

Record-high third quarter margin, but slower market activity than expected

Interim Review, January–September 2024

October 30, 2024

Thomas Hinnerskov, President and CEO

Katri Hokkanen, CFO

Agenda

Interim Review, January–September 2024

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- 2 Development of the segments
- 3 Guidance and short-term market outlook
- 4 Financial development

New President and CEO Thomas Hinnerskov

- Started as Valmet's President and CEO on August 12, 2024
- Danish citizen, born in 1971
- Master's degree in Economics from Copenhagen Business School, University of Arizona
- Professional career:
 - Mediq, CEO (2022-2024)
 - KONE, EVP (2016-2022)
 - ISS A/S, several leadership positions (2003-2016)
 - Other management positions in private equity, consulting and investment banking



"I am fully committed to making Valmet a success for our customers, shareholders, employees and society."



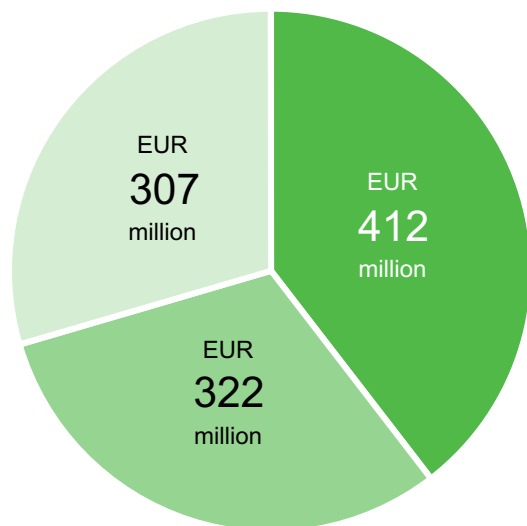
Q3/2024 in brief

Q3/2024 in brief

- Orders received increased to EUR 1.0 billion
- Order backlog amounted to EUR 3.5 billion
- Net sales remained at the previous year's level and amounted close to EUR 1.3 billion
- Comparable EBITA remained at the previous year's level and amounted to EUR 156 million and margin was 12.0%
- Cash flow provided by operating activities amounted to EUR 110 million

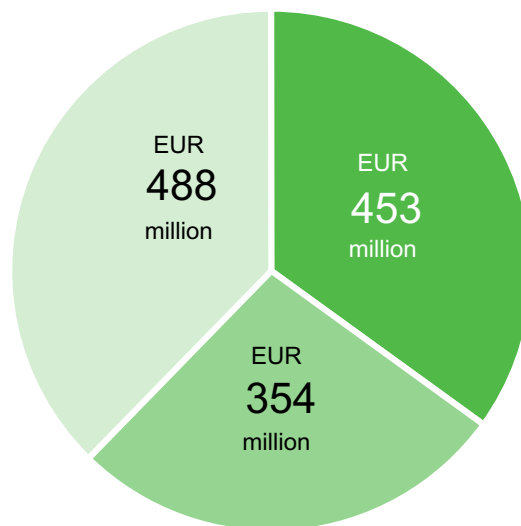
Valmet in Q3/2024

Orders received



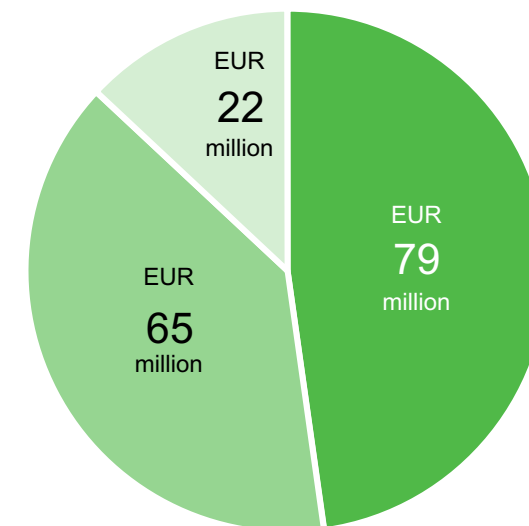
- Services
- Automation
- Process Technologies

Net sales



- Services
- Automation
- Process Technologies

Comparable EBITA (excl. Other)

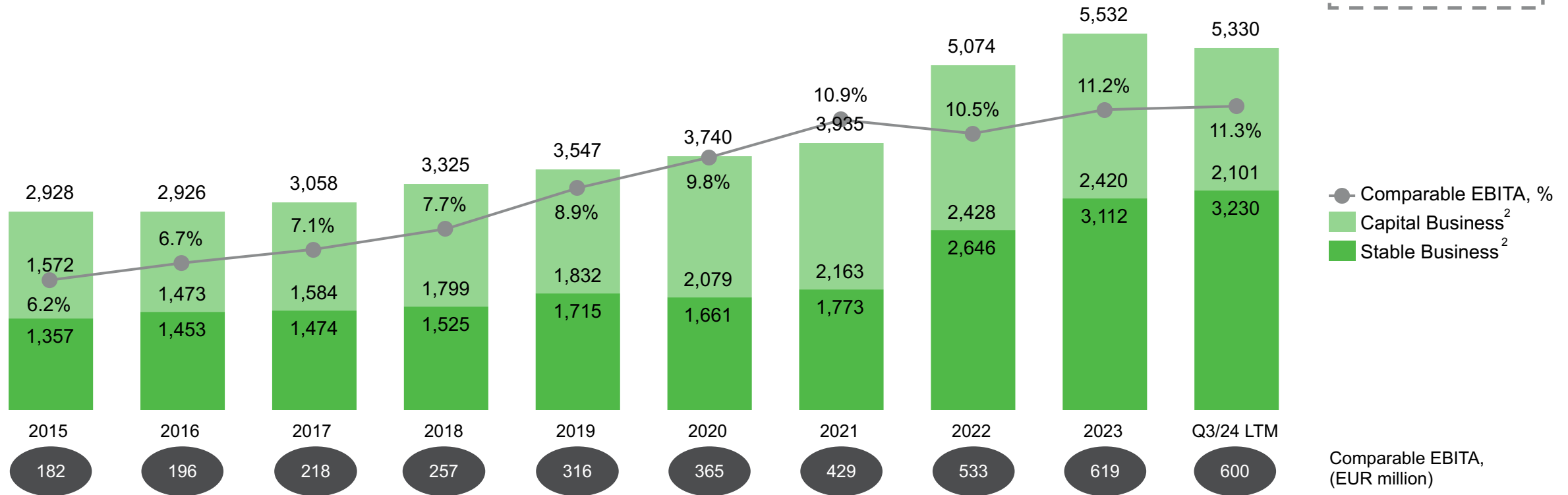


- Services
- Automation
- Process Technologies

Orders received EUR 1,041 million	Net sales EUR 1,295 million	Comparable EBITA EUR 156 million	Comparable EBITA margin 12.0%	Order backlog EUR 3,536 million	Employees 19,509
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Comparable EBITA margin development

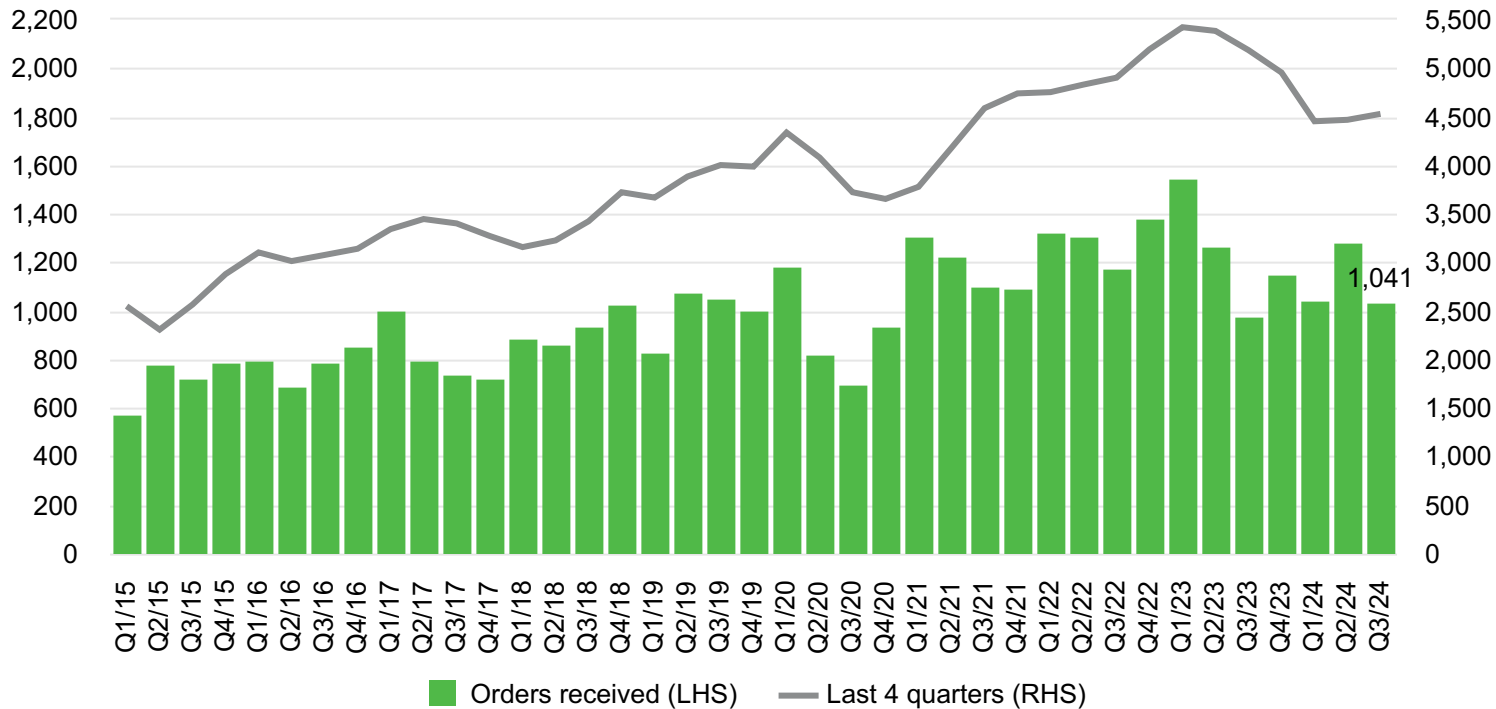
Net sales and Comparable EBITA (EUR million and %)¹



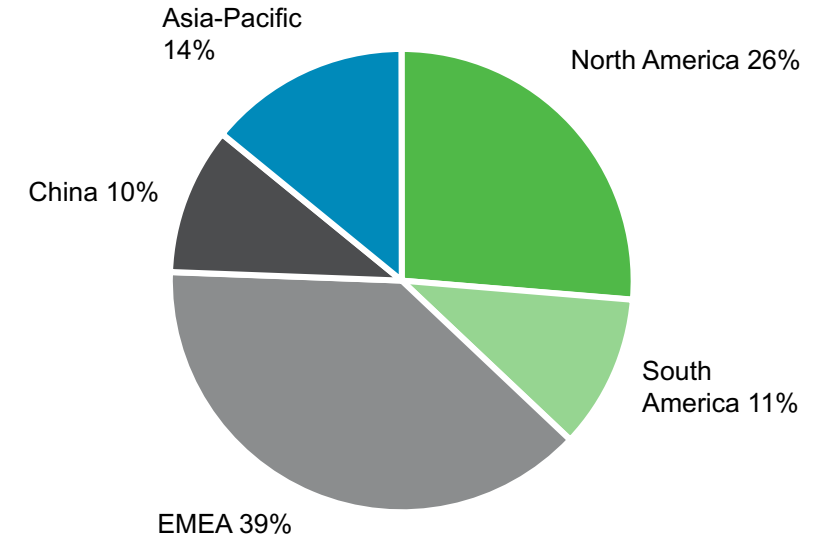
1. Valmet implemented IFRS 15 – Revenue from Contracts with Customers as of January 1, 2018 by applying full retrospective method. 2015–2020 figures have not been restated to reflect Valmet’s current reporting structure. Thus, figures presented are not fully comparable.
2. Services and Automation segments are called Stable Business and the Process Technologies segment Capital Business.

Orders received increased to EUR 1.0 billion in Q3/2024

Orders received (EUR million)



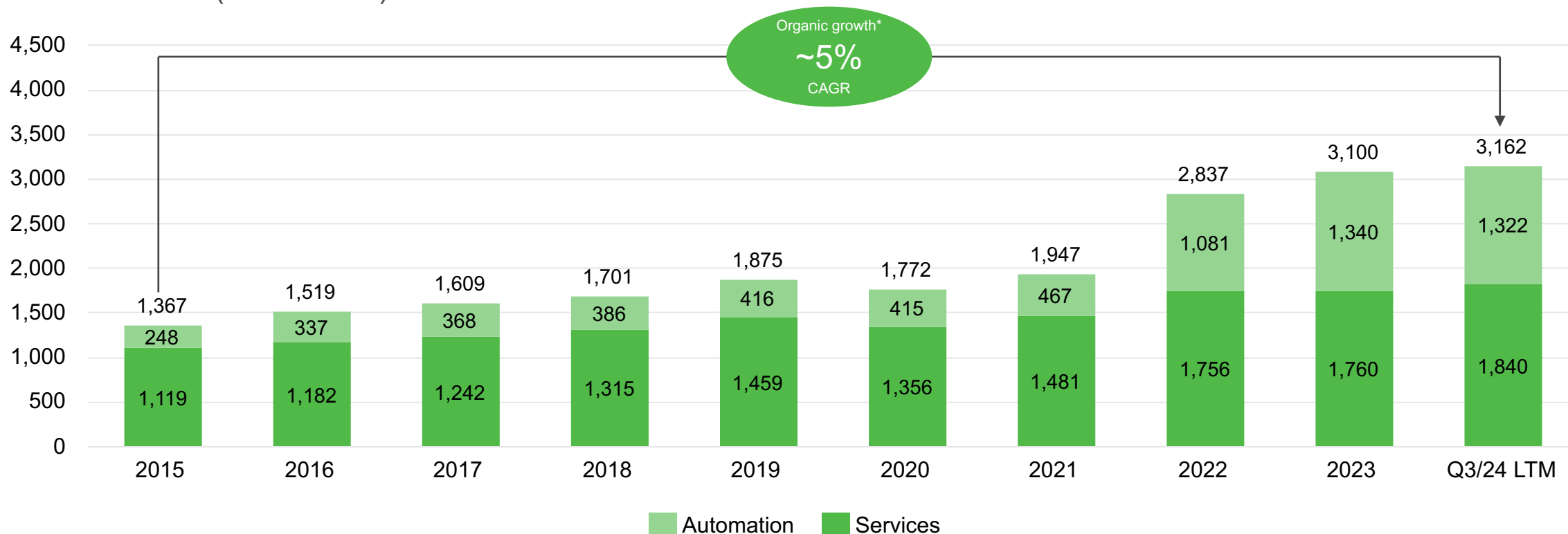
Orders received in Q1–Q3/2024 by area



- Orders received remained at the previous year's level in South America and EMEA and decreased in China, Asia-Pacific and North America in Q1–Q3/2024 compared with Q1–Q3/2023
 - South America, China and Asia-Pacific together accounted for 35% of orders received

Stable business orders received totaled close to EUR 3.2 billion during the last twelve months

Orders received (EUR million) in stable business



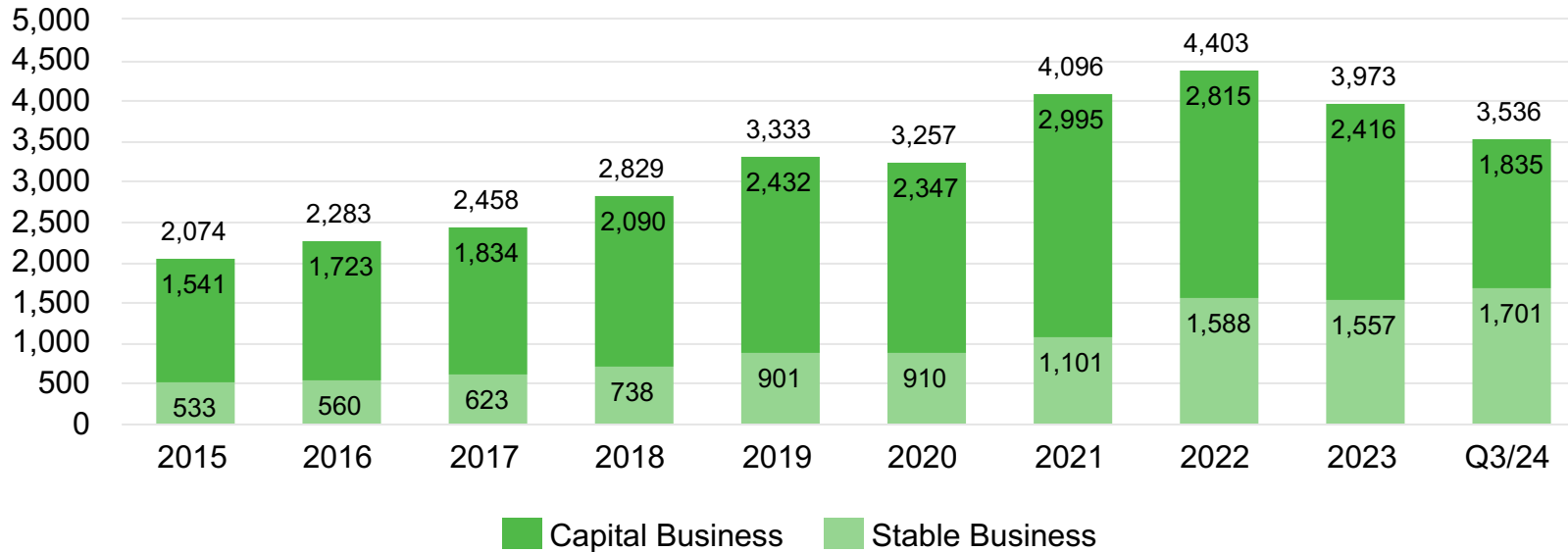
- Orders received in stable business were EUR 96 million higher in Q3/2024 compared with Q3/2023
- Stable business represented 70% of Valmet's orders received during the last twelve months (47% in 2015)

2015–2020 figures have not been restated and include internal orders received for the Automation Systems business line.

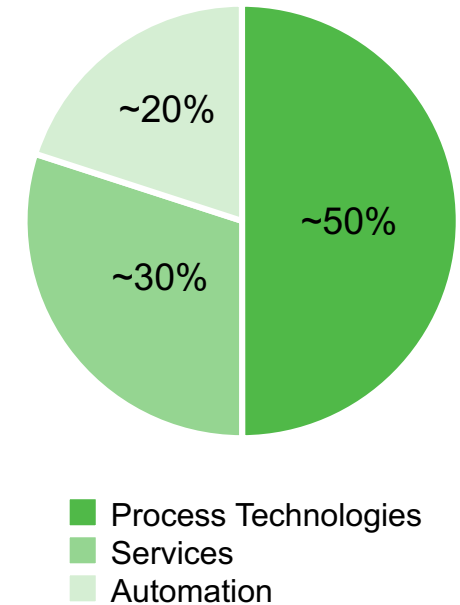
*Adjusted for acquisitions and foreign exchange rates (in calculating organic growth, Q3/24 LTM orders received in euro translated by applying 2015 average exchange rates). Indicative only.

Order backlog amounted to EUR 3.5 billion at the end of Q3/2024

Order backlog (EUR million)



Structure of order backlog by segment



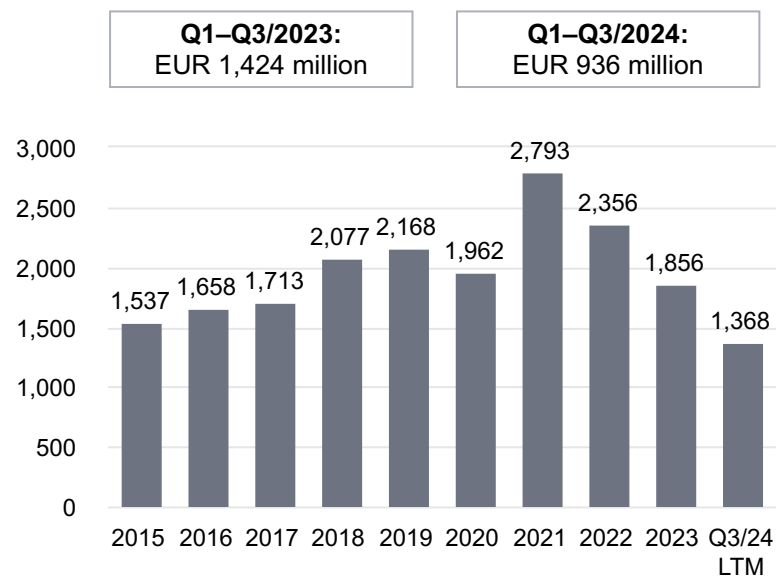
- Order backlog was EUR 437 million lower than at the end of 2023
- Approximately 40% of the order backlog is currently expected to be realized as net sales during 2024 (at the end of Q3/2023, ~30% during 2023)
 - The expected net sales from the current backlog for Q4/2024 are approximately EUR 70 million more than what was expected from the backlog a year ago for Q4/2023
- Valmet’s delivery times have decreased and returned close to pre-covid levels
- Approximately 50% of the order backlog relates to stable business (~40% at the end of Q3/2023)



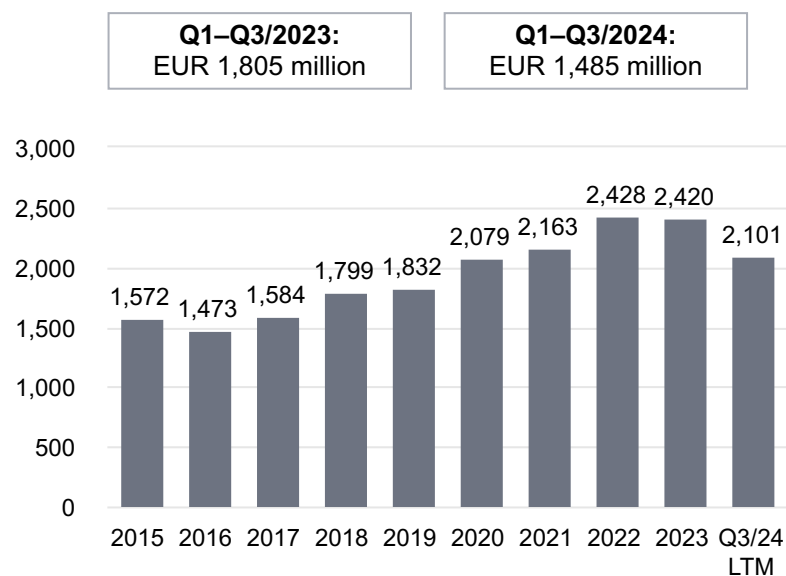
Development of the segments

Process Technologies: Orders received decreased to EUR 936 million in Q1–Q3/2024

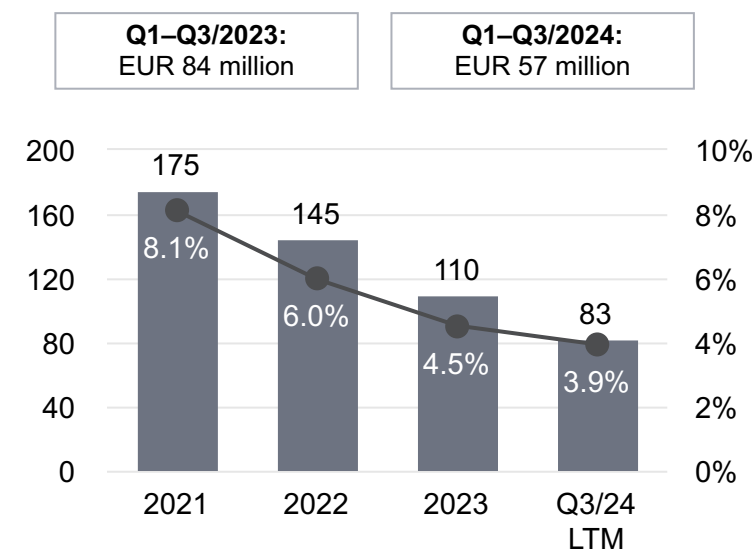
Orders received (EUR million)



Net sales (EUR million)



Comparable EBITA (EUR million and % of net sales)



- Orders received decreased compared with Q1–Q3/2023
 - Orders received decreased in Pulp and Energy, and in Paper compared with Q1–Q3/2023
- Net sales decreased compared with Q1–Q3/2023
- Comparable EBITA decreased compared with Q1–Q3/2023



Valmet to supply a complete pulp mill to Arauco in Brazil

Project overview

- Customer: Arauco
- Location: Inocência, Mato Grosso do Sul, Brazil
- Project: World's largest single-phase pulp mill
- Capacity: 3.5 million tonnes per year
- Start-up: Second half of 2027
- Order Value: Over EUR 1 billion (to be booked in Q4/2024)

Valmet's scope and targets

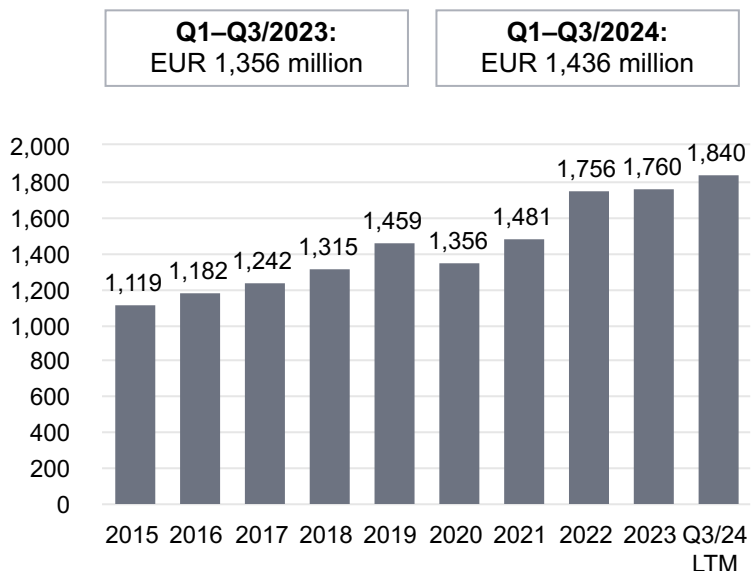
- Complete pulp mill delivery
- Full-scope automation and flow control solutions with latest Valmet DNAe automation system
- Engineering, procurement, construction, and commissioning
- Proven technology
- High energy and water efficiency
- Low emissions
- High automation level
- Competitive operating costs

Strategic impact

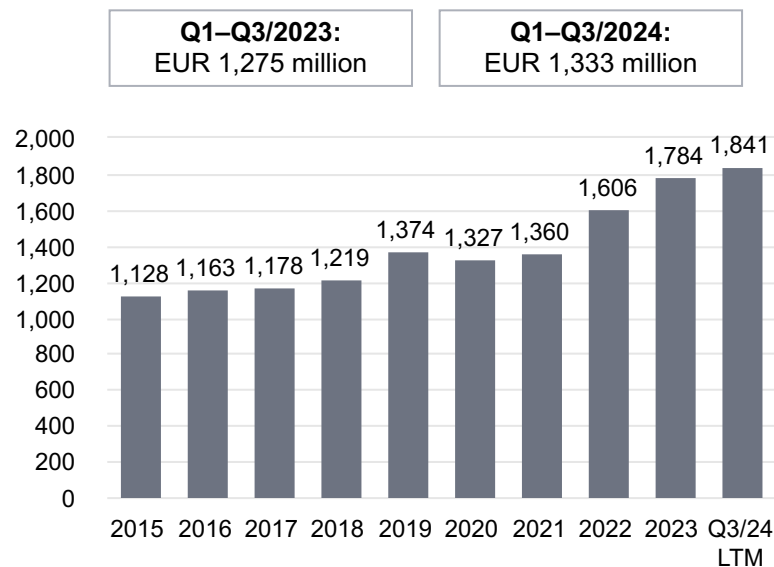
- A significant milestone showcasing Valmet's sustainable technologies
- Services and automation potential after the start-up
- Contribution to sustainable energy supply with excess bioelectricity generation
- Employment impact in Brazil, Finland, Sweden, Denmark, India, and China
- Strengthened presence and competence in the Brazilian market

Services: Orders received increased to EUR 1.4 billion in Q1–Q3/2024

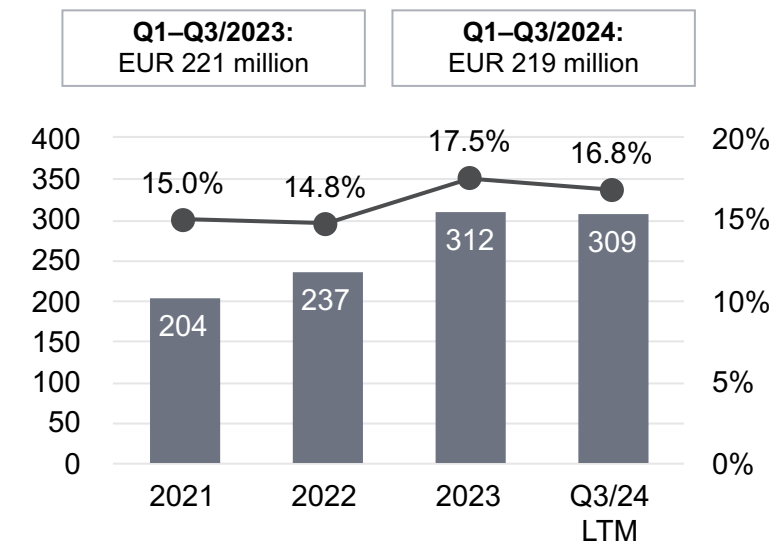
Orders received (EUR million)



Net sales (EUR million)



Comparable EBITA (EUR million and % of net sales)

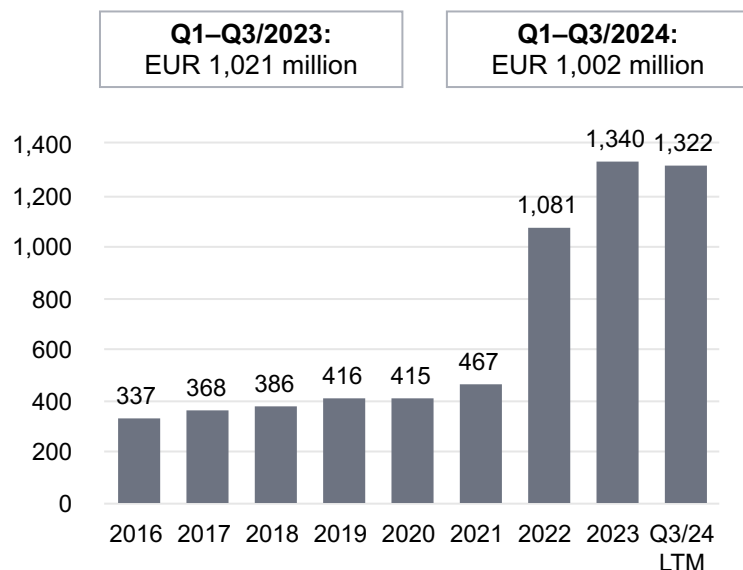


- Orders received increased compared with Q1–Q3/2023
 - Orders received increased in North America and EMEA, remained at the previous year's level in China and Asia-Pacific and decreased in South America
 - Excluding Tissue Converting, orders received remained at the previous year's level in Fabrics, Rolls, Board, Paper and Tissue Solutions and Performance Parts and decreased in Pulp and Energy Solutions
 - Orders received of Tissue Converting amounted to EUR 110 million
- Net sales remained at the previous year's level compared with Q1–Q3/2023
- Comparable EBITA remained at the previous year's level compared with Q1–Q3/2023

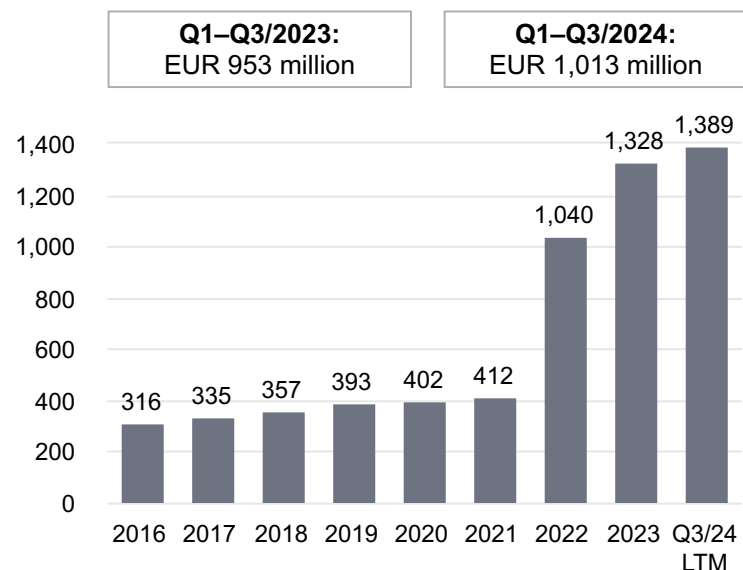


Automation: Orders received remained at the previous year's level at EUR 1.0 billion in Q1–Q3/2024

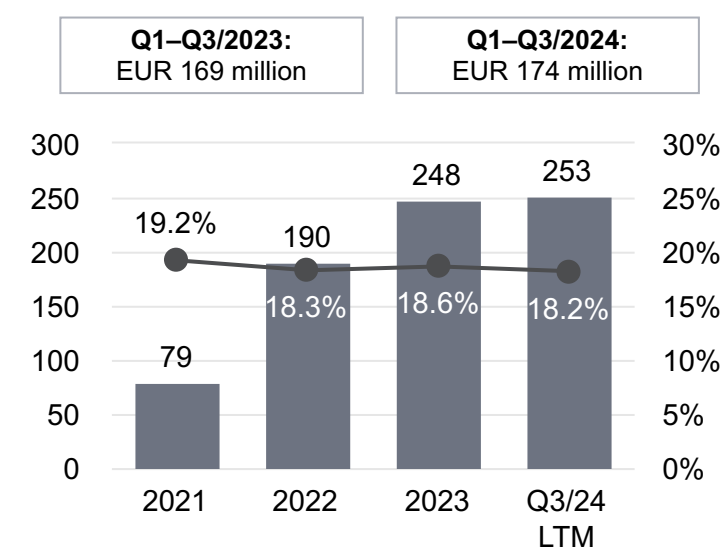
Orders received (EUR million)



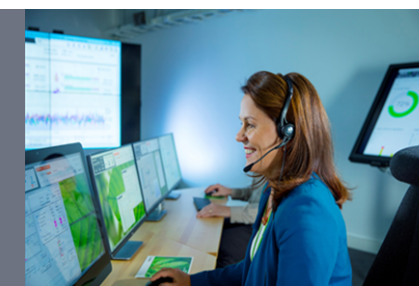
Net sales (EUR million)



Comparable EBITA (EUR million and % of net sales)



- Orders received remained at the previous year's level compared with Q1–Q3/2023
 - Orders received remained at the previous year's level in Automation Systems, and decreased in Flow Control compared with Q1–Q3/2023
- Net sales increased compared with Q1–Q3/2023
- Comparable EBITA remained at the previous year's level compared with Q1–Q3/2023





Guidance and short-term market outlook

Guidance and short-term market outlook

Guidance for 2024 (Published on October 11, 2024)

Guidance	<p>Valmet estimates that net sales in 2024 will remain at the previous year's level in comparison with 2023 (EUR 5,532 million) and Comparable EBITA in 2024 will remain at the previous year's level in comparison with 2023 (EUR 619 million).</p>
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Short-term market outlook

		Q4/2023	Q1/2024	Q2/2024	Q3/2024
Services		Good / Satisfactory	Good	Good	Satisfactory
Automation	Flow Control	Good	Good	Good	Good
	Automation Systems	Good	Good	Good	Good
Pulp and Energy	Pulp	Satisfactory	Weak	Satisfactory	Satisfactory
	Energy	Good	Good	Satisfactory	Satisfactory
Paper	Board and Paper	Satisfactory	Weak / Satisfactory	Satisfactory	Weak
	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 following the reported quarter. The scale is 'weak-satisfactory-good'.



Financial development

Key figures

EUR million	Q3/2024	Q3/2023	Change	Q1–Q3/2024	Q1–Q3/2023	Change
Orders received	1,041	980	6%	3,374	3,801	-11%
Order backlog ¹	3,536	4,133	-14%	3,536	4,133	-14%
Net sales	1,295	1,295	0%	3,831	4,033	-5%
Comparable EBITA	156	150	4%	417	437	-4%
% of net sales	12.0%	11.6%	0.4 pp	10.9%	10.8%	0.1 pp
EBITA	138	147	-6%	384	433	-11%
Operating profit (EBIT)	109	127	-14%	299	359	-17%
% of net sales	8.4%	9.8%	-1.4 pp	7.8%	8.9%	-1.1 pp
Adjusted earnings per share, EUR ²	0.49	0.52	-7%	1.33	1.63	-18%
Earnings per share, EUR	0.37	0.47	-21%	0.99	1.38	-29%
Comparable ROCE, LTM ³				13%	16%	-3 pp
Cash flow provided by operating activities	110	57	93%	376	229	65%
Net debt to EBITDA ⁴ ratio				1.59	0.74	
Gearing ¹				43%	21%	21 pp

Items affecting comparability: EUR -17 million in Q3/2024 (EUR -4 million in Q3/2023) and EUR -33 million in Q1–Q3/2024 (EUR -4 million in Q1–Q3/2023).

1) At end of period

2) Adjusted earnings per share excludes the impact of fair value adjustments arising from business combinations, net of tax

3) Comparable return on capital employed (ROCE) before taxes, LTM (last twelve months)

4) Last twelve months (LTM) EBITDA

Process Technologies segment key figures

Q3 2024 in brief

EUR million	Q3/2024	Q3/2023	Change
Orders received	307	343	-10%
Net sales	488	554	-12%
Comparable EBITA	22	25	-13%
% of net sales	4.4%	4.5%	-0.1 pp

- Orders received decreased to EUR 307 million
 - Orders received of Tissue Converting, which was integrated into Valmet in the beginning of November 2023, amounted to EUR 28 million
- Net sales decreased to EUR 488 million
 - Tissue Converting's net sales amounted to EUR 37 million
- Comparable EBITA amounted to EUR 22 million and the margin was 4.4%
 - Comparable EBITA was impacted by lower net sales but the margin remained at the previous year's level



Services segment key figures

Q3 2024 in brief

EUR million	Q3/2024	Q3/2023	Change
Orders received	412	349	18%
Net sales	453	429	5%
Comparable EBITA	79	79	0%
% of net sales	17.4%	18.4%	-0.9 pp

- Orders received increased to EUR 412 million
 - Orders received from Tissue Converting, amounted to EUR 34 million in Q3/2024
 - Changes in FX rates decreased orders received by approximately EUR 9 million
- Net sales remained at the previous year's level
 - Tissue Converting's net sales amounted to EUR 34 million
 - Changes in FX rates decreased net sales by approximately EUR 9 million
- Comparable EBITA remained at the previous year's level at EUR 79 million and margin decreased to 17.4%
 - Organic net sales decrease had a negative impact on the Comparable EBITA margin

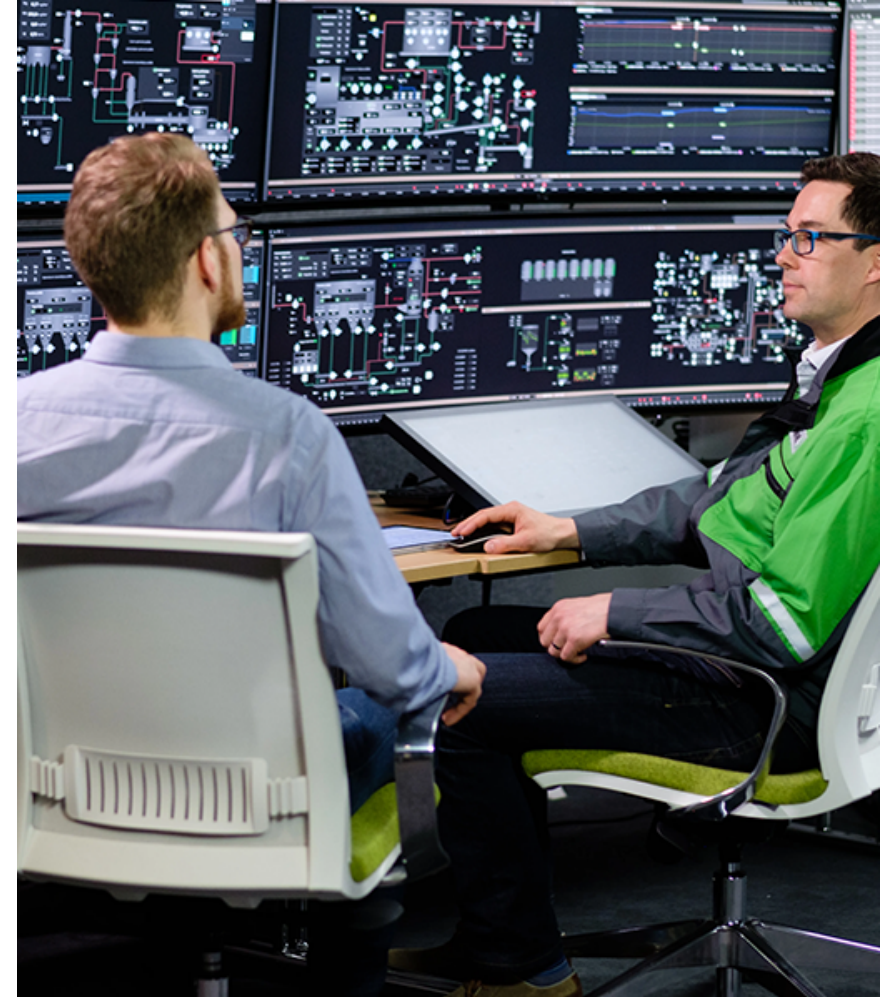


Automation segment key figures

Q3 2024 in brief

EUR million	Q3/2024	Q3/2023	Change
Orders received	322	289	11%
Net sales	354	312	14%
Comparable EBITA	65	58	11%
% of net sales	18.3%	18.7%	-0.4 pp

- Orders received increased to EUR 322 million
 - Orders received from the acquired business Analyzer Products and Integration amounted to EUR 28 million in Q3/2024
 - Changes in FX rates decreased orders received by approximately EUR 5 million
- Net sales increased to EUR 354 million
 - Net sales from the acquired business Analyzer Products and Integration amounted to EUR 33 million in Q3/2024
 - Changes in FX rates decreased net sales by approximately EUR 6 million
- Comparable EBITA increased to EUR 65 million and the margin was 18.3%
 - The increase in Comparable EBITA was driven by changes in the sales mix
 - The margin decreased due to integration of Analyzer Products and Integration



Segment key figures

Orders received, EUR million	Q3/2024	Q3/2023	Change	Q1–Q3/2024	Q1–Q3/2023	Change
Services	412	349	18%	1,436	1,356	6%
Automation	322	289	11%	1,002	1,021	-2%
Process Technologies	307	343	-10%	936	1,424	-34%
Total	1,041	980	6%	3,374	3,801	-11%

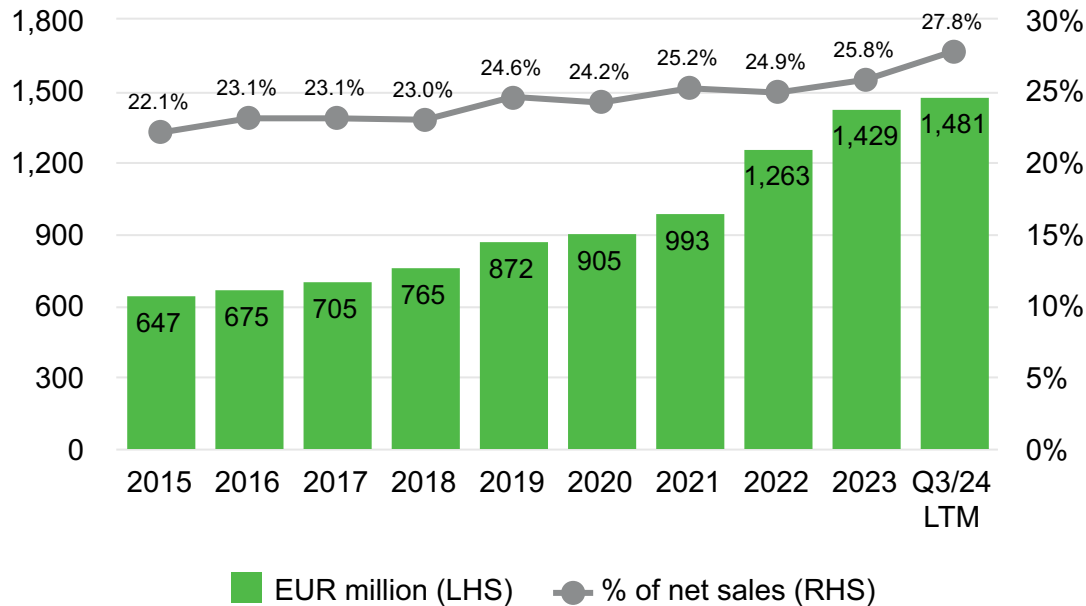
Net sales, EUR million	Q3/2024	Q3/2023	Change	Q1–Q3/2024	Q1–Q3/2023	Change
Services	453	429	5%	1,333	1,275	5%
Automation	354	312	14%	1,013	953	6%
Process Technologies	488	554	-12%	1,485	1,805	-18%
Total	1,295	1,295	0%	3,831	4,033	-5%

Comparable EBITA, EUR million	Q3/2024	Q3/2023	Change	Q1–Q3/2024	Q1–Q3/2023	Change
Services	79	79	0%	219	221	-1%
Automation	65	58	11%	174	169	3%
Process Technologies	22	25	-13%	57	84	-32%
Other	-10	-12	-16%	-32	-37	-13%
Total	156	150	4%	417	437	-4%

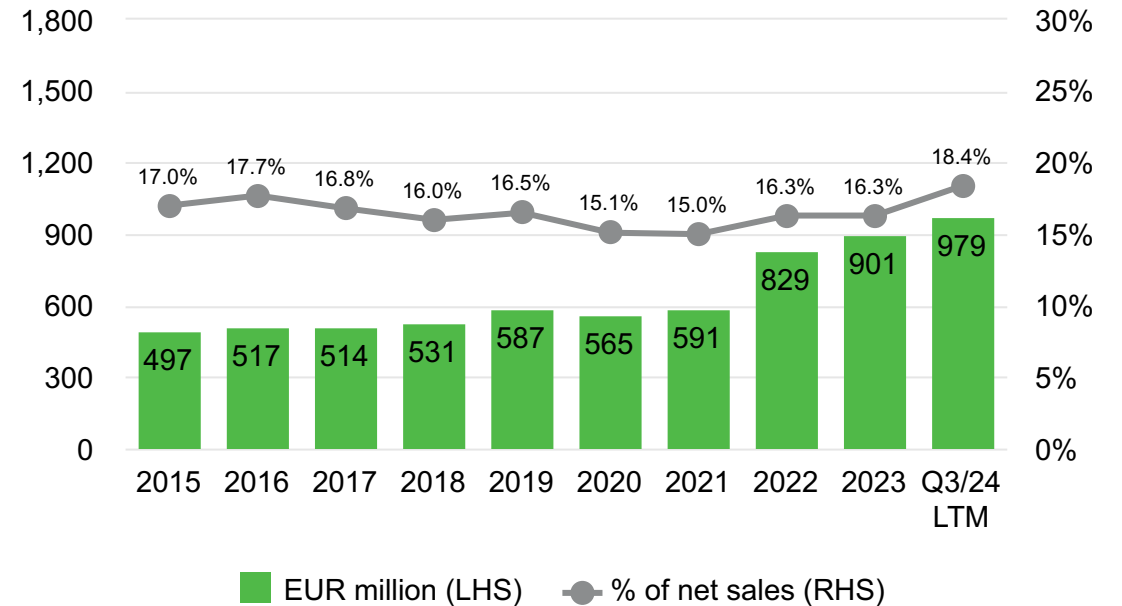
Comparable EBITA margin, % of net sales	Q3/2024	Q3/2023	Change	Q1–Q3/2024	Q1–Q3/2023	Change
Services	17.4%	18.4%	-0.9 pp	16.4%	17.3%	-0.9 pp
Automation	18.3%	18.7%	-0.4 pp	17.1%	17.7%	-0.5 pp
Process Technologies	4.4%	4.5%	-0.1 pp	3.9%	4.7%	-0.8 pp
Total	12.0%	11.6%	0.4 pp	10.9%	10.8%	0.1 pp

Comparable gross profit and SG&A expenses development

Comparable gross profit
(EUR million and % of net sales)



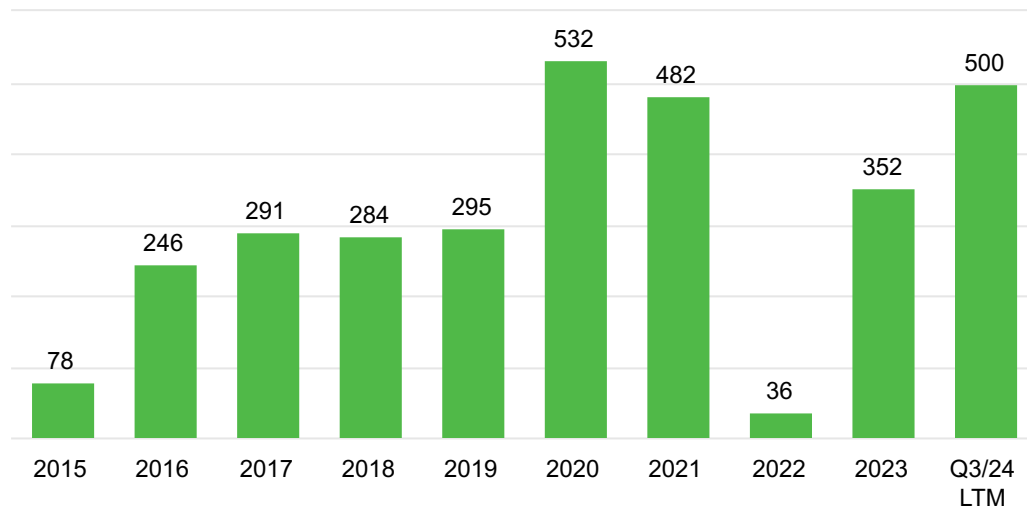
Comparable SG&A expenses
(EUR million and % of net sales)



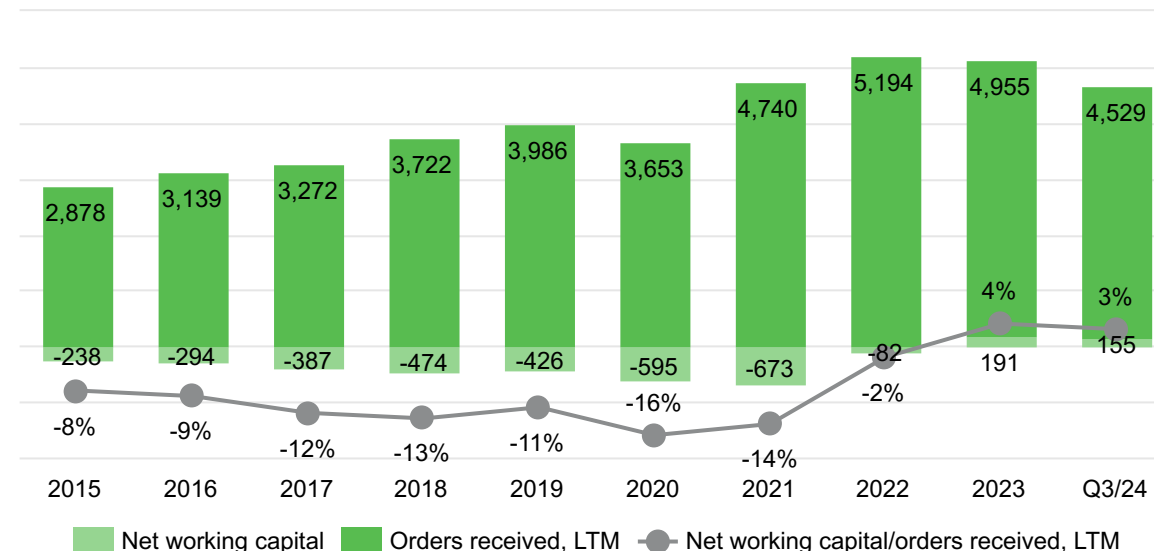
- Comparable gross profit was 28.8% of net sales in Q3/2024 (25.9% in Q3/2023)
 - Stable business represented 62% of net sales (57% in Q3/2023)
- Comparable SG&A expenses were EUR 38 million higher in Q3/2024 compared with Q3/2023
 - Comparable SG&A expenses of the acquired Tissue Converting and Analyzer Products and Integration amounted to EUR 31 million in Q3/2024
 - Comparable SG&A expenses were 18.6% of net sales in Q3/2024 (15.7% in Q3/2023)

Cash flow provided by operating activities and net working capital

Cash flow provided by operating activities (EUR million)



Net working capital¹ and orders received (EUR million)



- Cash flow provided by operating activities amounted to EUR 110 million in Q3/2024
- CAPEX² amounted to EUR 20 million in Q3/2024
- Net working capital¹ amounted to EUR 155 million, which equals 3% of last 12 months orders received
 - Compared to year 2021, Valmet's net working capital has increased mainly in capital business and due to integration of Flow Control and Tissue Converting into Valmet
 - Today, Valmet's business mix contains more stable business, which typically ties up more net working capital than capital business
- Change in net working capital³ EUR -25 million in Q3/2024

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

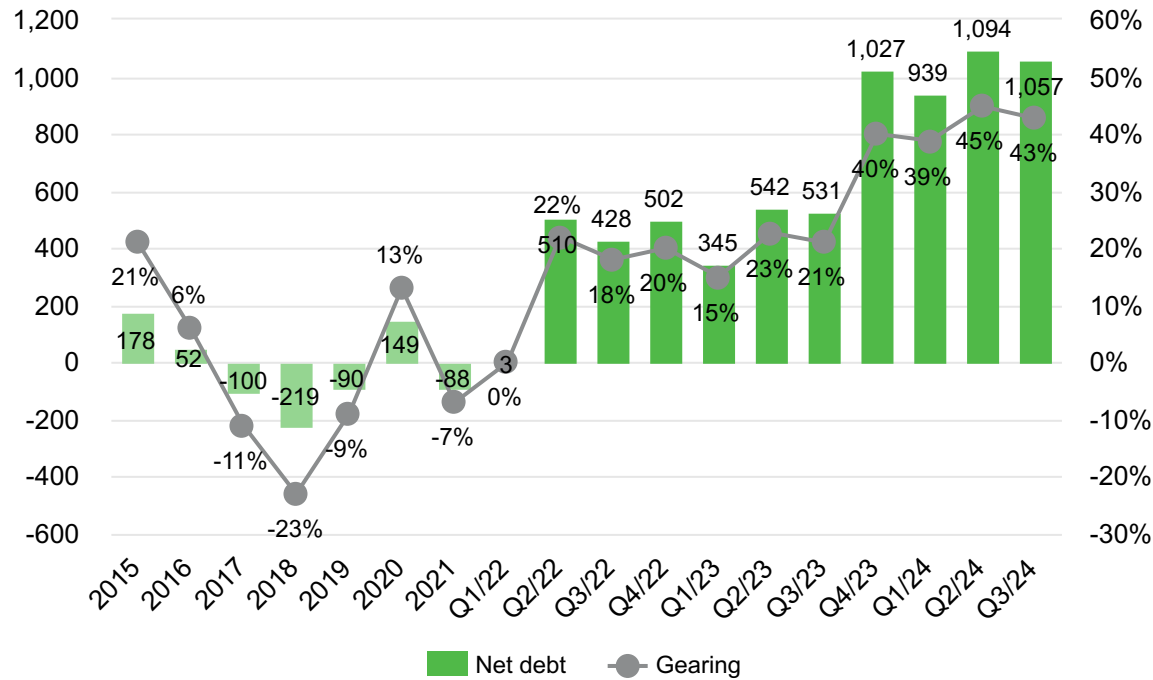
1) Net working capital excluding EUR 123 million non-cash net working capital impact from dividend liability.

2) Excluding business combinations and right-of-use assets.

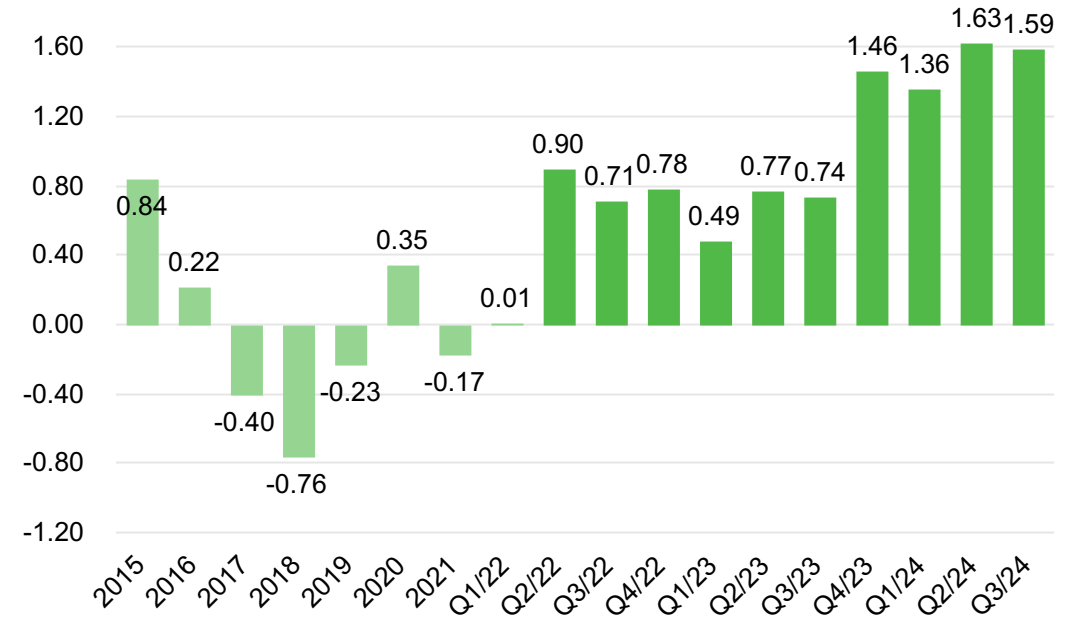
3) Change in net working capital in the consolidated statement of cash flows.

Net debt remained at the previous quarter's level

Net debt (EUR million) and gearing (%)



Net debt to EBITDA* ratio



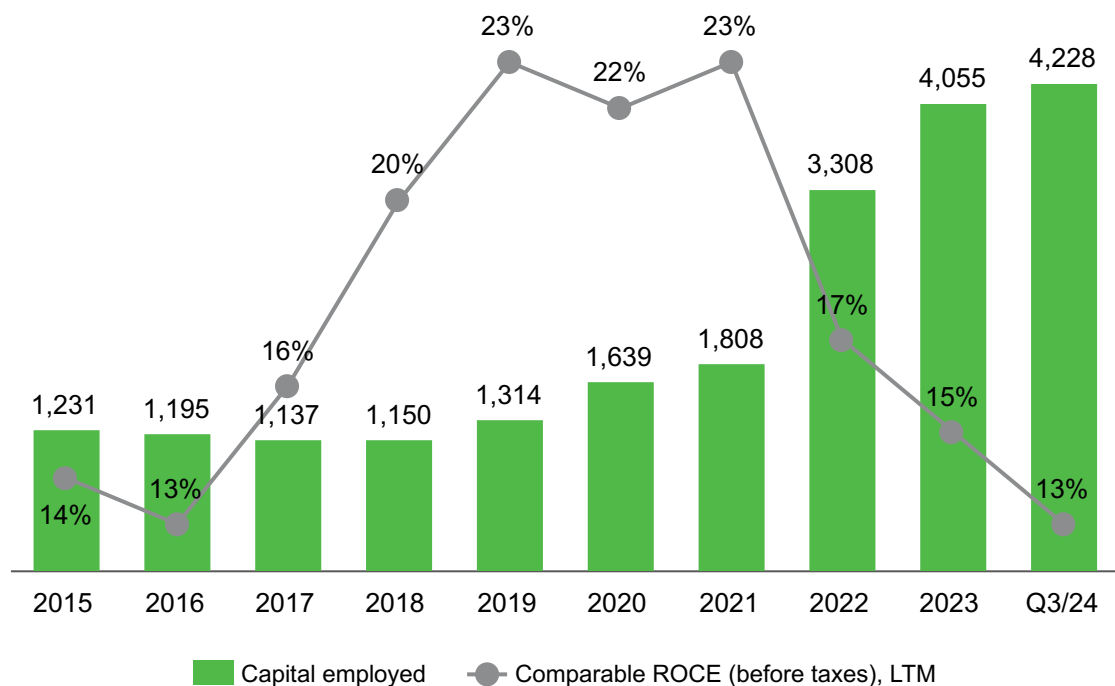
- Net debt remained at the previous quarter's level and gearing amounted to 43%
- Net debt to EBITDA* ratio remained at the previous quarter's level compared with Q2/2024
- The average interest rate of Valmet's total debt was 4.4% at the end of Q3/2024
- Net financial expenses amounted to EUR 49 million in Q1–Q3/2024 (EUR 19 million in Q1–Q3/2023)

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

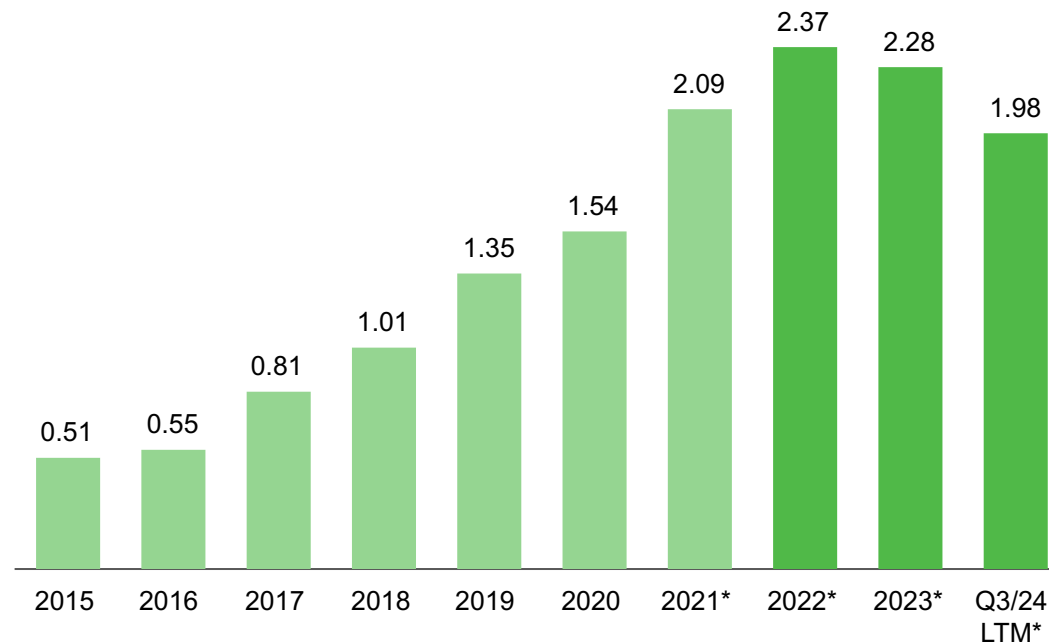
*Last twelve months (LTM) EBITDA

Capital employed, Comparable ROCE and EPS

Capital employed (EUR million) and Comparable return on capital employed (ROCE), before taxes (%)



Earnings per share (EPS) and Adjusted EPS, EUR



- The acquisitions of Analyzer Products and Integration in 2024 and Tissue Converting in 2023 and the integration of Flow Control into Valmet in 2022 have increased capital employed

- Q3/2024 LTM Adjusted EPS decreased compared with 2023 mainly due to lower EBITA and higher net financial expenses

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. LTM = Last twelve months.

*Adjusted EPS. Adjusted earnings per share is an alternative performance measure that excludes the impact of fair value adjustments arising from business combinations, net of tax.

Q&A

Financial Statements Review 2024

February 13, 2025

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