

Orders received increased to EUR 1.55 billion and
Comparable EBITA to EUR 133 million in the first
quarter

Interim Review, January–March, 2023

April 26, 2023

Pasi Laine, President and CEO

Katri Hokkanen, CFO

Agenda

Interim Review, January–March 2023

- 1 Q1/2023 in brief
- 2 Development of the segments and the business lines
- 3 Financial development
- 4 Guidance and short-term market outlook



Q1/2023 in brief

Q1/2023 in brief

- Orders received increased to EUR 1.55 billion
- Net sales increased to EUR 1.32 billion
- Order backlog amounted to EUR 4.59 billion
- Comparable EBITA increased to EUR 133 million and margin was 10.1%
- Gearing was 15%

Valmet in Q1/2023

Orders received
EUR 1,552 million

Net sales
EUR 1,321 million

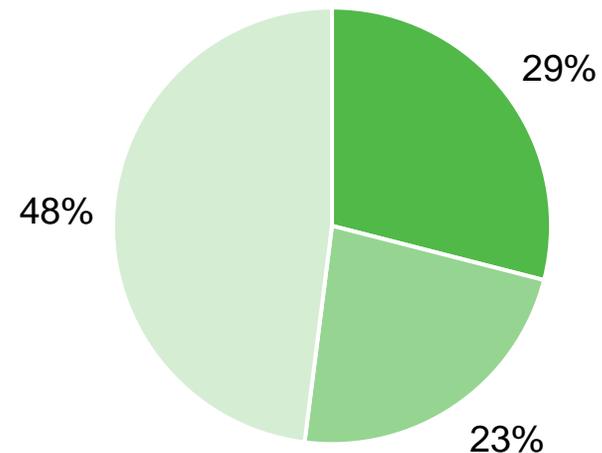
Comparable EBITA
EUR 133 million

Comparable EBITA margin
10.1%

Order backlog
EUR 4,595 million

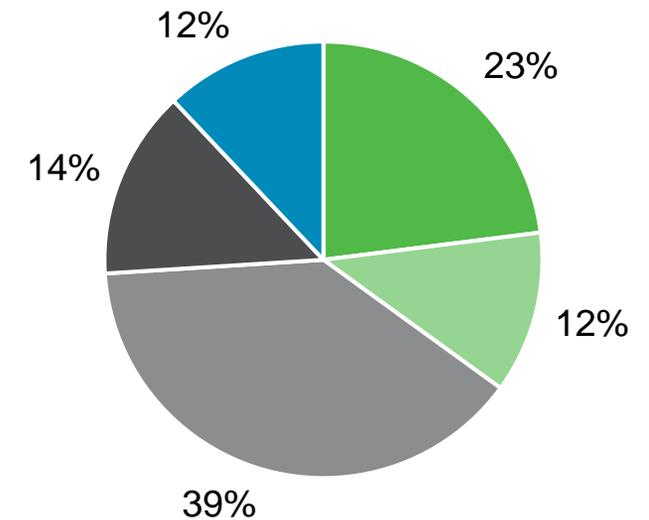
Employees
17,769

Net sales by segment



- Services
- Automation
- Process Technologies

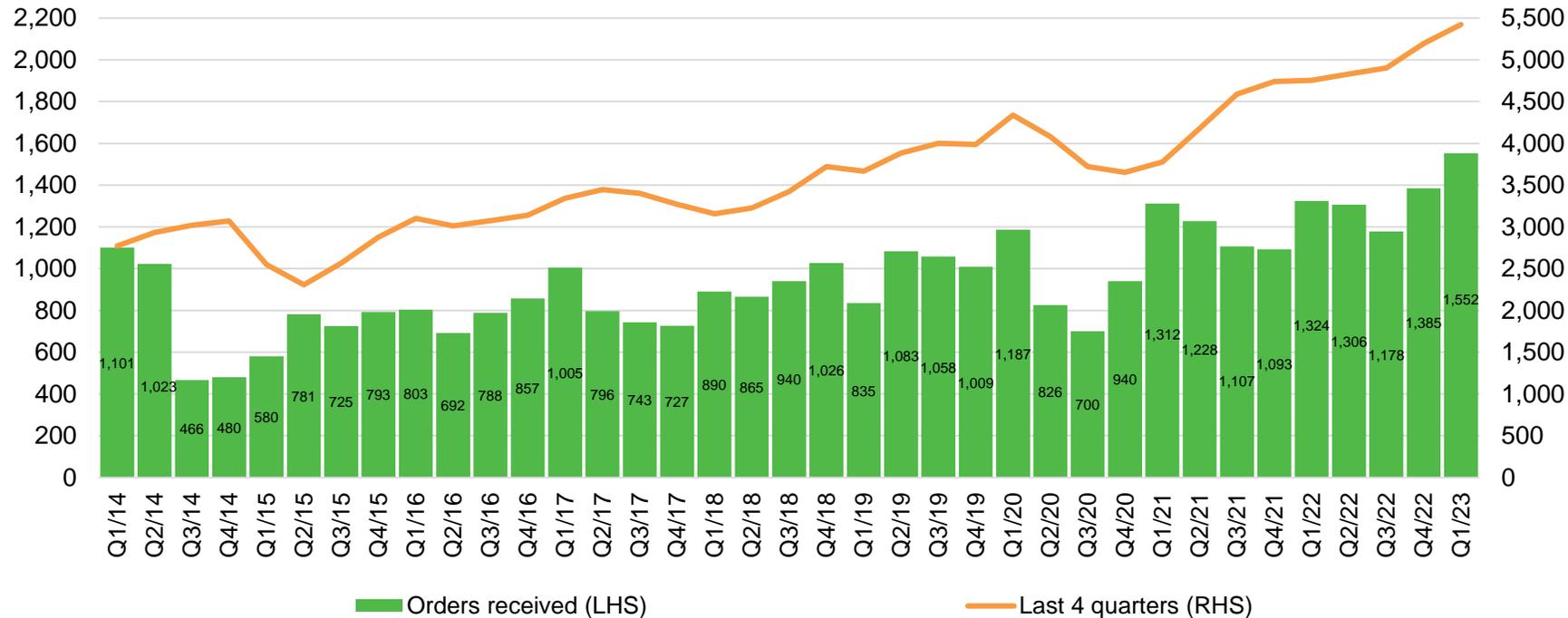
Net sales by area



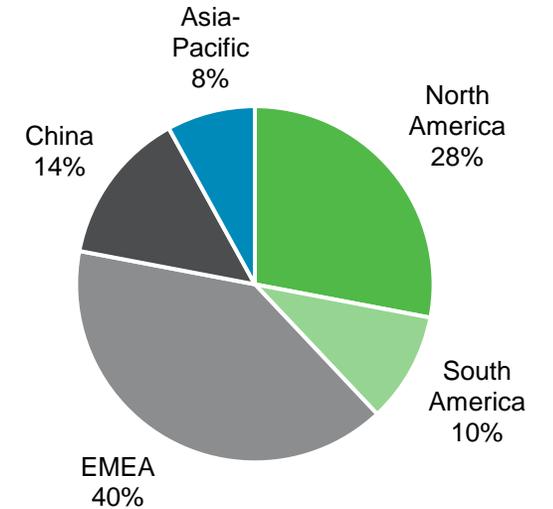
- North America
- South America
- EMEA
- China
- Asia-Pacific

Orders received increased to EUR 1,552 million in Q1/2023

Orders received (EUR million)



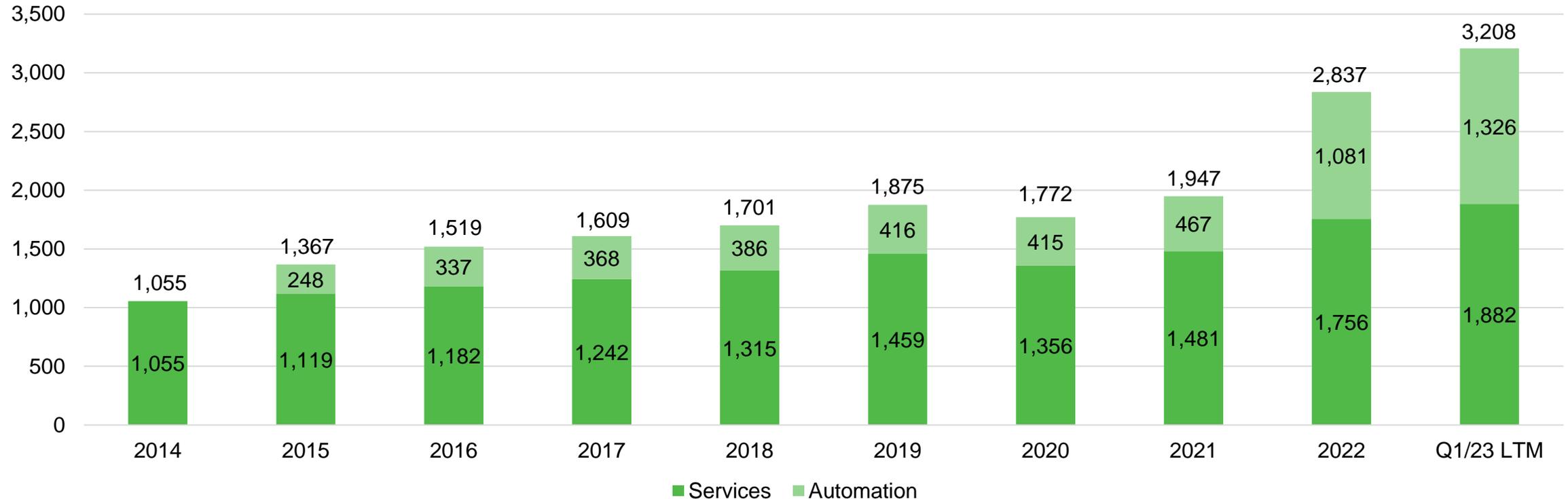
Orders received in Q1/2023 by area



- Orders received increased in South America, North America and EMEA, remained at the previous year's level in Asia-Pacific and decreased in China in Q1/2023 compared with Q1/2022
 - South America, China and Asia-Pacific together accounted for 32% of orders received

Stable business orders received totalled EUR 3,208 million during the last twelve months

Orders received (EUR million) in stable business

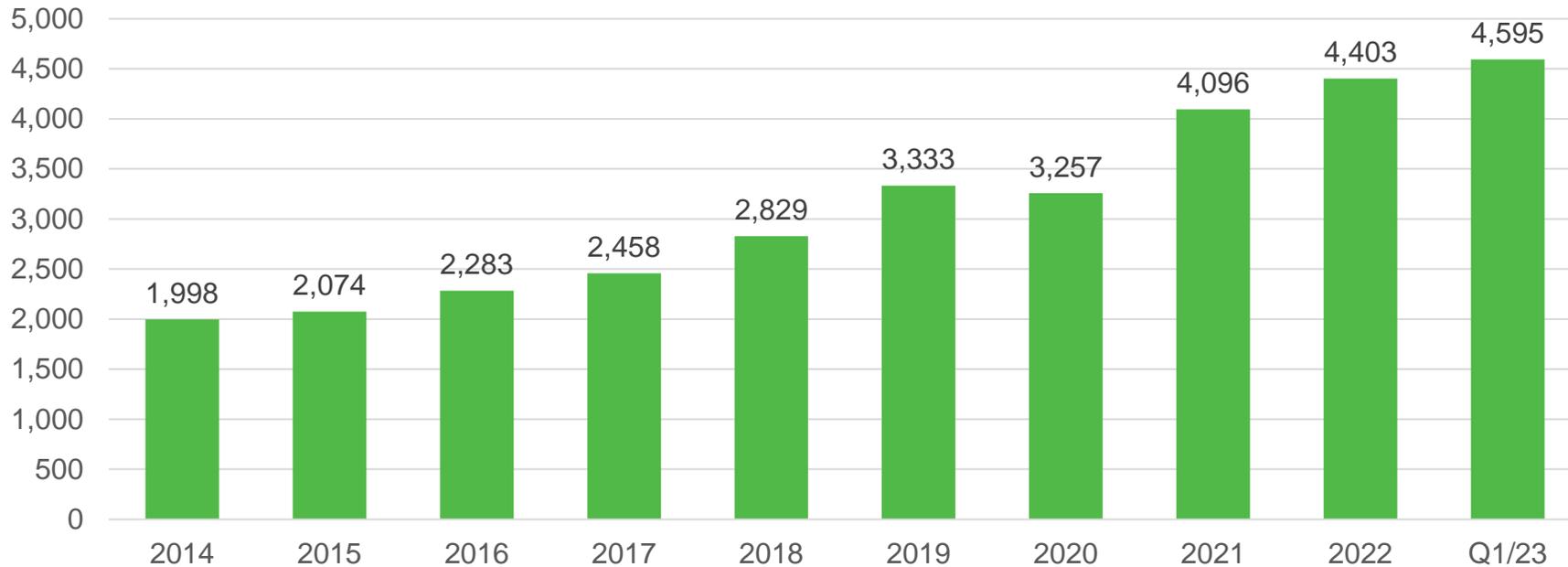


- Orders received in stable business were EUR 370 million higher in Q1/2023 compared with Q1/2022

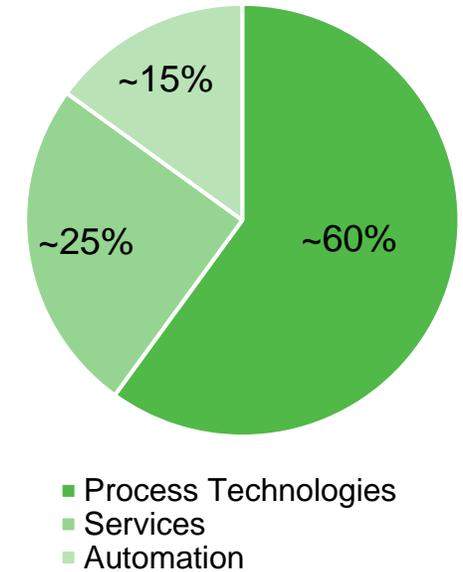
2014–2020 figures have not been restated and 2015–2020 figures include internal orders received for the Automation Systems business line.

Order backlog EUR 4,595 million at the end of Q1/2023

Order backlog (EUR million)



Structure of order backlog by segment



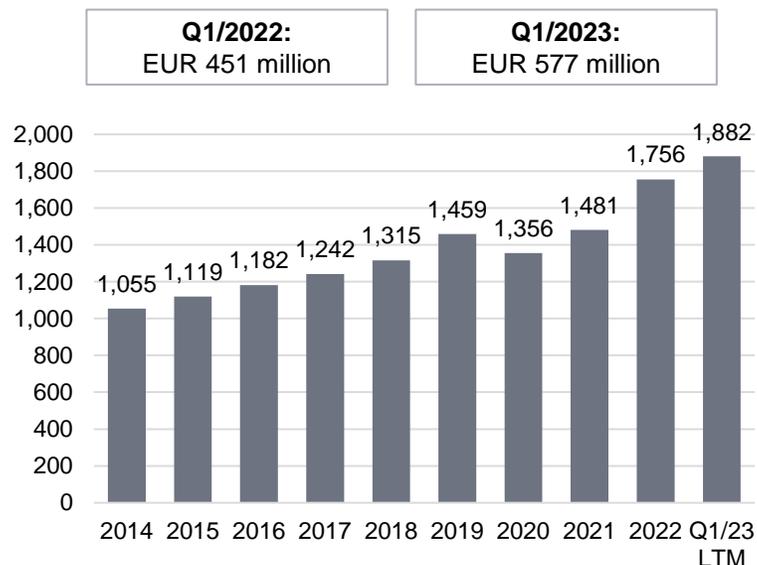
- Order backlog was EUR 192 million higher than at the end of 2022
- Approximately 65% of the order backlog is currently expected to be realized as net sales during 2023 (at the end of Q1/2022, ~60% during 2022)
- Approximately 40% of the order backlog relates to stable business (~30% at the end of Q1/2022)



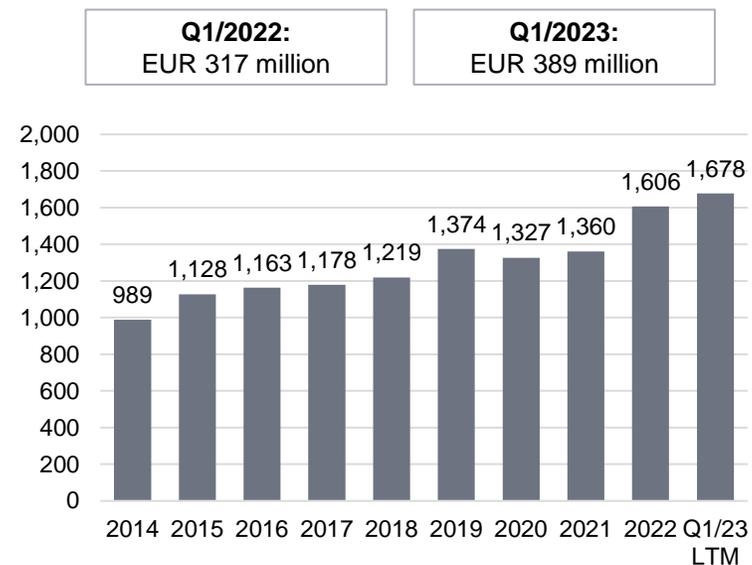
Development of the segments and the business lines

Services: Orders received increased to EUR 577 million in Q1/2023

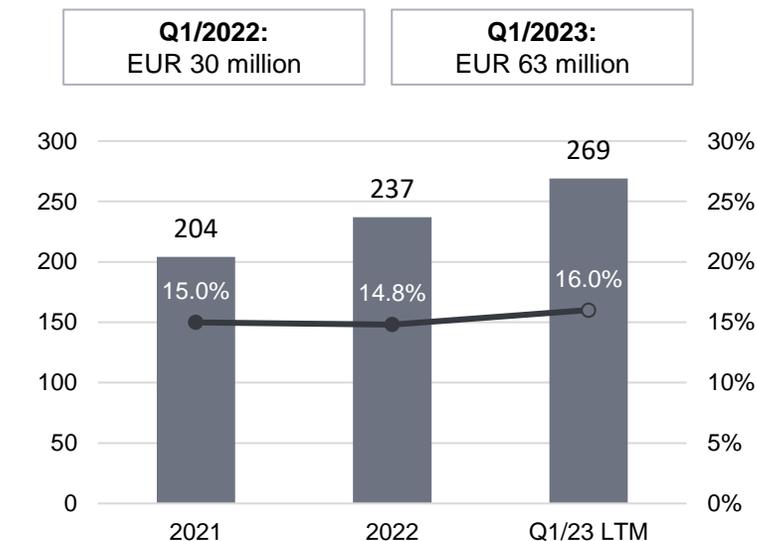
Orders received (EUR million)



Net sales (EUR million)



Comparable EBITA (EUR million and % of net sales)



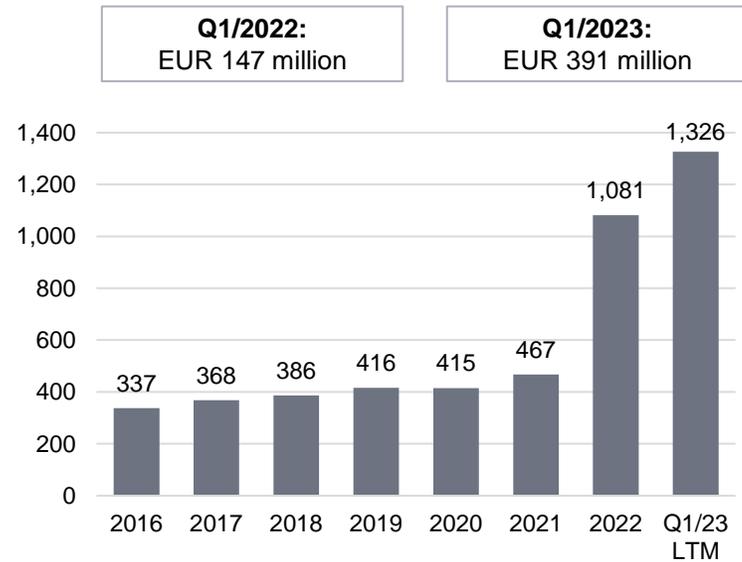
- Orders received increased compared with Q1/2022
 - Orders received increased in all areas except for China, where orders received remained at the previous year's level
 - Orders received increased in all business units
 - Orders received increased due to higher prices and good customer activity including a large single order
- Net sales increased compared with Q1/2022
- Comparable EBITA increased compared with Q1/2022 due to higher net sales
- Services segment was affected by cost inflation, reduced component availability and longer delivery times of certain components in Q1/2023



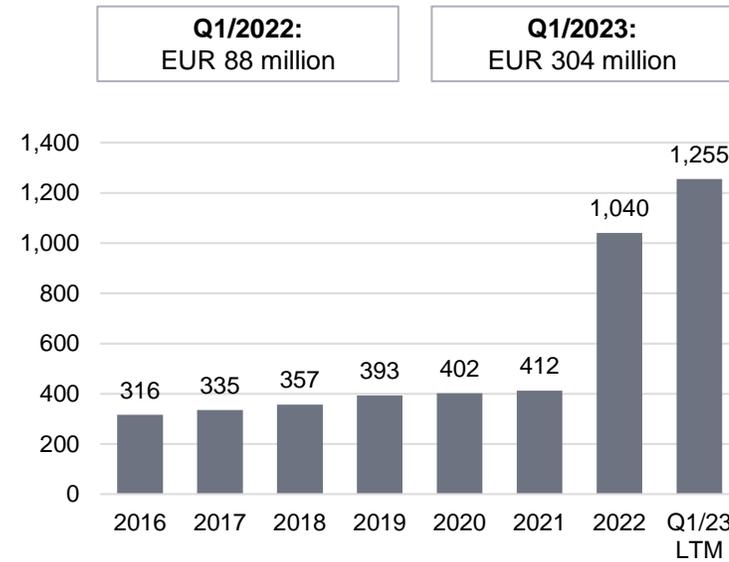
Automation: Orders received increased to EUR 391 million in Q1/2023

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

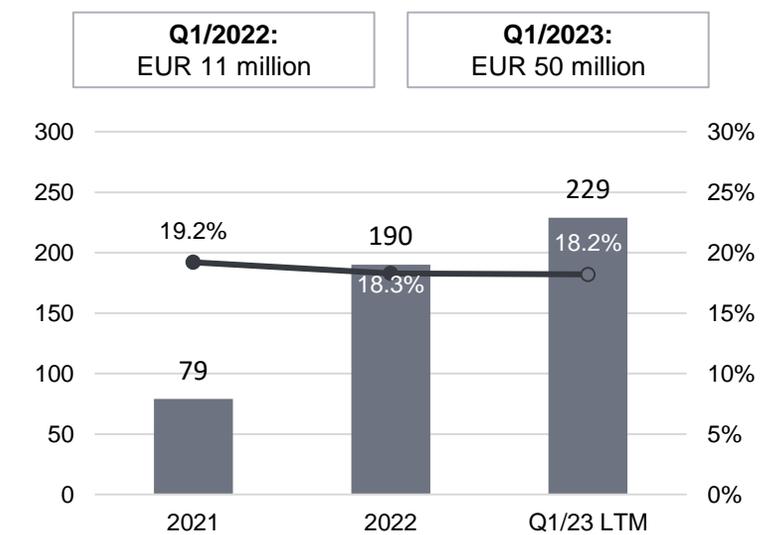
Orders received (EUR million)



Net sales (EUR million)



Comparable EBITA (EUR million and % of net sales)

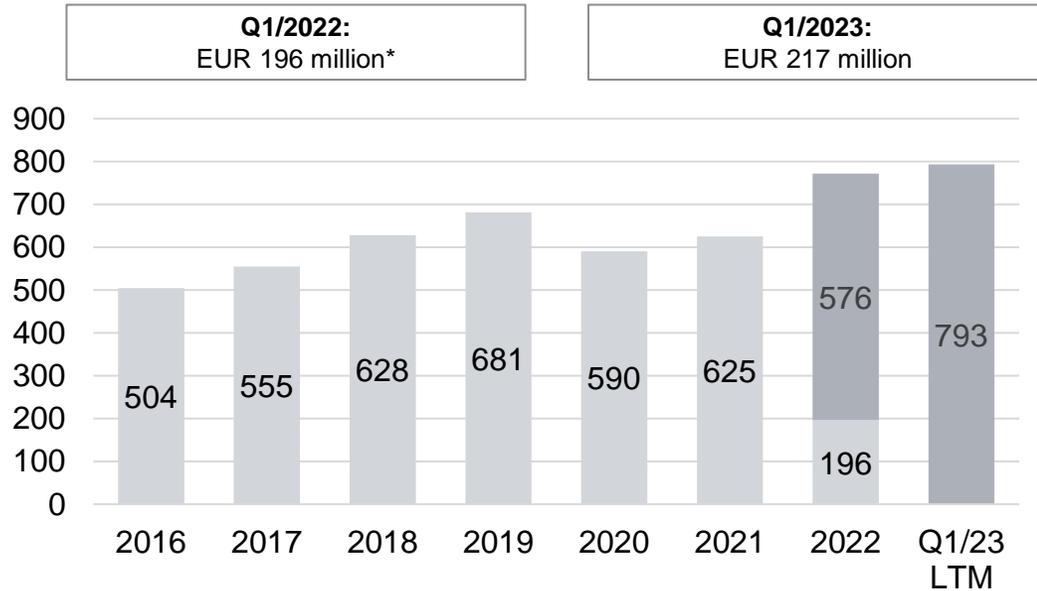


- Orders received increased compared with Q1/2022
- Net sales increased compared with Q1/2022
- Comparable EBITA increased compared with Q1/2022

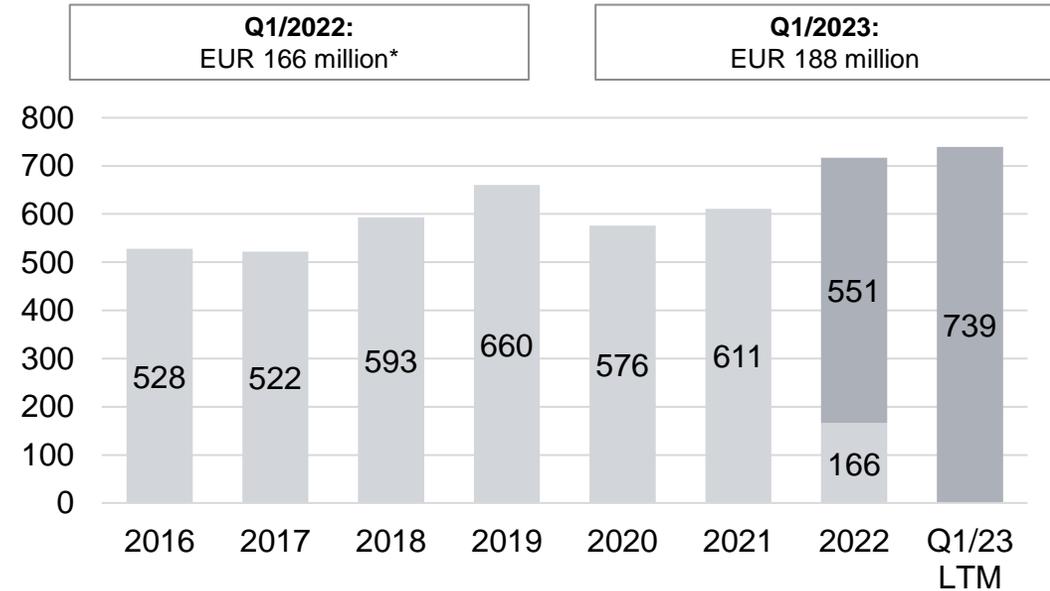


Flow Control: Orders received amounted to EUR 217 million in Q1/2023

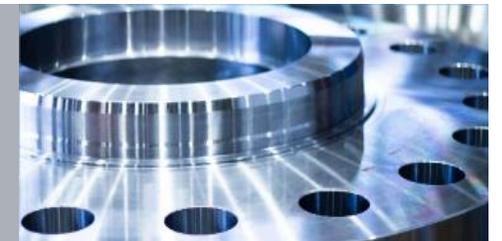
Orders received (EUR million)*



Net sales (EUR million)*



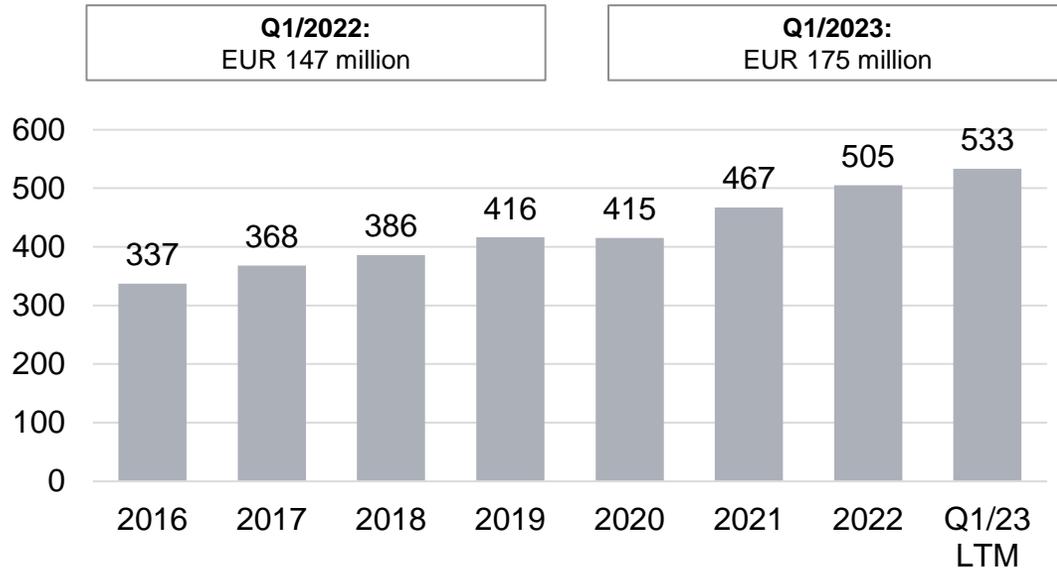
- Orders received amounted to EUR 217 million in Q1/2023
- Net sales amounted to EUR 188 million in Q1/2023
- Integration of Flow Control into Valmet is proceeding well



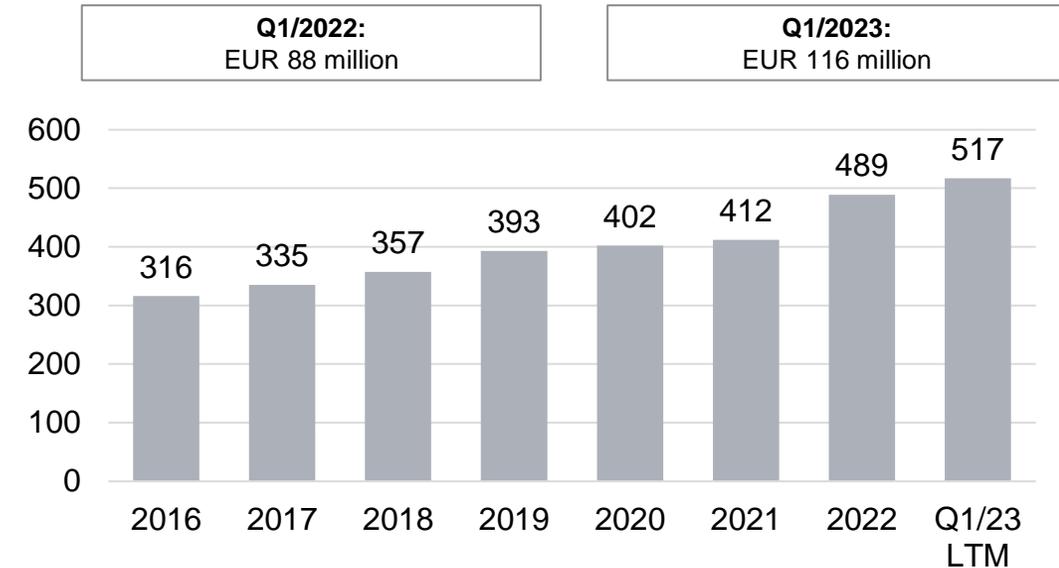
* 2016–2017 financials based on carve-out numbers; 2018–2019 financials based on Metso’s “Continuing operations” as in 2019 annual report; Q1/2020–Q1/2022 financials as reported in Neles’ Q1/2022 interim review. LTM = Last twelve months

Automation Systems: Orders received increased to EUR 175 million in Q1/2023

Orders received (EUR million)



Net sales (EUR million)

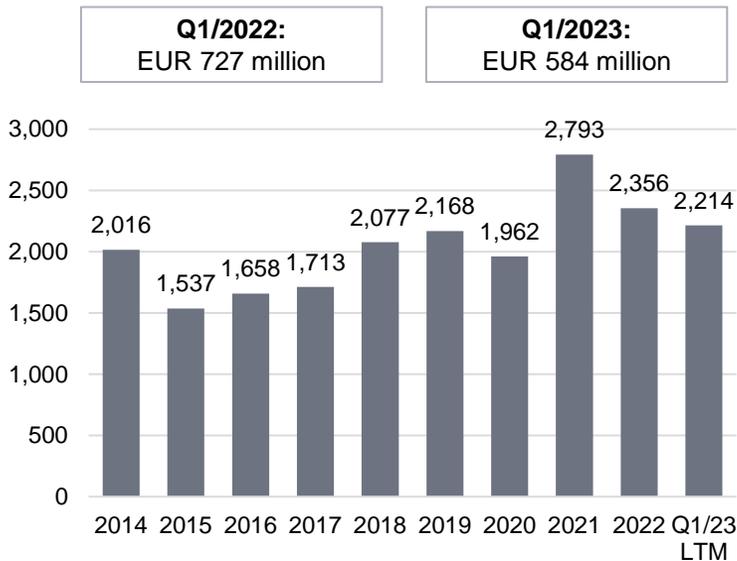


- Orders received increased compared with Q1/2022
 - Orders received increased in North America, Asia-Pacific and EMEA, remained at the previous year's level in South America and decreased in China
 - Orders received increased in both Pulp and Paper, and Energy and Process
- Net sales increased compared with Q1/2022
- Component availability continues at a reduced level and delivery times of certain components were longer during Q1/2023

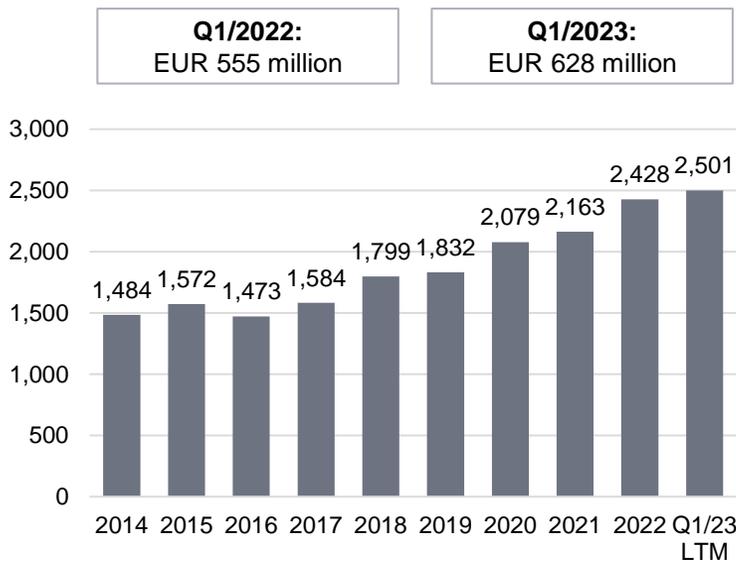


Process Technologies: Orders received decreased to EUR 584 million in Q1/2023

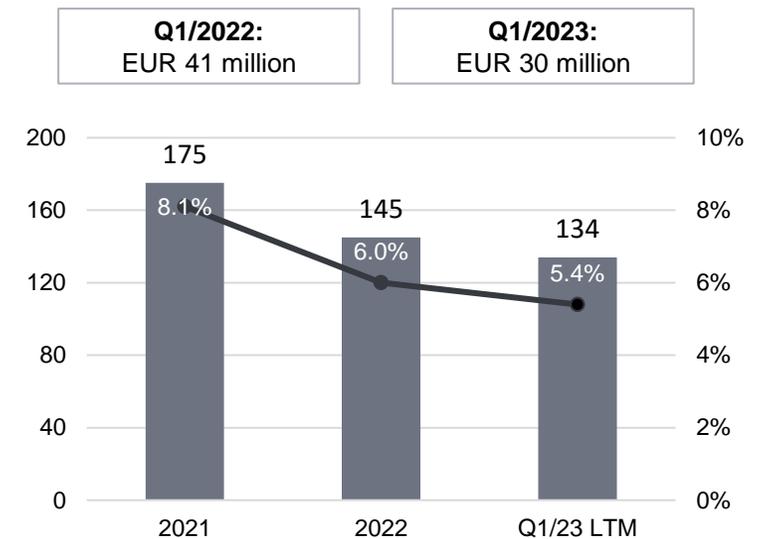
Orders received (EUR million)



Net sales (EUR million)



Comparable EBITA (EUR million and % of net sales)

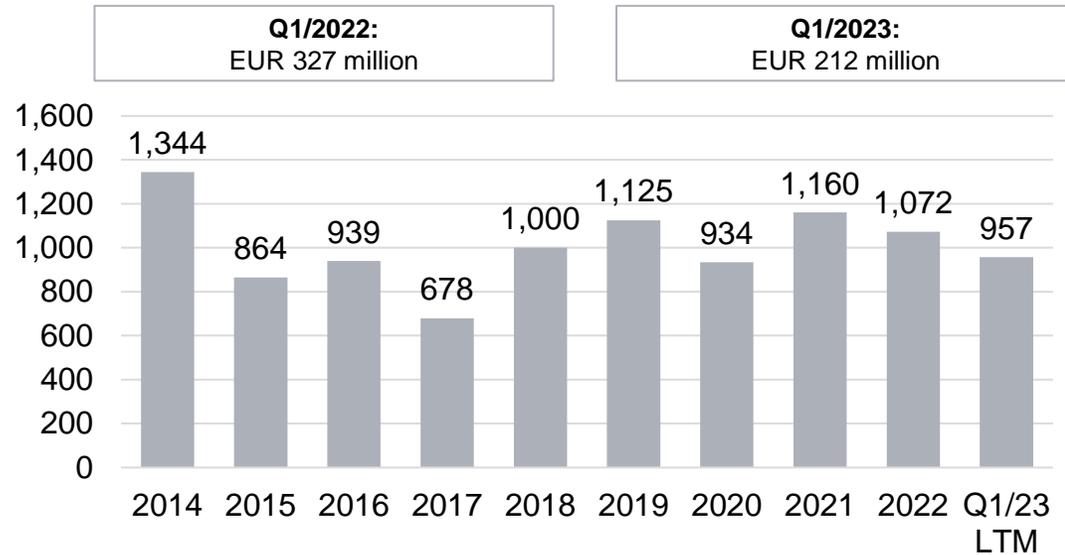


- Orders received decreased compared with Q1/2022
- Net sales increased compared with Q1/2022
- Comparable EBITA decreased compared with Q1/2022, as the margins in some Pulp and Energy projects were impacted by cost inflation

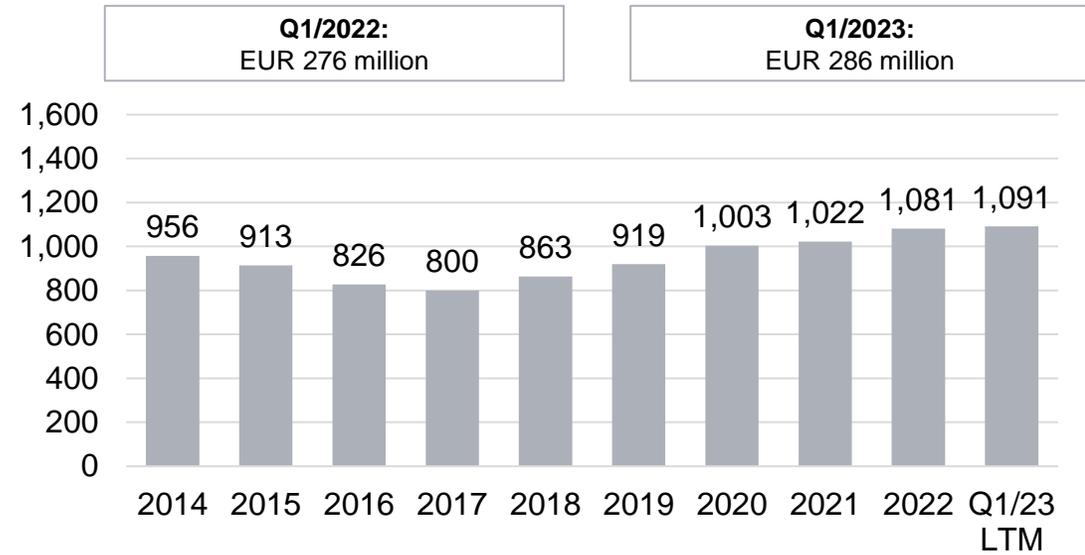


Pulp and Energy business line: Orders received decreased to EUR 212 million in Q1/2023

Orders received (EUR million)



Net sales (EUR million)

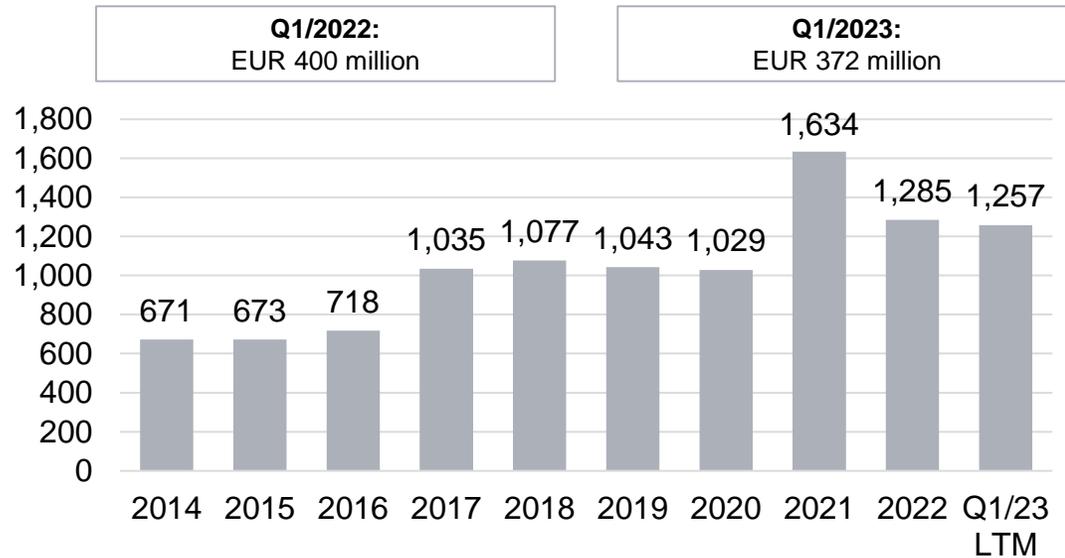


- Orders received decreased compared with Q1/2022
 - Orders received increased in North America and Asia-Pacific, and decreased in China, South America and EMEA
 - Orders received increased in Pulp and decreased in Energy
- Net sales remained at the previous year's level compared with Q1/2022
- Cost inflation impacted Pulp & Energy's business environment during Q1/2023

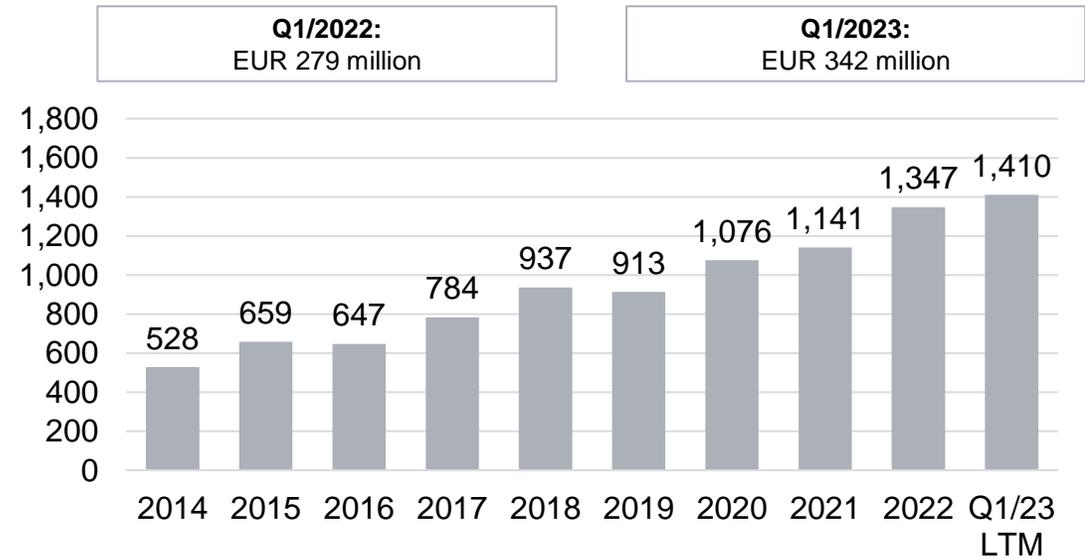


Paper business line: Orders received decreased to EUR 372 million in Q1/2023

Orders received (EUR million)



Net sales (EUR million)



- Orders received decreased compared with Q1/2022
 - Orders received increased in South America, North America and EMEA, and decreased in Asia-Pacific and China
 - Orders received increased in Small and Medium size Machines, and in Board and Paper, and decreased in Tissue, and in Stock Preparation and Recycled Fiber
- Net sales increased compared with Q1/2022
- The fire at Rautpohja factory site in Finland in 2022 impacted Paper business line's operations during Q1/2023
- The Paper business line has managed the challenges caused by the fire well





Financial development

Key figures

EUR million	Q1/2023	Q1/2022	Change	2022
Orders received	1,552	1,324	17%	5,194
Order backlog ¹	4,595	4,459	3%	4,403
Net sales	1,321	960	38%	5,074
Comparable EBITA	133	79	68%	533
% of net sales	10.1%	8.3%	1.8 pp	10.5%
EBITA	131	74	76%	550
Operating profit (EBIT)	97	63	54%	436
% of net sales	7.3%	6.5%	0.8 pp	8.6%
Adjusted earnings per share, EUR ²	0.51	0.33	56%	2.37
Earnings per share, EUR	0.38	0.30	25%	1.92
Comparable ROCE, LTM ³	19%	24%	-5 pp	17%
Cash flow provided by operating activities	208	19	>100%	36
Net debt to EBITDA ⁴ ratio	0.49	0.01		0.78
Gearing ¹	15%	0%	15 pp	20%

Items affecting comparability: EUR -2 million in Q1/2023 (EUR -5 million in Q1/2022).

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

Segment key figures

Orders received, EUR million	Q1/2023	Q1/2022	Change	2022
Services	577	451	28%	1,756
Automation	391	147	>100%	1,081
Process Technologies	584	727	-20%	2,356
Total	1,552	1,324	17%	5,194

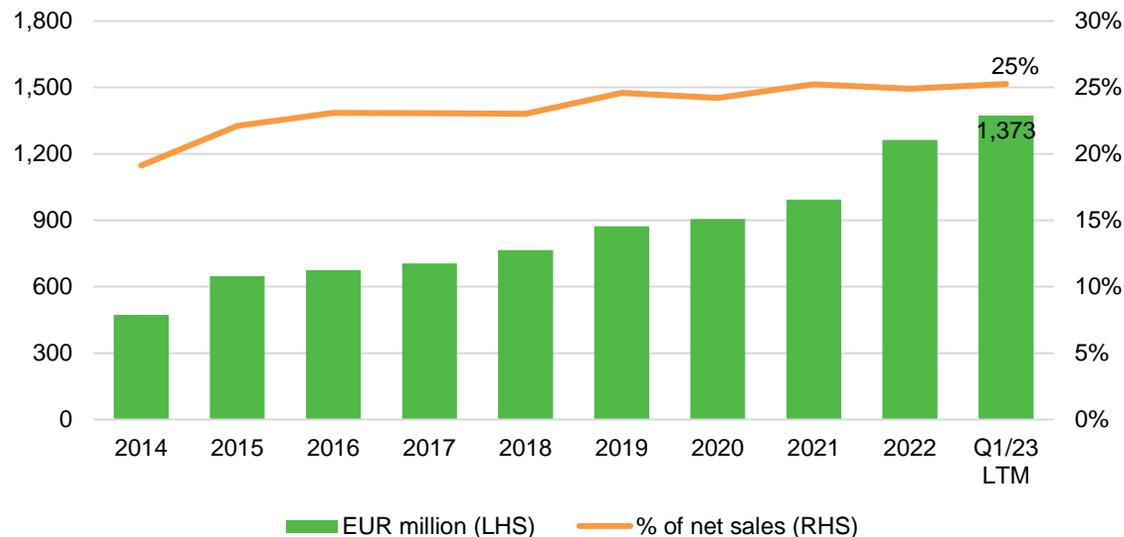
Net sales, EUR million	Q1/2023	Q1/2022	Change	2022
Services	389	317	23%	1,606
Automation	304	88	>100%	1,040
Process Technologies	628	555	13%	2,428
Total	1,321	960	38%	5,074

Comparable EBITA, EUR million	Q1/2023	Q1/2022	Change	2022
Services	63	30	>100%	237
Automation	50	11	>100%	190
Process Technologies	30	41	-27%	145
Other	-9	-3		-39
Total	133	79	68%	533

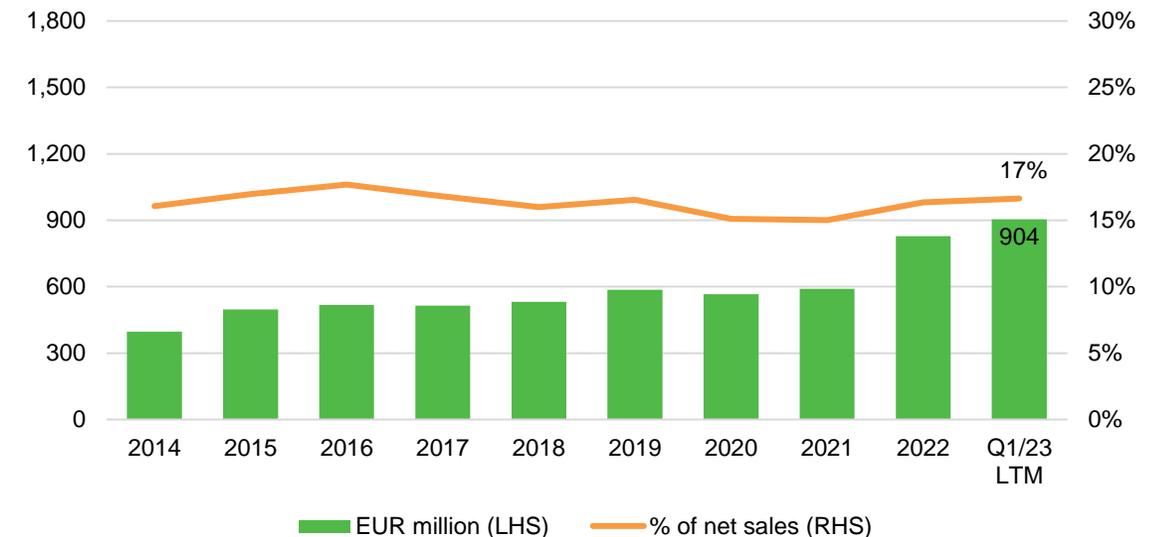
Comparable EBITA margin, % of net sales	Q1/2023	Q1/2022	Change	2022
Services	16.1%	9.6%	6.5 pp	14.8%
Automation	16.3%	12.1%	4.2 pp	18.3%
Process Technologies	4.7%	7.3%	-2.6 pp	6.0%
Total	10.1%	8.3%	1.8 pp	10.5%

Comparable gross profit and SG&A expenses development

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



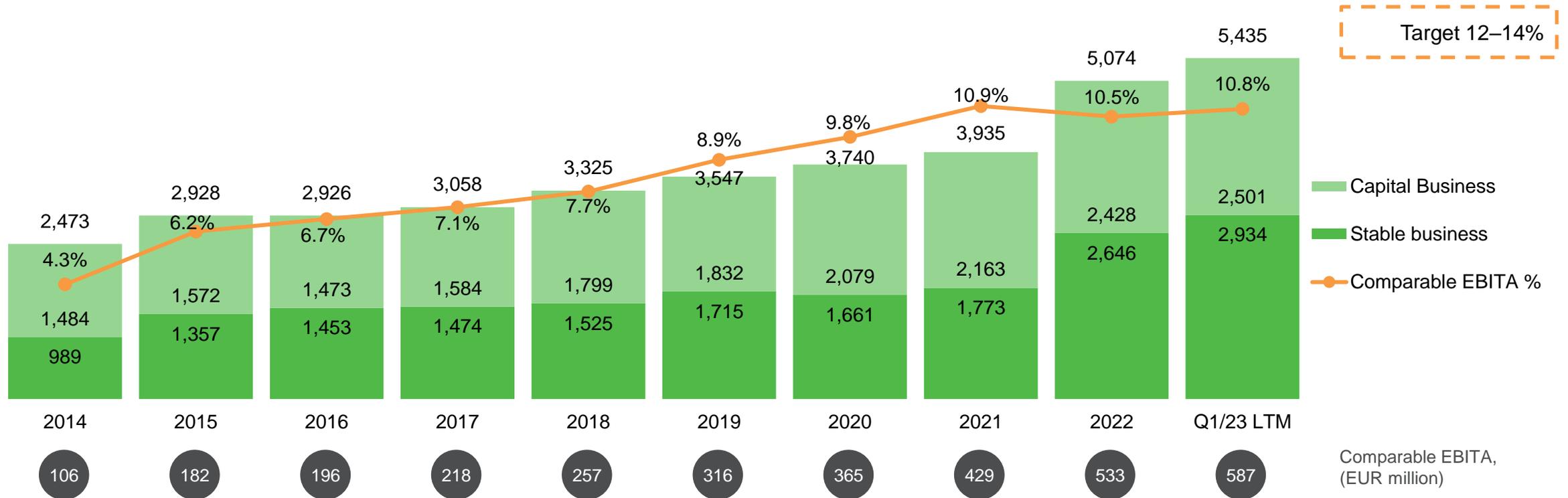
Comparable SG&A expenses
(EUR million and % of net sales)



- Comparable gross profit was 25% of net sales in Q1/2023 (23% in Q1/2022)
 - Stable business represented 52% of net sales (42% in Q1/2022)
- Comparable SG&A expenses were EUR 75 million higher in Q1/2023 compared with Q1/2022
 - Comparable SG&A expenses of the Flow Control business line were EUR 53 million in Q1/2023
 - Comparable SG&A expenses were 17% of net sales in Q1/2023 (16% in Q1/2022)

Comparable EBITA margin development

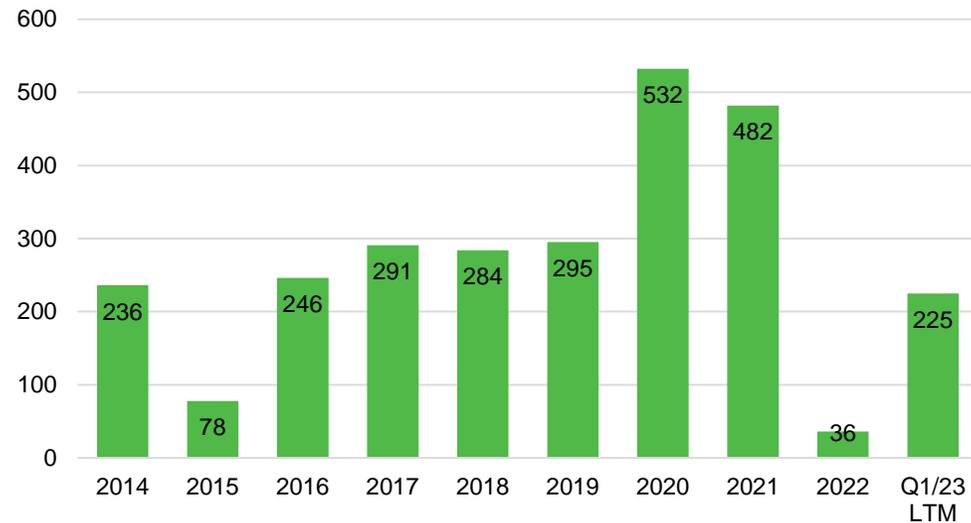
Net sales and Comparable EBITA (EUR million and %)¹



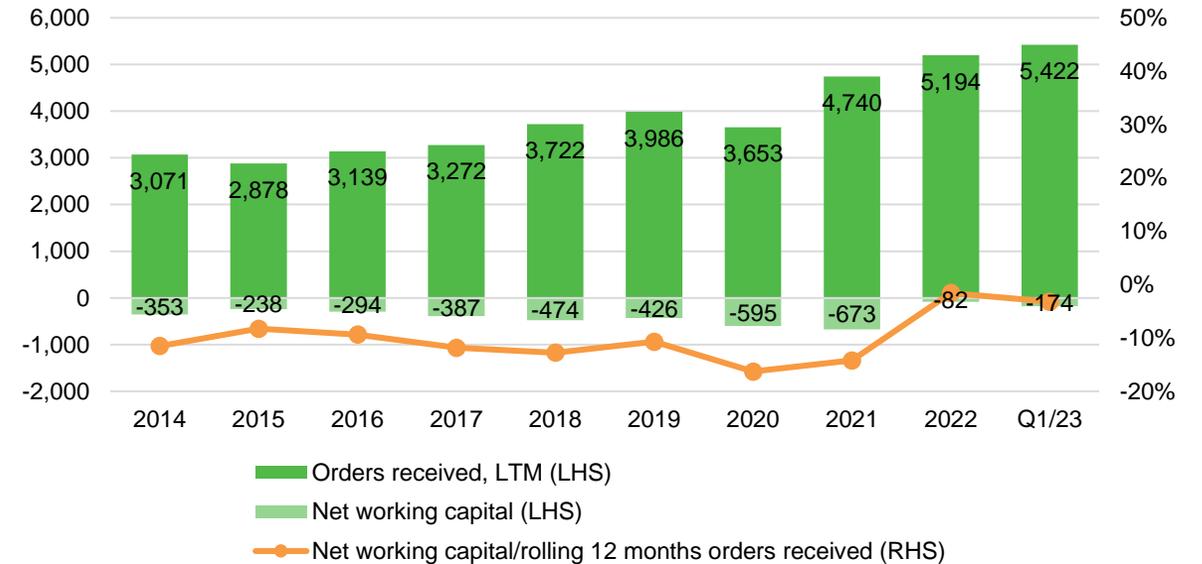
1) Valmet implemented IFRS 15 – Revenue from Contracts with Customers as of January 1, 2018 by applying full retrospective method. 2014–2020 figures have not been restated to reflect Valmet’s current reporting structure. Thus, figures presented are not fully comparable.

Cash flow provided by operating activities and net working capital

Cash flow provided by operating activities (EUR million)



Net working capital¹ and orders received (EUR million)



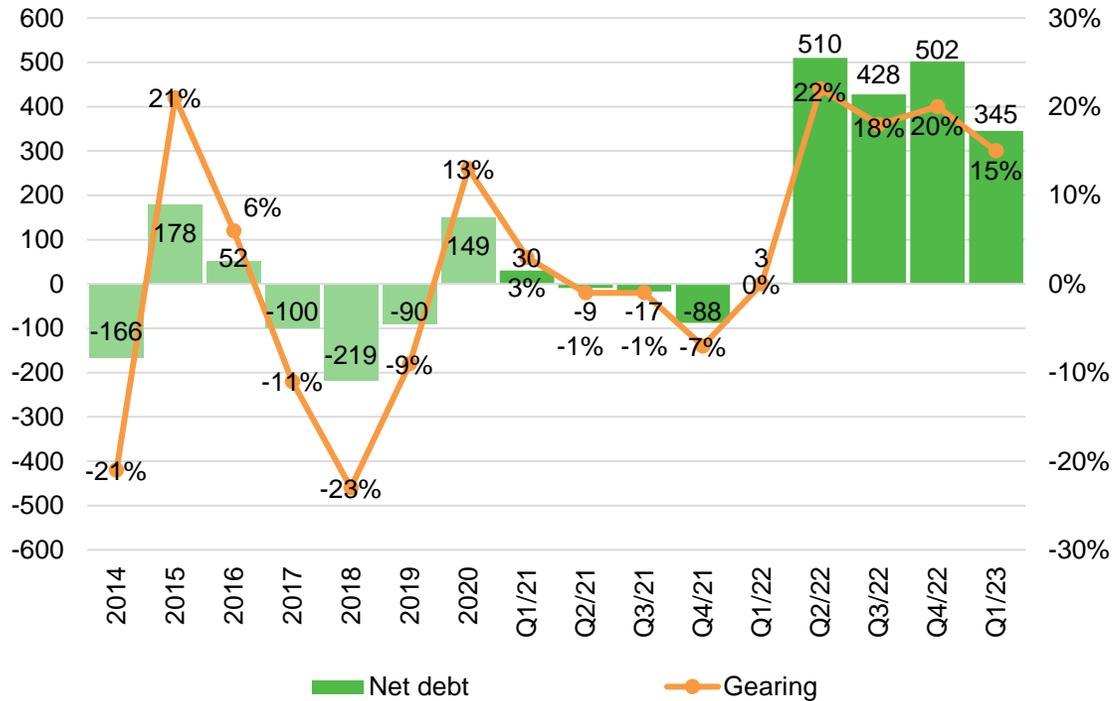
- Cash flow provided by operating activities EUR 208 million in Q1/2023
- CAPEX² EUR 25 million in Q1/2023
- Net working capital¹ EUR -174 million, which equals -3% of rolling 12 months orders received
 - Had Flow Control been consolidated into Valmet as of January 1, 2016, Valmet's estimated net working capital would have been on average approximately -7% of rolling 12 months orders received³
- Change in net working capital⁴ EUR 88 million in Q1/2023

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

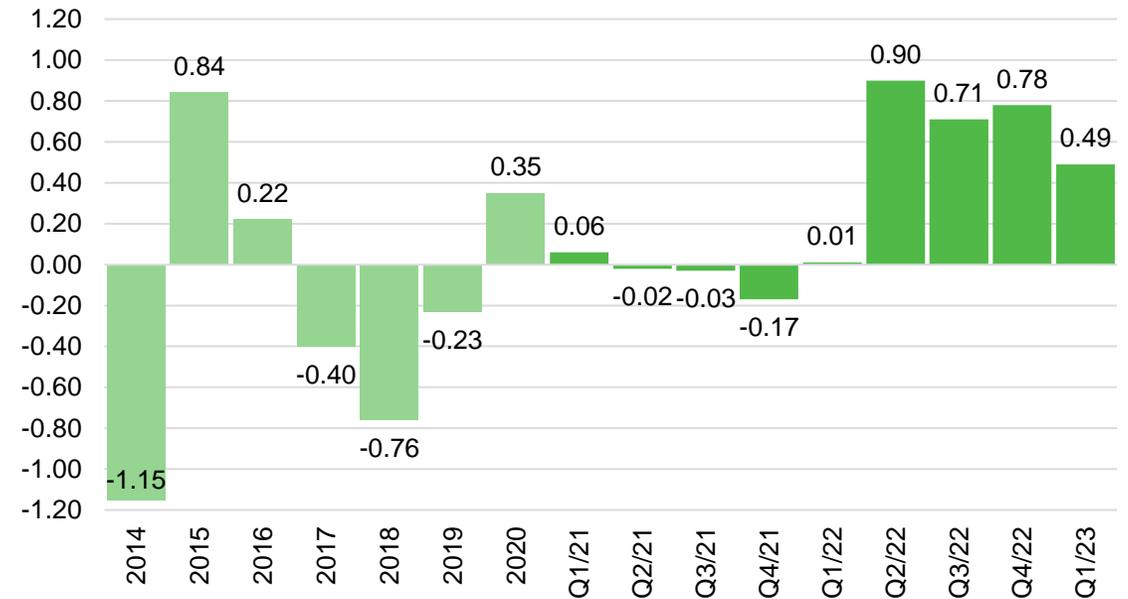
- 1) Net working capital excluding EUR 239 million non-cash net working capital impact from dividend liability.
- 2) Excluding right-of-use assets.
- 3) Illustrative combined company figures.
- 4) Change in net working capital in the consolidated statement of cash flows.

Net debt and gearing decreased compared with Q4/2022

Net debt (EUR million) and gearing (%)



Net debt to EBITDA* ratio

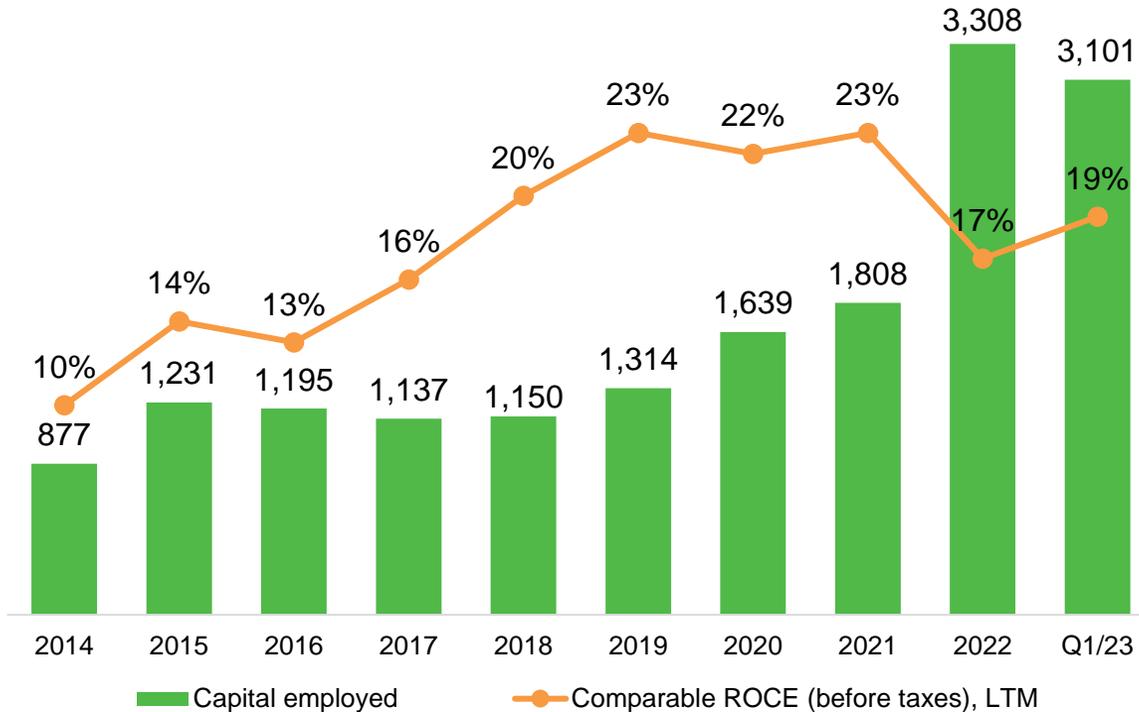


- Gearing (15%) and net debt (EUR 345 million) decreased compared with Q4/2022
- Net debt to EBITDA* ratio decreased compared with Q4/2022

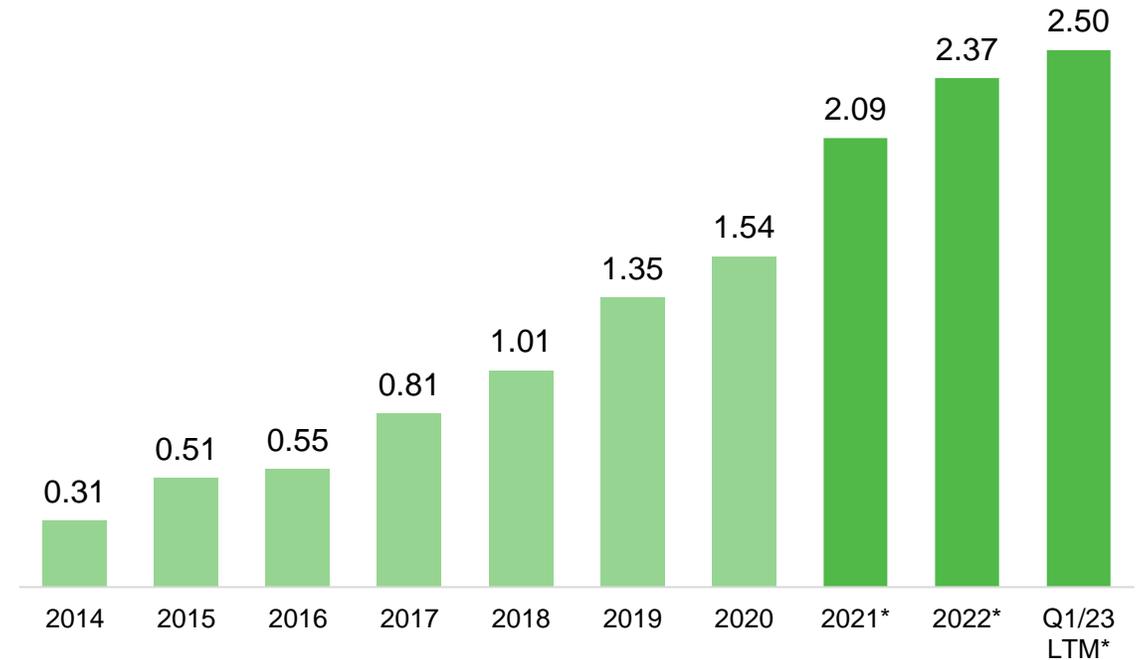
Valmet implemented IFRS 16 – Leases as of January 1, 2019 by applying the simplified transition method and therefore 2018 figures are not restated.
 *Last twelve months (LTM) EBITDA

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



*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

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.



Guidance and short-term market outlook

Guidance and short-term market outlook

Guidance for 2023 (Published on February 2, 2023)

Guidance	Valmet estimates that net sales in 2023 will increase in comparison with 2022 (EUR 5,074 million) and Comparable EBITA in 2023 will increase in comparison with 2022 (EUR 533 million).
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Short-term market outlook

		Q2/2022	Q3/2022	Q4/2022	Q1/2023
Services		Good	Good	Good	Good
Automation	Flow Control	Good	Good	Good	Good
	Automation Systems	Good	Good	Good	Good
Pulp and Energy	Pulp	Good / Satisfactory	Good / Satisfactory	Good / Satisfactory	Good / Satisfactory
	Energy	Good	Good	Good	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

Half-year financial review January–June 2023

July 26, 2023

www.valmet.com/investors

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