



Entering new markets in energy, strengthening position in pulp

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Agenda

Capital Markets Day 2016

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- 2 Market environment and market position
- 3 Strategic objectives
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Current status

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.

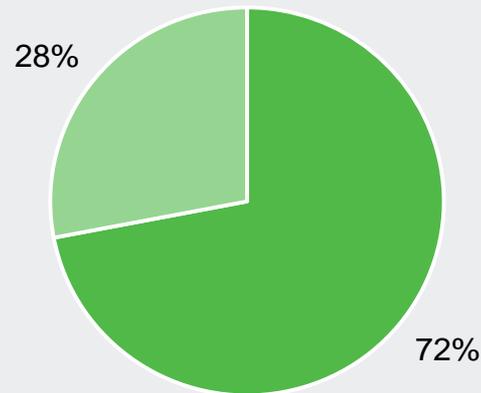
Figures for last 12 months

Orders received
EUR 884 million

Net sales
EUR 903 million

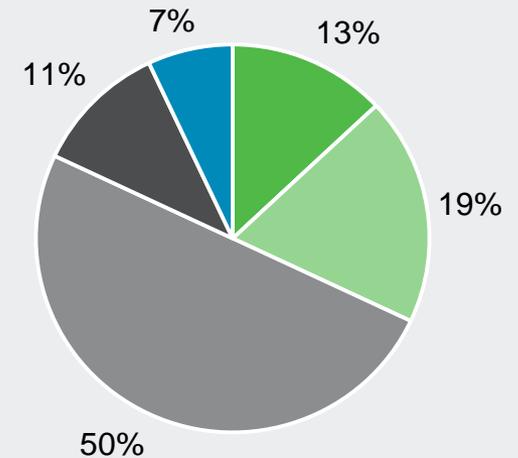
Employees (on June 30, 2016)
1,749

Net sales by business¹



■ Pulp
■ Energy

Net sales by area¹



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

1) Net sales during the last 12 months (July 1, 2015 – June 30, 2016).

Pulp and Energy offering

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



Pulp

- Wood and pulp handling
 - Wood handling, fuel handling, pulp drying
- Fiber processing
 - Complete fiber lines, cooking systems, refiners, mechanical pulping
- Recovery
 - Recovery boilers, evaporation systems, recovery islands
 - Lignin recovery using LignoBoost technology
- Odour and pulp mill balance control

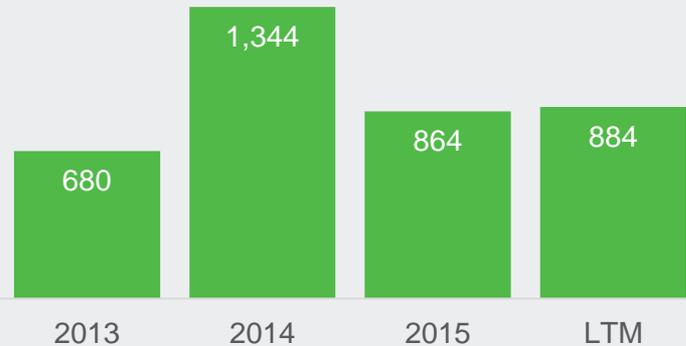
Energy

- Heat and power generation
 - Fluidized bed boilers, bio-grate boilers, biomass and waste gasification
 - Boiler islands and small power plants
- Air emission control
 - Flue gas cleaning and heat recovery for boilers
 - Emission control for process industry and marine
- Biofuels
 - Pyrolysis plants with emission control and burners
 - Biocoal plants

Major achievements

Very low LTIF/TRIF achieved (LTIF = 0 since January 2016)

Orders received
(EUR million)



Net sales
(EUR million)



Pulp

- Market was very active in 2014 and 2015
- We defended our market position in the Nordics and in China
- Wood and Pulp Handling handled its high order backlog with success
- LignoBoost delivery in Stora Enso, Summa

Energy

- In 2015 projects were postponed, good start in 2016
- Partnering with EPC contractors in Asia-Pacific
- Rebuilds activity increased
- Very good development in Environmental Systems
- Pyrolysis delivery in Fortum, Joensuu

LTM = Last twelve months (July 1, 2015 – June 30, 2016)



Market environment and market position

Market position

Pulp

Market position #1-2	Valmet's market share ~40%¹
Long-term market growth ~1%	Estimated market size EUR 1.4 bn

Energy

Market position #1-3	Valmet's market share ~20%²
Long-term market growth ~1%	Estimated market size EUR 2.0 bn

Competitors

Andritz

Andritz
Amec Foster Wheeler
Babcock & Wilcox

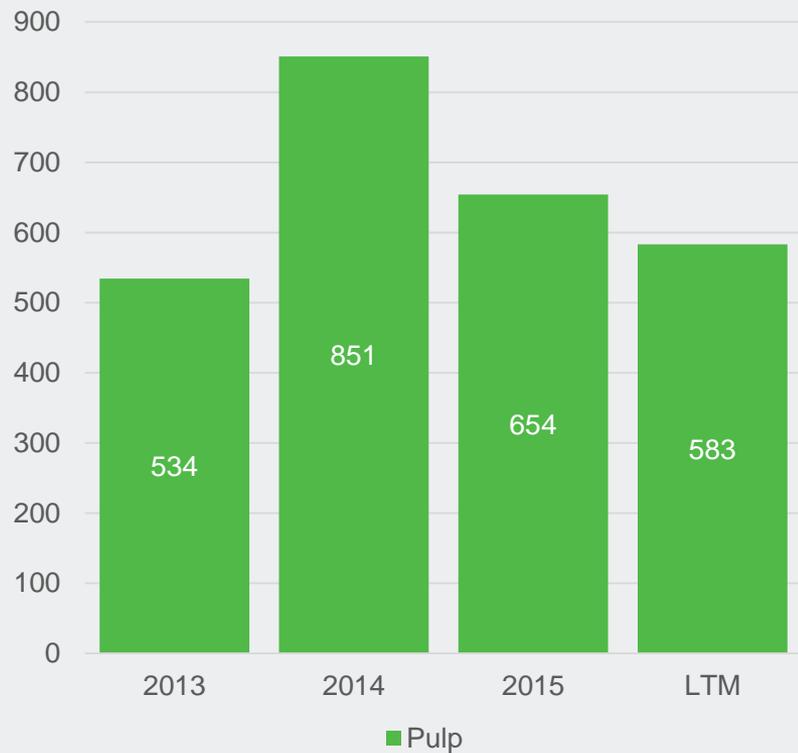
1) In 2015

2) In biomass boiler orders in 2011–2015 excluding China

Market environment

Pulp mills

Orders received (EUR million)



Pulp mills

Become the market leader in pulp

- World pulp demand growth approximately 1% per year
- Mega mill activity exceptionally high in 2014 and 2015
- Rebuild potential in North America and EMEA, also in South America and Asia-Pacific over time
- Environmental systems for emission reduction, debottlenecking and for aging pulp mills
- Lignin separation market growth pending on downstream value chain alternatives
- Competition mainly between Andritz and Valmet

Market environment

Energy



Energy

Become a globally known supplier of Energy Solutions, which combine all Valmet capabilities

Expand market geographically

- Position in Asia-Pacific and China (partnering), portfolio in EMEA

Biomass to Energy

- Drivers are threatened by regulations, incentives and acceptance (especially in EMEA)

Waste to Energy

- Circulated Fluidized Bed and gasification for high electricity efficiency

Multifuel to Energy

- Focus on Asia-Pacific and Eastern Europe

Air emission control, regulations drive demand

- Untapped flue gas cleaning market outside Nordics
- Rebuilds of aging power plants in EU
- Energy efficiency and heat recovery in the Nordics
- Sulphur emission regulations in Marine



Strategic objectives

Strategic objectives

Strategic objectives

- Net sales growth to exceed market growth
- Improve profitability

Business focus

- Improve customer focus and process excellence in all businesses to achieve financial targets
- Adapt and renew our offering to match market demand, and thus generate long-term growth
- Improve flexibility to control cyclicity; footprint, structure, capabilities and processes
- Leverage synergies together with Services and Automation



Business specific focus areas

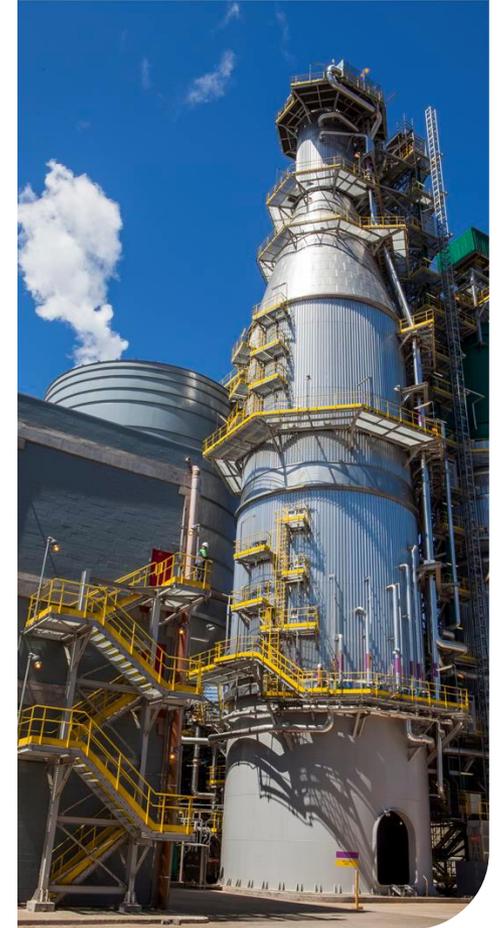
Business specific focus areas

Business streams

- **Pulp Mills:** Improve our market share, solution competitiveness and profitability, and drive the commercial breakthrough of selected biotechnologies
- **Energy:** Sustain profitable Energy business, expand global market presence, and secure growth in environmental systems

Areas

- **North America:** Strengthen the role in pulp rebuilds, maintain position in energy and initiate environmental business
- **South America:** Capitalize opportunities in pulp mills and secure first references in biotechnologies
- **EMEA:** Capitalize rebuild potential in pulp, strengthen position in energy and environmental systems
- **China:** Gain leading market share in pulp and develop position in energy
- **Asia-Pacific:** Capitalize rebuilds in pulp, grow in energy, environmental systems and biotechnologies





Must-Wins

Must-Wins in Pulp and Energy

Must-Wins

Must-Win initiatives



Customer excellence

- We aim to become the market leader in Pulp, become a known preferred partner in Asia-Pacific and China in Energy, and grow business together with Services and Automation

Leader in technology and innovation

- We improve solution competitiveness, commercialize new solutions, and develop our offering to meet the market needs

Excellence in processes

- We deliver the targets specified for HSE, quality and procurement, focus on project management to improve profitability, and manage better the cyclical nature of our business

Winning team

- We develop our capabilities and ensure motivation through transparent and rewarding ways of working



Case examples

Case examples

Recent orders in Pulp



Huanggang Chenming Pulp & Paper Co

State-of-the art technology for flexible production of softwood kraft pulp and dissolving pulp. Startup in 2017.

- **Scope:** Main equipment, value ~EUR 110 million



SCA Östrand Timrå

Upgrade the production from 430,000 tons to 900,000 tons per year. Start-up of entity by May 2018.

- **Scope:** Cooking, fiber line and evaporation plant



CMPC Celulosa S.A

Replacement of a white liquor plant to comply with new environmental permits and to increase flexibility. Start-up scheduled in February 2018.

- **Scope:** A new white liquor plant

Case examples

Recent orders in Energy



Biomass-fired boiler plant to HOFOR in Copenhagen, Denmark

Photo: HOFOR

HOFOR Energiproduktion

Biomass-fired boiler plant, which will replace an old coal-fired plant. Heat and power production will start in 2019.

- **Scope:** Biomass-fired boiler plant and related biofuel storage and conveyor systems, value over EUR 150 million



Power plant maintenance to Sappi Ngodwana, South Africa

Photo: Sappi

Sappi Ngodwana

Single-drum conversion project for PC boiler including new superheaters and economizer. Start-up was in April 2016.

- **Scope:** Boiler rebuild



Flue gas cleaning plants to CIECH Soda Polska, Poland

Photo: CIECH Soda

CIECH Soda Polska

Flue gas cleaning plants to Soda Polska's CHP plants in Janikowo and Inowroclaw. First startup in 2017.

- **Scope:** Flue gas desulphurization technology, selective catalytic reduction plant, value ~EUR 20 & 40 million



Summary

Summary

- Valmet aims to become the market leader in pulp and to expand its market presence in energy in Asia-Pacific and China
- We improve solution competitiveness, commercialize new solutions, and develop our offering to support growth
- Valmet will continue to focus on operational excellence for improved deliveries and profitability



