

Orders received increased to EUR 1.2 billion and
Comparable EBITA to EUR 95 million in the
second quarter

Half Year Financial Review, January–June 2021

July 22, 2021

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Agenda

Half Year Financial Review, January–June 2021

- 1 Q2/2021 in brief
- 2 Development of the business lines
- 3 Valmet to supply a major pulp and board technology delivery to Klabin in Brazil
- 4 Financial development
- 5 Guidance and short-term market outlook



Q2/2021 in brief

Q2/2021 in brief

- Orders received increased to EUR 487 million in stable business¹
- Orders received increased to EUR 765 million in capital business²
- Net sales remained at the previous year's level at EUR 943 million
- Order backlog amounted to EUR 4.0 billion
- Comparable EBITA increased to EUR 95 million and margin was 10.1%
- Gearing was -1%

PMP Group has been consolidated into Valmet's financials as of October 1, 2020.

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 Q2/2021

Orders received
EUR 1,228 million

Net sales
EUR 943 million

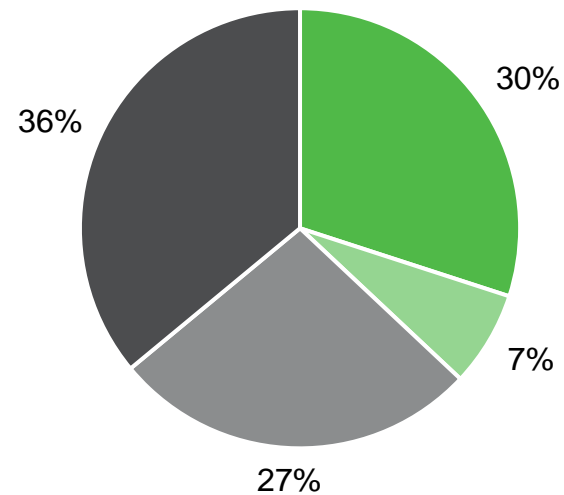
Comparable EBITA
EUR 95 million

Comparable EBITA margin
10.1%

Order backlog
EUR 4,019 million

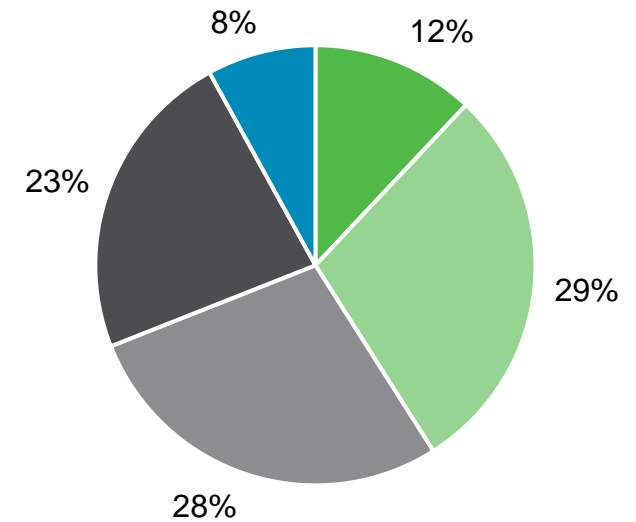
Employees
14,362

Orders received by business line



- Services
- Automation
- Pulp and Energy
- Paper

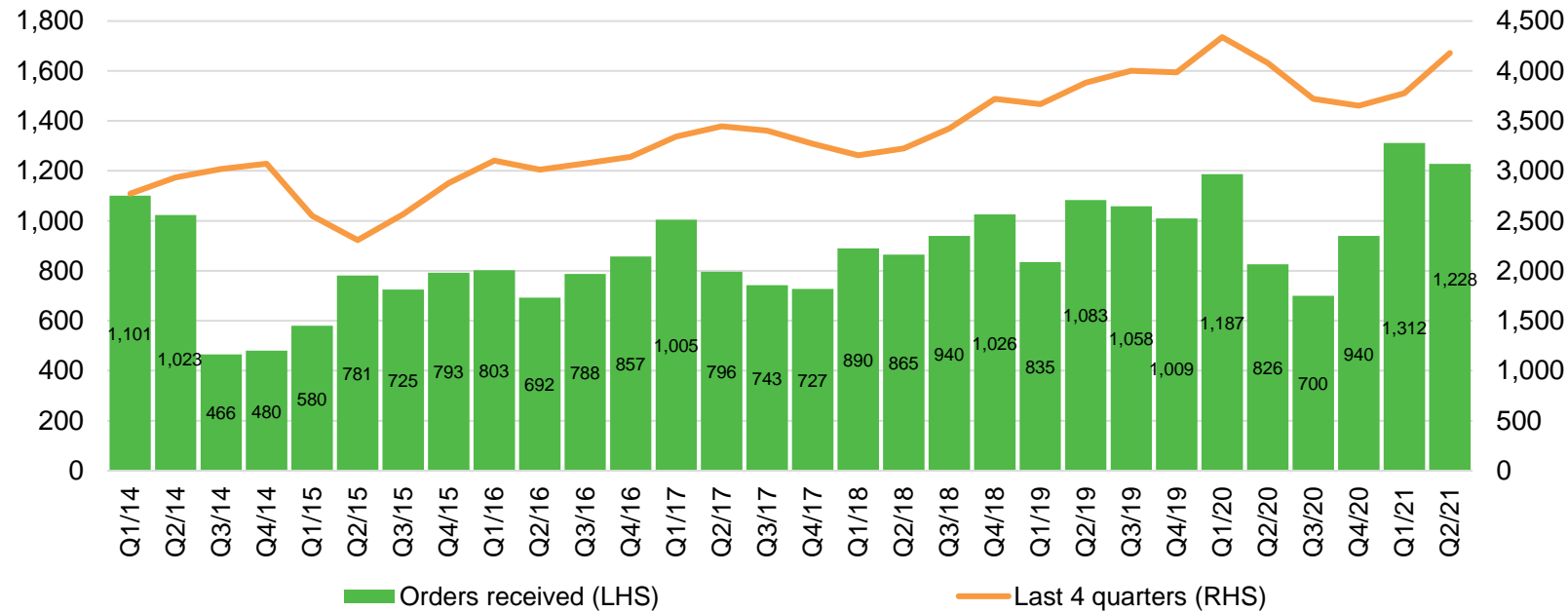
Orders received by area



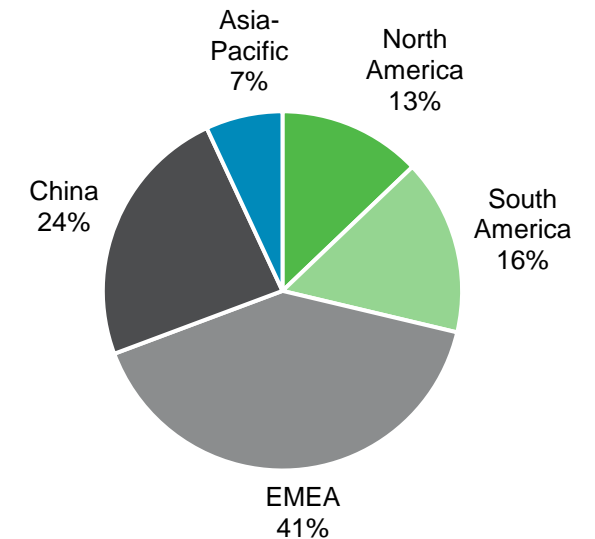
- North America
- South America
- EMEA
- China
- Asia-Pacific

Orders received increased to EUR 1,228 million in Q2/2021

Orders received (EUR million)



Orders received in Q1–Q2/2021 by area

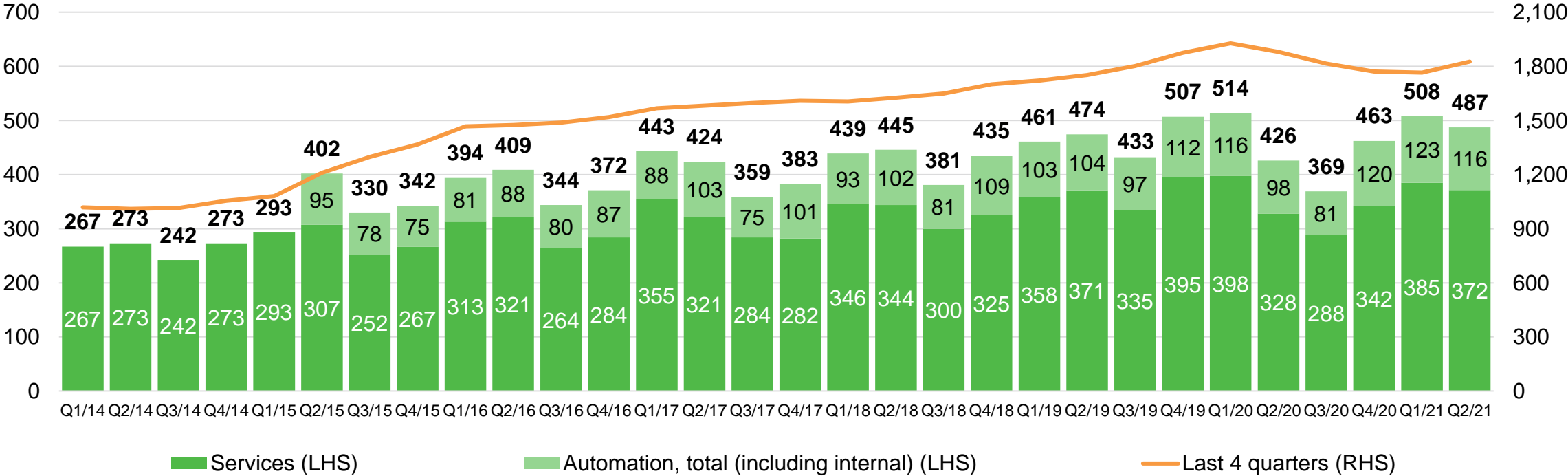


- In stable business¹, orders received increased to EUR 487 million in Q2/2021
- In capital business, orders received increased to EUR 765 million in Q2/2021
- Orders received remained at the previous year’s level in developed markets and increased in emerging markets during Q2/2021
 - South America, China and Asia-Pacific together accounted for 61% of orders received

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

Stable business orders received totaled EUR 1,827 million during the last four quarters

Orders received (EUR million) in stable business¹

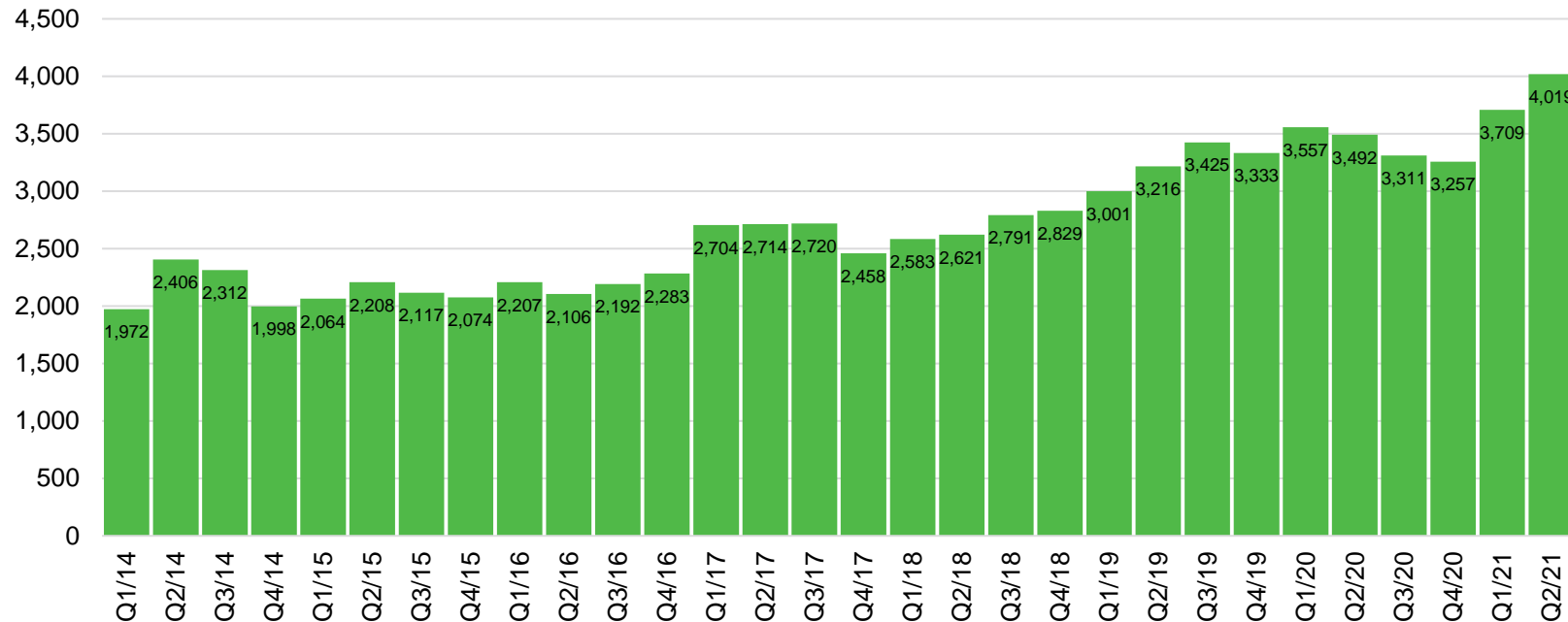


- Total orders received in stable business were EUR 62 million higher compared with Q2/2020

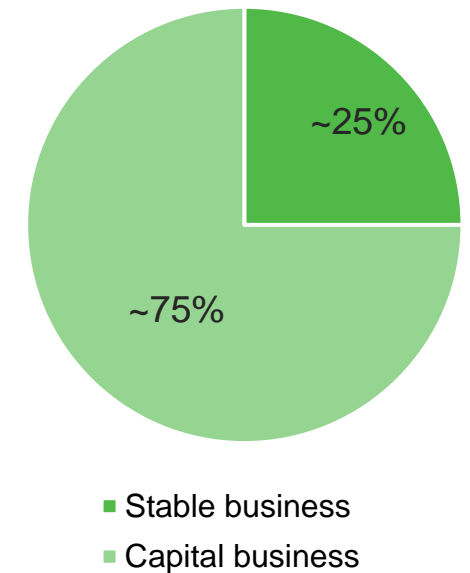
1) Including internal orders received for the Automation business line.

Order backlog EUR 4,019 million at the end of Q2/2021

Order backlog (EUR million)



Structure of order backlog



- Order backlog was EUR 310 million higher than at the end of Q1/2021
- Approximately 45% of the order backlog is currently expected to be realized as net sales during 2021 (at the end of Q2/2020, ~45% during 2020)
- Approximately 25% of the order backlog relates to stable business (~30% at the end of Q2/2020)



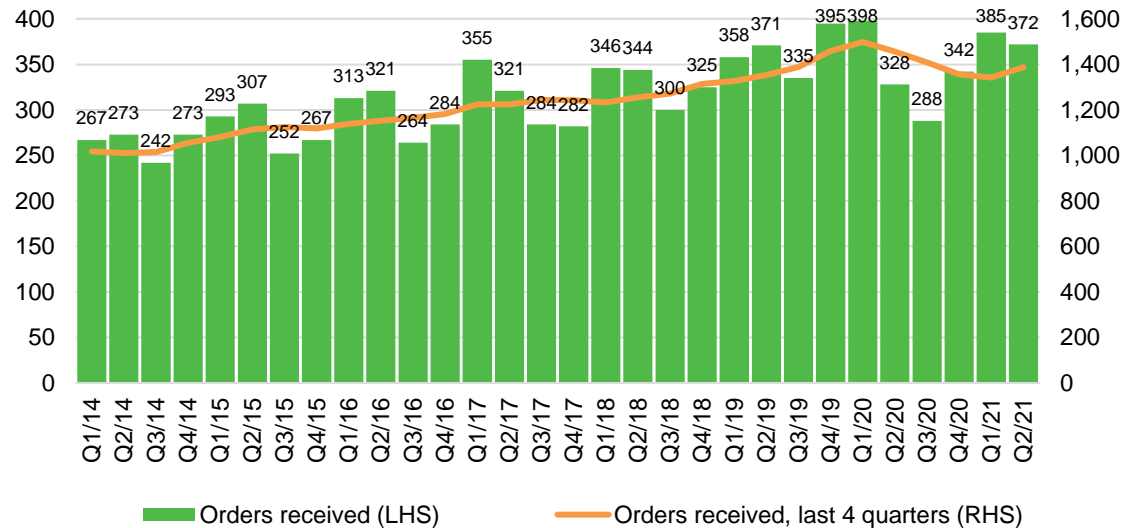
Development of the business lines

Services: Orders received increased to EUR 372 million in Q2/2021

Orders received (EUR million)

Q1–Q2/2020:
EUR 726 million

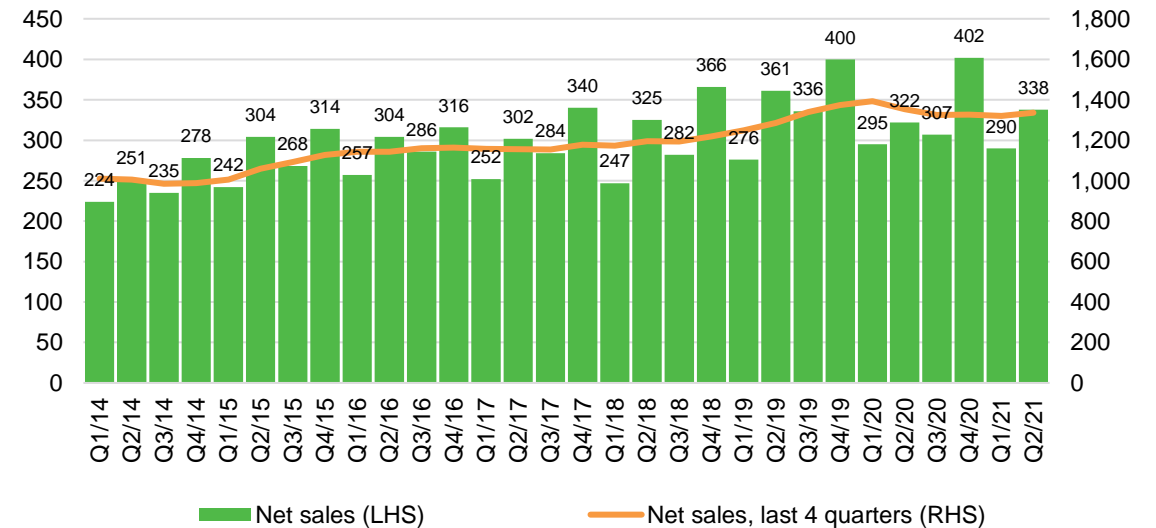
Q1–Q2/2021:
EUR 756 million



Net sales (EUR million)

Q1–Q2/2020 :
EUR 617 million

Q1–Q2/2021 :
EUR 628 million

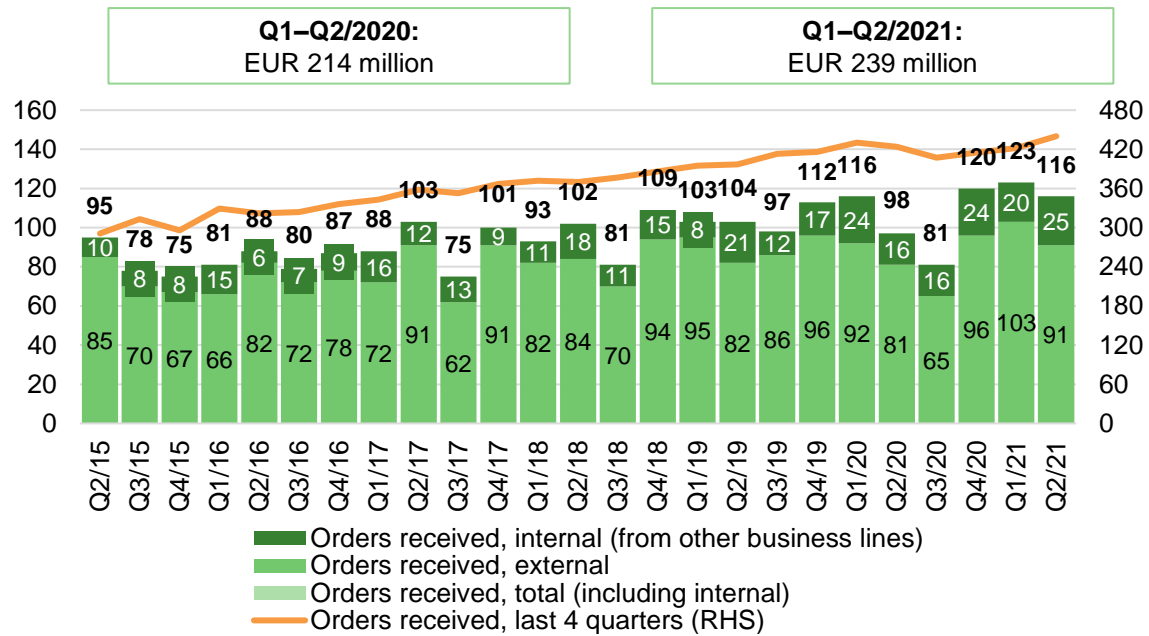


- Orders received increased compared with Q2/2020
 - Orders received increased in South America and North America, and remained at the previous year's level in China, EMEA and Asia-Pacific
 - Orders received increased in Board, Paper and Tissue Solutions, Pulp and Energy Solutions, Fabrics and Performance Parts, and remained at the previous year's level in Rolls
- Net sales increased compared with Q2/2020
- COVID-19 related travel restrictions and lower capacity utilization in graphical paper mills impacted Services' business environment in Q2/2021

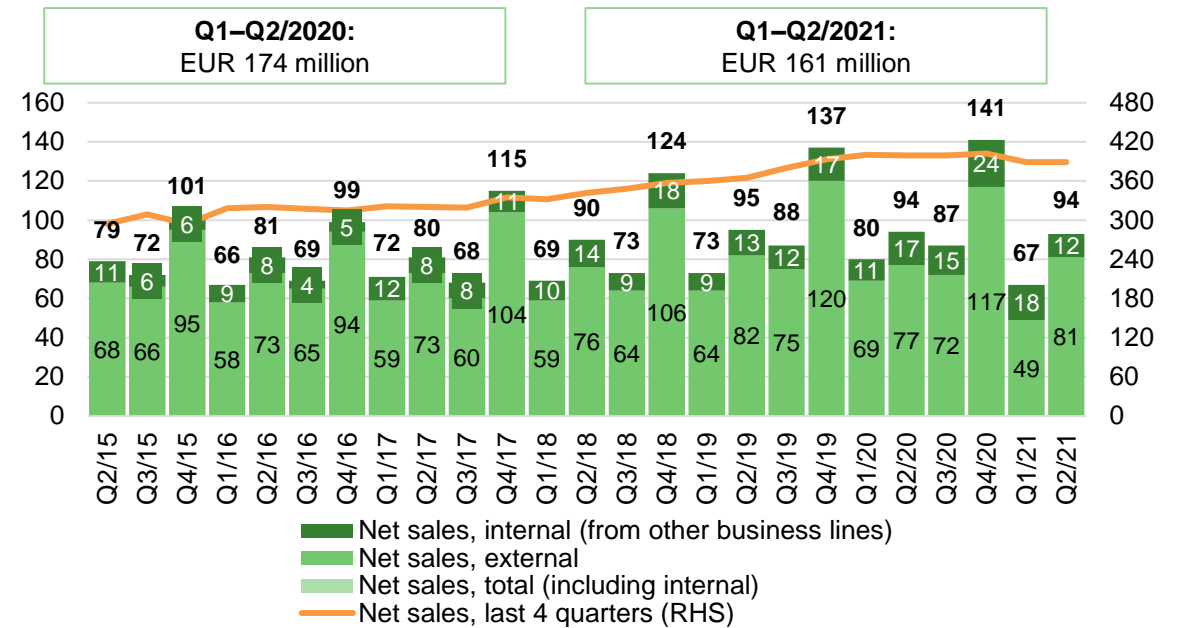


Automation¹: Orders received increased to EUR 116 million in Q2/2021

Orders received (EUR million)



Net sales (EUR million)



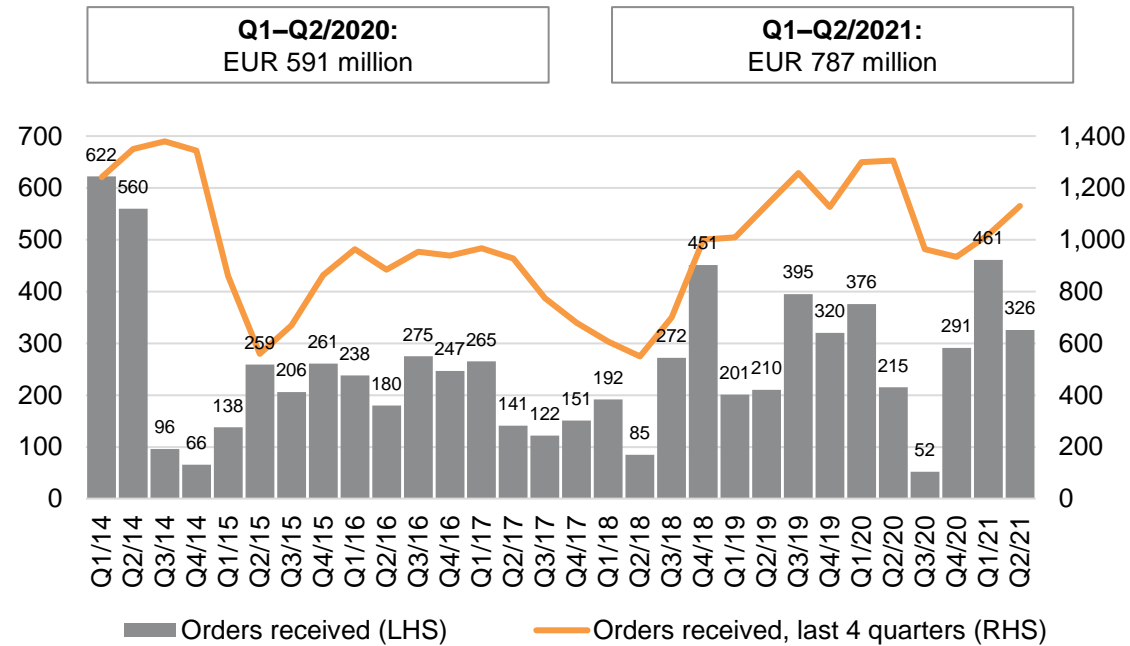
- Orders received increased compared with Q2/2020
 - Orders received increased in all geographical areas
 - Orders received increased in Pulp and Paper and decreased in Energy and Process
- Net sales remained at the previous year's level compared with Q2/2020
- COVID-19 caused access restrictions to some customer sites, which impacted Automation's business environment in Q2/2021



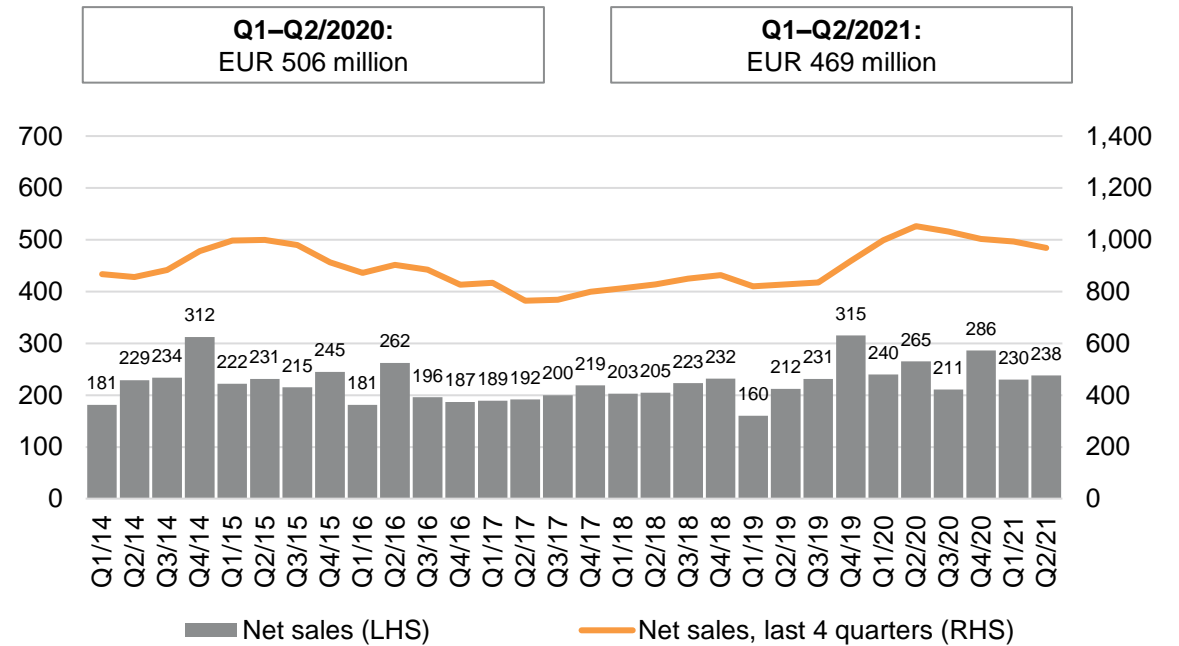
1) Comments refer to orders received and net sales including also internal orders received and internal net sales.

Pulp and Energy: Orders received increased to EUR 326 million in Q2/2021

Orders received (EUR million)



Net sales (EUR million)

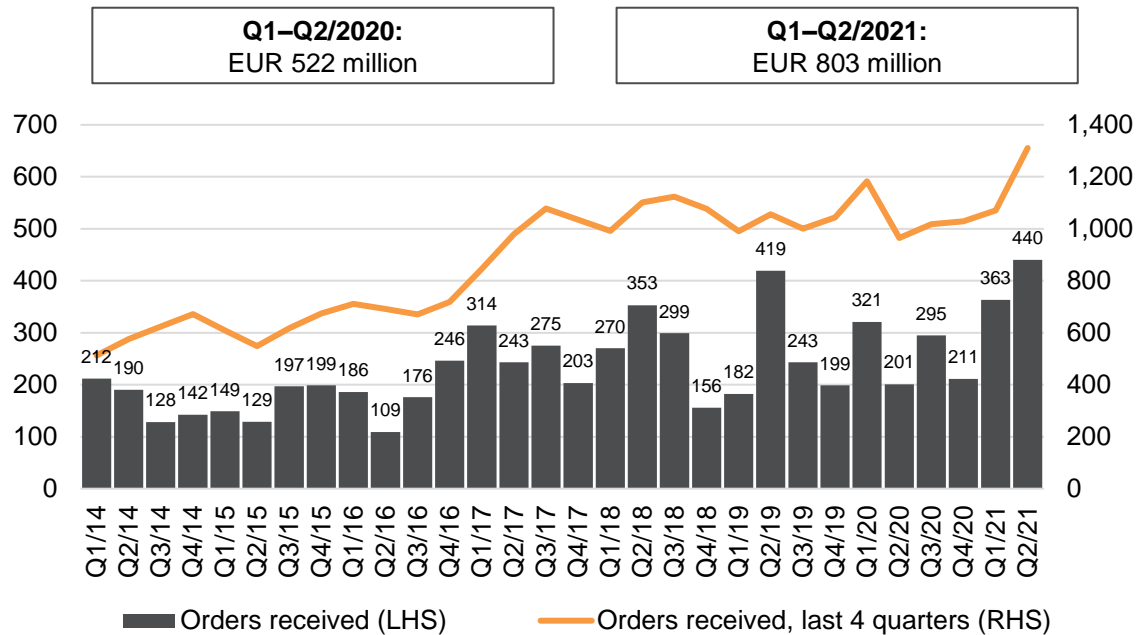


- Orders received increased compared with Q2/2020
 - Orders received increased in all other areas except EMEA, where orders received decreased
 - Orders received increased in Pulp and decreased in Energy
- Net sales decreased compared with Q2/2020
- Pulp and Energy business line has managed challenges caused by COVID-19 well, and therefore the pandemic did not cause major impacts on its operations in Q2/2021

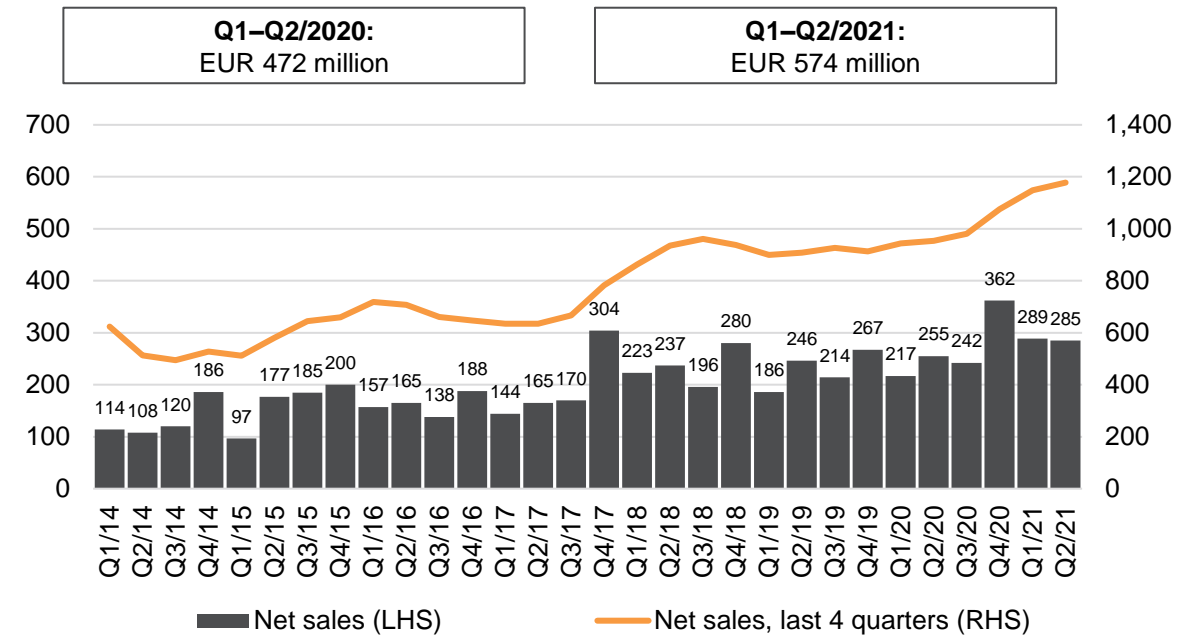


Paper: Orders received increased to EUR 440 million in Q2/2021

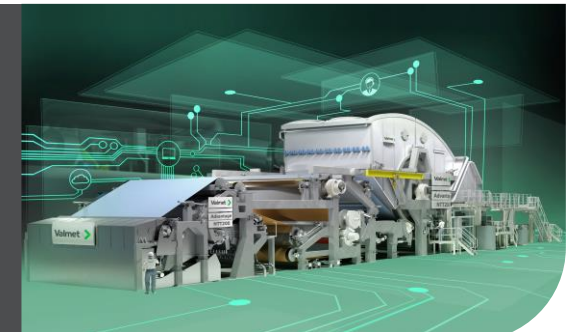
Orders received (EUR million)



Net sales (EUR million)



- Orders received increased compared with Q2/2020
 - Orders received increased in Asia-Pacific, South America and EMEA, and decreased in North America and China
 - Orders received increased in Stock Preparation and Recycled Fiber, as well as in Board and Paper, and decreased in Tissue
 - Small and Medium size Machines (the acquired PMP Group) contributed EUR 15 million to orders received
- Net sales increased compared with Q2/2020
 - Small and Medium size Machines (the acquired PMP Group) contributed EUR 17 million to net sales
- Paper business line has managed challenges caused by COVID-19 well, and therefore the pandemic did not cause major impacts on its operations in Q2/2021





Valmet to supply a major pulp and board technology delivery to Klabin in Brazil

Valmet's second phase delivery to Klabin includes solutions from all business lines

First phase order of kraftliner machine (PM27) and fiberline was announced in May 2019

Paper business line

- Paperboard making line (PM28)
 - Flex machine able to produce a large variety of board grades
 - Large 9-meter-wide machine with annual capacity of 460,000 tonnes
- Stock preparation and approach flow systems
- The delivery value of an order similar to PM 28 is typically around EUR 240-270 million

Automation business line

- Valmet DNA automation system for process and machine controls
- Valmet IQ quality control system
- Valmet Industrial Internet package

Pulp and Energy business line

- Fiberline including a new Continuous Cooking G3
- New bleached chemi thermo mechanical pulp (BCTMP) line
- Value of an order similar to the delivery of the fiberline and BCTMP line is typically around EUR 80-90 million

Services business line

- Maintenance establishment services for PM28
- Spare parts and consumables for two years
- Paper Machine Clothing package for start-up for all machine clothing positions



Financial development

Key figures

EUR million	Q2/2021	Q2/2020	Change	Q1–Q2/2021	Q1–Q2/2020	Change
Orders received	1,228	826	49%	2,540	2,013	26%
Order backlog ¹	4,019	3,492	15%	4,019	3,492	15%
Net sales	943	919	3%	1,801	1,740	3%
Comparable EBITA	95	76	24%	175	128	37%
% of net sales	10.1%	8.3%		9.7%	7.4%	
EBITA	97	70	39%	186	121	54%
Operating profit (EBIT)	85	62	36%	161	104	54%
% of net sales	9.0%	6.8%		8.9%	6.0%	
Earnings per share, EUR	0.43	0.29	44%	0.81	0.49	64%
Return on capital employed (ROCE) before taxes ²				20%	16%	
Cash flow provided by operating activities	180	151	19%	328	324	1%
Gearing ¹				-1%	-23%	

Items affecting comparability: EUR 2 million in Q2/2021 (EUR -6 million in Q2/2020), EUR 11 million in Q1–Q2/2021 (EUR -7 million in Q1–Q2/2020)

Valmet's investment in Neles had a positive impact on EBITA of EUR 2.9 million in Q2/2021 and EUR 6.6 million in Q1–Q2/2021

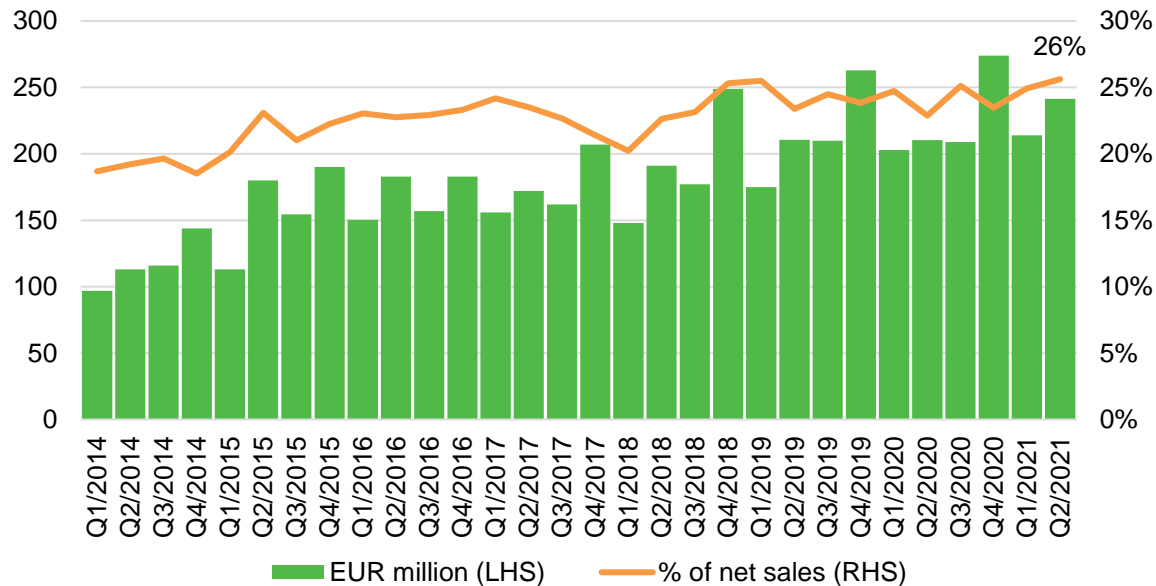
Valmet's investment in Neles had a negative impact on operating profit of EUR -0.6 million in Q2/2021 and EUR -0.5 million in Q1–Q2/2021

1) At end of period

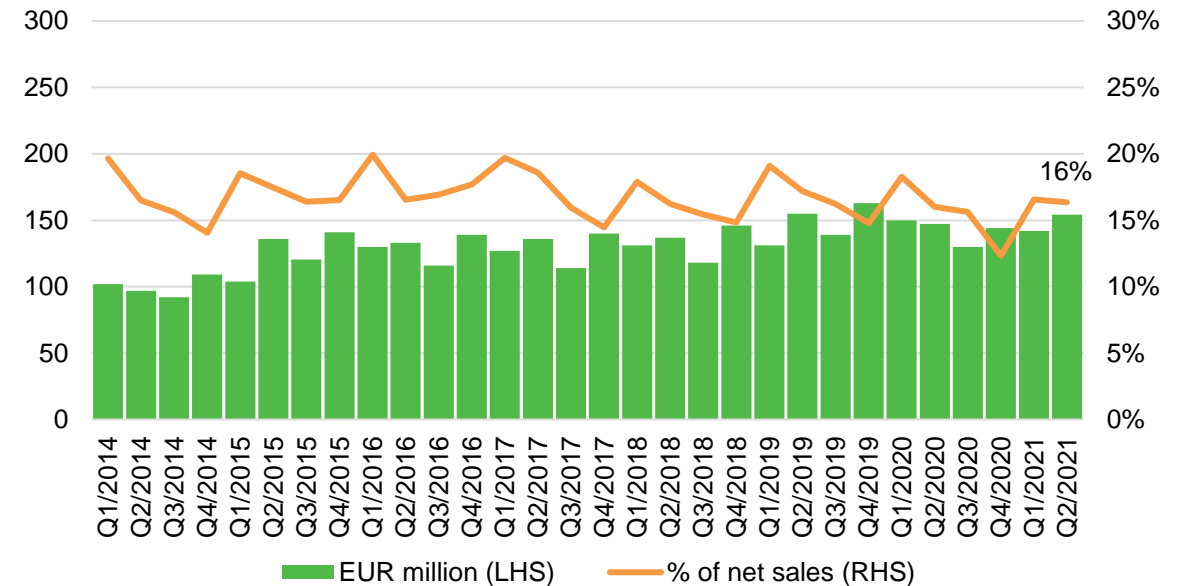
2) Annualized

Gross profit and SG&A development

Gross profit (EUR million and % of net sales)



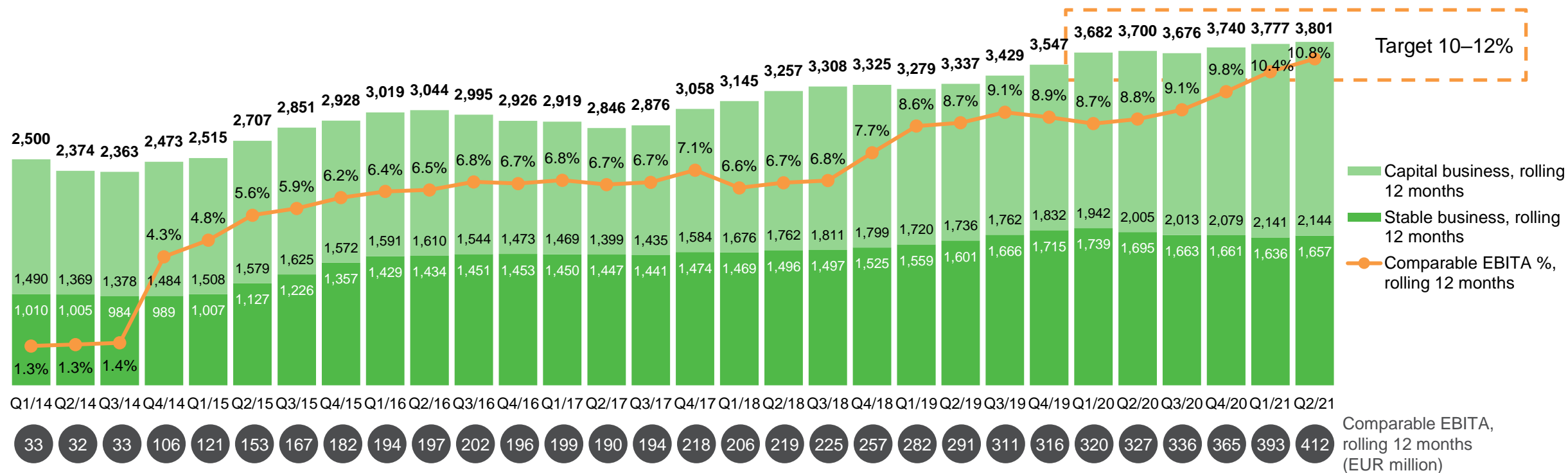
SG&A (EUR million and % of net sales)



- Gross profit was 26% of net sales (23% in Q2/2020)
 - Stable business represented 44% of net sales (43% in Q2/2020)
- Selling, general & administrative (SG&A) expenses remained at the previous year's level
 - SG&A was 16% of net sales (16% in Q2/2020)

Comparable EBITA margin¹ at target level

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

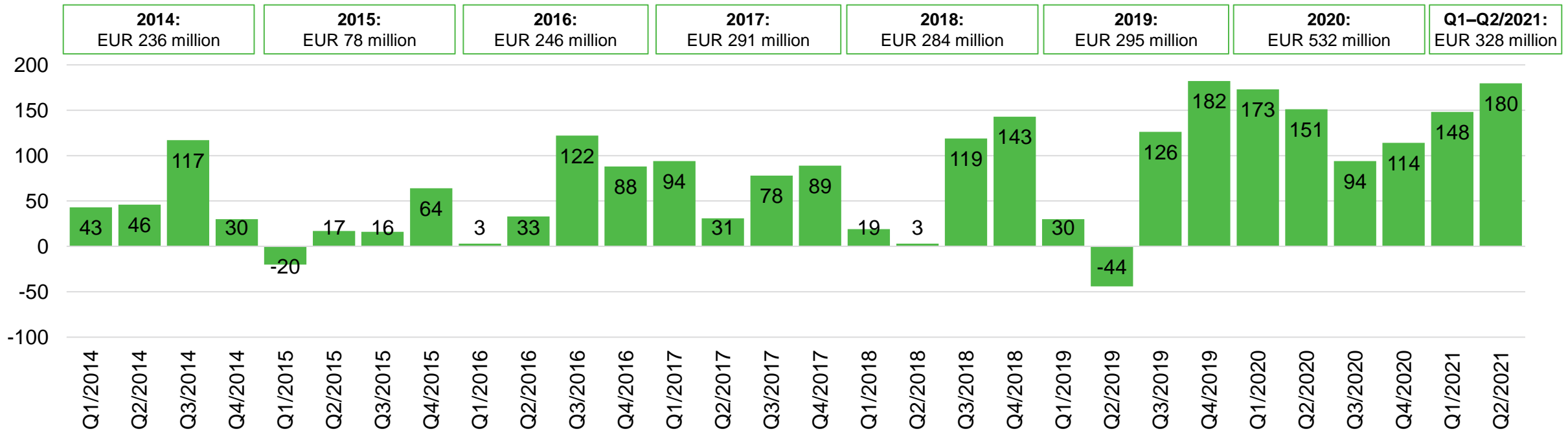


- In Q2/2021, net sales remained at the previous year's level and Comparable EBITA increased compared with Q2/2020

1) Rolling 12 months. Carve-out figures for 2013 have been used in the calculation of Q1–Q3/2014 figures. Valmet implemented IFRS 15 – Revenue from Contracts with Customers as of January 1, 2018 by applying full retrospective method. Thus, figures presented are not fully comparable.

Cash flow provided by operating activities and CAPEX

Cash flow provided by operating activities (EUR million)



- Change in net working capital¹ EUR 80 million in Q2/2021
- Cash flow provided by operating activities EUR 180 million in Q2/2021
- CAPEX² EUR 23 million in Q2/2021

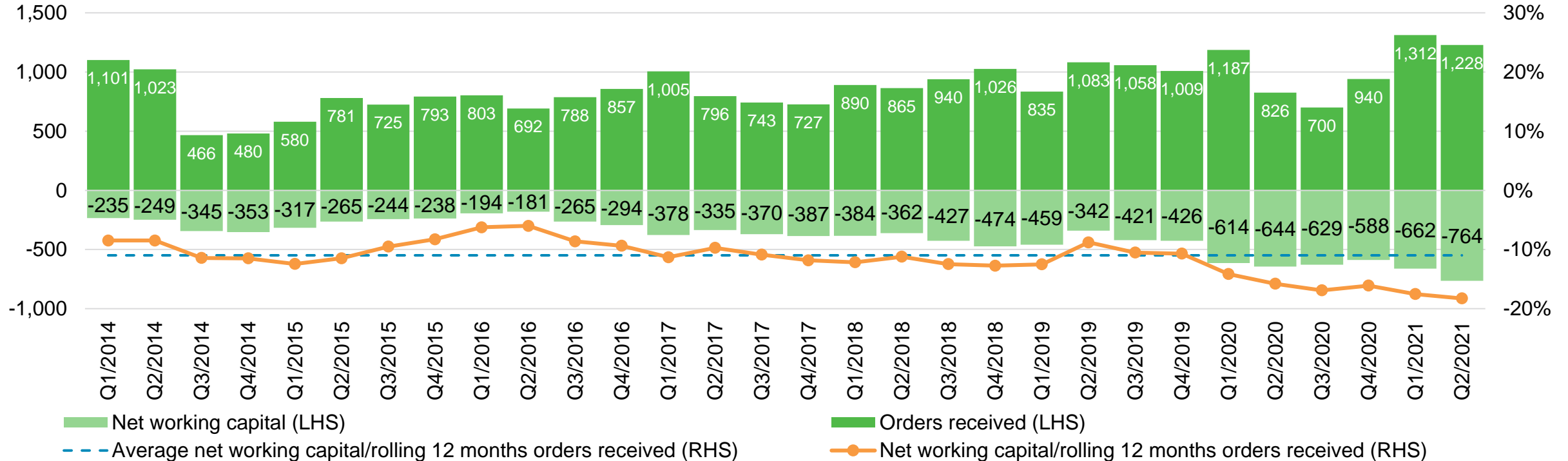
Valmet implemented IFRS 16 – Leases as of January 1, 2019 by applying the simplified transition method and therefore 2018 figures are not restated.

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

2) Excluding leased assets.

Net working capital at -18% of rolling 12 months orders received

Net working capital¹ and orders received (EUR million)

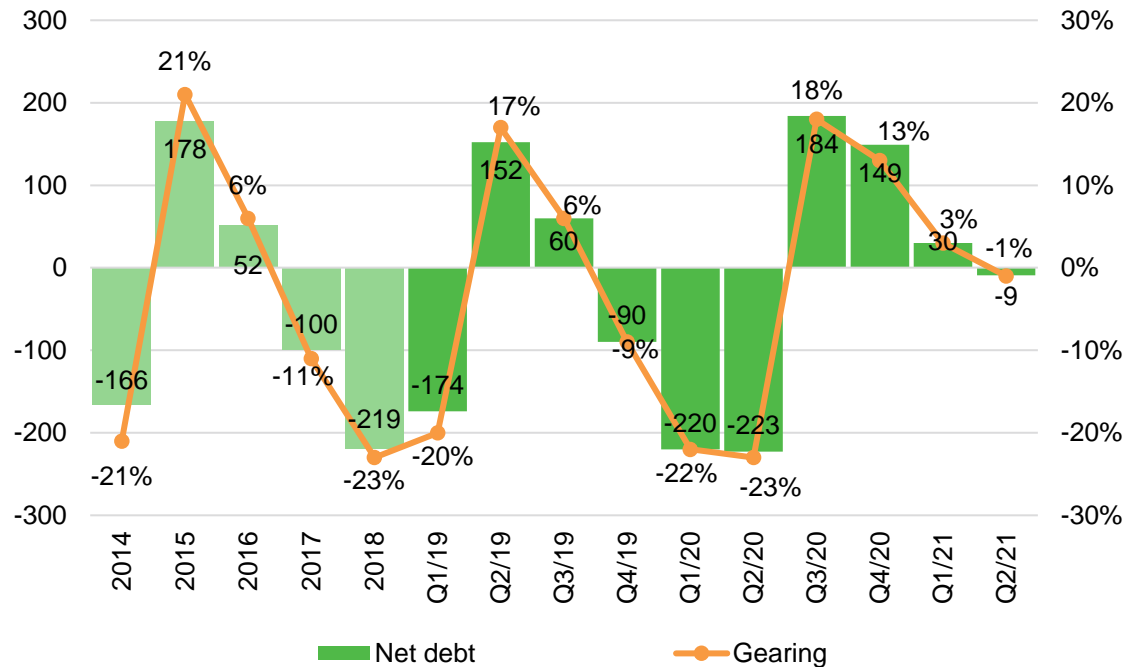


• Net working capital EUR -764 million, which equals -18% of rolling 12 months orders received

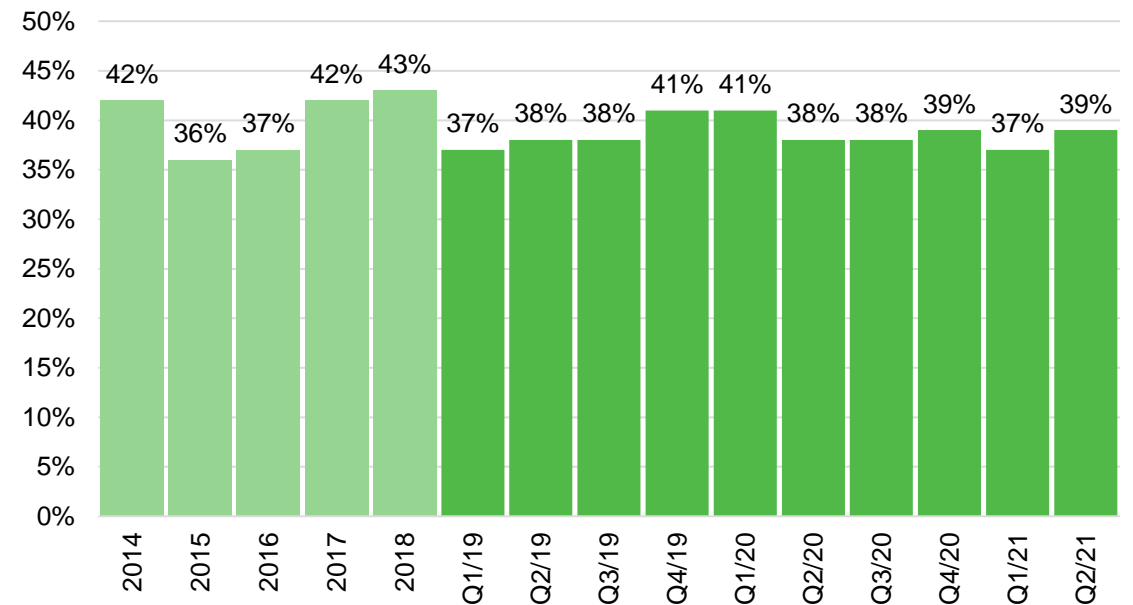
1) Net working capital excluding non-cash net working capital impact from dividend liability.

Net debt and gearing increased compared with Q2/2020

Net debt (EUR million) and gearing (%)



Equity to assets ratio (%)

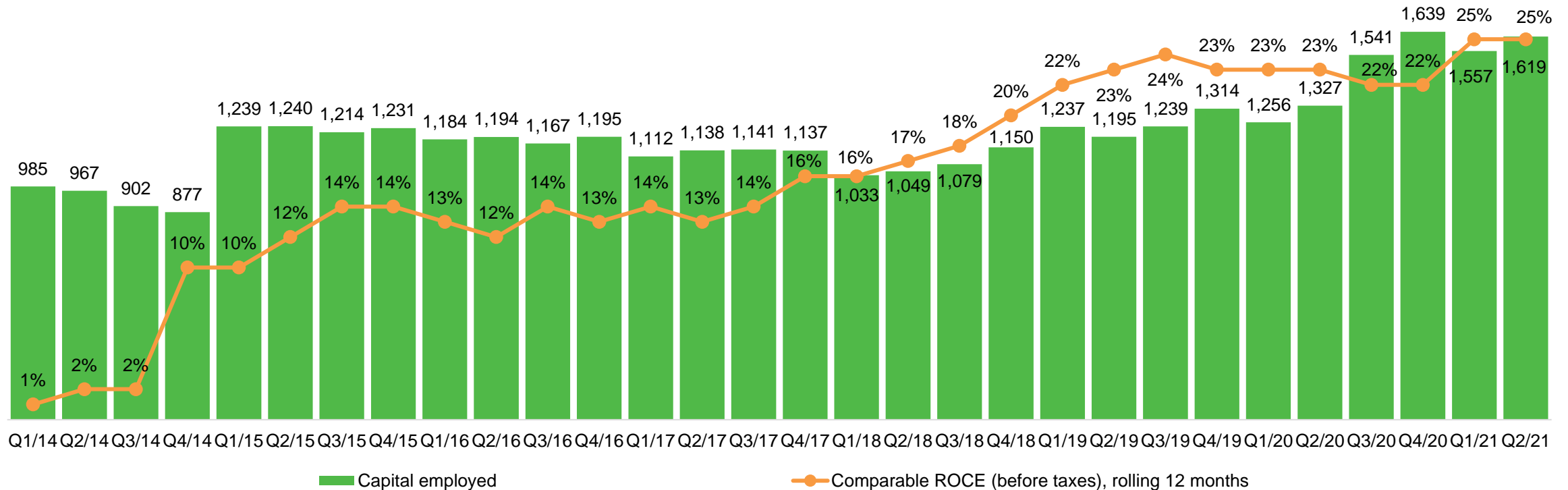


- Gearing (-1%) and net debt (EUR -9 million) increased compared with Q2/2020
- Equity to assets ratio increased compared with Q2/2020

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 (%)



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.

1) Rolling 12 months. Carve-out figures for 2013 have been used in the calculation of Q1–Q3/2014 figures.



Guidance and short-term market outlook

Guidance and short-term market outlook

Guidance for 2021 (as announced on April 16, 2021)

Guidance	Valmet estimates that net sales in 2021 will increase in comparison with 2020 (EUR 3,740 million) and Comparable EBITA in 2021 will increase in comparison with 2020 (EUR 365 million).
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Short-term market outlook

		Q3/2020	Q4/2020	Q1/2021	Q2/2021
Services		Satisfactory / Weak	Satisfactory / Weak	Satisfactory	Good / Satisfactory
Automation		Good / Satisfactory	Good	Good	Good
Pulp and Energy	Pulp	Good	Good	Good	Good
	Energy	Satisfactory	Weak	Weak	Weak
Paper	Board and Paper	Good	Good	Good	Good
	Tissue	Satisfactory	Good	Good	Good

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'.

Interim Review January–September 2021

October 26, 2021

www.valmet.com/investors

