

Paper: Leader in board and tissue – markets supported by global megatrends

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Valmet Capital Markets Day 2023

Leader in board and tissue markets supported by global megatrends

1

ATTRACTIVE MARKET

Board and Tissue are growth markets, aligned with megatrends in resource efficiency, climate and water

2

LEADING MARKET POSITION

Market leader in board, paper and tissue machinery

3

COMPETITIVE OFFERING

Technology leader in the industry and the only supplier with full offering

4

ATTRACTIVE BUSINESS MODEL

Flexible cost base, projects financed by advance payments

5

SOLID TRACK RECORD

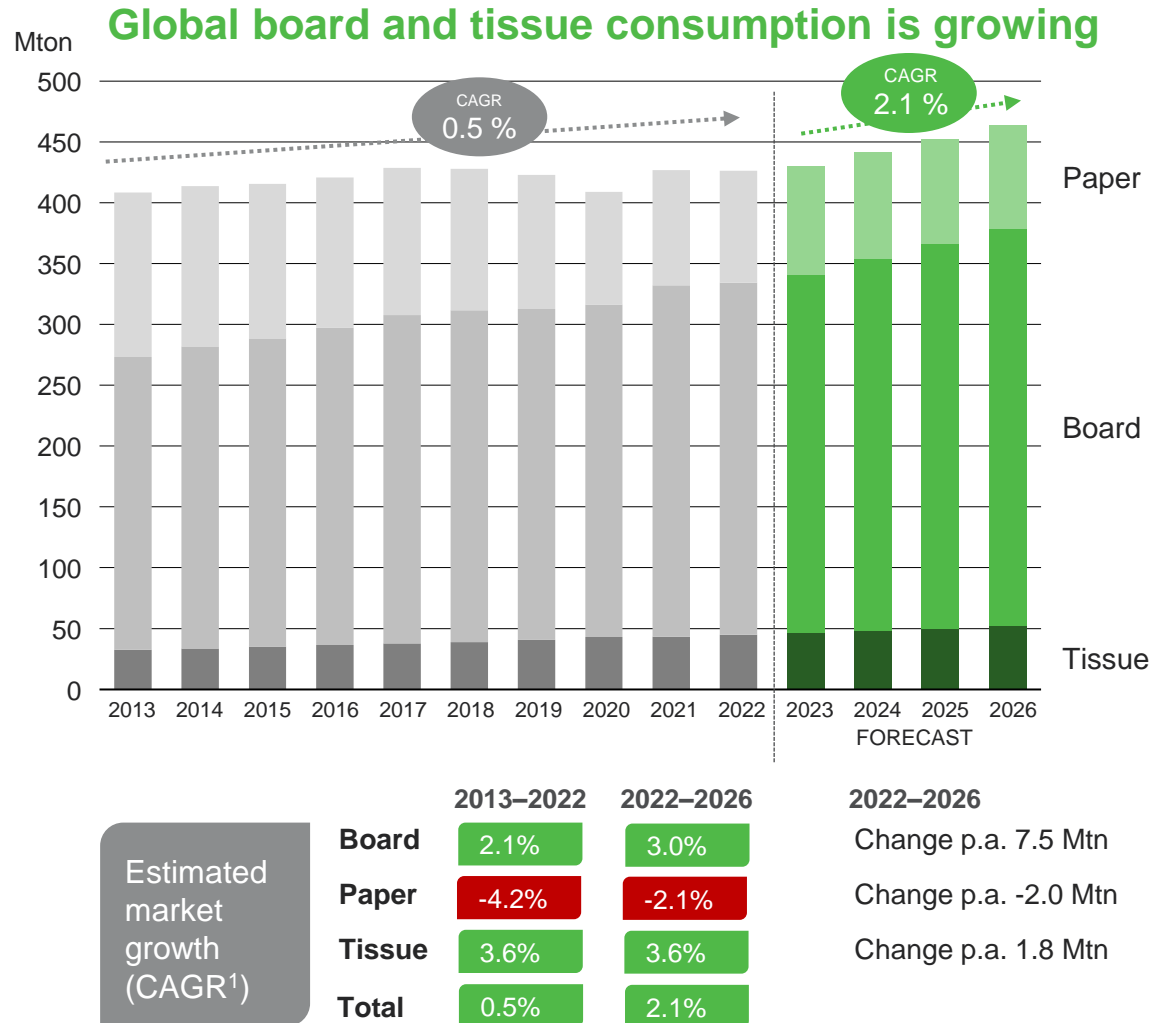
Improved performance year over year, already 9 years in a row

FINANCIAL TARGET

Net sales to exceed market growth



Market demand – a growth story



Market drivers

- Growth in fiber-based packaging, fueled by e-commerce, retail practices and plastics replacement
- Tissue growth driven by increase in hygiene awareness and standard of living, particularly in the developing economies
- On top of building new capacity, the customers keep modernizing, relocating and repurposing existing assets
- In 2013–2022, ~33% of the capacity addition driven by replacing closed or obsolete assets²

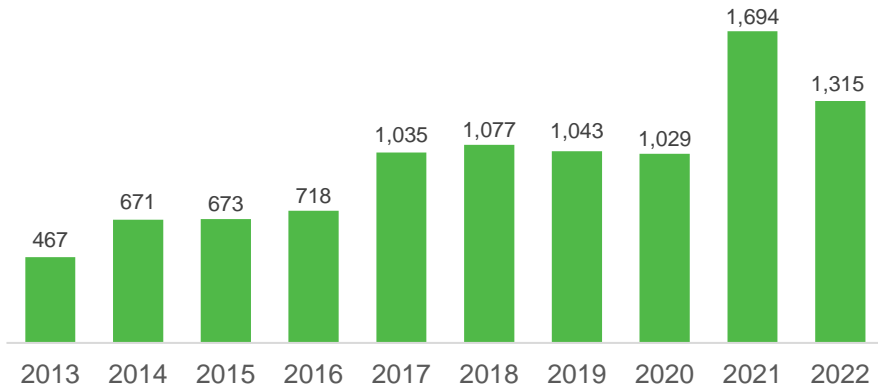
¹ Source: Fastmarkets RISI; Paper & board forecast 12/2022

² Source: AFRY Smart

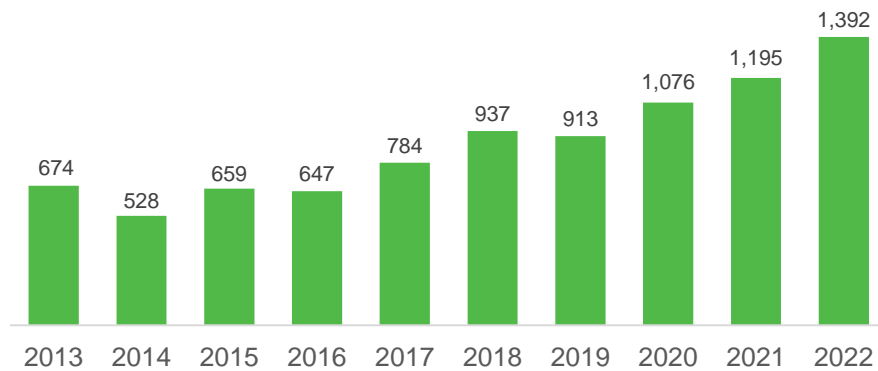
Note: not fully including the recent change in macroeconomic development

Paper key figures

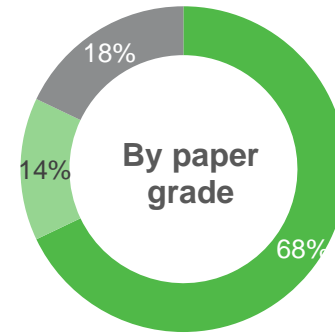
Orders received (EUR million)



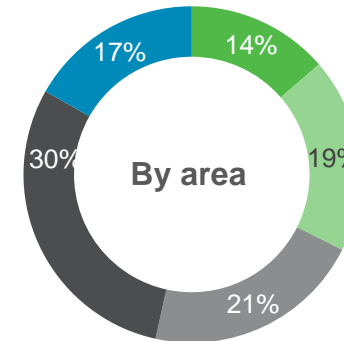
Net sales (EUR million)



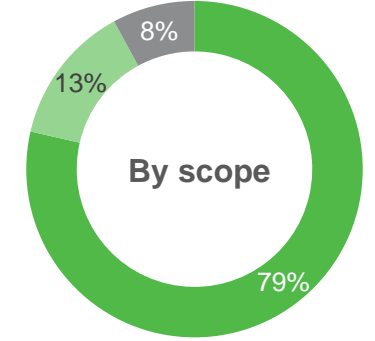
Net sales split 2022 (% of total)



- Board
- Paper
- Tissue



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

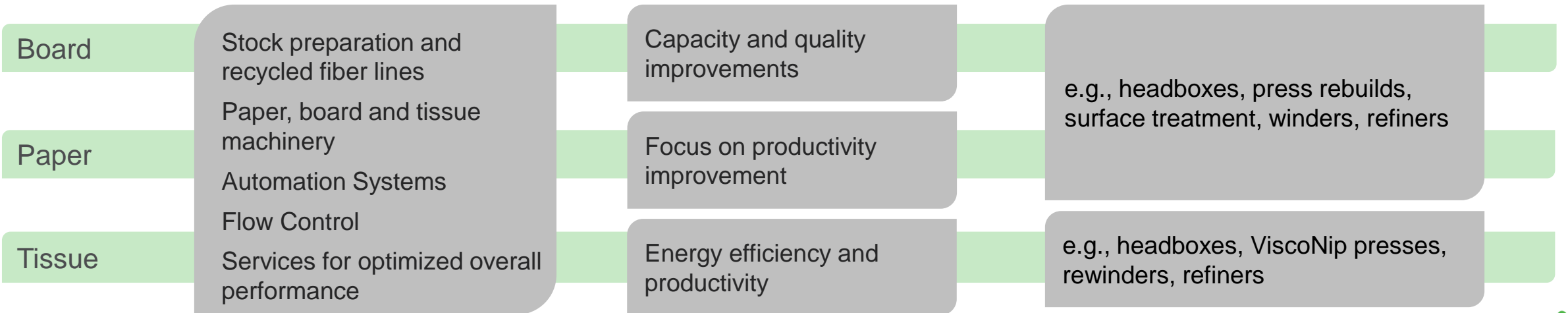


- New installments
- Rebuilds
- Single products

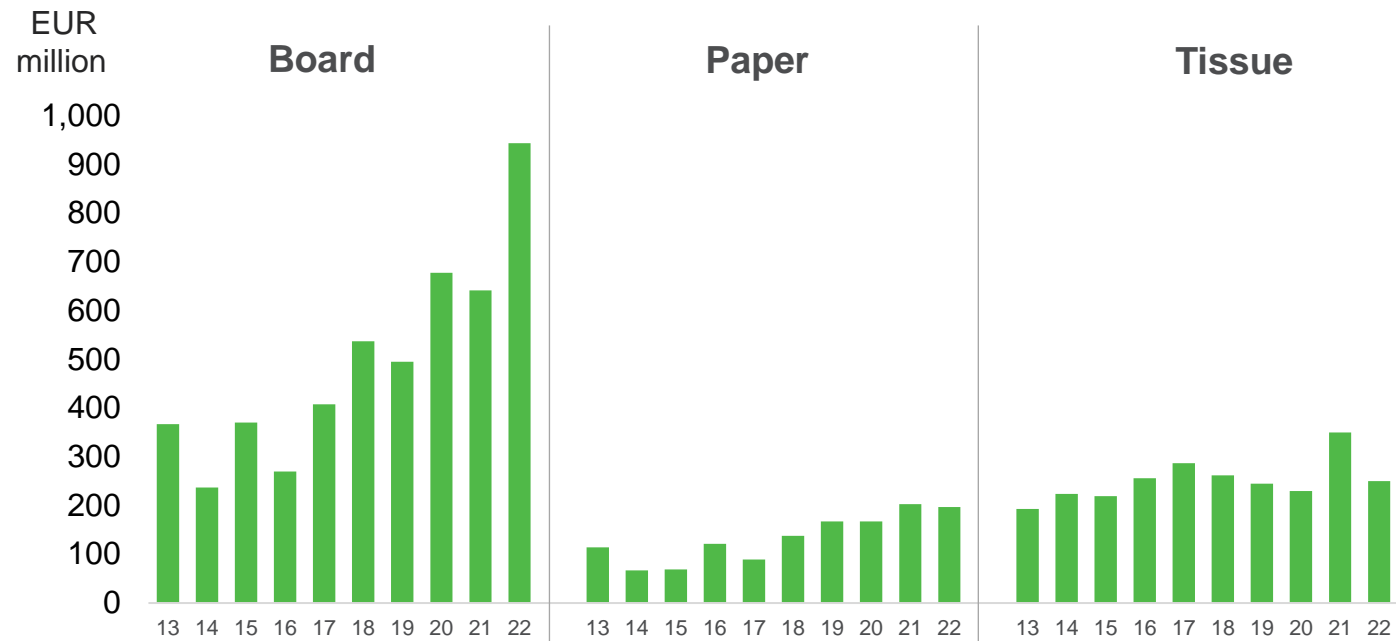
	Market position	Market share	Estimated market size, EUR	Long-term end market growth
Board	#1	60%	1.3 bn	+3%
Paper	#1	50%	0.2 bn	-2%
Tissue	#1	35%	0.7 bn	+4%

2013–2020 figures have not been restated to reflect the new segment reporting structure, which Valmet implemented as of January 1, 2022. Market position, market share and estimated market size calculated from year 2022.

Unmatched scope in Board, Paper and Tissue



Net sales by paper grade



Market characteristics

- Strong growth market in all geographical areas
- Paper machine conversions to board

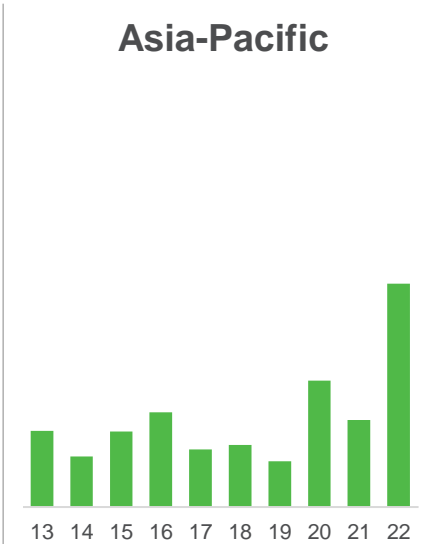
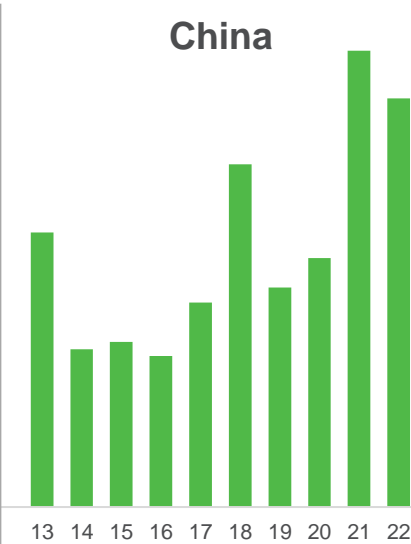
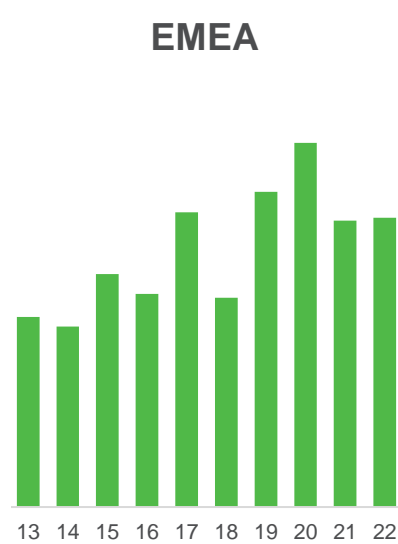
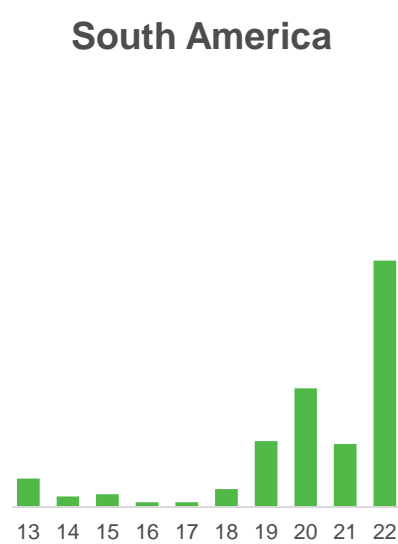
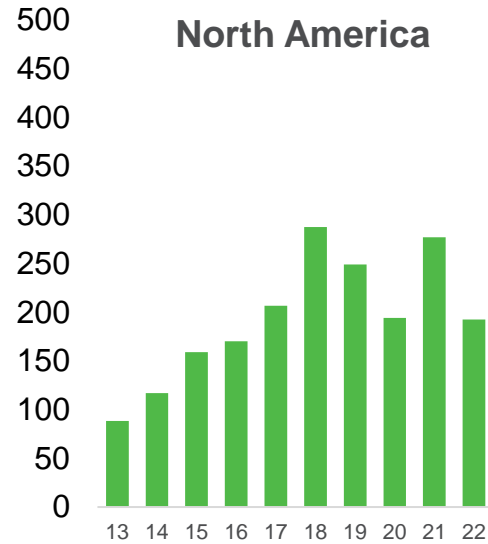
- Main market for new machines in China and Asia-Pacific
- Focus on productivity improvement

- Growth market
- Follows improvements in hygiene awareness and standard of living



Net sales by geographical area

EUR million



Market characteristics

- Old installed base
- High Valmet share
- High investment activity in recent years, driven by packaging growth

- Large virgin pulp assets: opportunity to integrate downstream into board/paper/tissue
- Active market

- Large and partially modern installed base
- High focus on energy and raw materials efficiency

- Large and modern installed base
- Strong economic growth drives all segments

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Winning business model

Operational efficiency

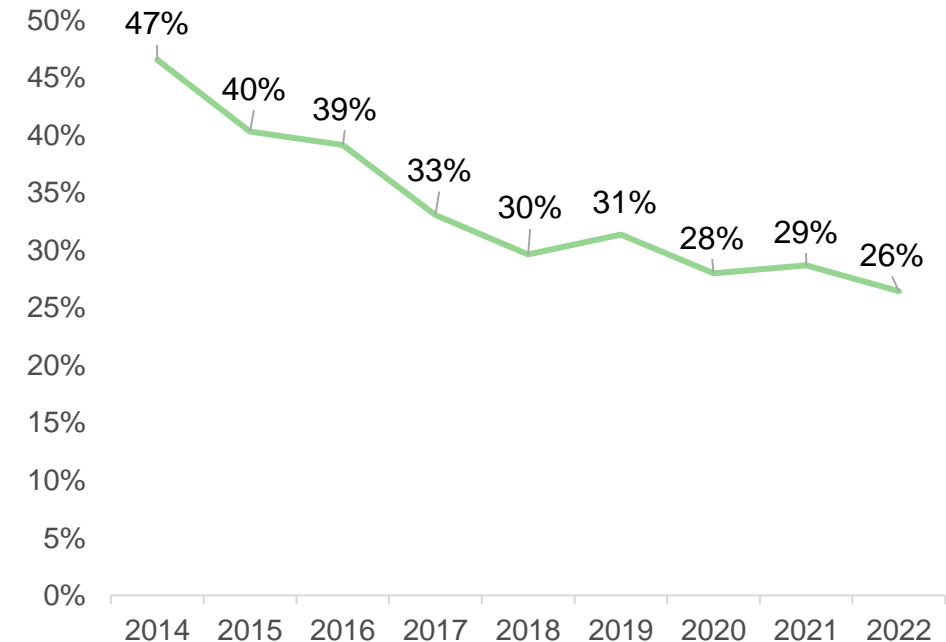
- Capacity cost (% of net sales) has decreased while net sales has grown
- Investments in productivity development and increased delivery capacity
- Strong operational home base in Nordics and cost competitive operations in Poland, India and China
- Upfront cash generation from projects due to pre- and milestone payments

Competitive advantages

- Excellent references and customer satisfaction
- Efficient procurement and supplier network
- State of the art pilot facilities
- R&D aligned with sustainability megatrends

Capacity costs

(% of net sales)



Capacity costs have decreased
by 21 %-points since 2014

Driving rebuilds towards resource-efficient board production

Energy consumption¹
-18%

2012–2022:
from 1,150 to 950 kWh/t

Fiber savings¹
-10%

2012–2022:
from 100 to 90 g/m²

Optimized performance
with Industrial Internet
solutions

Bio-packaging
with new coating solutions

OptiFlo with Aqua headbox
Solution for multilayering with single headbox

OptiFormer Hybrid with Sleeve roll
Solution for capacity and strength improvement

OptiPress Center with Metal belt
Towards increased dry content and decreased draw

Steel cylinder
Solution for higher drying efficiency

OptiSizer HardSizer with Hard Nip
Solution for improved strength

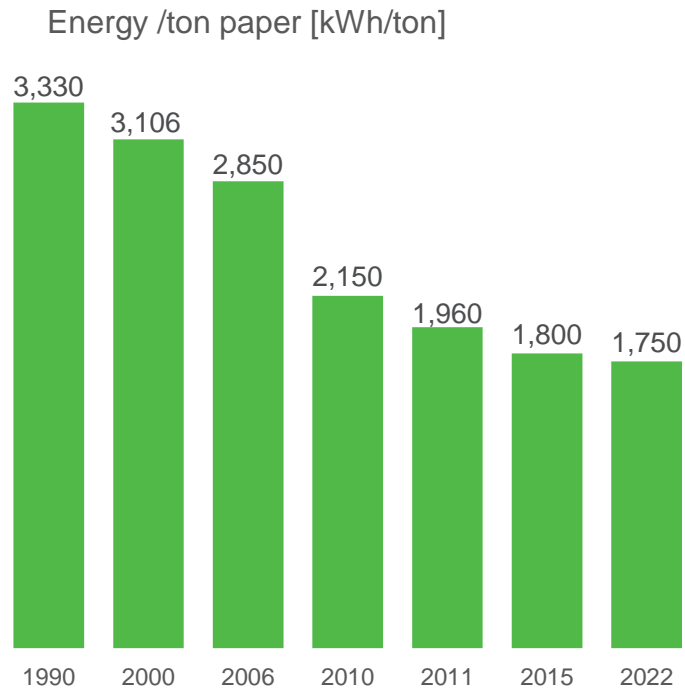
OptiCalender Metal Belt
Better surface quality and higher bulk

Aqua Cooling
Improved bulk

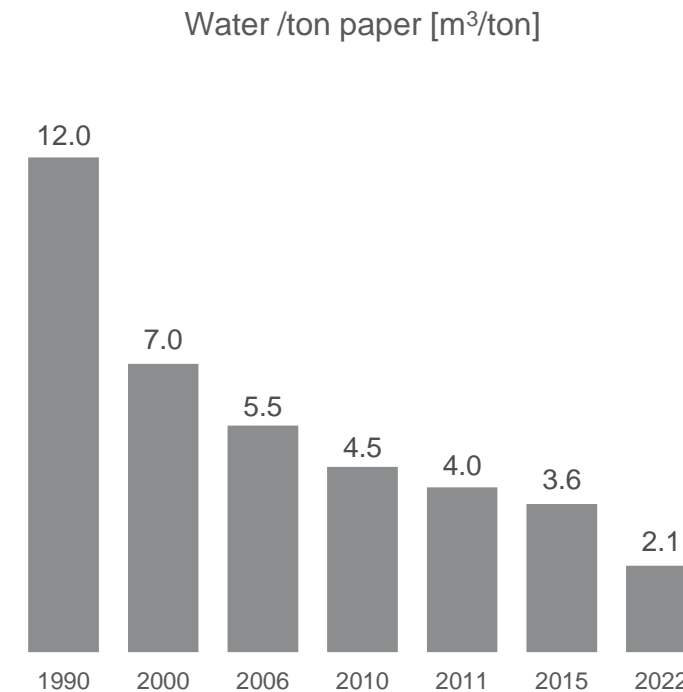


Driving development of resource-efficient tissue production

47% less energy¹



80% less water¹







Less fiber consumption²








Valmet 3D Fiber – Next generation of molded fiber

Valmet - supplier of molded fiber solution

-  Capability for extensive scope deliveries
-  Wide knowledge of fiber technologies
-  Global network to serve our customers
-  Big, reliable supplier

Game changer in fiber packaging

-  Flexible, modular concept
-  High output
-  Highly automated production
-  Low operating costs
-  Unique multi-material layering



New renewable and recyclable option for brand owners and food service!

Strategic focus areas

Paper

Key actions to grow

- Keep high hit ratio by fostering competitiveness
- Increase capacity through supplier network development
- Continue investing in R&D to support customers in their growth strategy on sustainability and new functionality
- Keep investing in business expansion, e.g., cellulose-based textile fibers and 3D fiber packaging

Key actions to improve profitability

- Focus on product cost competitiveness
- Continuous attention on productivity
- More efficient supplier network – develop partnerships especially in cost competitive countries



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