

# Orders received were over EUR 1 billion and profitability continued to increase

Interim Review, January–September 2019

*October 24, 2019*

Pasi Laine, President and CEO

Kari Saarinen, CFO

# Agenda

Interim Review, January–September 2019

- 1 Q3/2019 in brief
- 2 Development of the business lines
- 3 Recent achievements in sustainability
- 4 Financial development
- 5 Guidance and short-term market outlook
- 6 Appendix



# Q3/2019 in brief

# Q3/2019 in brief

- Orders received increased to EUR 433 million in stable business<sup>1</sup>
- Orders received increased to EUR 637 million in capital business<sup>2</sup>
- Net sales increased to EUR 857 million
- Order backlog increased to EUR 3.4 billion
- Comparable EBITA increased to EUR 81 million and margin was 9.5%
- Gearing was 6%

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

# Valmet in Q3/2019

**Orders received**  
EUR 1,058 million

**Net sales**  
EUR 857 million

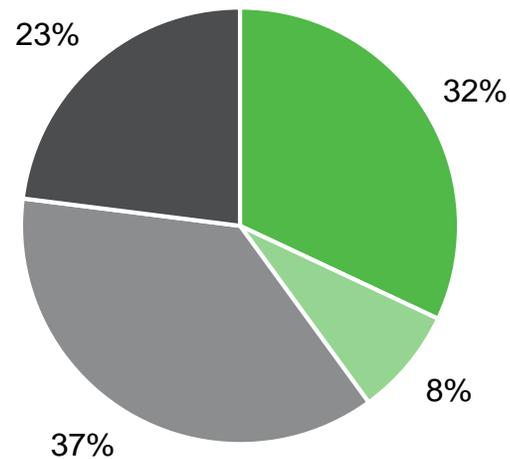
**Comparable EBITA**  
EUR 81 million

**Comparable EBITA margin**  
9.5%

**Order backlog**  
EUR 3,425 million

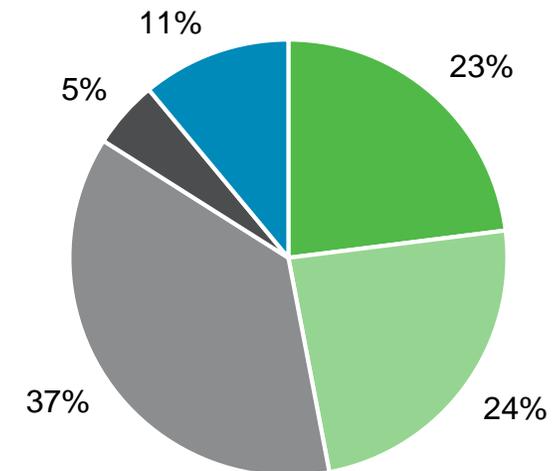
**Employees**  
13,546

Orders received by business line



- Services
- Automation
- Pulp and Energy
- Paper

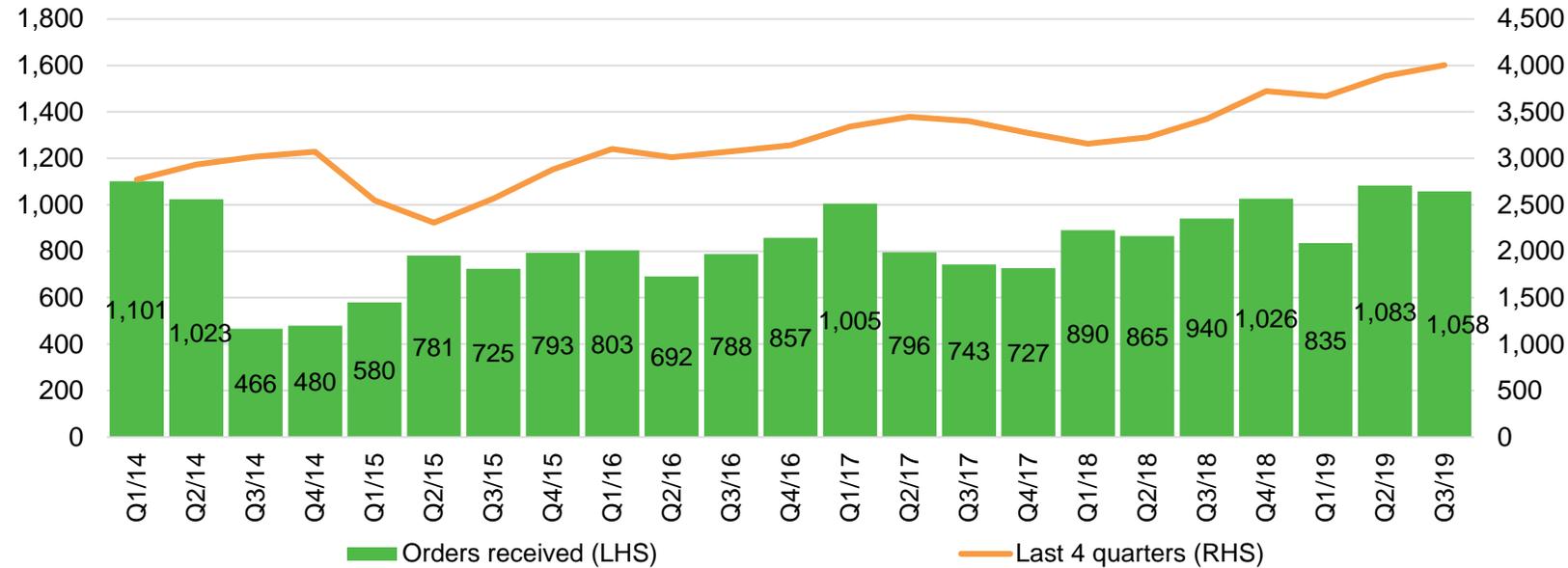
Orders received by area



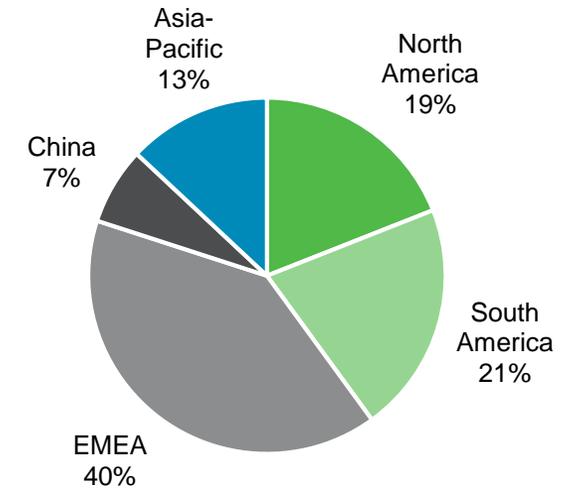
- North America
- South America
- EMEA
- China
- Asia-Pacific

# Orders received increased to EUR 1,058 million in Q3/2019

Orders received (EUR million)



Orders received in Q1–Q3/2019 by area

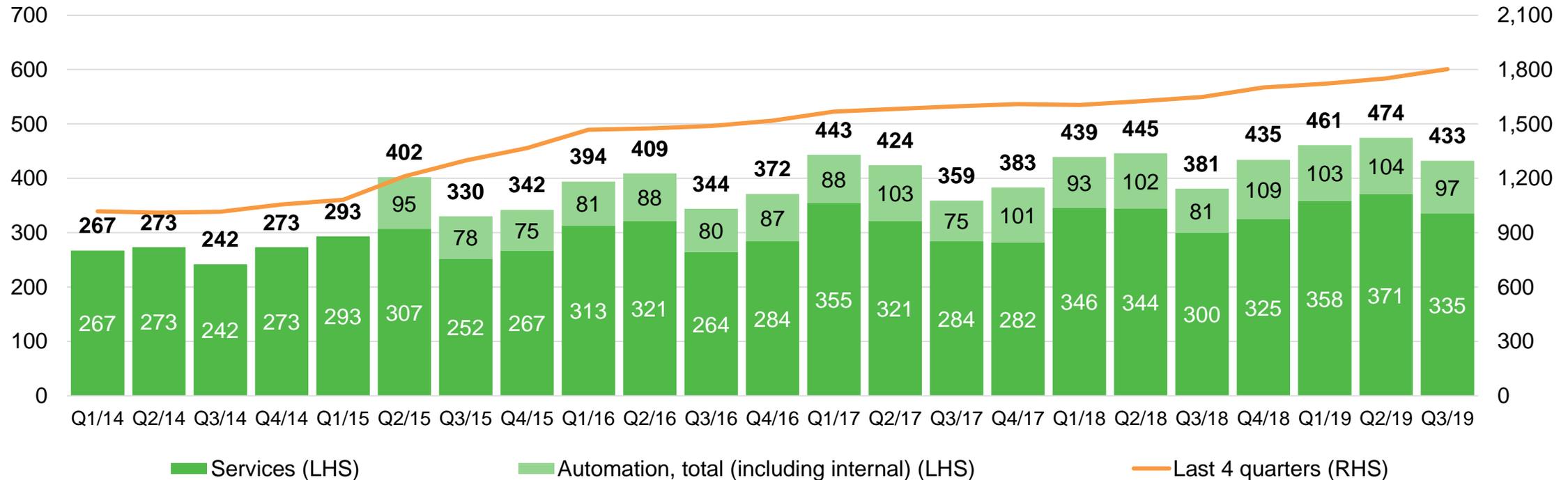


- In stable business, orders received increased to EUR 433 million in Q3/2019<sup>1</sup>
- In capital business, orders received increased to EUR 637 million in Q3/2019
- Orders received increased to EUR 4.0 billion during the last four quarters
- Orders received increased in emerging markets and remained at the previous year's level in developed markets in Q3/2019
  - 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 1,802 million during last four quarters<sup>1</sup>

Orders received (EUR million) in stable business<sup>1</sup>

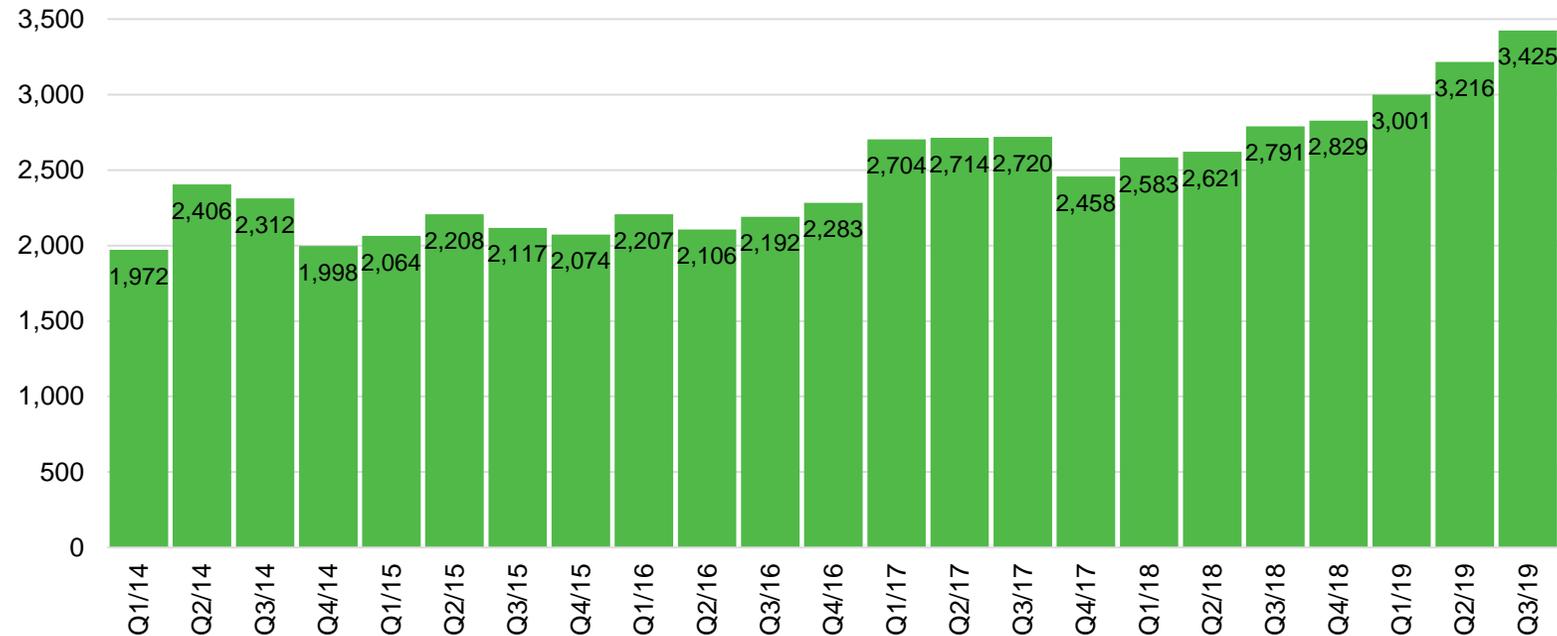


- Total orders received in stable business increased by EUR 51 million in Q3/2019

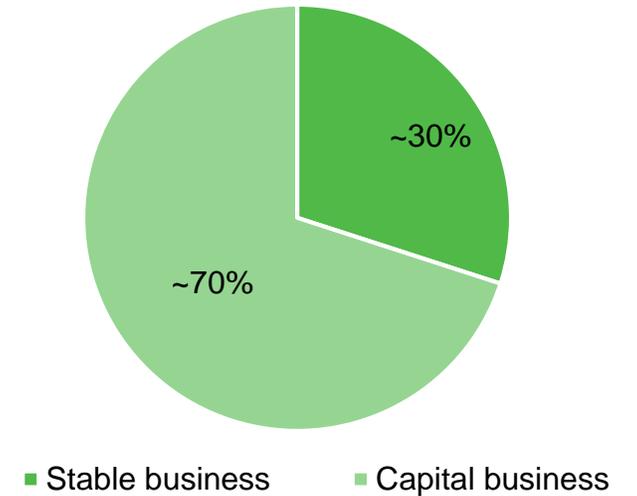
1) Including internal orders received for the Automation business line.

# Order backlog at EUR 3,425 million at the end of Q3/2019

Order backlog (EUR million)



Structure of order backlog



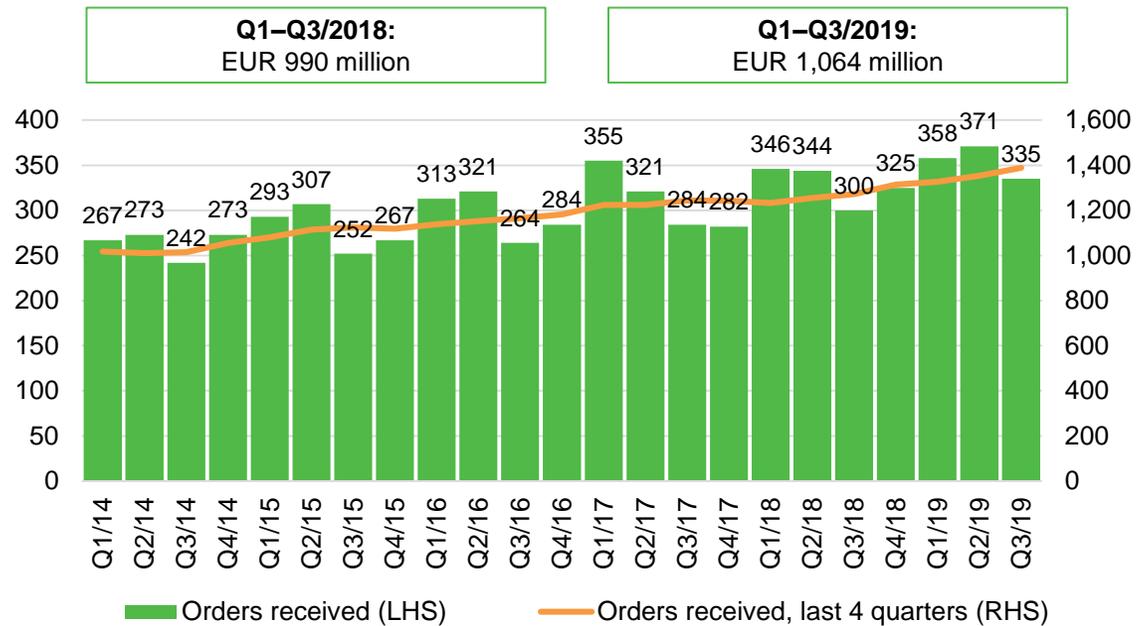
- Order backlog was EUR 209 million higher than at the end of Q2/2019
- Approximately 30% of the order backlog relates to stable business (~30% at the end of Q3/2018)



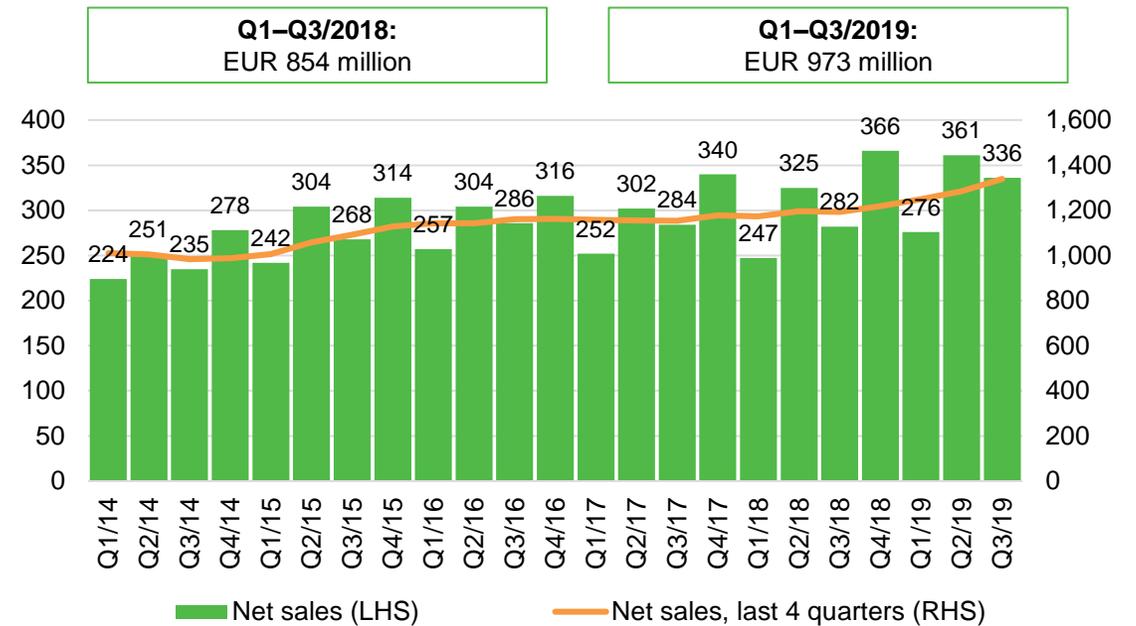
# Development of the business lines

# Services: Orders received and net sales increased

## Orders received (EUR million)



## Net sales (EUR million)

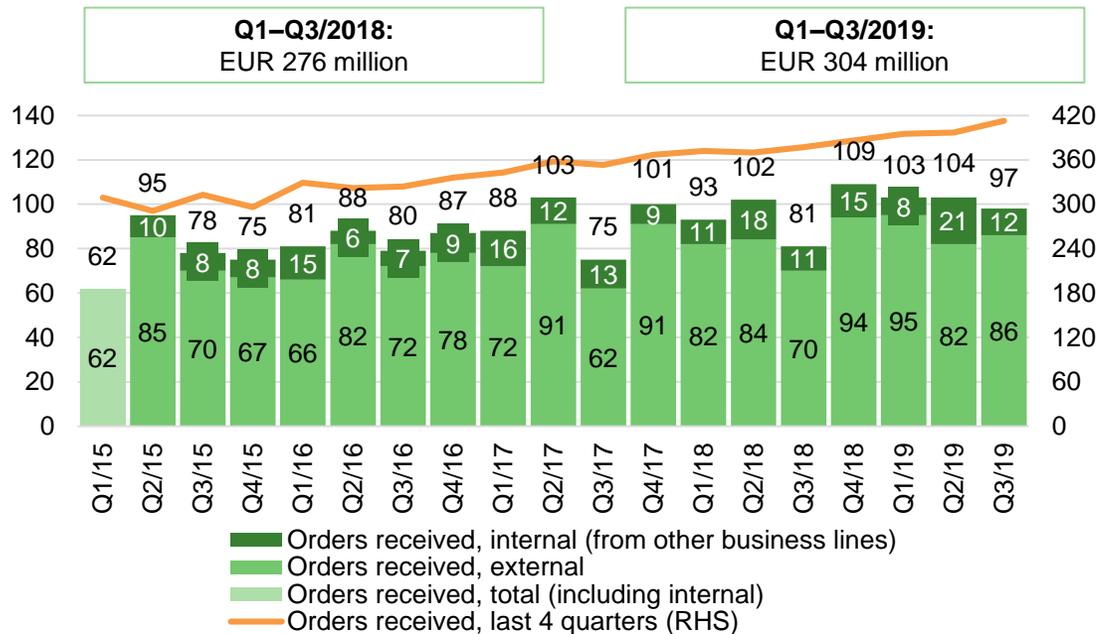


- Orders received increased compared with Q3/2018
  - Orders received of the acquired businesses amounted to EUR 33 million in Q3/2019 and EUR 77 million in 4-9/2019
  - Orders received increased in China, Asia-Pacific and North America, remained at the previous year's level in EMEA, and decreased in South America
  - Orders received increased in Performance Parts, remained at the previous year's level in Mill Improvements and Rolls, and decreased in Energy and Environmental, and Fabrics
- Net sales increased compared with Q3/2018
  - Net sales of the acquired businesses amounted to EUR 37 million in Q3/2019 and EUR 75 million in 4-9/2019

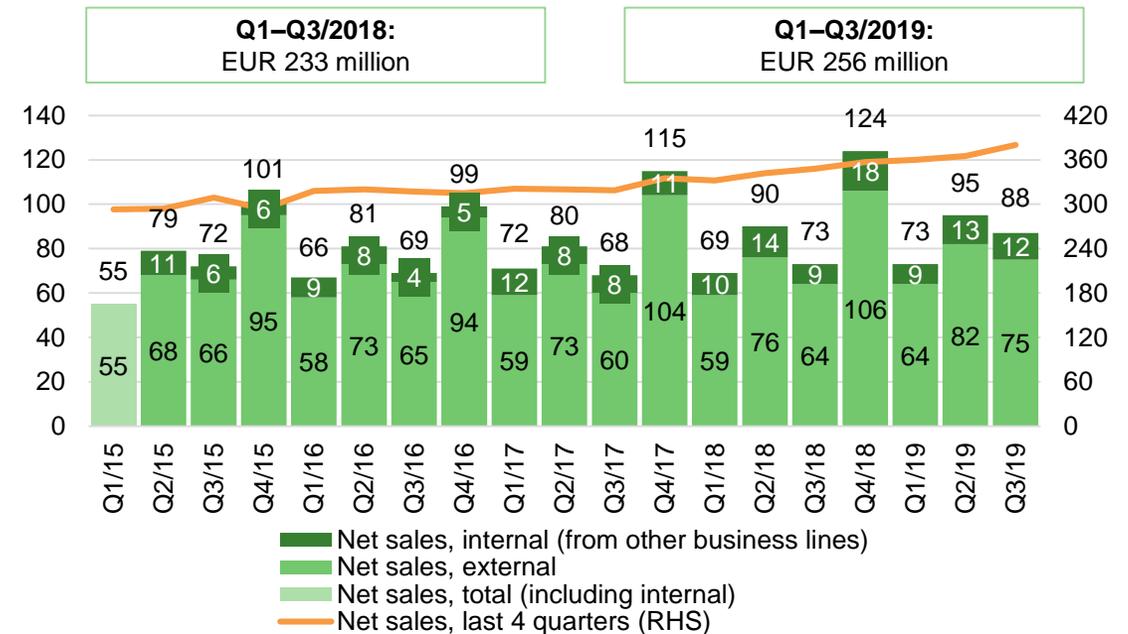


# Automation<sup>1</sup>: Orders received and net sales increased

## Orders received<sup>2</sup> (EUR million)



## Net sales<sup>2</sup> (EUR million)



- Orders received increased compared with Q3/2018
  - Orders received increased in all areas
  - Orders received increased in Pulp and Paper, and remained at the previous year's level in Energy and Process
- Net sales increased compared with Q3/2018

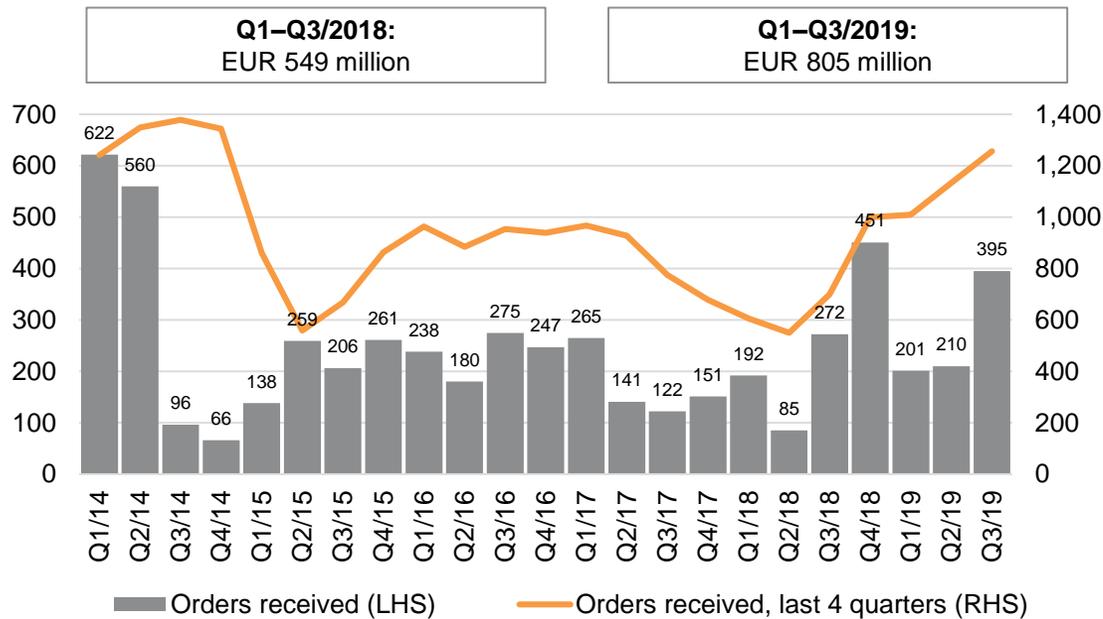


1) Comments refer to orders received and net sales including also internal orders received and net sales.

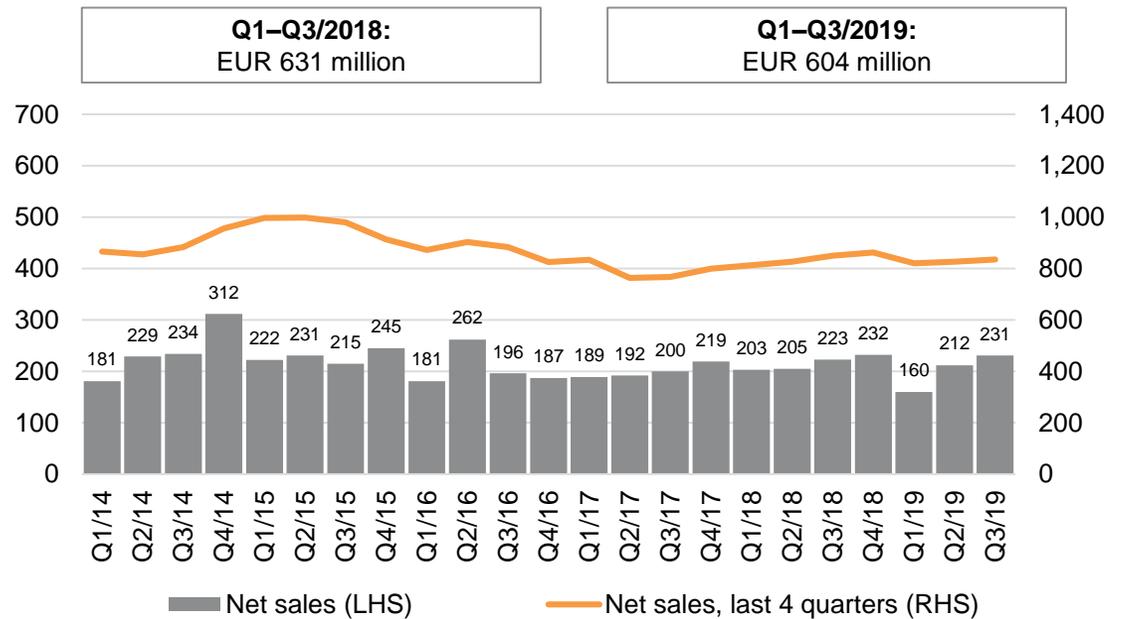
2) Q1/2015 orders received and the underlying figures for 'Orders received, last 4 quarters' and 'Net sales, last 4 quarters' are calculated based on Metso's reported figures and pro forma figures excluding Process Automation Systems and are therefore indicative only.

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

Orders received (EUR million)



Net sales (EUR million)

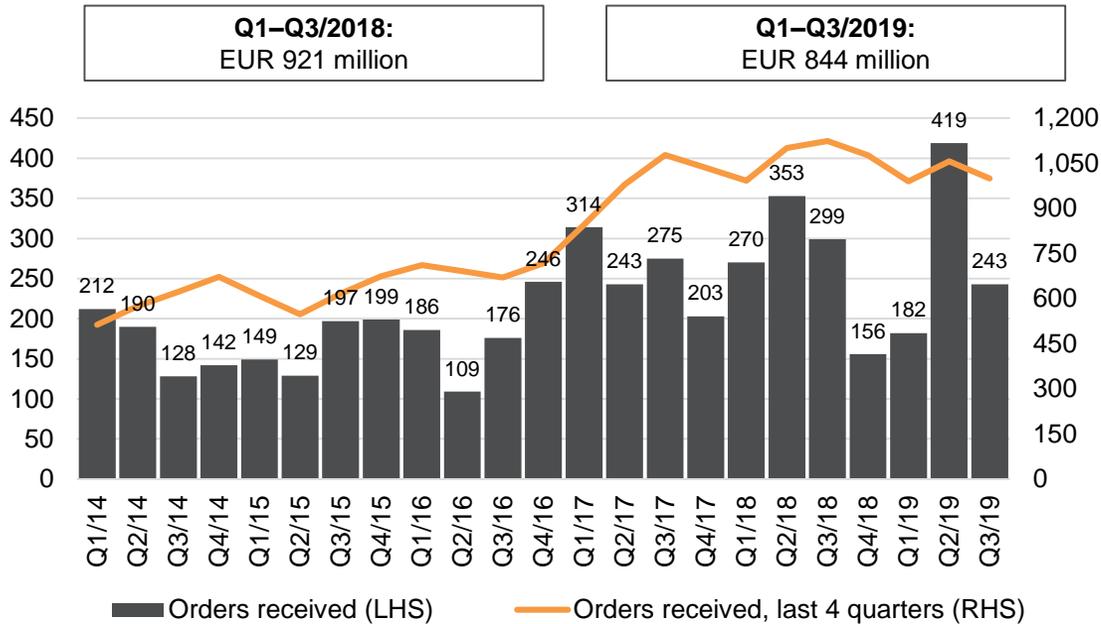


- Orders received increased compared with Q3/2018
  - Orders received increased in South America and decreased in all other areas
  - Orders received increased in Pulp and decreased in Energy
  - Orders received include a major pulp technology order from South America
  - Marine scrubber orders received were EUR 93 million in Q3/2019 and EUR 110 million during Q1-Q3/2019
- Net sales remained at the previous year's level compared with Q3/2018

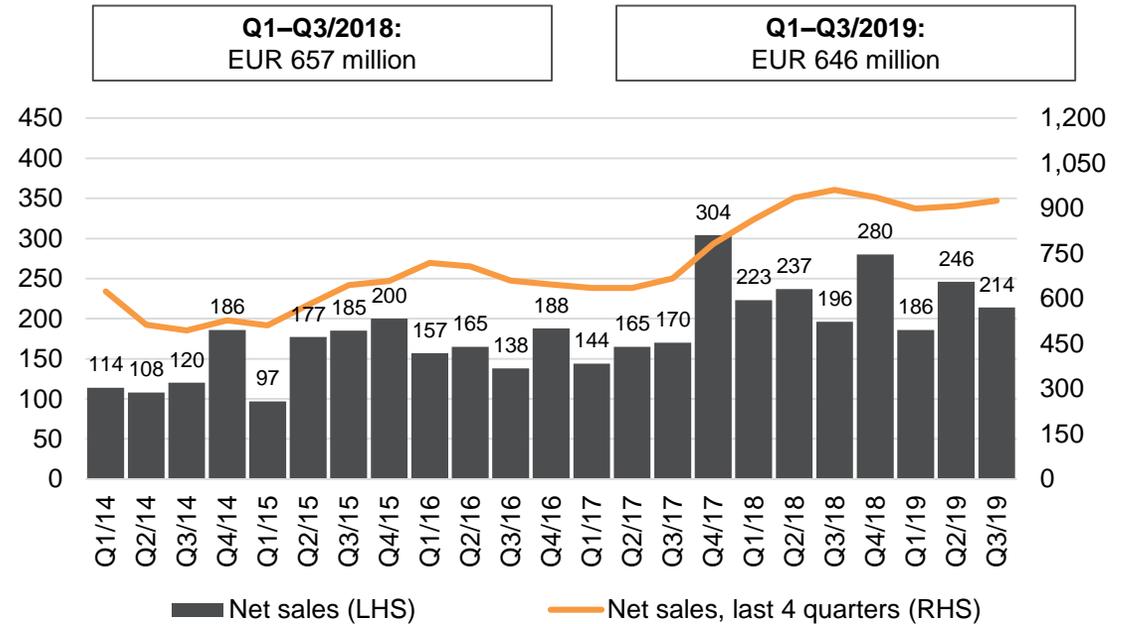


# Paper: Orders received decreased and net sales increased

Orders received (EUR million)



Net sales (EUR million)



- Orders received decreased compared with Q3/2018
  - Orders received increased in North America and Asia-Pacific, and decreased in South America, China and EMEA
  - Orders received remained at the previous year's level in Board and Paper and decreased in Tissue
- Net sales increased compared with Q3/2018





# Recent achievements in sustainability

# Valmet's recent achievements in sustainability

- Inclusion in the Dow Jones Sustainability Index for the sixth consecutive year
- Achieved A rating in CDP's climate program ranking
- Received RobecoSAM Bronze Class Sustainability Award
- Reselected in Ethibel Sustainability Index Excellence Europe
- Global process for managing suppliers' sustainability performance, 38 audits during January–September 2019
- Environmental targets spanning to year 2030 to drive continuous improvement in the long term





# Financial development

# Key figures

EUR million	Q3/2019	Q3/2018	Change	Q1–Q3/2019	Q1–Q3/2018	Change
Orders received	<b>1,058</b>	940	13%	<b>2,976</b>	2,696	10%
Order backlog <sup>1</sup>	<b>3,425</b>	2,791	23%	<b>3,425</b>	2,791	23%
Net sales	<b>857</b>	765	12%	<b>2,444</b>	2,340	4%
Comparable EBITA	<b>81</b>	61	32%	<b>198</b>	144	38%
% of net sales	<b>9.5%</b>	8.0%		<b>8.1%</b>	6.2%	
EBITA	<b>83</b>	55	49%	<b>196</b>	131	50%
Operating profit (EBIT)	<b>73</b>	48	52%	<b>172</b>	109	57%
% of net sales	<b>8.5%</b>	6.3%		<b>7.0%</b>	4.7%	
Earnings per share, EUR	<b>0.34</b>	0.23	48%	<b>0.80</b>	0.52	56%
Return on capital employed (ROCE) before taxes <sup>2</sup>				<b>19%</b>	13%	
Cash flow provided by operating activities	<b>126</b>	119	6%	<b>113</b>	141	-20%
Gearing <sup>2</sup>				<b>6%</b>	-11%	

Items affecting comparability: EUR 1 million in Q3/2019 (EUR -6 million in Q3/2018), EUR -2 million in Q1–Q3/2019 (EUR -13 million in Q1–Q3/2018)

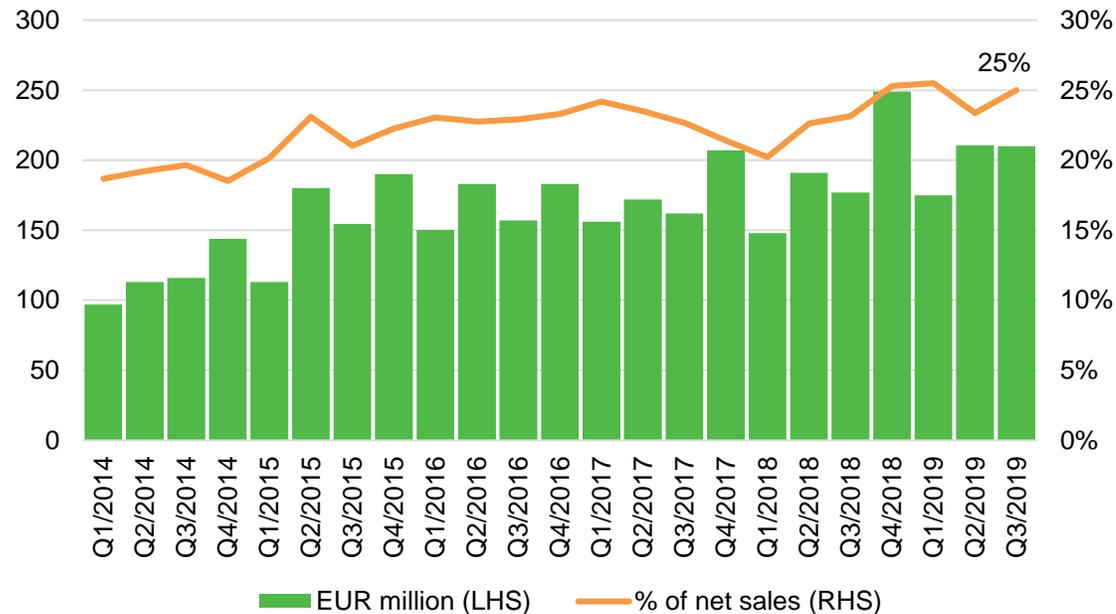
Valmet implemented IFRS 16 – Leases as of January 1, 2019 by applying the simplified transition method and therefore 2018 figures are not restated.

1) At the end of period

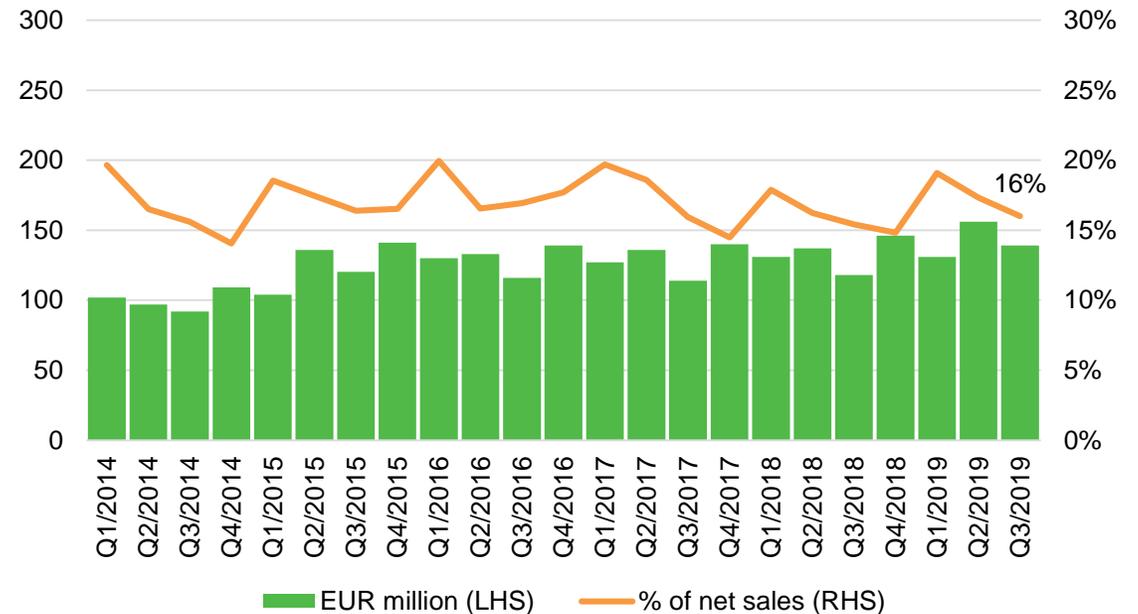
2) Annualized

# Gross profit and SG&A development

Gross profit (EUR million and % of net sales)



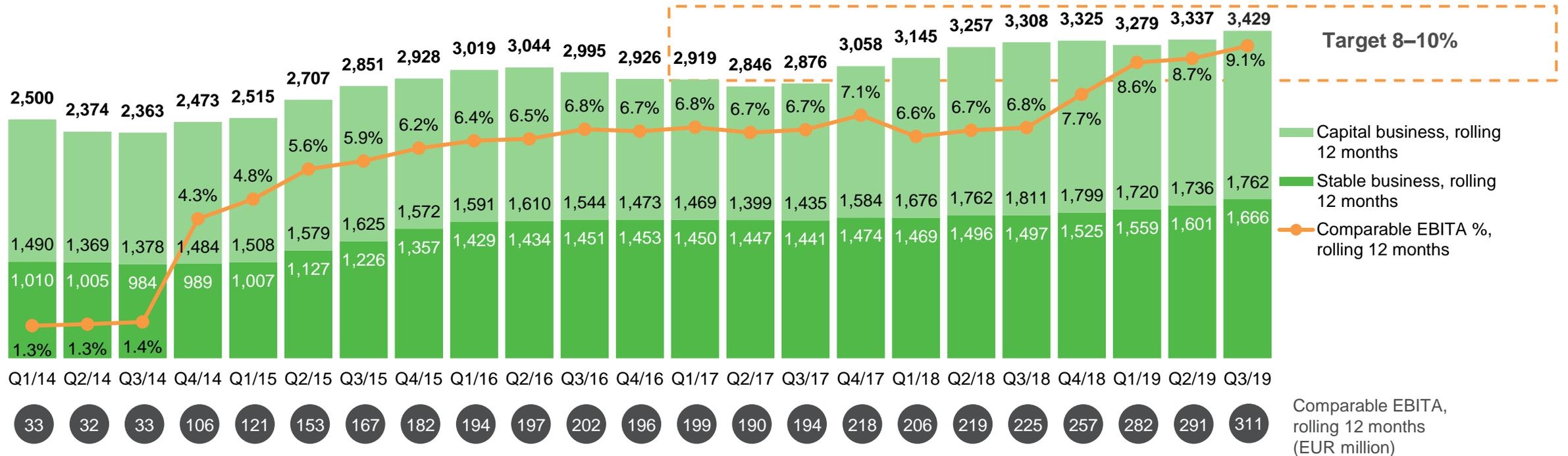
SG&A (EUR million and % of net sales)



- Gross profit was 25% of net sales (23% in Q3/2018)
- Selling, general & administrative (SG&A) expenses increased
  - Over 50% of SG&A increase coming from the acquired businesses
  - SG&A was 16% of net sales (15% in Q3/2018)

# Comparable EBITA margin within the target range

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

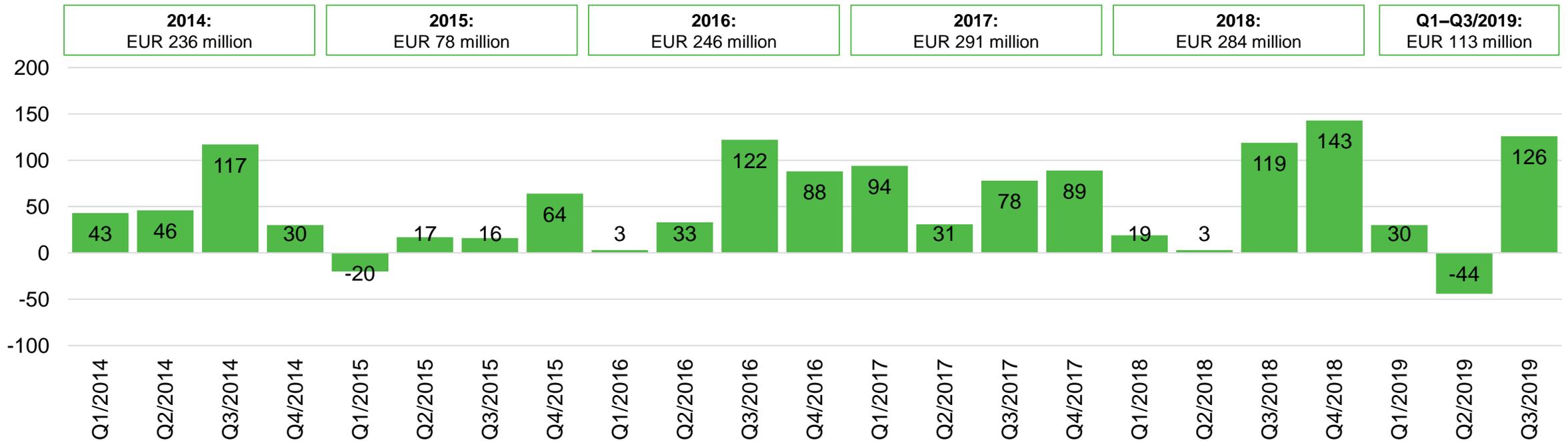


- Net sales and Comparable EBITA increased compared with Q3/2018
  - Profitability improved due to increased net sales and higher gross profit

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 capital<sup>1</sup> EUR 85 million in Q3/2019
- Cash flow provided by operating activities EUR 126 million in Q3/2019
- CAPEX<sup>2</sup> EUR 19 million in Q3/2019

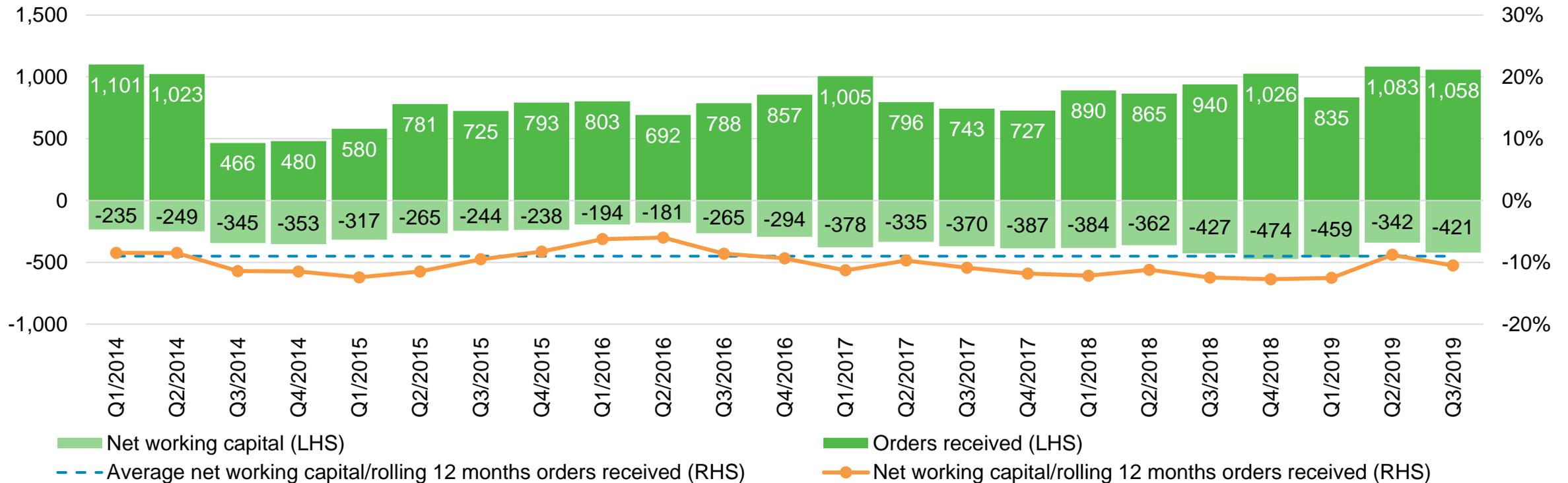
Valmet implemented IFRS 16 – Leases as of January 1, 2019 by applying the simplified transition method and therefore 2018 figures are not restated.

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

2) Excluding business combinations and leased assets.

# Net working capital at -11% of rolling 12 months orders received

Net working capital and orders received (EUR million)

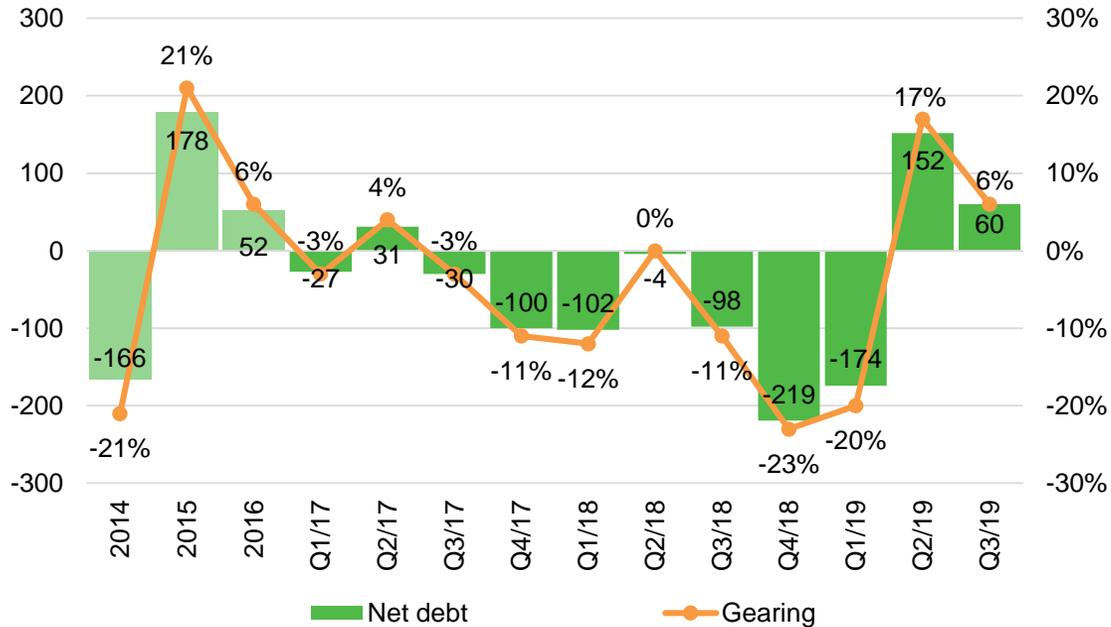


- Net working capital EUR -421 million, which equals -11% of rolling 12 months orders received

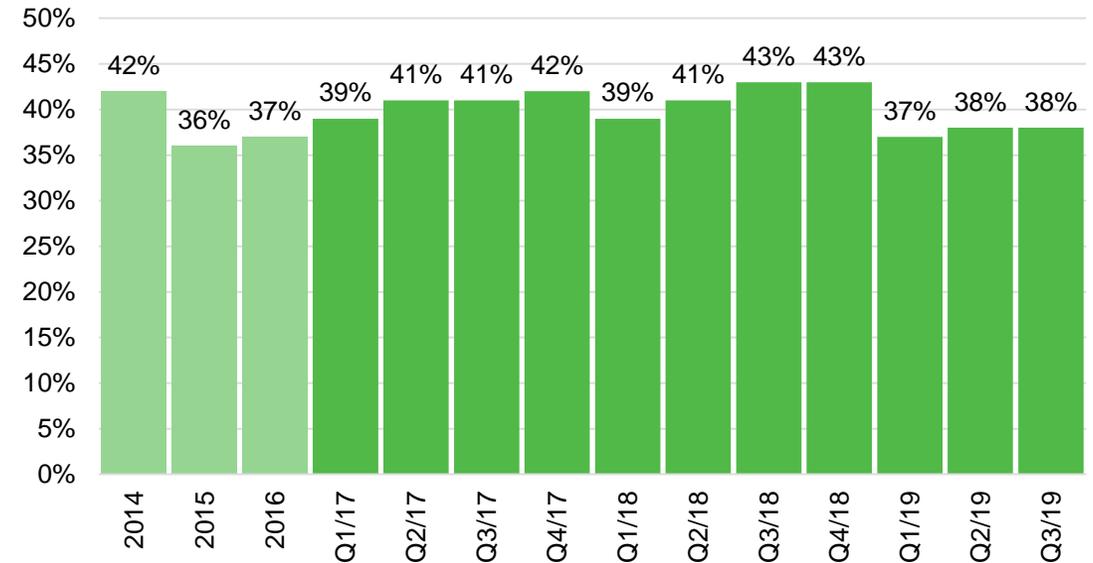
Net working capital excluding non-cash net working capital impact from dividend liability.

# Net debt and gearing increased compared with Q3/2018

Net debt (EUR million) and gearing (%)



Equity to assets ratio (%)

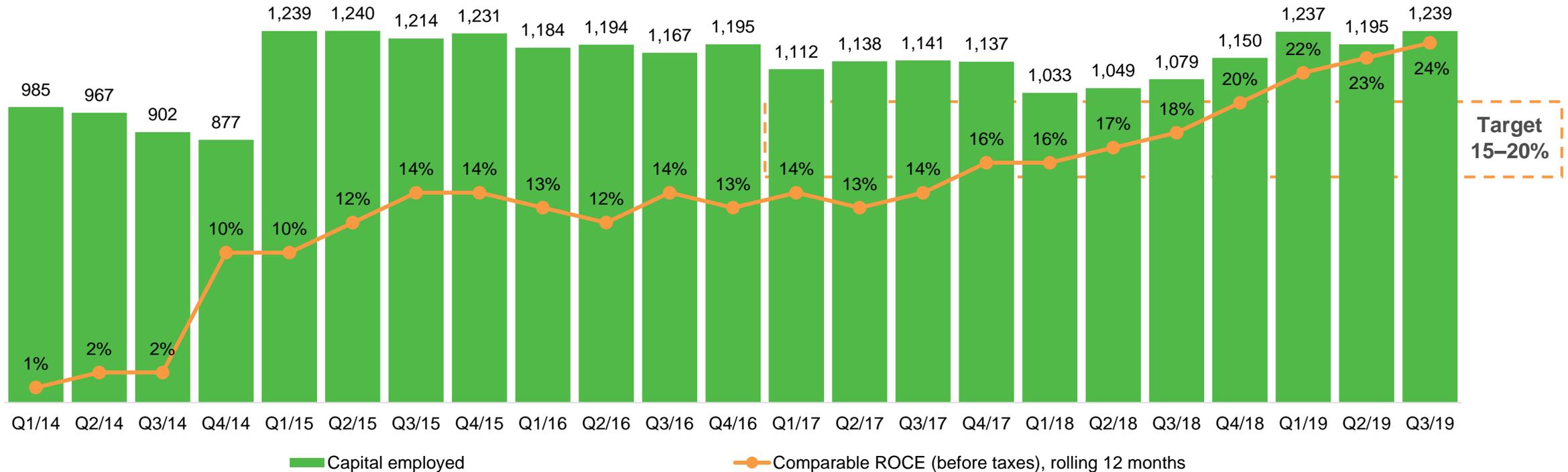


- Gearing (6%) and net debt (EUR 60 million) increased compared with Q3/2018
  - Without the effect of leased assets and lease liabilities recognized following adoption of IFRS16, gearing would have been 0%
- Equity to assets ratio decreased compared with Q3/2018 and remained at the same level with Q2/2019

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

# Capital employed and Comparable ROCE

Capital employed (EUR million) and Comparable return on capital employed (ROCE), before taxes<sup>1</sup> (%)



- 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)

<b>Guidance</b>	<p>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).</p>
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## Short-term market outlook

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

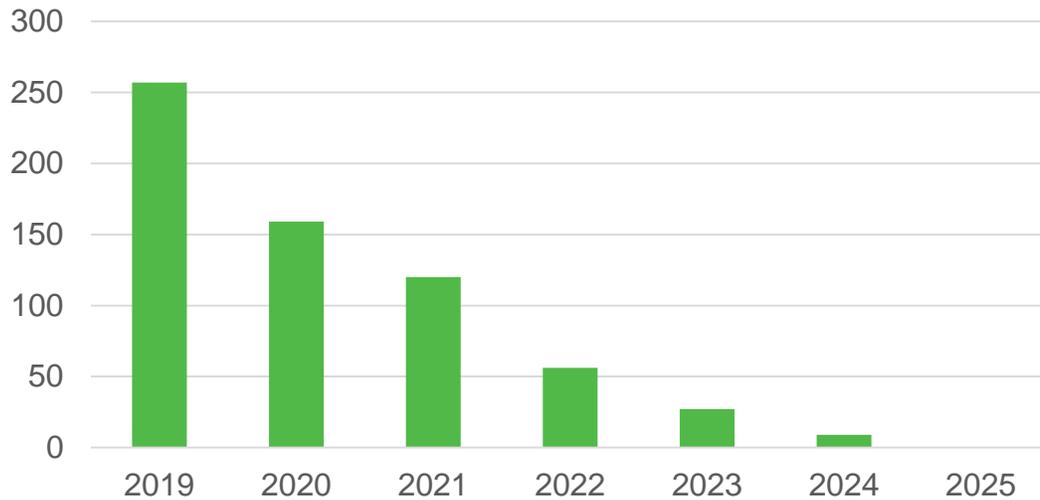


# Appendix

# Structure of loans and borrowings

Interest-bearing debt EUR 257 million as at September 30, 2019

Maturity profile of outstanding interest-bearing debt (EUR million)



- Average maturity of long-term loans is 3.3 years
- Average interest rate is 0.9%

Lease liabilities are excluded in the calculation of the figures.

Main financing sources and facilities

Source	Amount outstanding
Loans from banks and financial institutions	EUR 207 million
EUR 200 million committed syndicated revolving credit facility <sup>1)</sup>	None (undrawn)
EUR 200 million domestic commercial paper program	EUR 50 million

1) Expires in January 2024.

# Largest shareholders on September 30, 2019

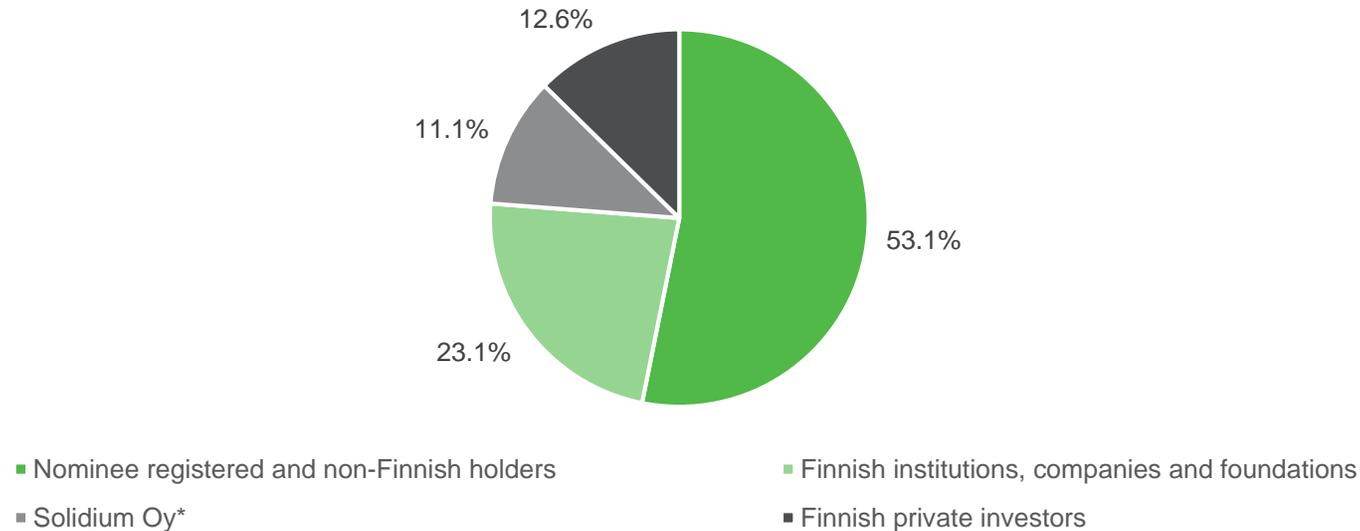
Based on information given by Euroclear Finland Ltd

#	Shareholder name	Number of shares	% of shares and votes
1	Solidium Oy <sup>1</sup>	16,695,287	11.14%
2	Ilmarinen Mutual Pension Insurance Company	4,740,000	3.16%
3	Elo Mutual Pension Insurance Company	3,700,000	2.47%
4	OP Funds	3,376,118	2.25%
5	Varma Mutual Pension Insurance Company	2,712,465	1.81%
6	The State Pension Fund	1,545,000	1.03%
7	Keva	1,502,166	1.00%
8	Evli Funds	1,047,973	0.70%
9	Danske Invest funds	805,943	0.54%
10	Nordea Funds	719,951	0.48%
11	Odin Funds	529,945	0.35%
12	Sigrid Jusélius Foundation	524,865	0.35%
13	The Finnish Cultural Foundation	520,000	0.35%
14	Sijoitusrahasto Aktia Capital	500,000	0.33%
15	Veritas Pension Insurance Company Ltd.	450,000	0.30%
16	Nordea Bank ABP	429,261	0.29%
17	The Social Insurance Institution of Finland, KELA	396,316	0.26%
18	Mandatum Life Insurance Company Limited	383,914	0.26%
19	Foundation of Brita Maria Renlunds minne	337,000	0.22%
20	Samfundet folkhälsan i Svenska Finland rf	320,985	0.21%
	20 largest shareholders, total	41,237,189	27.52%
	Other shareholders	108,627,430	72.48%
	<b>Total</b>	<b>149,864,619</b>	<b>100.00%</b>

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

# Shareholder structure on September 30, 2019

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

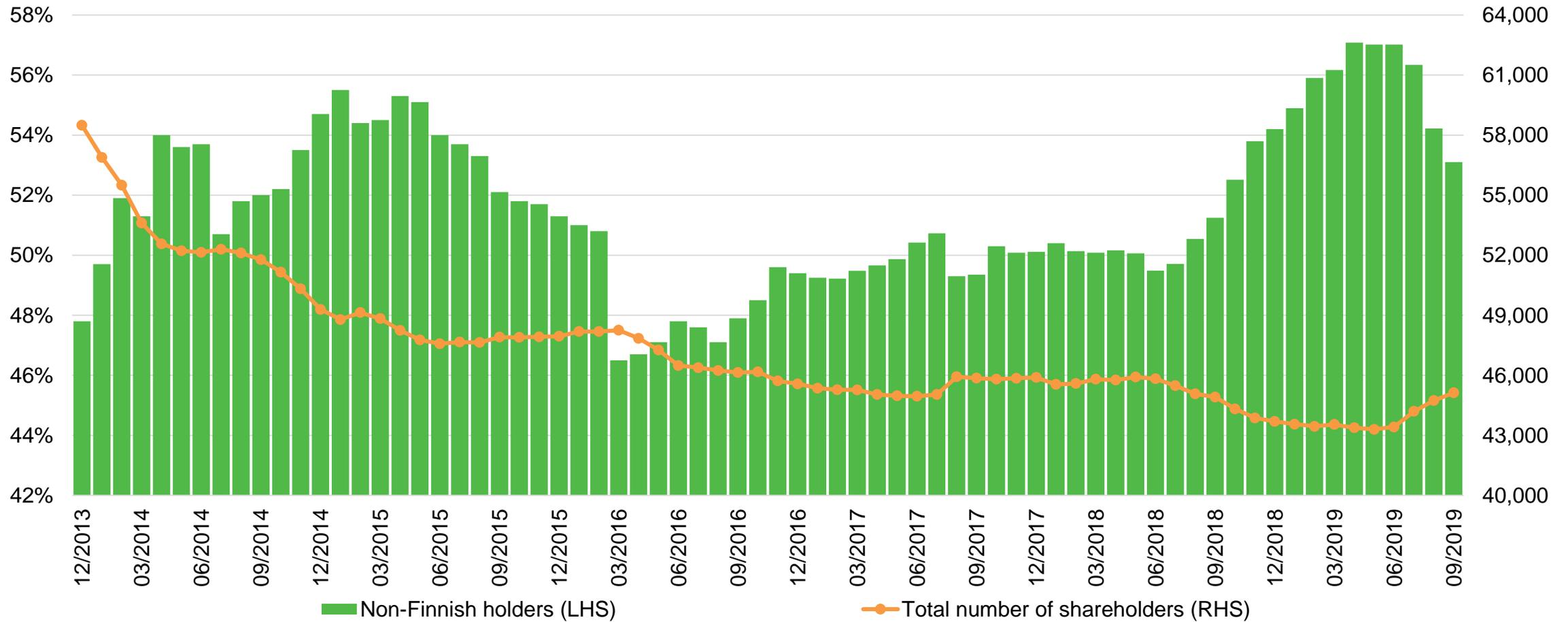


Sector	Number of shareholders	% of total shareholders	Number of shares	% of shares
Nominee registered and non-Finnish holders <sup>1</sup>	325	0.73%	79,649,514	53.15%
Finnish institutions, companies and foundations	2,239	4.96%	34,587,542	23.08%
Solidium Oy <sup>2</sup>	0	0.00%	16,695,287	11.14%
Finnish private investors	42,562	94.32%	18,924,256	12.63%
On issuer account	0	0.00%	8,020	0.01%
<b>Total</b>	<b>45,126</b>	<b>100.00%</b>	<b>149,864,619</b>	<b>100.00%</b>

1) Including 78,318,588 nominee registered shares

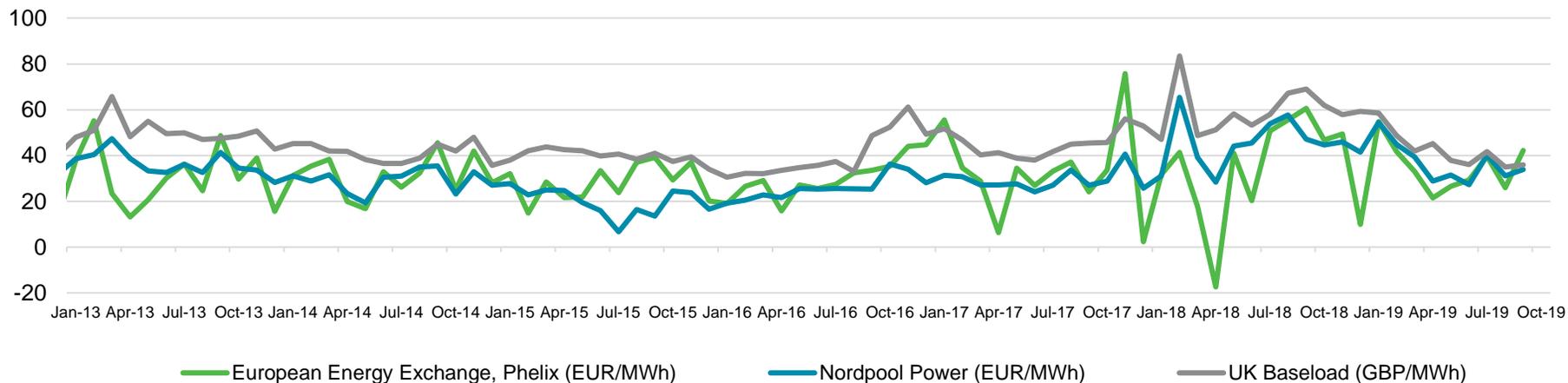
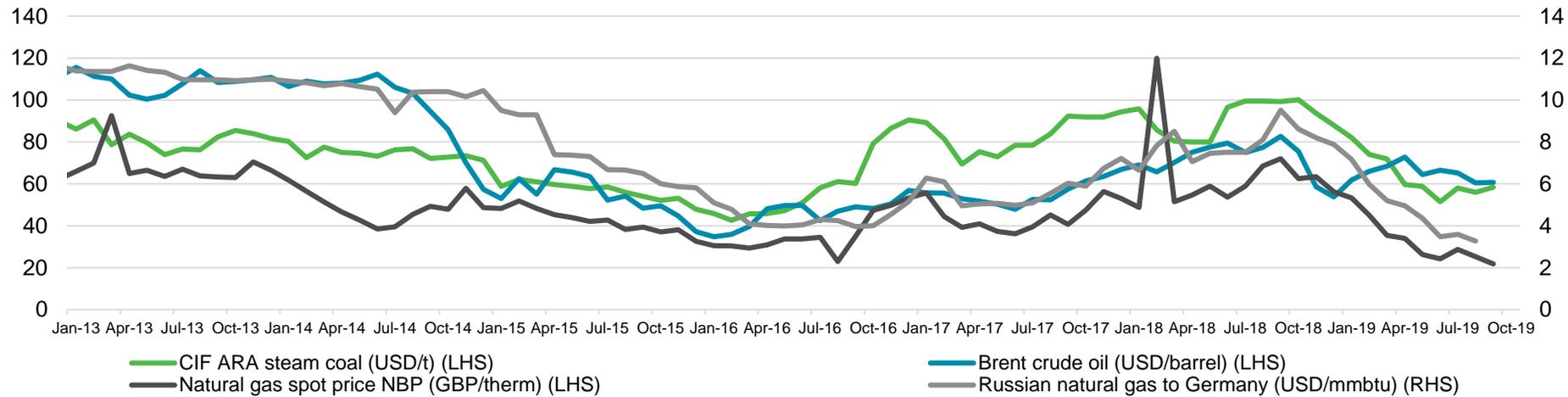
2) A holding company wholly owned by the Finnish state.

# Share of non-Finnish holders and number of shareholders



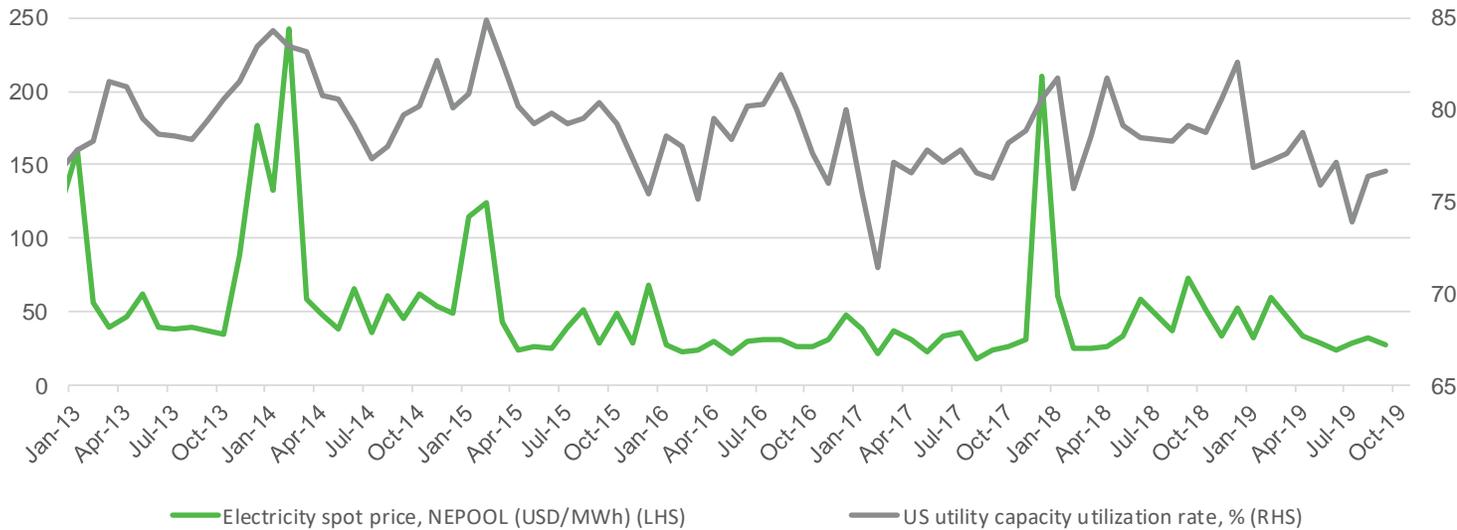
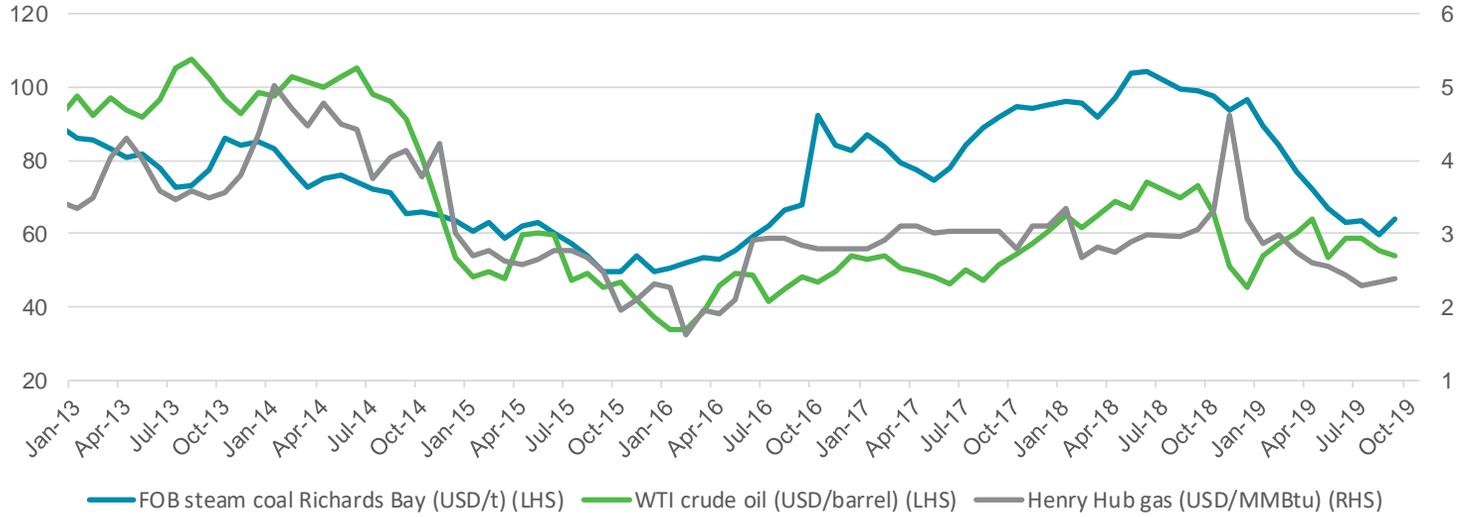
# Crude oil, steam coal, natural gas and electricity prices

## Europe



# Crude oil, steam coal, natural gas and electricity prices

## United States



# European Carbon Emission Allowance price



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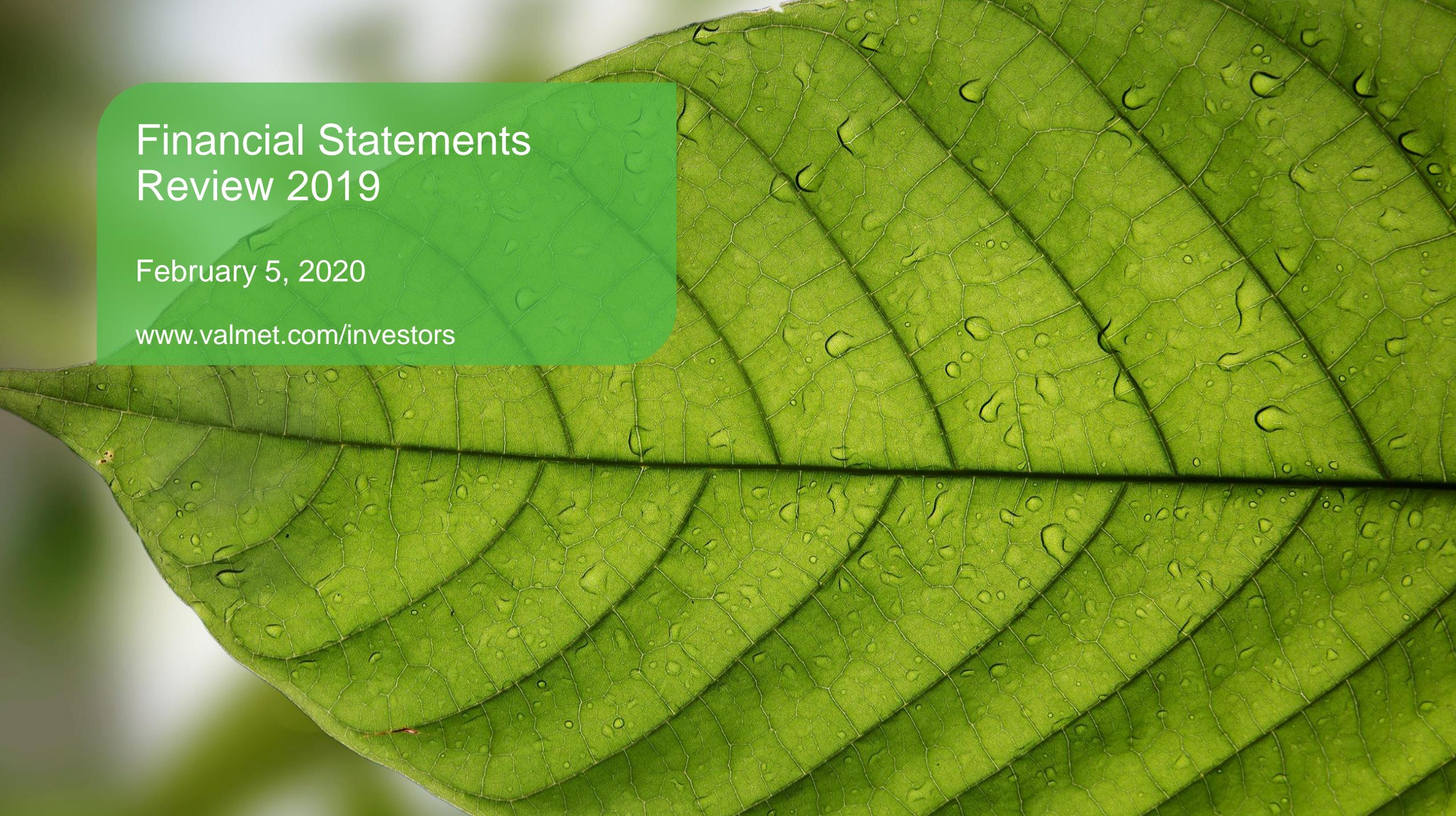
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# Financial Statements Review 2019

February 5, 2020

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