

Orders received increased to EUR 1.3 billion and
Comparable EBITA to EUR 122 million in the
second quarter

Half Year Financial Review, January–June 2022

July 27, 2022

Pasi Laine, President and CEO

Agenda

Half Year Financial Review, January–June 2022

- 1 Q2/2022 in brief
- 2 Development of the segments and the business lines
- 3 Integration of Flow Control into Valmet
- 4 Katri Hokkanen appointed CFO of Valmet as of August 1, 2022
- 5 Financial development
- 6 Valmet's Way Forward for the new Valmet and financial targets
- 7 Guidance and short-term market outlook



Q2/2022 in brief

Q2/2022 in brief

- Orders received increased to EUR 1.31 billion
- Net sales increased to EUR 1.29 billion
- Order backlog amounted to EUR 4.78 billion
- Comparable EBITA increased to EUR 122 million and margin was 9.5%
- Gearing was 22%

Valmet in Q2/2022

Orders received
EUR 1,306 million

Net sales
EUR 1,286 million

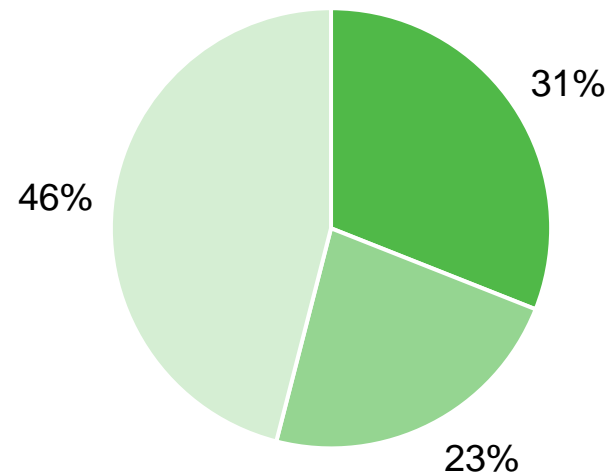
Comparable EBITA
EUR 122 million

Comparable EBITA margin
9.5%

Order backlog
EUR 4,784 million

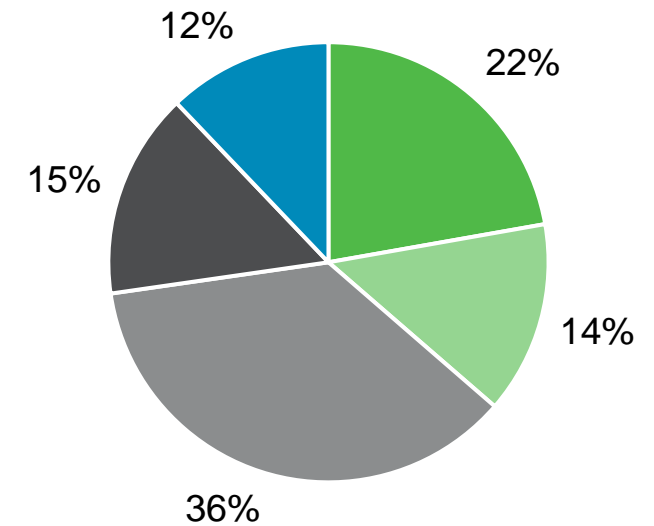
Employees
17,670

Net sales by segment



- Services
- Automation
- Process Technologies

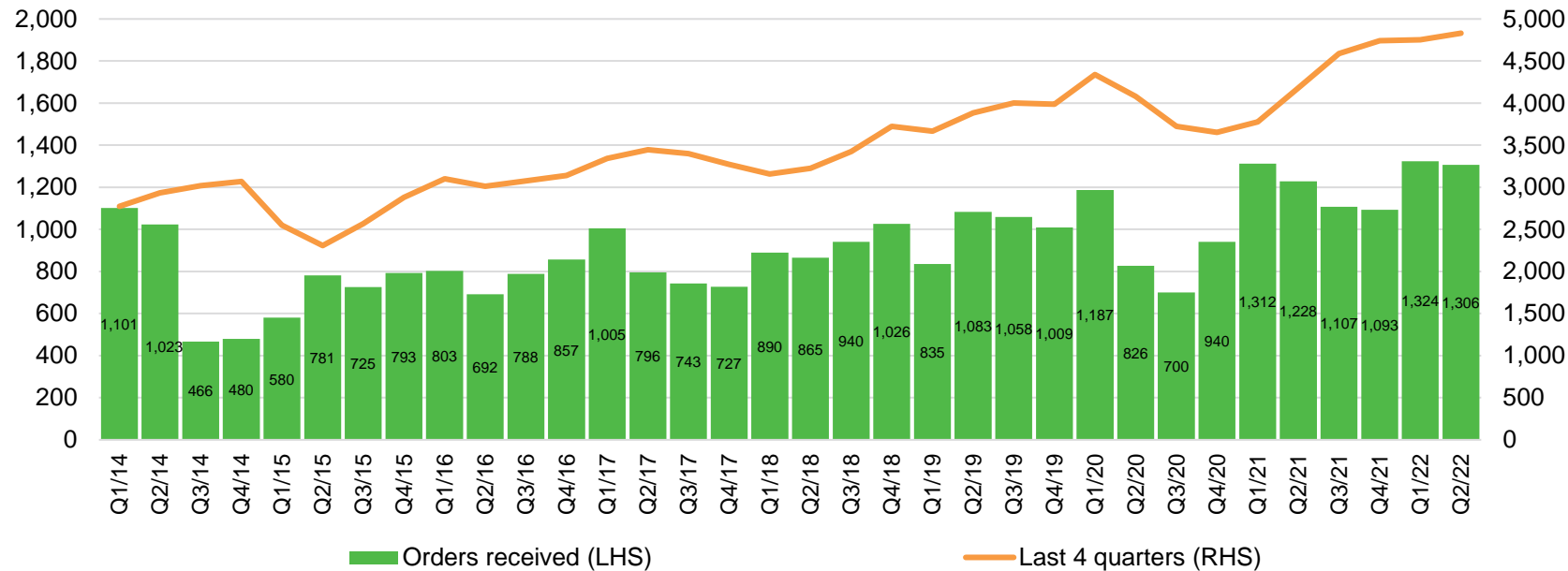
Net sales by area



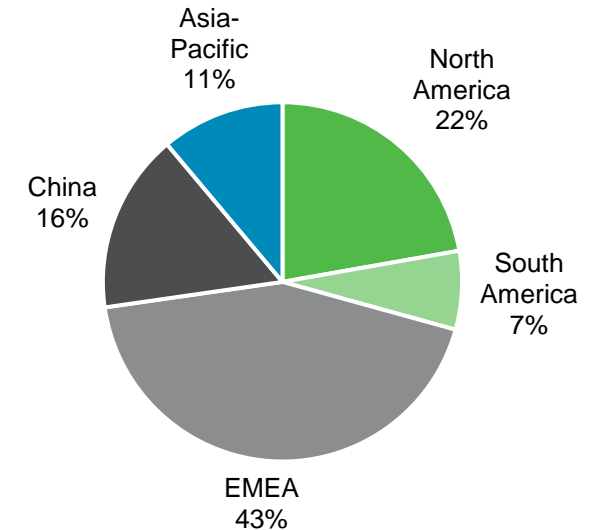
- North America
- South America
- EMEA
- China
- Asia-Pacific

Orders received increased to EUR 1,306 million in Q2/2022

Orders received (EUR million)



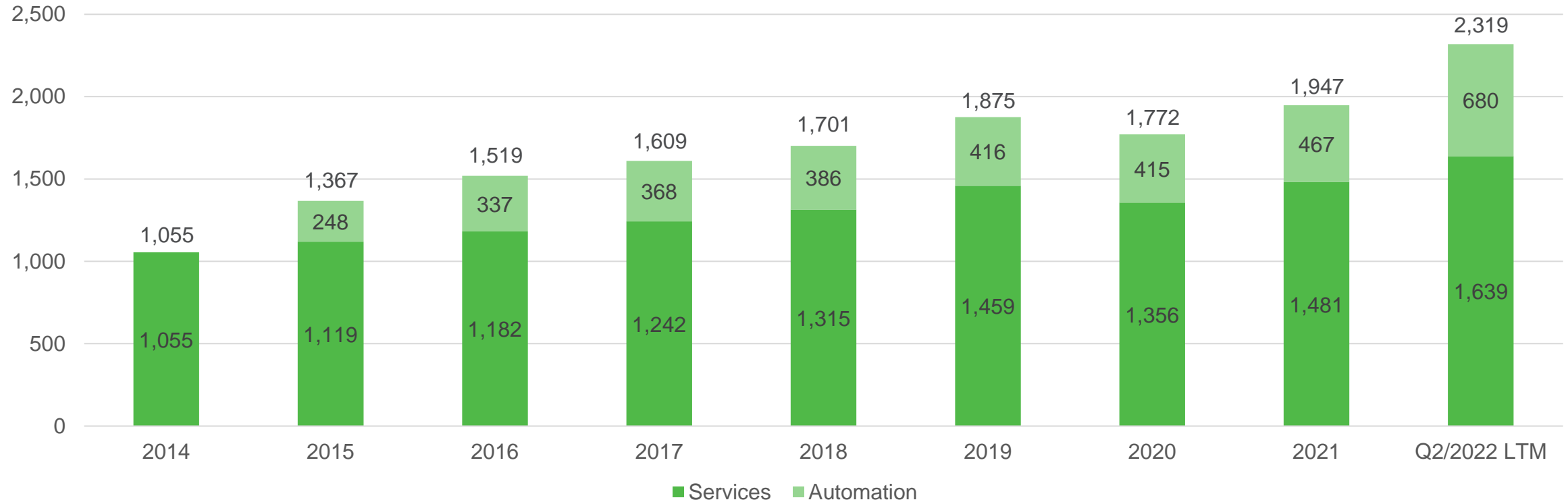
Orders received in H1/2022 by area



- Orders received increased in North America, Asia-Pacific and EMEA and decreased in South America and China in H1/2022
 - South America, China and Asia-Pacific together accounted for 34% of orders received

Stable business orders received totaled EUR 2,319 million during the last twelve months

Orders received (EUR million) in stable business

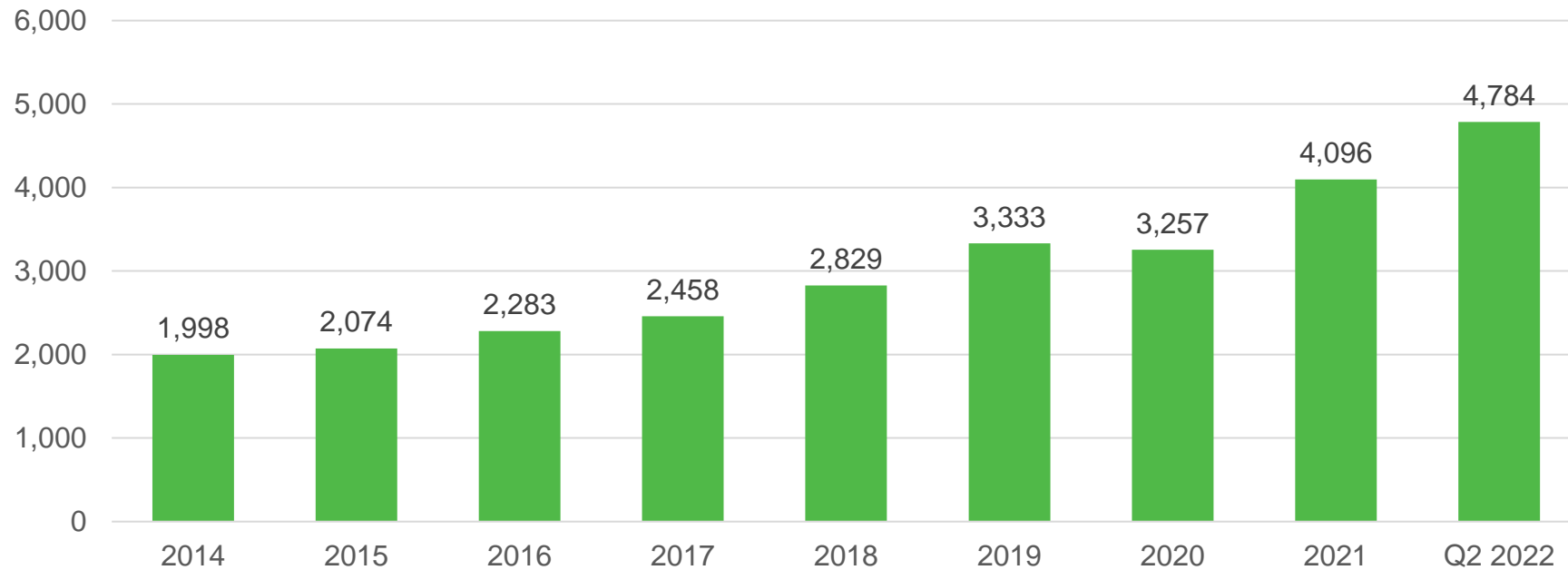


- Total orders received in stable business were EUR 279 million higher in Q2/2022 compared with Q2/2021

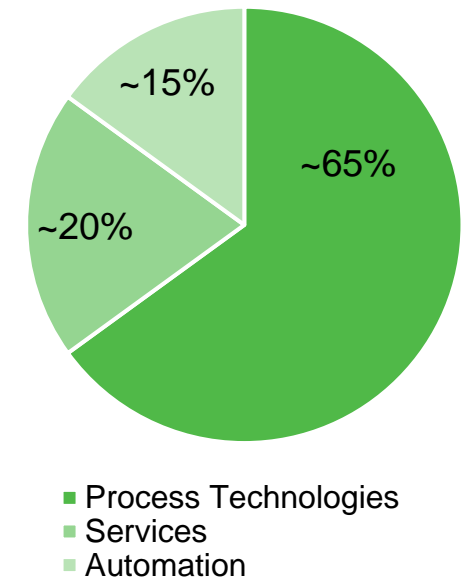
2013-2020 figures have not been restated and 2015-2020 figures include internal orders received for the Automation Systems business line.

Order backlog EUR 4,784 million at the end of Q2/2022


Order backlog (EUR million)



Structure of order backlog by segment



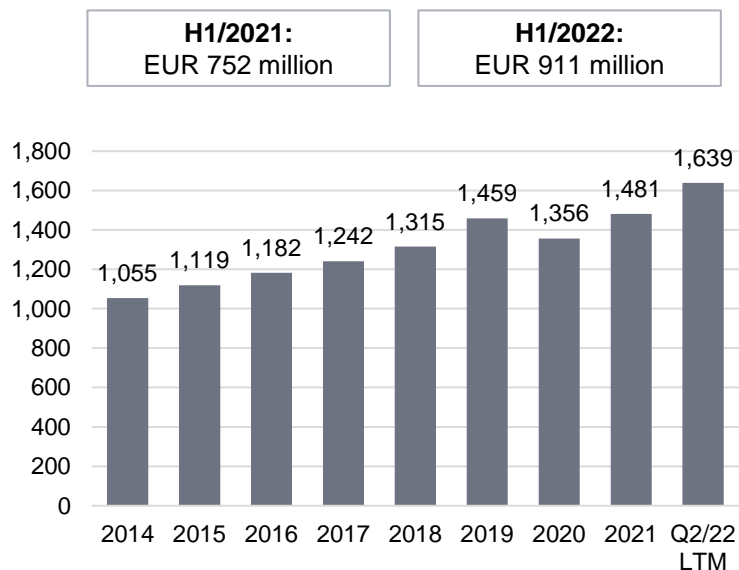
- Order backlog was EUR 688 million higher than at the end of 2021
- Approximately 50% of the order backlog is currently expected to be realized as net sales during 2022 (at the end of Q2/2021, ~45% during 2021)
- Approximately 35% of the order backlog relates to stable business (~25% at the end of Q2/2021)



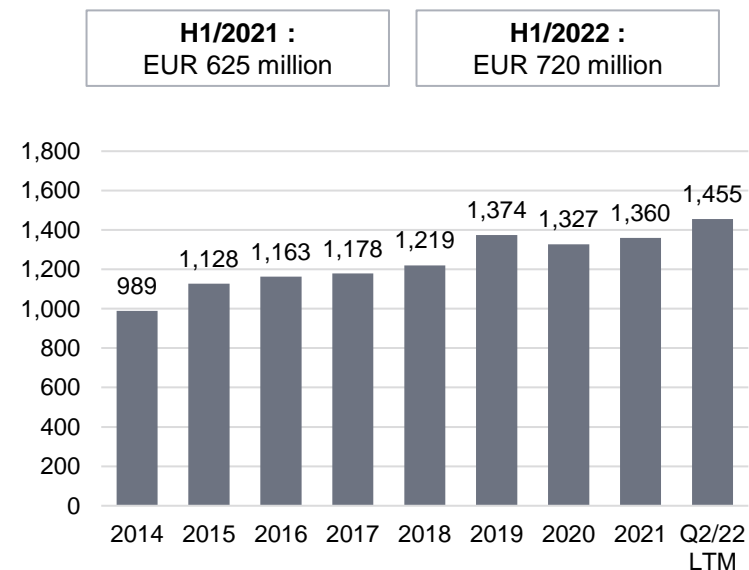
Development of the segments and the business lines

Services: Orders received increased to EUR 911 million in H1/2022

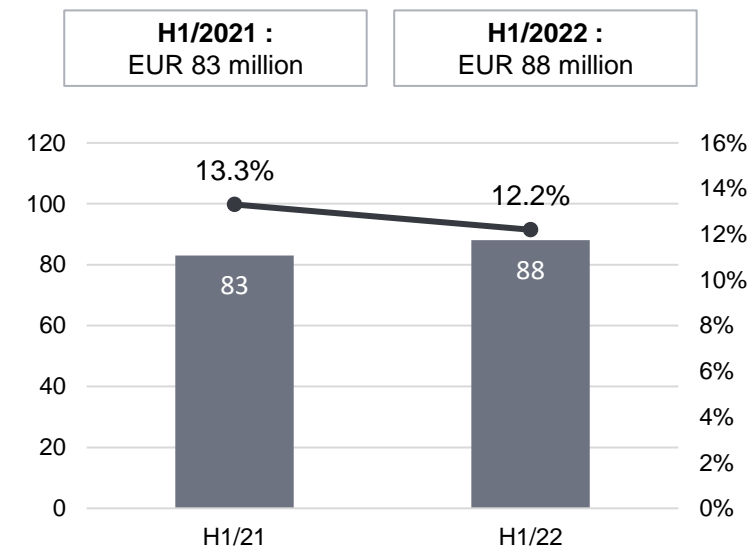
Orders received (EUR million)



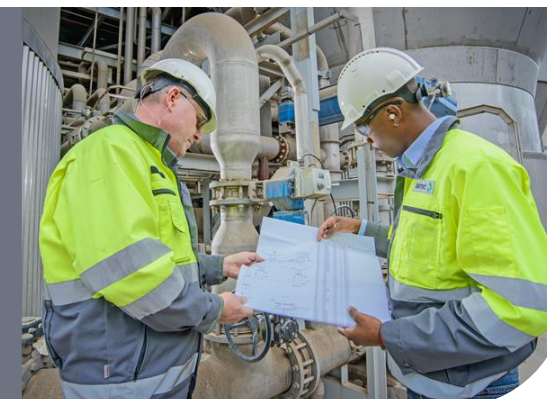
Net sales (EUR million)



Comparable EBITA (EUR million and % of net sales)



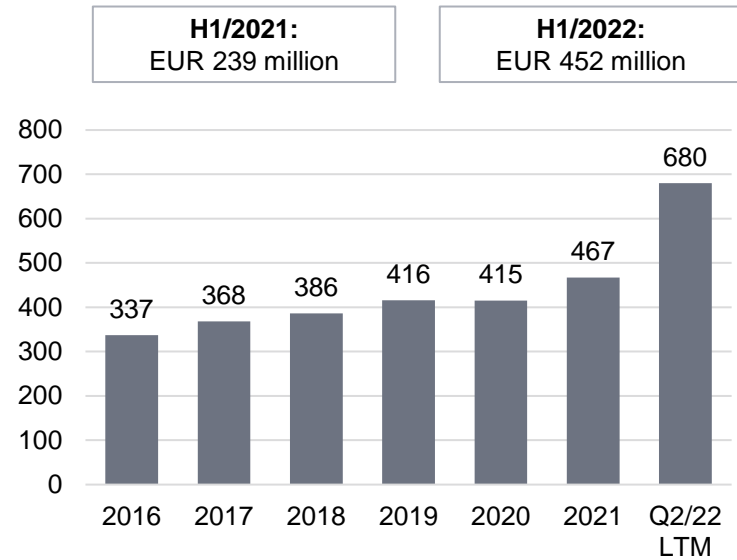
- Orders received increased compared with H1/2021
 - Orders received increased in all geographical areas
 - Orders received increased in all businesses
- Net sales increased compared with H1/2021
- Comparable EBITA increased compared with H1/2021 due to higher net sales, but the margin was lower due to cost inflation
- COVID-19 related travel restrictions in Asia and the lockdown in China impacted Services' business environment during H1/2022
- Services segment was affected by cost inflation, reduced component availability and longer delivery times of certain components in H1/2022



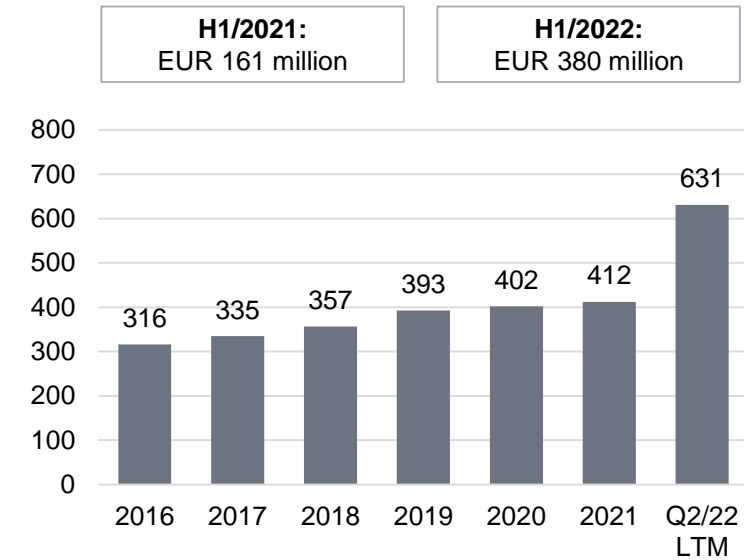
Automation: Orders received increased to EUR 452 million in H1/2022

Automation segment includes Automation Systems and starting from Q2/2022 also Flow Control

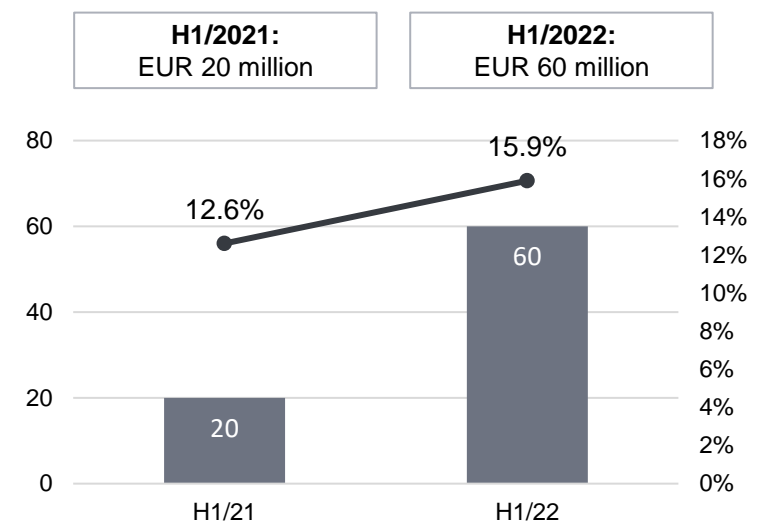
Orders received (EUR million)



Net sales (EUR million)



Comparable EBITA (EUR million and % of net sales)

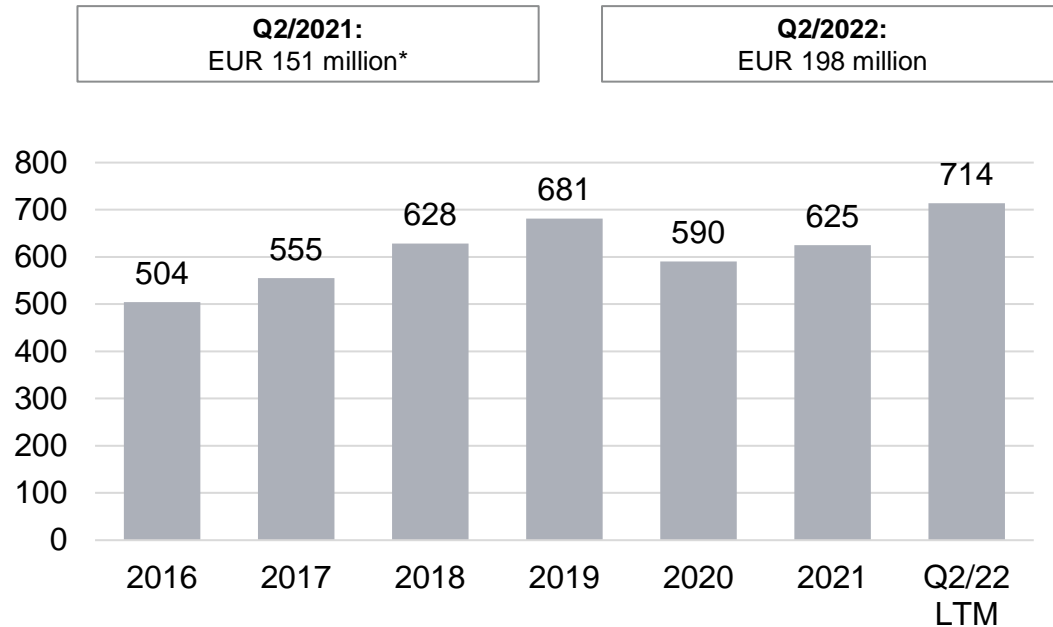


- Orders received increased compared with H1/2021
- Net sales increased compared with H1/2021
- Comparable EBITA increased compared with H1/2021 mainly due to consolidation of Flow Control into Valmet

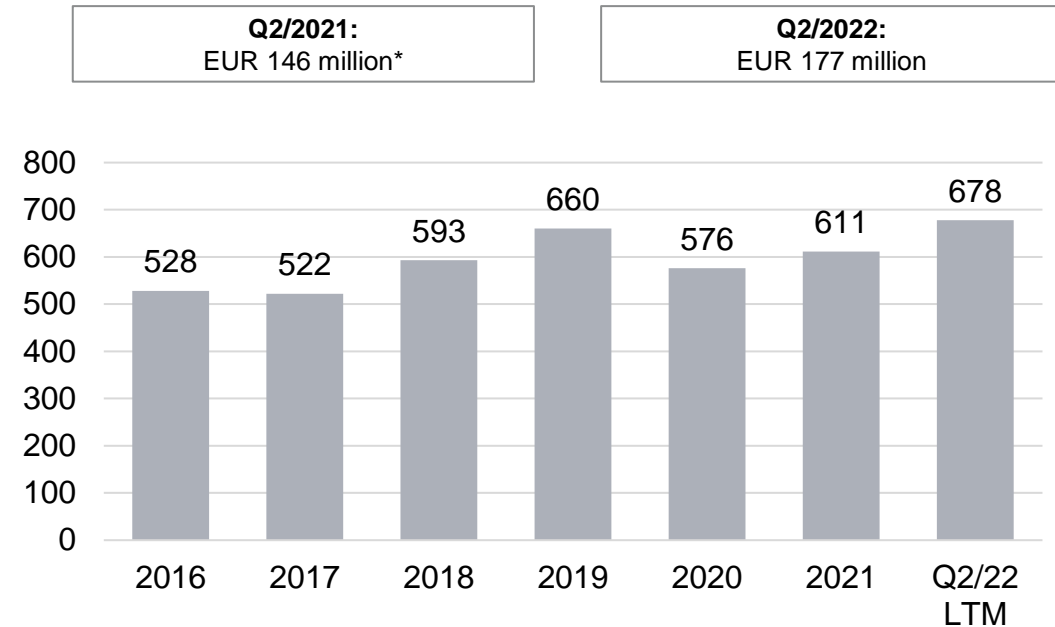


Flow Control: Strong start as part of Valmet

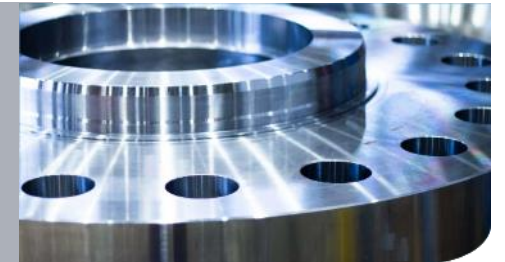
Orders received (EUR million)*



Net sales (EUR million)*



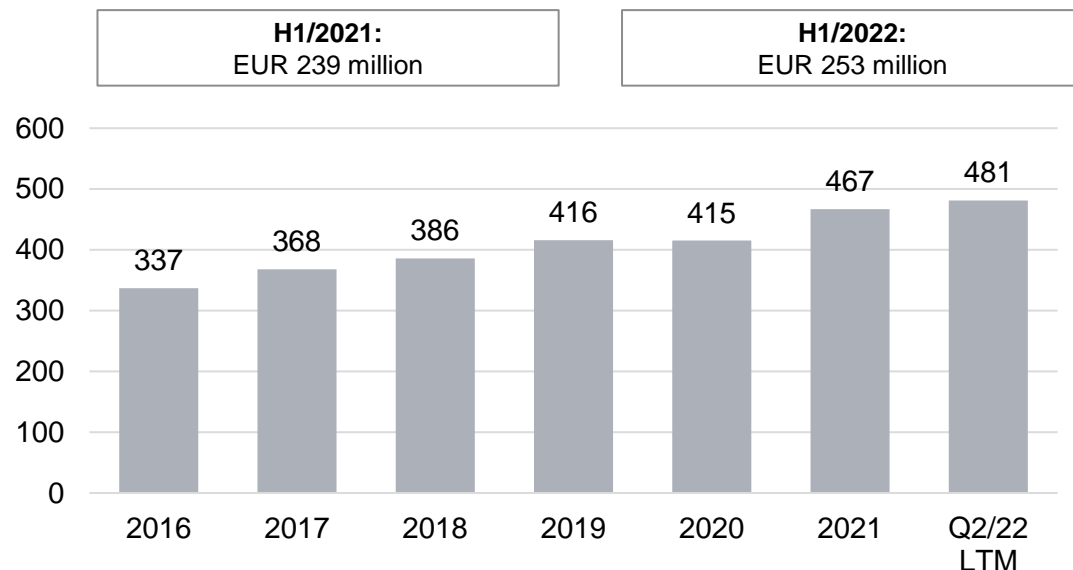
- Orders received amounted to EUR 198 million in Q2/2022
 - Orders received increased* in all geographical areas
- Net sales amounted to EUR 177 million in Q2/2021
- The lockdown in China and the war in Ukraine impacted Flow Control's business environment in Q2/2022
- Component availability continues at a reduced level and delivery times of certain components were longer during Q2/2022



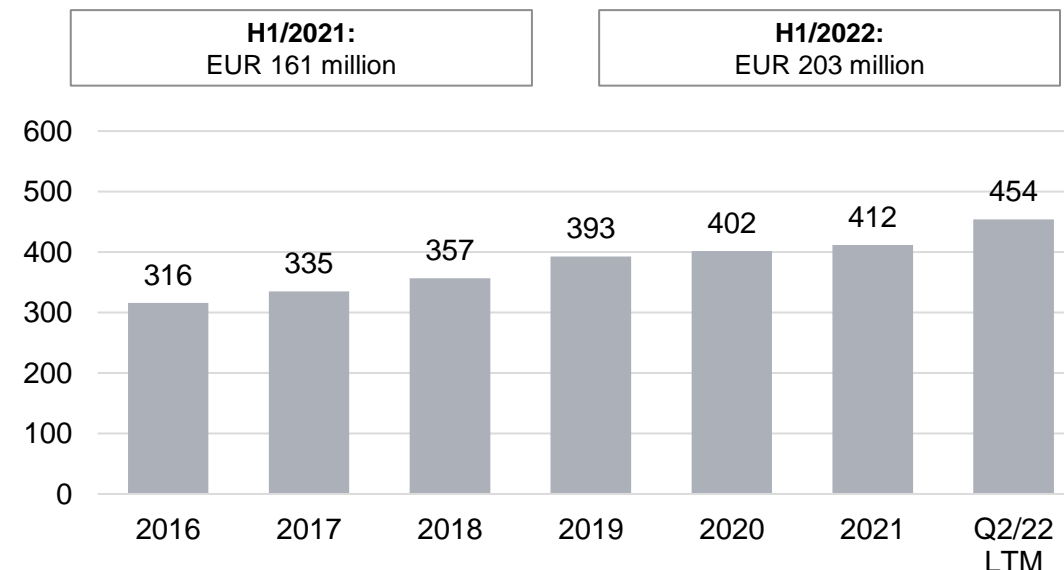
* 2016-2017 financials based on carve-out numbers; 2018-2019 financials based on Metso's "Continuing operations" as in 2019 annual report; Q1/2020-Q1/2022 financials as reported in Neles' Q1/2022 interim review.

Automation Systems: Orders received increased to EUR 253 million in H1/2022

Orders received (EUR million)



Net sales (EUR million)

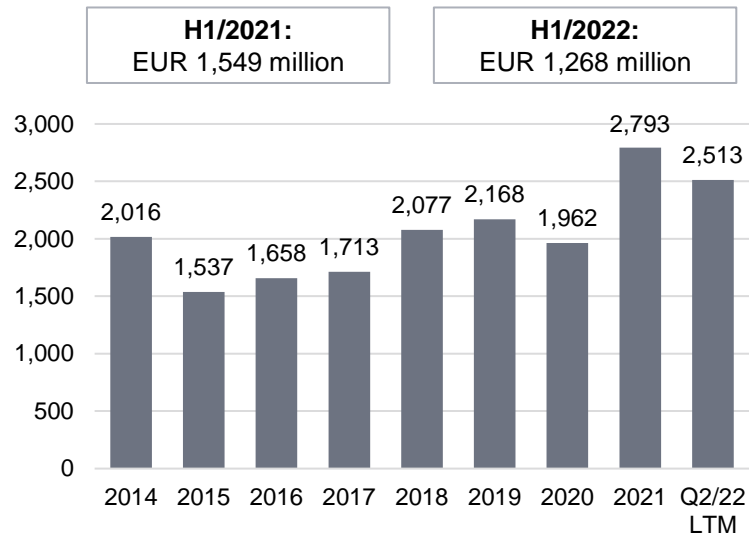


- Orders received increased compared with H1/2021
 - Orders received increased in North America and Asia-Pacific, remained at the previous year's level in EMEA, and decreased in South America and China
 - Orders received remained at the previous year's level in Pulp and Paper, and increased in Energy and Process
- Net sales increased compared with H1/2021
- COVID-19 related travel restrictions and lockdowns in China impacted Automation Systems' business environment during H1/2022
- Component availability continues at a reduced level and delivery times of certain components were longer during H1/2022

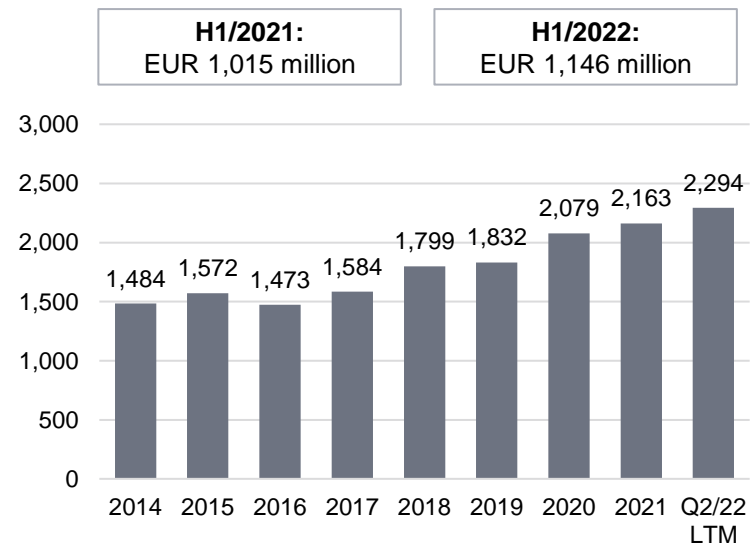


Process Technologies: Orders received decreased to EUR 1,268 million in H1/2022

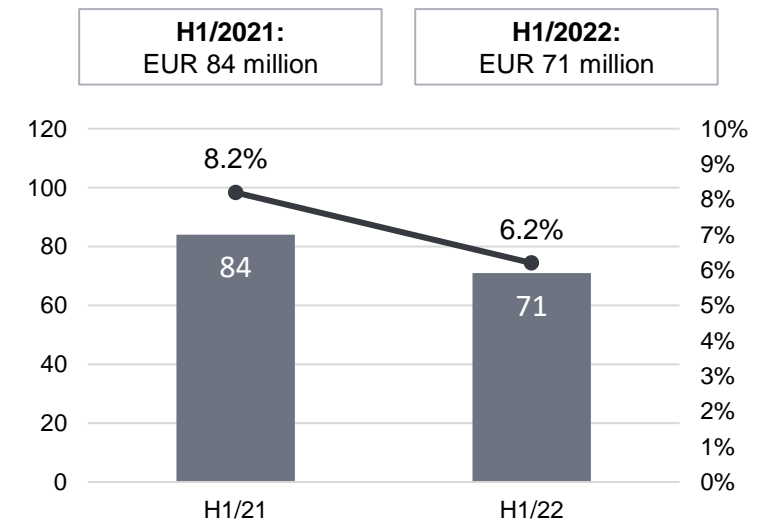
Orders received (EUR million)



Net sales (EUR million)



Comparable EBITA (EUR million and % of net sales)

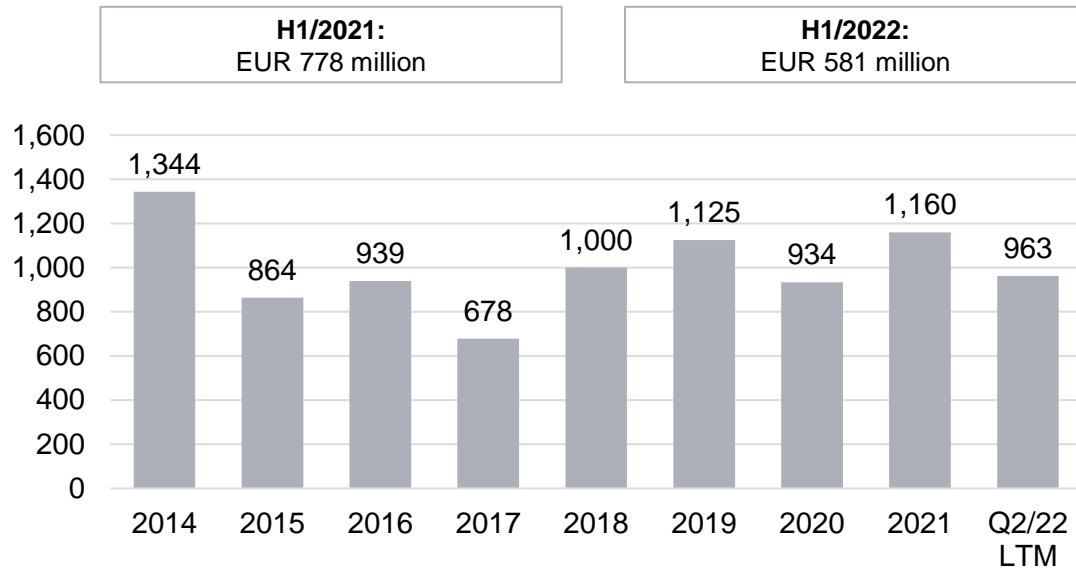


- Orders received decreased compared with H1/2021
- Net sales increased compared with H1/2021
- Comparable EBITA decreased compared with H1/2021, as the margins in some Pulp and Energy projects were impacted by cost inflation

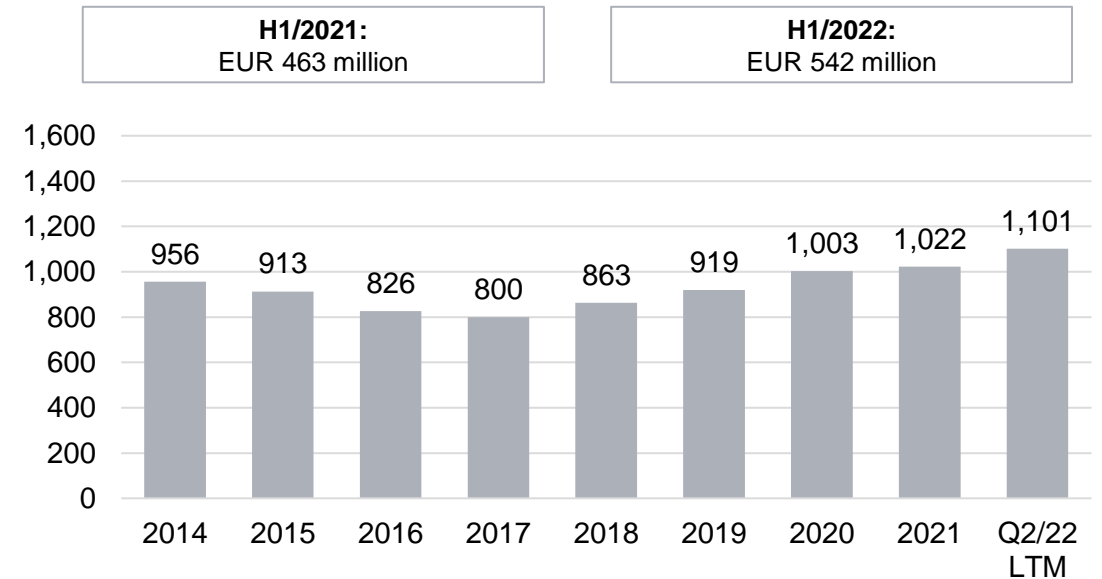


Pulp and Energy business line: Orders received decreased to EUR 581 million in H1/2022

Orders received (EUR million)



Net sales (EUR million)

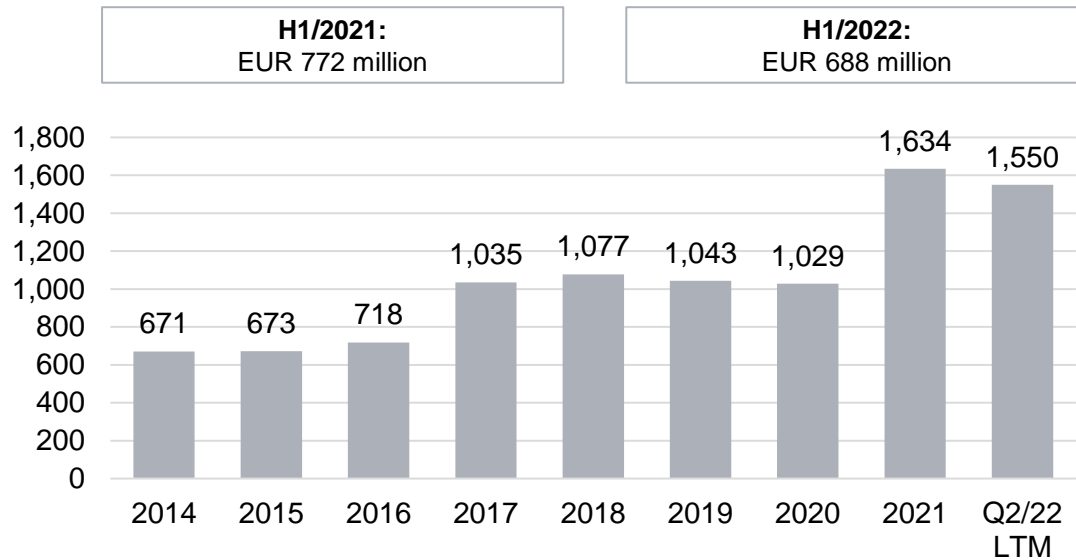


- Orders received decreased compared with H1/2021
 - Orders received increased in North America and Asia-Pacific and decreased in China, South America and EMEA
 - Orders received decreased in Pulp and increased in Energy
- Net sales increased compared with H1/2021
- Cost inflation impacted Pulp & Energy's business environment during H1/2022
- The Pulp and Energy business line has managed the challenges caused by COVID-19 well, and the pandemic did not cause major impacts on its operations during H1/2022

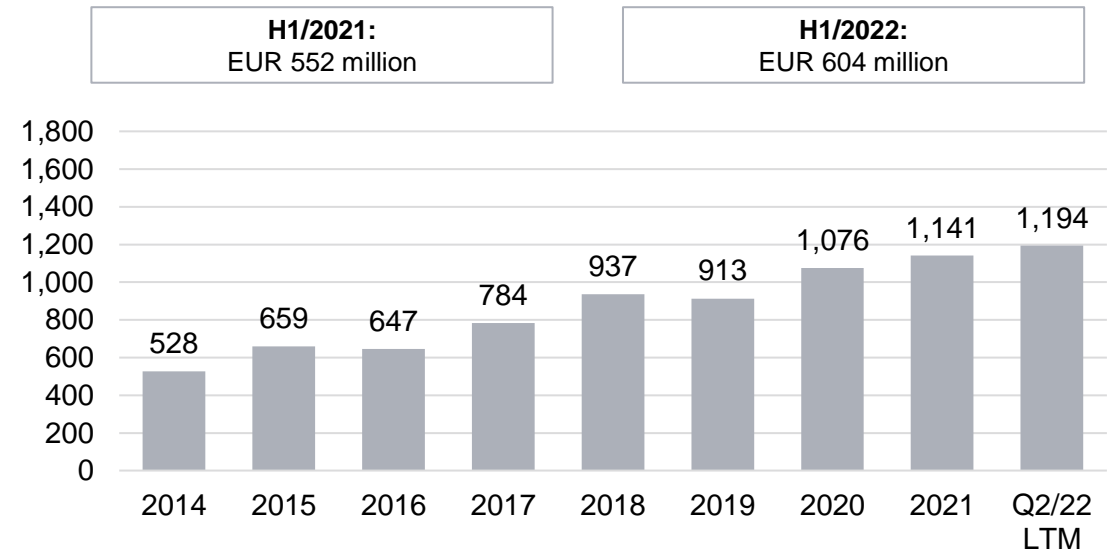


Paper business line: Orders received decreased to EUR 688 million in H1/2022

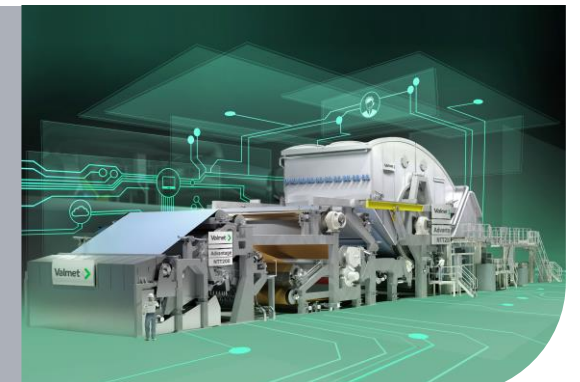
Orders received (EUR million)



Net sales (EUR million)



- Orders received decreased compared with H1/2021
 - Orders received increased in Asia-Pacific, North America and EMEA, and decreased in South America and China
 - Orders received decreased in Board and Paper, but increased in all other businesses
- Net sales increased compared with H1/2021
- The fire at Rautpohja factory site in Finland, COVID-19 and lockdowns in China impacted Paper business line's operations during Q2/2022
- The Paper business line has managed the challenges caused by the fire and COVID-19 well



Update on the war in Ukraine

- Direct impacts to Valmet are limited
 - At the end of June 2022, Valmet had approximately 80 (140 at the end of Q1/22) employees in Russia, working primarily in sales, engineering, maintenance and financial administration
 - Valmet does not have production in Russia
 - Approximately 2 percent of Valmet's total net sales came from its Russian operations in 2021
 - Valmet has made reversals of approximately EUR 80 million to order backlog in H1/2022
 - Valmet had roughly EUR 20 million expenses related to the withdrawal from Russia during H1/2022. They were booked as items affecting comparability
- Valmet will withdraw from Russia completely and will continue to implement the withdrawal in stages as the review of implementation options is fully completed
- Valmet is impacted by cost inflation caused by the war



Integration of Flow Control into Valmet

Integration of Flow Control into Valmet

- Integration proceeding according to plan
- Active sales and marketing of Valmet's whole offering started
- Implementation of several cost synergy actions regarding function costs, common locations and supply chain started during Q2
- Valmet expects EUR 25 million annual run rate synergies, of which around 60% achieved by the end of 2023 and 90% achieved by the end of 2024



Balance sheet impact of the merger

- The merger between Valmet and Neles had a significant impact on Valmet's balance sheet on April 1, 2022
 - Total merger consideration amounted to EUR 1,476 million
 - Goodwill increased by EUR 879 million and Other intangible assets by EUR 830 million
 - Quarterly amortisations due to the merger are estimated to amount to approximately EUR 24 million until Q1/2023 and EUR 9 million from there onwards
- Valmet's balance sheet total increased to EUR 6.48 billion at the end of Q2/2022 (EUR 4.37 billion at the end of Q1/2022)
 - Valmet's total equity increased to EUR 2.36 billion (EUR 1.25 billion at the end of Q1/2022)
 - Valmet's equity per share increased to EUR 12.78 (EUR 8.34 at the end of Q1/2022)

Note: The accounting for the business combination is based on provisional amounts and is not final.



Katri Hokkanen appointed CFO of Valmet as
of August 1, 2022

Katri Hokkanen appointed CFO of Valmet as of August 1, 2022

- **Ms. Katri Hokkanen** (M.Sc. Econ) has been appointed CFO at Valmet as of August 1, 2022. In this position she will report to President and CEO **Pasi Laine**. Katri Hokkanen has worked as Valmet's interim CFO since May 1, 2022.
- Katri is a strong finance professional with long-term and varied experience in different finance roles in our business line and area organizations. During her tenure as Interim CFO, Katri Hokkanen has led Valmet's CFO function consistently forward and proven her deep business understanding bringing added value to the Executive Team.
- The scope of the CFO function covers Finance, IT, Legal, IR, Internal audit, Strategy and M&A, ERP project and Real estate operations.





Financial development

Key figures

EUR million	Q2/2022	Q2/2021	Change	Q1–Q2/2022	Q1–Q2/2021	Change
Orders received	1,306	1,228	6%	2,631	2,540	4%
Order backlog ¹	4,784	4,019	19%	4,784	4,019	19%
Net sales	1,286	943	36%	2,246	1,801	25%
Comparable EBITA	122	95	29%	202	175	15%
% of net sales	9.5%	10.1%	-0.5 pp	9.0%	9.7%	-0.7 pp
EBITA	154	97	59%	229	186	23%
Operating profit (EBIT)	120	85	42%	183	161	14%
% of net sales	9.4%	9.0%	0.4 pp	8.2%	8.9%	-0.8 pp
Adjusted earnings per share, EUR ²	0.68	0.45	51%	1.05	0.86	21%
Earnings per share, EUR	0.55	0.43	28%	0.87	0.81	8%
Return on capital employed (ROCE) before taxes ³				15%	20%	-5 pp
Cash flow provided by operating activities	-85	180		-65	328	
Gearing ¹				22%	-1%	22 pp

Items affecting comparability: EUR 32 million in Q2/2022 (EUR 2 million in Q2/2021) and EUR 27 million in Q1-Q2/2022 (EUR 11 million in Q1-Q2/2021).

During Q2/2022 items affecting comparability included EUR 59 million gain from remeasurement of Valmet's previously held equity interest in Neles and expenses from Valmet's withdrawal from Russia.

1) At end of period

2) Adjusted earnings per share is a new alternative performance measure that excludes the impact of fair value adjustments arising from business combinations, net of tax

3) Annualized

Segment key figures

Orders received, EUR million	Q2/2022	Q2/2021	Change	Q1–Q2/2022	Q1–Q2/2021	Change
Services	460	370	24%	911	752	21%
Automation	305	116	>100%	452	239	89%
Process Technologies	542	742	-27%	1,268	1,549	-18%
Total	1,306	1,228	6%	2,631	2,540	4%

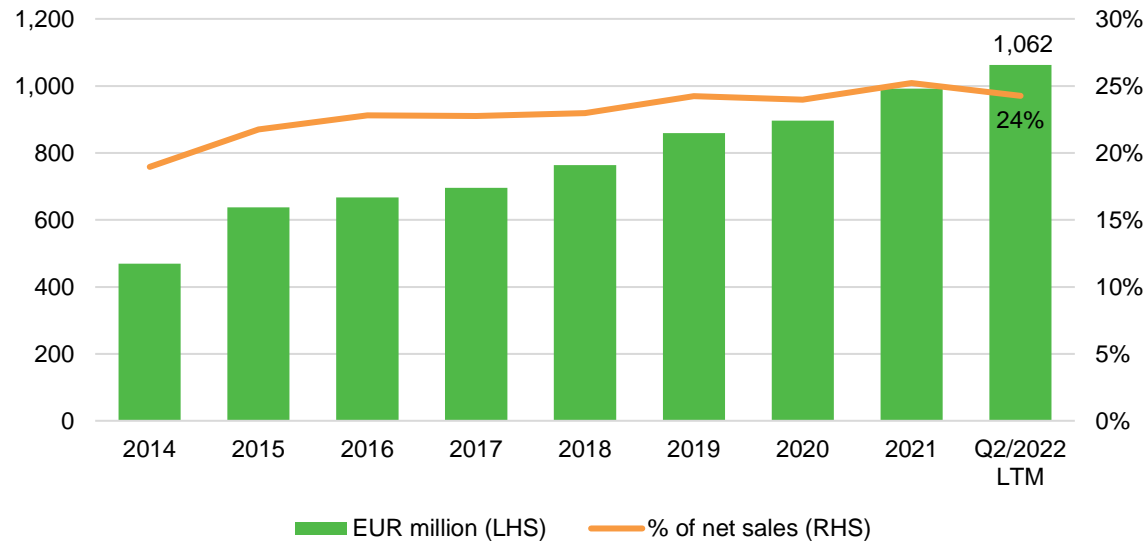
Net sales, EUR million	Q2/2022	Q2/2021	Change	Q1–Q2/2022	Q1–Q2/2021	Change
Services	403	337	20%	720	625	15%
Automation	292	94	>100%	380	161	>100%
Process Technologies	591	512	15%	1,146	1,015	13%
Total	1,286	943	36%	2,246	1,801	25%

Comparable EBITA, EUR million	Q2/2022	Q2/2021	Change	Q1–Q2/2022	Q1–Q2/2021	Change
Services	57	47	22%	88	83	6%
Automation	50	15	>100%	60	20	>100%
Process Technologies	31	41	-24%	71	84	-15%
Other	-15	-8	-89%	-18	-12	-53%
Total	122	95	29%	202	175	15%

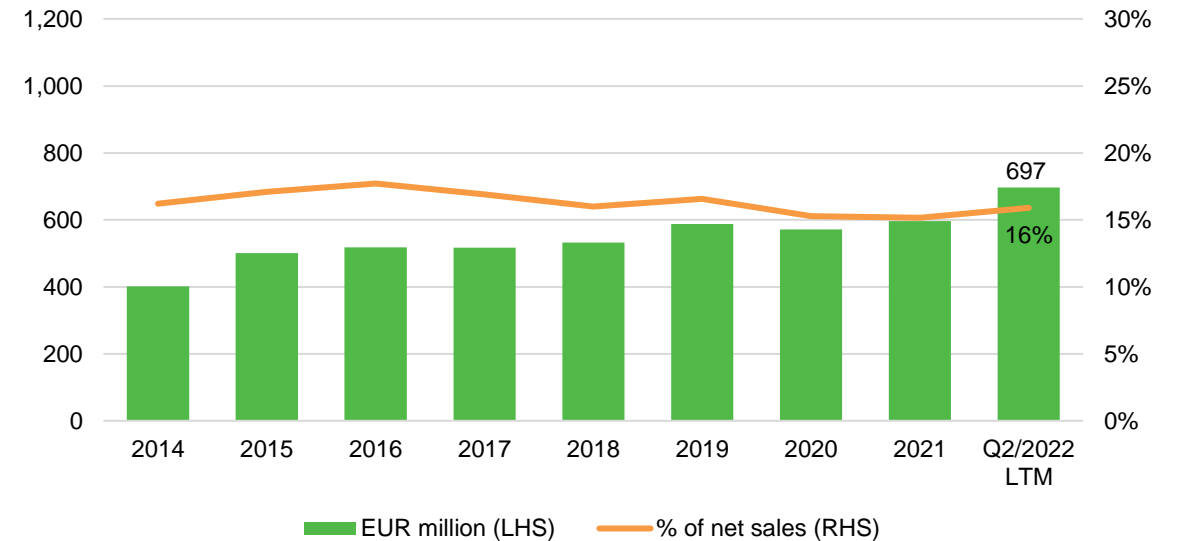
Comparable EBITA margin, % of net sales	Q2/2022	Q2/2021	Change	Q1–Q2/2022	Q1–Q2/2021	Change
Services	14.2%	13.9%	0.3 pp	12.2%	13.3%	-1.1 pp
Automation	17.0%	16.4%	0.6 pp	15.9%	12.6%	3.3 pp
Process Technologies	5.2%	8.0%	-2.7 pp	6.2%	8.2%	-2.0 pp
Total	9.5%	10.1%	-0.5 pp	9.0%	9.7%	-0.7 pp

Gross profit and SG&A development

Gross profit (EUR million and % of net sales)



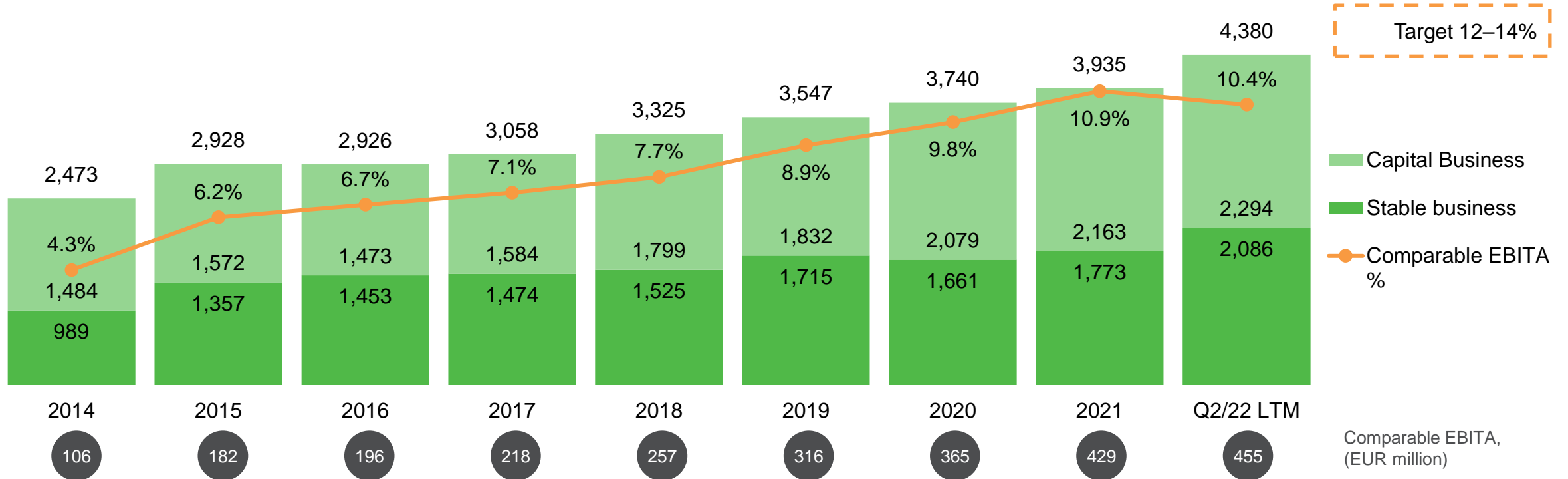
SG&A (EUR million and % of net sales)



- Gross profit was 24% of net sales in Q2/2022 (26% in Q2/2021)
 - Stable business represented 54% of net sales (46% in Q2/2021)
- Selling, general & administrative (SG&A) expenses were EUR 80 million higher in Q2/2022 compared with Q2/2021
 - SG&A of the Flow Control business line were EUR 55 million in Q2/2022
 - SG&A was 18% of net sales in Q2/2022 (16% in Q2/2021)

Comparable EBITA margin development

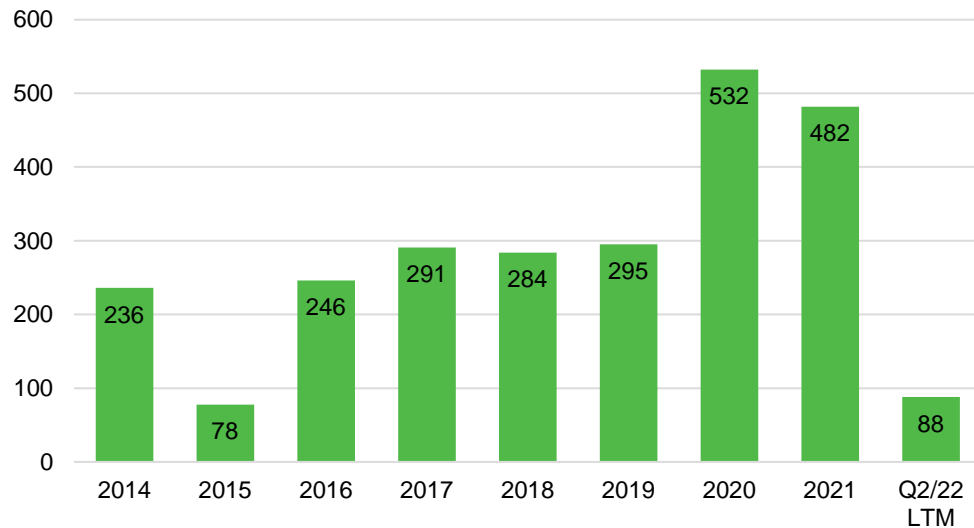
Net sales and Comparable EBITA (EUR million and %)¹



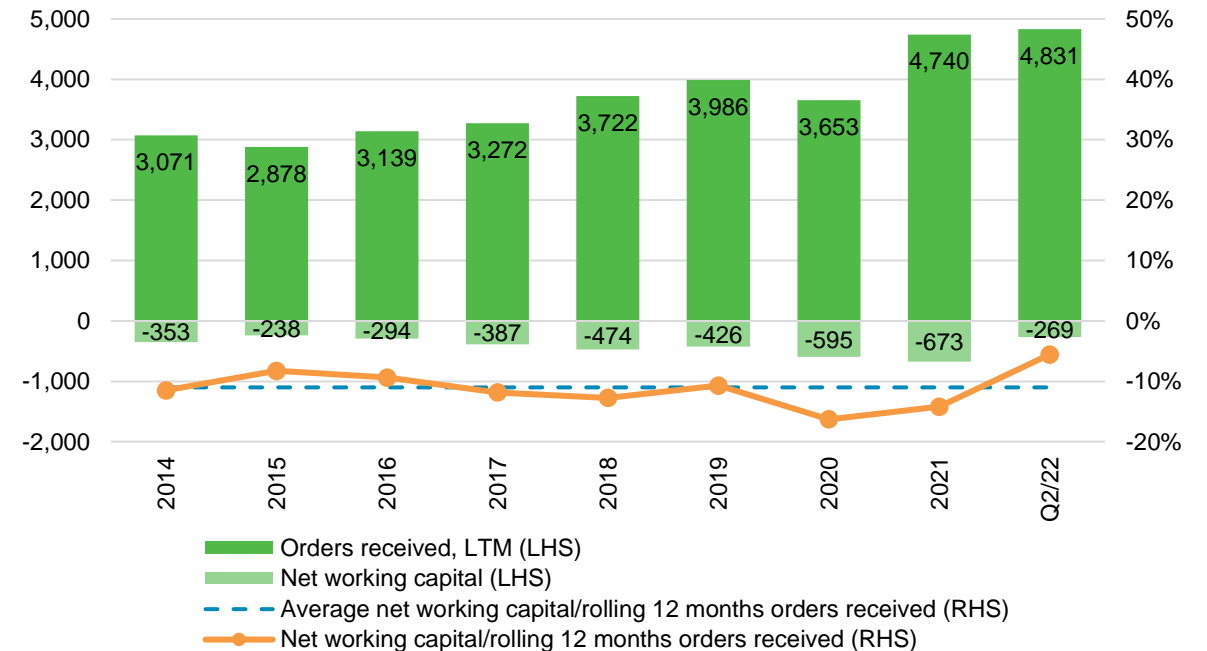
1) Valmet implemented IFRS 15 – Revenue from Contracts with Customers as of January 1, 2018 by applying full retrospective method. 2014-2020 figures have not been restated to reflect Valmet's current reporting structure. Thus, figures presented are not fully comparable.

Cash flow provided by operating activities and net working capital

Cash flow provided by operating activities (EUR million)



Net working capital and orders received (EUR million)



- Cash flow provided by operating activities EUR -85 million in Q2/2022
- CAPEX¹ EUR 27 million in Q2/2022
- Net working capital EUR -269 million, which equals -6% of rolling 12 months orders received
 - Inventories have increased due to the consolidation of Flow Control and higher stock levels in response to component supply issues
- Change in net working capital² EUR -154 million in Q2/2022

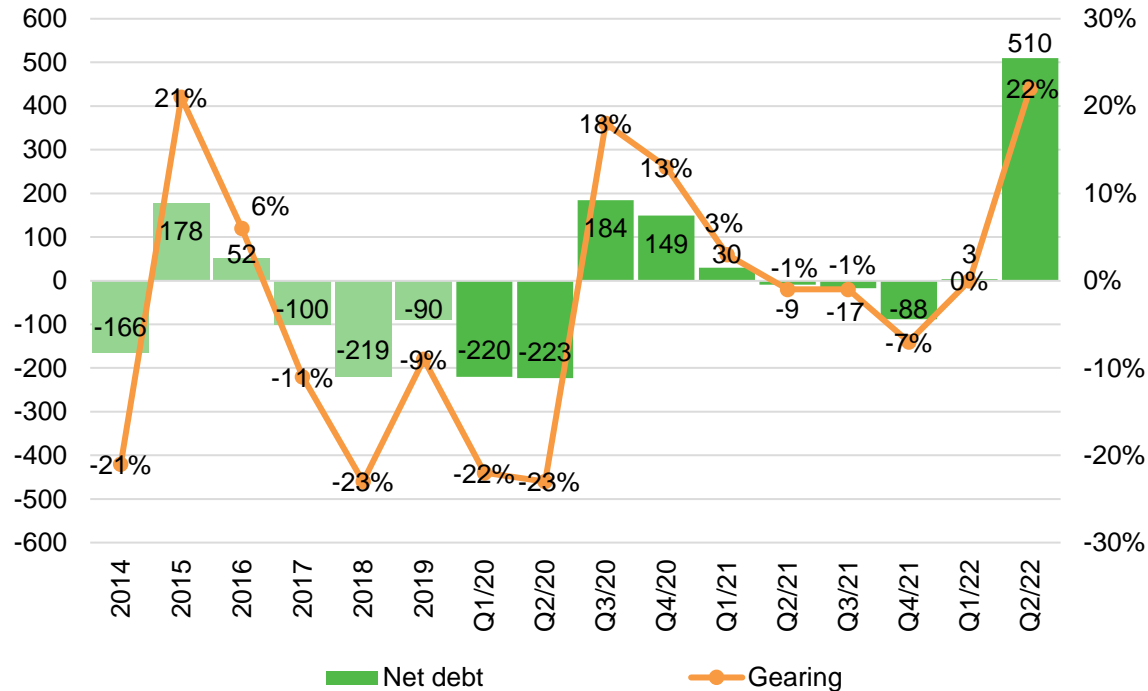
Valmet implemented IFRS 16 – Leases as of January 1, 2019 by applying the simplified transition method and therefore 2018 figures are not restated.

1) Excluding leased assets.

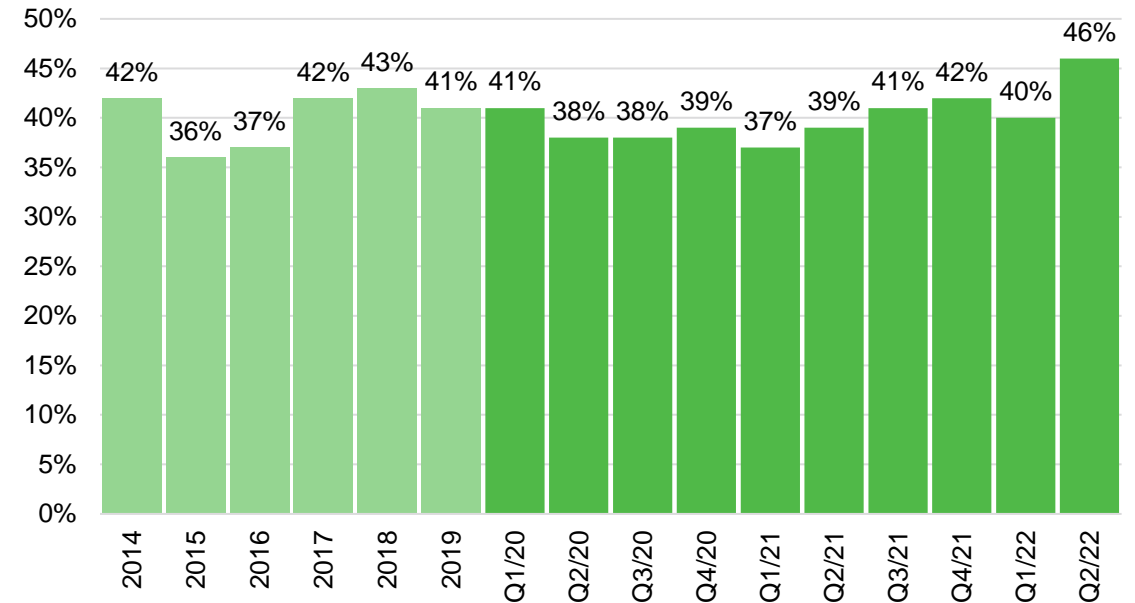
2) Change in net working capital in the consolidated statement of cash flows.

Net debt and gearing increased compared with Q2/2021

Net debt (EUR million) and gearing (%)



Equity to assets ratio (%)

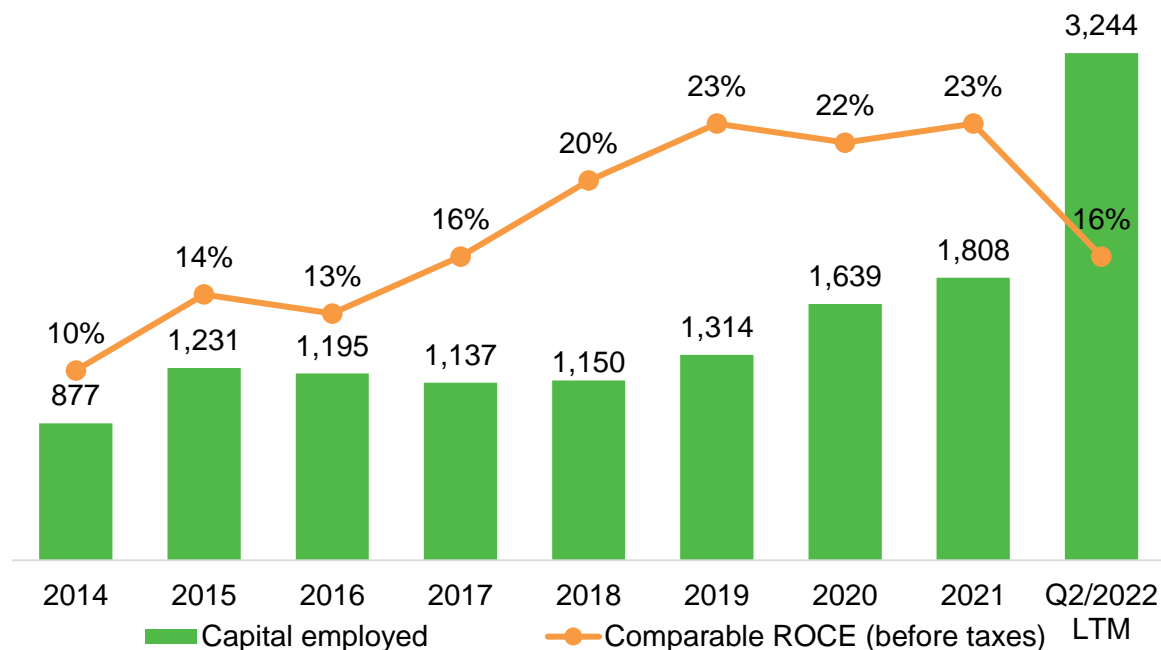


- Gearing (22%) and net debt (EUR 510 million) increased compared with Q2/2021
 - Interest-bearing liabilities increased mainly due to consolidation of Flow Control
- Equity to assets ratio increased compared with Q2/2021

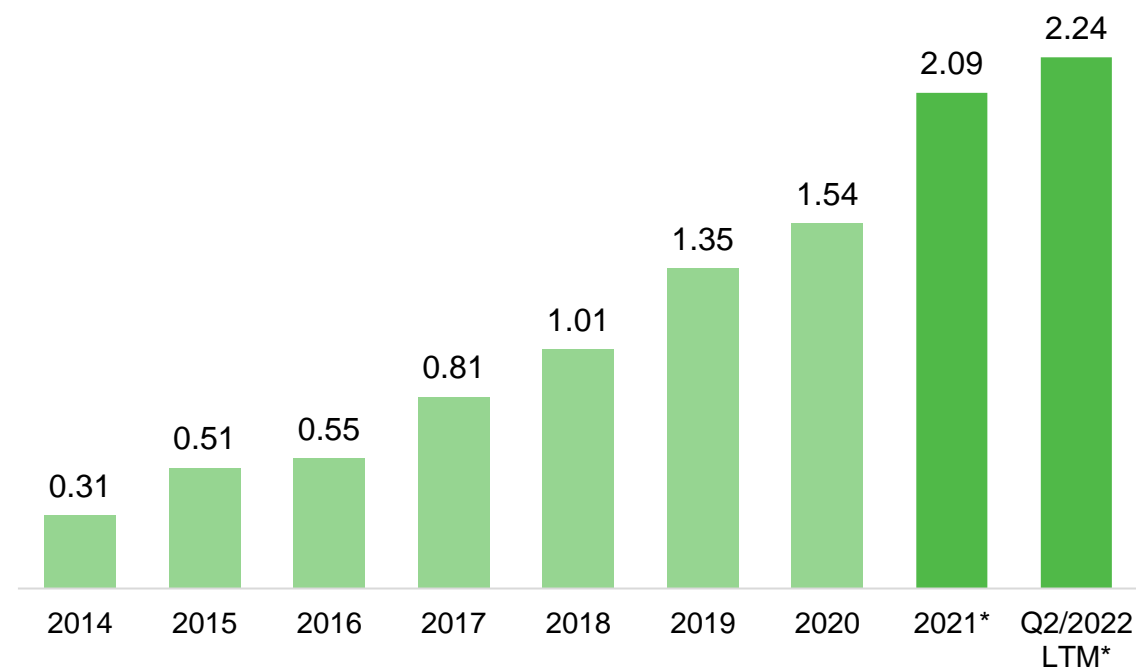
Valmet implemented IFRS 16 – Leases as of January 1, 2019 by applying the simplified transition method and therefore 2018 figures are not restated.

Capital employed, 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



- Comparable ROCE decreased to 16%
- Capital employed was EUR 1,436 million higher than at the end of 2021
- Total merger consideration for Neles amounted to EUR 1,476 million

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

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.



Valmet's Way Forward for the new Valmet and financial targets

Valmet's Way Forward

Mission

Converting renewable resources into sustainable results.

Strategy

Valmet develops and supplies competitive and reliable process technologies, services and automation to the pulp, paper and energy industries.

Our automation business covers a wide base of global process industries.

We are committed to moving our customers' performance forward with our unique offering and way to serve.

Continuous improvement and renewal

Must-Wins

- Customer excellence
- Leader in technology and innovation
- Excellence in processes
- Winning team

Business accelerators

Vision

To become the global champion in serving our customers and in moving the industries forward.



Our Values



Customers

We move our customers' performance forward



Renewal

We promote new ideas to create the future



Excellence

We improve every day to deliver results



People

We work together to make a difference

Megatrends

- Resource efficient and clean world
- Digitalization and new technologies
- Urban, responsible and global consumer

Financial targets aligned with Valmet's financial reporting structure

Growth

Net sales for Services and Automation segments to grow over two times the market growth

Net sales for Process Technologies segment to exceed market growth

Profitability

Comparable EBITA:
12–14%

ROCE

Comparable return on capital employed (ROCE) before taxes¹ at least 15%

Dividend policy

Dividend payout at least 50% of net profit

1: Comparable ROCE before taxes = (profit before taxes + interests and other financial expenses +/- items affecting comparability) / (balance sheet total - non-interest-bearing liabilities (average for the period))



Guidance and short-term market outlook

Guidance and short-term market outlook

Guidance for 2022 (Published on April 1, 2022)

Guidance	<p>Valmet estimates that, including the merger with Neles, net sales in 2022 will increase in comparison with 2021 (EUR 3,935 million) and Comparable EBITA in 2022 will increase in comparison with 2021 (EUR 429 million).</p>
-----------------	--

Short-term market outlook

		Q3/2021	Q4/2021	Q1/2022	Q2/2022
Services		Good	Good	Good	Good
Automation	Flow Control		Good	Good	Good
	Automation Systems	Good	Good	Good	Good
Pulp and Energy	Pulp	Good	Good	Good	Good / Satisfactory
	Energy	Weak	Satisfactory	Satisfactory	Good
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'.

Q&A

Interim Review January–September 2022

October 26, 2022

www.valmet.com/investors

Important notice

IMPORTANT: The following applies to this document, the oral presentation of the information in this document by Valmet (the “Company”) or any person on behalf of the Company, 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 Information is 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. The Information is not for publication, release or distribution in the United States, the United Kingdom, Australia, Canada or Japan.

The Information does not constitute or form part of, and should not be construed as an offer or the solicitation of an offer to subscribe for or purchase any securities, and nothing contained therein shall form the basis of or be relied on in connection with any contract or commitment whatsoever, nor does it constitute a recommendation regarding any securities. 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.

No securities of the Company are being offered or sold, directly or indirectly, in or into the United States and no shares in the Company have been, or will be, registered under the Securities Act of 1933, as amended (the “Securities Act”), or under the securities laws of any state of the United States and, accordingly, may not be offered or sold, directly or indirectly, in or into the United States (as defined in Regulation S under the Securities Act), unless registered under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act and in compliance with any applicable state securities laws of the United States.

The Information is directed solely at: (i) persons outside the United Kingdom, (ii) persons with professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 as amended (the “Order”), (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order and (iv) persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities of the Company or any member of its group may otherwise lawfully be communicated or caused to be communicated (all such persons in (i)-(iv) above being “Relevant Persons”). Any investment activity to which the Information relates will only be available to and will only be engaged with Relevant Persons. Any person who is not a Relevant Person should not act or rely on the Information. By accessing the Information, you represent that you are a Relevant Person.

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 the Company’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 the Company’s control that could cause the Company’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 the Company’s present and future business strategies and the environment in which it will operate in the future.

No representation, warranty or undertaking, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the Information or the opinions contained therein. The Information has not been independently verified and will not be updated. The Information, including but not limited to forward-looking statements, applies only as of the date of this document and is not intended to give any assurances as to future results. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to the Information, including any financial data or forward-looking statements, and will not publicly release any revisions it may make to the Information that may result from any change in the Company’s expectations, any change in events, conditions or circumstances on which these forward-looking statements are based, or other events or circumstances arising after the date of this document. Market data used in the Information not attributed to a specific source are estimates of the Company and have not been independently verified.

