



Turning Paper business line to growth

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Valmet Capital Markets Day
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Agenda

Capital Markets Day 2015

1 Paper business line in brief

2 Performance in 2014

3 Market and market position

4 Must-Wins in Paper

5 Case examples

6 Summary





Paper business line in brief

Paper business line in brief

Provides solutions and technologies for board, tissue, and printing paper production.

Long history of technical innovations, for example OptiConcept M board and NTT tissue machines.

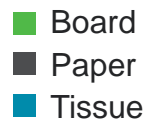
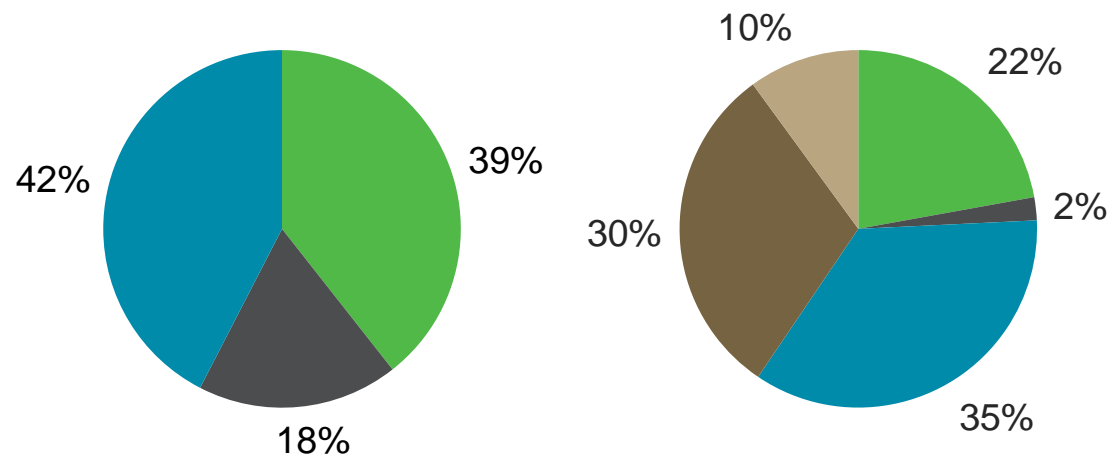
2014 figures

Orders received EUR 671 M
 Net sales EUR 528 M
 Employees 3,098

Position

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

Net sales (2014)



Paper offering

Technologies and solutions for board, paper, and tissue



OptiConcept M production line



Advantage DCT200 tissue machine

Board and Paper

- Standard and modularized technology concepts: OptiConcept M
- Tailor-made OptiConcept machinery
- Rebuilds, key components and individual machine sections

Tissue

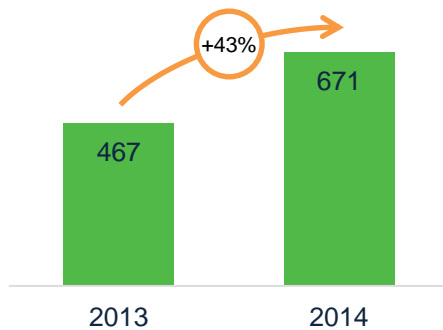
- Advantage DCT technology: High quality tissue with high efficiency and reliability
- Advantage NTT technology: Premium quality textured tissue with high bulk and softness
- Advantage TAD technology: Superior quality structured tissue with excellent absorbency and softness
- Rebuilds, key components and individual machine sections



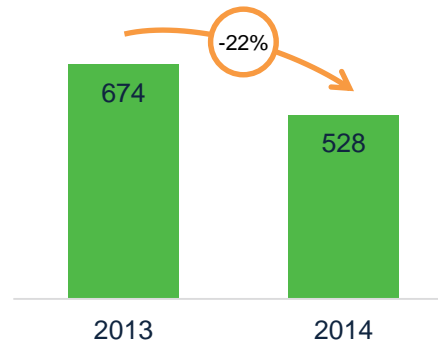
Performance in 2014

Key actions and results in 2014

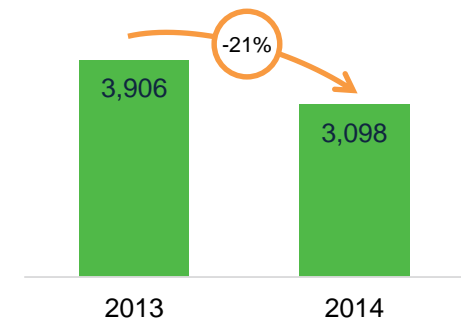
Orders received
(EUR million)



Net sales
(EUR million)



Employees

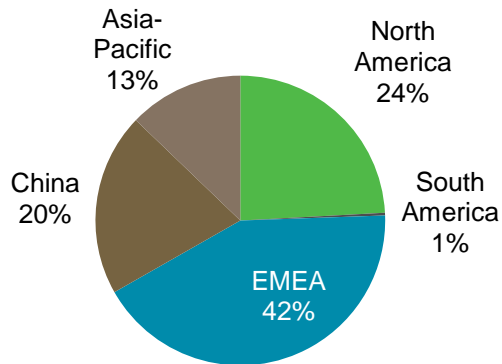


- Orders received increased
 - Improvement in Board and Paper, Tissue stable
 - North America and EMEA strong

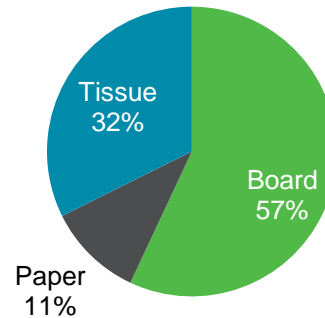
- Profitability improved
 - Capacity costs reduction 20%
 - Production in Finland centralized
 - Reductions in headcount
 - Quality cost reduction 20%
 - Savings in procurement 6%
 - Project margin improved

Growth in orders received in 2014

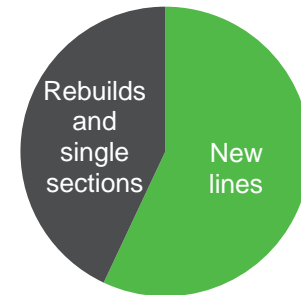
Orders received, split by area



Orders received, split by business



Orders received, split by order type




- Orders received increased by 43 percent in 2014
- Board and tissue accounted for approximately 90 percent of the orders received in 2014
- Orders received more than doubled in North America in 2014
- 4 OptiConcept M machines sold, first NTT tissue line sold to USA



Additional flexibility as result of restructuring

- Improved flexibility through decreased capacity cost structure allows high capacity utilization also in low-cycle
- Increased subcontracting in engineering and manufacturing increase flexibility
- Own manufacturing focus in high value-added production
- Increased share of cost competitive countries improves cost competitiveness

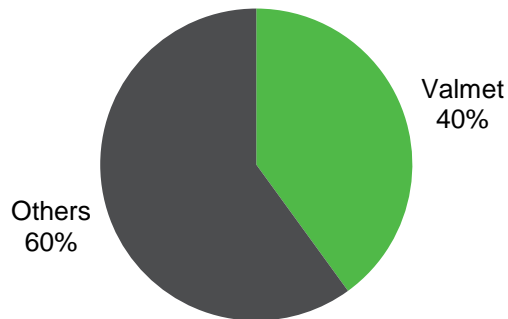




Market and market position

Market position

Valmet's market share



Market position

#1-2

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

- Competition is more intense and margins are lower in the new smaller machine segments
- Competition expected to increase as smaller suppliers combine forces and become more skilled

Business focus and opportunities

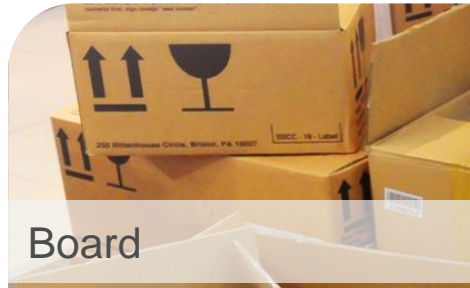
- There are still opportunities even in a flat market
- We need to be able to offer smaller and slower machines with better investment pay-back (EUR/ton)
- Take advantage of every opportunity and create a concrete growth plan, e.g.
 - Include service offering to capital projects
 - New energy and raw material efficient products



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



Board

~3% p.a. 1.0 bn ~40%

- World trade, e-commerce and emerging markets growth drive packaging
- Shift from plastic packaging to renewable materials



Tissue

~3% p.a. 0.6 bn ~35%

- Growth in emerging markets
- Rise in purchasing power and living standards in emerging markets
- Urbanization
- Growing middle class
- Improved hygiene and living conditions



Printing and writing paper and newsprint

~-1% p.a. 0.6 bn ~40%

- Increasing role of digital media decreases demand for printing and writing papers
- Some growth in emerging markets

Market drivers



Source: Leading consulting firms, RISI, management estimates



Must-Wins in Paper

Must-Wins in Paper

Must-Wins

Must-Win initiatives



Customer excellence

- All our projects achieve a world class reference value with customer excellence

Leader in technology and innovation

- Maintain technology and market leadership position with modern machines that include modularized and standardized solutions and latest technology

Excellence in processes

- Continuous improvement helps us to develop our quality, processes and cost competitiveness

Winning team

- Right competence balance globally ensures our capabilities to be closer to our customers



Case examples

Siam Kraft PM 16, Thailand

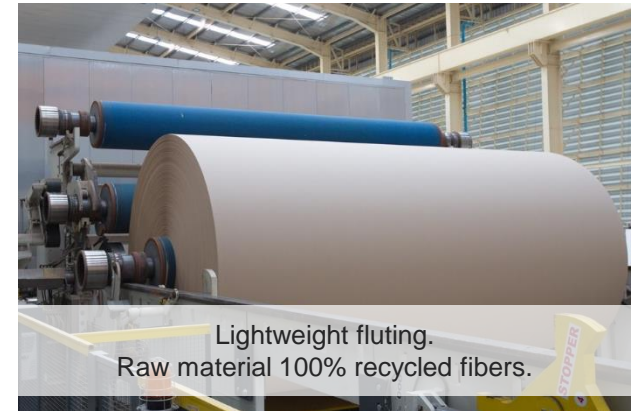
The third OptiConcept M containerboard line in operation



Latest containerboard making technology.
Trim width 6,660 mm. Design speed 1,300 m/min.



Sompob Witworrasakul
Engineering Director, SCG Paper



Lightweight fluting.
Raw material 100% recycled fibers.

Extended scope of supply project implementation from Valmet

World-class energy efficiency

- Very low energy consumption per ton
- High production speed
- Latest technologies available: spray sizing, VacuMaster, EnergyOperator

Lightweighting

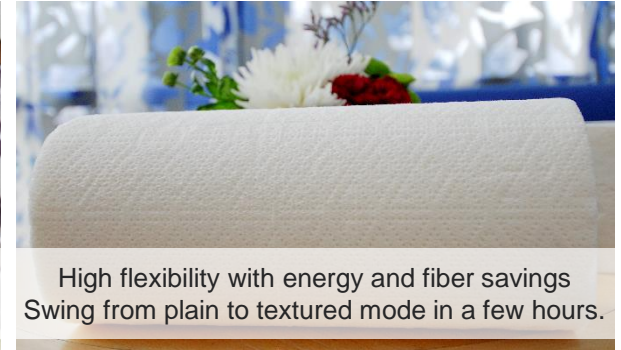
- Possibility to produce very low grammage containerboard
- 100% recycled fibers (OCC) as raw material

Economy of scale

- Wide delivery from one supplier covering paper machine and project services
- Minimized risks for wide investment project
- Service close to customer

Fabrica de Papel San Francisco PM6, Mexico

Full flexibility and high capacity with Advantage NTT Tissue Technology



Quality according to expectations

High speed and record high capacity

- Speed 2,000 m/min (plain)
- Capacity 178 tons/day (2.6 m wide machine)

Production of all types of products

- Low to high basis weight
- Plain and textured
- Toilet, towel, facial
- Virgin and recycled pulp

First Advantage NTT 100

"We have tested a large amount of different grades and basis weights, in both plain and textured mode, all with good result. We have actually set some production records with the new NTT concept"

**Dario Palma y Meza Espinoza,
Director of Operations**

Recover energy and return as electrical power

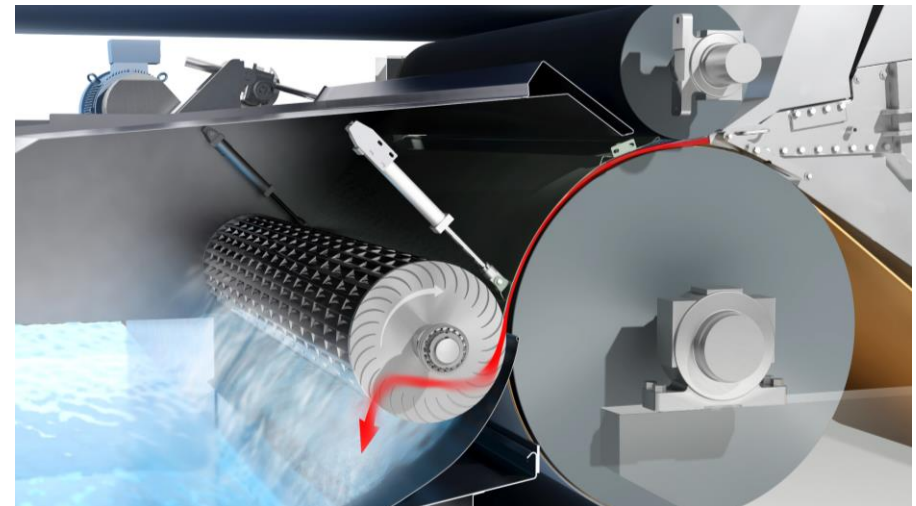
Experiences from first installation of Advantage ReTurne

- Rebuild of Advantage DCT100
- Start-up August 6
 - Reached maximum speed in 5 days
- Energy recovery 24% better than guaranteed level
- Recover 48–51% of headbox jet power
- Estimated yearly saving EUR 220,000

“The first installation of the Advantage ReTurne energy saving system has been a positive experience for us. Its energy saving capabilities turned out to be better than we hoped for and well in line with our target to further reduce our CO₂ emissions before the end of 2020”

Simone Capuano, Vice Chief Technical Officer, Sofidel

Advantage ReTurne energy recovery system, Sofidel, Italy





Summary

Paper summary

Turning Paper business line to growth

- Strong market position
- The cost structure is more flexible than before
- Full offering of process technology, automation and services
- Focus on profitability improvement and Must-Wins

