Orders received increased to EUR 1.1 billion and Comparable EBITA to EUR 69 million

Half Year Financial Review, January–June 2019

July 23, 2019

Pasi Laine, President and CEO
Kari Saarinen, CFO
Agenda
Half Year Financial Review, January–June 2019

1. Q2/2019 in brief
2. Development of the business lines
3. Financial development
4. Guidance and short-term market outlook
5. Summary of Half Year Financial Review 2019
6. Appendix
Q2/2019 in brief
Q2/2019 in brief

- Orders received increased to EUR 474 million in stable business
- Orders received increased to EUR 629 million in capital business
- Net sales increased to EUR 901 million
- Order backlog increased to EUR 3.2 billion
- Comparable EBITA increased to EUR 69 million and margin was 7.7%
- Gearing was 17%

Valmet implemented IFRS 16 – Leases as of January 1, 2019 by applying the simplified transition method and therefore 2018 figures are not restated. GL&V and J&L Fiber Services Inc. have been consolidated into Valmet’s financials as of the acquisition dates, i.e. April 1, 2019 and May 1, 2019 respectively.

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
Orders received
EUR 1,083 million

Net sales
EUR 901 million

Comparable EBITA
EUR 69 million

Comparable EBITA margin
7.7%

Order backlog
EUR 3,216 million

Employees
13,622
Orders received increased to EUR 1,083 million in Q2/2019

Orders received in Q1–Q2/2019 by area

- In stable business, orders received increased to EUR 474 million in Q2/2019
- In capital business, orders received increased to EUR 629 million in Q2/2019
- Orders received increased in emerging markets and remained at the previous year’s level in developed markets during first half of the year
  - South America, China and Asia-Pacific together accounted for 41% of orders received

1) Including internal orders received for the Automation business line.
Stable business orders received totaled EUR 1,751 million during last four quarters

Orders received (EUR million) in stable business

- Total orders received in stable business increased by EUR 29 million in Q2/2019

1) Including internal orders received for the Automation business line.
Order backlog at EUR 3,216 million at the end of Q2/2019

Order backlog (EUR million)

- Order backlog was EUR 216 million higher than at the end of Q1/2019
- Approximately 50% of the order backlog is currently expected to be realized as net sales during 2019 (at the end of Q2/2018, ~55% during 2018)
- Approximately 30% of the order backlog relates to stable business (~30% at the end of Q2/2018)
Development of the business lines
Services: Orders received and net sales increased

Orders received (EUR million)

- Orders received increased compared with Q2/2018
  - Orders received of the acquired businesses amounted to EUR 43 million in Q2/2019
  - Orders received increased in South America and North America, remained at the previous year’s level in Asia-Pacific and EMEA, and decreased in China
  - Orders received increased in Performance Parts, remained at the previous year’s level in Energy and Environmental, and Fabrics and decreased in Mill Improvements and Rolls.

Net sales (EUR million)

- Net sales increased compared with Q2/2018
  - Net sales of the acquired businesses amounted to EUR 38 million in Q2/2019
Automation\(^1\): Orders received remained at the previous year’s level and net sales increased

Orders received\(^2\) (EUR million)

- Orders received remained at the previous year’s level compared with Q2/2018
  - Orders received increased in South America and North America, remained at the previous year’s level in Asia-Pacific and EMEA, and decreased in China
  - Orders received increased in Pulp and Paper, and decreased in Energy and Process

- Net sales increased compared with Q2/2018

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

2) Q1/2015 orders received and the underlying figures for ‘Orders received, last 4 quarters’ and ‘Net sales, last 4 quarters’ are calculated based on Metso’s reported figures and pro forma figures excluding Process Automation Systems and are therefore indicative only.
Pulp and Energy: Orders received increased and net sales remained at the previous year’s level

Orders received (EUR million)

- Orders received increased compared with Q2/2018
  - Orders received increased in all areas
  - Orders received increased in both Pulp and Energy
- Net sales remained at the previous year’s level compared with Q2/2018
Orders received increased compared with Q2/2018
- Orders received increased in South America, Asia-Pacific and EMEA, and decreased in China and North America
- Orders received increased in Board and Paper and decreased in Tissue

Net sales remained at the previous year’s level compared with Q2/2018

• Orders received increased compared with Q2/2018
  - Orders received increased in South America, Asia-Pacific and EMEA, and decreased in China and North America
  - Orders received increased in Board and Paper and decreased in Tissue

Net sales remained at the previous year’s level compared with Q2/2018
Financial development
### Key figures

<table>
<thead>
<tr>
<th>EUR million</th>
<th>Q2/2019¹</th>
<th>Q2/2018</th>
<th>Change</th>
<th>Q1–Q2/2019¹</th>
<th>Q1–Q2/2018</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders received</td>
<td>1,083</td>
<td>865</td>
<td>25%</td>
<td>1,918</td>
<td>1,756</td>
<td>9%</td>
</tr>
<tr>
<td>Order backlog²</td>
<td>3,216</td>
<td>2,621</td>
<td>23%</td>
<td>3,216</td>
<td>2,621</td>
<td>23%</td>
</tr>
<tr>
<td>Net sales</td>
<td>901</td>
<td>844</td>
<td>7%</td>
<td>1,587</td>
<td>1,575</td>
<td>1%</td>
</tr>
<tr>
<td>Comparable EBITA</td>
<td>69</td>
<td>61</td>
<td>14%</td>
<td>117</td>
<td>82</td>
<td>41%</td>
</tr>
<tr>
<td>% of net sales</td>
<td>7.7%</td>
<td>7.2%</td>
<td>14%</td>
<td>7.3%</td>
<td>5.2%</td>
<td></td>
</tr>
<tr>
<td>EBITA</td>
<td>64</td>
<td>57</td>
<td>13%</td>
<td>113</td>
<td>76</td>
<td>50%</td>
</tr>
<tr>
<td>Operating profit (EBIT)</td>
<td>56</td>
<td>49</td>
<td>13%</td>
<td>99</td>
<td>61</td>
<td>61%</td>
</tr>
<tr>
<td>% of net sales</td>
<td>6.2%</td>
<td>5.9%</td>
<td>13%</td>
<td>6.2%</td>
<td>3.9%</td>
<td></td>
</tr>
<tr>
<td>Earnings per share, EUR</td>
<td>0.26</td>
<td>0.23</td>
<td>9%</td>
<td>0.47</td>
<td>0.29</td>
<td>62%</td>
</tr>
<tr>
<td>Return on capital employed (ROCE) before taxes³</td>
<td>-44</td>
<td>3</td>
<td></td>
<td>-14</td>
<td>22</td>
<td></td>
</tr>
<tr>
<td>Gearing³</td>
<td></td>
<td></td>
<td></td>
<td>17%</td>
<td>0%</td>
<td></td>
</tr>
</tbody>
</table>


1) Valmet implemented IFRS 16 – Leases as of January 1, 2019 by applying the simplified transition method and therefore 2018 figures are not restated.
2) At the end of period
3) Annualized
Gross profit was 23% of net sales (23% in Q2/2018)

- Selling, general & administrative (SG&A) expenses increased by EUR 19 million
  - SG&A was 17% of net sales (16% in Q2/2018)
Comparable EBITA margin development

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

- Net sales and Comparable EBITA increased compared with Q2/2018
  - Profitability improved due to increased net sales and higher gross profit

1) Rolling 12 months. Carve-out figures for 2013 have been used in the calculation of Q1–Q3/2014 figures. In the calculation of 2017 figures, data points from 2016 that have not been restated have been used.
Cash flow provided by operating activities

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 business combinations and leased assets.
Net working capital at -9% of rolling 12 months orders received

Net working capital (LHS) and Orders received (LHS)

- Average net working capital/rolling 12 months orders received (RHS)
- Net working capital/rolling 12 months orders received (RHS)

- Net working capital EUR -342 million, which equals -9% of rolling 12 months orders received

Net working capital excluding non-cash net working capital impact from dividend liability.
• Gearing (17%) and net debt (EUR 152 million) increased compared with Q2/2018
  - Without the effect of leased assets and lease liabilities recognized following adoption of IFRS16, gearing would have been 11%
• Equity to assets ratio decreased compared with Q2/2018 and increased compared with Q1/2019
• Valmet paid out EUR 97 million in dividends in Q2/2019, and business combinations amounted to EUR 154 million during the quarter

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 (%) 

- Target for Comparable return on capital employed (ROCE): 15–20%

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

¹) Rolling 12 months. Carve-out figures for 2013 have been used in the calculation of Q1–Q3/2014 figures. In the calculation of 2017 figures, data points from 2016 that have not been restated have been used.
Guidance and short-term market outlook
Guidance and short-term market outlook

Guidance for 2019 (confirmed on April 1, 2019 following the completion of the acquisition of GL&V)

Valmet estimates that net sales in 2019 will increase in comparison with 2018 (EUR 3,325 million) and Comparable EBITA in 2019 will increase in comparison with 2018 (EUR 257 million).

Short-term market outlook

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Automation</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pulp</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>Good</td>
<td>Good</td>
</tr>
<tr>
<td>Energy</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Board and Paper</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
</tr>
<tr>
<td>Tissue</td>
<td>Good</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
</tr>
</tbody>
</table>

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’.
Summary of Half Year Financial Review
2019
Q2/2019 in brief

Orders received increased to EUR 474 million in stable business\(^1\)

Orders received increased to EUR 629 million in capital business\(^2\)

Net sales increased to EUR 901 million

Order backlog increased to EUR 3.2 billion

Comparable EBITA increased to EUR 69 million and margin was 7.7%

Gearing was 17%

\(^1\) 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.
Structure of loans and borrowings
Interest-bearing debt EUR 242 million as at June 30, 2019

Amount of outstanding interest-bearing debt (EUR million)

Main financing sources and facilities

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans from banks and financial institutions</td>
<td>EUR 242 million</td>
</tr>
<tr>
<td>EUR 200 million committed syndicated revolving credit facility</td>
<td>None outstanding</td>
</tr>
<tr>
<td>EUR 200 million domestic commercial paper program</td>
<td>EUR 25 million</td>
</tr>
</tbody>
</table>

1) EUR 200 million syndicated revolving credit facility agreement matures in January 2024.

- Average maturity of long-term loans is 3.5 years
  - Average interest rate is 1.0%

Lease liabilities are excluded in the calculation of the figures.
Largest shareholders on June 30, 2019
Based on information given by Euroclear Finland Ltd

<table>
<thead>
<tr>
<th>#</th>
<th>Shareholder name</th>
<th>Number of shares</th>
<th>% of shares and votes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Solidium Oy</td>
<td>16,695,287</td>
<td>11.14%</td>
</tr>
<tr>
<td>2</td>
<td>Ilmarinen Mutual Pension Insurance Company</td>
<td>3,827,500</td>
<td>2.55%</td>
</tr>
<tr>
<td>3</td>
<td>Elo Pension Company</td>
<td>3,700,000</td>
<td>2.47%</td>
</tr>
<tr>
<td>4</td>
<td>Varma Mutual Pension Insurance Company</td>
<td>2,712,465</td>
<td>1.81%</td>
</tr>
<tr>
<td>5</td>
<td>Keva</td>
<td>1,502,166</td>
<td>1.00%</td>
</tr>
<tr>
<td>6</td>
<td>The State Pension Fund</td>
<td>1,345,000</td>
<td>0.90%</td>
</tr>
<tr>
<td>7</td>
<td>OP Funds</td>
<td>1,226,118</td>
<td>0.82%</td>
</tr>
<tr>
<td>8</td>
<td>Nordea Funds</td>
<td>715,761</td>
<td>0.48%</td>
</tr>
<tr>
<td>9</td>
<td>Danske Invest funds</td>
<td>650,943</td>
<td>0.43%</td>
</tr>
<tr>
<td>10</td>
<td>Sigrid Jusélius Foundation</td>
<td>524,865</td>
<td>0.35%</td>
</tr>
<tr>
<td>11</td>
<td>The Finnish Cultural Foundation</td>
<td>520,000</td>
<td>0.35%</td>
</tr>
<tr>
<td>12</td>
<td>Sijoitusrahasto Aktia Capital</td>
<td>500,000</td>
<td>0.33%</td>
</tr>
<tr>
<td>13</td>
<td>Evli Funds</td>
<td>430,000</td>
<td>0.29%</td>
</tr>
<tr>
<td>14</td>
<td>Veritas Pension Insurance Company Ltd.</td>
<td>410,000</td>
<td>0.27%</td>
</tr>
<tr>
<td>15</td>
<td>The Social Insurance Institution of Finland, KELA</td>
<td>396,316</td>
<td>0.26%</td>
</tr>
<tr>
<td>16</td>
<td>Foundation of Brita Maria Renlunds minne</td>
<td>337,000</td>
<td>0.22%</td>
</tr>
<tr>
<td>17</td>
<td>Samfundet folkhälsan i Svenska Finland rf</td>
<td>320,985</td>
<td>0.21%</td>
</tr>
<tr>
<td>18</td>
<td>Ingman Finance Oy Ab</td>
<td>300,000</td>
<td>0.20%</td>
</tr>
<tr>
<td>19</td>
<td>Odin Funds</td>
<td>264,345</td>
<td>0.18%</td>
</tr>
<tr>
<td>20</td>
<td>Schweizer Nationalbank</td>
<td>250,965</td>
<td>0.17%</td>
</tr>
<tr>
<td></td>
<td>20 largest shareholders, total</td>
<td>36,629,716</td>
<td>24.44%</td>
</tr>
<tr>
<td></td>
<td>Other shareholders</td>
<td>113,234,903</td>
<td>75.56%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>149,864,619</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

1) A holding company that is wholly owned by the Finnish State

The shareholder structure is based on the classification of sectors determined by Statistics Finland.

1) Of which 84,399,810 nominee registered shares
2) A holding company that is wholly owned by the Finnish State

The shareholder structure is based on the classification of sectors determined by Statistics Finland.

### Sector Breakdown

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of Shareholders</th>
<th>% of Total Shareholders</th>
<th>Number of Shares</th>
<th>% of Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominee registered and non-Finnish holders 1</td>
<td>322</td>
<td>0.75%</td>
<td>85,445,682</td>
<td>57.02%</td>
</tr>
<tr>
<td>Finnish institutions, companies and foundations</td>
<td>2,131</td>
<td>4.91%</td>
<td>29,259,076</td>
<td>19.52%</td>
</tr>
<tr>
<td>Solidium Oy 2</td>
<td>0</td>
<td>0.00%</td>
<td>16,695,287</td>
<td>11.14%</td>
</tr>
<tr>
<td>Finnish private investors</td>
<td>40,968</td>
<td>94.35%</td>
<td>18,456,534</td>
<td>12.32%</td>
</tr>
<tr>
<td>On issuer account</td>
<td>0</td>
<td>0.00%</td>
<td>8,040</td>
<td>0.01%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>43,421</strong></td>
<td><strong>100.00%</strong></td>
<td><strong>149,864,619</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

---

1) Of which 84,399,810 nominee registered shares
2) A holding company that is wholly owned by the Finnish State

The shareholder structure is based on the classification of sectors determined by Statistics Finland.
Share of non-Finnish holders and number of shareholders

- **Non-Finnish holders (LHS)**
- **Total number of shareholders (RHS)**
Pulp and paper price trends

- Northern bleached softwood pulp (USD/t)
- Copy paper (EUR/t)
- Testliner (EUR/t)
Crude oil, steam coal, natural gas and electricity

Europe

Source: Bloomberg
Crude oil, steam coal, natural gas and electricity

United States
European Carbon Emission Allowance

European Energy Exchange (EEX) spot price (EUR/t)
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