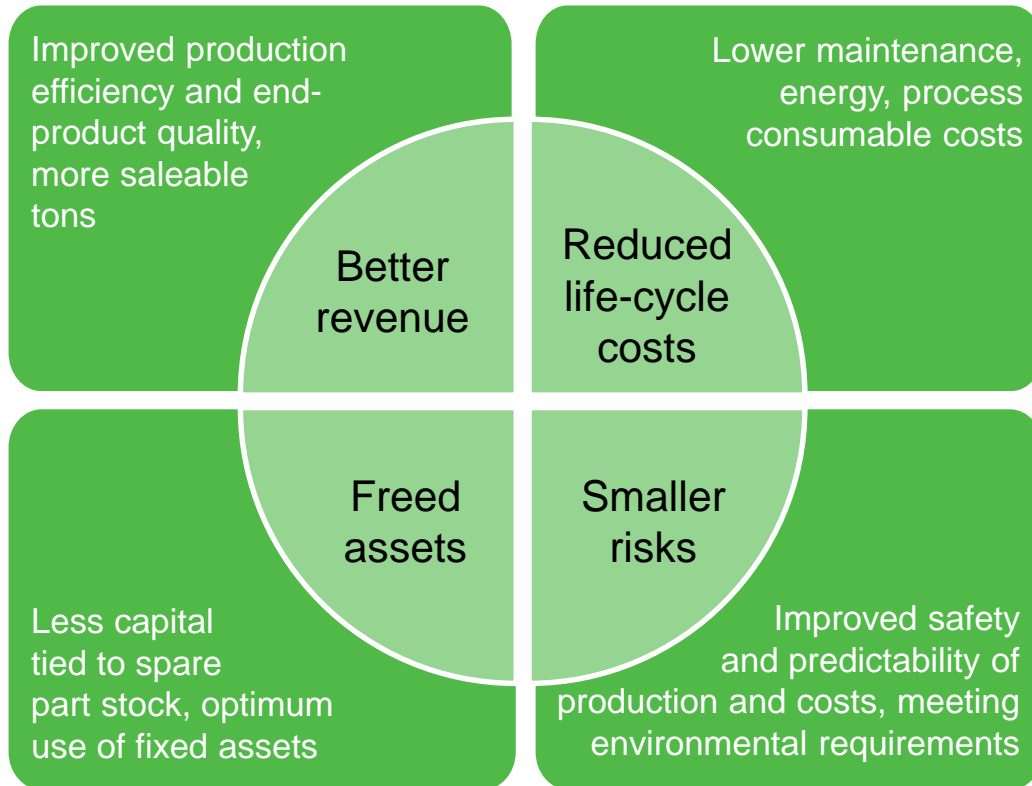
- The operations in the UK consists of the following units:
 - **Darwen** (approximately 60 employees)
 - The field services, sales, power and Engineering operations
 - The Yankee-tissue operations
 - **Haslingden** (approximately 40 employees)
 - Roll workshop
 - **Partington** (approximately 45 employees)
 - Mill maintenance outsourcing
 - **Basingstoke** (approximately 25 employees)
 - Valmet Automation





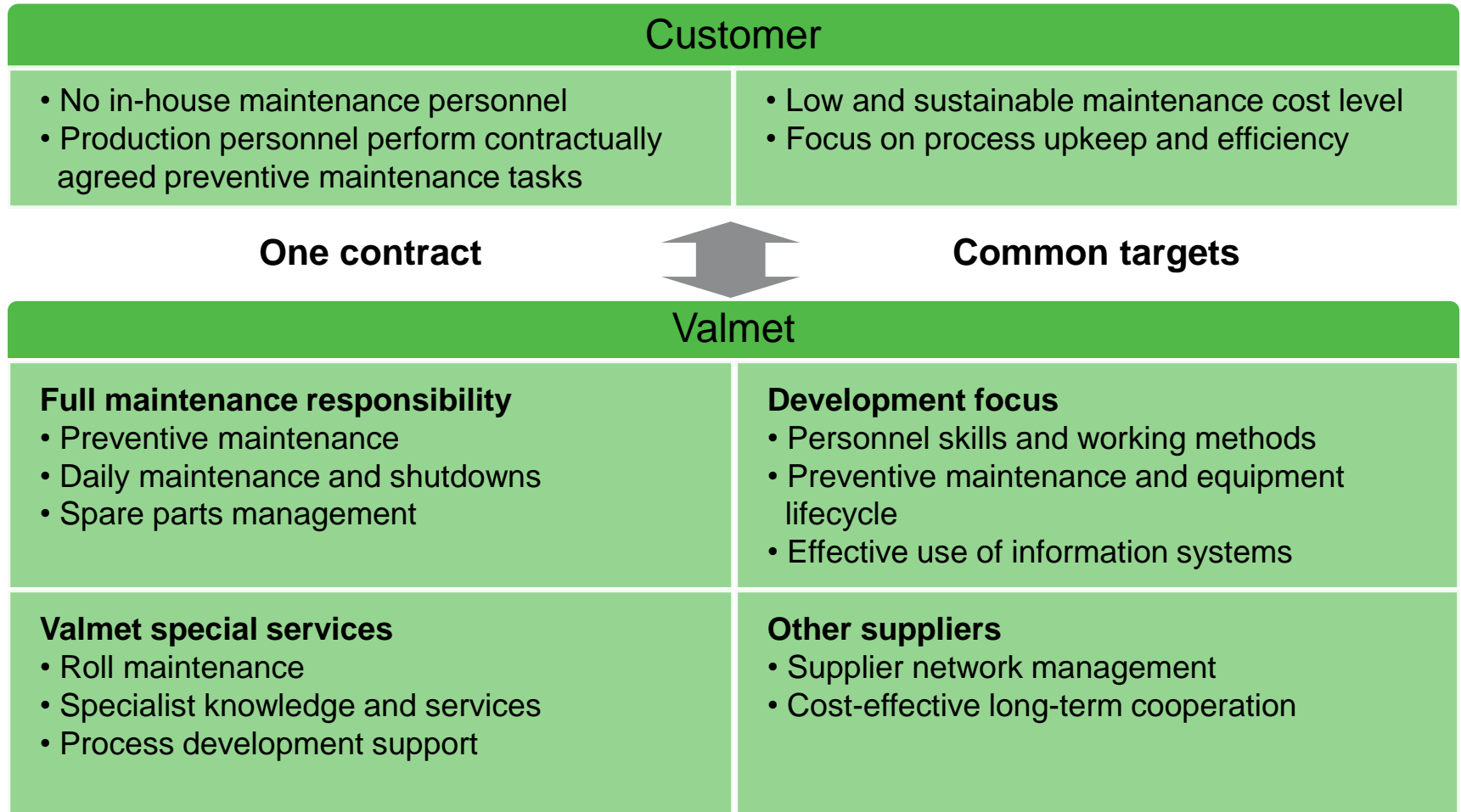
Key elements of Valmet maintenance agreement business

Benefits for our customers business



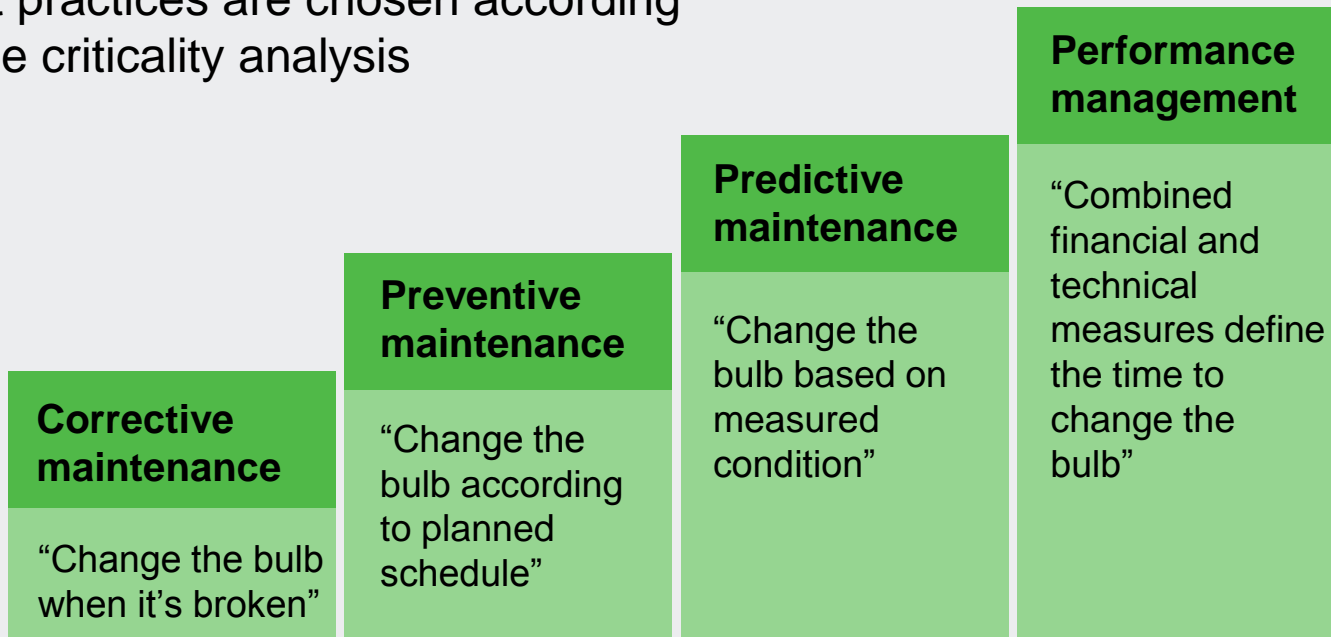
Mill maintenance outsourcing

Co-operation concept



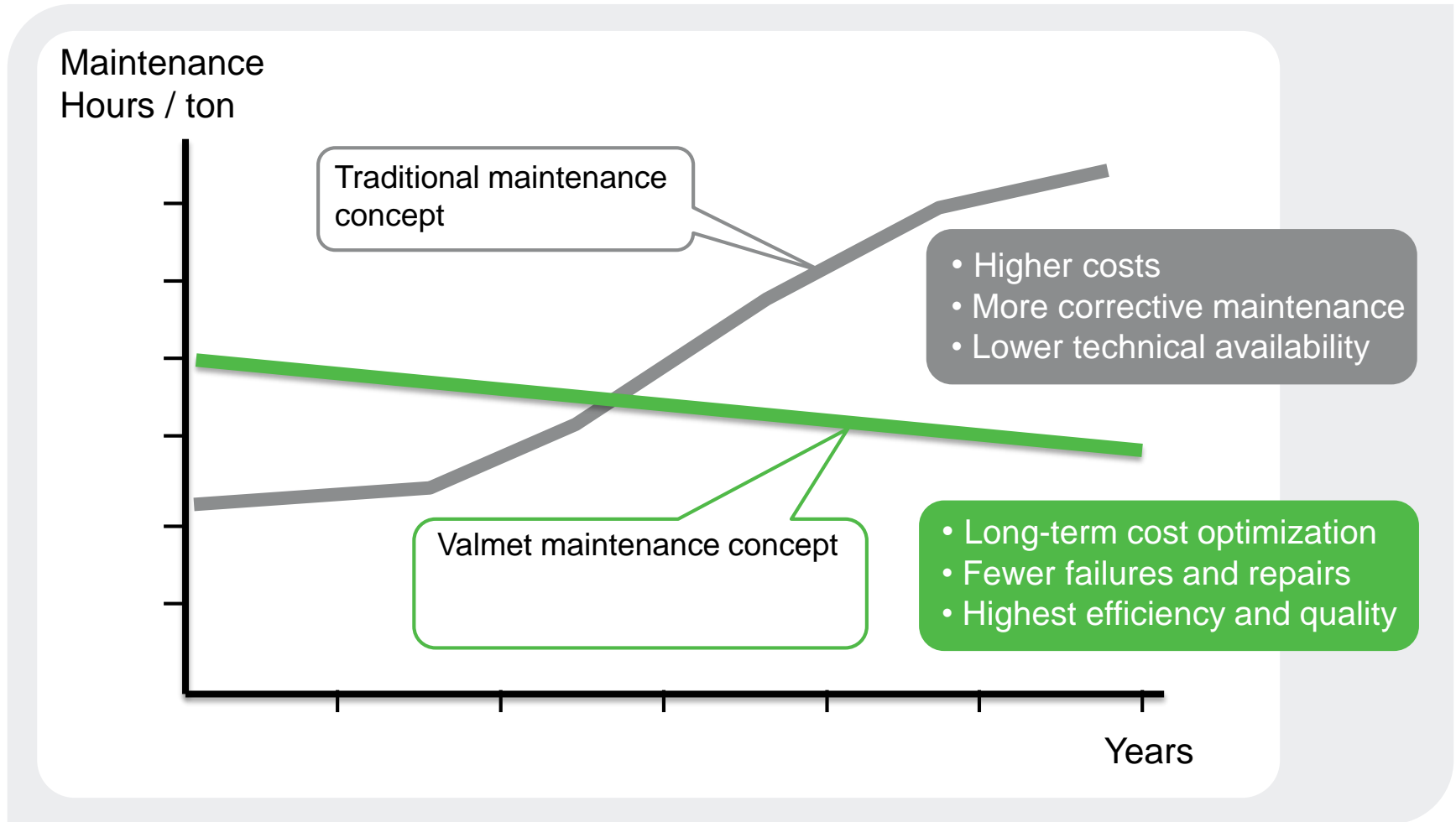
Combining best practices

- Flexible use of all maintenance methods
- Best practices are chosen according to the criticality analysis



Maintenance efficiency over time

Performance management compared to traditional concept



Different tailor-made agreement levels available

Service Agreement

- ↗ Global benchmarking
- ↗ Access to Valmet global resources
- ↗ Best practices & Training
- ↗ Volume credit reward program

Performance Agreement

- ↗ Guaranteed savings & value creation thru continuous improvement
- ↗ Remote support
- ↗ Bonus/Penalty option
- ↗ Performance development based on Key Performance Indicators

Partnership Agreement

- ↗ Valmet site presence & Maintenance Outsourcing (asset management)
- ↗ Common development programs

Value of long-term agreements to Valmet

- Stable and predictable business volume
- Additional sales to agreement customer sites
- Low investment needs
- Deepening of the customer relationship
- Deeper understanding of customer maintenance drivers



Pricing and revenue recognition

Revenue recognition in long-term agreements

General way of treating long-term agreements

- Contract period is typically depending on the scope anywhere between 1–6 years, MMO minimum 3 years
- Orders booked for the next 6–12 months and updated monthly
- Revenue is recognized monthly

This is the general way of treating long-term agreements in Valmet, but as the nature of agreements may vary, some agreements might be treated differently



Market information

Valmet maintenance outsourcing locations



Total market for outsourced maintenance market EUR ~500 million

Valmet's market share in line with total Services business market share

Examples of top companies

Competitive position

Global OEM competitors



- Global presence
- Strong credible brand
- Broad offering

Global Maintenance outsourcing



- Global/regional presence
- Focus on OEM independent maintenance products

Local



- Regional presence
- Limited offering
- Strong relationships to customers

Global OEM special service agreements



- Selected strong global niche positions
- Limited offering

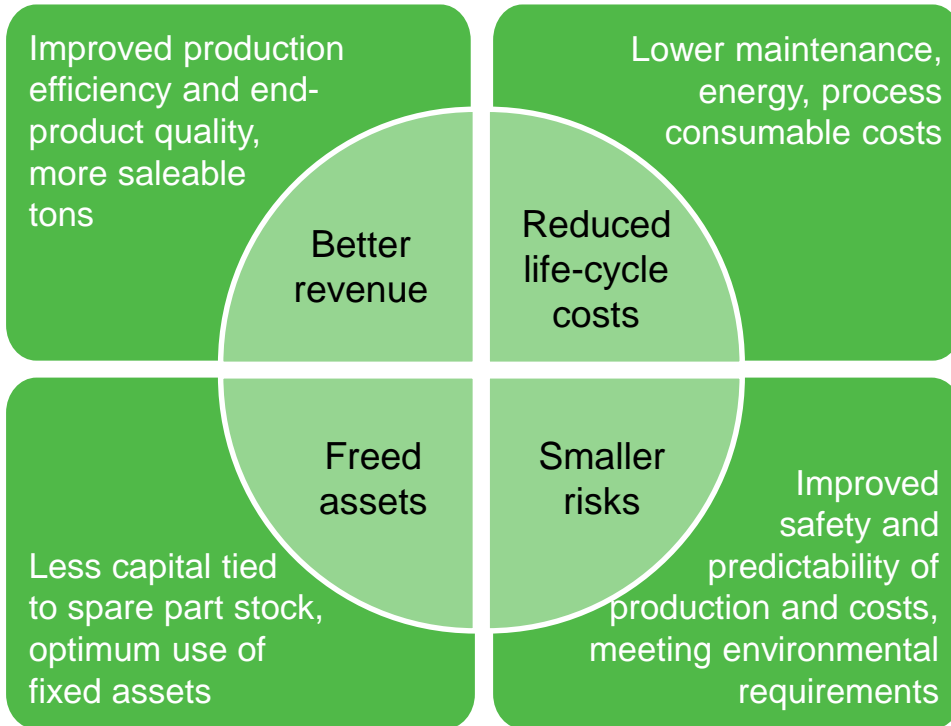
Incorporated



- Strong in maintenance competitiveness
- Customer maintenance strategy dependent

Summary

Value proposition to customer



Value to Valmet

- Stable business volume
- Additional sales
- Low investment needs
- Customer relationship and understanding

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.





Valmet Key Account Management

Committed to moving our customers'
performance forward

Sanna Röyskö
Sales Director, EMEA

June 14, 2016

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

Must-Wins are our way to implement our strategy and cascade it to operational level actions throughout the organization

Key Must-Win objectives to achieve our strategic goals

Must-Wins

Customer excellence

Must-Win implementation objectives for 2016

- Strengthen our presence close to customers and growth markets
- **Strengthen Key Account Management to serve customers with our full offering**
- Provide customer benefits by combining process technology, automation and services
- Develop Valmet service concept, remote services and drive growth through service agreements

Leader in technology and innovation

- Improve product cost competitiveness to increase gross profit and reduce customer investment and operational costs
- Develop new products and technologies to create new revenue

Excellence in processes

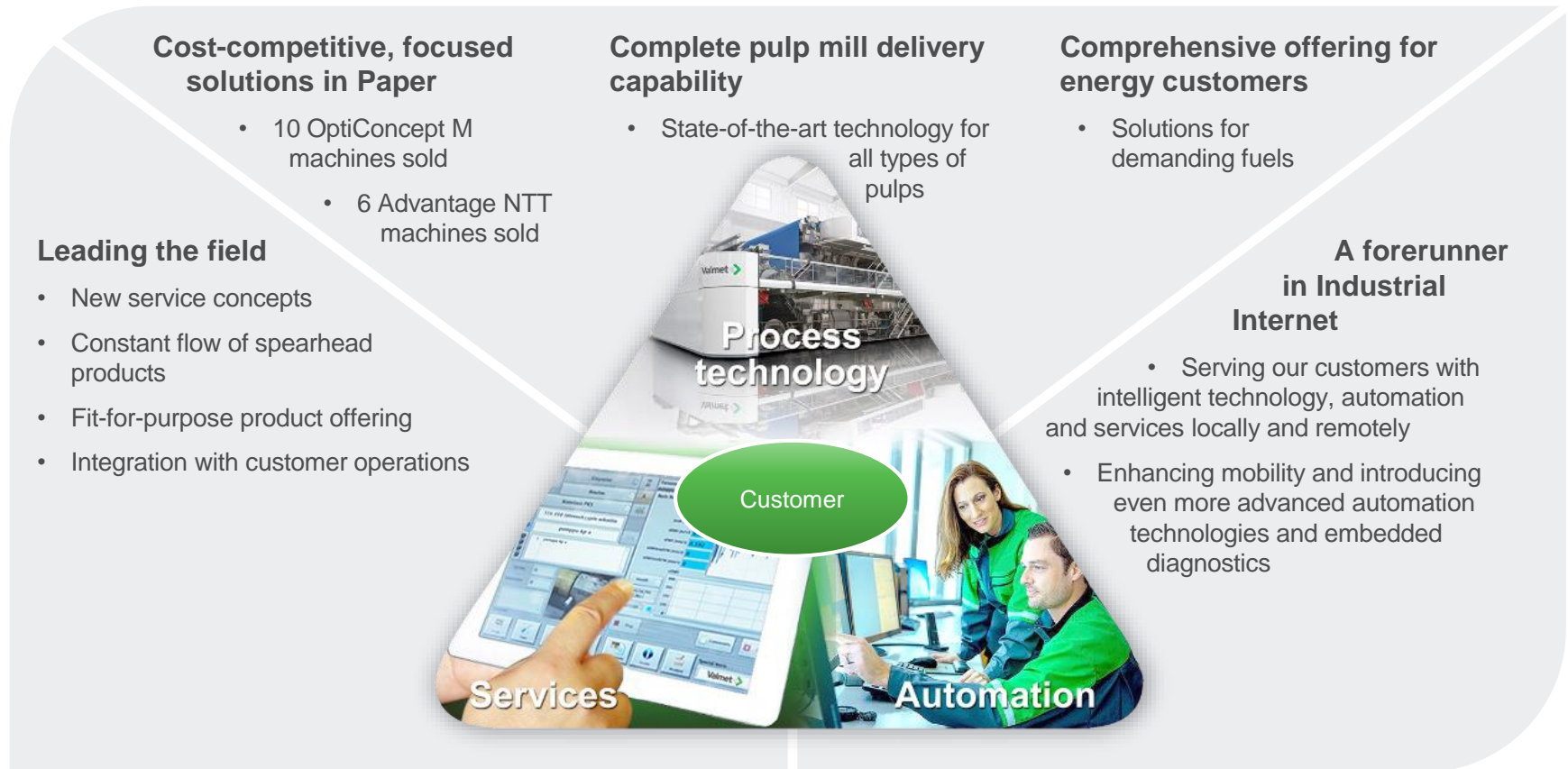
- Sales and project management process to improve product margin
- Implement Lean to reduce quality costs and lead times
- Save in procurement and ensure sustainable supply chain
- Improve health and safety
- Continue to improve cost competitiveness

Winning team

- Nurture shared values
- Drive high performance
- Continue globalization of our capabilities

Technology leader with unique offering

Acquisition of Automation strengthened Valmet's offering



Strong focus on customer benefits

Global key account management structures in place

Several global key accounts



- Selection based on Valmet installed base, business potential and strategic importance

Team nominated for all key accounts



- Corporate account manager
- Executive Sponsor
- Mill Sales Managers for each mill

Clear roles and responsibilities

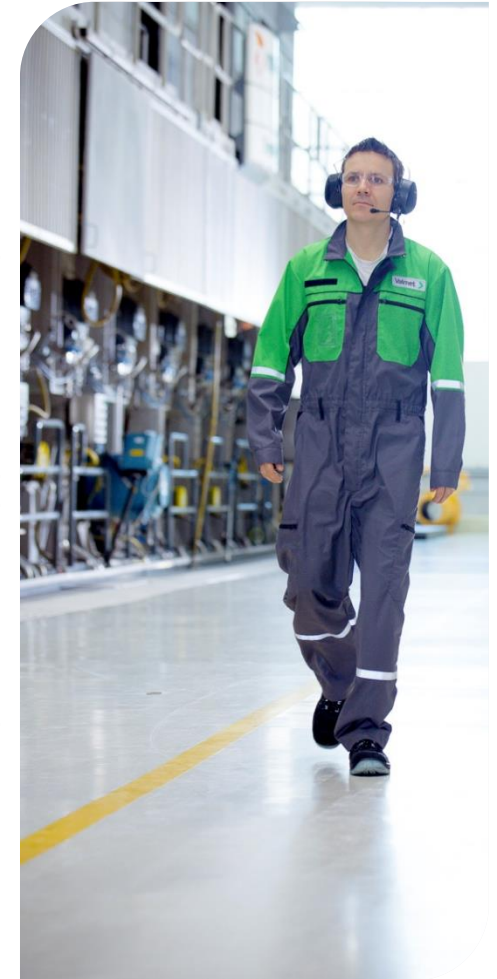


- Roles and responsibilities agreed
- Follow up by area

Tailored but structured



- Tailored approach for each company
- Common basic structures
- CRM tools for follow up and planning



Key account management targets long-term business relationship

Target



- Long term business relationship 'win-win'

One main contact person for all levels



- Corporate account manager and Executive Sponsor at HQ level
- Mill Sales Managers at mill level

Understanding customer's business

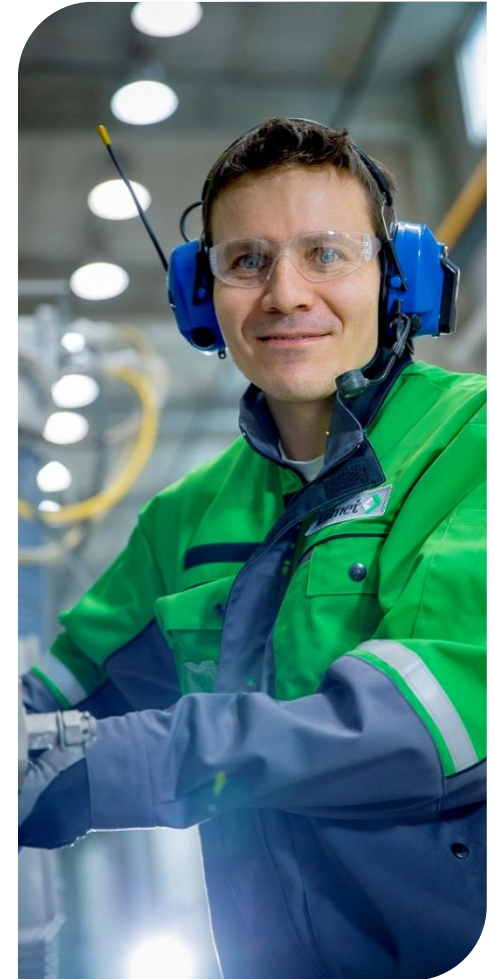


- Understanding customer's strategy and main business drivers, way-to-operate, future plans and projects, as well as technological needs

Measuring performance



- Customer perception studies
- Common review of results and actions agreed



Key account management with full offering to move customer's performance forward

Serving with full Valmet offering



- Introducing Valmet offering and capabilities to serve with full scope

Benchmarking



- Benchmarking with different mills

Supporting investment projects



- Early contribution to new investment projects
- Frame contracts and contract appendixes

Access to latest technology and innovations



- Regular updates on new technology, products and services to meet our customers' needs
- Joint RTD projects



Agility through Sales

Leveraging Valmet's competitive advantages on global and local level

Unique offering to customer's needs: process technology, automation and services



Largest installed base
in P&P industry



Global resources,
local presence

Shared Journey
Forward introduction

Mill team
improvement program

Agility through sales
and sales process
training

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.

