



# Must-Win status and actions forward

Juha Lappalainen  
SVP, Strategy and Operational  
Development

Valmet Capital Markets Day  
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# Agenda

## Capital Markets Day 2016

- 1 Customer excellence
- 2 Leader in technology and innovation
- 3 Excellence in processes
- 4 Winning team
- 5 Summary

### Topics in break-out sessions:

- R&D
- Industrial Internet
- Valmet way to serve

# Sales and key account management

## Agility through sales training program

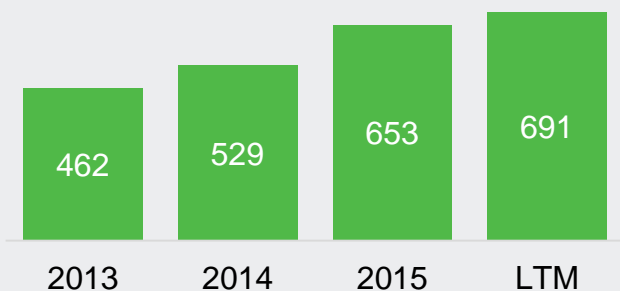


## Targeting market share improvement at key customers

- 30 agility through sales workshops done with 600 participants during first half of 2016
- New sales process and CRM version launched
- Focusing on mill teams' capability to sell the complete offering
- Way to serve implementation ongoing

# R&D focus areas

## Orders received from new products<sup>1</sup> (EUR million)



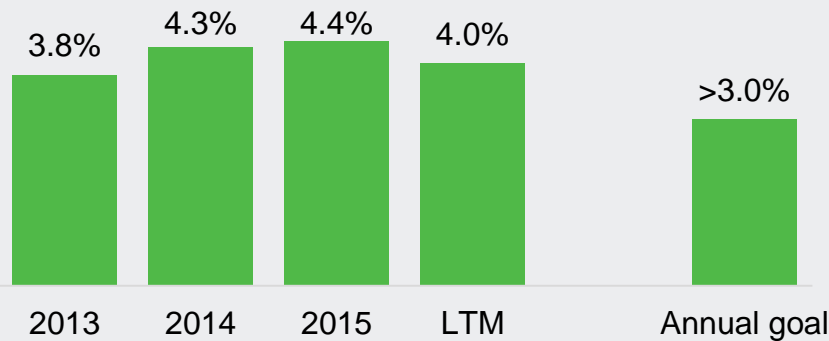
## Optimizing our EUR 64 million R&D spend

- 16 centers and over 400 R&D professionals globally
- ~1,500 protected innovations
- Improving product cost competitiveness and performance
- Enhancing raw material, water and energy efficiency
- Promoting renewable materials
- Share of new products and technologies is increasing

1) Product is new 5 years after launch in capital business and 3 years in services business.  
LTM = Last twelve months (July 1, 2015 – June 30, 2016)

# Development of procurement costs

## Implemented procurement savings of annual direct spend



## Reaching and exceeding our original three-year 10% savings target

- Continuing to target >3% annual savings with new actions
  - Increasing design-to-cost (DTC) to create new sources for savings
  - More supplier involvement through supplier relationship management
- Continuing sustainable supply chain implementation

## Highlights

Paper machine frame from India to Japan – from lowest cost source to highest quality requirements

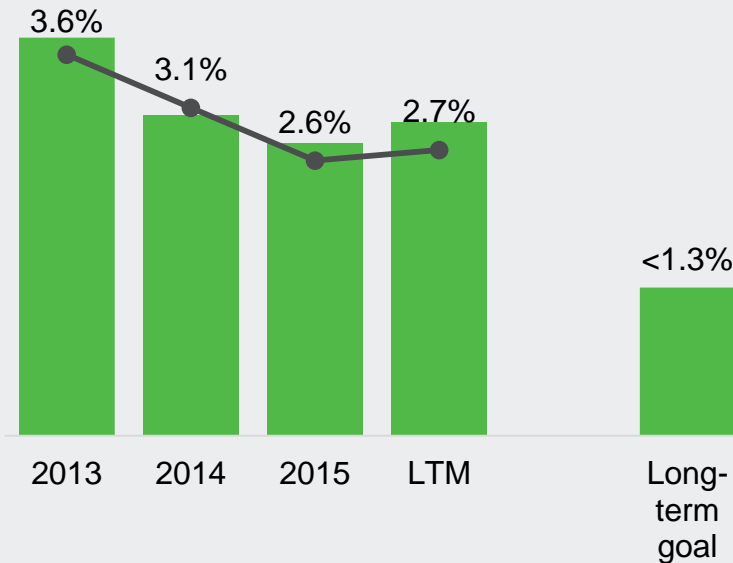


Material and manufacturing method DTC change in service business yielding >50% improvement in cost base



# Development of quality costs

Quality costs (EUR million and % of net sales)



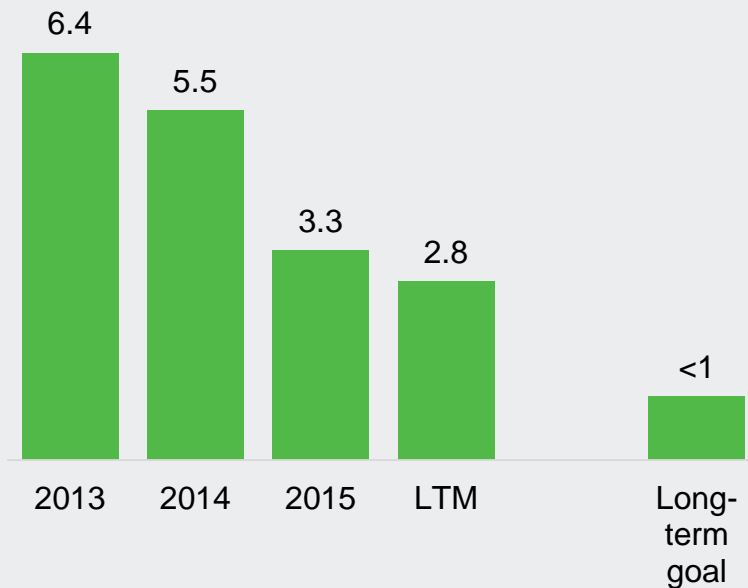
Original three-year target to reduce quality costs by 50% by the end of 2016

## Progressing in cutting the quality costs by 50%

- LTM is currently higher than full year 2015, but our original target setting remains valid
- Adding focus in root cause analysis of the quality deviations
- Extensive Lean implementation and training
  - Over 4,000 Valmet employees completed Lean e-learning
  - Lean being deployed in all major locations and businesses

# Development of health and safety

LTIF (lost time incident frequency rate<sup>1)</sup>)



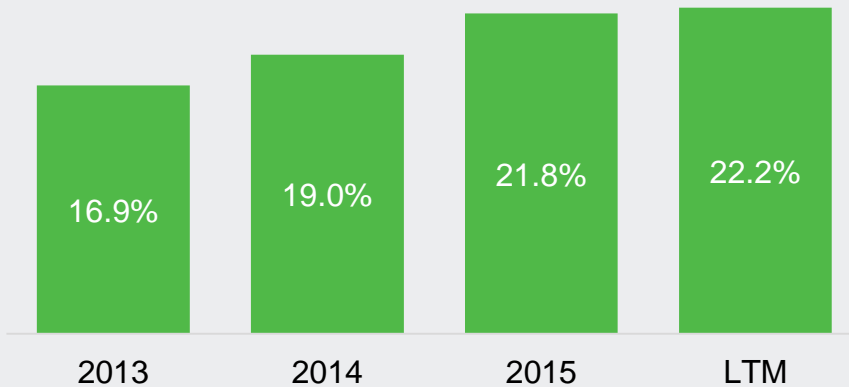
## Pursuing the goal of zero harm to people and environment

- Over 7,000 Valmet employees completed Safety@Valmet e-learning
- Common Valmet site safety instructions launched
- Improving preventative safety measures
- Strengthening activities to cover suppliers

1) This rate refers to the number of workplace injuries resulting in absence of at least one workday per million hours worked (own employees).

# Development of project management

## Gross profit (% of net sales)



## Targeting to continuously improve gross profit

- New Valmet-wide project execution model going into global implementation
- Improving transparency and control in projects via the ERP and project management tool deployment
- Several detailed actions ongoing in business units to decrease variation in project execution



# New ERP

## Valmet continues to invest in operational excellence

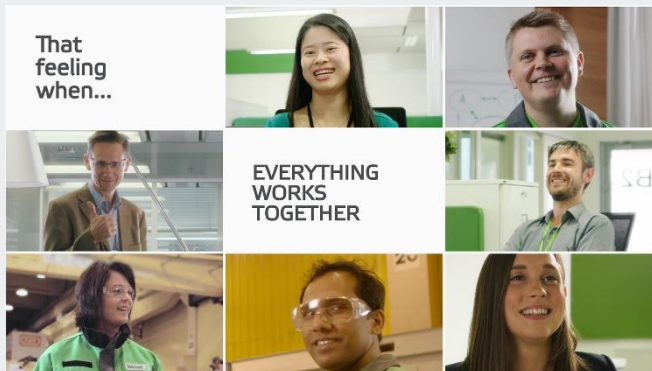


## All Valmet business lines, geographical areas and corporate functions are in scope

- Focus on order to cash business transactions, end-to-end harmonization of processes, and integration of people to serve customers better
- Phase Nordics ERP investment approximately EUR 50 million, of which
  - Approximately EUR 30 million external investment
  - Approximately EUR 20 million expenses

# Human resources achievements and actions

## Employer Value Proposition to attract right talent



## Focusing on high performance

- Five existing and two new global training programs: over 800 participants over the past two years
  - Champions in services
  - Networking in procurement
  - Fast Forward and Strategy Forward
  - Leading through Lean
  - Agility through sales
  - New: Project execution and R&D
- Strong managerial competence and performance focus through Forward for Managers and Manager Academy training

# Summary

## Actions for growth...

- Global implementation of Way to Serve
- Added focus in Industrial Internet and sales development

## ...and profitability

- Quality, HSE and procurement programs in their third year and re-focusing actions
- Project management, R&D and ERP programs starting



