

Orders received amounted to EUR 1.3 billion and  
Comparable EBITA to EUR 79 million in the first  
quarter

Interim Review, January–March 2022

*April 27, 2022*

Pasi Laine, President and CEO

Simo Säaskilahti, Business Line President, Flow Control

# Agenda

## Interim Review, January–March 2022

- 1 Q1/2022 in brief
- 2 Merger with Neles
- 3 Development of the segments and business lines
- 4 Financial development
- 5 Neles' Q1/2022 in brief
- 6 New financial targets, guidance and short-term market outlook



# Q1/2022 in brief

# Q1/2022 in brief

- Orders received remained at previous year's level at EUR 1,324 million
- Net sales increased to EUR 960 million
- Order backlog amounted to EUR 4,459 million
- Comparable EBITA remained at previous year's level at EUR 79 million and margin was 8.3%
- Gearing was 0%

# Valmet in Q1/2022

## Net sales

EUR 960 million

## Comparable EBITA

EUR 79 million

## Comparable EBITA margin

8.3%

## Orders received

EUR 1,324 million

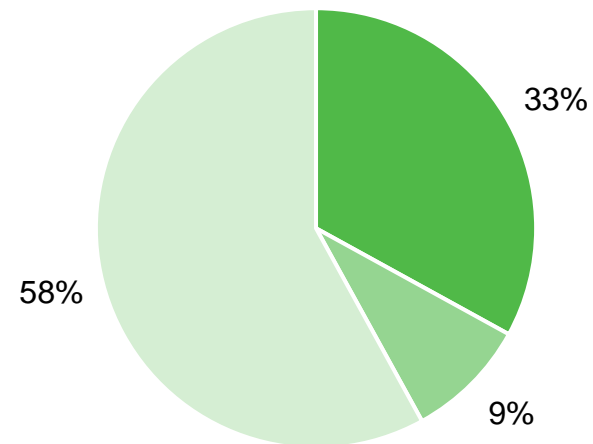
## Order backlog

EUR 4,459 million

## Employees

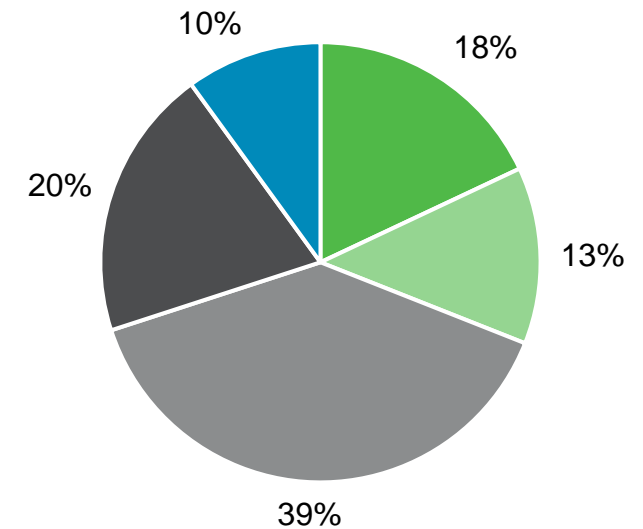
14,417

Net sales by segment



- Services
- Automation
- Process Technologies

Net sales by area

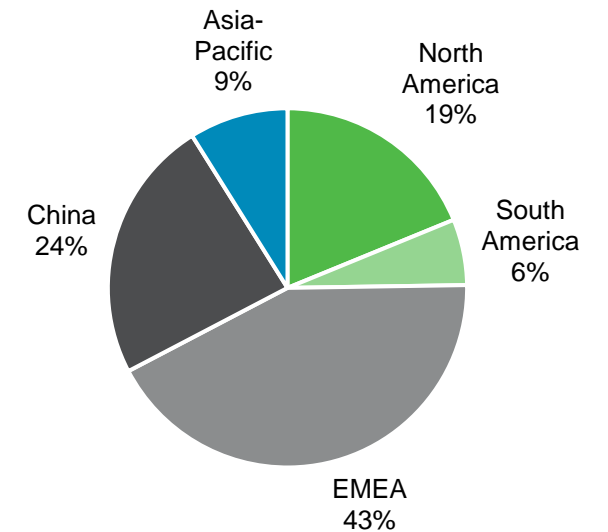
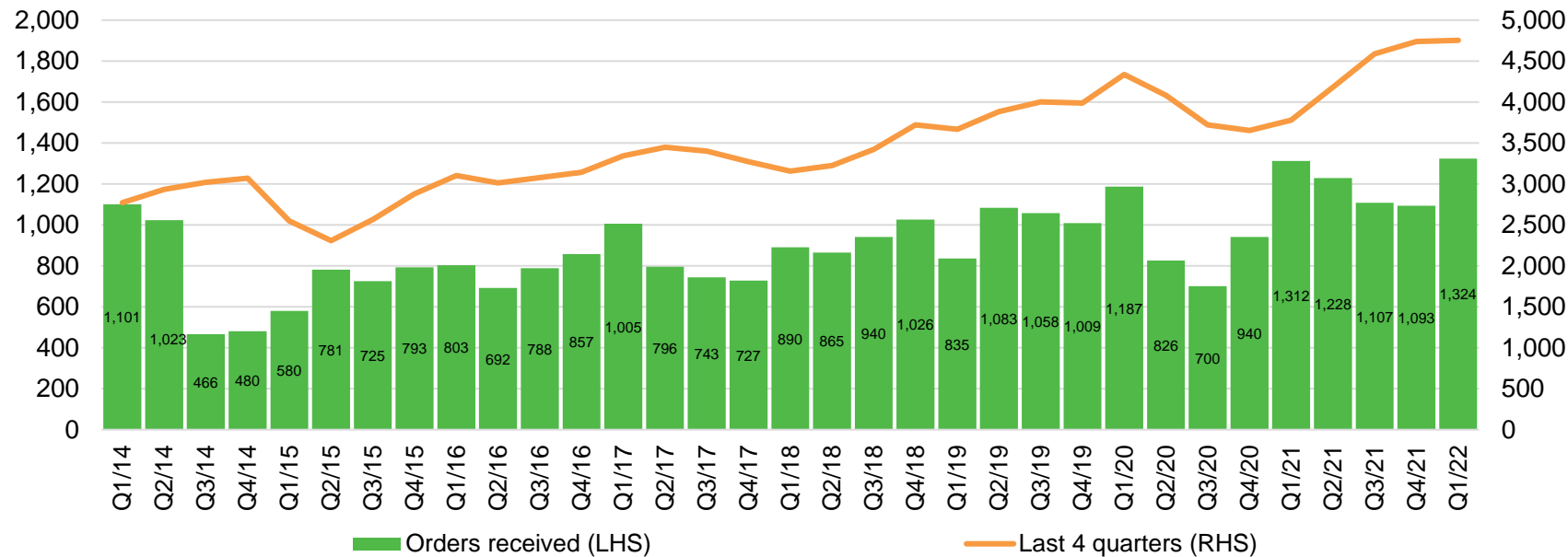


- North America
- South America
- EMEA
- China
- Asia-Pacific

# Orders received remained at the previous year's level at EUR 1,324 million in Q1/2022

Orders received in Q1/2022 by area

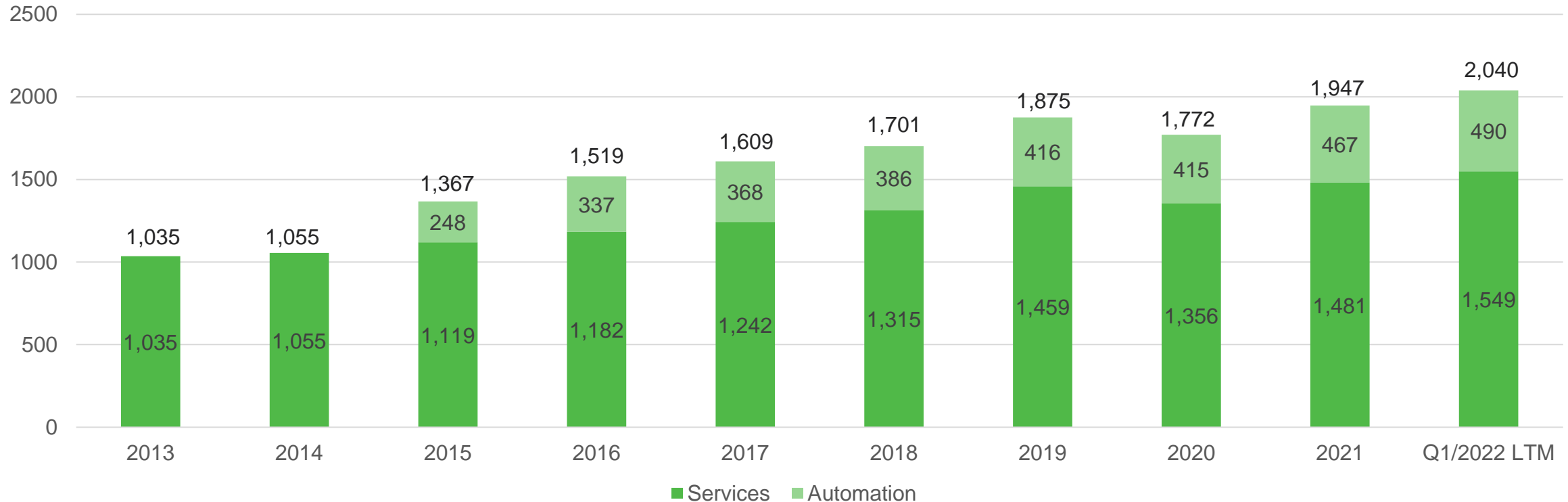
Orders received (EUR million)



- Orders received remained at the previous year's level at EUR 1,324 million in Q1/2022
- Orders received decreased in developed markets and increased in emerging markets in Q1/2022
  - South America, China and Asia-Pacific together accounted for 38% of orders received

# Stable business orders received totaled EUR 2,040 million during the last four quarters

Orders received (EUR million) in stable business

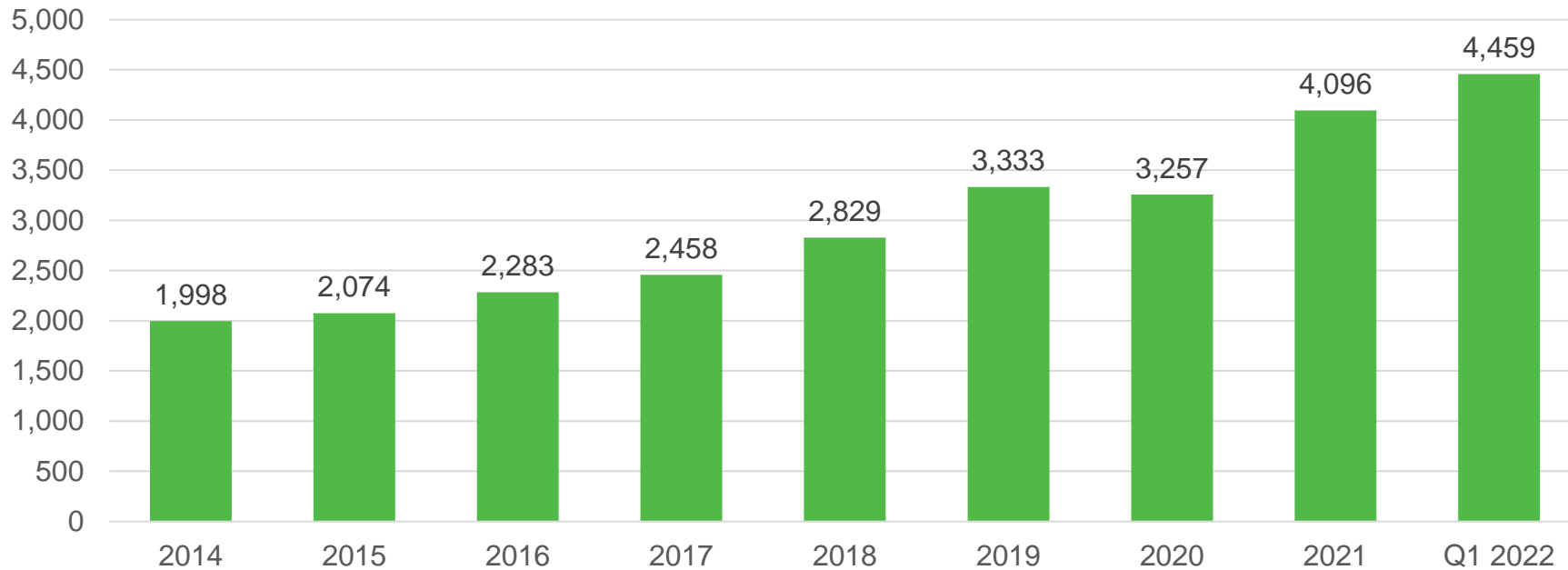


- Total orders received in stable business were EUR 93 million higher in Q1/2022 compared with Q1/2021

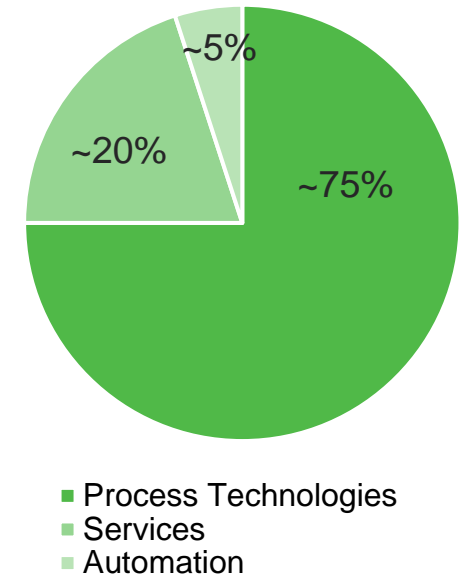
2013-2020 figures have not been restated and 2015-2020 figures include internal orders received for the Automation Systems business line.  
2013 figures on carve-out basis.

# Order backlog EUR 4,459 million at the end of Q1/2022

Order backlog (EUR million)



Structure of order backlog by segment



- Order backlog was EUR 750 million higher than at the end of Q1/2021 and EUR 362 million higher than at the end of 2021
- Approximately 60% of the order backlog is currently expected to be realized as net sales during 2022 (at the end of Q1/2021, ~65% during 2021)
- Approximately 30% of the order backlog relates to stable business (~30% at the end of Q1/2021)





# Merger with Neles

# Merger of Valmet and Neles created a leading company with a unique offering for process industries globally

- Merger of Valmet and Neles was registered and the combination of Valmet's and Neles' business operations completed on April 1, 2022
- Valmet acquired 29.5% of Neles shares in 2020 for EUR 456 million, average price per share was EUR 10.27
- Merger consideration to Neles' shareholders was approximately 34.7 million Valmet shares, amounting to EUR 978 million
- The total cost of Neles' shares acquired by Valmet amounted to EUR 1,434 million
- Valmet's share price at the end of March 31, 2022, was EUR 28.21
- Valmet's number of shares increased to approximately 184.5 million
- Neles' extra distribution before the merger to Neles shareholders was EUR 2.00 per share
- Starting from Q2/2022, Neles is part of Valmet's Automation segment and forms the fifth business line to Valmet, called Flow Control

# Unique, competitive and balanced total offering for process industries

## Paper

- Board, paper and tissue production lines
- Rebuilds
- Stand-alone products

## Pulp

- Wood and pulp handling
- Fiber processing
- Recovery

## Energy

- Heat and power generation
- Air emission control
- Biofuels

## Services

- Spare parts and components
- Maintenance and shutdown services
- Outsourcing services
- Production consumables
- Process support and optimization

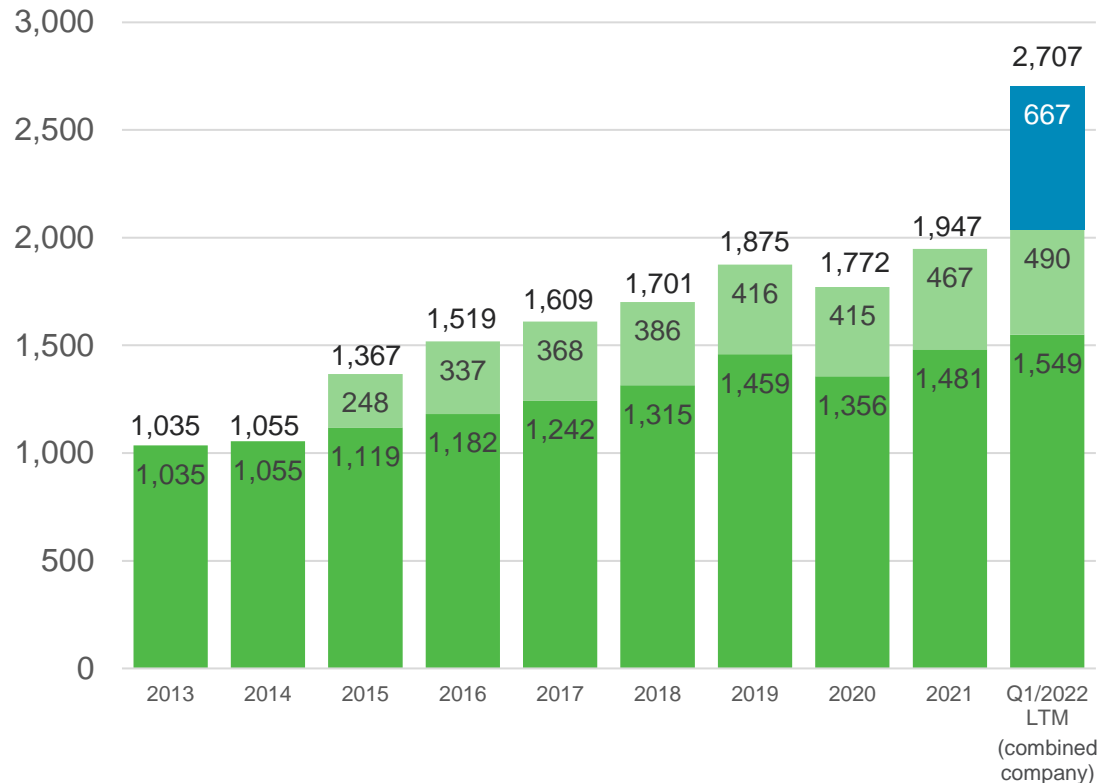


## Flow Control and Automation Systems

- Valves
- Valve automation
- Valve controls
- Distributed control systems (DCS)
- Quality management systems (QMS)
- Analyzers and measurements
- Services and Industrial Internet solutions

# EUR 2.7 billion recurring and steadily growing stable business

**Orders received**  
(EUR million)



- Valmet's stable business has grown steadily since 2014
- Future growth possibilities are supported by favorable megatrends
- Stable business provides resilience to business cycles and makes Valmet's order intake less cyclical

Figures in dark green for Valmet Services business line, light green for Valmet Automation Systems business line and blue for Flow Control business line (Neles). For Q1/2022 LTM combined company, figures are illustrative. 2013-2020 figures have not been restated and 2015-2020 figures include internal orders received for the Automation Systems business line.

# Strong industrial logic through the combination of flow control and automation systems

Valmet's Automation business offering



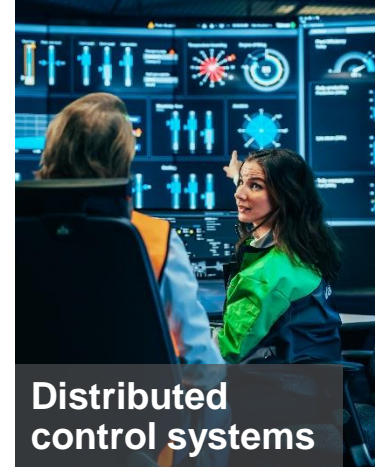
- Control valves
- Automated on/off valves
- Emergency shut-down valves



- High-performing pneumatic, electric and manual actuators designed to maximize cycle life and improve process efficiency



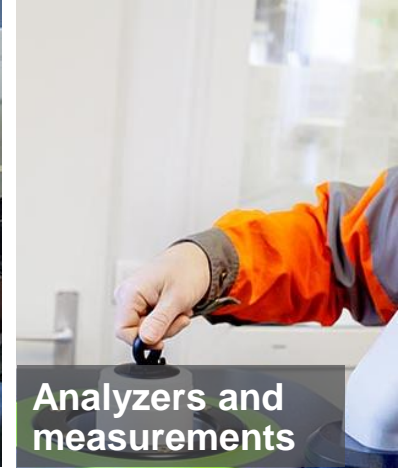
- Automatic valve controllers and valve positioners to improve process efficiency and enable predictive valve maintenance



- Highly integrated automation system for process control and condition monitoring



- Quality control system, quality management applications



- For measuring and optimizing different variables in industrial processes

**Services and Industrial Internet solutions**



# Development of the segments and business lines

# Valmet's new financial reporting structure

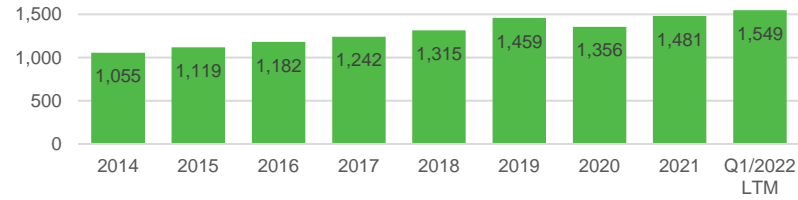
- Starting from January 1, 2022, Valmet changes its financial reporting structure to better highlight the performance of its businesses

	Orders received	Net sales	Comparable EBITA	Comparable EBITA-%	Items affecting comparability	EBITA	EBITA-%	Amortization
<b>Services segment</b>	X	X	X	X	X	X	X	X
<b>Automation segment</b>	X	X	X	X	X	X	X	X
Automation Systems business line	X	X						
Flow Control business line	X	X						
<b>Process Technologies segment</b>	X	X	X	X	X	X	X	X
Pulp and Energy business line	X	X						
Paper business line	X	X						
<b>Other</b>			X		X	X		X

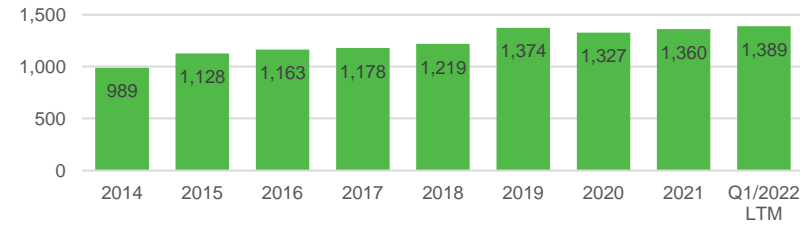
# Development of the segments

## Services segment

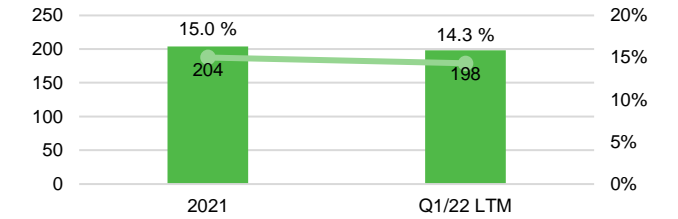
Orders received (EUR million)



Net sales (EUR million)

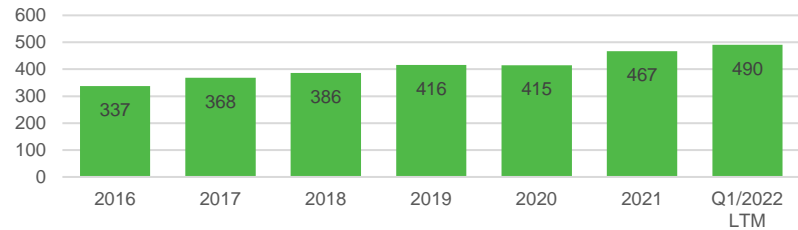


Comparable EBITA (EUR million and % of net sales)

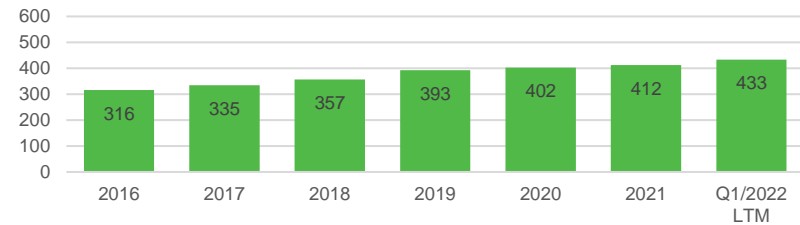


## Automation segment

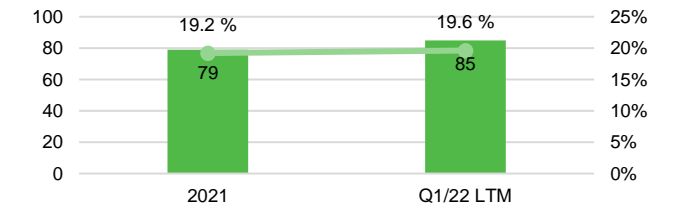
Orders received (EUR million)



Net sales (EUR million)

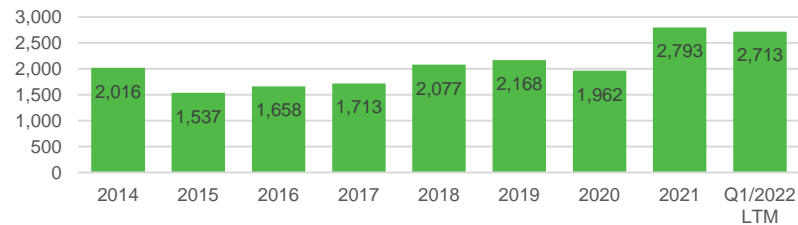


Comparable EBITA (EUR million and % of net sales)

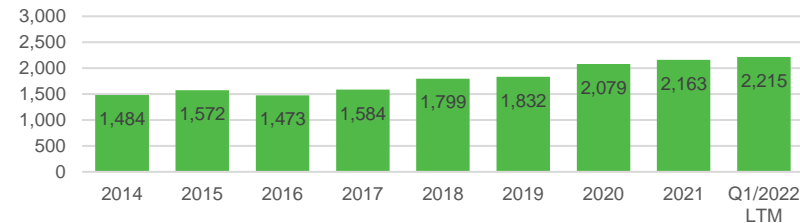


## Process Technologies segment

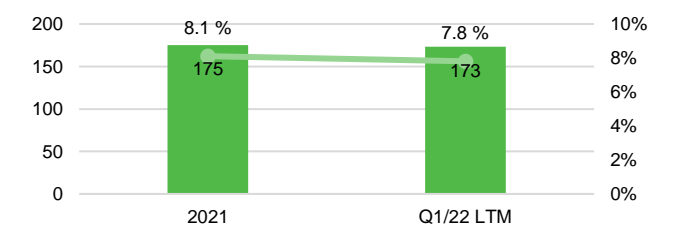
Orders received (EUR million)



Net sales (EUR million)



Comparable EBITA (EUR million and % of net sales)

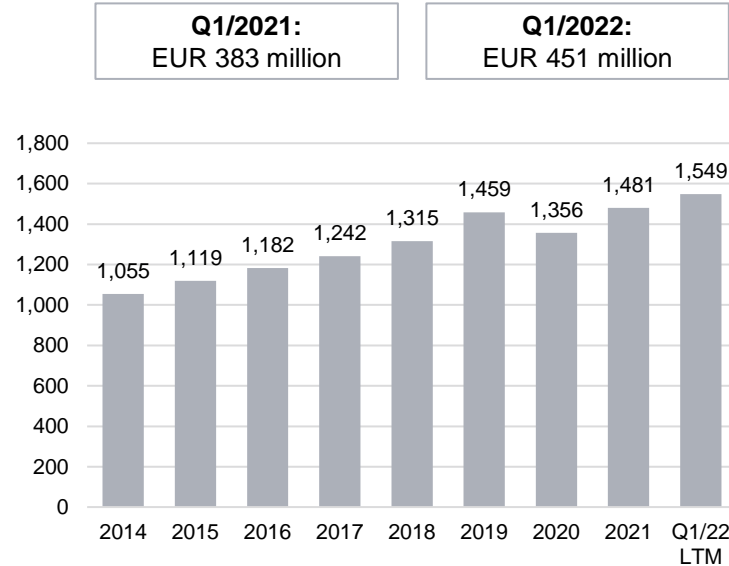


2014-2020 figures have not been restated. 2016-2020 figures for Automation include internal orders received and net sales for the Automation Systems business line.

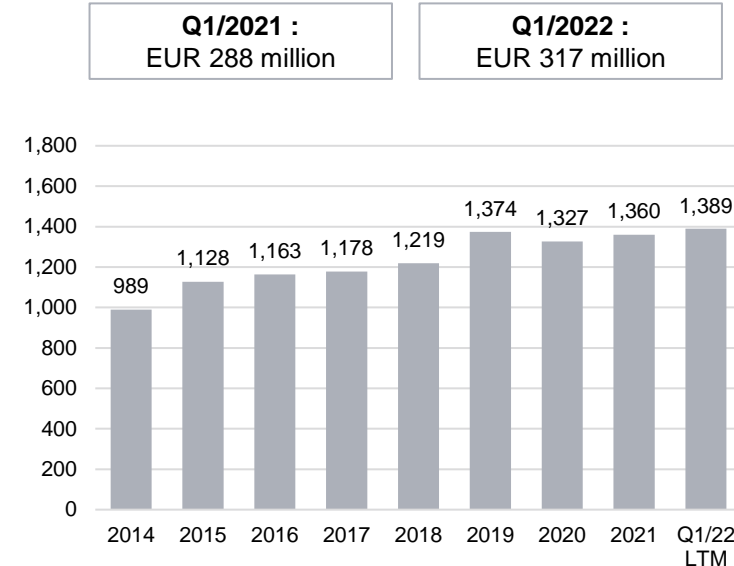


# Services: Orders received increased to EUR 451 million in Q1/2022

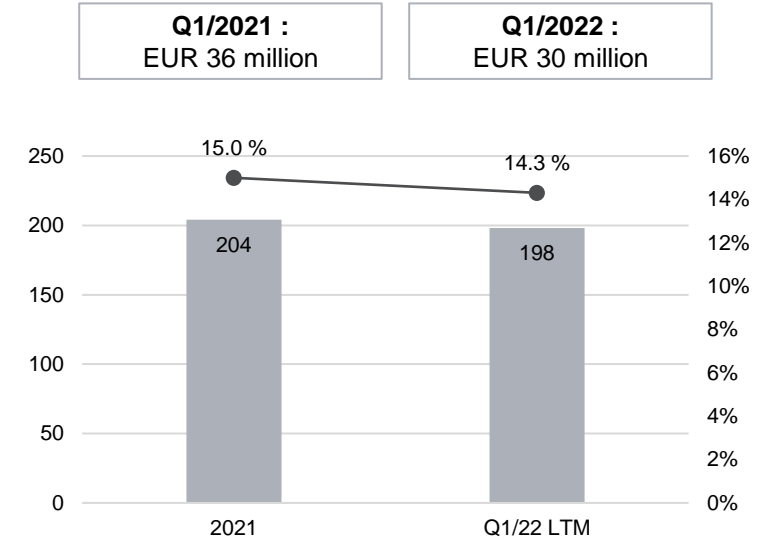
Orders received (EUR million)



Net sales (EUR million)



Comparable EBITA (EUR million and % of net sales)



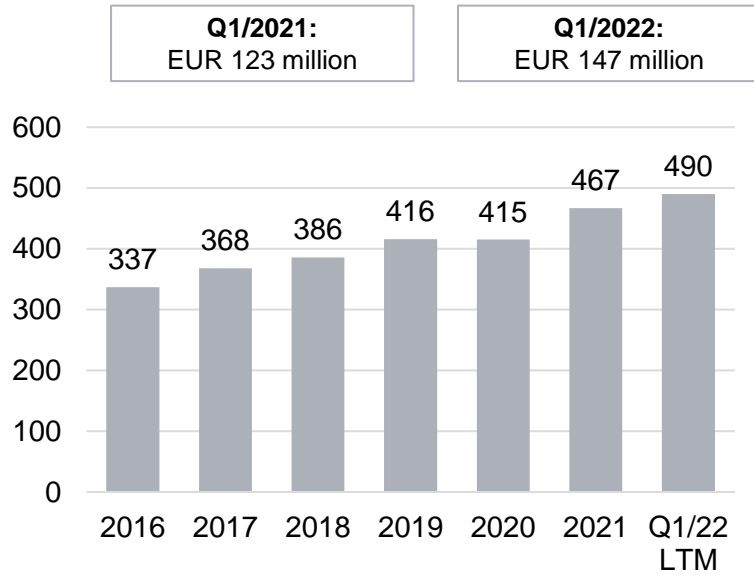
- Orders received increased compared with Q1/2021
  - Orders received increased in all geographical areas
  - Orders received increased in Fabrics; Board, Paper and Tissue Solutions; Performance Parts, and Rolls, and remained at the previous year's level in Pulp and Energy Solutions
- Net sales increased compared with Q1/2021
- Comparable EBITA decreased compared with Q1/2021 due to cost inflation
- COVID-19 related travel restrictions in Asia and the lockdown in China impacted Services' business environment during Q1/2022
- Services business line was affected by reduced component availability and longer delivery times of certain components in Q1/2022



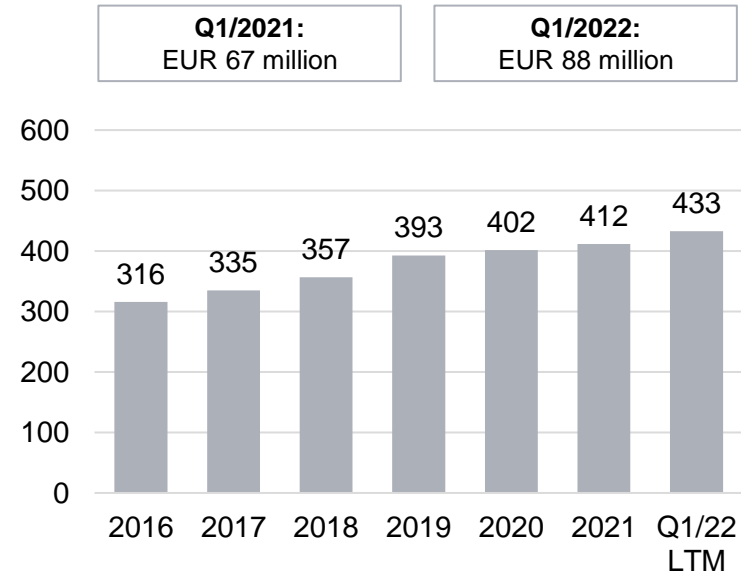
# Automation: Orders received increased to EUR 147 million in Q1/2022

Automation segment includes only Automation Systems business line in Q1/2022

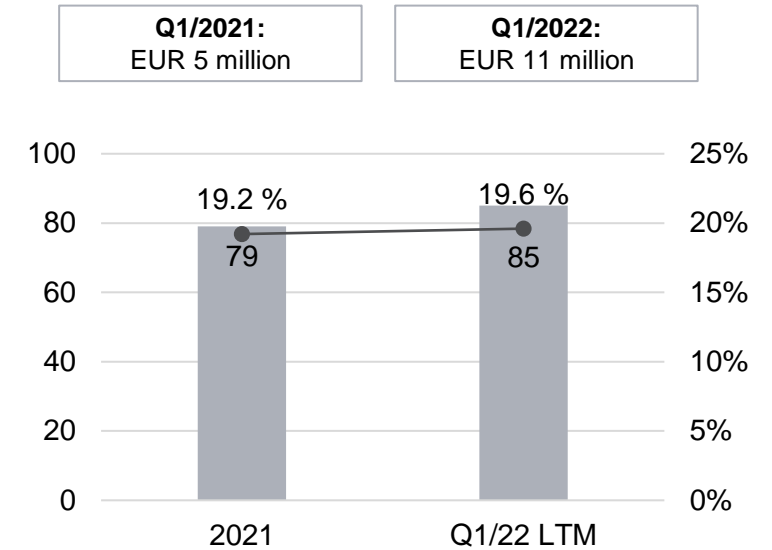
Orders received (EUR million)



Net sales (EUR million)



Comparable EBITA (EUR million and % of net sales)

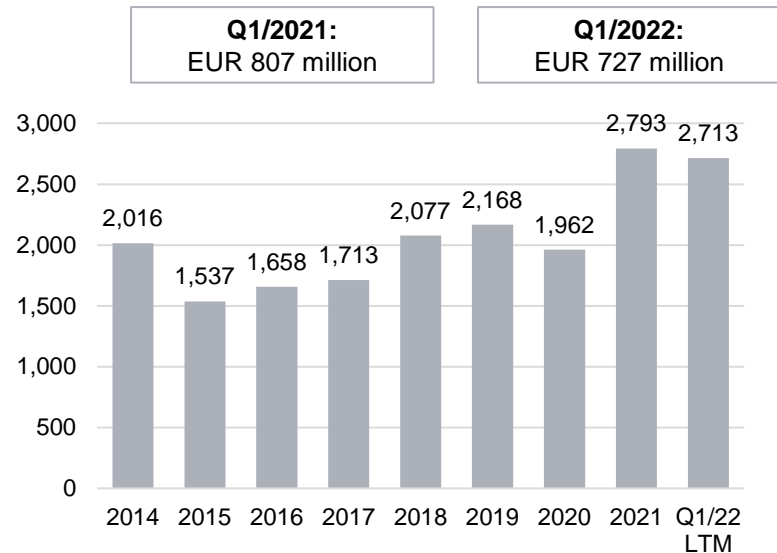


- Orders received increased compared with Q1/2021
  - Orders received increased in all areas except for EMEA, where orders received remained at the previous year's level
  - Orders received increased in both Pulp and Paper, and Energy and Process
- Net sales increased compared with Q1/2021
- Comparable EBITA increased compared with Q1/2021 due to higher sales
- COVID-19 related travel restrictions in Asia and the lockdown in China impacted Automation's business environment during Q1/2022
- Component availability was at a reduced level and delivery times of certain components were longer during Q1/2022

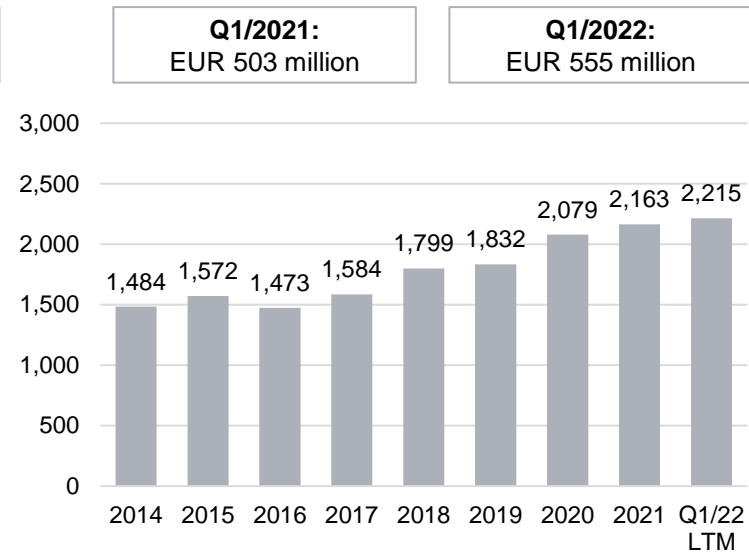


# Process Technologies: Orders received decreased to EUR 727 million in Q1/2022

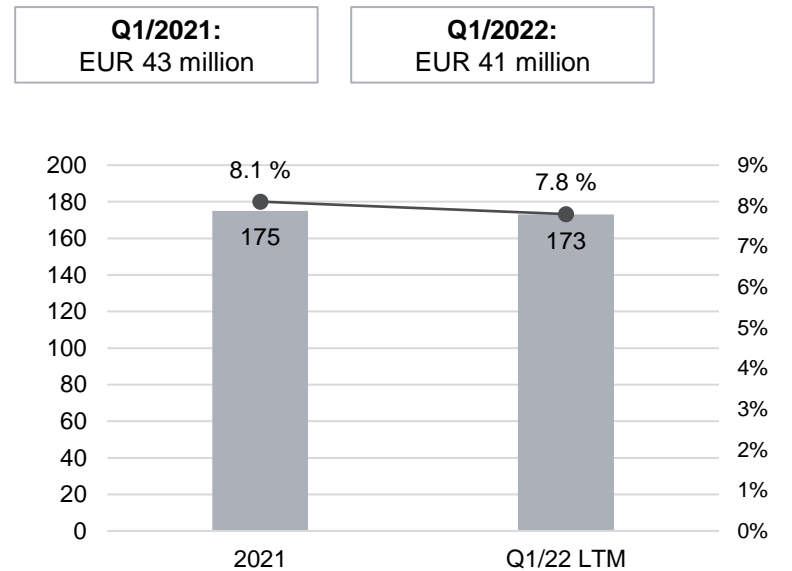
Orders received (EUR million)



Net sales (EUR million)



Comparable EBITA (EUR million and % of net sales)

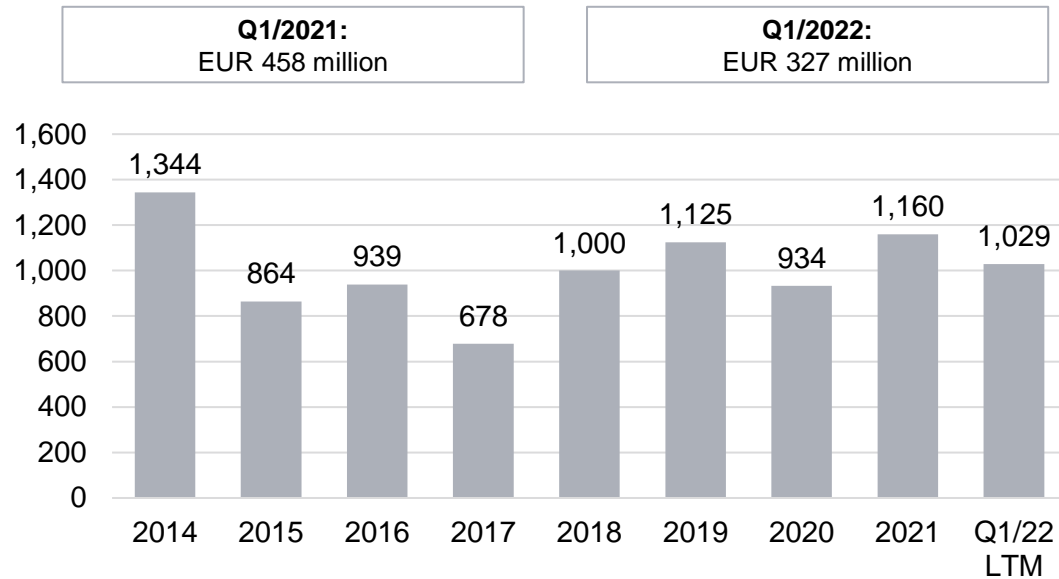


- Orders received decreased compared with Q1/2021
- Net sales increased compared with Q1/2021
- Comparable EBITA decreased compared with Q1/2021 due to cost inflation

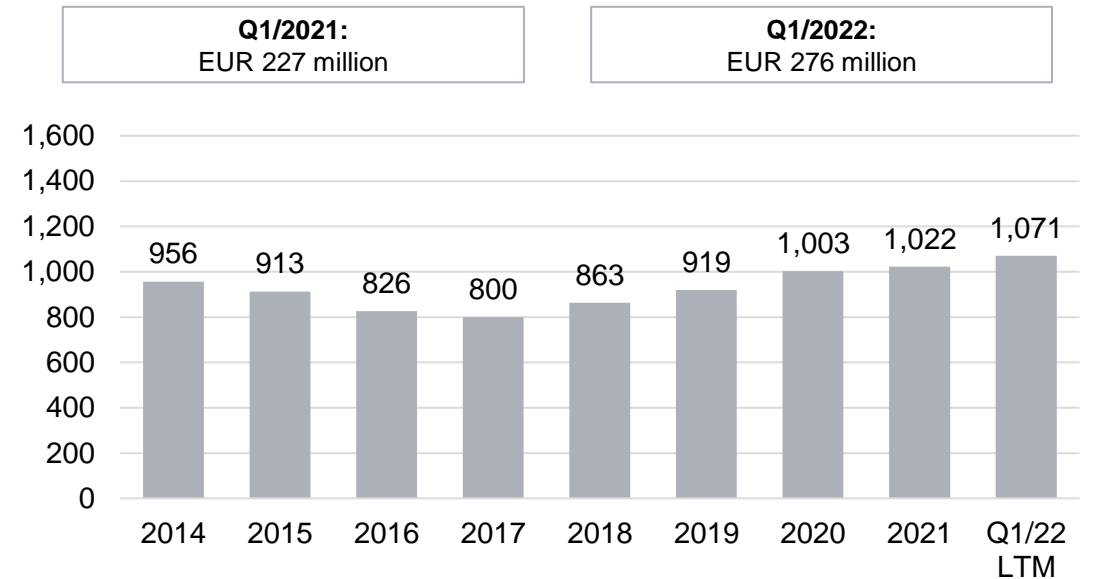


# Pulp and Energy business line: Orders received decreased to EUR 327 million in Q1/2022

Orders received (EUR million)



Net sales (EUR million)

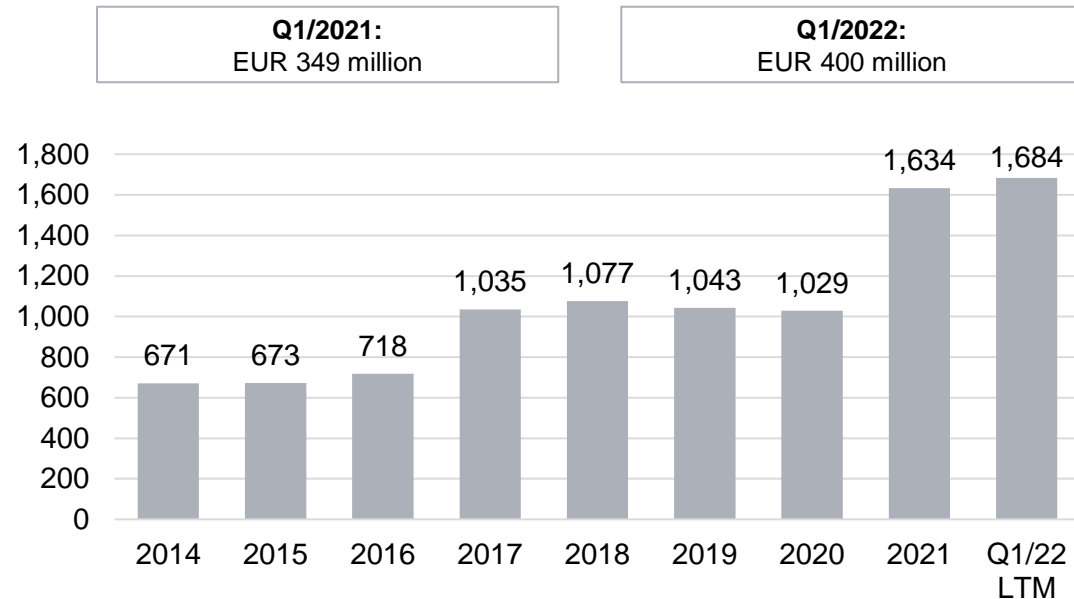


- Orders received decreased compared with Q1/2021
  - Orders received increased in South America and Asia Pacific, and decreased in China, North America and EMEA
  - Orders received increased in Energy and decreased in Pulp
- Net sales increased compared with Q1/2021
- The Pulp and Energy business line has managed challenges caused by COVID-19 well, and therefore the pandemic did not cause major impacts on its operations during Q1/2022

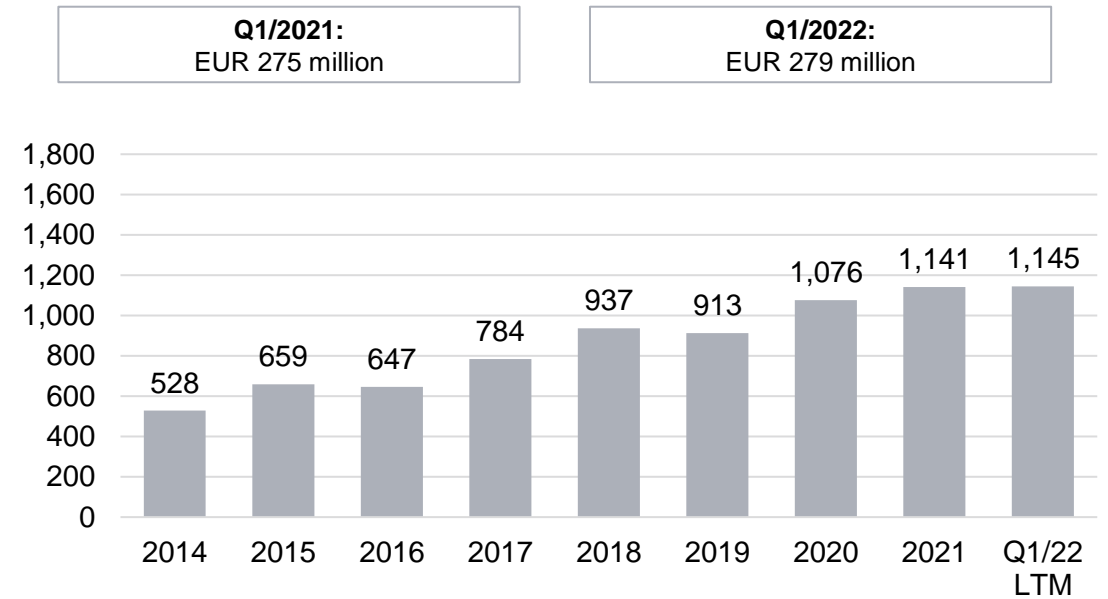


# Paper business line: Orders received increased to EUR 400 million in Q1/2022

Orders received (EUR million)



Net sales (EUR million)



- Orders received increased compared with Q1/2021
  - Orders received increased in all other areas except for EMEA, where orders received decreased
  - Orders received increased in Small and Medium size Machines, Tissue, and Board and Paper, and decreased in Stock Preparation and Recycled Fiber
- Net sales remained at the previous year's level compared with Q1/2021
- The Paper business line has managed challenges caused by COVID-19 well, and therefore the pandemic did not cause major impacts on its operations during Q1/2022



# Russian government's invasion of Ukraine is permanently changing world trade and operational models

- The war in Ukraine touches and upsets us all. Valmet supports our employees and partners in the crisis area in all possible ways.
- Valmet's net sales in Russia was around 2 percent of the company's total net sales in 2021
- Valmet complies with all sanctions and export regulations impacting business with Russia and Belarus and monitors the development actively. In practice this means that almost all business in Russia has halted.
- Valmet has reviewed key contractual obligations, project schedules, and identified risks for projects that are delivered to Russia. Based on the review, Valmet has made a reversal of approximately EUR 70 million to its order backlog as at March 31, 2022.
- World trade, the availability of materials and logistics chains are changing permanently. Valmet is actively adapting its operating models to this new environment.



# Financial development

# Key figures

EUR million	Q1/2022	Q1/2021	Change	2021
Orders received	<b>1,324</b>	1,312	1%	4,740
Order backlog <sup>1</sup>	<b>4,459</b>	3,709	20%	4,096
Net sales	<b>960</b>	858	12%	3,935
Comparable EBITA	<b>79</b>	80	-1%	429
% of net sales	<b>8.3%</b>	9.4%		10.9%
EBITA	<b>74</b>	89	-16%	448
Operating profit (EBIT)	<b>63</b>	76	-17%	399
% of net sales	<b>6.5%</b>	8.9%		10.1%
Earnings per share, EUR	<b>0.30</b>	0.38	-21%	1.98
Return on capital employed (ROCE) before taxes <sup>2</sup>	<b>15%</b>	20%		24%
Cash flow provided by operating activities	<b>19</b>	148	-87%	482
Gearing <sup>1</sup>	<b>0%</b>	3%		-7%

Items affecting comparability: EUR -5 million in Q1/2022 (EUR 8 million in Q1/2021)

Valmet's investment in Neles had a positive impact on EBITA of EUR 6 million in Q1/2022 (EUR 4 million in Q1/2021)

Valmet's investment in Neles had a positive impact on operating profit of EUR 4 million in Q1/2022 (EUR 0 million in Q1/2021)

1) At end of period

2) Annualized



# Segment key figures

Orders received, EUR million	Q1/2022	Q1/2021	Change	2021
Services	451	383	18%	1,481
Automation	147	123	19%	467
Process Technologies	727	807	-10%	2,793
<b>Total</b>	<b>1,324</b>	<b>1,312</b>	<b>1%</b>	<b>4,740</b>

Net sales, EUR million	Q1/2022	Q1/2021	Change	2021
Services	317	288	10%	1,360
Automation	88	67	31%	412
Process Technologies	555	503	10%	2,163
<b>Total</b>	<b>960</b>	<b>858</b>	<b>12%</b>	<b>3,935</b>

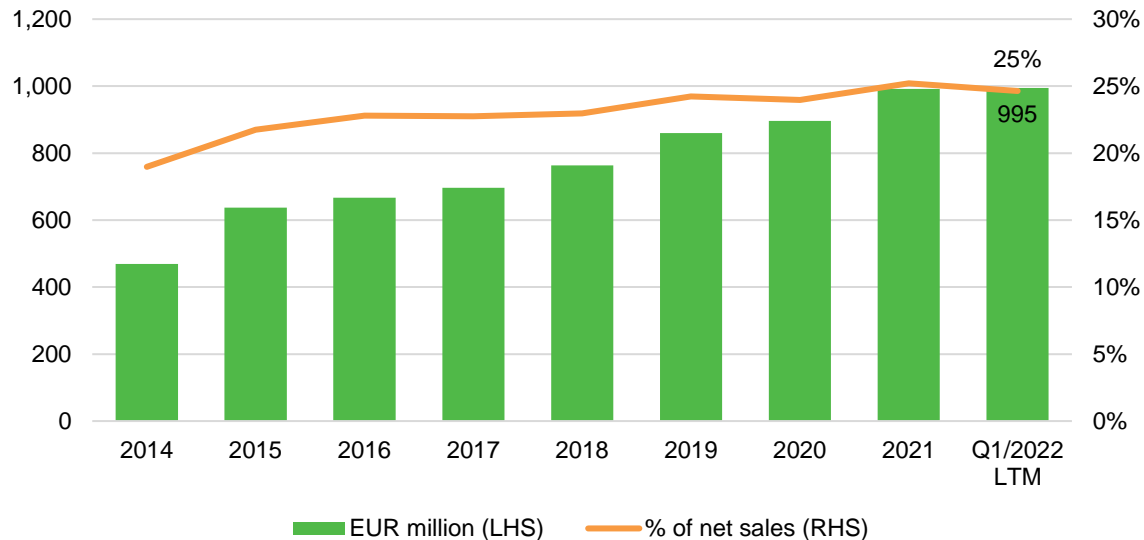
Comparable EBITA, EUR million	Q1/2022	Q1/2021	Change	2021
Services	30	36	-16%	204
Automation	11	5	>100%	79
Process Technologies	41	43	-5%	175
Other	-3	-4	-29%	-30
<b>Total</b>	<b>79</b>	<b>80</b>	<b>-1%</b>	<b>429</b>

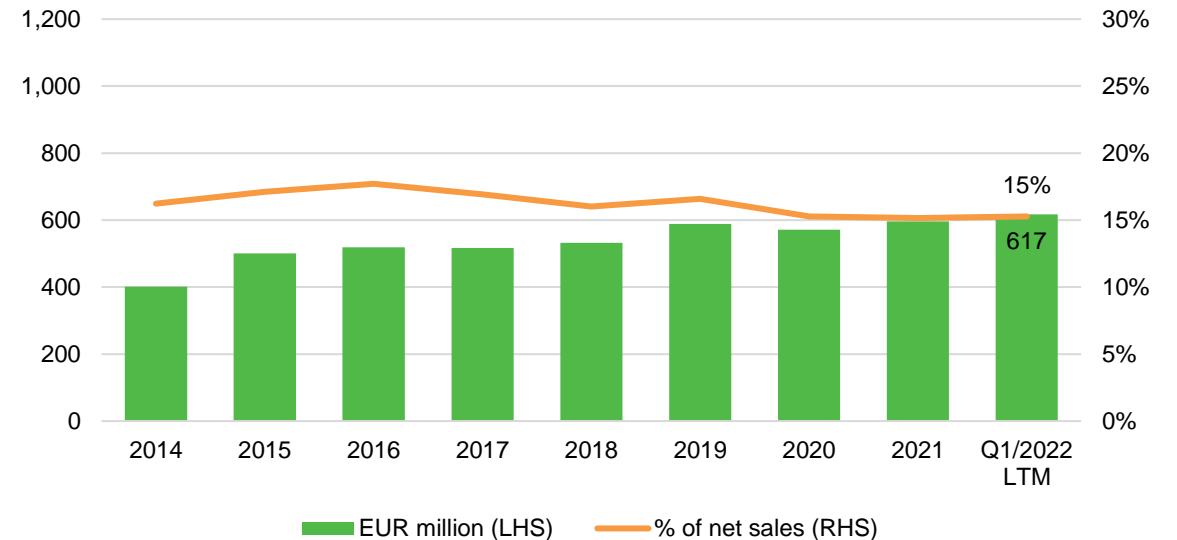
Comparable EBITA margin, % of net sales	Q1/2022	Q1/2021	Change	2021
Services	9.6%	12.6%		15.0%
Automation	12.1%	7.2%		19.2%
Process Technologies	7.3%	8.5%		8.1%
<b>Total</b>	<b>8.3%</b>	<b>9.4%</b>		<b>10.9%</b>

# Gross profit and SG&A development

Gross profit (EUR million and % of net sales)



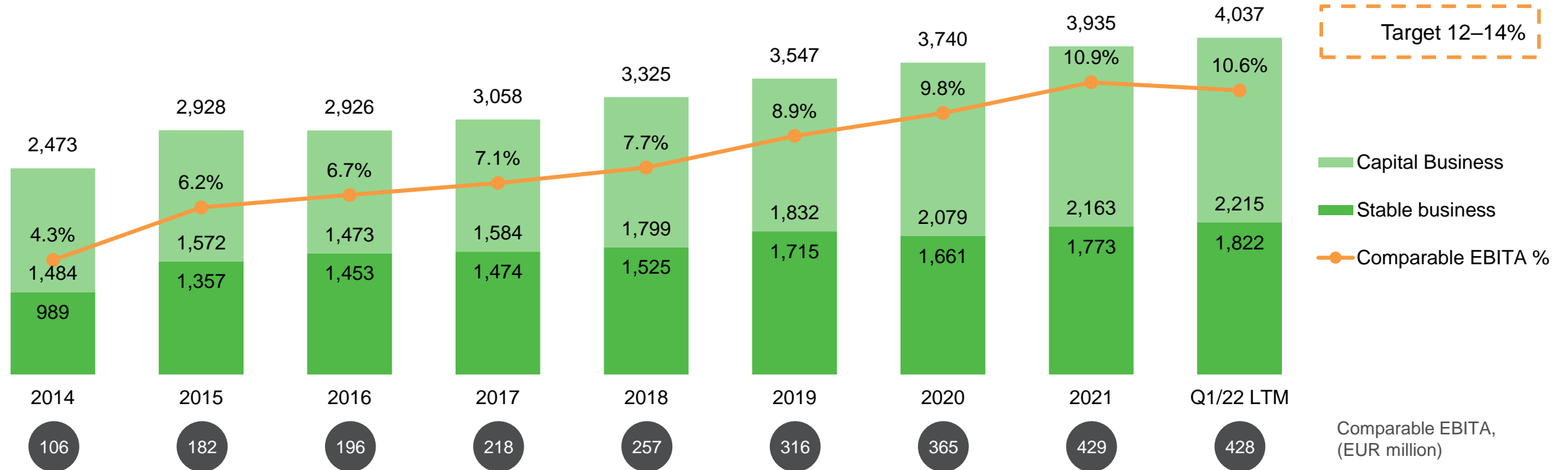
SG&A (EUR million and % of net sales)



- Gross profit was 23% of net sales in Q1/2022 (25% in Q1/2021)
  - Stable business represented 42% of net sales (41% in Q1/2021)
- Selling, general & administrative (SG&A) expenses were EUR 20 million higher in Q1/2022 compared with Q1/2021
  - SG&A was 17% of net sales in Q1/2022 (17% in Q1/2021)

# Comparable EBITA margin development

Net sales and Comparable EBITA (EUR million and %)<sup>1</sup>

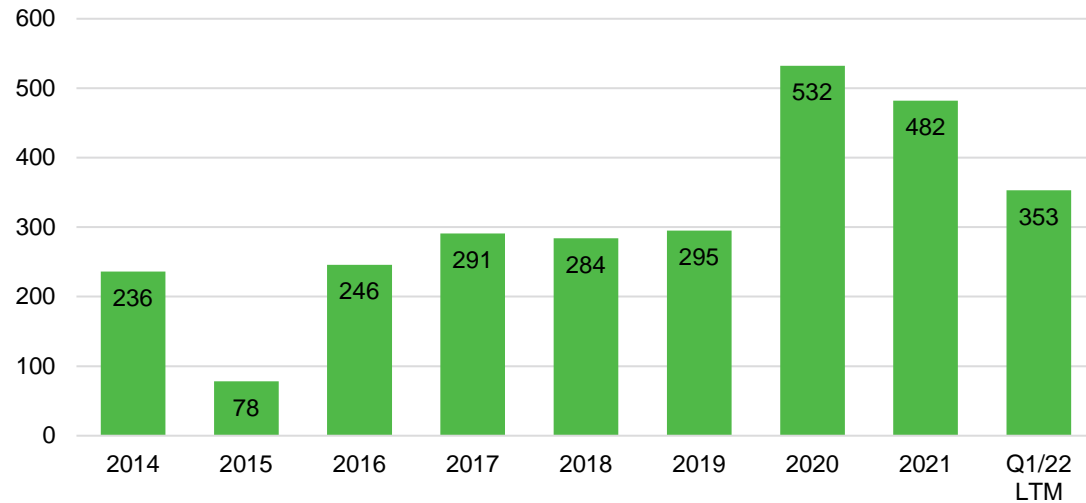


- In Q1/2022, net sales increased and Comparable EBITA remained at the previous year's level compared with Q1/2021

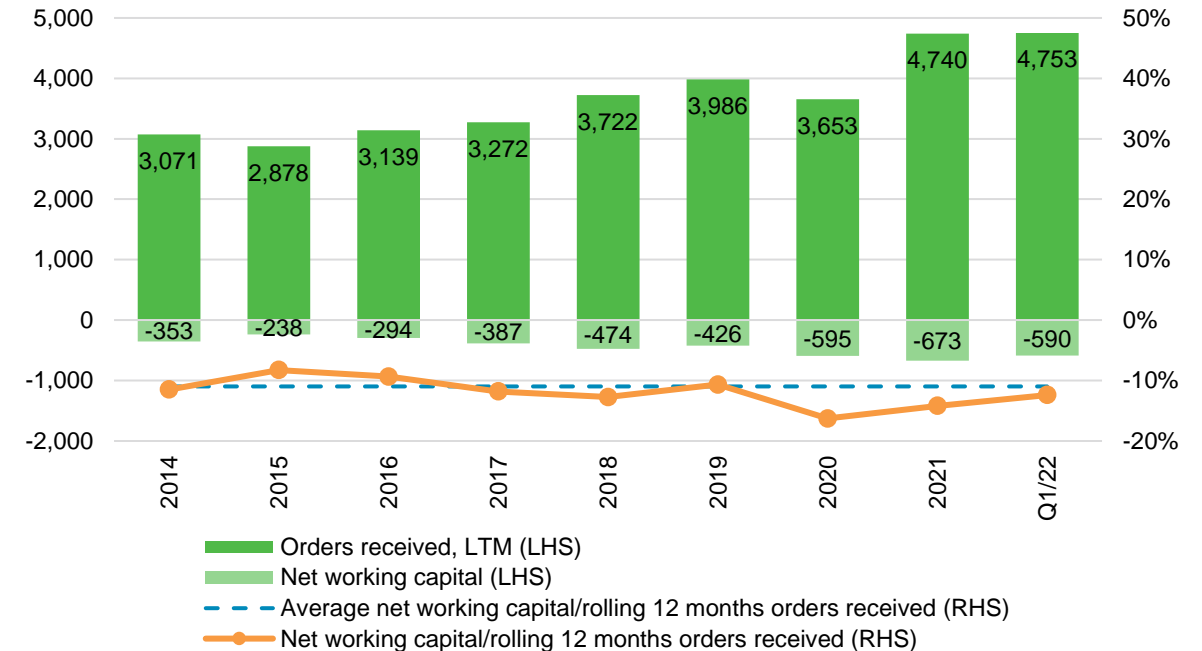
1) Valmet implemented IFRS 15 – Revenue from Contracts with Customers as of January 1, 2018 by applying full retrospective method. 2014-2020 figures have not been restated to reflect Valmet's current reporting structure. Thus, figures presented are not fully comparable.

# Cash flow provided by operating activities and net working capital

Cash flow provided by operating activities (EUR million)



Net working capital and orders received (EUR million)



- Cash flow provided by operating activities EUR 19 million in Q1/2022
- CAPEX<sup>1</sup> EUR 24 million in Q1/2022
- Net working capital EUR -590 million, which equals -12% of rolling 12 months orders received
- Change in net working capital<sup>2</sup> EUR -38 million in Q1/2022

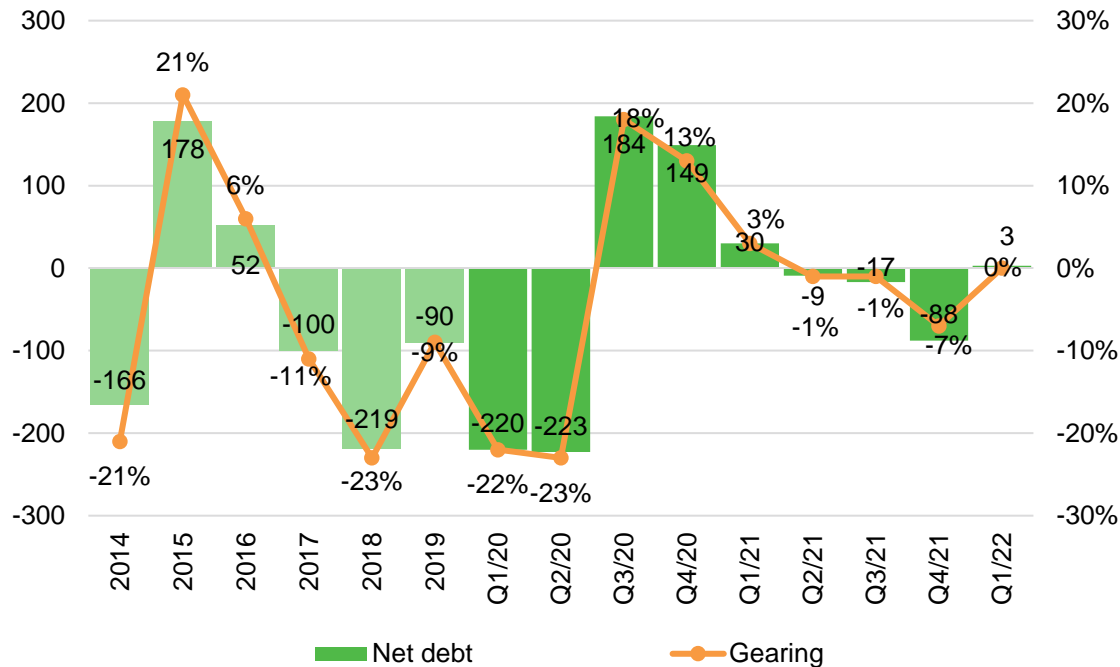
Valmet implemented IFRS 16 – Leases as of January 1, 2019 by applying the simplified transition method and therefore 2018 figures are not restated.

1) Excluding leased assets.

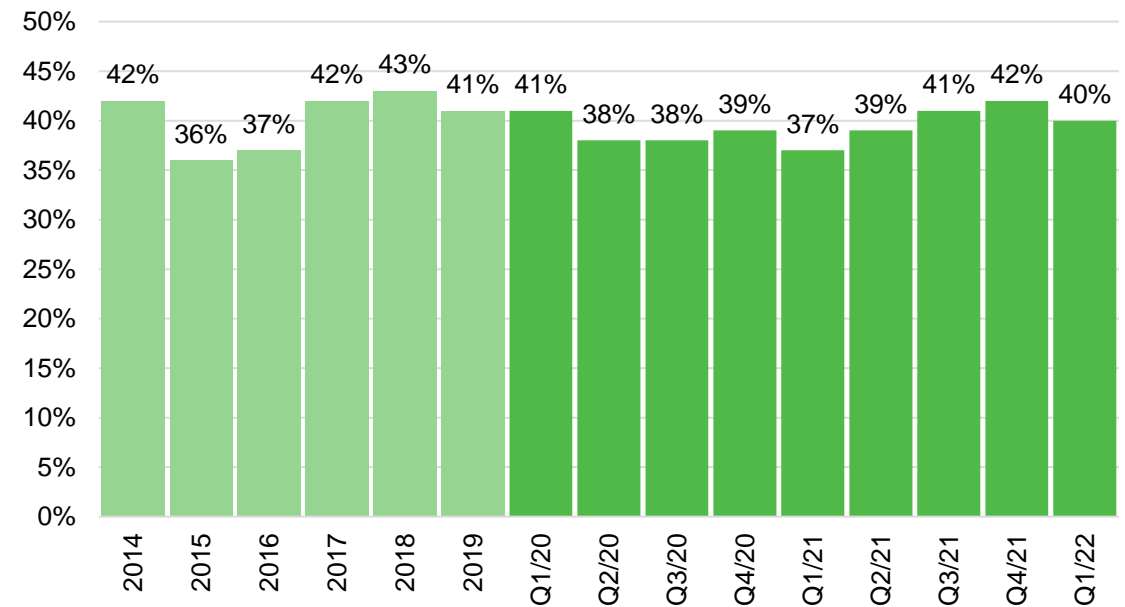
2) Change in net working capital in the consolidated statement of cash flows.

# Net debt and gearing decreased compared with Q1/2021

Net debt (EUR million) and gearing (%)



Equity to assets ratio (%)



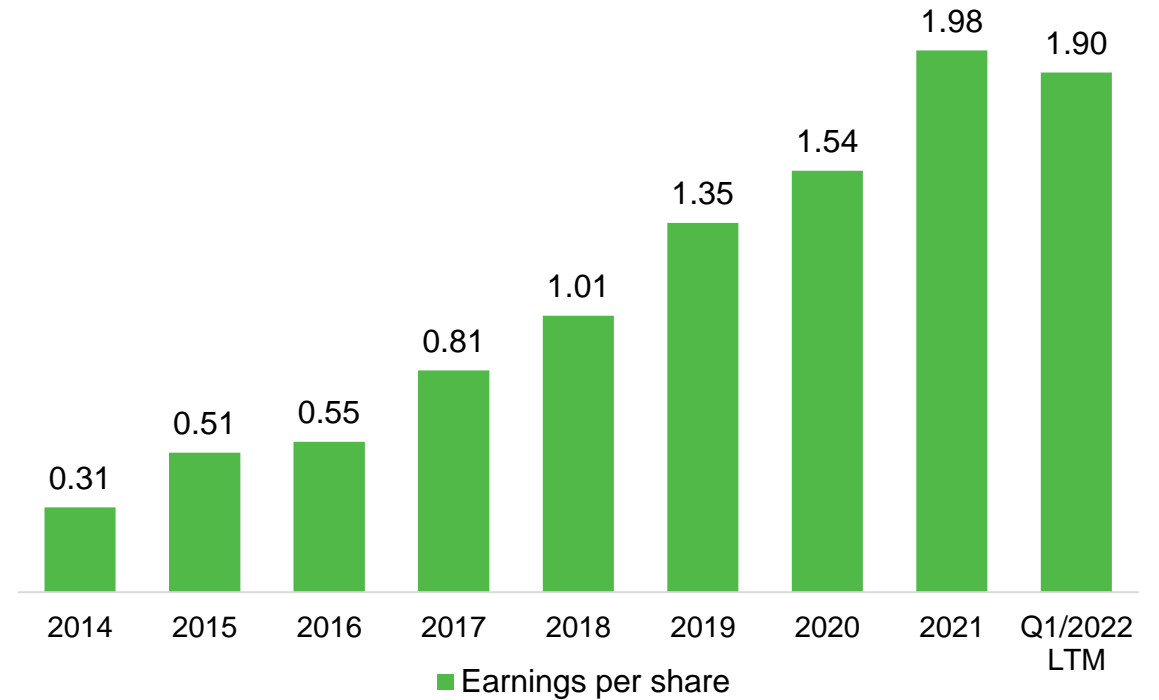
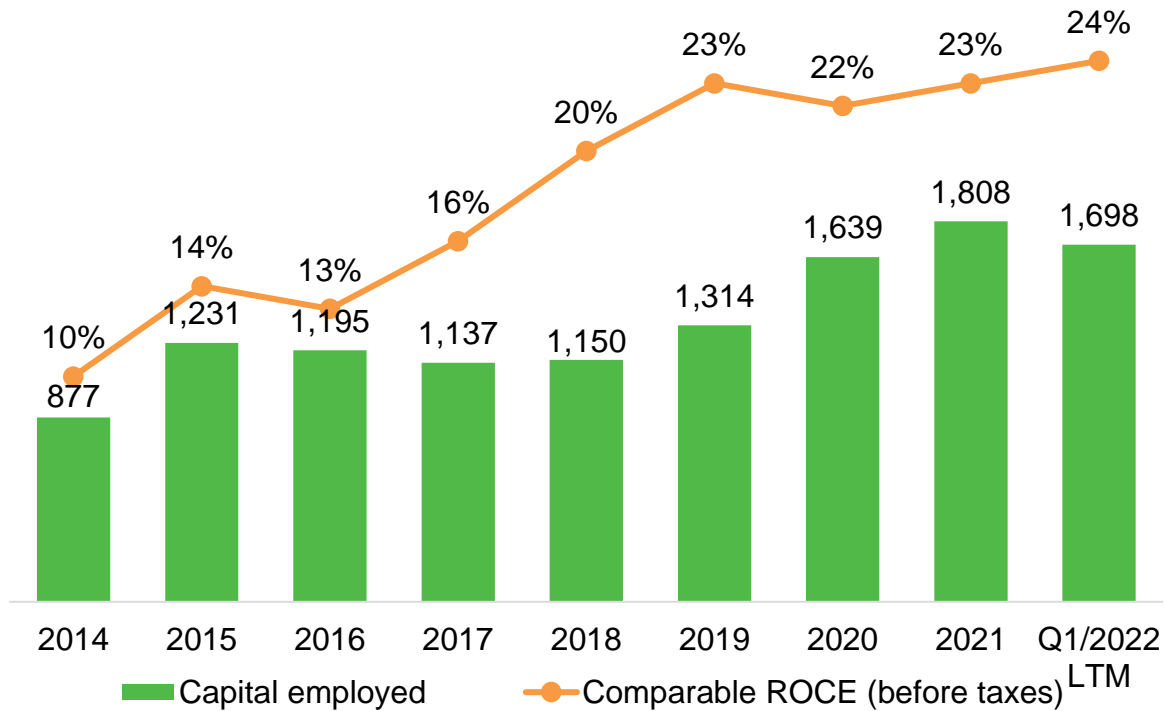
- Gearing (0%) and net debt (EUR 3 million) decreased compared with Q1/2021
- Equity to assets ratio increased compared with Q1/2021

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, Comparable ROCE and EPS

Capital employed (EUR million) and Comparable return on capital employed (ROCE), before taxes (%)

Earnings per share, EUR



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.



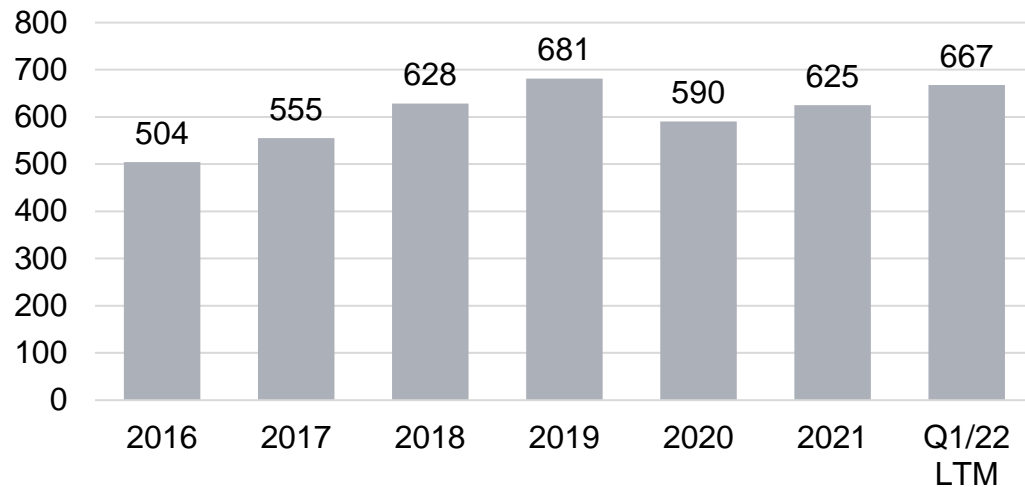
# Neles' Q1/2022 in brief

# Neles: Orders received increased to EUR 196 million in Q1/2022

## Orders received (EUR million)

**Q1/2021:**  
EUR 154 million

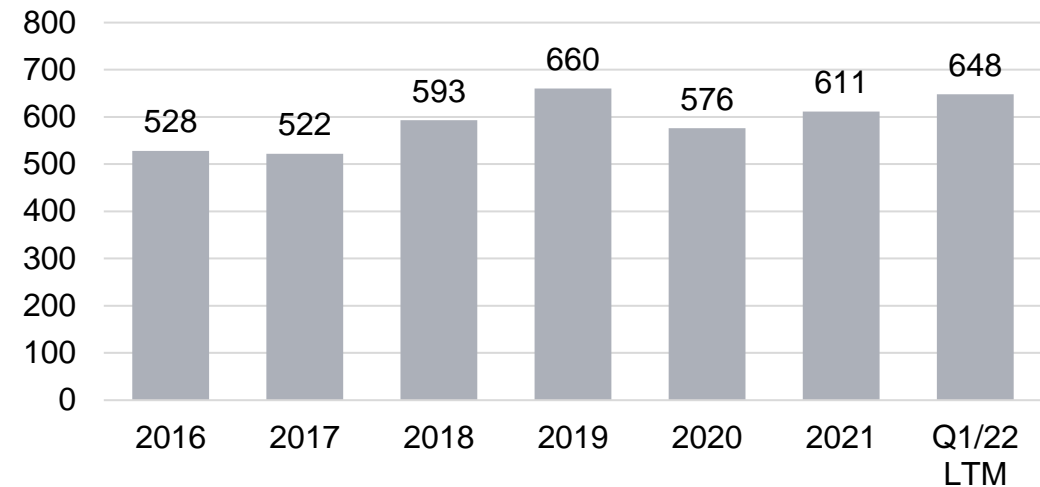
**Q1/2022:**  
EUR 196 million



## Sales (EUR million)

**Q1/2021:**  
EUR 129 million

**Q1/2022:**  
EUR 166 million



2016-2017 financials based on carve-out numbers; 2018-2019 financials based on Metso's "Continuing operations" as in 2019 annual report.

- Orders received increased compared with Q1/2021
  - Orders received increased in all market areas
  - Orders received increased in Services and MRO as well as Project businesses, both organically and inorganically
- Sales increased compared with Q1/2021






# Neles key figures

EUR million	Q1/2022	Q1/2021	Change, %	2021
Orders received	196	154	27%	625
Order backlog <sup>1</sup>	331	298	11%	294
Sales	166	129	28%	611
Adjusted EBITA	27	16	68%	87
% of sales	16.1%	12.3%		14.2%
EBITA	27	16	68%	80
Operating profit	25	15	66%	76
% of sales	15.2%	11.7%		12.4%
Earnings per share, EUR	0.12	0.07	65%	0.38
Return on capital employed (ROCE) before taxes <sup>2</sup>	20%	13%		15%
Cash flow from operating activities	6	22	-70%	88
Gearing <sup>1, 3</sup>		25%		27%

1) At end of period

2) Annualized

3) Not applicable for Q1/2022 due to equity distribution prior to the merger



# New financial targets, guidance and short-term market outlook

# New financial targets as of April 1, 2022

## Growth

Net sales for stable business<sup>1</sup> to grow over two times the market growth

Net sales for capital business to exceed market growth

## Profitability

Comparable EBITA:  
12–14%

## ROCE

Comparable return on capital employed (ROCE) before taxes<sup>2</sup> at least 15%

## Dividend policy

Dividend payout at least 50% of net profit

1: Stable business = Services, Flow Control and Automation Systems business lines

2: Comparable ROCE before taxes = (profit before taxes + interests and other financial expenses +/- items affecting comparability) / (balance sheet total - non-interest-bearing liabilities (average for the period))

# Guidance and short-term market outlook

## Guidance for 2022 (Published on April 1, 2022)

<b>Guidance</b>	<p>Valmet estimates that, including the merger with Neles, net sales in 2022 will increase in comparison with 2021 (EUR 3,935 million) and Comparable EBITA in 2022 will increase in comparison with 2021 (EUR 429 million).</p>
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## Short-term market outlook

		Q2/2021	Q3/2021	Q4/2021	Q1/2022
Services		Good / Satisfactory	Good	Good	Good
Automation	Flow Control			Good	Good
	Automation Systems	Good	Good	Good	Good
Pulp and Energy	Pulp	Good	Good	Good	Good
	Energy	Weak	Weak	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'.

# Q&A

# Half-year Financial Review January–June 2022

July 27, 2022

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