

Orders received increased to EUR 1.1 billion and  
Comparable EBITA to EUR 107 million in the third  
quarter

Interim Review, January–September 2021

*October 26, 2021*

Pasi Laine, President and CEO

Kari Saarinen, CFO

# Agenda

Interim Review, January–September 2021

- 1 Q3/2021 in brief
- 2 Development of the business lines
- 3 Financial development
- 4 Guidance and short-term market outlook
- 5 Merger with Neles



# Q3/2021 in brief

# Q3/2021 in brief

- Orders received increased to EUR 451 million in stable business<sup>1</sup>
- Orders received increased to EUR 681 million in capital business<sup>2</sup>
- Net sales increased to EUR 935 million
- Order backlog amounted to EUR 4.2 billion
- Comparable EBITA increased to EUR 107 million and margin was 11.4%
- Gearing was -1%

PMP Group has been consolidated into Valmet's financials as of October 1, 2020.

1) Stable business = Services business line and Automation business line. For Automation, this figure includes internal orders received from other business lines.

2) Capital business = Pulp and Energy business line and Paper business line

# Valmet in Q3/2021

**Orders received**  
EUR 1,107 million

**Net sales**  
EUR 935 million

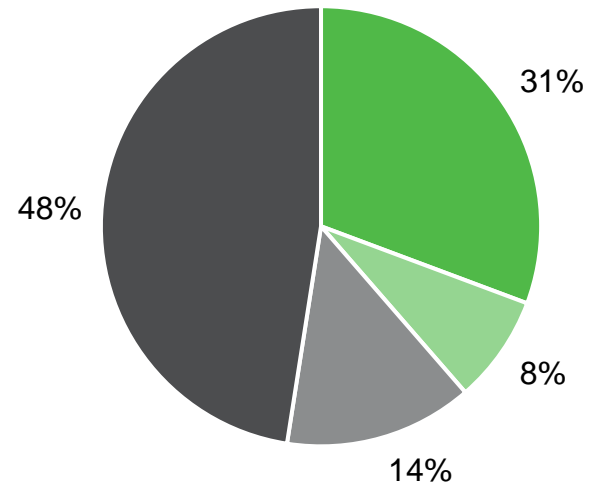
**Comparable EBITA**  
EUR 107 million

**Comparable EBITA margin**  
11.4%

**Order backlog**  
EUR 4,199 million

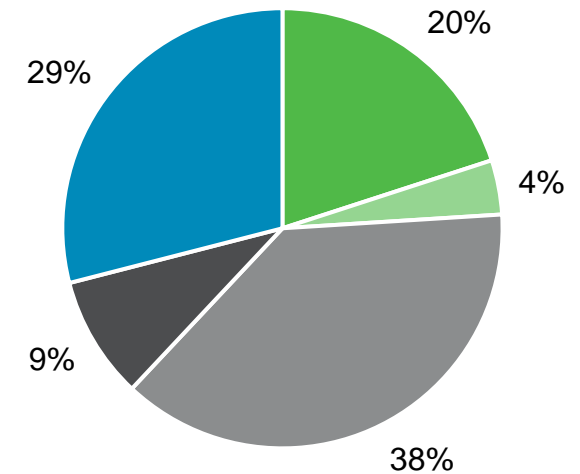
**Employees**  
14,179

Orders received by business line



- Services
- Automation
- Pulp and Energy
- Paper

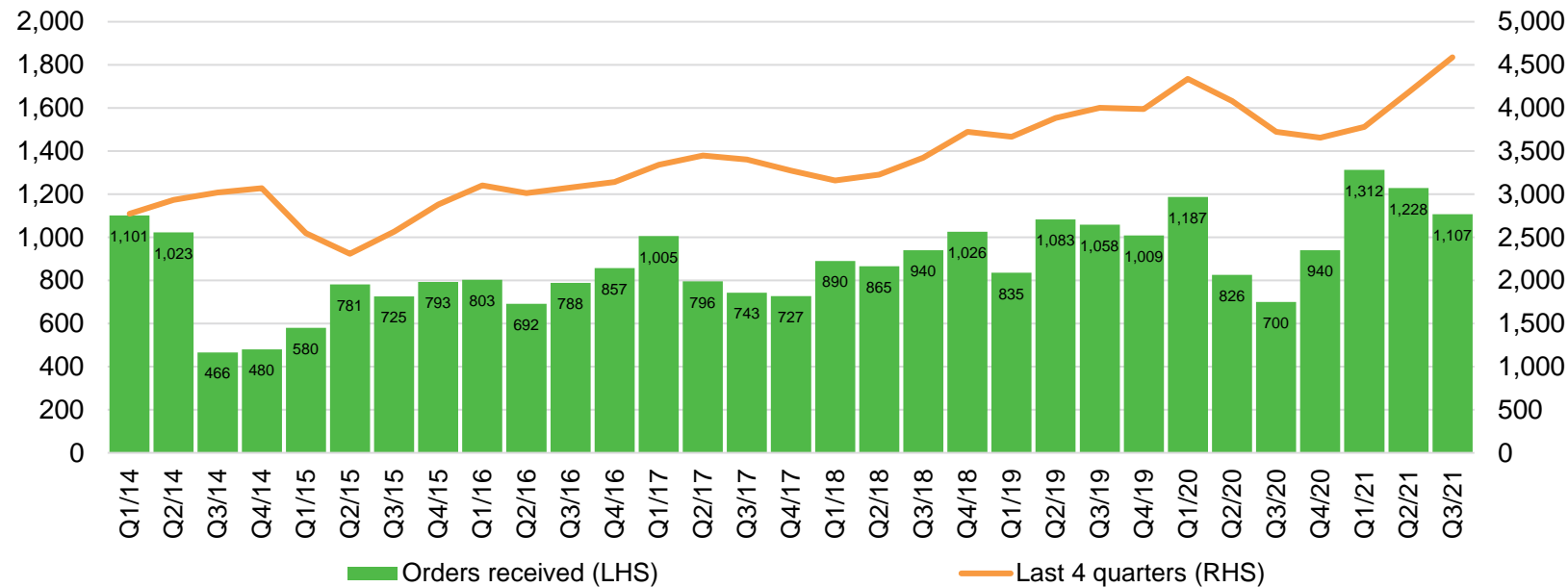
Orders received by area



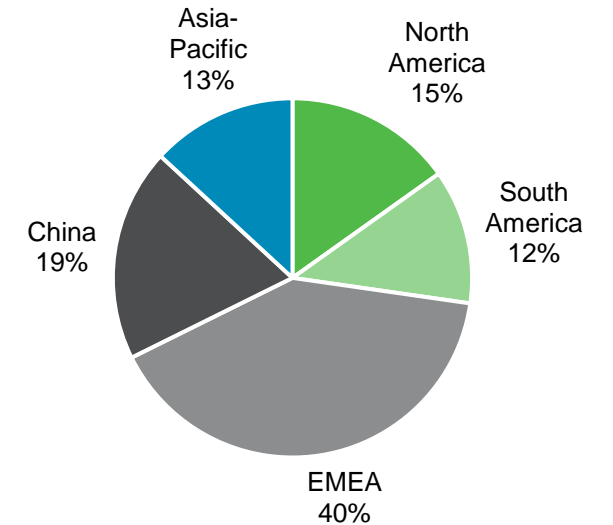
- North America
- South America
- EMEA
- China
- Asia-Pacific

# Orders received increased to EUR 1,107 million in Q3/2021

Orders received (EUR million)



Orders received in Q1–Q3/2021 by area

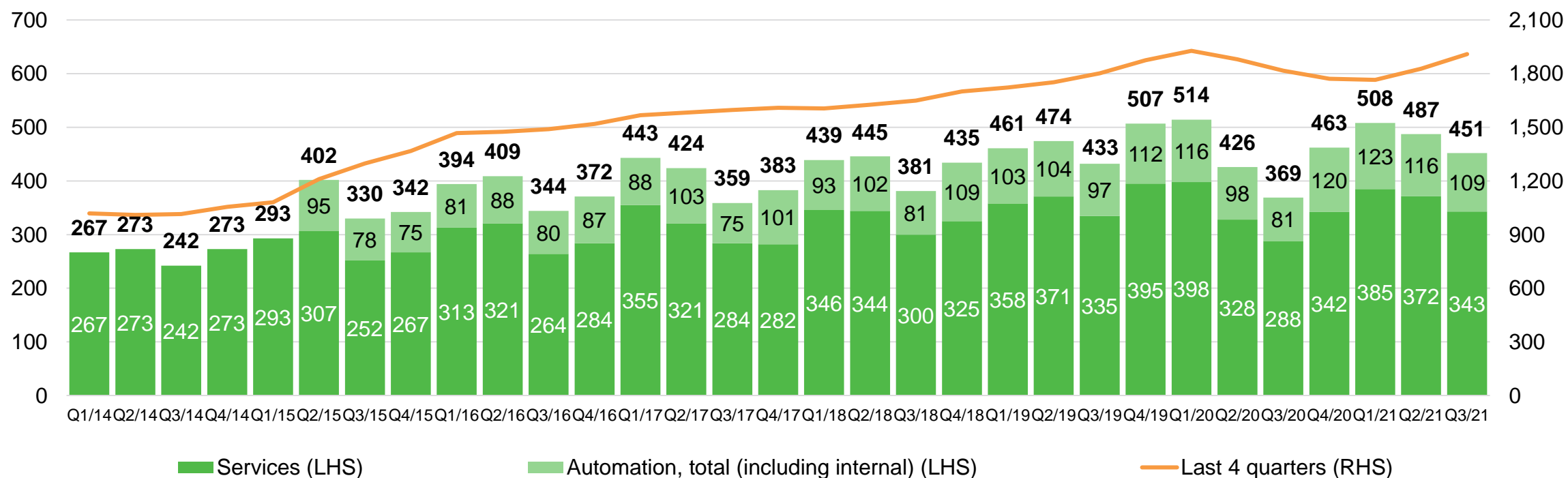


- In stable business<sup>1</sup>, orders received increased to EUR 451 million in Q3/2021
- In capital business, orders received increased to EUR 681 million in Q3/2021
- Orders received increased both in developed markets and in emerging markets during Q3/2021
  - South America, China and Asia-Pacific together accounted for 42% of orders received

1) Including internal orders received for the Automation business line.

# Stable business orders received totaled EUR 1,909 million during the last four quarters

Orders received (EUR million) in stable business<sup>1</sup>

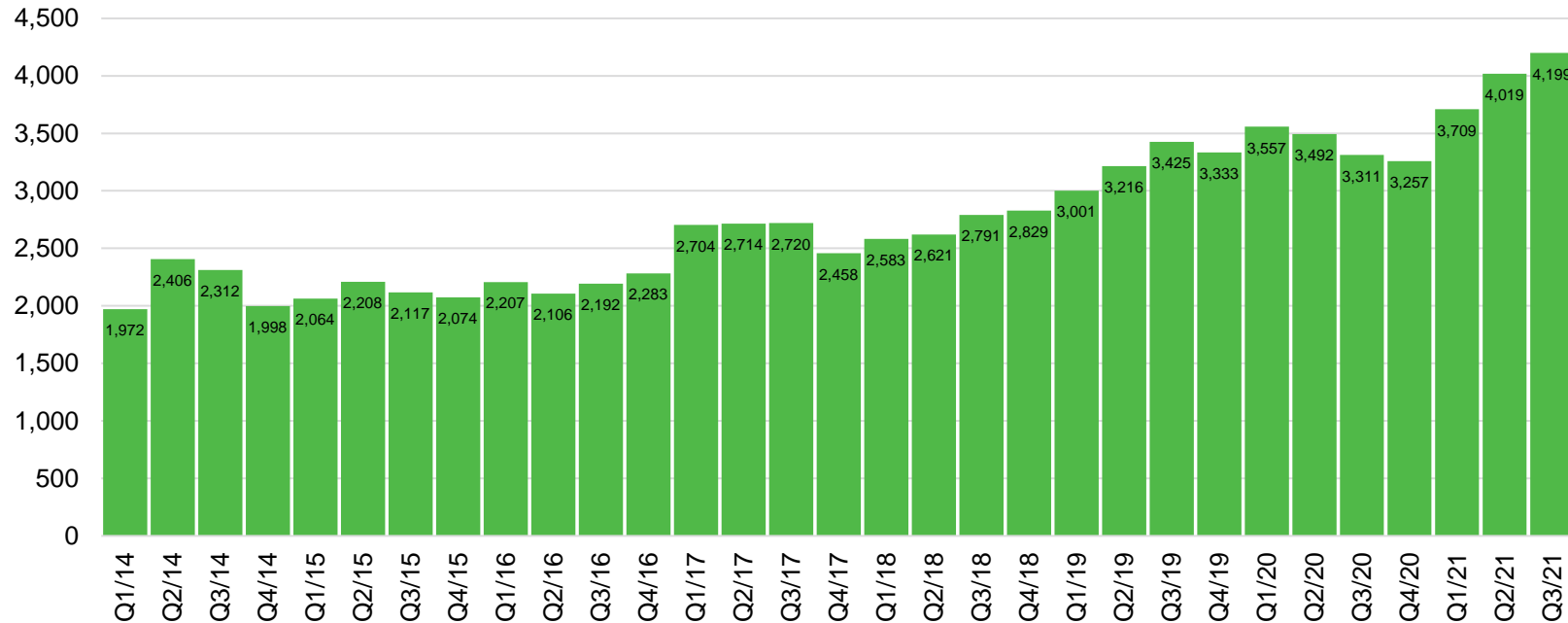


- Total orders received in stable business were EUR 83 million higher compared with Q3/2020

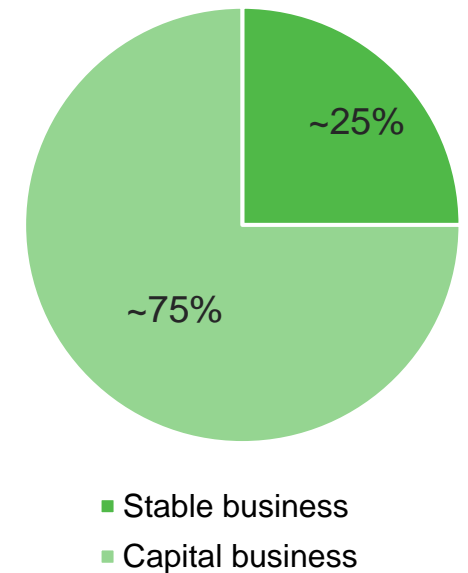
1) Including internal orders received for the Automation business line.

# Order backlog EUR 4,199 million at the end of Q3/2021

Order backlog (EUR million)



Structure of order backlog



- Order backlog was EUR 180 million higher than at the end of Q2/2021
- Approximately 25% of the order backlog relates to stable business (~30% at the end of Q3/2020)





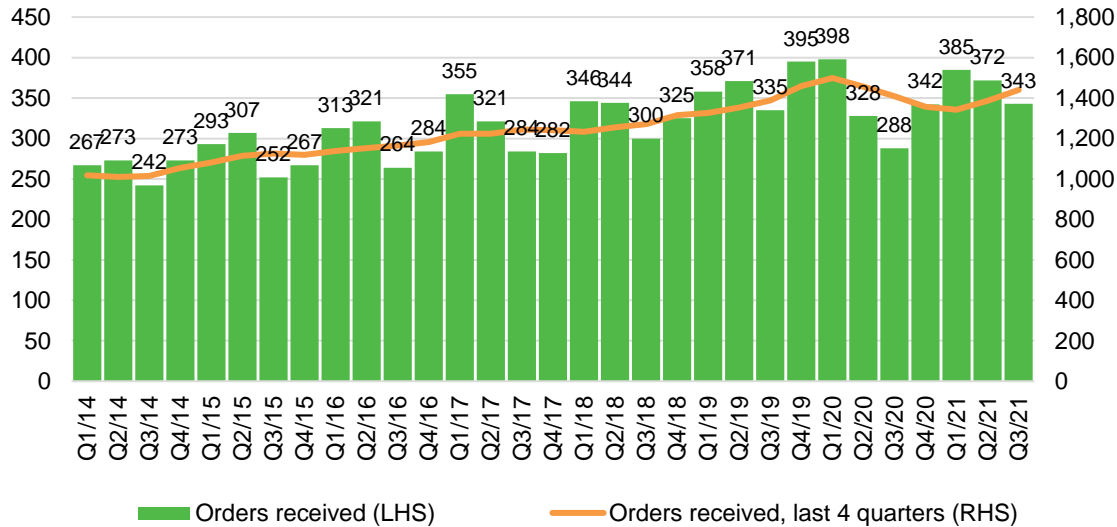
# Development of the business lines

# Services: Orders received increased to EUR 343 million in Q3/2021

Orders received (EUR million)

**Q1–Q3/2020:**  
EUR 1,014 million

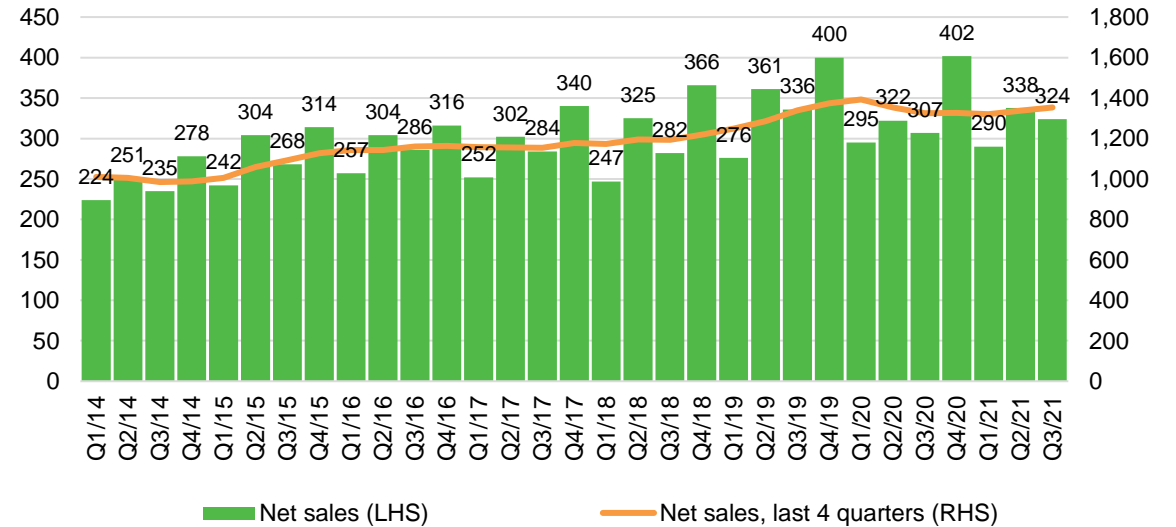
**Q1–Q3/2021:**  
EUR 1,099 million



Net sales (EUR million)

**Q1–Q3/2020 :**  
EUR 924 million

**Q1–Q3/2021 :**  
EUR 951 million

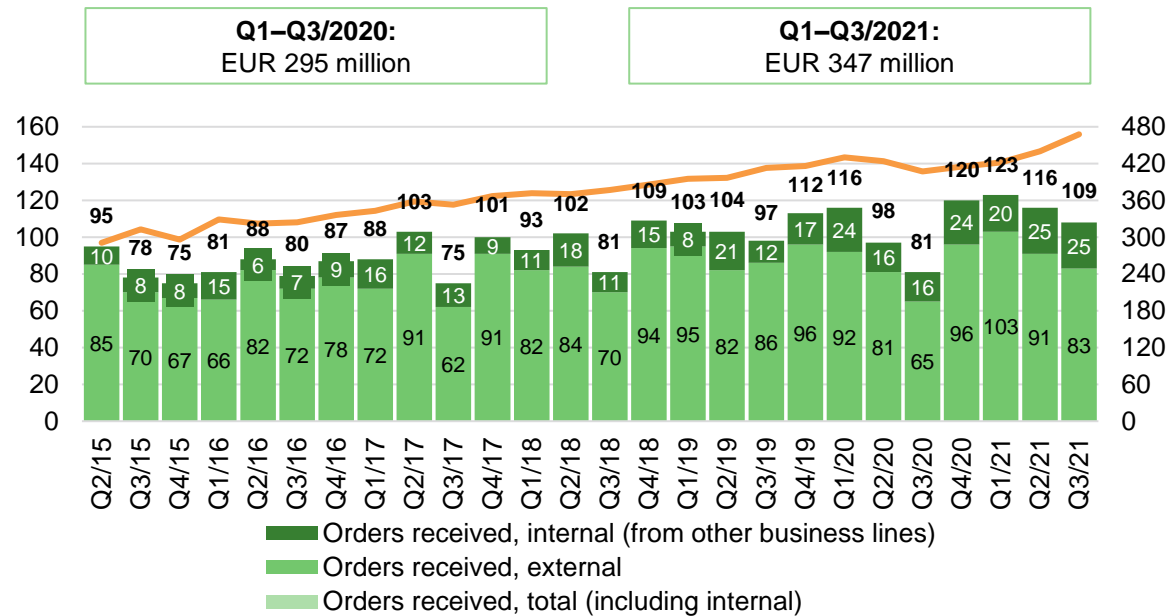


- Orders received increased compared with Q3/2020
  - Orders received increased in all areas except for South America, where orders received decreased
  - Orders received increased in all businesses except for Board, Paper and Tissue Solutions, where orders received remained at the previous year's level
- Net sales increased compared with Q3/2020
- COVID-19 related travel restrictions impacted Services' business environment in Q3/2021

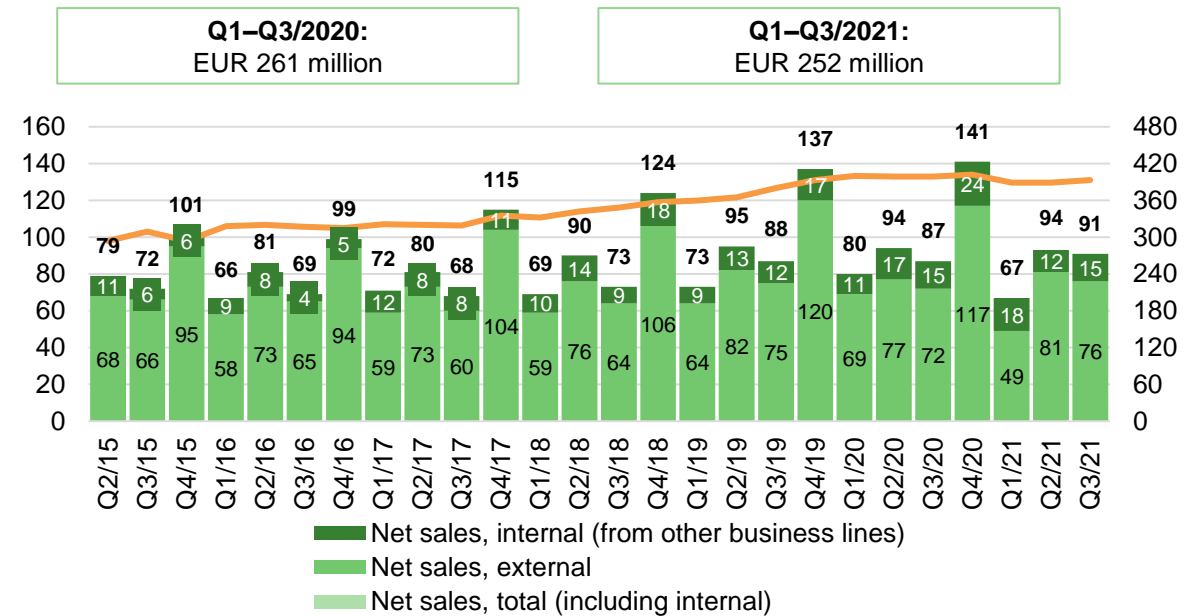


# Automation<sup>1</sup>: Orders received increased to EUR 109 million in Q3/2021

Orders received (EUR million)



Net sales (EUR million)



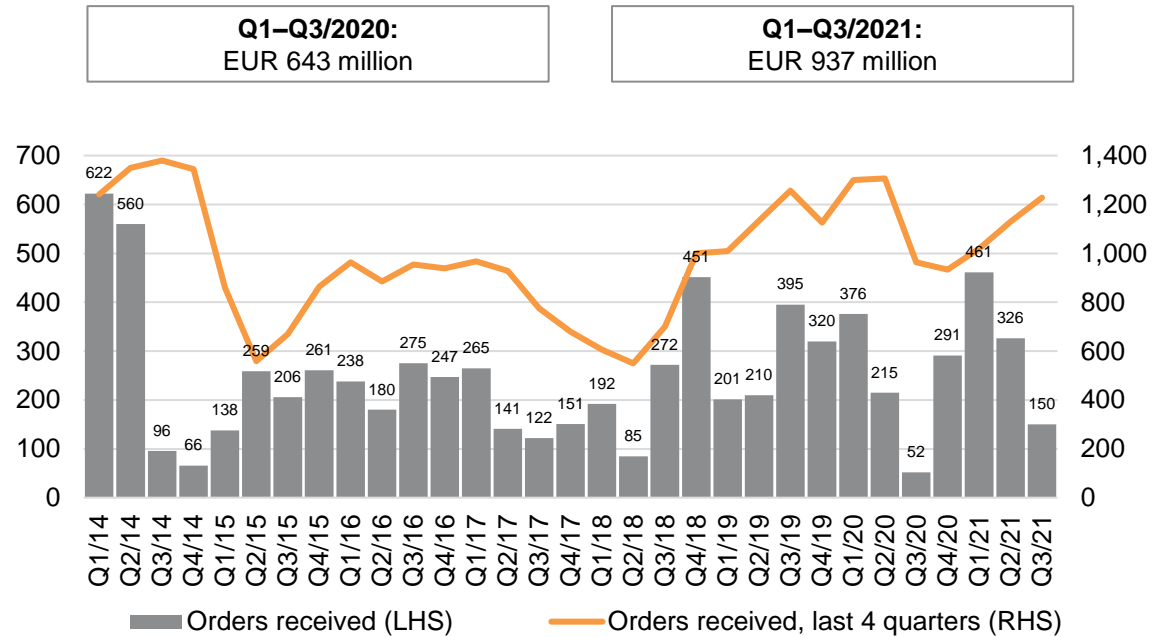
- Orders received increased compared with Q3/2020
  - Orders received increased in all areas except for China, where orders received remained at the previous year's level
  - Orders received increased in both Pulp and Paper, and Energy and Process
- Net sales remained at the previous year's level compared with Q3/2020
- There were signs of reduced component availability and delivery times of certain components becoming longer towards the end of the third quarter



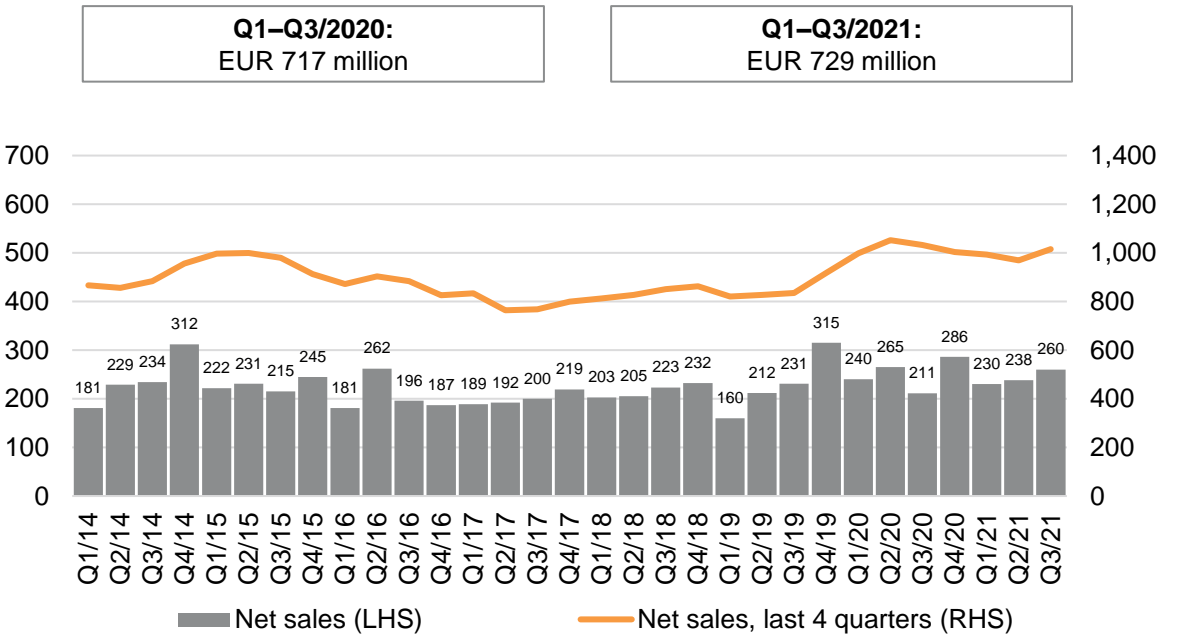
1) Comments refer to orders received and net sales including also internal orders received and internal net sales.

# Pulp and Energy: Orders received increased to EUR 150 million in Q3/2021

Orders received (EUR million)



Net sales (EUR million)

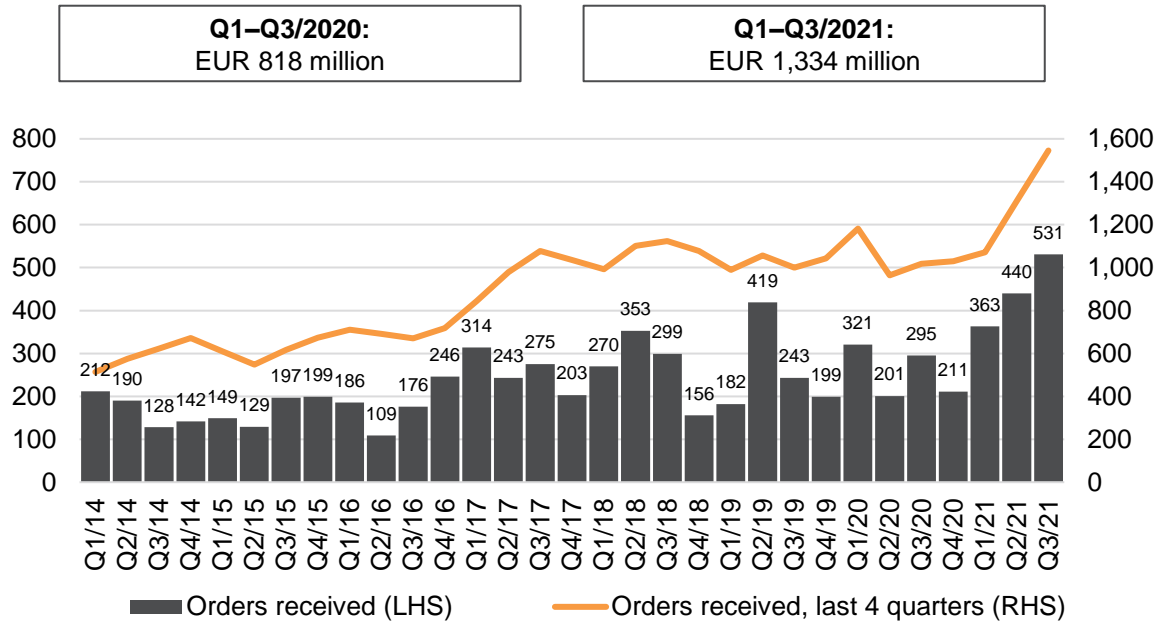


- Orders received increased compared with Q3/2020
  - Orders received increased in all areas except for China, where orders received decreased
  - Orders received decreased in Pulp and increased in Energy
- Net sales increased compared with Q3/2020

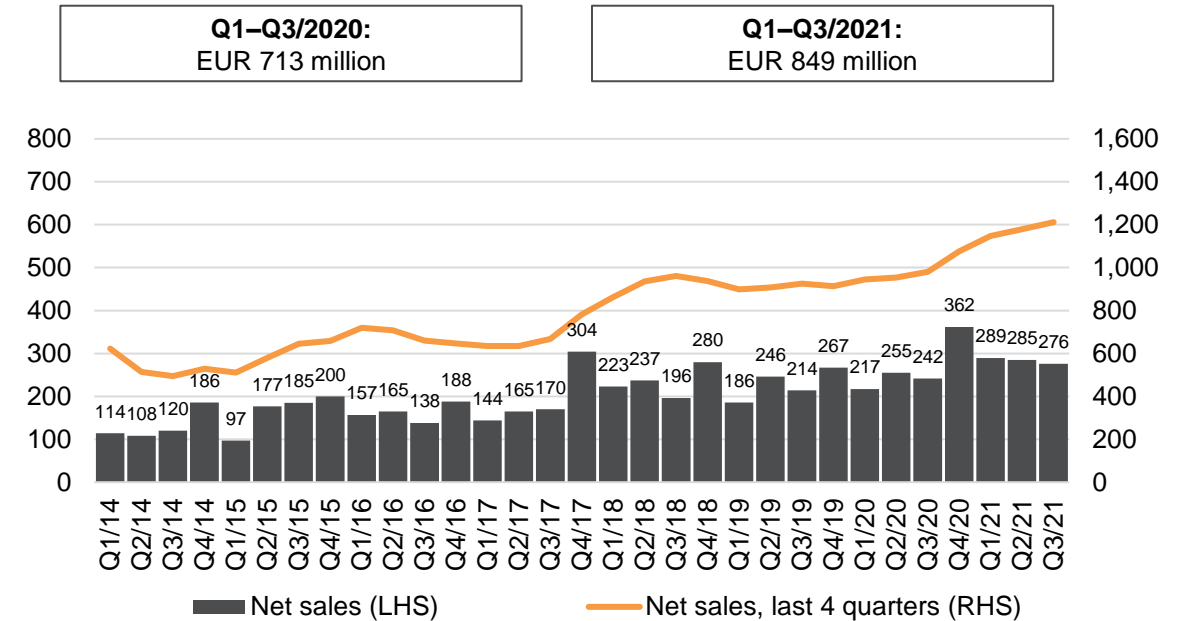


# Paper: Orders received increased to EUR 531 million in Q3/2021

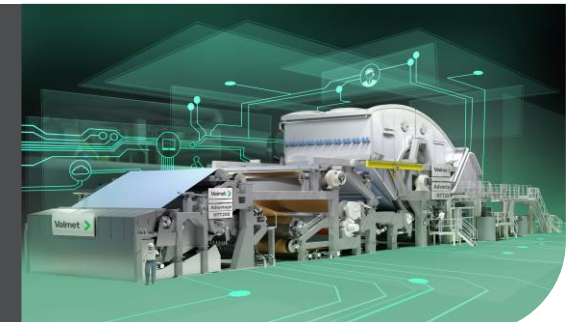
Orders received (EUR million)



Net sales (EUR million)



- Orders received increased compared with Q3/2020
  - Orders received increased in all areas except for China, where orders received decreased
  - Orders received increased in Board and Paper, as well as in Stock Preparation and Recycled Fiber, and decreased in Tissue
  - Small and Medium size Machines (the acquired PMP Group) contributed EUR 18 million to orders received
- Net sales increased compared with Q3/2020
  - Small and Medium size Machines (the acquired PMP Group) contributed EUR 28 million to net sales





# Financial development

# Key figures

EUR million	Q3/2021	Q3/2020	Change	Q1–Q3/2021	Q1–Q3/2020	Change
Orders received	<b>1,107</b>	700	58%	<b>3,647</b>	2,712	34%
Order backlog <sup>1</sup>	<b>4,199</b>	3,311	27%	<b>4,199</b>	3,311	27%
Net sales	<b>935</b>	832	12%	<b>2,736</b>	2,573	6%
Comparable EBITA	<b>107</b>	91	18%	<b>282</b>	218	29%
% of net sales	<b>11.4%</b>	10.9%		<b>10.3%</b>	8.5%	
EBITA	<b>107</b>	87	22%	<b>293</b>	208	41%
Operating profit (EBIT)	<b>95</b>	79	19%	<b>255</b>	184	39%
% of net sales	<b>10.1%</b>	9.5%		<b>9.3%</b>	7.1%	
Earnings per share, EUR	<b>0.50</b>	0.38	32%	<b>1.31</b>	0.88	50%
Return on capital employed (ROCE) before taxes <sup>2</sup>				<b>21%</b>	17%	
Cash flow provided by operating activities	<b>57</b>	94	-39%	<b>385</b>	418	-8%
Gearing <sup>1</sup>				<b>-1%</b>	18%	

Items affecting comparability: EUR 0 million in Q3/2021 (EUR -3 million in Q3/2020), EUR 10 million in Q1–Q3/2021 (EUR -11 million in Q1–Q3/2020)

Valmet's investment in Neles had a positive impact on EBITA of EUR 3.2 million in Q3/2021 and EUR 9.9 million in Q1–Q3/2021

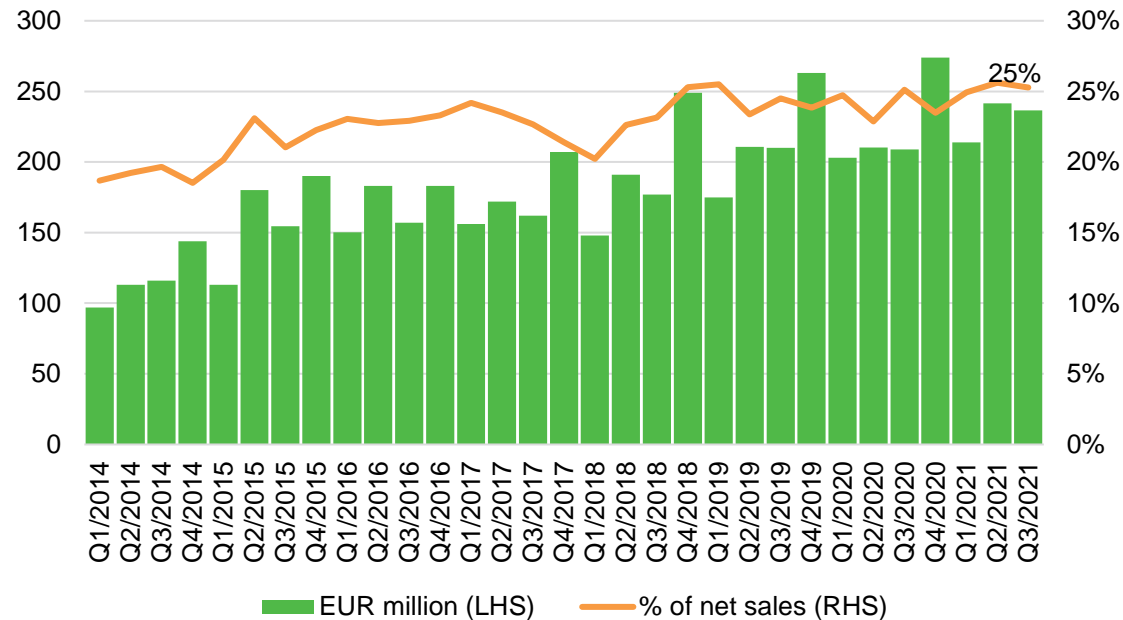
Valmet's investment in Neles had a negative impact on operating profit of EUR -0.3 million in Q3/2021 and EUR -0.8 million in Q1–Q3/2021

1) At end of period

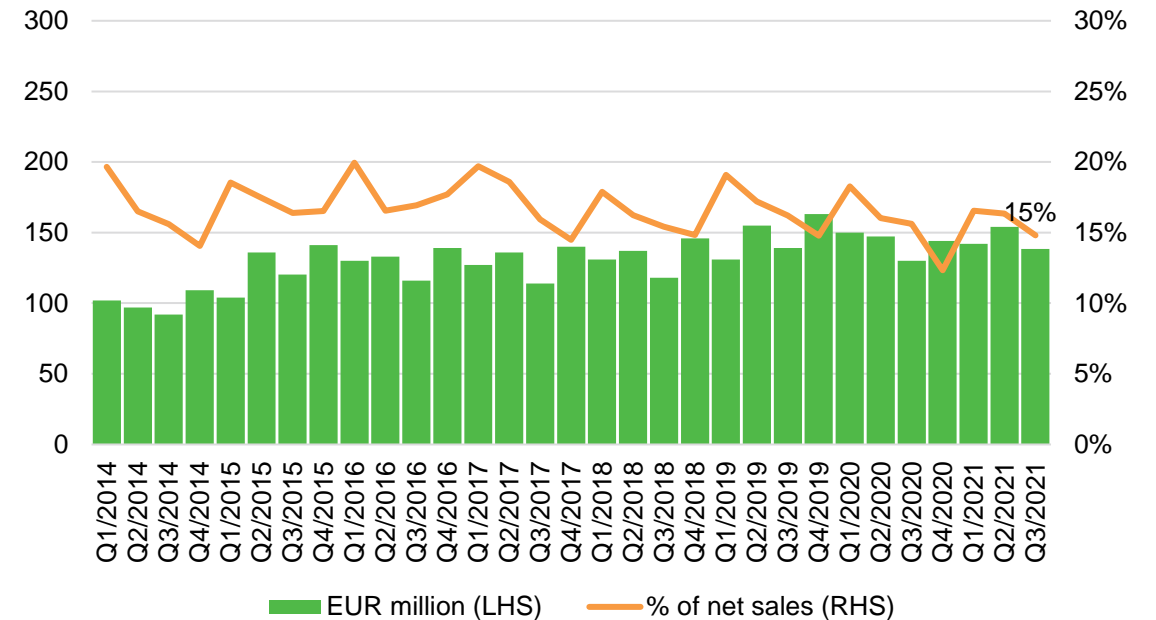
2) Annualized

# Gross profit and SG&A development

Gross profit (EUR million and % of net sales)



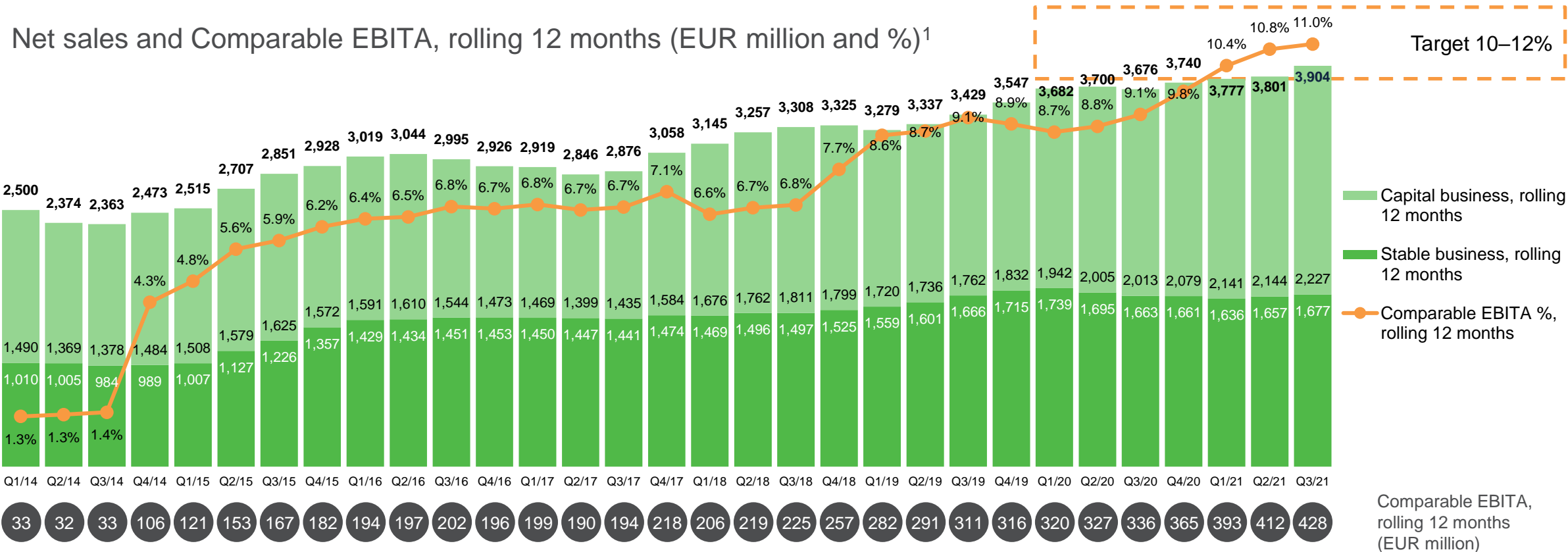
SG&A (EUR million and % of net sales)



- Gross profit was 25% of net sales (25% in Q3/2020)
  - Stable business represented 43% of net sales (46% in Q3/2020)
- Selling, general & administrative (SG&A) expenses increased
  - SG&A was 15% of net sales (16% in Q3/2020)



# Comparable EBITA margin<sup>1</sup> at target level

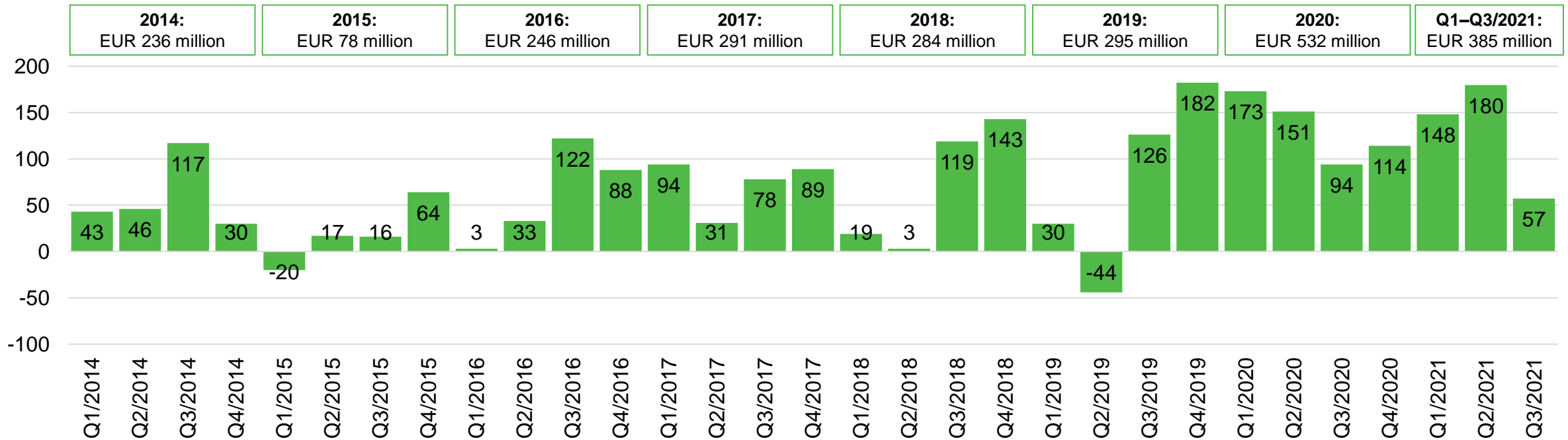


- In Q3/2021, net sales increased and Comparable EBITA increased compared with Q3/2020

1) Rolling 12 months. Carve-out figures for 2013 have been used in the calculation of Q1–Q3/2014 figures. Valmet implemented IFRS 15 – Revenue from Contracts with Customers as of January 1, 2018 by applying full retrospective method. Thus, figures presented are not fully comparable.

# Cash flow provided by operating activities and CAPEX

Cash flow provided by operating activities (EUR million)



- Change in net working capital<sup>1</sup> EUR -49 million in Q3/2021
- Cash flow provided by operating activities EUR 57 million in Q3/2021
- CAPEX<sup>2</sup> EUR 22 million in Q3/2021

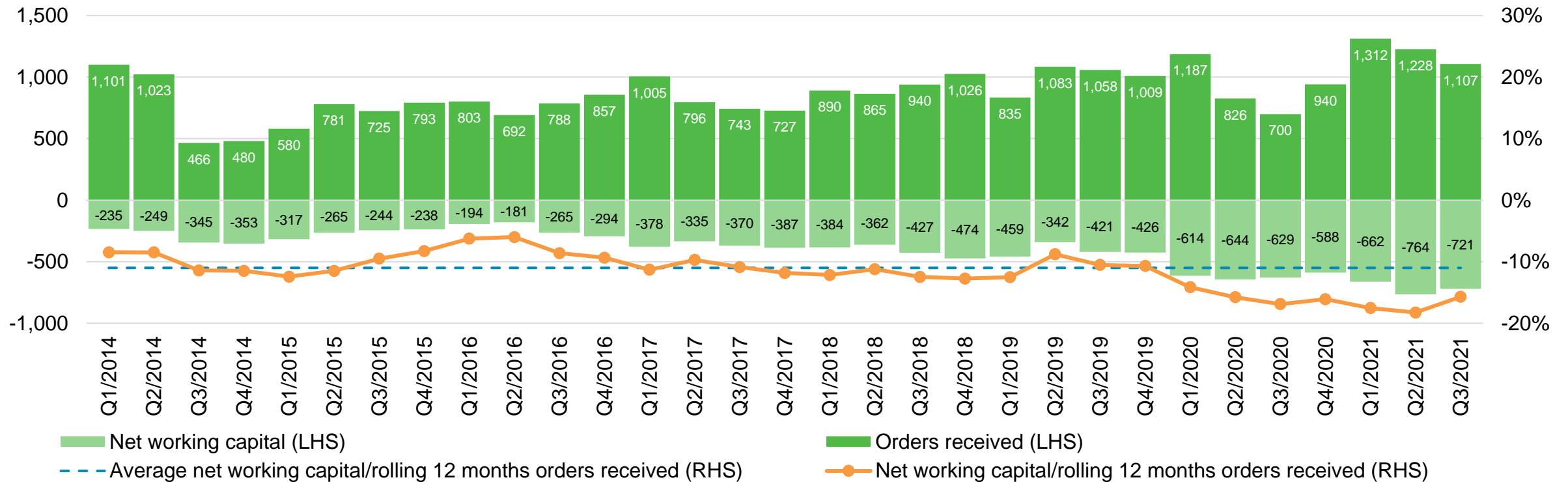
Valmet implemented IFRS 16 – Leases as of January 1, 2019 by applying the simplified transition method and therefore 2018 figures are not restated.

1) Change in net working capital in the consolidated statement of cash flows.

2) Excluding leased assets.

# Net working capital at -16% of rolling 12 months orders received

Net working capital<sup>1</sup> and orders received (EUR million)

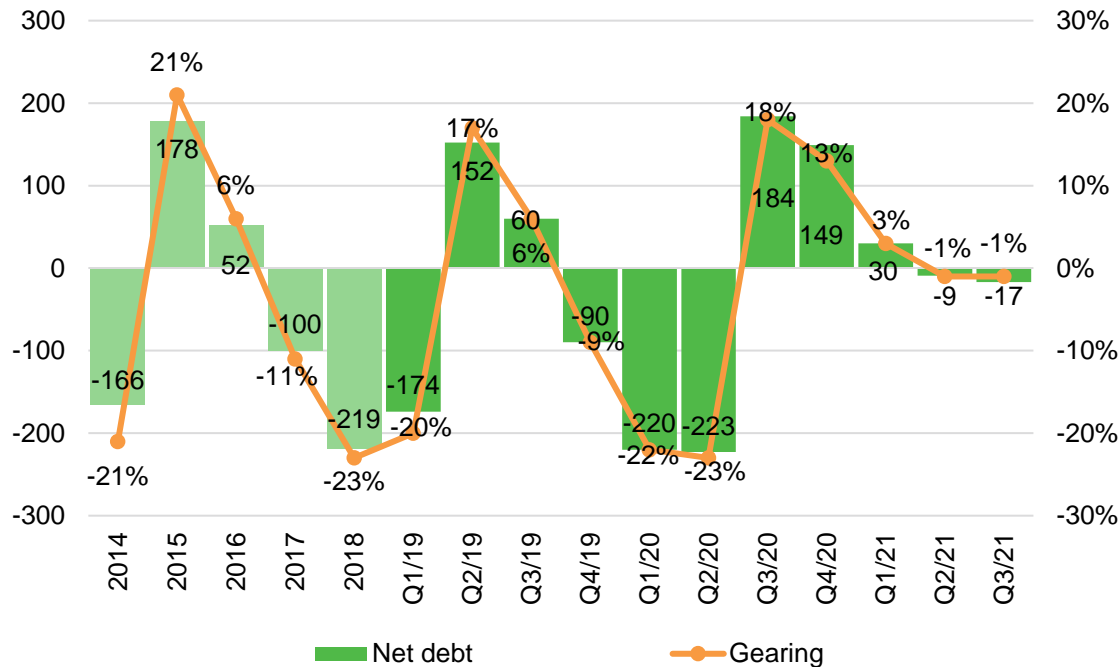


- Net working capital EUR -721 million, which equals -16% of rolling 12 months orders received

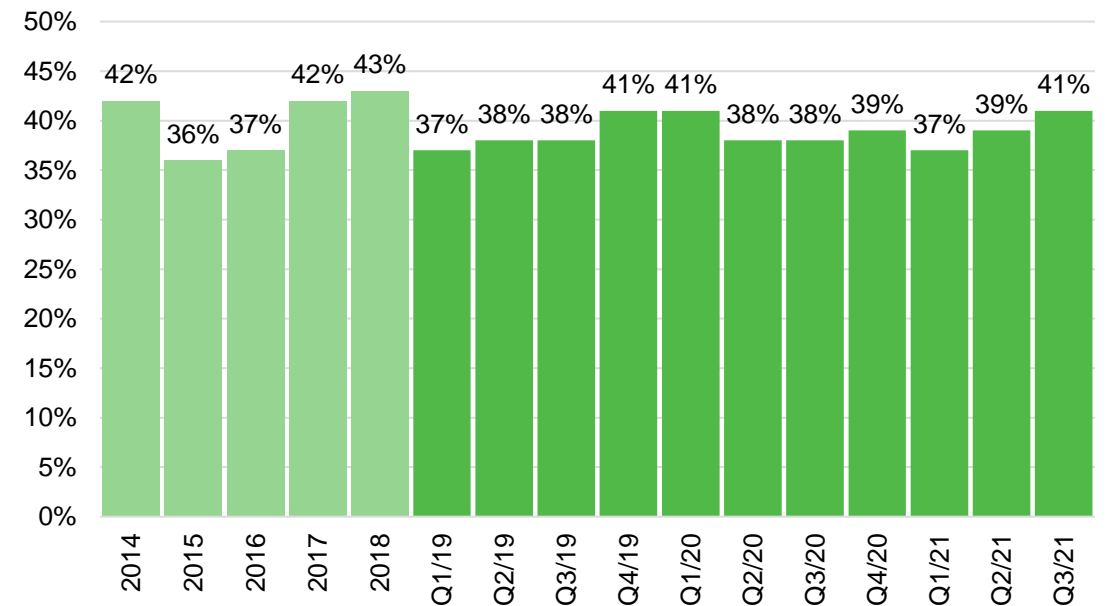
1) Net working capital excluding non-cash net working capital impact from dividend liability.

# Net debt and gearing decreased compared with Q3/2020

Net debt (EUR million) and gearing (%)



Equity to assets ratio (%)

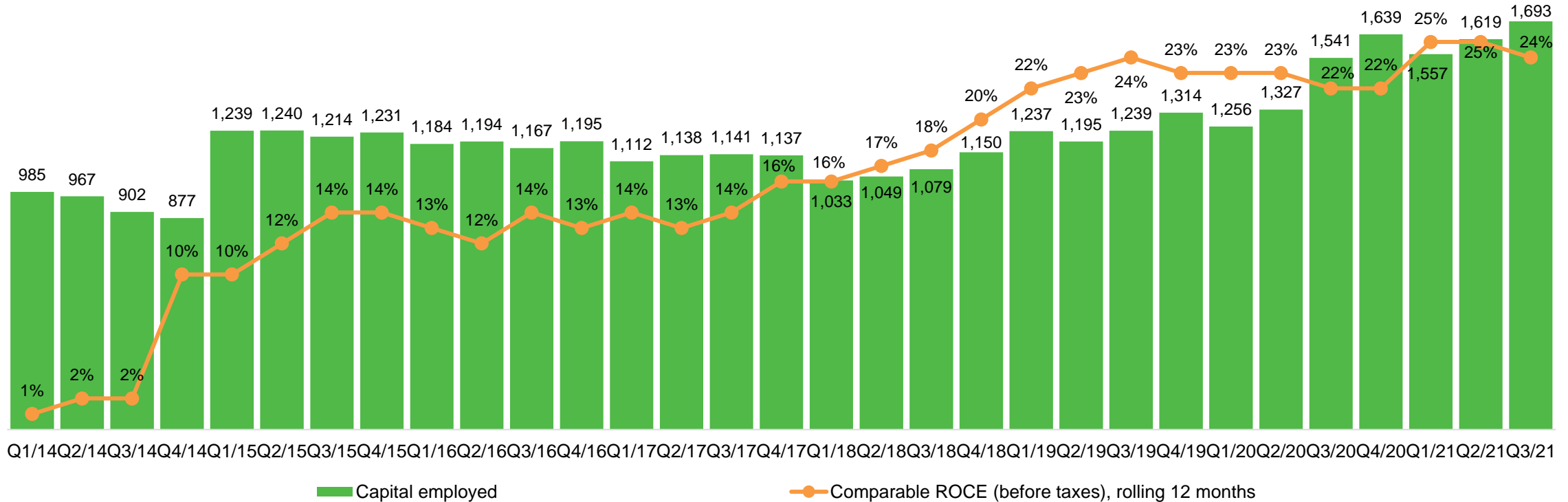


- Gearing (-1%) and net debt (EUR -17 million) decreased compared with Q3/2020
- Equity to assets ratio increased compared with Q3/2020

Valmet implemented IFRS 16 – Leases as of January 1, 2019 by applying the simplified transition method and therefore 2018 figures are not restated.

# Capital employed and Comparable ROCE

Capital employed (EUR million) and Comparable return on capital employed (ROCE), before taxes<sup>1</sup> (%)



Valmet implemented IFRS 16 – Leases as of January 1, 2019 by applying the simplified transition method, and IFRS 15 – Revenue from Contracts with Customers as of January 1, 2018 by applying full retrospective method. Thus, figures presented are not fully comparable.


1) Rolling 12 months. Carve-out figures for 2013 have been used in the calculation of Q1–Q3/2014 figures.



# Guidance and short-term market outlook

# Guidance and short-term market outlook

## Guidance for 2021 (as announced on April 16, 2021)

<b>Guidance</b> 	Valmet estimates that net sales in 2021 will increase in comparison with 2020 (EUR 3,740 million) and Comparable EBITA in 2021 will increase in comparison with 2020 (EUR 365 million).
---	---

## Short-term market outlook

		Q4/2020	Q1/2021	Q2/2021	Q3/2021
Services		Satisfactory / Weak	Satisfactory	Good / Satisfactory	Good
Automation		Good	Good	Good	Good
Pulp and Energy	Pulp	Good	Good	Good	Good
	Energy	Weak	Weak	Weak	Weak
Paper	Board and Paper	Good	Good	Good	Good
	Tissue	Good	Good	Good	Satisfactory

The short-term market outlook is based on customer activity (50%) and Valmet's capacity utilization (50%) and is given for the next six months from the end of the respective quarter. The scale is 'weak-satisfactory-good'.

# Disclaimer – Important notice

The following applies to this presentation, the oral presentation of the information in this presentation by Valmet Oyj (“**Valmet**” or the “**Company**”) or any person on behalf of Valmet, and any question-and-answer session that follows the oral presentation (collectively, the “**Information**”). In accessing the Information, you agree to be bound by the following terms and conditions.

The next part of this presentation and the question-and-answer session after it will contain discussion regarding Valmet’s contemplated merger with Neles Corporation (“**Neles**”).

Securities laws in the United States and in other jurisdictions restrict Valmet from discussing or disclosing information with respect to the contemplated merger. Until the completion of the merger Valmet and Neles will carry out their respective businesses as separate and independent companies.

The materials and oral comments regarding the contemplated merger are not provided for, and are not directed at, any person that is a citizen or resident of, or located in the United States.

The merger of Valmet and Neles and the merger consideration securities have not been and will not be registered under the U.S. Securities Act of 1933 (the “**U.S. Securities Act**”), and may not be offered, sold or delivered within or into the United States, except pursuant to an applicable exemption of, or in a transaction not subject to, the U.S. Securities Act.

The Information in this presentation and any matters discussed are not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident of, or located in, any locality, state, country or other jurisdiction where such distribution or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction and it does not constitute an offer of or an invitation by or on behalf of, Valmet, or any other person, to purchase any securities.

The Information contains forward-looking statements. All statements other than statements of historical fact included in the Information are forward-looking statements. Forward-looking statements give Valmet’s current expectations and projections relating to its financial condition, results of operations, plans, objectives, future performance and business. These statements may include, without limitation, any statements preceded by, followed by or including words such as “target,” “believe,” “expect,” “aim,” “intend,” “may,” “anticipate,” “estimate,” “plan,” “project,” “will,” “can have,” “likely,” “should,” “would,” “could” and other words and terms of similar meaning or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond Valmet’s control that could cause Valmet’s actual results, performance or achievements to be materially different from the expected results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding Valmet’s present and future business strategies and the environment in which it will operate in the future.

The Information, including but not limited to forward-looking statements, applies only as of the date of this presentation and is not intended to give any assurances as to future results. Market data used in the Information not attributed to a specific source are estimates of the Company and have not been independently verified. Prospective investors are required to make their own independent investigations and appraisals of the business and financial condition of the Company before taking any investment decision with respect to securities of the Company.





# Merger with Neles

# Valmet and Neles to merge creating a leading company with a unique offering for process industries globally

- The Extraordinary General Meetings of Valmet and Neles were held on September 22, 2021
- The merger was approved by both General Meetings
  - Over 99 percent of the votes cast at the meetings voted in favor of the merger
- Integration planning has started
  - Neles planned to form a fifth business line for Valmet named Flow Control
- All time-critical competition authority filings have been submitted
  - Unconditional clearances have been obtained in Germany and Poland
  - Valmet and Neles are working constructively with all competition authorities reviewing the transaction
- Until the completion of the merger Valmet and Neles will carry out their respective businesses as separate and independent companies
- The planned closing is January 1, 2022
  - The planned closing date may be delayed, as a complaint has been filed to the Brazilian Competition Authority

# Financial Statements Review 2021

February 3, 2022

[www.valmet.com/investors](http://www.valmet.com/investors)

