

Orders received decreased to EUR 700 million and
Comparable EBITA increased to EUR 91 million in
the third quarter

Interim Review, January–September 2020

October 27, 2020

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Agenda

Interim Review, January–September 2020

- 1 Q3/2020 in brief
- 2 Development of the business lines
- 3 Ownership in Neles and the agreed acquisition of PMP Group
- 4 Financial development
- 5 Guidance and short-term market outlook



Q3/2020 in brief

Q3/2020 in brief

- Orders received decreased to EUR 369 million in stable business¹
- Orders received decreased to EUR 347 million in capital business²
- Net sales remained at the previous year's level at EUR 832 million
- Order backlog amounted to EUR 3.3 billion
- Comparable EBITA increased to EUR 91 million and margin was 10.9%
- Gearing was 18%
- Valmet agreed to acquire PMP Group and acquired 29.5% of Neles' shares and votes

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 Q3/2020

Orders received
EUR 700 million

Net sales
EUR 832 million

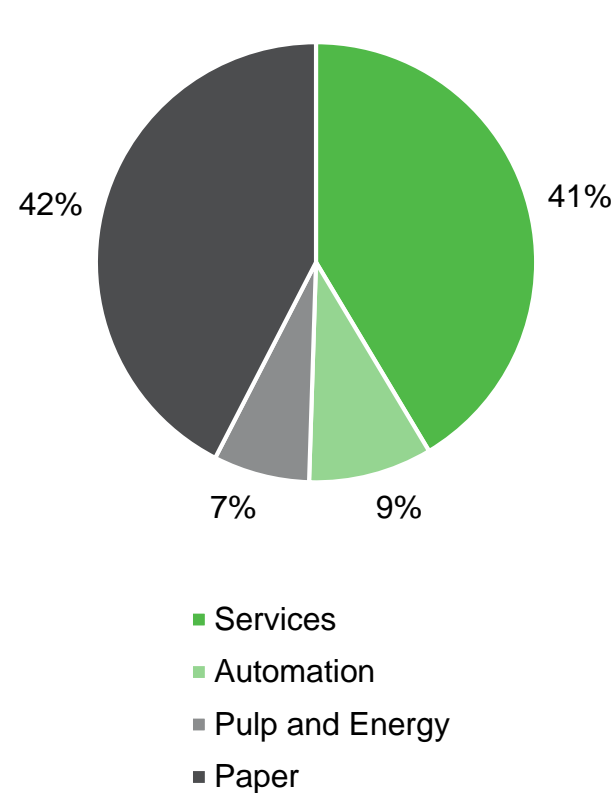
Comparable EBITA
EUR 91 million

Comparable EBITA margin
10.9%

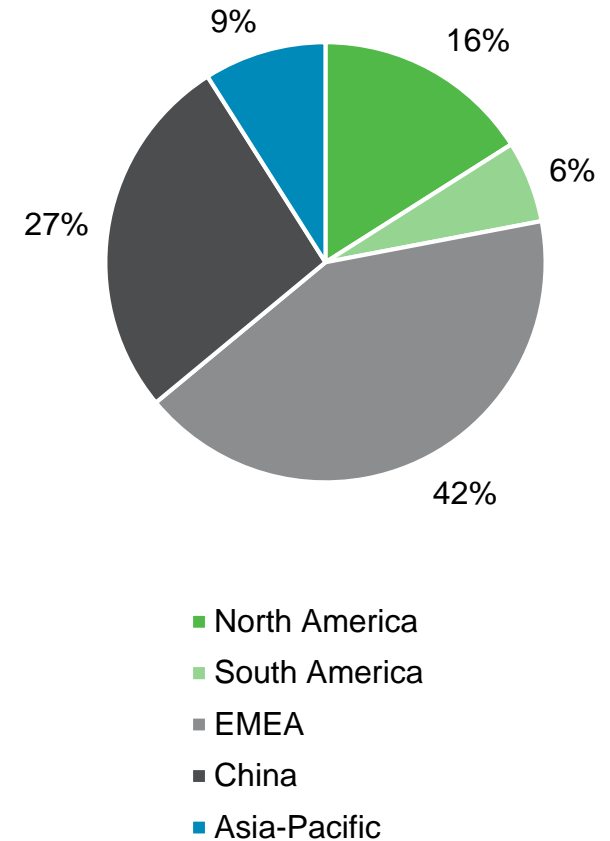
Order backlog
EUR 3,311 million

Employees
13,434

Orders received by business line

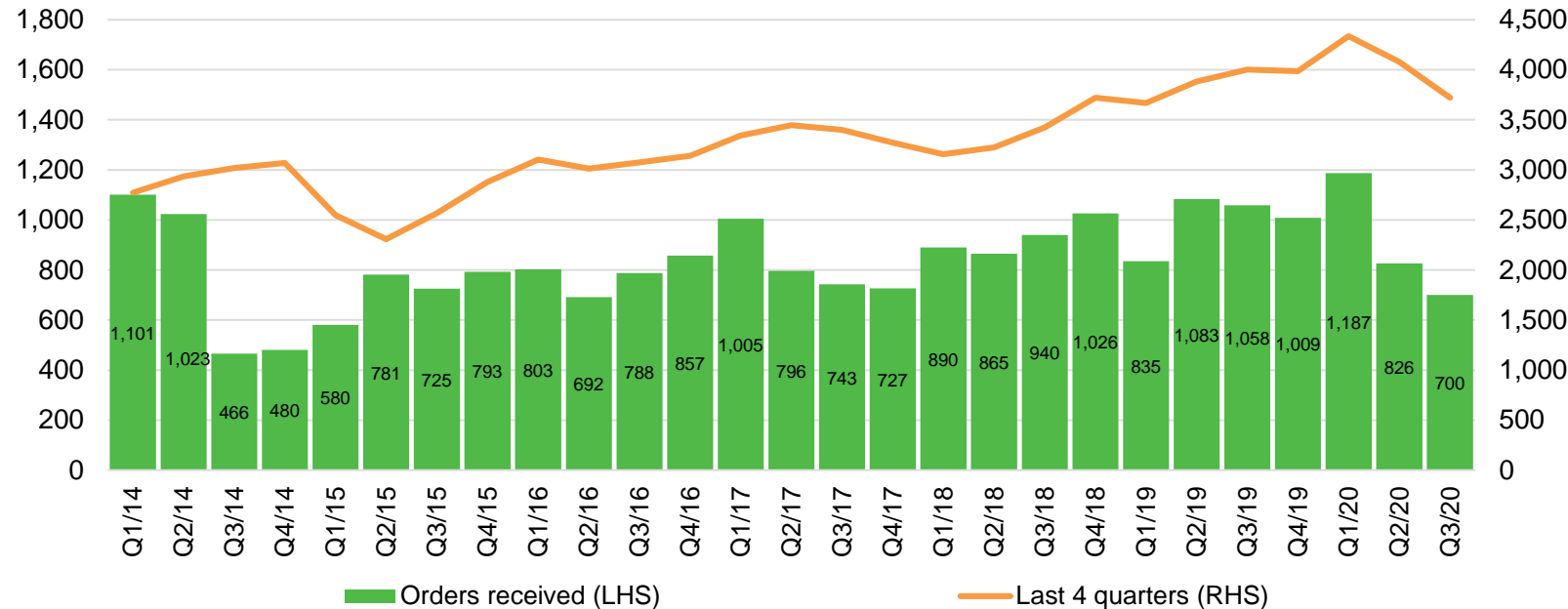


Orders received by area

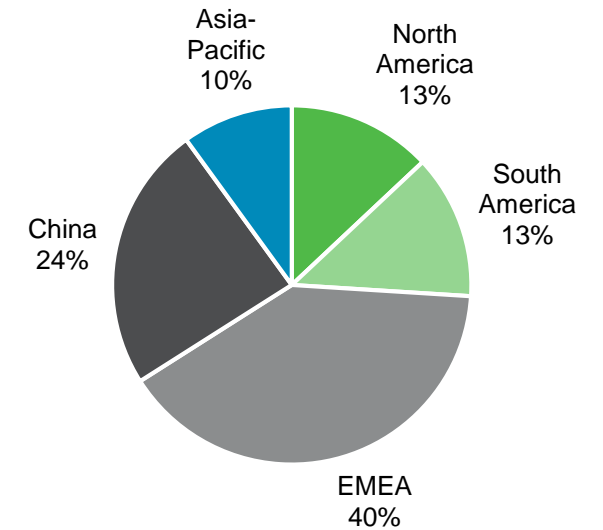


Orders received decreased to EUR 700 million in Q3/2020

Orders received (EUR million)



Orders received in Q1–Q3/2020 by area

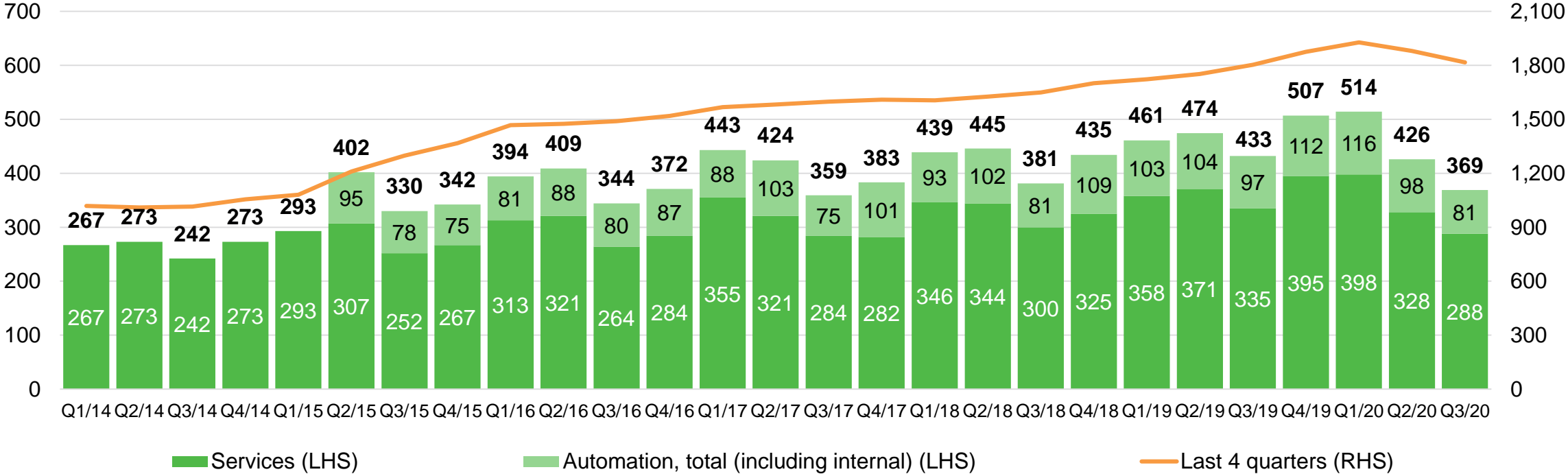


- In stable business¹, orders received decreased to EUR 369 million in Q3/2020
- In capital business, orders received decreased to EUR 347 million in Q3/2020
- Orders received decreased in developed markets and increased in emerging markets during January–September
 - South America, China and Asia-Pacific together accounted for 47% of orders received

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

Stable business orders received totaled EUR 1,816 million during the last four quarters

Orders received (EUR million) in stable business¹



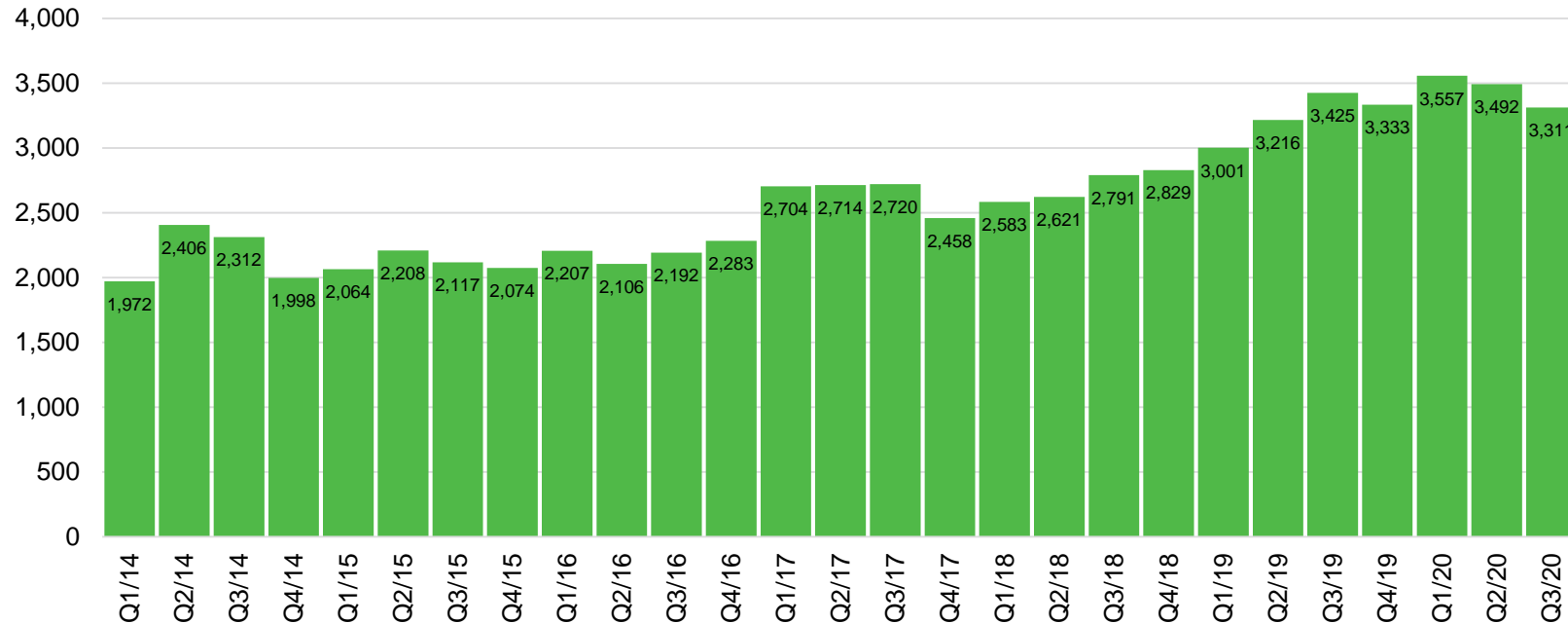
- Total orders received in stable business decreased by EUR 64 million in Q3/2020

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

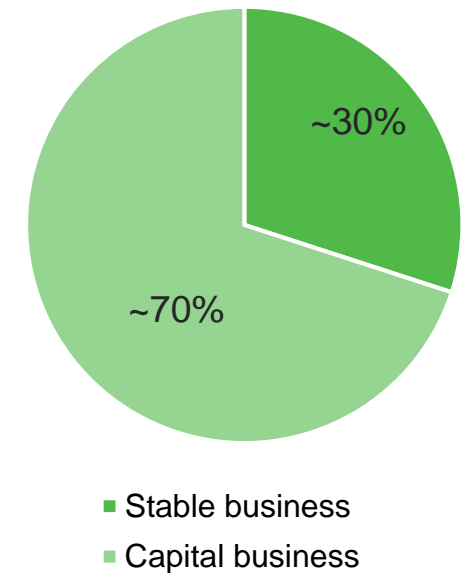


Order backlog EUR 3,311 million at the end of Q3/2020

Order backlog (EUR million)



Structure of order backlog



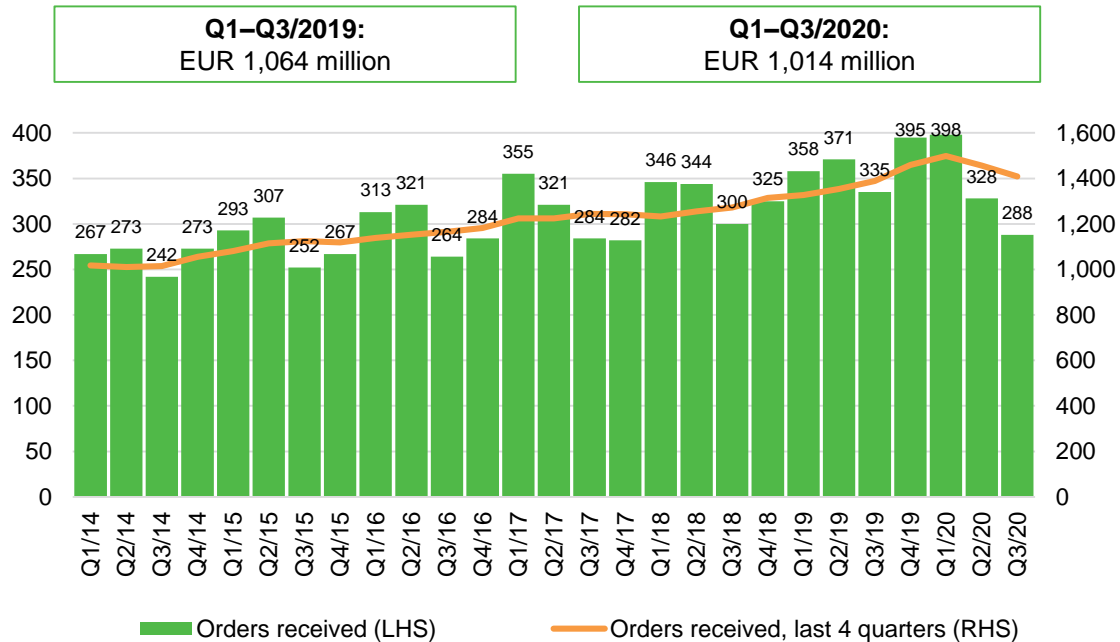
- Order backlog was EUR 181 million lower than at the end of Q2/2020
- Approximately 30% of the order backlog relates to stable business (~30% at the end of Q3/2019)



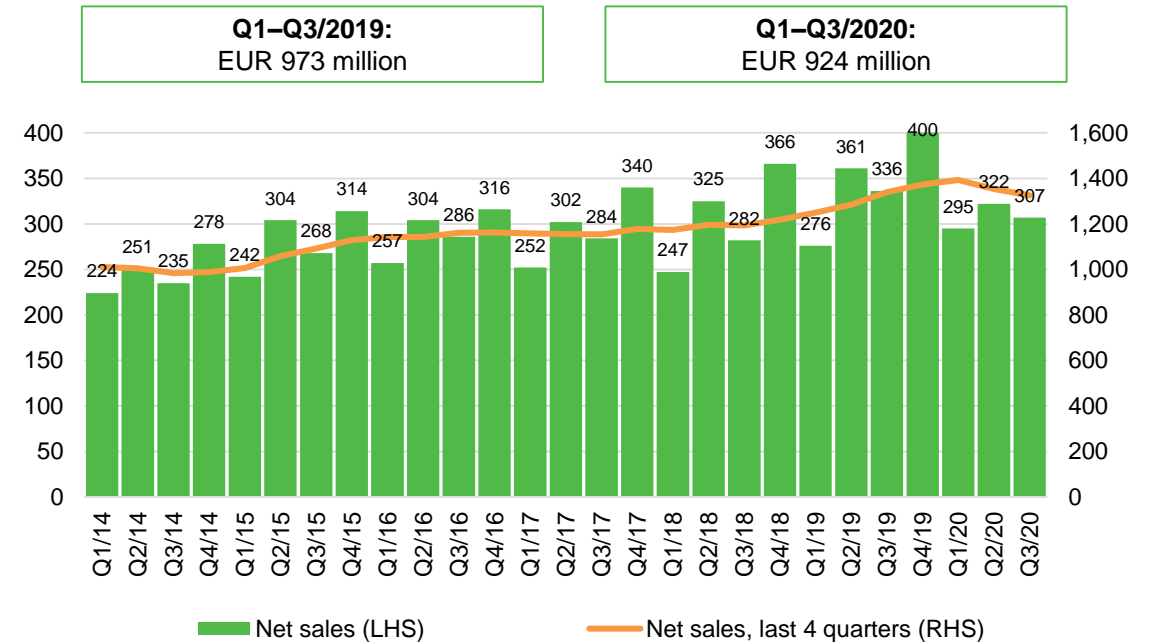
Development of the business lines

Services: Orders received and net sales decreased in Q3/2020

Orders received (EUR million)



Net sales (EUR million)

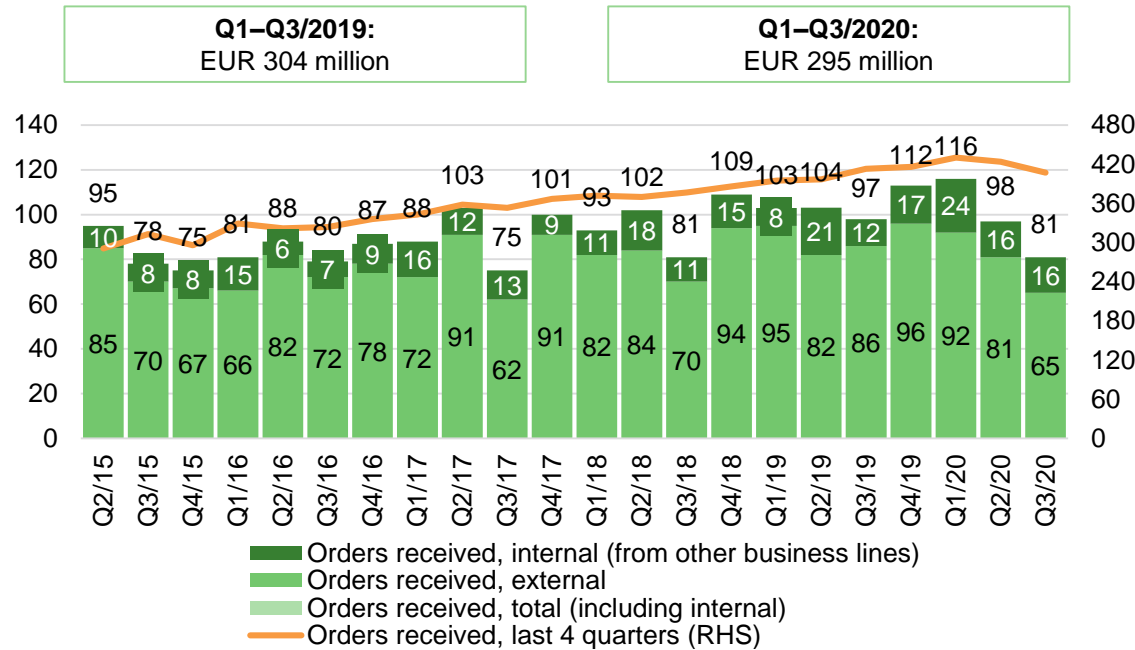


- Orders received decreased compared with Q3/2019
 - Orders received increased in South America and decreased in all other areas
 - Orders received remained at the previous year's level in Energy and Environmental, and decreased in Mill Improvements, Fabrics, Rolls and Performance Parts
- Net sales decreased compared with Q3/2019
 - Negative impact from lower volumes compensated by cost savings measures
- COVID-19 related travel restrictions and lower capacity utilization in graphical paper mills had a negative impact on Services' orders received and net sales

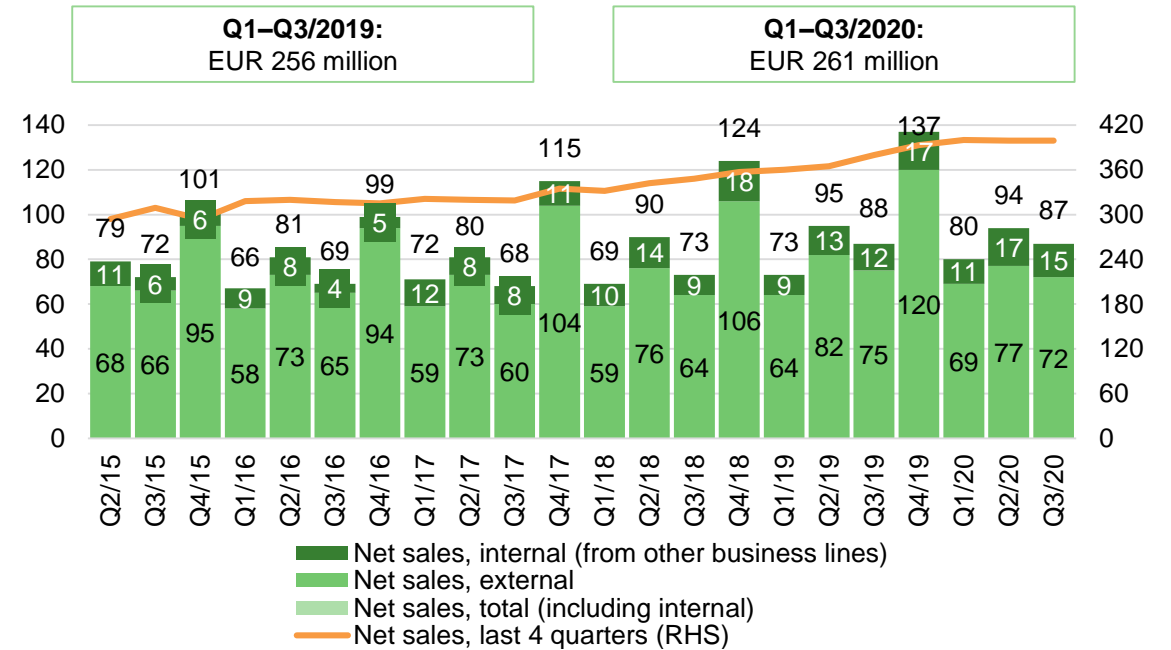


Automation¹: Orders received decreased and net sales remained at the previous year's level in Q3/2020

Orders received (EUR million)



Net sales (EUR million)



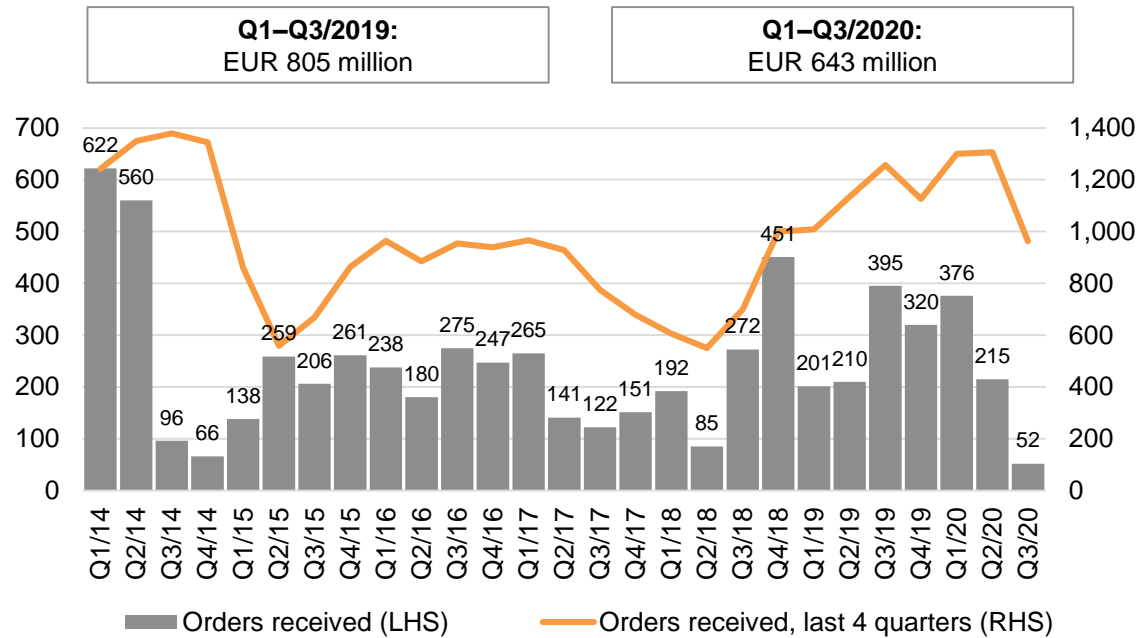
- Orders received decreased compared with Q3/2019
 - Orders received increased in China, and decreased in all other areas
 - Orders received decreased in both Pulp and Paper, and Energy and Process
- Net sales remained at the previous year's level compared with Q3/2019
- Despite COVID-19, Automation services order intake increased, while order intake in Automation capital business decreased



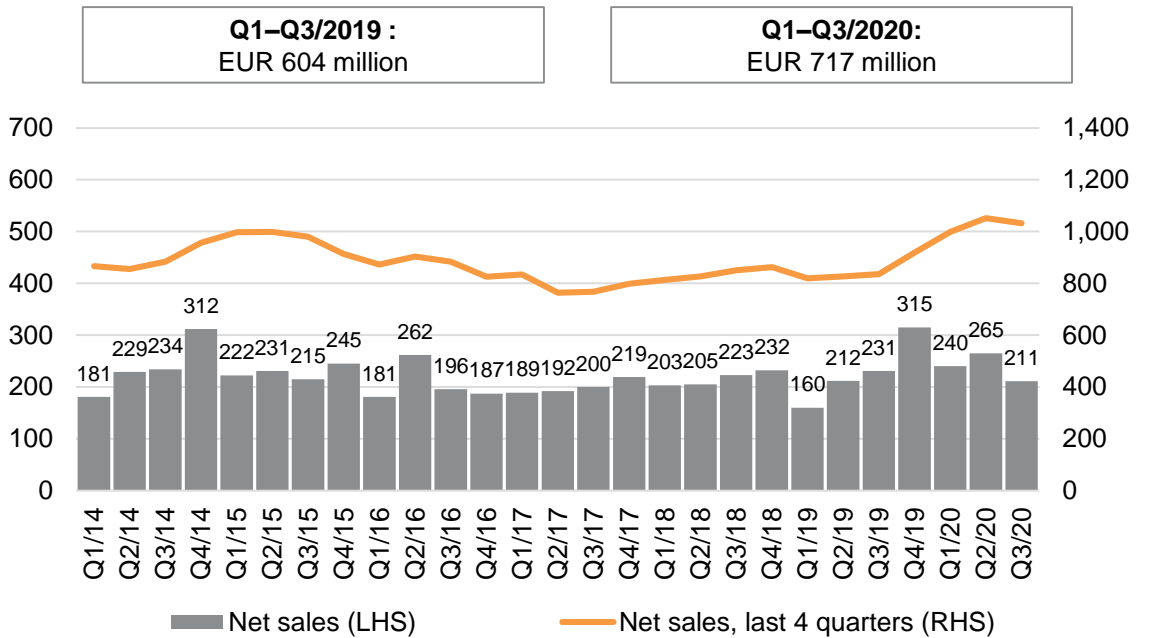
1) Comments refer to orders received and net sales including also internal orders received and internal net sales.

Pulp and Energy: Orders received and net sales decreased in Q3/2020

Orders received (EUR million)



Net sales (EUR million)

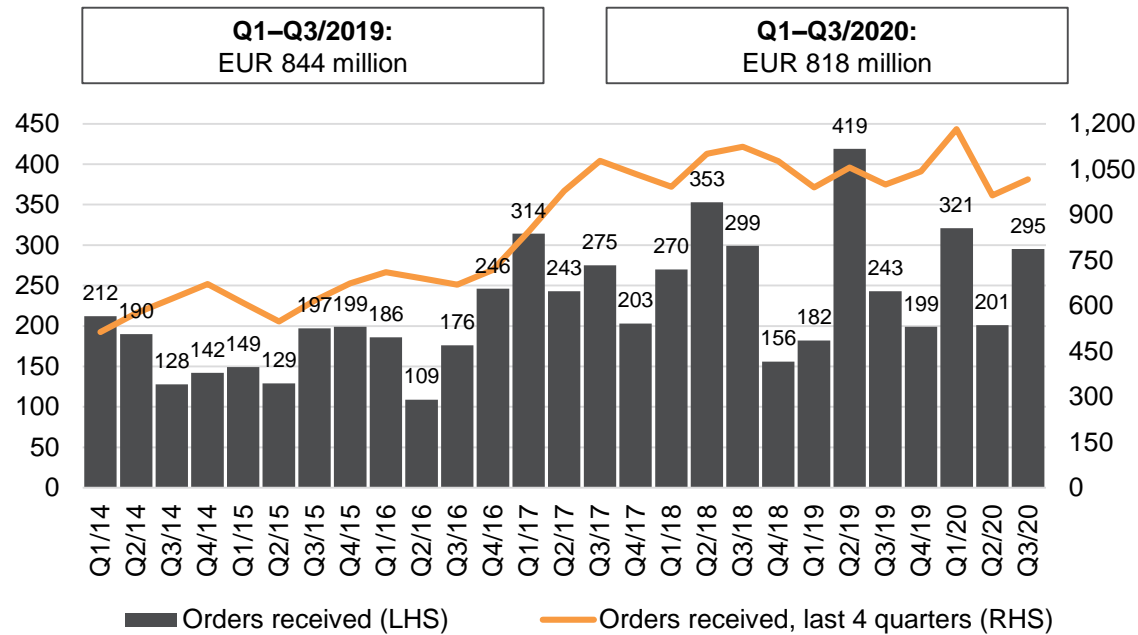


- Orders received decreased compared with Q3/2019
 - Orders received increased in Asia-Pacific, North America and China, and decreased in South America and EMEA
 - Orders received decreased in both Pulp and Energy
- Net sales decreased compared with Q3/2019
- Pulp and Energy business line has managed challenges caused by COVID-19 well, and therefore the pandemic has not caused major impacts on its operations

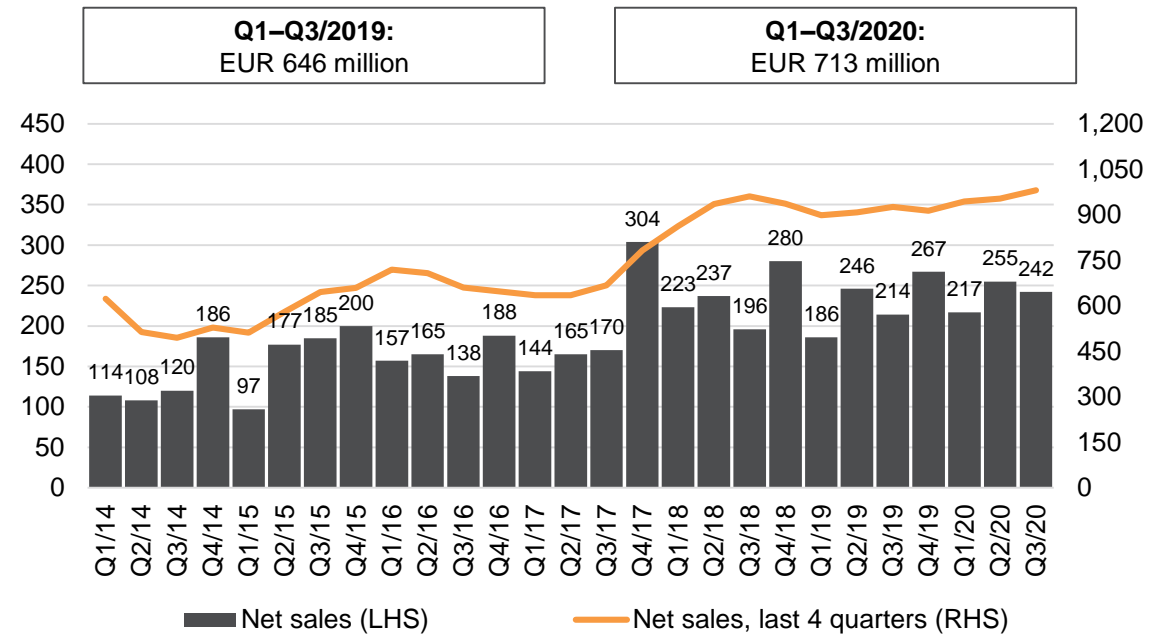


Paper: Orders received and net sales increased in Q3/2020

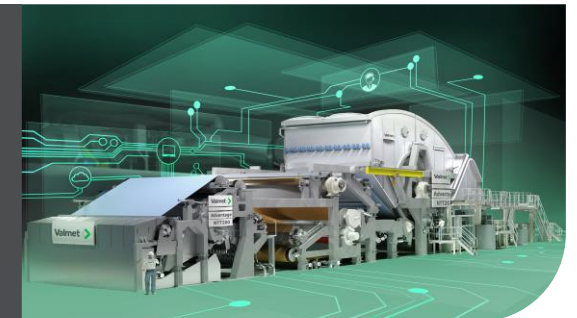
Orders received (EUR million)




Net sales (EUR million)



- Orders received increased compared with Q3/2019
 - Orders received increased in China and EMEA, and decreased in South America, Asia-Pacific and North America
 - Orders received increased in both Board and Paper, and Tissue
- Net sales increased compared with Q3/2019
- Paper business line has managed challenges caused by COVID-19 well, and therefore the pandemic has not caused major impacts on its operations





Ownership in Neles and the agreed acquisition of PMP Group

Valmet's goal is to merge Valmet and Neles

- Valmet acquired 29.5% of Neles' shares during Q3 2020
- On September 29, Valmet approached the Board of Directors of Neles with a proposal to start discussions on a potential statutory merger between the two companies
- A statutory merger between Valmet and Neles would create a solid and strong, Nordic based global leader
- We believe that a merger provides the best potential for long-term value creation for shareholders
- We were not invited to discuss further merger details with Neles' Board of Directors
- As a major shareholder of Neles, Valmet does not support the recommendation of the Board of Directors of Neles to accept Alfa Laval's tender offer



Valmet strengthened its business by acquiring PMP Group

Focus on small and medium-sized tissue machines and board and paper machine rebuilds

- PMP Group supplies process technologies and services for tissue, board and paper machines globally
 - New tissue machines
 - Rebuilds and machine sections for paper and board machines
 - Spare parts and services
- Focus on small and medium-sized tissue machines and board and paper machine rebuilds
- The acquisition complements Valmet's offering and builds further our local presence especially in Central Europe and China
 - Widens Valmet's portfolio to small and medium-sized tissue machines
 - Access to new customer and product segments
- Operations in four countries: Poland, China, USA and Italy
- The acquisition was announced on September 11, 2020 and was completed in the beginning of October, 2020

Key information about the acquisition

Net sales in 2019	EUR ~70 million
Number of employees	~650
Value of acquisition	EUR ~64 million ¹

1) plus a conditional and capped earn-out component

Operations in Poland, China, USA and Italy





Financial development

Key figures

EUR million	Q3/2020	Q3/2019	Change	Q1–Q3/2020	Q1–Q3/2019	Change
Orders received	700	1,058	-34%	2,712	2,976	-9%
Order backlog ¹	3,311	3,425	-3%	3,311	3,425	-3%
Net sales	832	857	-3%	2,573	2,444	5%
Comparable EBITA	91	81	11%	218	198	10%
% of net sales	10.9%	9.5%		8.5%	8.1%	
EBITA	87	83	5%	208	196	6%
Operating profit (EBIT)	79	73		184	172	7%
% of net sales	9.5%	8.5%		7.1%	7.0%	
Earnings per share, EUR	0.38	0.34	12%	0.88	0.80	9%
Return on capital employed (ROCE) before taxes ²				17%	19%	
Cash flow provided by operating activities	94	126	-25%	418	113	>100%
Gearing ¹				18%	6%	

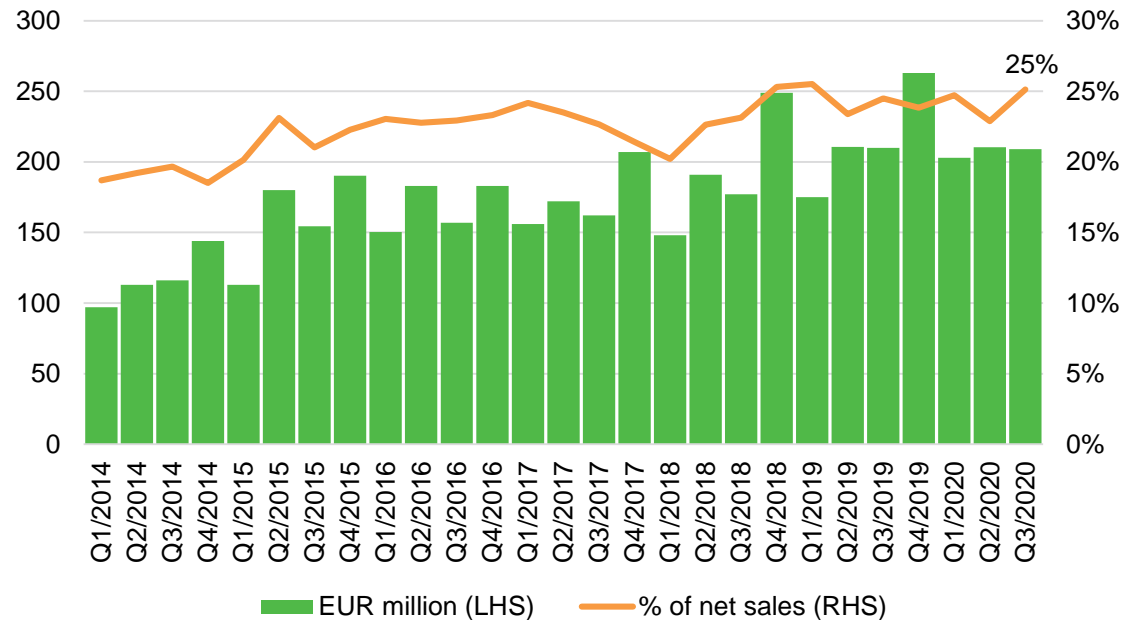
Items affecting comparability: EUR -3 million in Q3/2020 (EUR 1 million in Q3/2019), EUR -11 million in Q1–Q3/2020 (EUR -2 million in Q1–Q3/2019)

1) At end of period

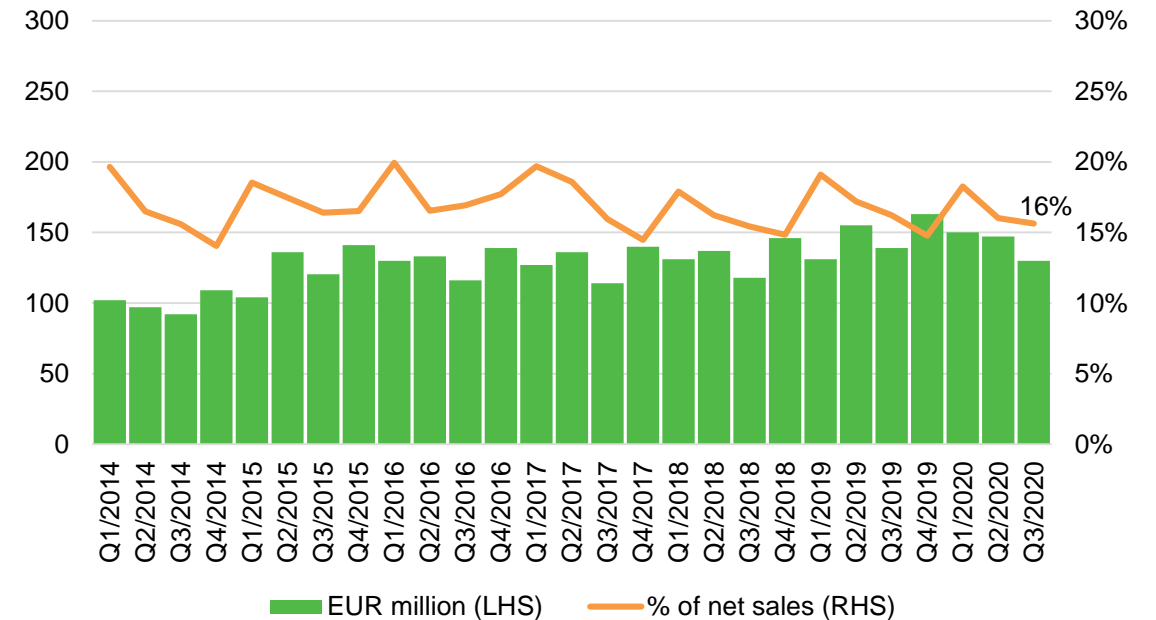
2) Annualized

Gross profit and SG&A development

Gross profit (EUR million and % of net sales)



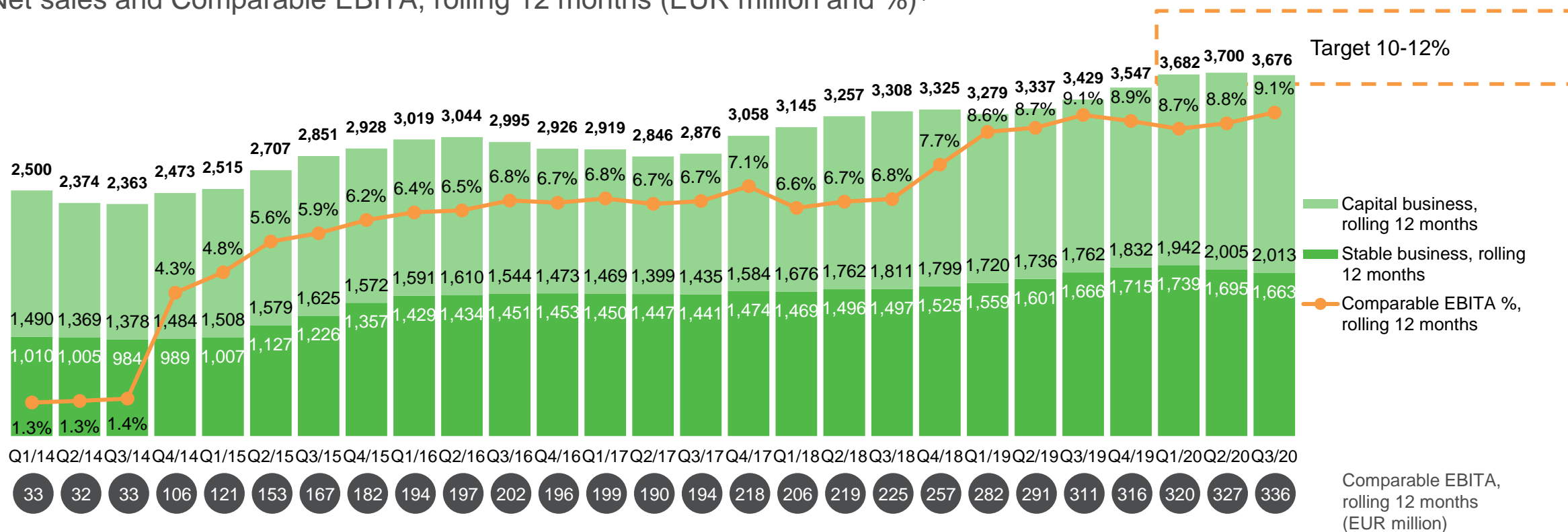
SG&A (EUR million and % of net sales)



- Gross profit was 25% of net sales (25% in Q3/2019)
 - Stable business represented 46% of net sales (48% in Q3/2019)
- Selling, general & administrative (SG&A) expenses decreased 6%
 - SG&A was 16% of net sales (16% in Q3/2019)

Comparable EBITA margin¹ development

Net sales and Comparable EBITA, rolling 12 months (EUR million and %)¹

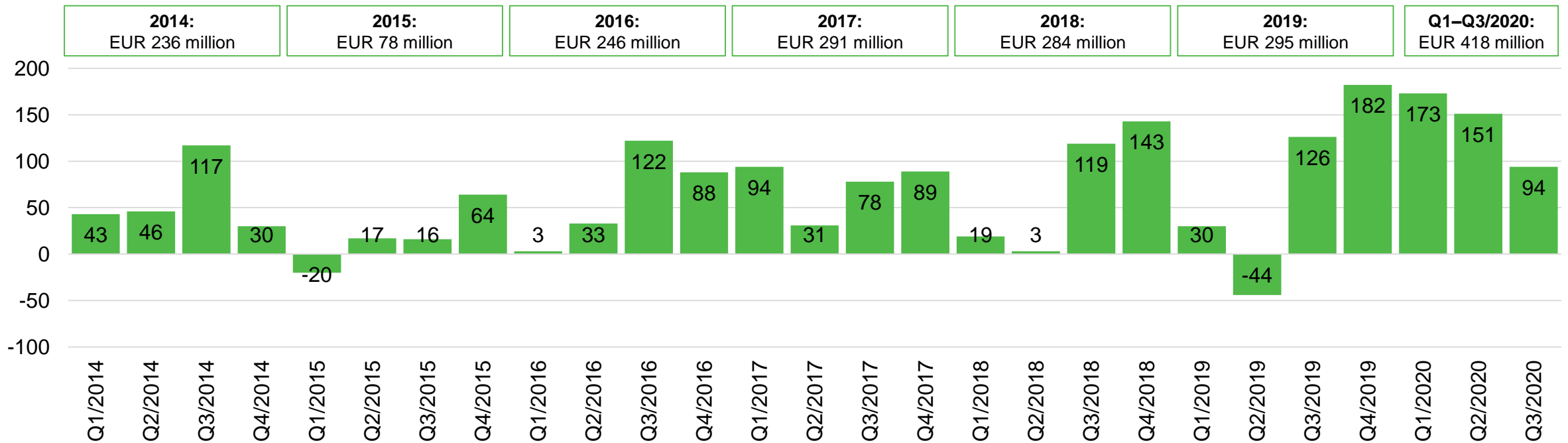


- In Q3/2020, Comparable EBITA increased compared with Q3/2019

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

Cash flow provided by operating activities (EUR million)



- Change in net working capital¹ EUR -2 million in Q3/2020
- Cash flow provided by operating activities EUR 94 million in Q3/2020
- CAPEX² EUR 21 million in Q3/2020

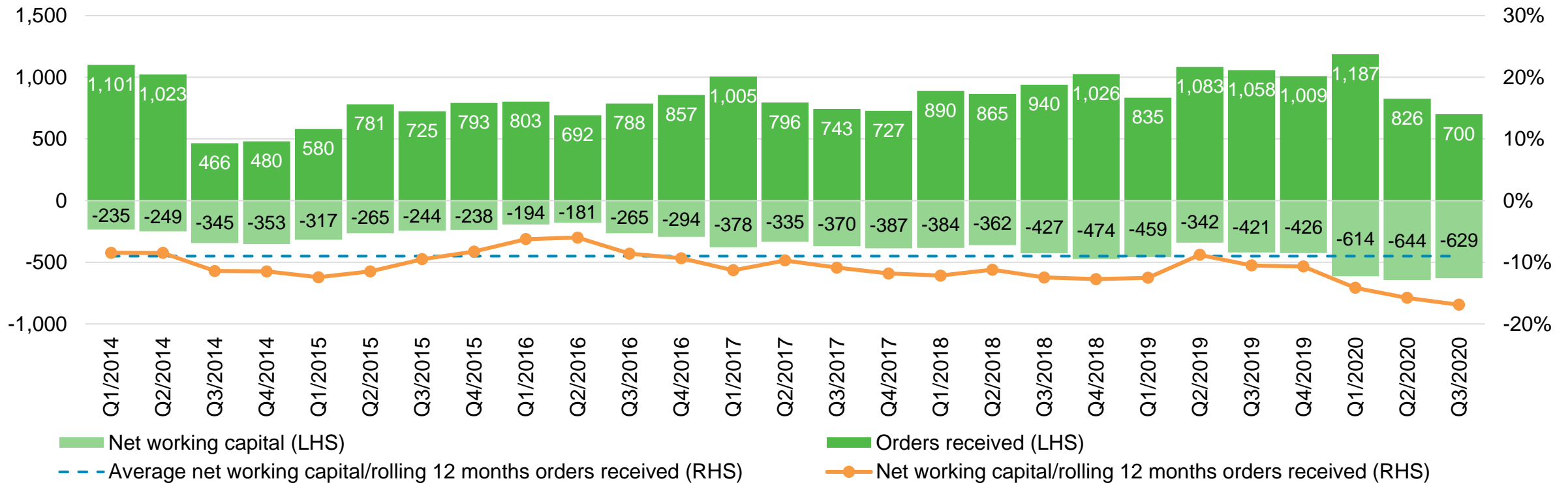
Valmet implemented IFRS 16 – Leases as of January 1, 2019 by applying the simplified transition method and therefore 2018 figures are not restated.

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

2) Excluding leased assets.

Net working capital at -17% of rolling 12 months orders received

Net working capital¹ and orders received (EUR million)

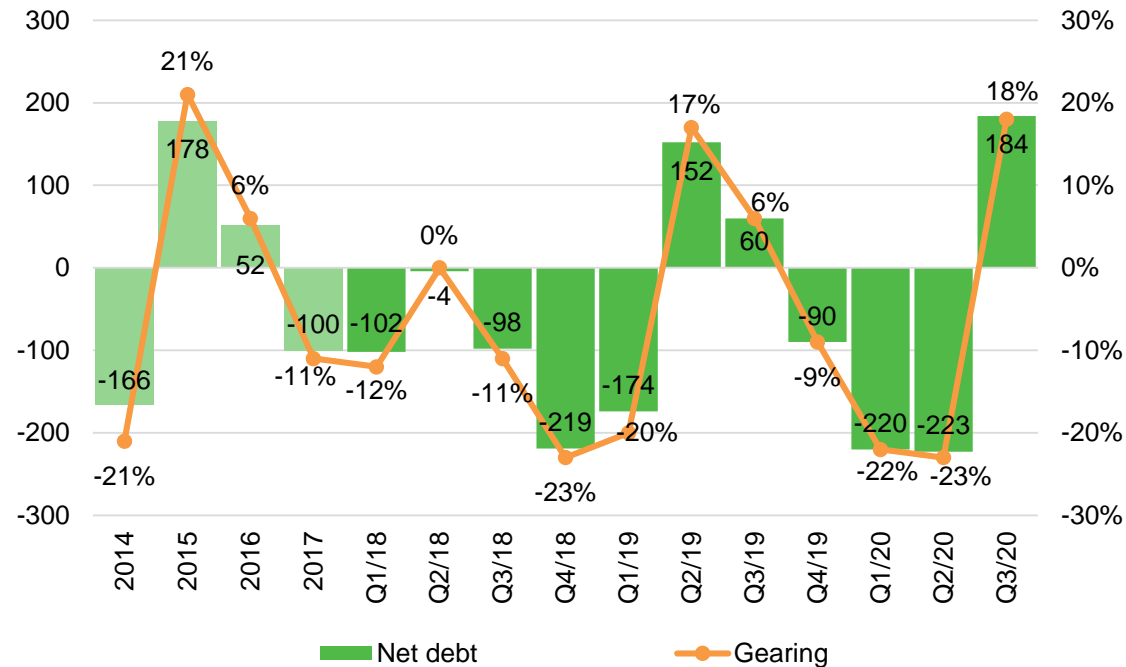


- Net working capital EUR -629 million, which equals -17% of rolling 12 months orders received

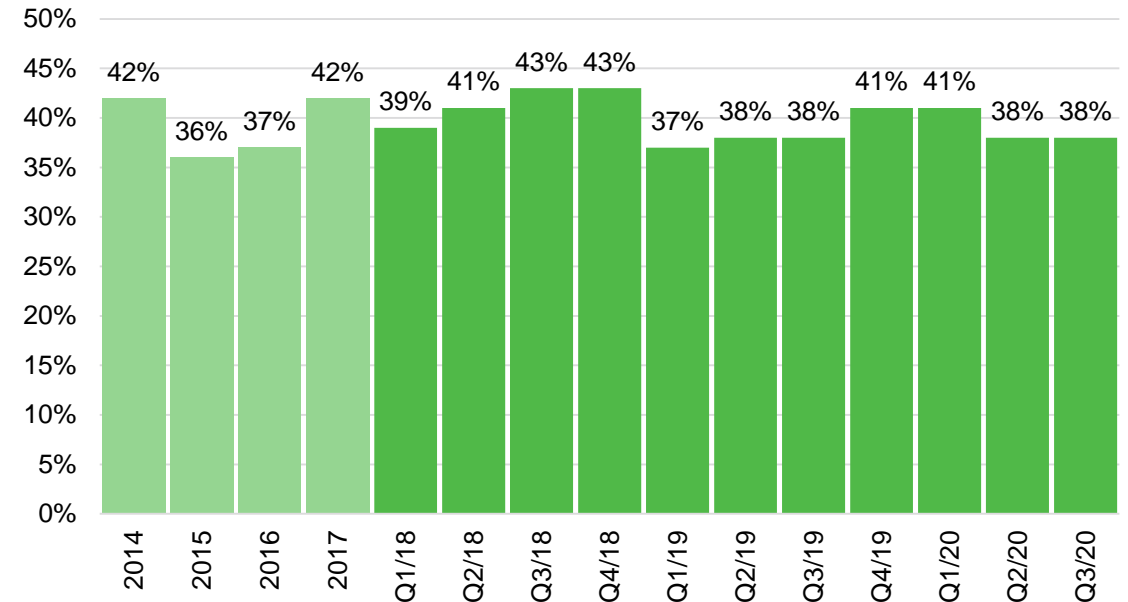
1) Net working capital excluding non-cash net working capital impact from dividend liability.

Net debt and gearing increased compared with Q3/2019

Net debt (EUR million) and gearing (%)



Equity to assets ratio (%)

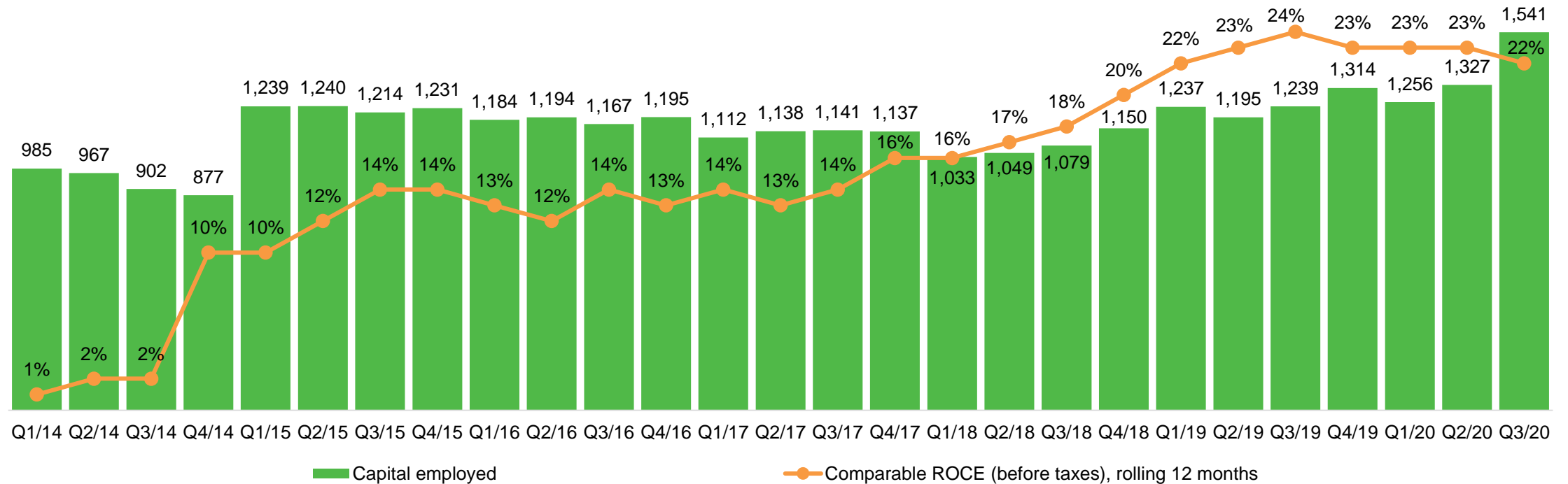


- Gearing (18%) and net debt (EUR 184 million) increased compared with Q3/2019
- Neles share acquisitions had EUR 453 million impact to net debt in Q3/2020
- Equity to assets ratio remained at the previous year's level compared with Q3/2019

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 taxes¹ (%)



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 2020 (as announced on October 13, 2020)

Guidance	Valmet estimates that net sales in 2020 will remain at the previous year's level in comparison with 2019 (EUR 3,547 million) and Comparable EBITA in 2020 will increase in comparison with 2019 (EUR 316 million).
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Short-term market outlook

		Q4/2019	Q1/2020	Q2/2020	Q3/2020
Services		Good	Satisfactory / Weak	Satisfactory / Weak	Satisfactory / Weak
Automation		Good	Good / Satisfactory	Good / Satisfactory	Good / Satisfactory
Pulp and Energy	Pulp	Good	Good	Good	Good
	Energy	Satisfactory	Satisfactory	Satisfactory	Satisfactory
Paper	Board and Paper	Good	Good	Good	Good
	Tissue	Satisfactory	Satisfactory	Satisfactory	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'.

Financial Statements Review 2020

February 4, 2021

www.valmet.com/investors

Pulp & Energy Investor Day Webinar

November 19, 2020

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