

Orders received decreased to EUR 826 million and
Comparable EBITA increased to EUR 76 million in
the second quarter

Half Year Financial Review, January–June 2020

July 23, 2020

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Agenda

Half Year Financial Review, January–June 2020

- 1 Q2/2020 in brief
- 2 Development of the business lines
- 3 Share acquisition in Neles
- 4 Financial development
- 5 Guidance and short-term market outlook



Q2/2020 in brief

Q2/2020 in brief

- Orders received decreased to EUR 426 million in stable business¹
- Orders received decreased to EUR 416 million in capital business²
- Net sales remained at the previous year's level at EUR 919 million
- Order backlog amounted to EUR 3.5 billion
- Comparable EBITA increased to EUR 76 million and margin was 8.3%
- Gearing was -23%
- Valmet agreed to acquire 14.9% of the shares in Neles

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 Q2/2020

Orders received
EUR 826 million

Net sales
EUR 919 million

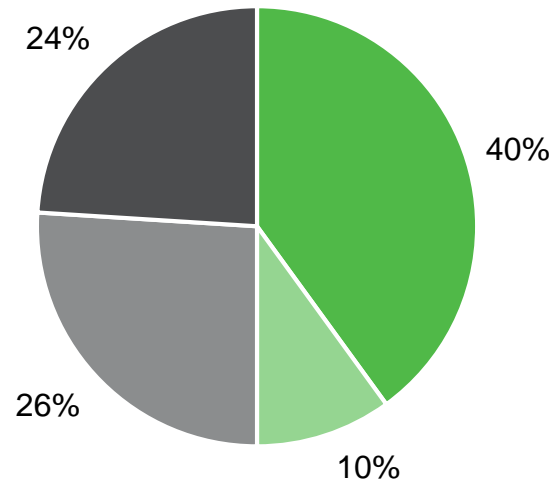
Comparable EBITA
EUR 76 million

Comparable EBITA margin
8.3%

Order backlog
EUR 3,492 million

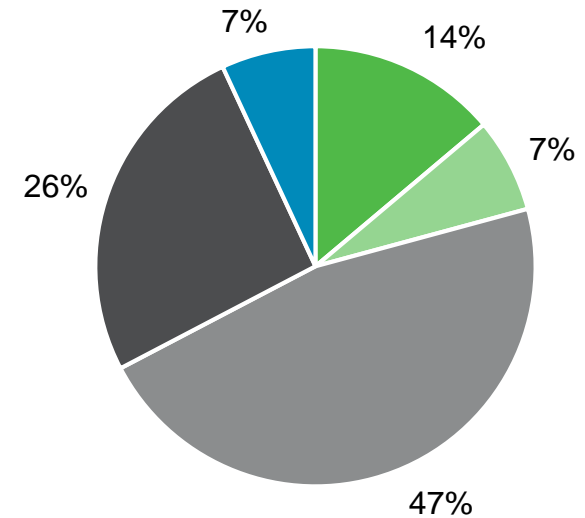
Employees
13,626

Orders received by business line



- Services
- Automation
- Pulp and Energy
- Paper

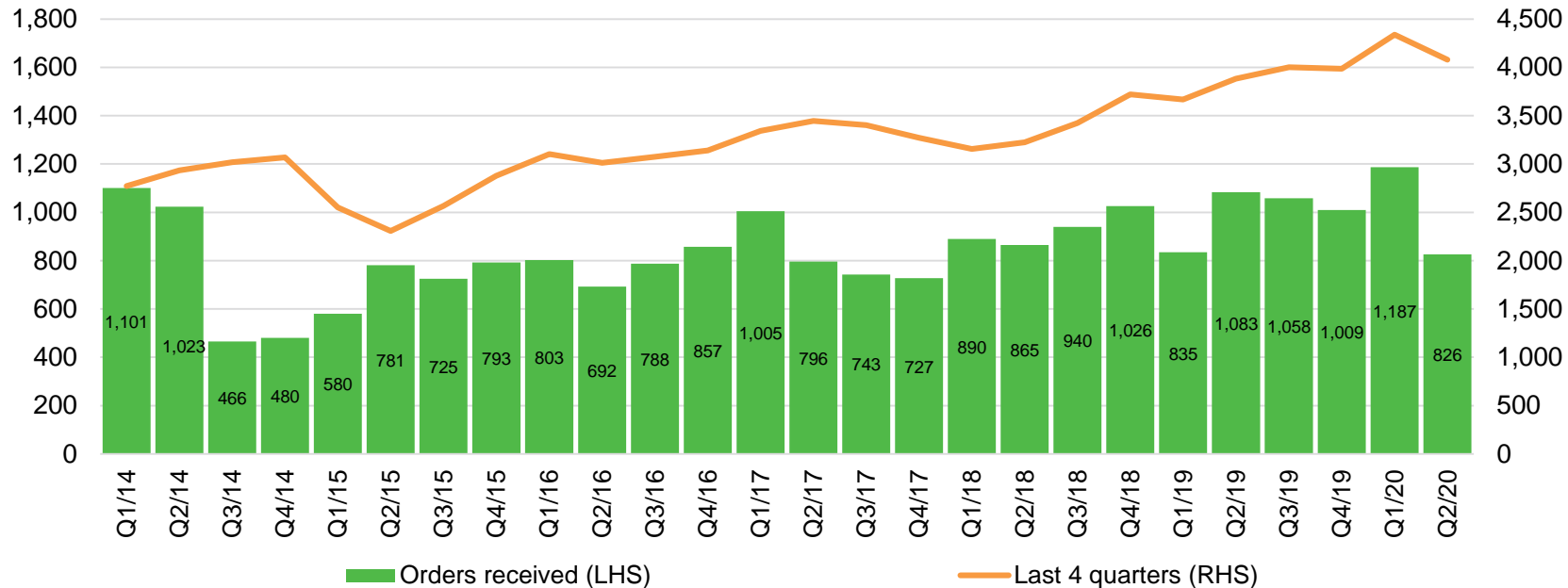
Orders received by area



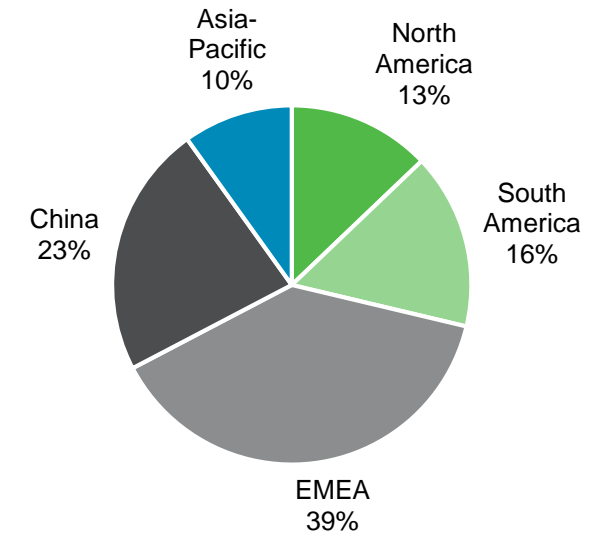
- North America
- South America
- EMEA
- China
- Asia-Pacific

Orders received decreased to EUR 826 million in Q2/2020

Orders received (EUR million)



Orders received in Q1–Q2/2020 by area

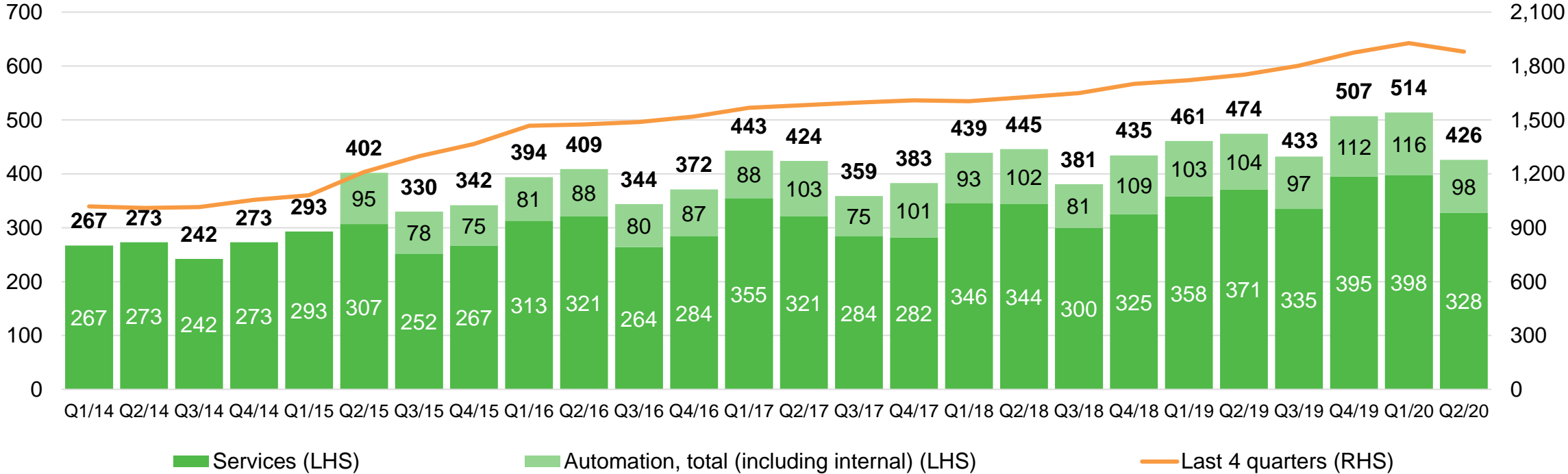


- In stable business¹, orders received decreased to EUR 426 million in Q2/2020
- In capital business, orders received decreased to EUR 416 million in Q2/2020
- Orders received decreased in developed markets and increased in emerging markets during the first half of the year
 - South America, China and Asia-Pacific together accounted for 49% of orders received

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

Stable business orders received totaled EUR 1,880 million during the last four quarters

Orders received (EUR million) in stable business¹

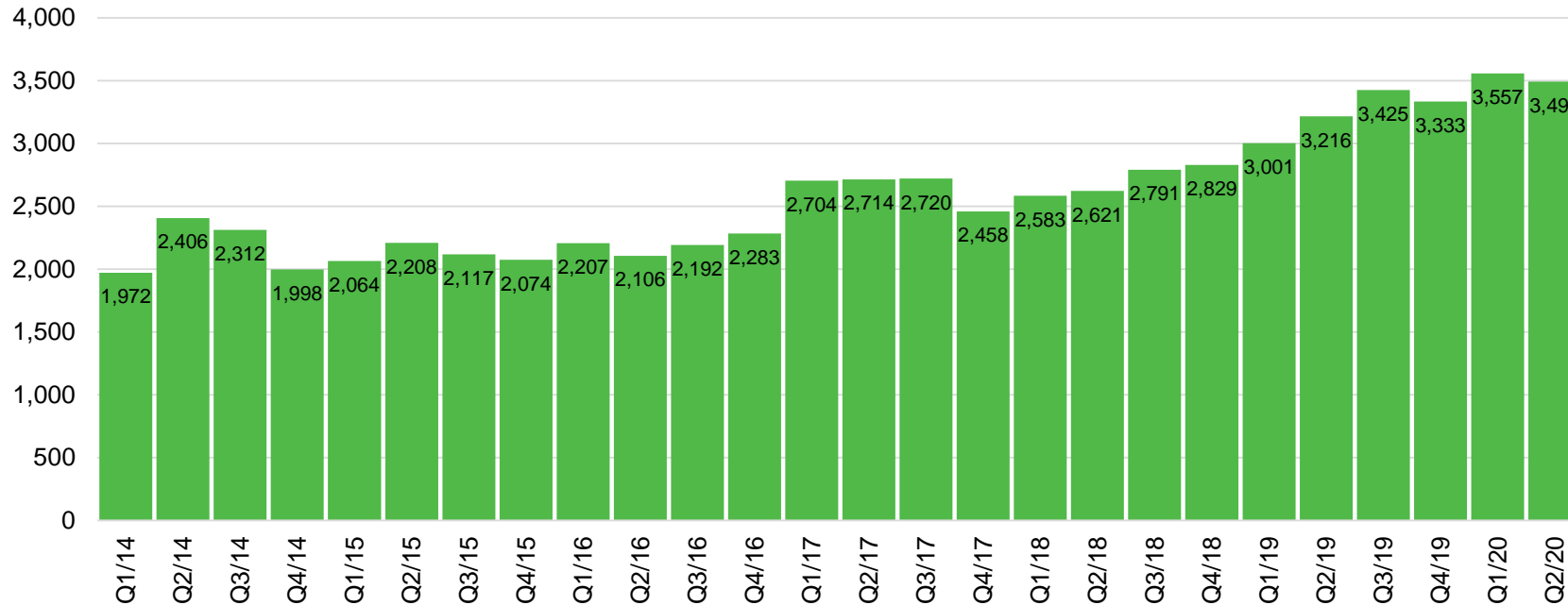


- Total orders received in stable business decreased by EUR 49 million in Q2/2020

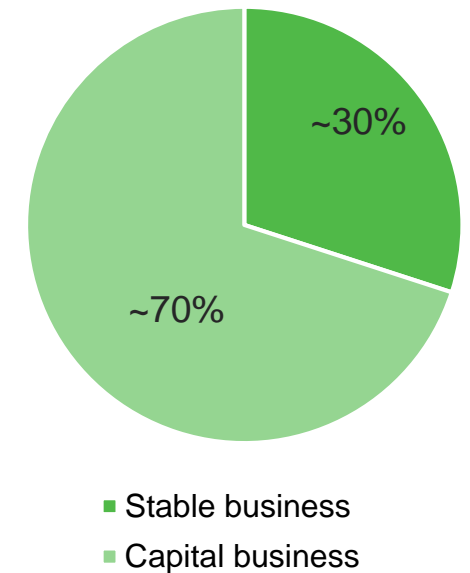
1) Including internal orders received for the Automation business line.

Order backlog at EUR 3,492 million at the end of Q2/2020

Order backlog (EUR million)



Structure of order backlog



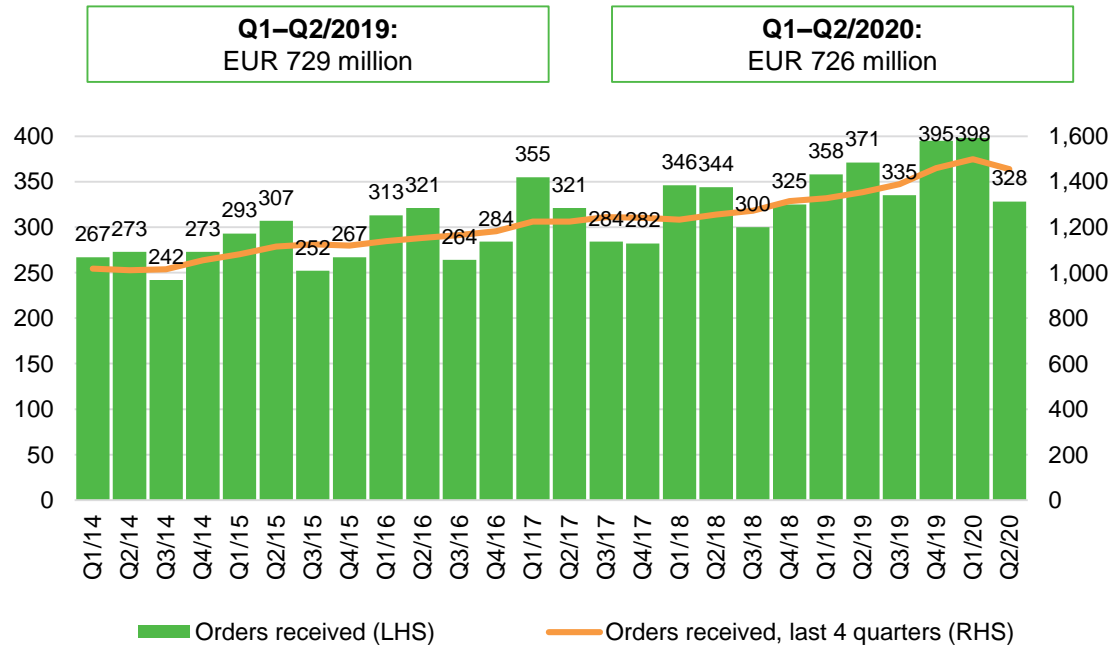
- Order backlog was EUR 64 million lower than at the end of Q1/2020
- Approximately 45% of the order backlog is currently expected to be realized as net sales during 2020 (at the end of Q2/2019, ~50% during 2019)
- Approximately 30% of the order backlog relates to stable business (~30% at the end of Q2/2019)



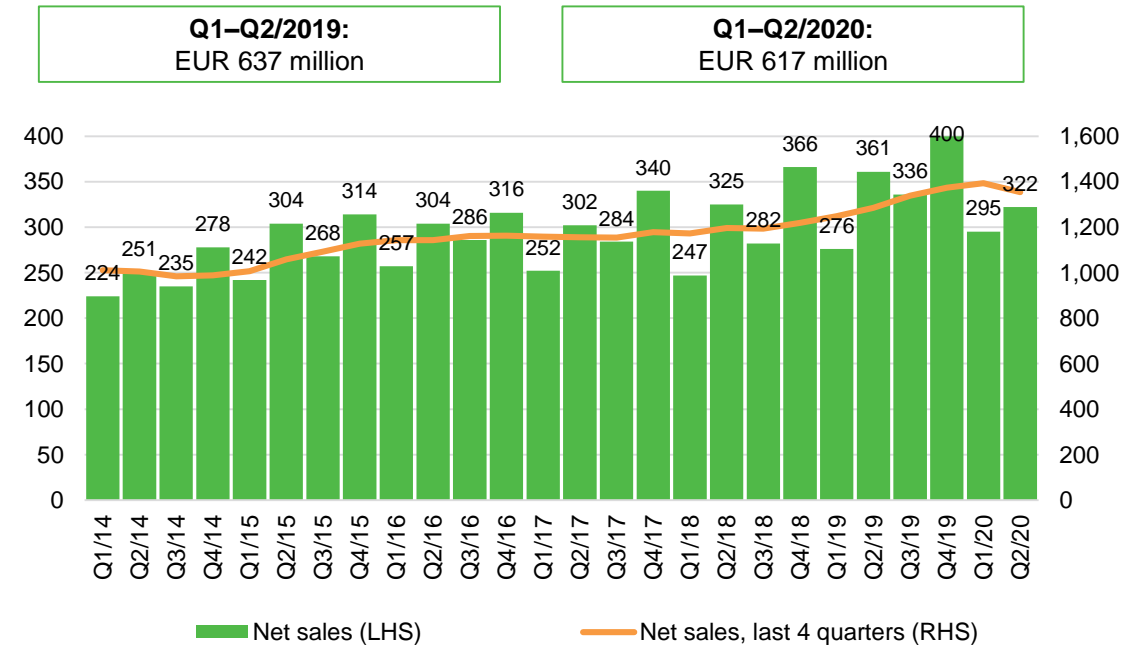
Development of the business lines

Services: Orders received and net sales decreased in Q2/2020

Orders received (EUR million)



Net sales (EUR million)

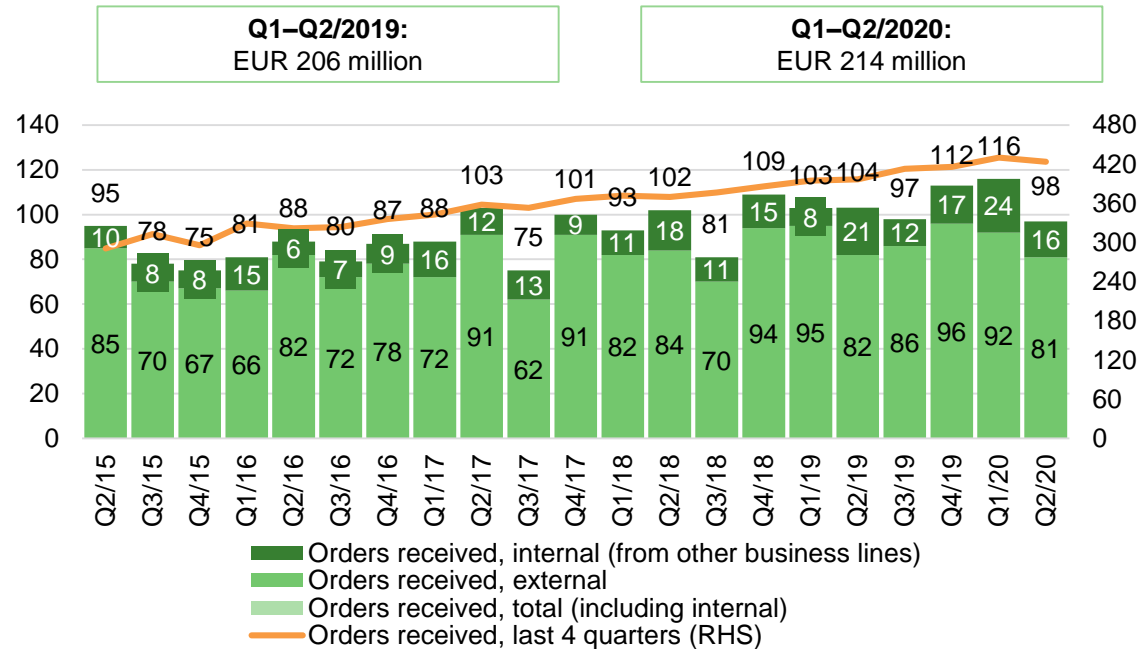


- Orders received decreased compared with Q2/2019
 - Orders received increased China, remained at the previous year's level in Asia-Pacific, and decreased in South America, North America and EMEA
 - Orders received decreased in Mill Improvements, Energy and Environmental, Fabrics, Performance Parts and Rolls
- Net sales decreased compared with Q2/2019
- COVID-19 had a negative impact on orders received and net sales in all service businesses

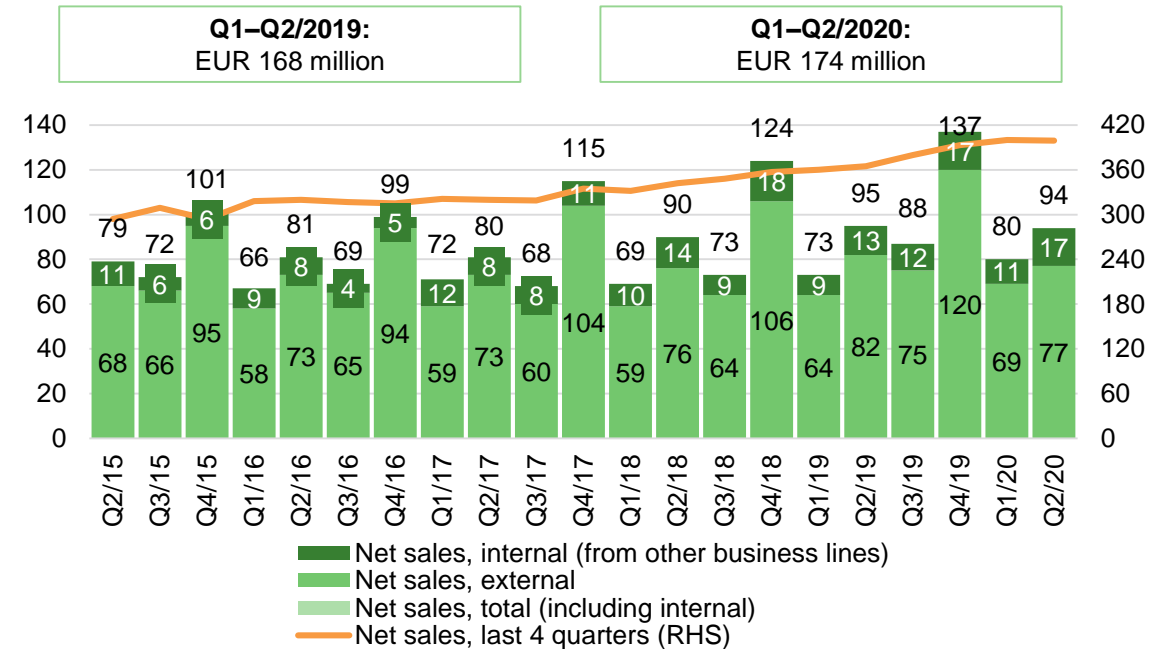


Automation¹: Orders received decreased and net sales remained at the previous year's level in Q2/2020

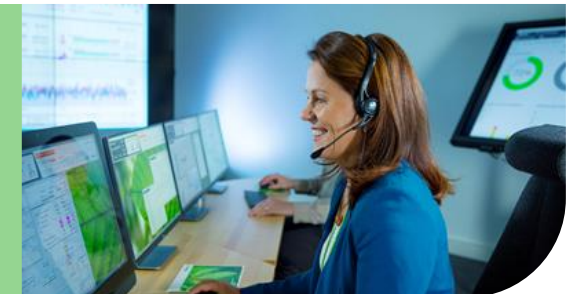
Orders received (EUR million)



Net sales (EUR million)



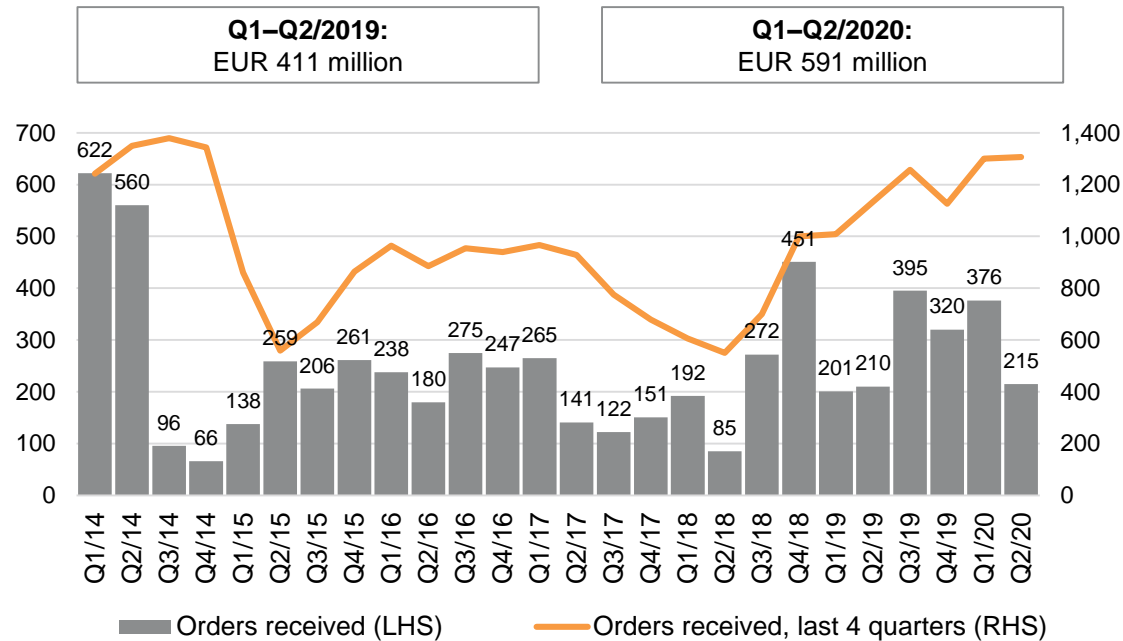
- Orders received decreased compared with Q2/2019
 - Orders received increased in China and Asia-Pacific, and decreased in South America, North America and EMEA
 - Orders received increased in Energy and Process, and decreased in Pulp and Paper
- Net sales remained at the previous year's level compared with Q2/2019
- COVID-19 caused access restrictions to some customer sites



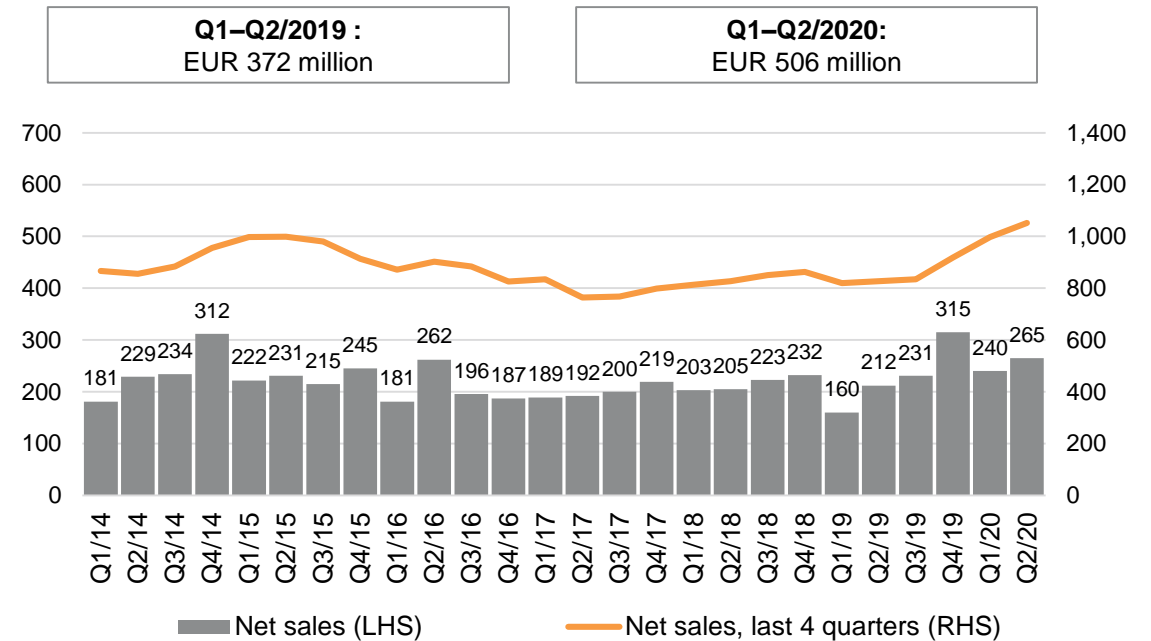
1) Comments refer to orders received and net sales including also internal orders received and internal net sales.

Pulp and Energy: Orders received remained at the previous year's level and net sales increased in Q2/2020

Orders received (EUR million)



Net sales (EUR million)

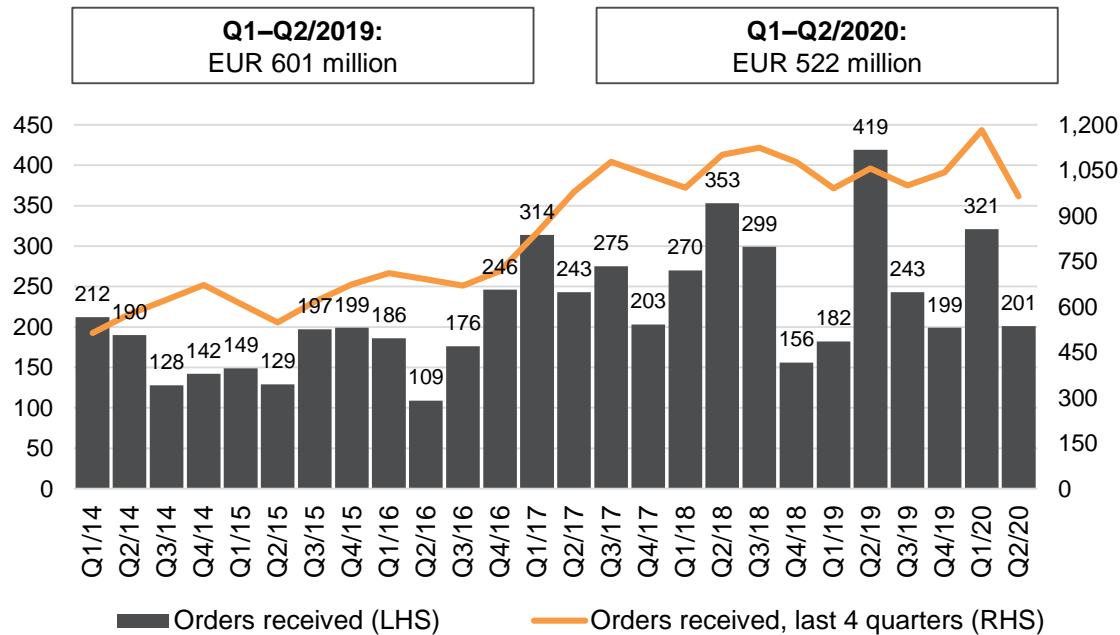


- Orders received remained at the previous year's level compared with Q2/2019
 - Orders received increased in EMEA, China and Asia-Pacific, and decreased in South America and North America
 - Orders received increased in Energy and decreased in Pulp
- Net sales increased compared with Q2/2019
- COVID-19 caused progress delays in projects and led to some delays in the supply chain network

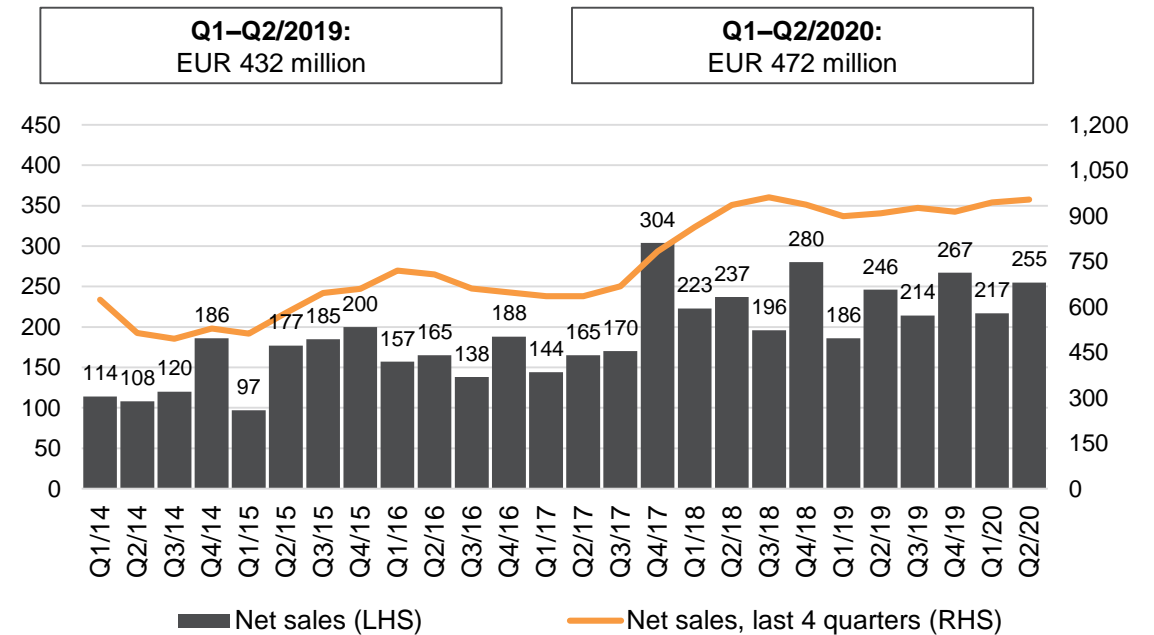


Paper: Orders received decreased and net sales remained at the previous year's level in Q2/2020

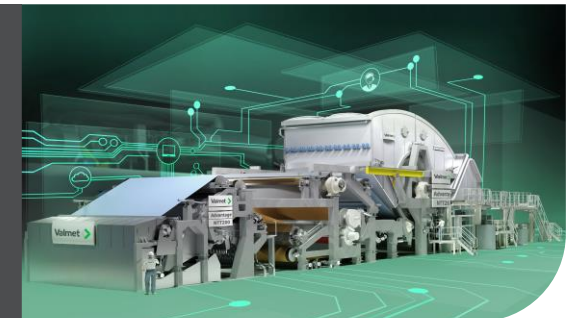
Orders received (EUR million)



Net sales (EUR million)



- Orders received decreased compared with Q2/2019
 - Orders received increased in China and decreased in all other areas
 - Orders received increased in Tissue and decreased in Board and Paper
- Net sales remained at the previous year's level compared with Q2/2019
- COVID-19 caused access restrictions to some customer sites and led to some delays in the supply chain network





Valmet's share acquisition in Neles

Valmet's share acquisition in Neles

Valmet's acquisition of 14.9% ownership in Neles¹

- Valmet agreed to acquire approximately 22.4 million shares in Neles Corporation from Solidium Oy, representing 14.88% of all Neles' shares and votes
- Neles is a globally leading diversified valve, valve automation and service company
- Neles is a good quality global company with a large share of recurring business and a strong position in the pulp and paper industry
- Neles has demonstrated good growth and has potential to grow further
- Valmet's target is to increase ownership when Neles' share price supports additional purchases
- Valmet's goal is to have an active long-term role in the development of Neles

Valmet's comment on Alfa Laval's tender offer for Neles' shareholders²

- Valmet and Neles have a common heritage, serve similar global industries and benefit from same global megatrends
- Valmet sees a good amount of value in Neles
- Valmet's target is to participate in developing Neles further
- As a Neles shareholder, Valmet does not consider Alfa Laval's tender offer to be beneficial for Neles

1) Valmet Oyj's stock exchange release on June 17, 2020

2) Valmet Oyj's press release on July 13, 2020



Financial development

Key figures

EUR million	Q2/2020	Q2/2019	Change	Q1–Q2/2020	Q1–Q2/2019	Change
Orders received	826	1,083	-24%	2,013	1,918	5%
Order backlog ¹	3,492	3,216	9%	3,492	3,216	9%
Net sales	919	901	2%	1,740	1,587	10%
Comparable EBITA	76	69	10%	128	117	10%
% of net sales	8.3%	7.7%		7.4%	7.3%	
EBITA	70	64	9%	121	113	6%
Operating profit (EBIT)	62	56	11%	104	99	6%
% of net sales	6.8%	6.2%		6.0%	6.2%	
Earnings per share, EUR	0.29	0.26	15%	0.49	0.47	6%
Return on capital employed (ROCE) before taxes ²				16%	17%	
Cash flow provided by operating activities	151	-44		324	-14	
Gearing ¹				-23%	17%	

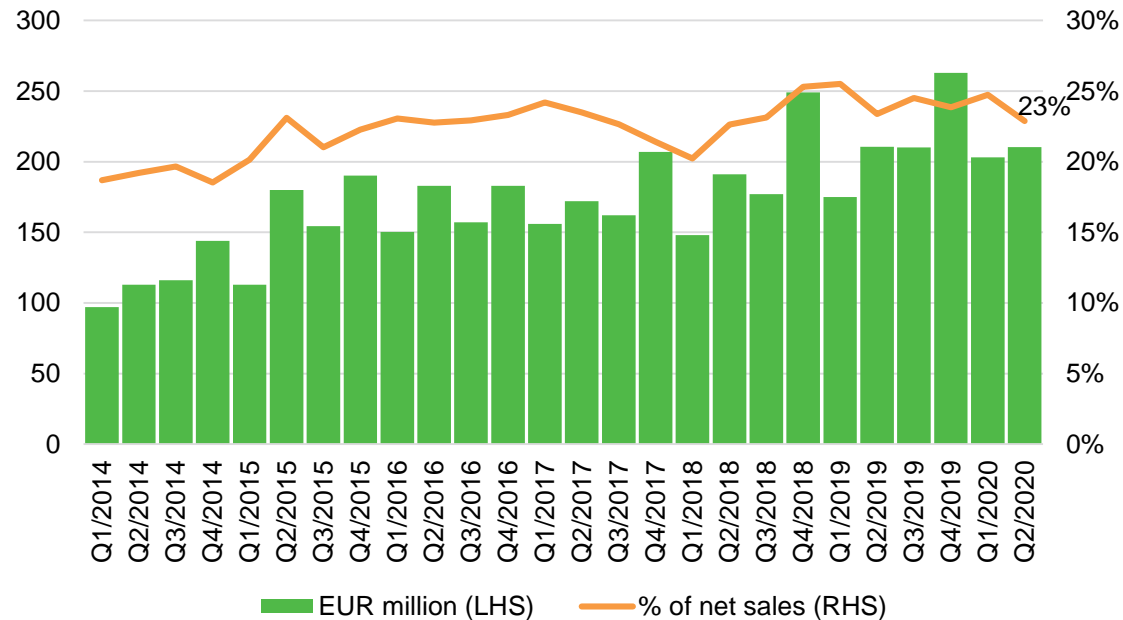
Items affecting comparability: EUR -6 million in Q2/2020 (EUR -5 million in Q2/2019), EUR -7 million in Q1–Q2/2020 (EUR -3 million in Q1–Q2/2019)

1) At end of period

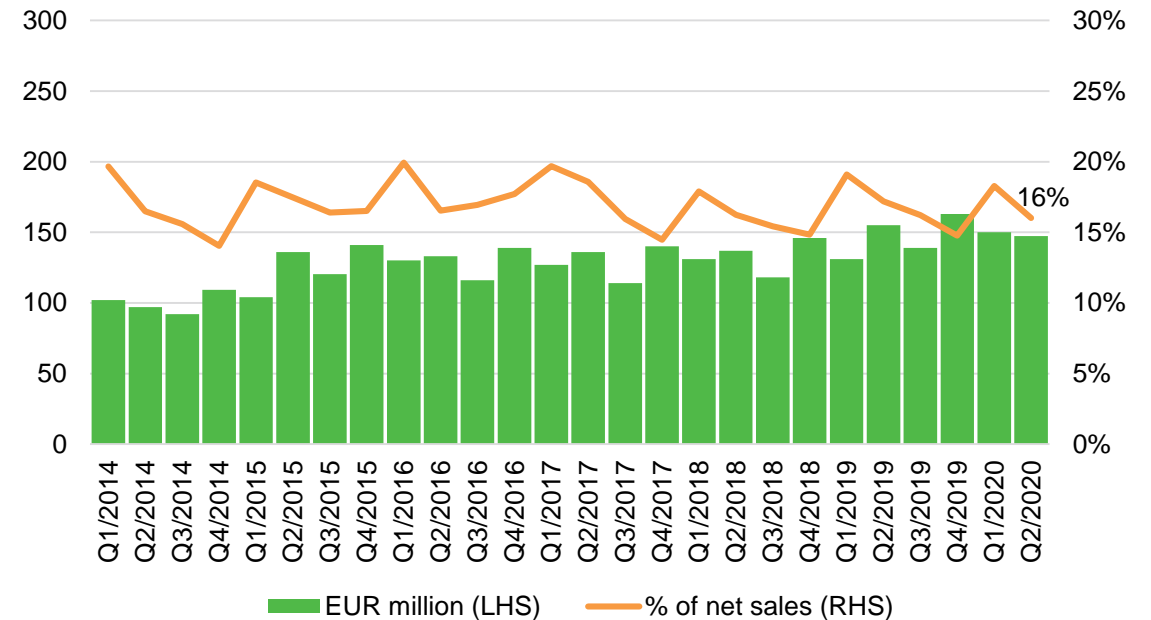
2) Annualized

Gross profit and SG&A development

Gross profit (EUR million and % of net sales)



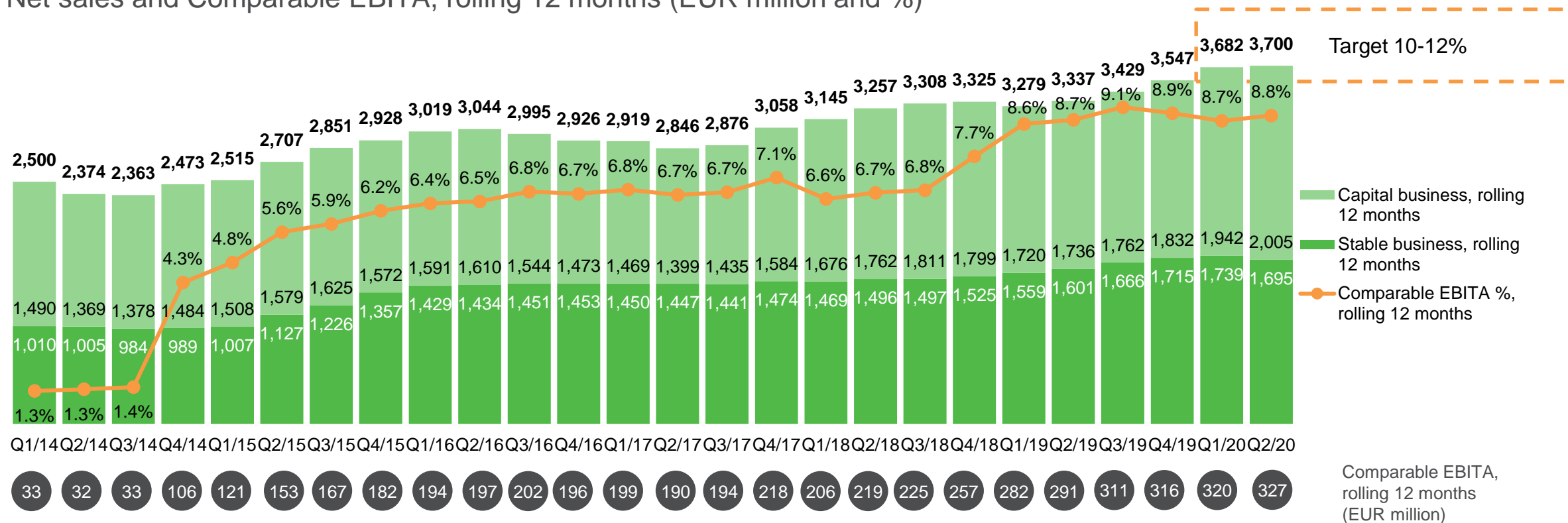
SG&A (EUR million and % of net sales)



- Gross profit was 23% of net sales (23% in Q2/2019)
- Selling, general & administrative (SG&A) expenses decreased
 - SG&A was 16% of net sales (17% in Q2/2019)

Comparable EBITA margin¹ development

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

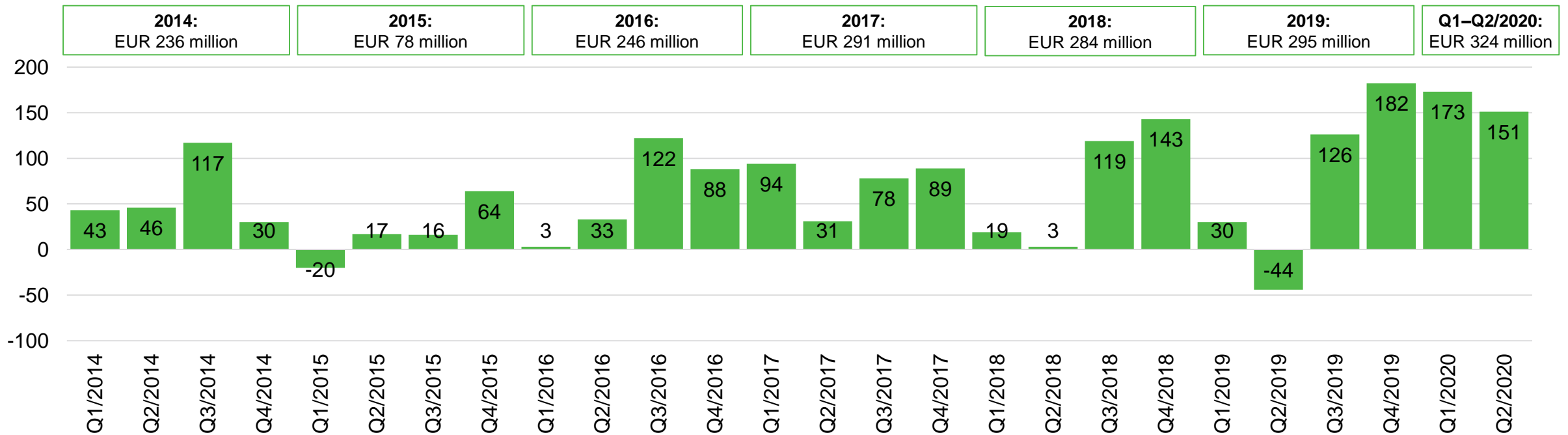


- In Q2/2020, Comparable EBITA increased compared with Q2/2019
 - Comparable EBITA increased due to lower selling, general & administrative (SG&A) expenses

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

Cash flow provided by operating activities (EUR million)



- Change in net working capital¹ EUR 57 million in Q2/2020
- Cash flow provided by operating activities EUR 151 million in Q2/2020
- CAPEX² EUR 27 million in Q2/2020

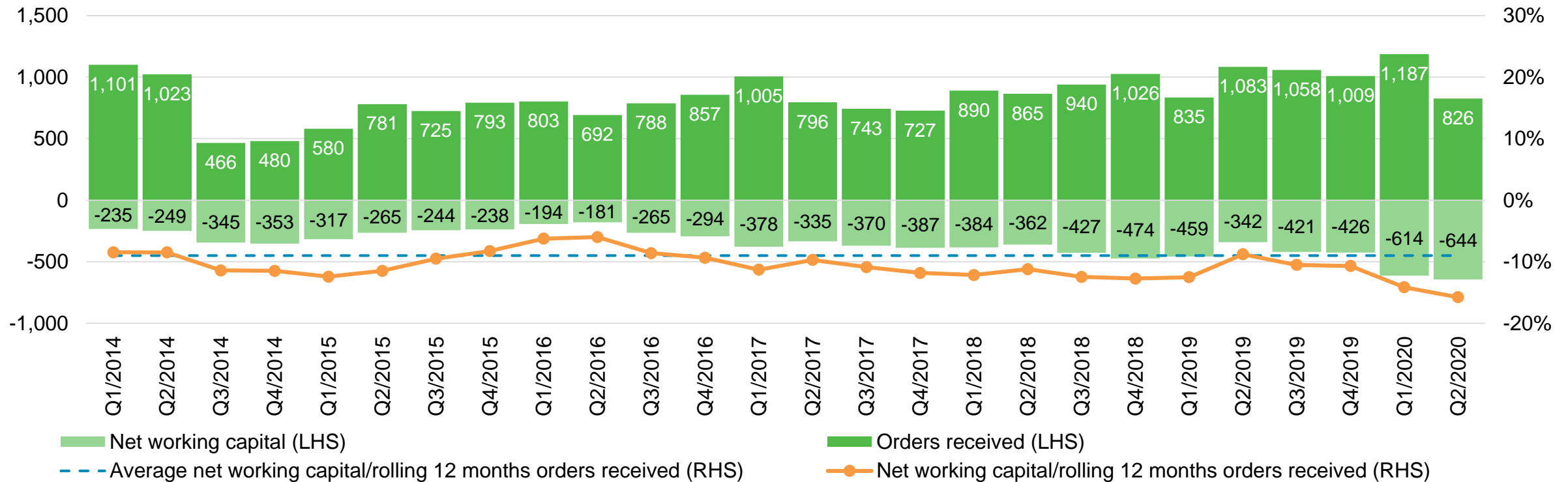
Valmet implemented IFRS 16 – Leases as of January 1, 2019 by applying the simplified transition method and therefore 2018 figures are not restated.

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

2) Excluding business combinations and leased assets.

Net working capital at -16% of rolling 12 months orders received

Net working capital¹ and orders received (EUR million)

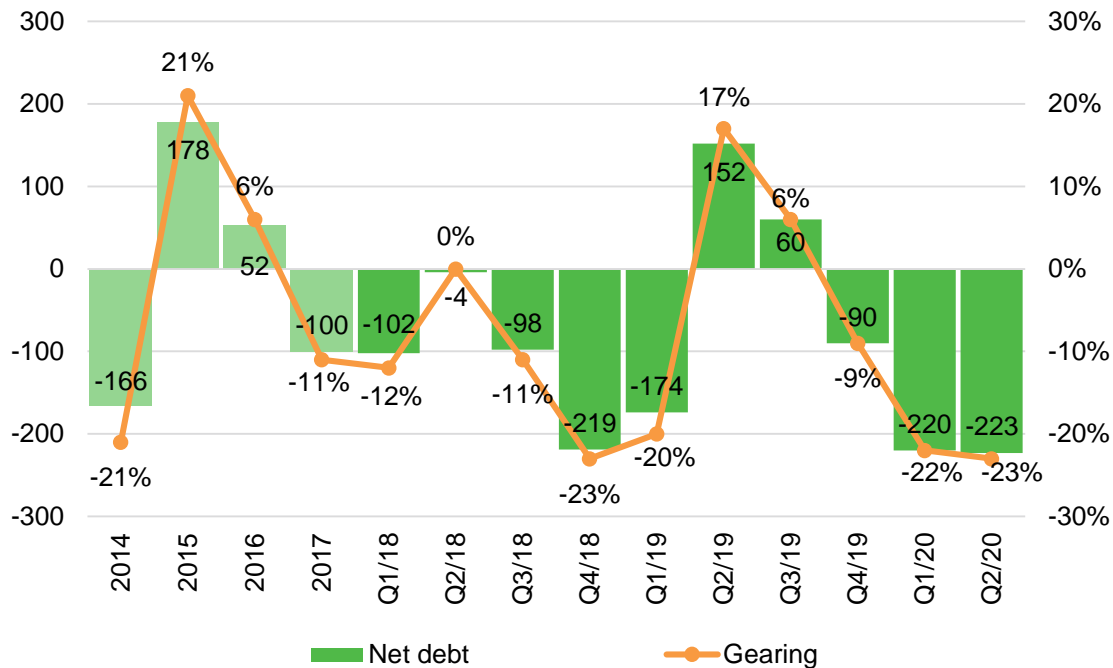


• Net working capital EUR -644 million, which equals -16% of rolling 12 months orders received

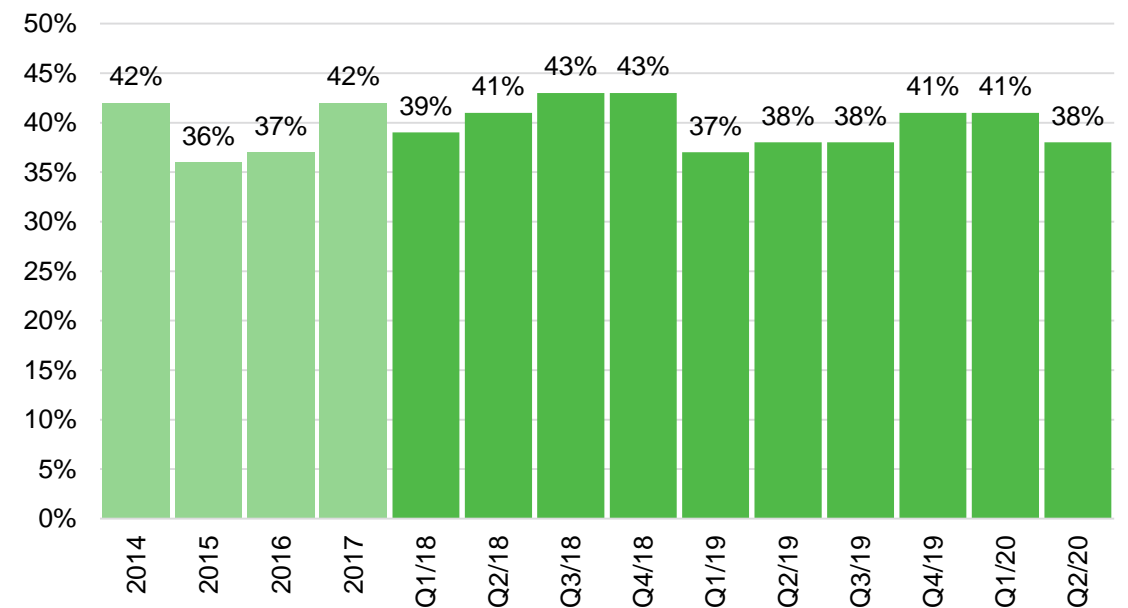
1) Net working capital excluding non-cash net working capital impact from dividend liability.

Net debt and gearing decreased compared with Q2/2019

Net debt (EUR million) and gearing (%)



Equity to assets ratio (%)



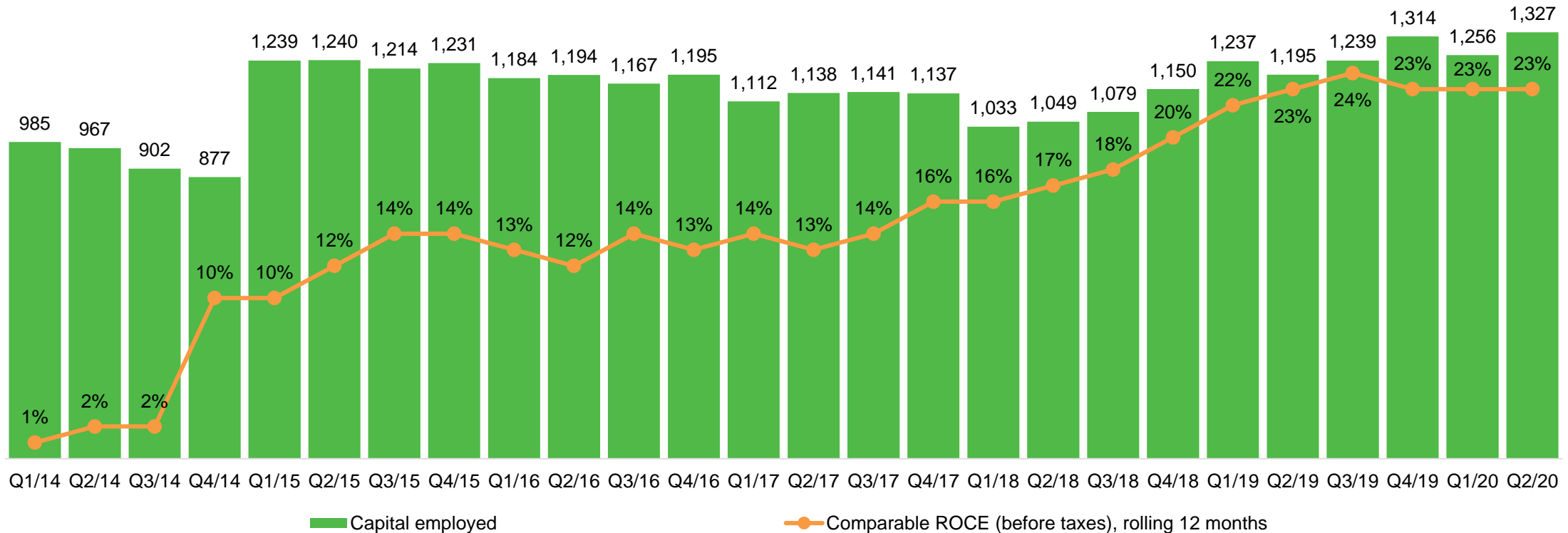
- Gearing (-23%) and net debt (EUR -223 million) decreased compared with Q2/2019
- Equity to assets ratio remained at the previous year's level compared with Q2/2019
- Valmet paid out 105 million in dividends in Q2/2020¹

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

1) The dividends paid do not include the cash flow impact from withholding tax of EUR 15 million, which will be paid in the third quarter 2020.

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 2020

Guidance	<p>Valmet announced on April 16, 2020 that the company withdraws its guidance for 2020 due to increased uncertainty related to the COVID-19 pandemic.</p>
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Short-term market outlook

		Q3/2019	Q4/2019	Q1/2020	Q2/2020
Services		Good	Good	Satisfactory / Weak	Satisfactory / Weak
Automation		Good	Good	Good / Satisfactory	Good / Satisfactory
Pulp and Energy	Pulp	Good	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'.



Interim Review January–September 2020

October 27, 2020

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