



# Securing order backlog and results

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Valmet Capital Markets Day  
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# Agenda

## Capital Markets Day 2015

1 Pulp and Energy business line in brief

2 Performance in 2014

3 Market and market position

4 Must-Wins in Pulp and Energy

5 Case examples

6 Summary





# Pulp and Energy business line in brief

# 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.

## 2014 figures

Orders received EUR 1,344 M

Net sales EUR 956 M

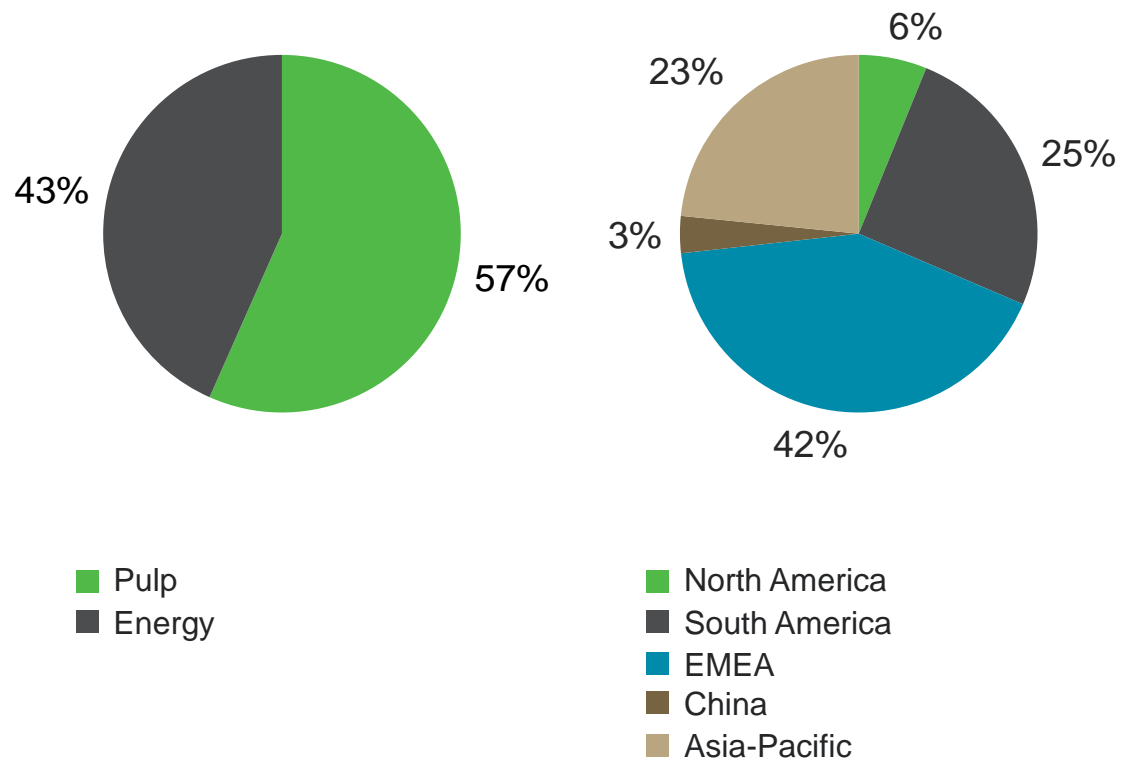
Employees 1,737

## Position

#1-2 Pulp

#1-3 Energy

## Net sales (2014)



# Pulp and Energy offering

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



Suzano Mucuri pulp mill in Brazil



Valmet's CYMIC boiler at Stora Enso Langerbrugge



First demonstration scale integrated pyrolysis unit, Fortum

## Pulp

- Wood and pulp handling
  - Wood handling, fuel handling, pulp drying
- Fiber processing
  - Cooking systems, mechanical pulping, complete fiber lines
- Recovery
  - Recovery boilers, evaporation systems, recovery islands

## Energy

- Heat and power generation
  - Fluidized bed boilers, bio-grate boilers, biomass and waste gasification
  - Boiler islands and small power plants

## Biotechnologies and Environmental Systems

- Biotechnologies
  - Lignin recovery, pre-hydrolysis, pyrolysis, bio-coal
- Air pollution control
  - Flue gas cleaning and heat recovery for boilers
  - Odour and pulp mill balance control
  - Environmental systems for biotechnologies

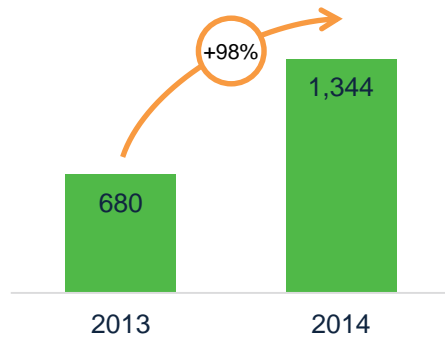


# Performance in 2014

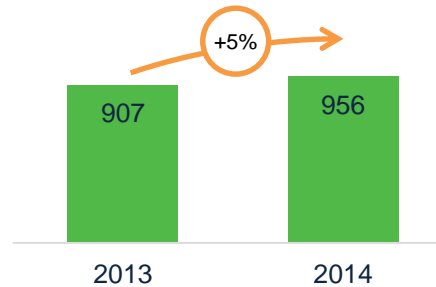
# Key actions and results in 2014

## Cost competitiveness through renewal

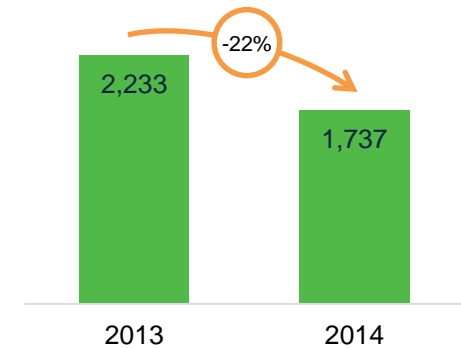
Orders received  
(EUR million)



Net sales  
(EUR million)



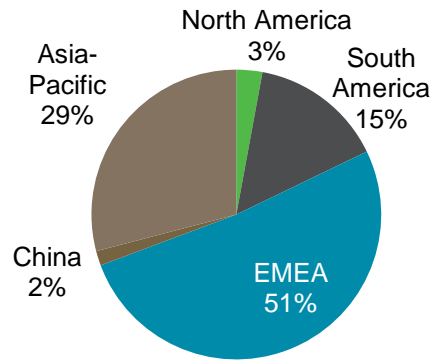
Employees



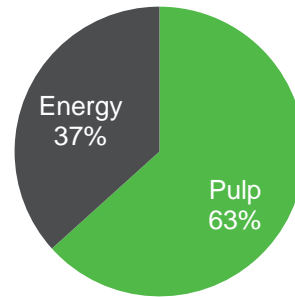
- Capitalized the global market opportunities in pulp mills, heat and power generation, and environmental systems
- Careful mega mill case selection and risk management
- Improved cost competitiveness by product design, engineering, supply and partnering network
- Improvement in project management
- Focus in reducing quality costs
- Completed cost savings program and restructuring

# Growth in orders received in 2014

Orders received, split by area



Orders received, split by business



- Orders received almost doubled in 2014 encompassing e.g. OKI and Värö pulp mill and Klabin's Puma project in H1
- Energy orders more than tripled encompassing e.g. Sappi Kirkniemi, Dunaujvaros, and ArcelorMittal
- Orders received more than doubled in Asia-Pacific and EMEA, increased in China and decreased in South America and North America



# Additional flexibility as result of restructuring

Continued focus on operational efficiency to improve performance

- Leveraging full potential of integrated Pulp and Energy in all markets by cross utilisation of resources and building on the best practices
- Improved capacity cost structure provides a flexible and cost effective platform in highly competitive and fluctuating markets
- Significant potential to increase further the share of cost competitive country engineering and production with increasing sales volumes

## Streamlined platform secures efficiency in execution

**Improved  
health and  
safety**


**Efficient  
supply chain**

**Cost  
competitive  
production**

**Profit  
oriented  
project  
management**

**Improving  
quality costs**

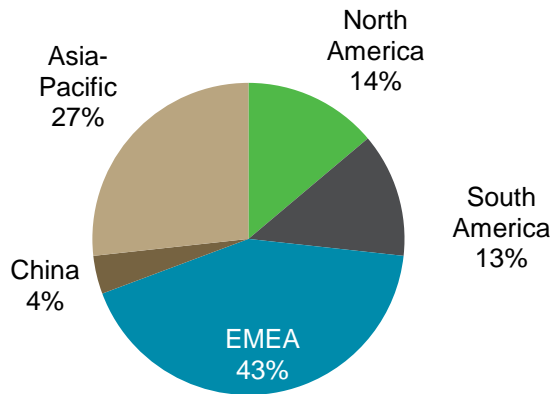
**Integrated  
Pulp and  
Energy way  
of working**



# Market position and key drivers

# Market position

## Valmet's target market by area



## Market position

**#1-3**

**Competition with few global companies and many smaller, regional, or local players**

**#1-2** Pulp  
**#1-3** Energy

- Two strong players in pulp
- Few global players in Heat and Power generation
- Very diverse field with few global players in biotechnologies

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



~1%  
p.a.      1.4  
bn      ~45%

~1%  
p.a.      2.0  
bn      ~20%

n.a.      n.a.      n.a.

## Market drivers

- Growth in paper, board, and tissue consumption in Asia
- Need for virgin wood pulp, as recycling rates can not grow infinitely
- Increased size of pulp lines and mills
- Growth in pulping in Asia and South America

- Growth in energy consumption and increasing demand for sustainable energy
- Modernization of aging power plants in e.g. Europe
- Incentives and regulation
- Competitiveness of different energy sources and fuels
- Increased focus on security of supply

- Emerging market for converting biomass into fuels, chemicals and materials
- Growth of energy, transportation, and chemical industry sectors
- De-bottlenecking and making value from waste and residues
- Volatile due to changes in regulations and oil price

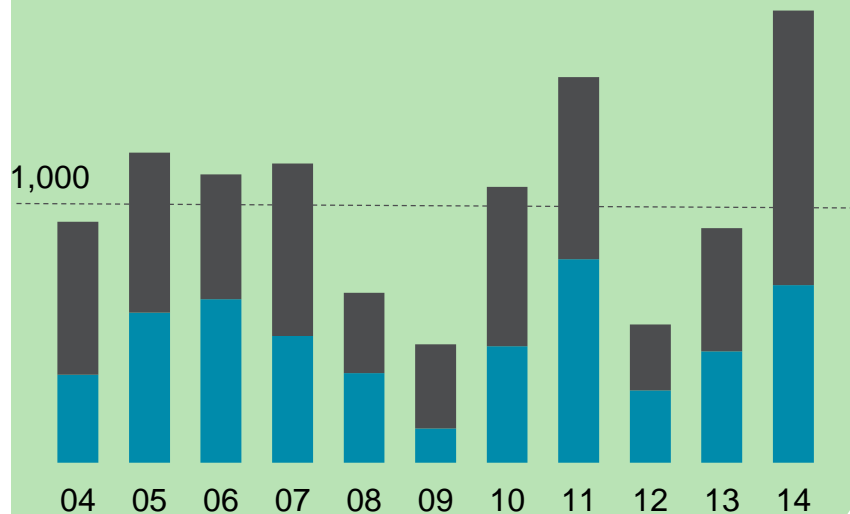
Source: Leading consulting firms, RISI, management estimates

# Pulp mill market is cyclical and characterized by large orders

## Market fluctuates from year to year

**Market size<sup>1</sup>**  
(EUR million)

■ Valmet  
■ Others



## Valmet is well prepared for the cyclical nature of the business

- Own capacity has been reduced during the last few years
- Capacity cost reduced 10% in 2014
- Capacity cost to net sales was 24% in 2014

1) Market size based on orders received. Includes all pulp business units, recovery boilers, and evaporation plants



# Must-Wins in Pulp and Energy

# Must-Wins in Pulp and Energy

Growth close to customers

## Must-Wins

## Must-Win initiatives



### Customer excellence

- Strengthen Heat and Power Generation position in Asia-Pacific, e.g. in boiler island deliveries by partnering with local EPC contractors
- Capitalize on Northern hemisphere softwood opportunities by securing sales targets in Äänekoski and Värö mills

### Leader in technology and innovation

- Significant R&D investments focused in increasing cost competitiveness
- Further commercialization of new offering of Pulp and Energy business line targeting in >20% of orders received in 2015 from new offerings

### Excellence in processes

- Savings through efforts in the field of procurement, and through further development in the utilization of cost competitive countries opportunities
- Continued focus on harmonized project control, reporting & follow-up, and lowered cost of product quality.

### Winning team

- Unified local presence close to customers, suppliers and partners
- Focus on global processes and competence development



# Case examples



# Recent orders in Pulp and Energy



Södra Cell's major pulp mill rebuild, Värö

Photo: Södra Cell



A boiler plant to ArcelorMittal Energy Ostrava s.r.o.

Photo: ArcelorMittal



Second commercial installation of Lignoboost™ lignin recovery, Stora Enso

Photo: Stora Enso

## World class Pulp Mills, Heat and Power Generation, and Biotechnologies

### Värö in Sweden

- Increase of pulp production capacity from 425,000 tons to 700,000 tons per year, start-up in spring 2016
- ~EUR 200 million
- Scope: Rebuild

### Ostrava in Czech Republic

- Circulated fluidized bed boiler plant for a steel mill, capacity 248 MW, start-up by mid-2016
- ~EUR 50 million
- Scope: A boiler plant

### Sunila mill in Finland

- 50,000 metric tons of dried lignin per year, start-up in 2015
- Scope: Lignin recovery island



# Summary

# Pulp and Energy summary

## Securing order backlog and results

- Unique and compelling offering by combining process technology, automation and services
- Developing the offering to maintain market position and presence, and to generate long-term growth
- Leveraging the strong market position and presence of Pulp and Energy
- Continued focus on profitability improvement and implementing Must-Win action plans
- Benefiting from the more flexible cost structure and improved processes



