

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

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Agenda

Half Year Financial Review, January–June 2019

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- 2 Development of the business lines
- 3 Financial development
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Q2/2019 in brief

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- Orders received increased to EUR 474 million in stable business¹
- Orders received increased to EUR 629 million in capital business²
- 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%

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

Valmet in Q2/2019

Orders received
EUR 1,083 million

Net sales
EUR 901 million

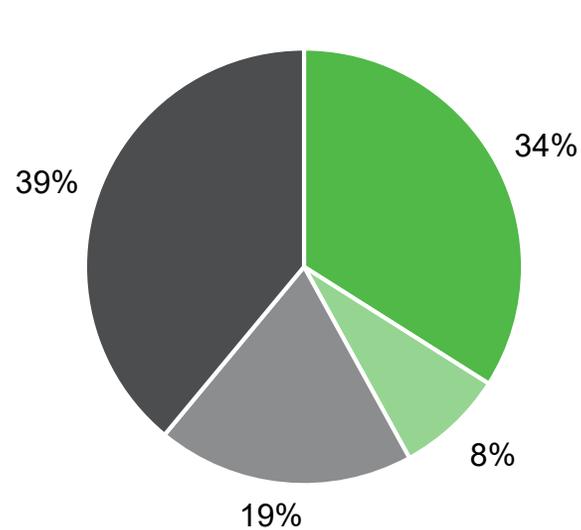
Comparable EBITA
EUR 69 million

Comparable EBITA margin
7.7%

Order backlog
EUR 3,216 million

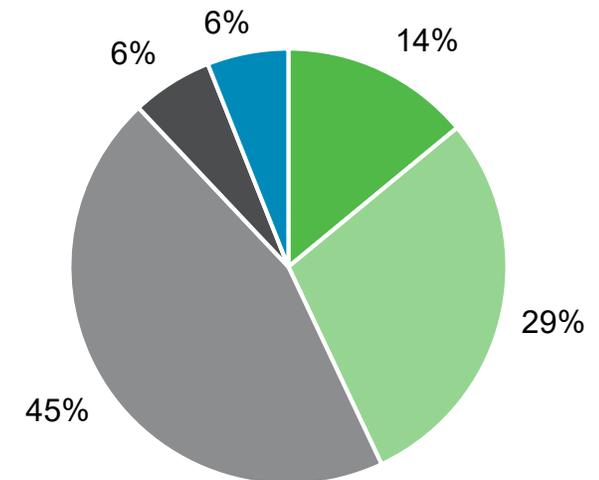
Employees
13,622

Orders received by business line



- Services
- Automation
- Pulp and Energy
- Paper

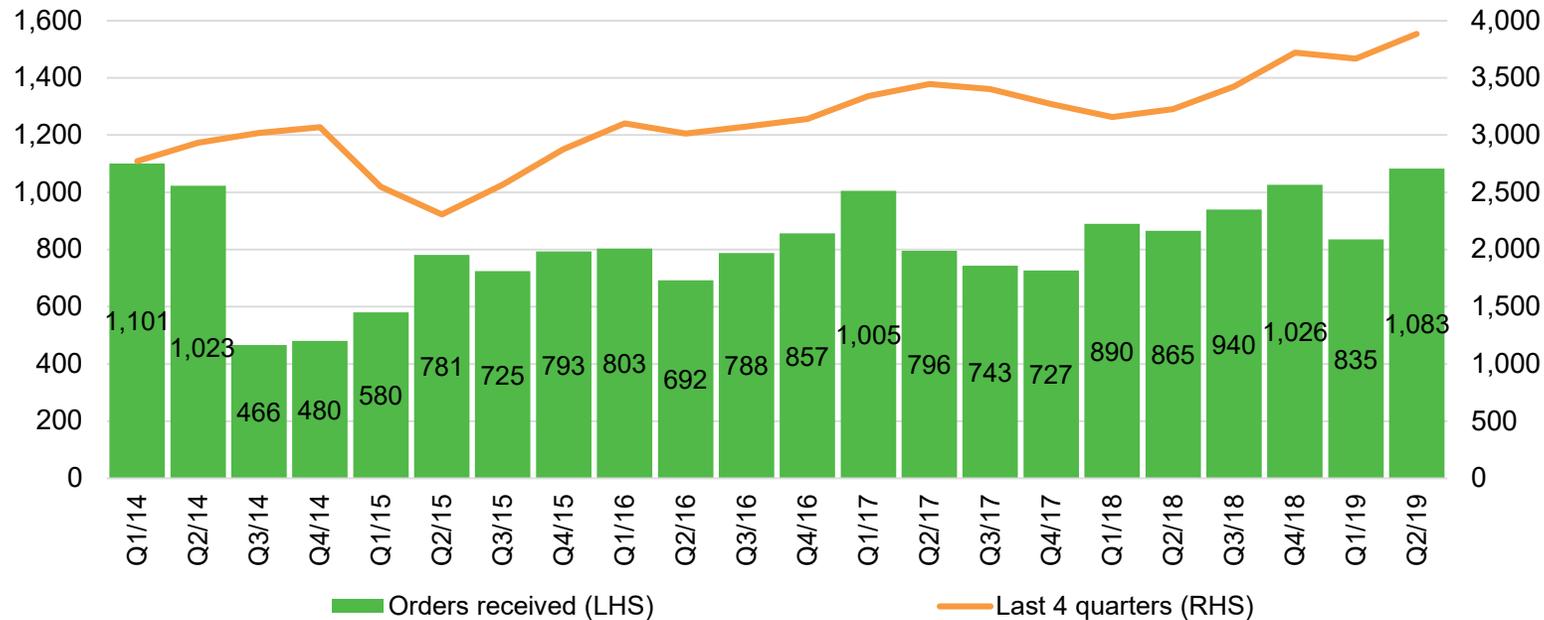
Orders received by area



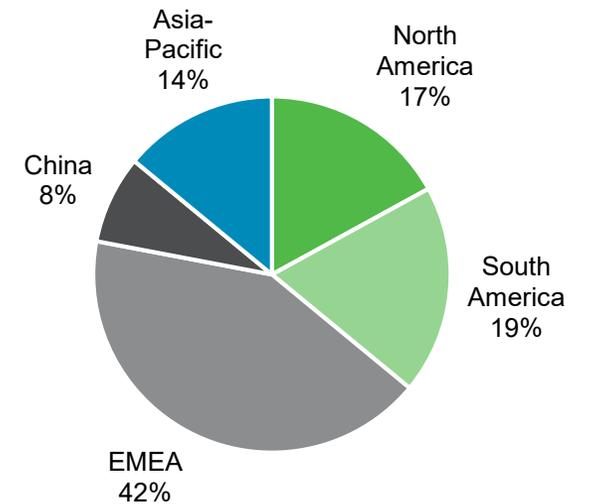
- North America
- South America
- EMEA
- China
- Asia-Pacific

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

Orders received (EUR million)



Orders received in Q1–Q2/2019 by area

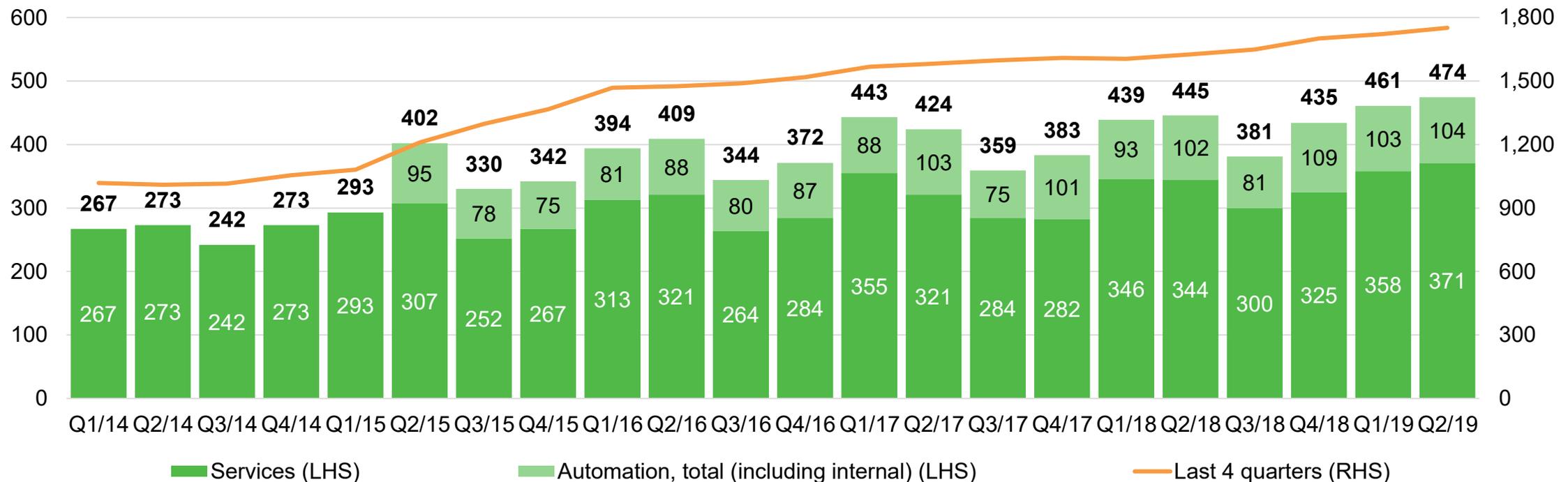


- In stable business, orders received increased to EUR 474 million in Q2/2019¹
- In capital business, orders received increased to EUR 629 million in Q2/2019
- Orders received increased in emerging markets and remained at the previous year's level in developed markets during first half of the year
 - 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 business¹

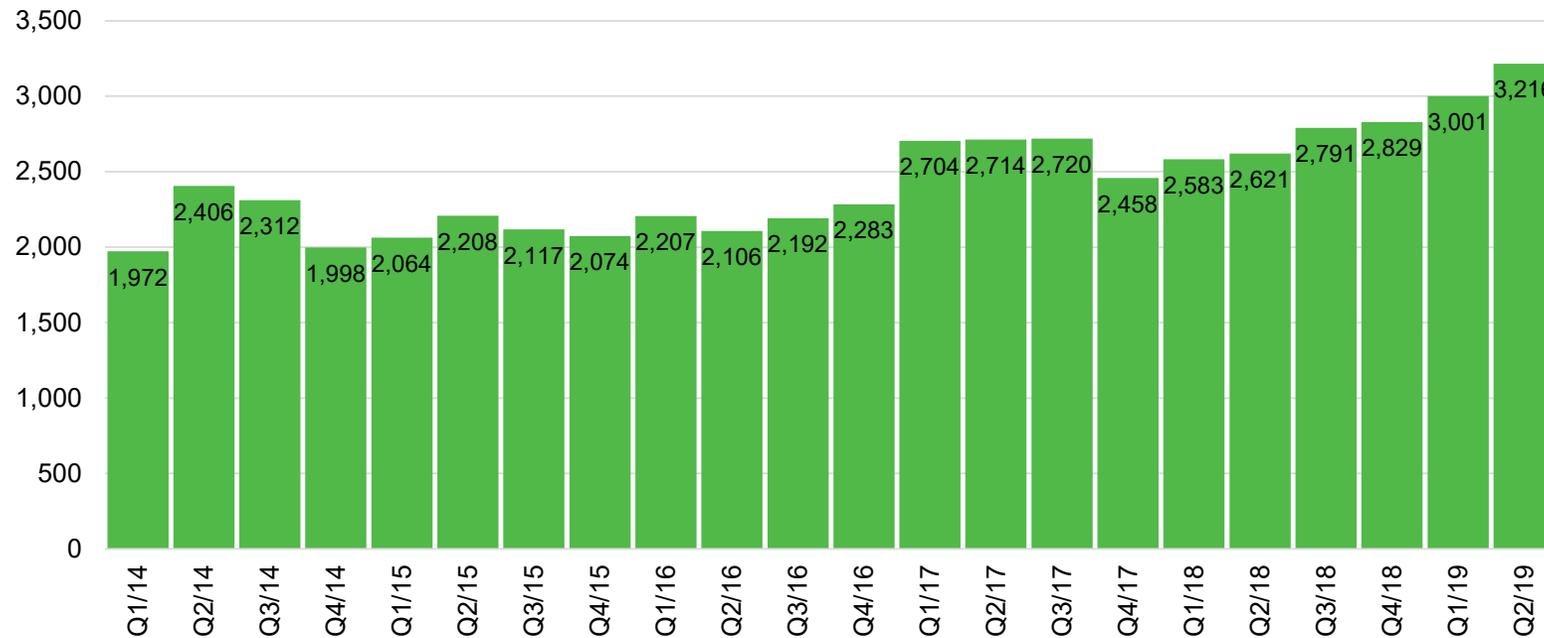


- Total orders received in stable business increased by EUR 29 million in Q2/2019

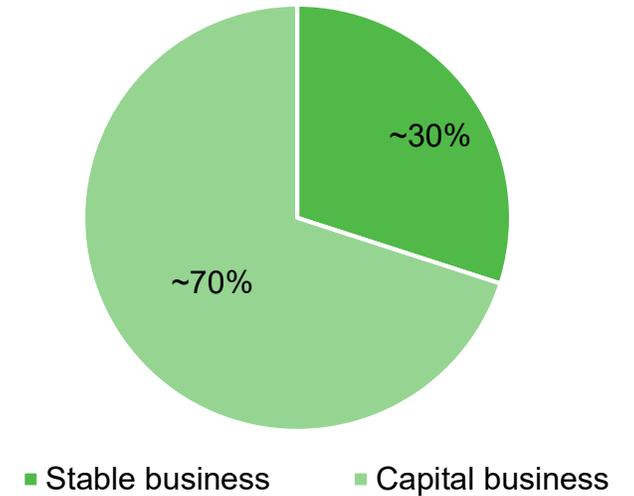
1) Including internal orders received for the Automation business line.

Order backlog at EUR 3,216 million at the end of Q2/2019

Order backlog (EUR million)



Structure of order backlog



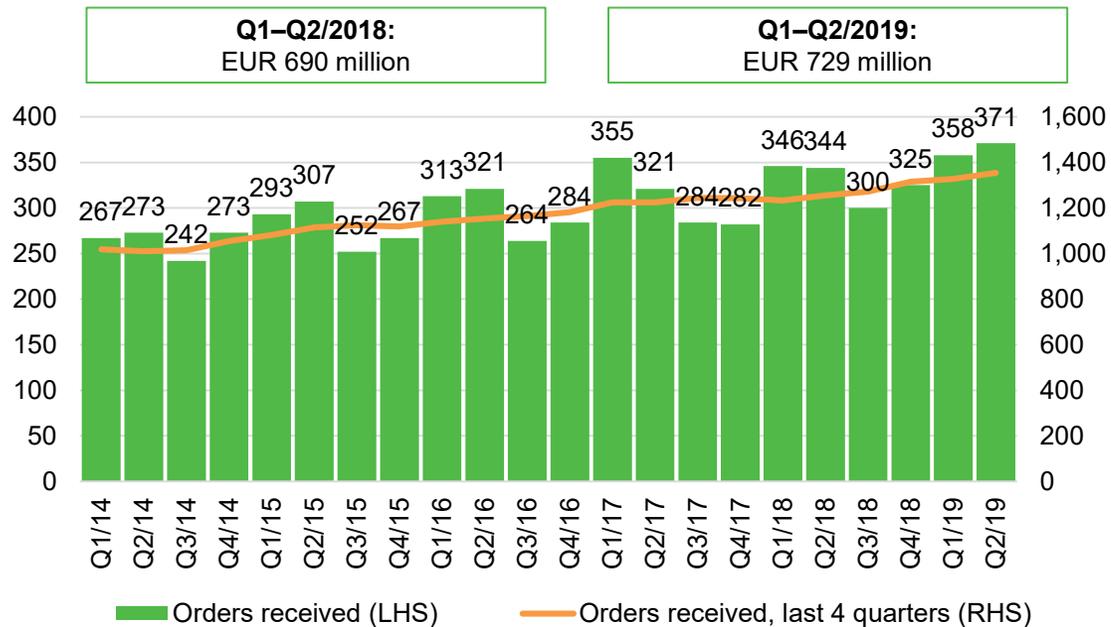
- Order backlog was EUR 216 million higher than at the end of Q1/2019
- Approximately 50% of the order backlog is currently expected to be realized as net sales during 2019 (at the end of Q2/2018, ~55% during 2018)
- Approximately 30% of the order backlog relates to stable business (~30% at the end of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



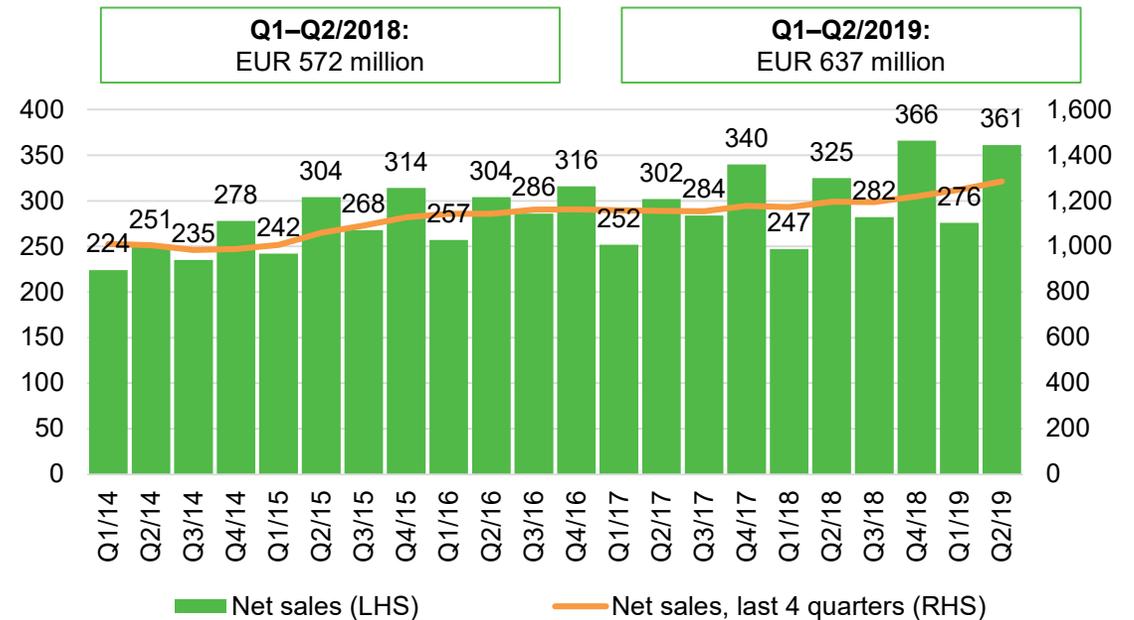
Development of the business lines

Services: Orders received and net sales increased

Orders received (EUR million)



Net sales (EUR million)

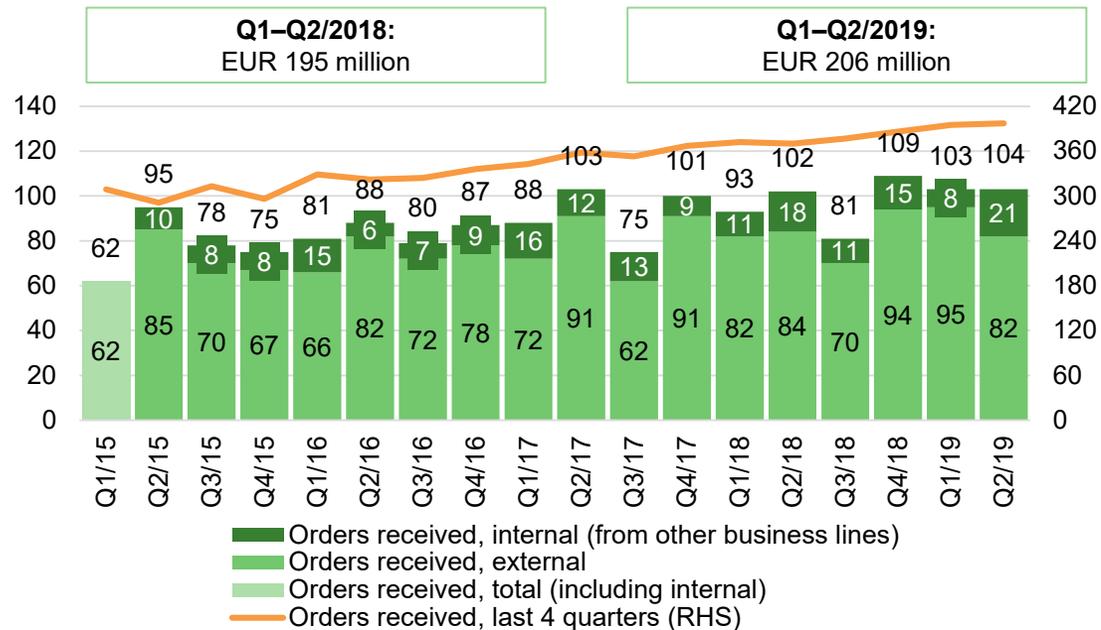


- Orders received increased compared with Q2/2018
 - Orders received of the acquired businesses amounted to EUR 43 million in Q2/2019
 - Orders received increased in South America and North America, remained at the previous year's level in Asia-Pacific and EMEA, and decreased in China
 - Orders received 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 increased compared with Q2/2018
 - Net sales of the acquired businesses amounted to EUR 38 million in Q2/2019

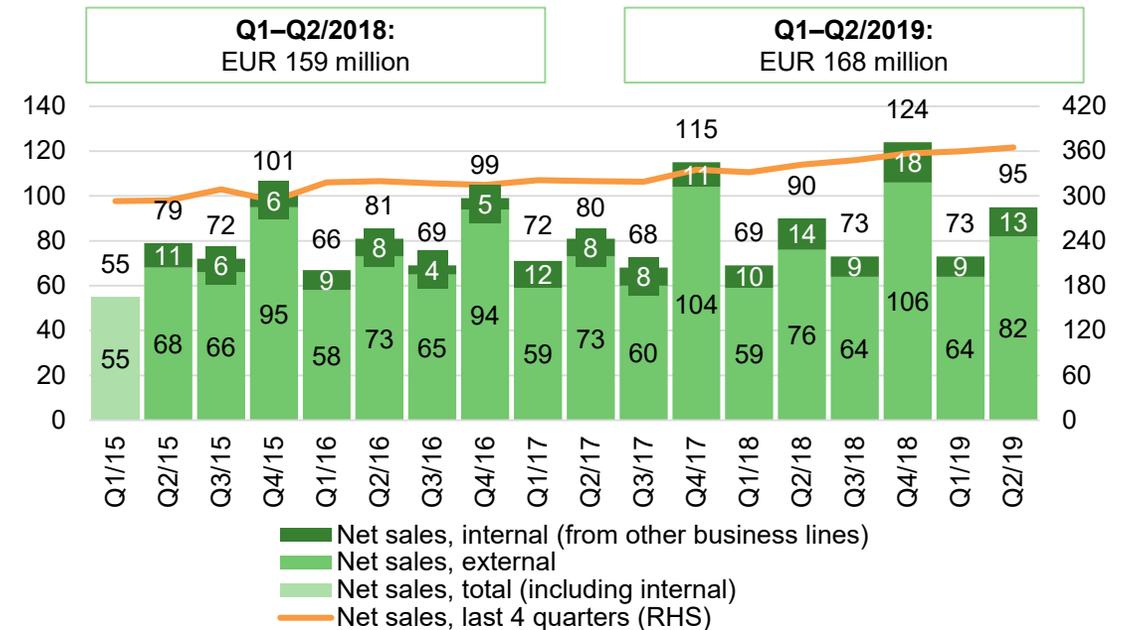


Automation¹: Orders received remained at the previous year's level and net sales increased

Orders received² (EUR million)



Net sales² (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

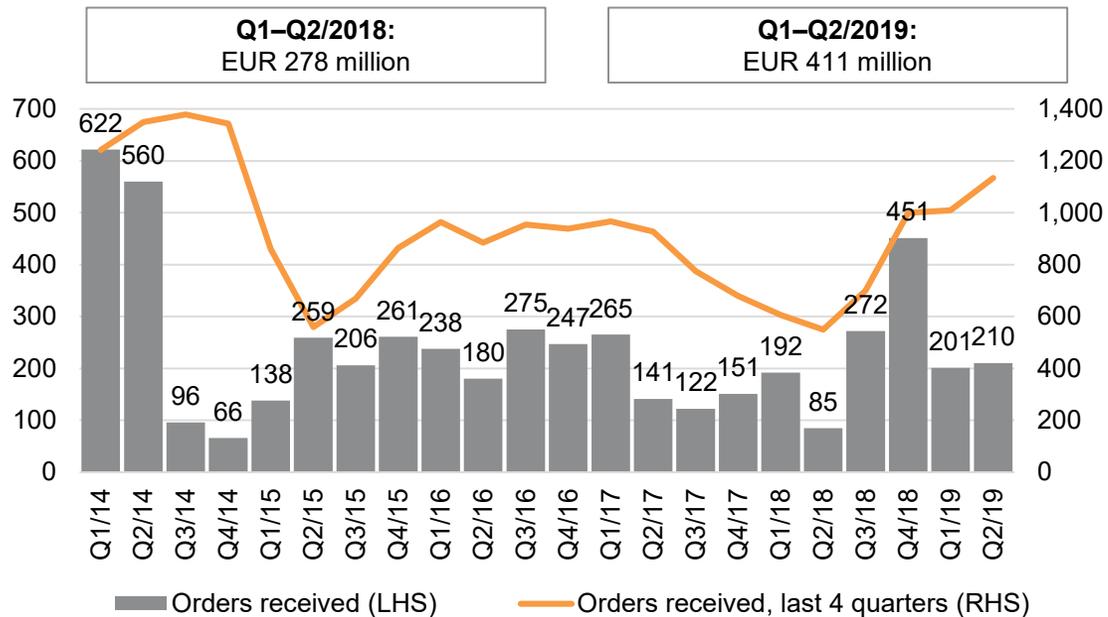


1) Comments refer to orders received and net sales including also internal orders received and net sales.

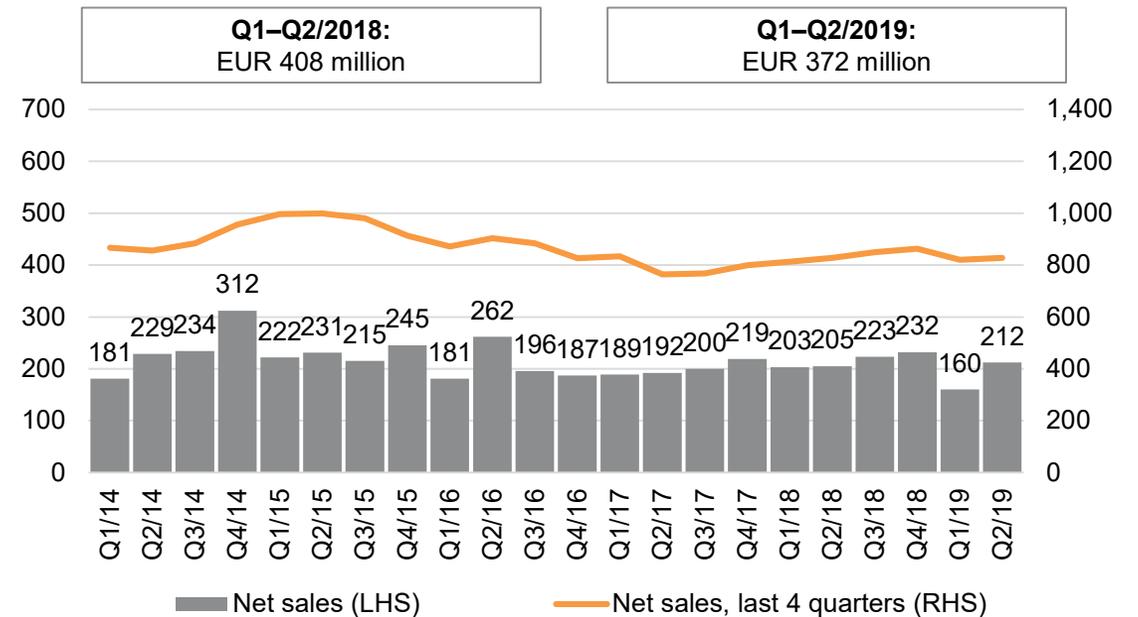
2) Q1/2015 orders received and the underlying figures for 'Orders received, last 4 quarters' and 'Net sales, last 4 quarters' are calculated based on Metso's reported figures and pro forma figures excluding Process Automation Systems and are therefore indicative only.

Pulp and Energy: Orders received increased and net sales remained at the previous year's level

Orders received (EUR million)



Net sales (EUR million)

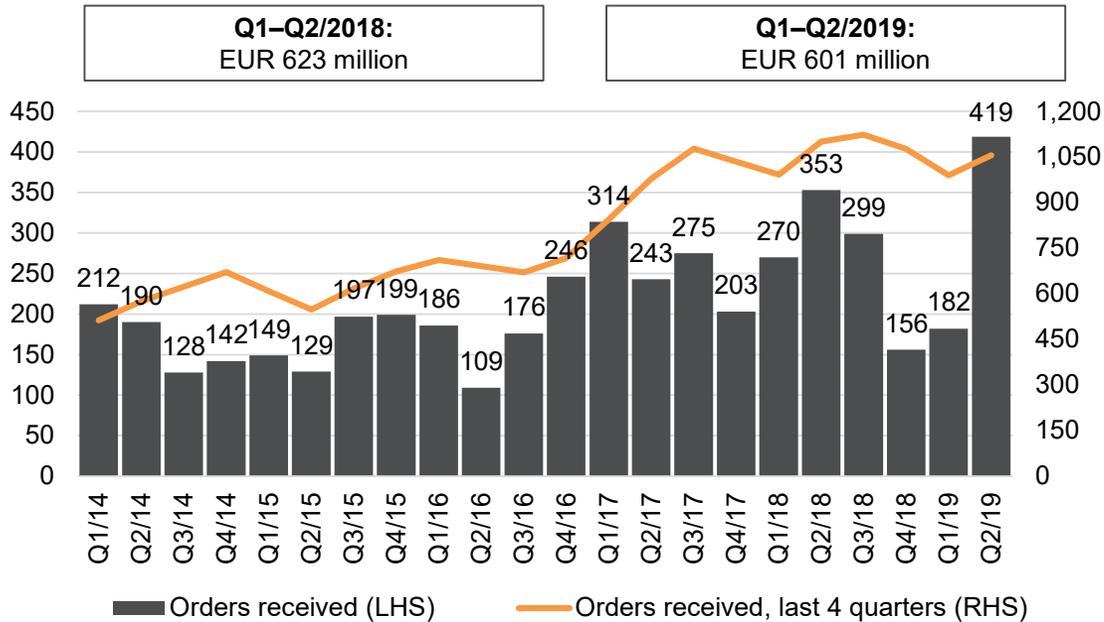


- Orders received increased compared with Q2/2018
 - Orders received increased in all areas
 - Orders received increased in both Pulp and Energy
- Net sales remained at the previous year's level compared with Q2/2018

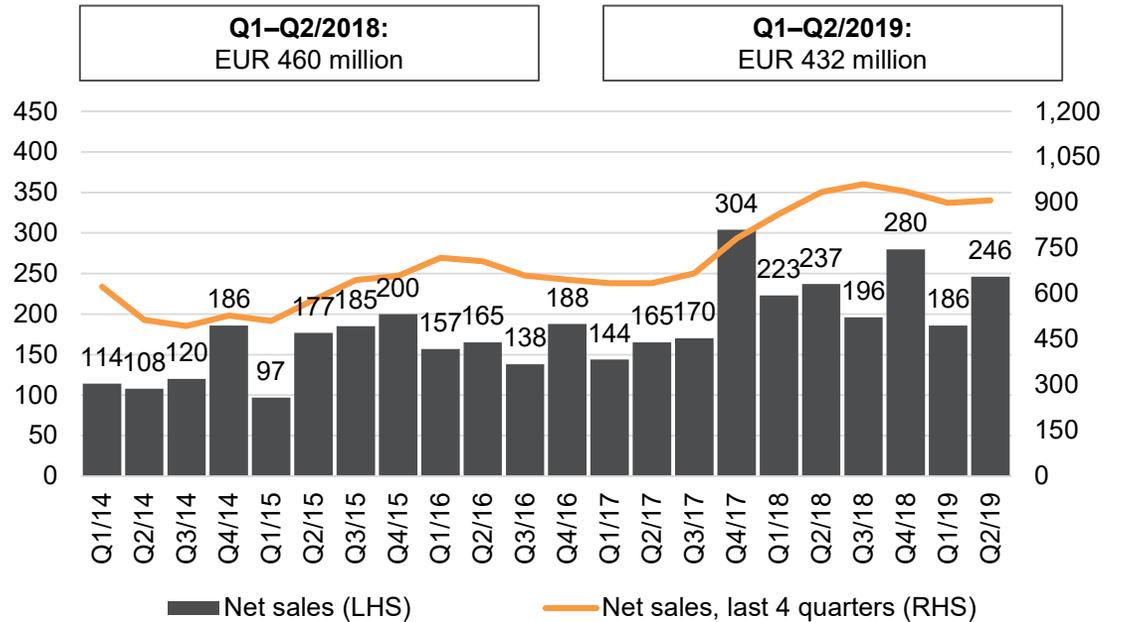


Paper: Orders received increased and net sales remained at the previous year's level

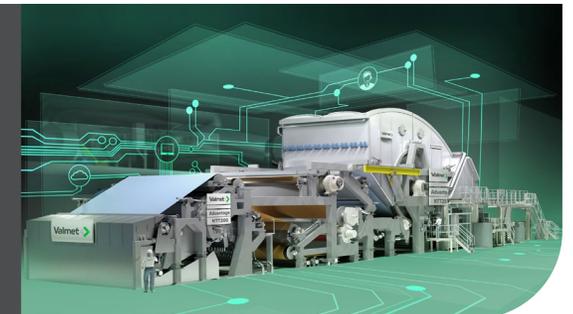
Orders received (EUR million)



Net sales (EUR million)



- 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

EUR million	Q2/2019 ¹	Q2/2018	Change	Q1–Q2/2019 ¹	Q1–Q2/2018	Change
Orders received	1,083	865	25%	1,918	1,756	9%
Order backlog ²	3,216	2,621	23%	3,216	2,621	23%
Net sales	901	844	7%	1,587	1,575	1%
Comparable EBITA	69	61	14%	117	82	41%
% of net sales	7.7%	7.2%		7.3%	5.2%	
EBITA	64	57	13%	113	76	50%
Operating profit (EBIT)	56	49	13%	99	61	61%
% of net sales	6.2%	5.9%		6.2%	3.9%	
Earnings per share, EUR	0.26	0.23	9%	0.47	0.29	62%
Return on capital employed (ROCE) before taxes ³				17%	11%	
Cash flow provided by operating activities	-44	3		-14	22	
Gearing ³				17%	0%	

Items affecting comparability: EUR -5 million in Q2/2019 (EUR -4 million in Q2/2018), EUR -3 million in Q1–Q2/2019 (EUR -7 million in Q1–Q2/2018)

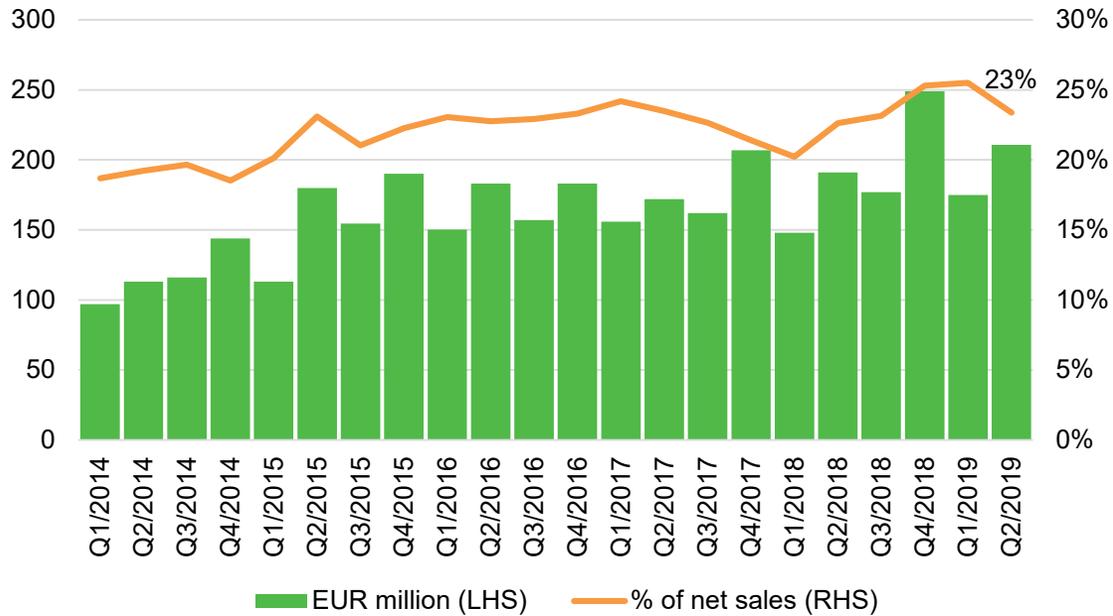
1) Valmet implemented IFRS 16 – Leases as of January 1, 2019 by applying the simplified transition method and therefore 2018 figures are not restated.

2) At the end of period

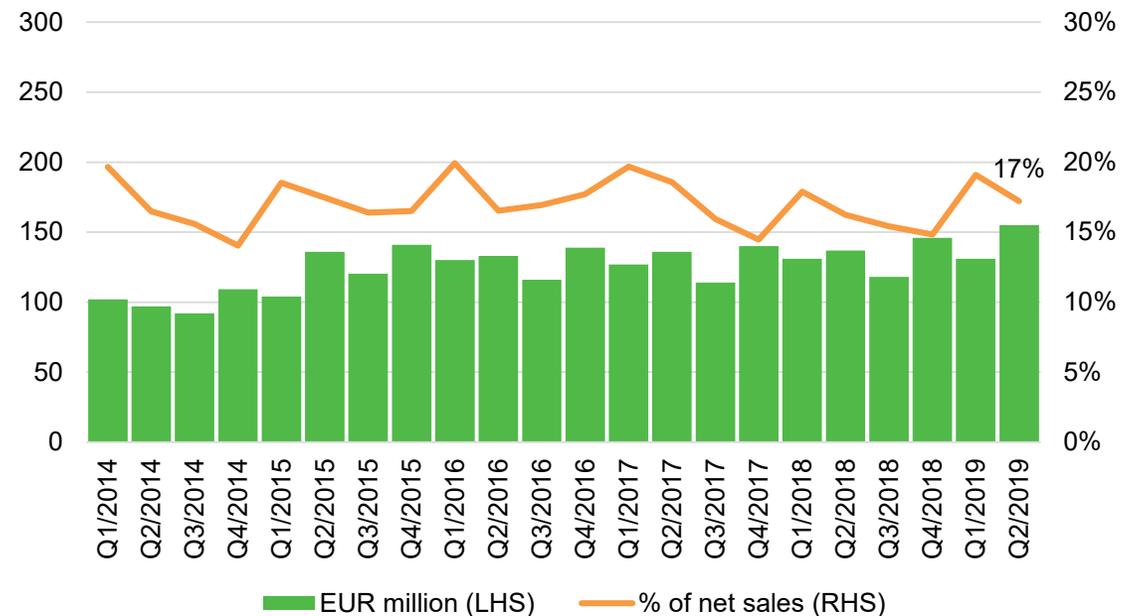
3) Annualized

Gross profit and SG&A development

Gross profit (EUR million and % of net sales)



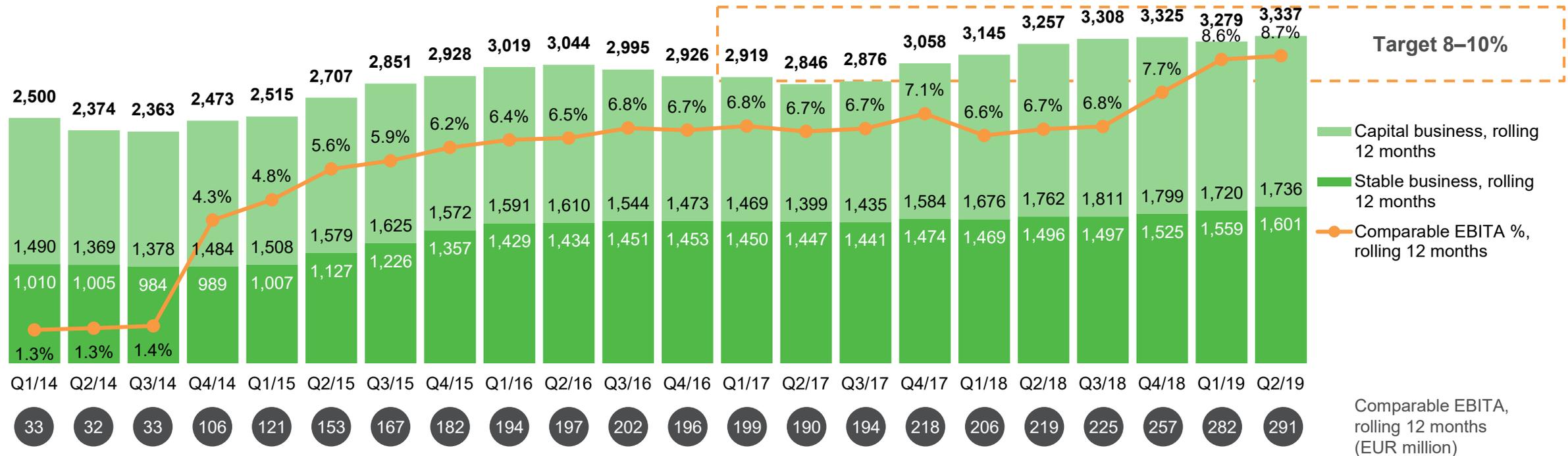
SG&A (EUR million and % of net sales)



- 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

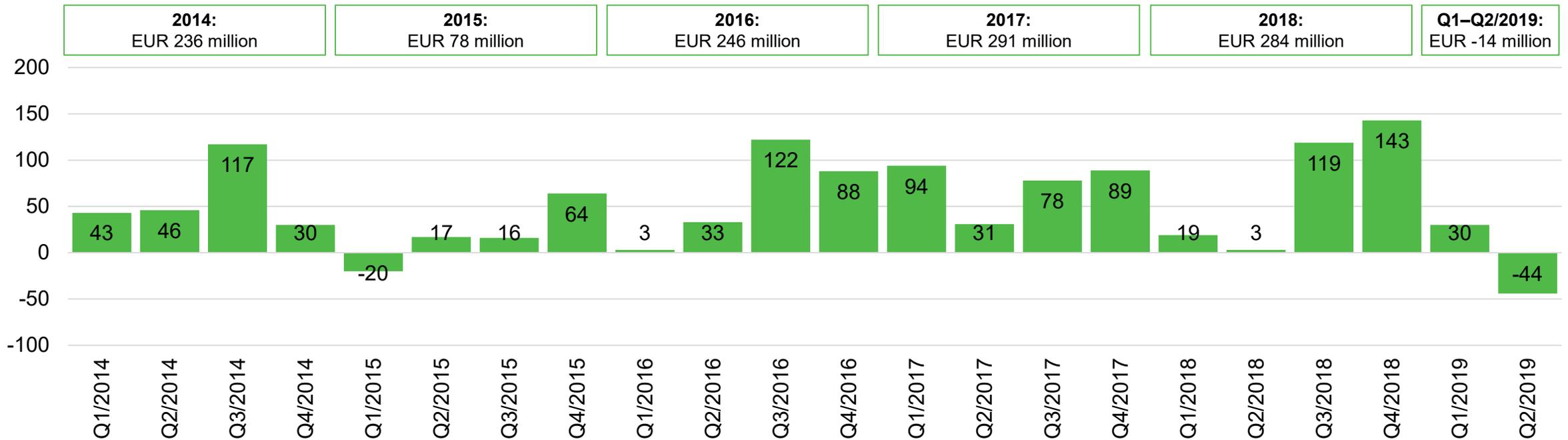


- Net sales and Comparable EBITA increased compared with Q2/2018
 - Profitability improved due to increased net sales and higher gross profit

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

Cash flow provided by operating activities (EUR million)



- Change in net working capital¹ EUR -93 million in Q2/2019
- Cash flow provided by operating activities EUR -44 million in Q2/2019
- CAPEX² EUR 19 million in Q2/2019

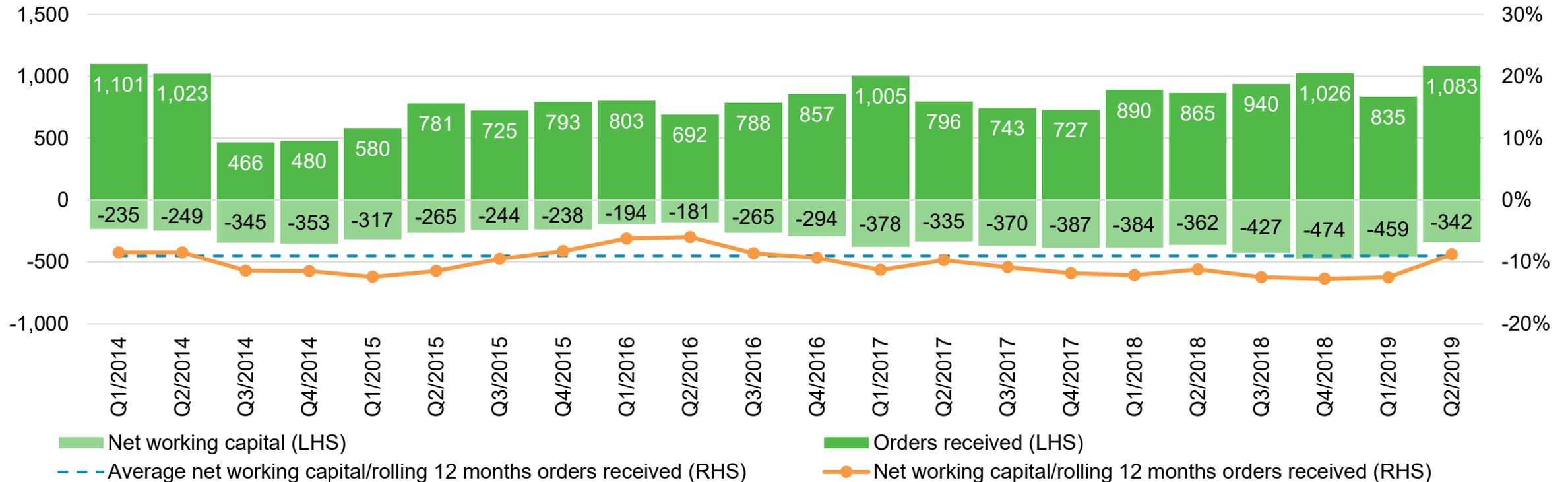
Valmet implemented IFRS 16 – Leases as of January 1, 2019 by applying the simplified transition method and therefore 2018 figures are not restated.

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 and orders received (EUR million)

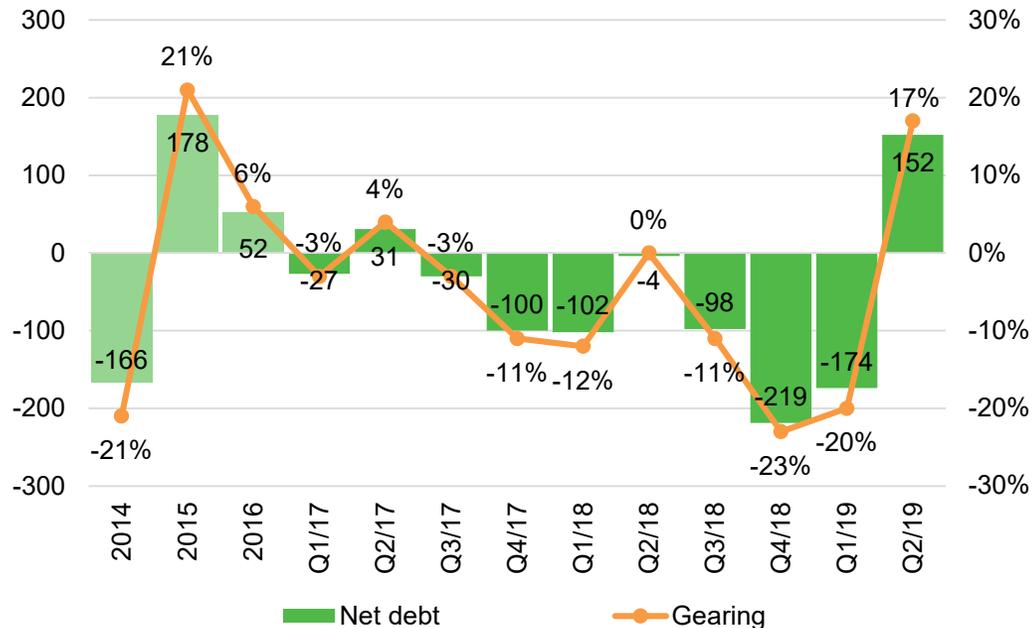


- Net working capital EUR -342 million, which equals -9% of rolling 12 months orders received

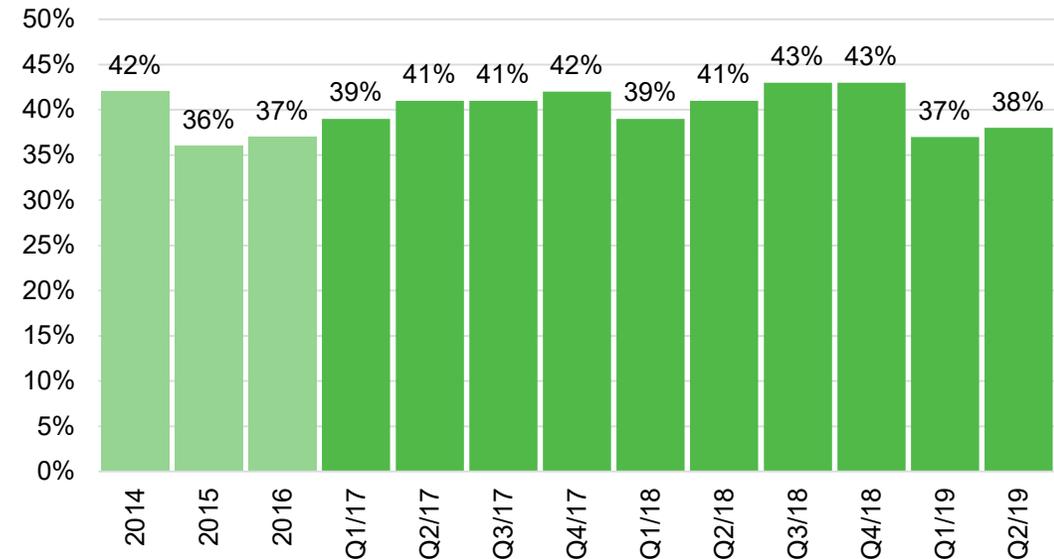
Net working capital excluding non-cash net working capital impact from dividend liability.

Net debt and gearing increased compared with Q2/2018

Net debt (EUR million) and gearing (%)



Equity to assets ratio (%)

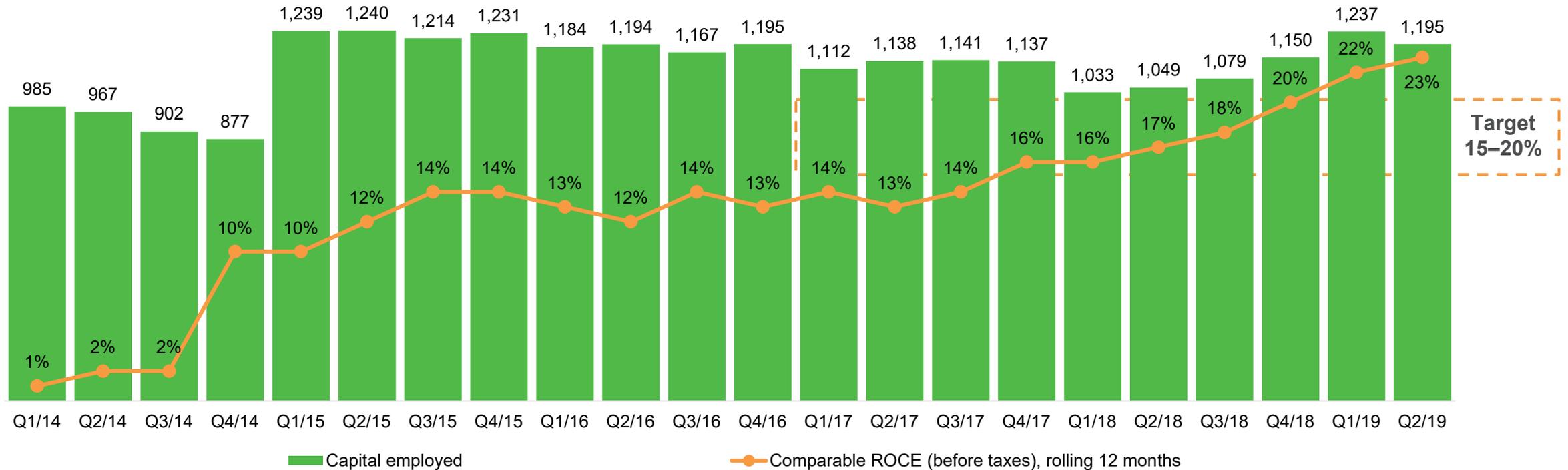


- Gearing (17%) and net debt (EUR 152 million) increased compared with Q2/2018
 - Without the effect of leased assets and lease liabilities recognized following adoption of IFRS16, gearing would have been 11%
- Equity to assets ratio decreased compared with Q2/2018 and increased compared with Q1/2019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

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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%

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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)

Guidance	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).
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Short-term market outlook

		Q3/2018	Q4/2018	Q1/2019	Q2/2019
Services		Good	Good	Good	Good
Automation		Good	Good	Good	Good
Pulp and Energy	Pulp	Satisfactory	Satisfactory	Good	Good
	Energy	Satisfactory	Satisfactory	Satisfactory	Satisfactory
Paper	Board and Paper	Good	Good	Good	Good
	Tissue	Good	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'.



Summary of Half Year Financial Review 2019

Q2/2019 in brief

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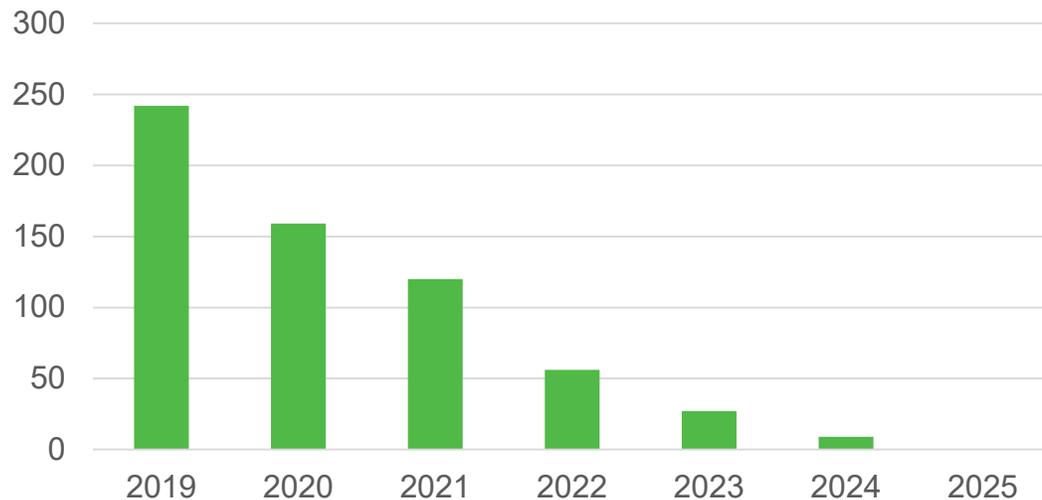


Appendix

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

Source	Amount outstanding
Loans from banks and financial institutions	EUR 242 million
EUR 200 million committed syndicated revolving credit facility ¹	None outstanding
EUR 200 million domestic commercial paper program	EUR 25 million

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.

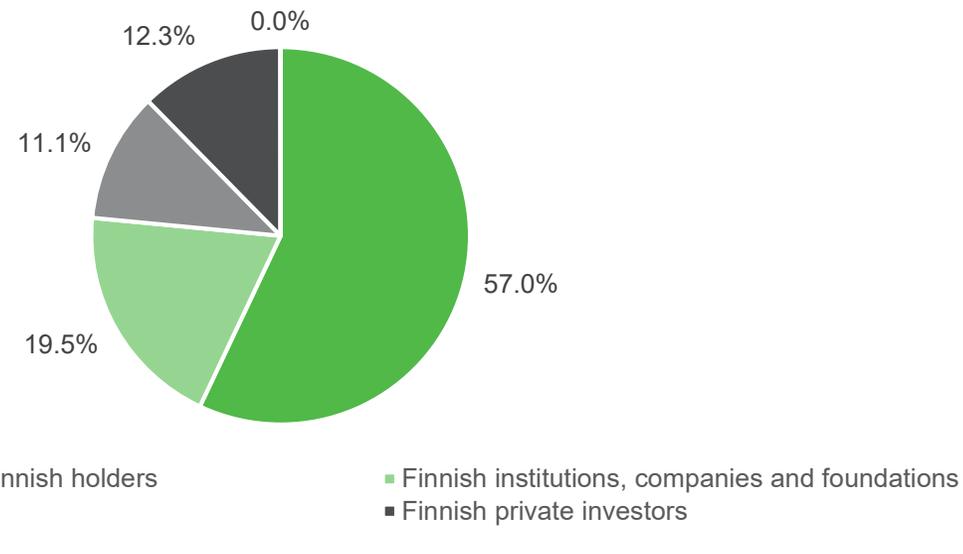
Largest shareholders on June 30, 2019

Based on information given by Euroclear Finland Ltd

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

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

Shareholder structure on June 30, 2019



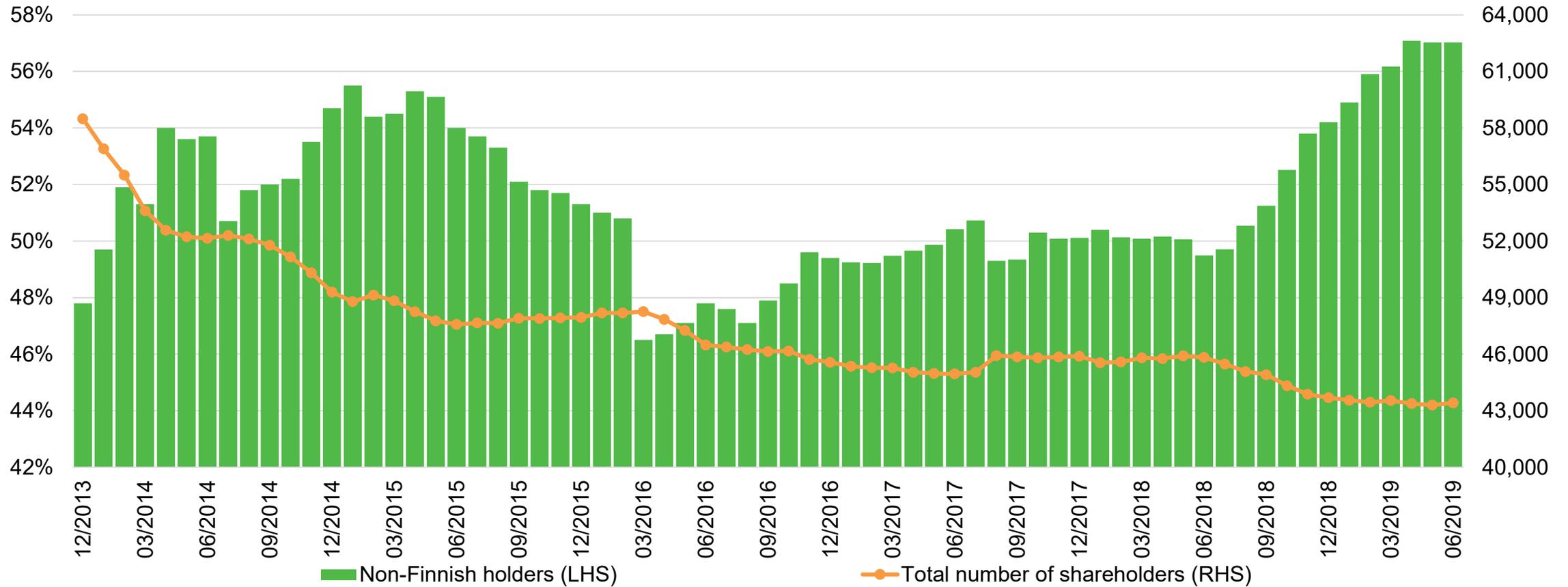
Sector	Number of shareholders	% of total shareholders	Number of shares	% of shares
Nominee registered and non-Finnish holders ¹	322	0.75%	85,445,682	57.02%
Finnish institutions, companies and foundations	2,131	4.91%	29,259,076	19.52%
Solidium Oy ²	0	0.00%	16,695,287	11.14%
Finnish private investors	40,968	94.35%	18,456,534	12.32%
On issuer account	0	0.00%	8,040	0.01%
Total	43,421	100.00%	149,864,619	100.00%

1) Of which 84,399,810 nominee registered shares

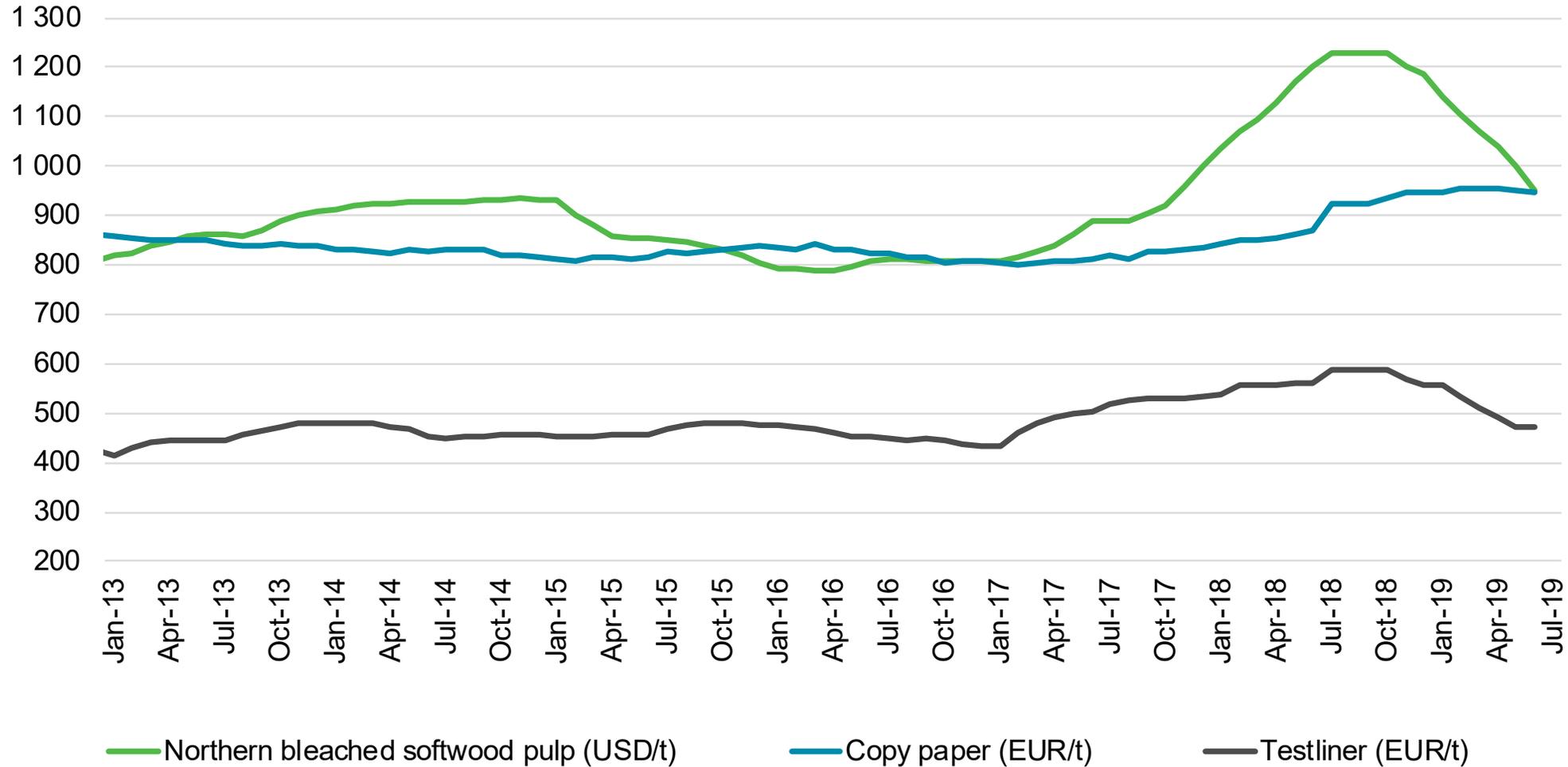
2) A holding company that is wholly owned by the Finnish State

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

Share of non-Finnish holders and number of shareholders

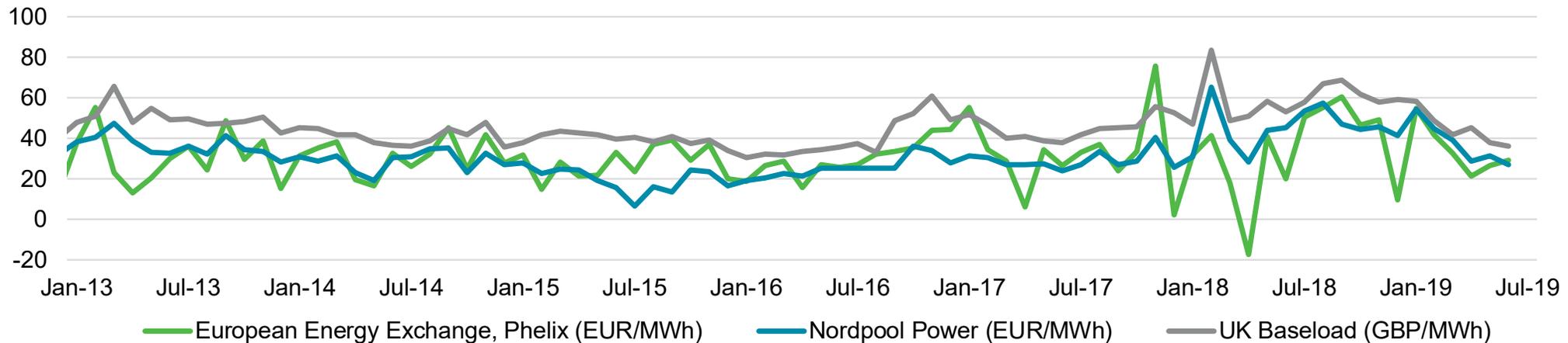
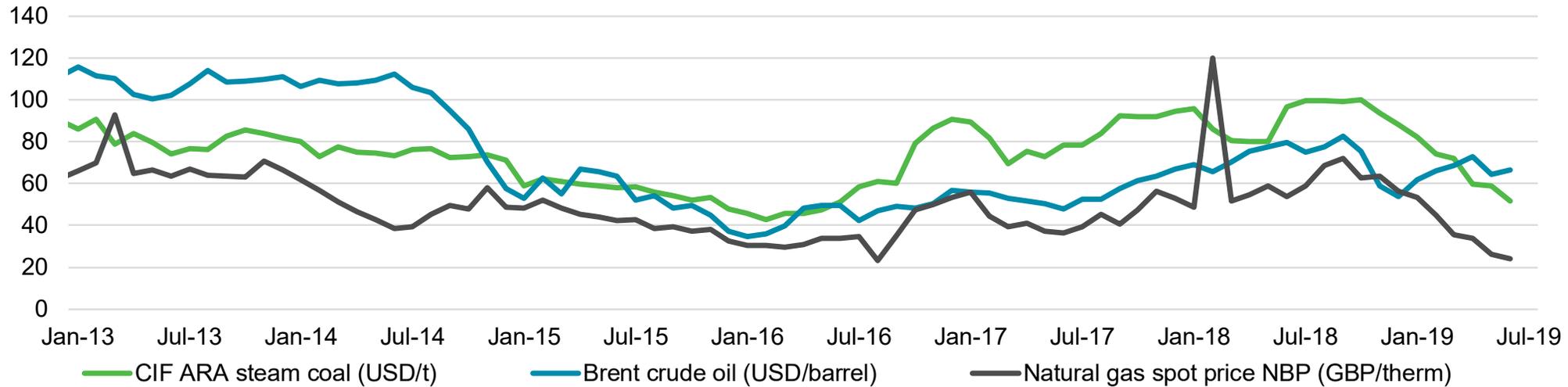


Pulp and paper price trends



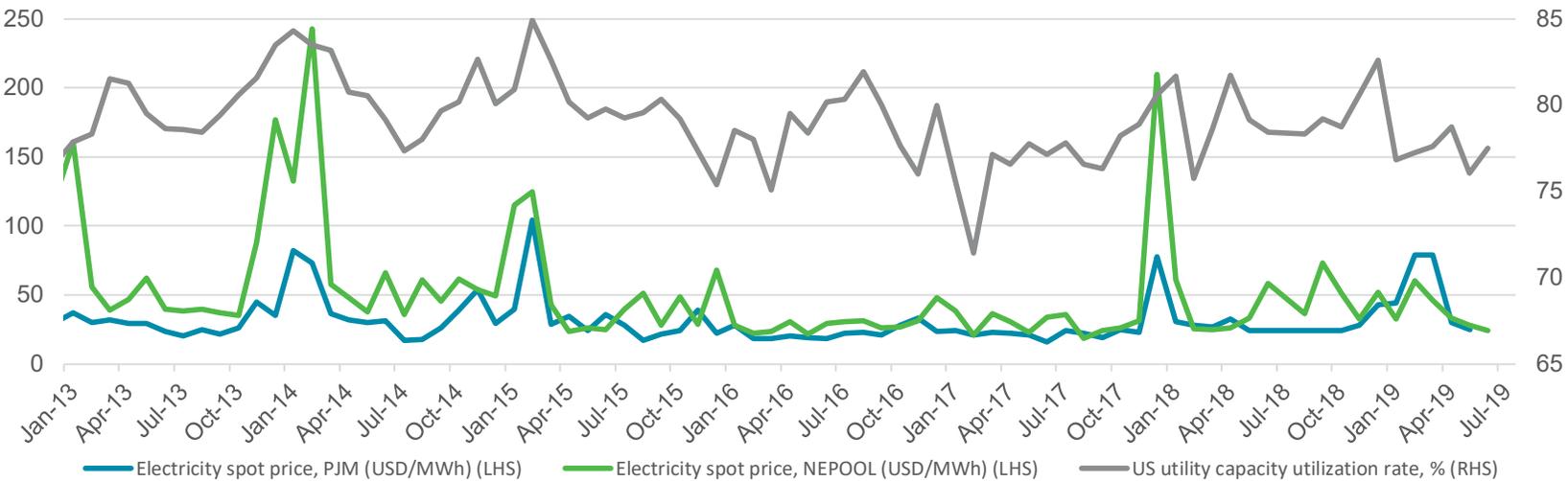
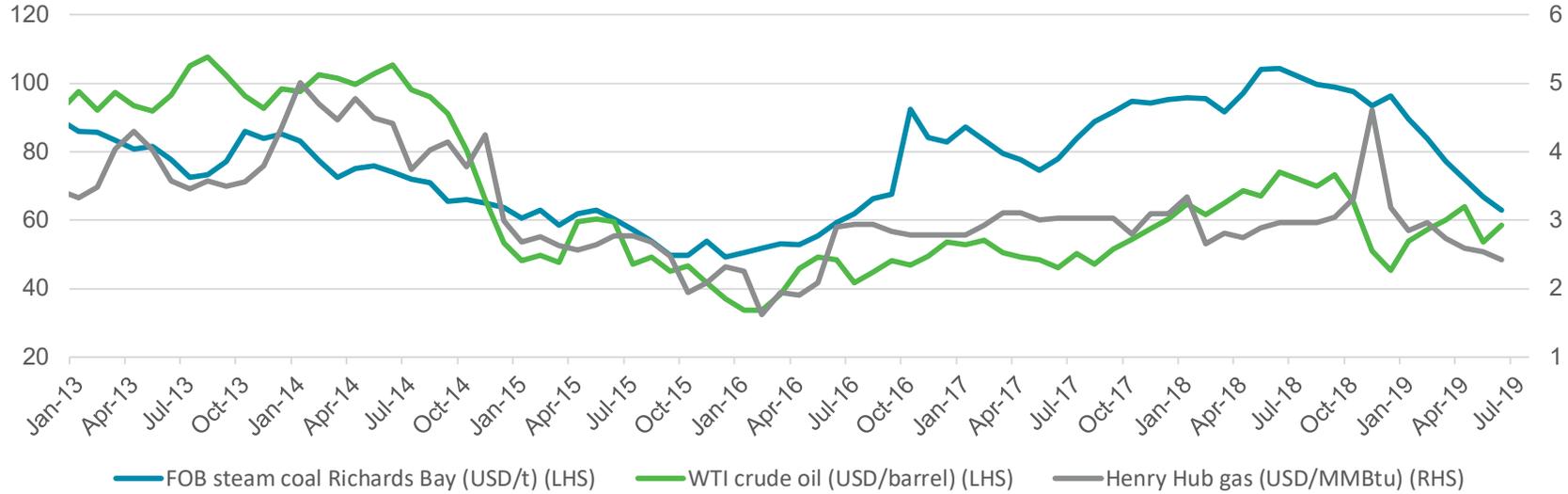
Crude oil, steam coal, natural gas and electricity

Europe

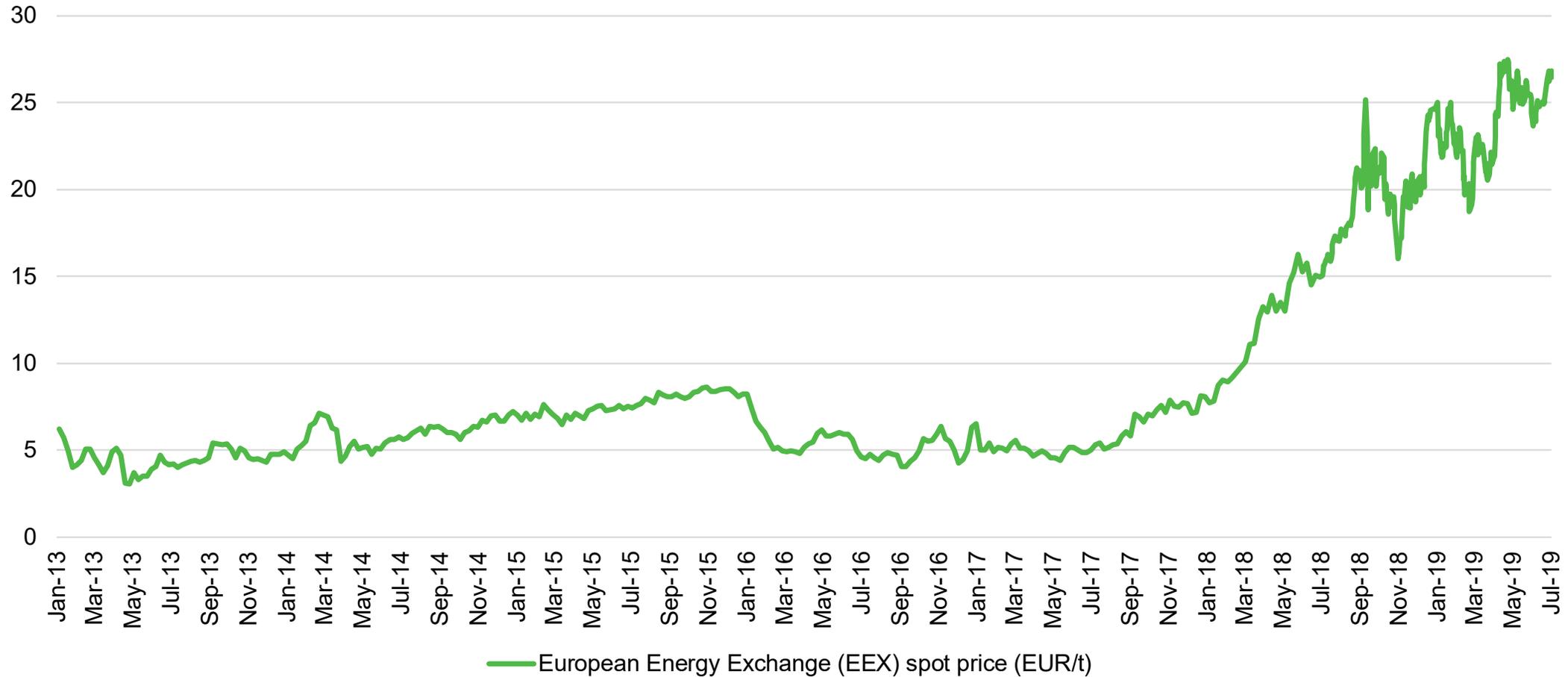


Crude oil, steam coal, natural gas and electricity

United States



European Carbon Emission Allowance



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Interim Review January–September 2019

October 24, 2019

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