



Orders received amounted to EUR 980 million and
Comparable EBITA increased to EUR 150 million in
the third quarter

Interim Review, January–September, 2023

October 25, 2023

Pasi Laine, President and CEO

Katri Hokkanen, CFO

Agenda

Interim Review, January–September 2023

- 1 Q3/2023 in brief
- 2 Development of the segments and the business lines
- 3 Progress of Valmet's Climate Program
- 4 Financial development
- 5 Guidance and short-term market outlook



Q3/2023 in brief

Q3/2023 in brief

- Orders received decreased to EUR 980 million
- Net sales amounted close to EUR 1.3 billion
- Order backlog amounted to EUR 4.1 billion
- Comparable EBITA increased to EUR 150 million and margin was 11.6%
- Gearing was 21%

Valmet in Q3/2023

Orders received
EUR 980 million

Net sales
EUR 1,295 million

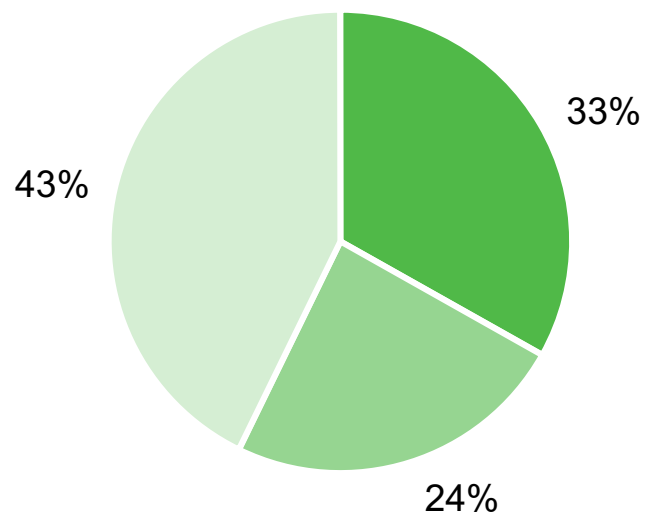
Comparable EBITA
EUR 150 million

Comparable EBITA margin
11.6%

Order backlog
EUR 4,133 million

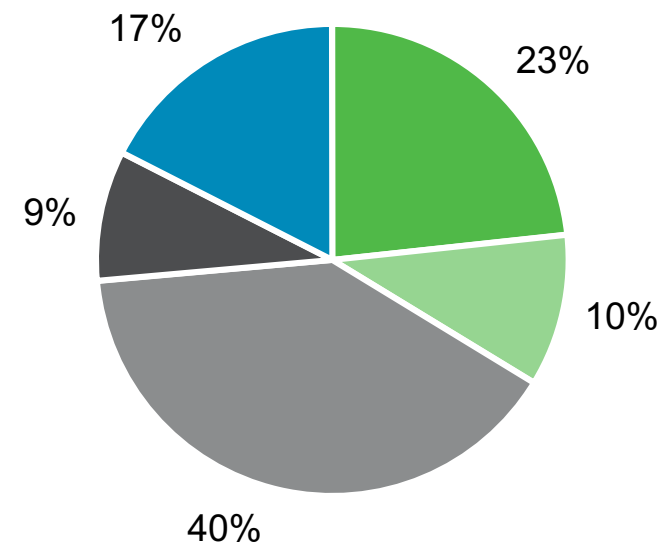
Employees
18,066

Net sales by segment



- Services
- Automation
- Process Technologies

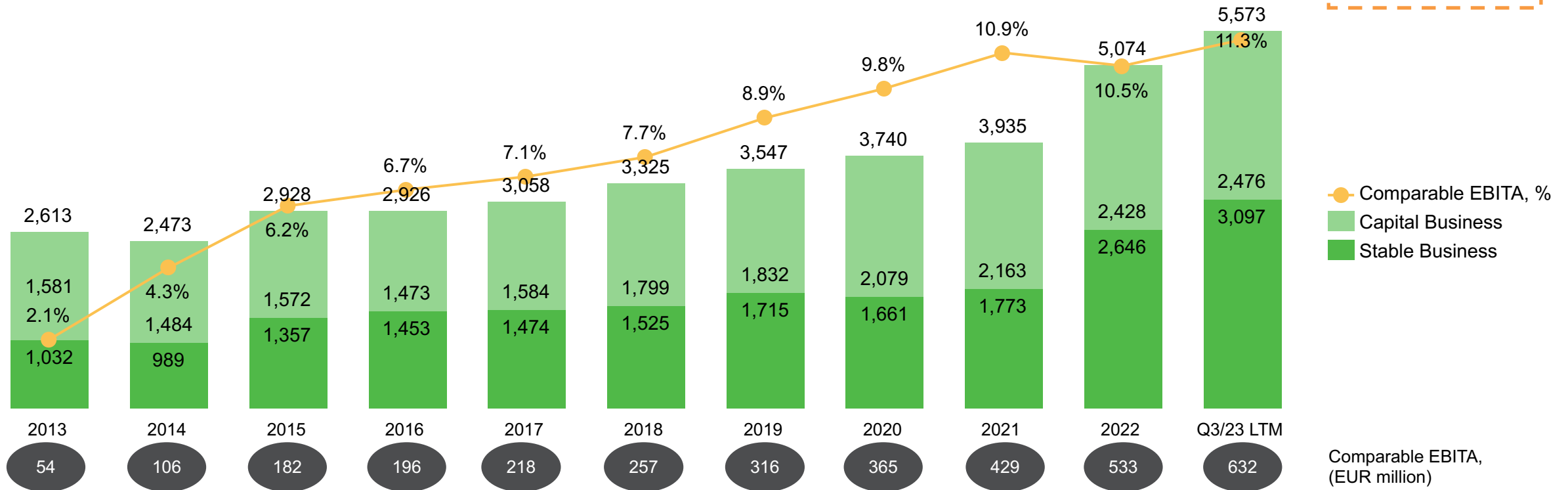
Net sales by area



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

Comparable EBITA margin development

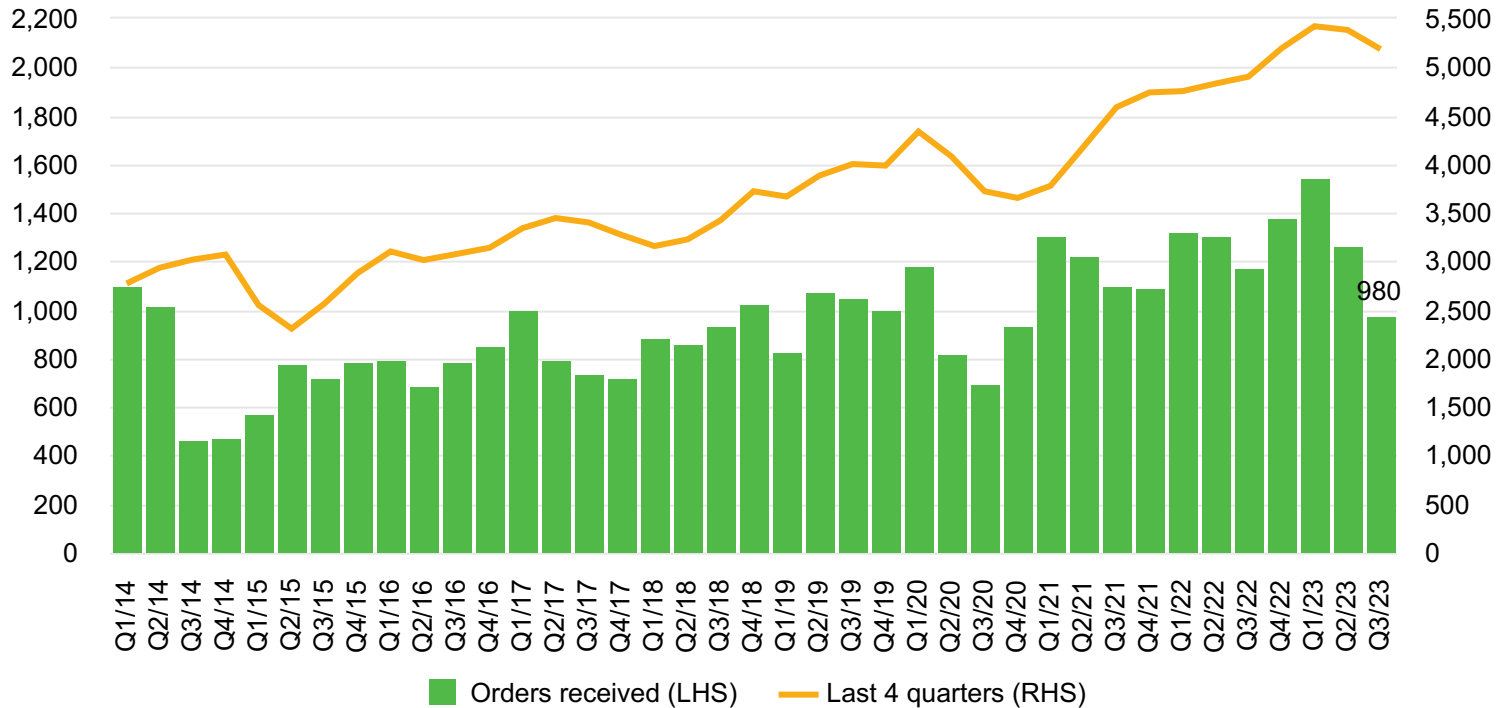
Net sales and Comparable EBITA (EUR million and %)¹



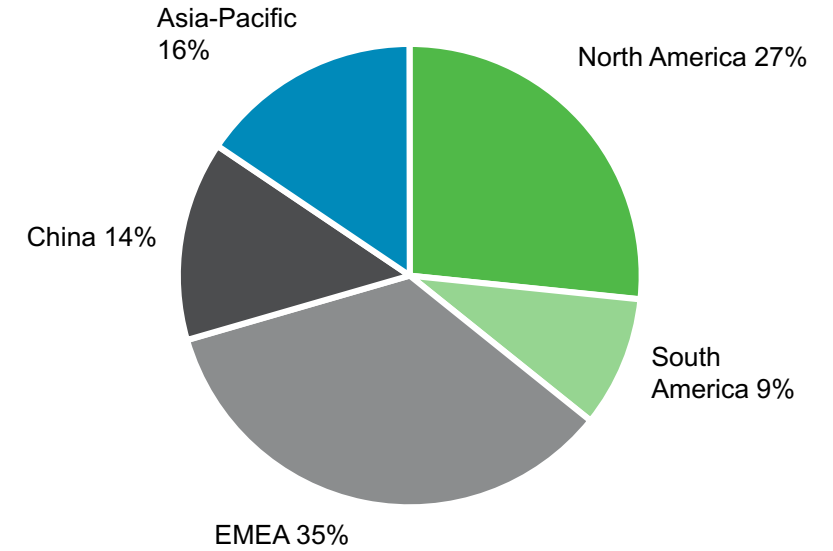
1. Valmet implemented IFRS 15 – Revenue from Contracts with Customers as of January 1, 2018 by applying full retrospective method. 2014–2020 figures have not been restated to reflect Valmet’s current reporting structure. Thus, figures presented are not fully comparable.

Orders received decreased to EUR 980 million in Q3/2023

Orders received (EUR million)



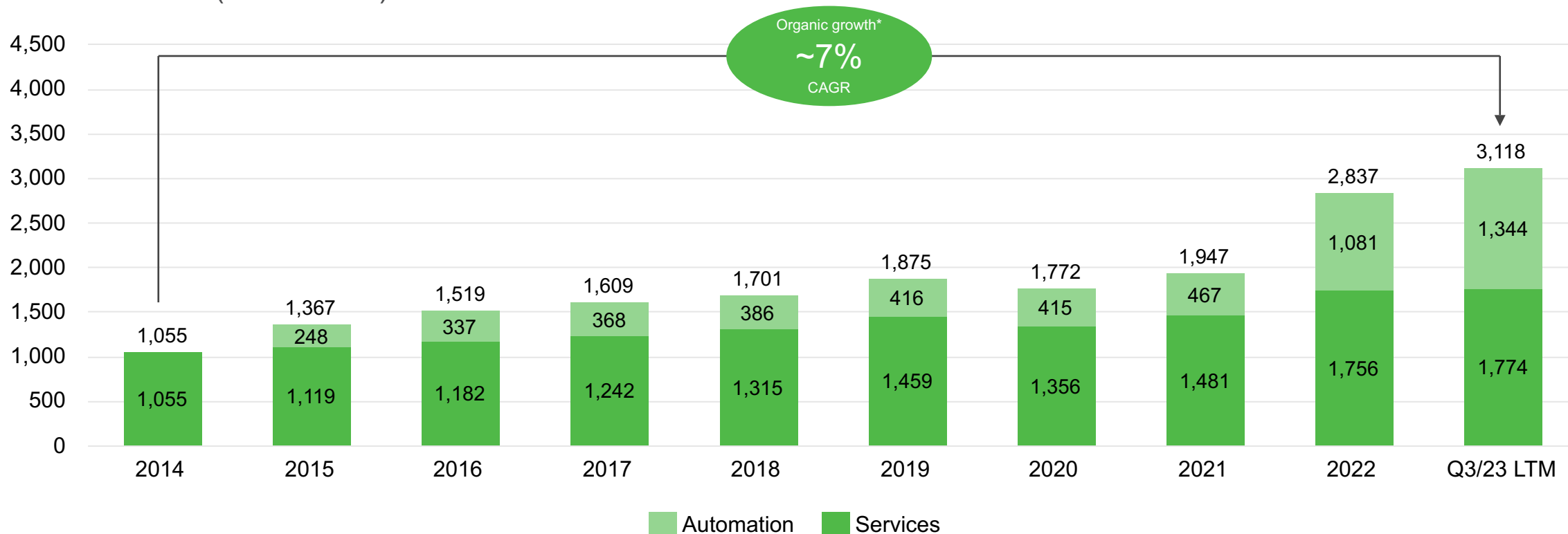
Orders received in Q1–Q3/2023 by area



- Orders received increased in South America and North America, remained at the previous year's level in China and Asia-Pacific and decreased in EMEA in Q1–Q3/2023 compared with Q1–Q3/2022
 - South America, China and Asia-Pacific together accounted for 39% of orders received

Stable business orders received totaled EUR 3,118 million during the last twelve months

Orders received (EUR million) in stable business



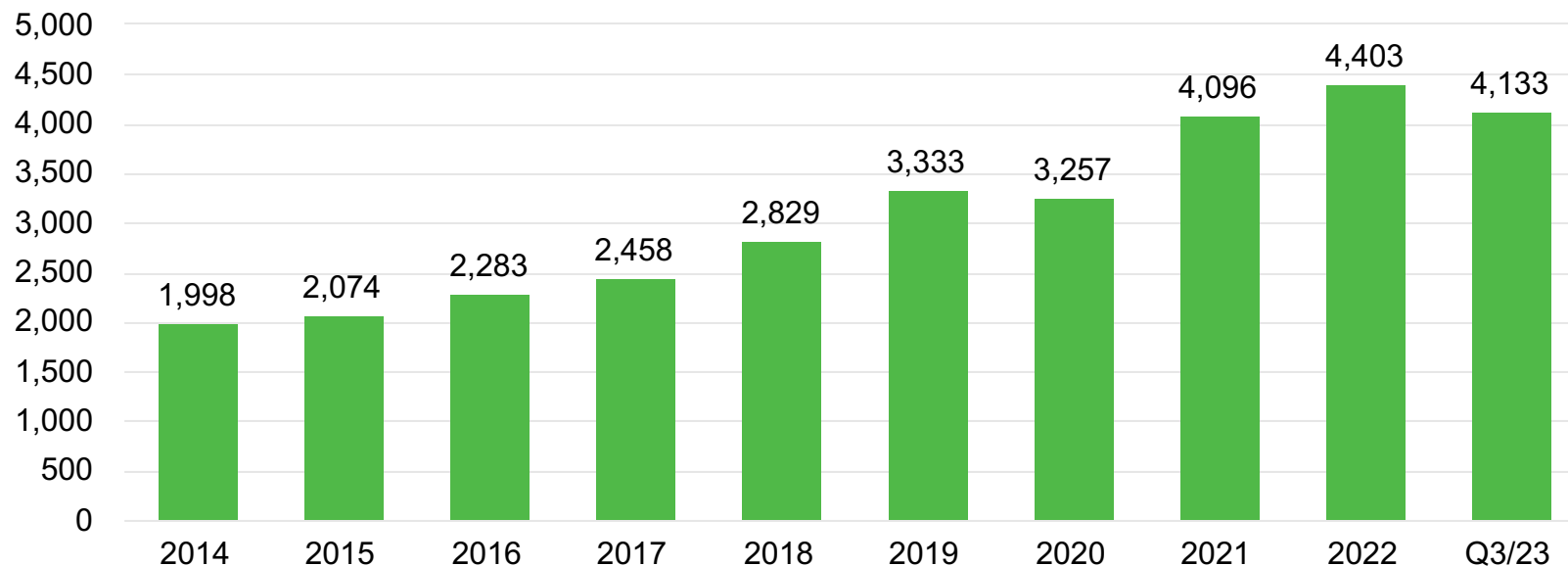
- Orders received in stable business were EUR 96 million lower in Q3/2023 compared with Q3/2022
- Stable business represented 60% of Valmet's orders received during the last twelve months (34% in 2014)

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

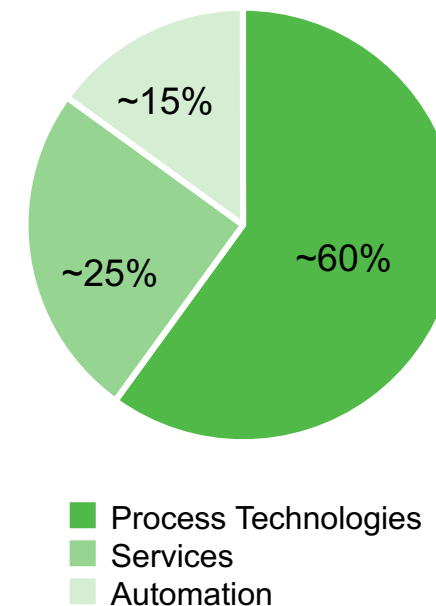
*Adjusted for acquisitions and foreign exchange rates (in calculating organic growth, Q3/23 LTM orders received in euro translated by applying 2014 average exchange rates). Indicative only.

Order backlog EUR 4,133 million at the end of Q3/2023


Order backlog (EUR million)



Structure of order backlog by segment



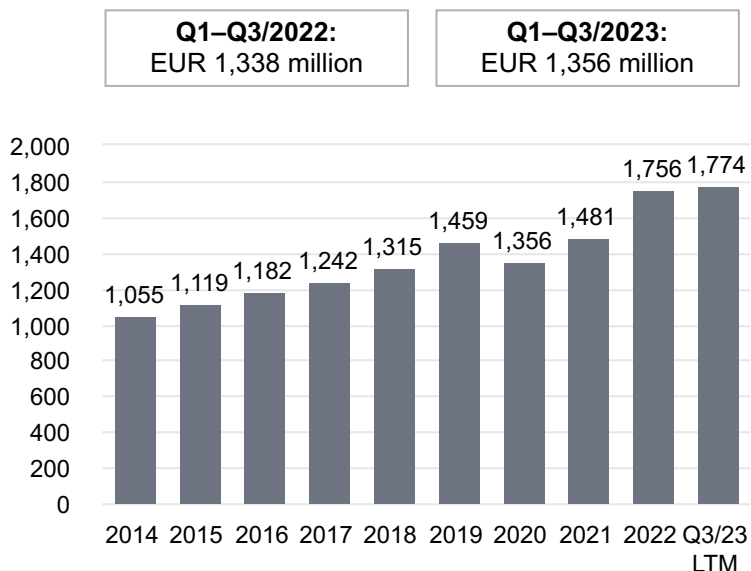
- Order backlog was EUR 270 million lower than at the end of 2022
- Approximately 30% of the order backlog is currently expected to be realized as net sales during 2023 (at the end of Q3/2022, ~30% during 2022).
- Approximately 40% of the order backlog relates to stable business (~40% at the end of Q3/2022)



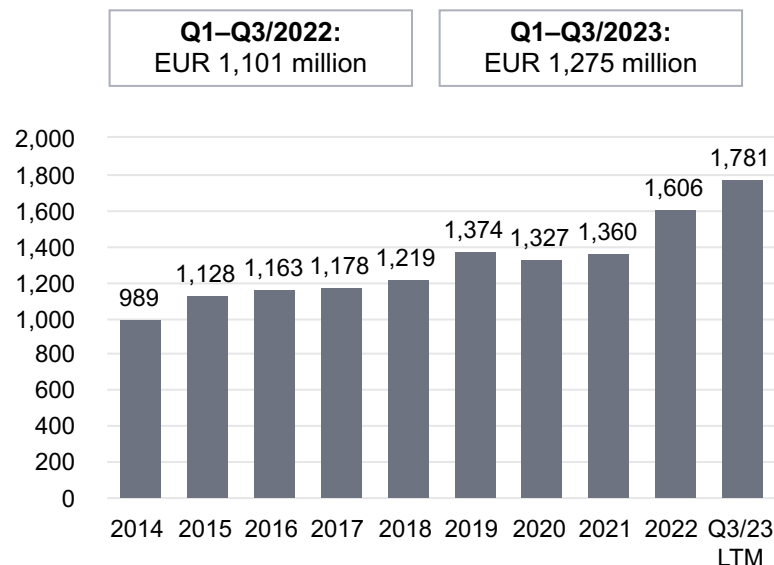
Development of the segments and the business lines

Services: Orders received remained at the previous year's level at EUR 1,356 million in Q1–Q3/2023

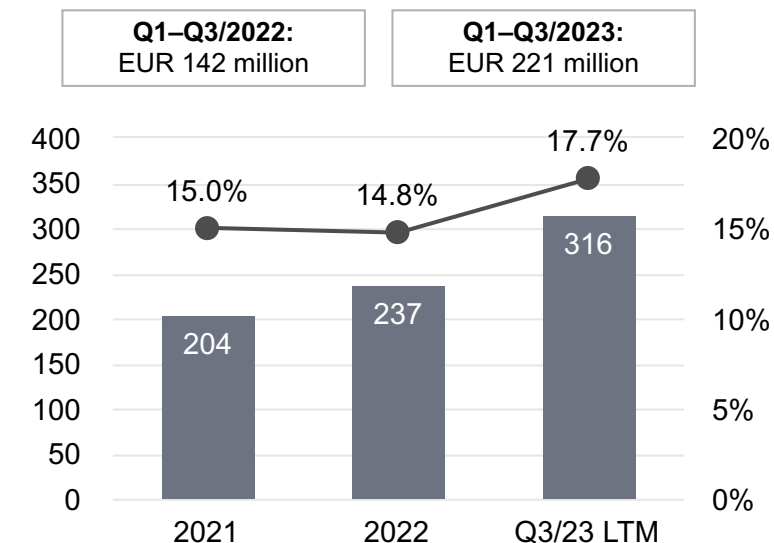
Orders received (EUR million)



Net sales (EUR million)



Comparable EBITA (EUR million and % of net sales)



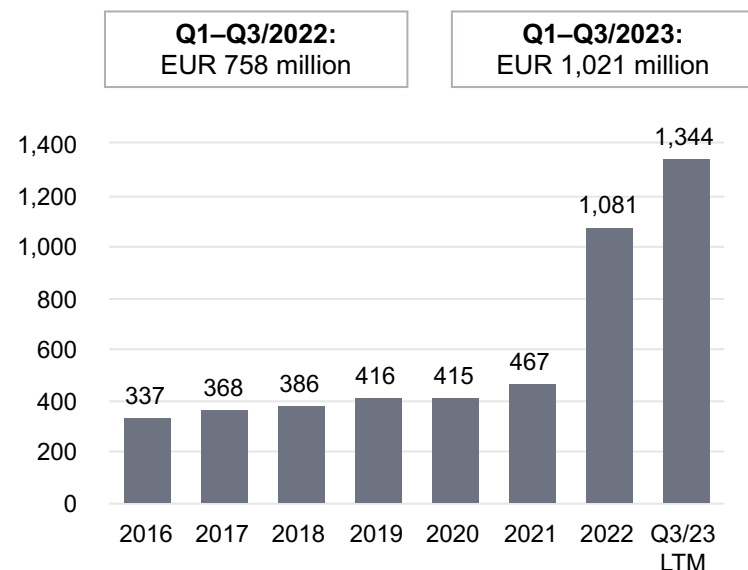
- Orders received remained at the previous year's level compared with Q1–Q3/2022
 - Orders received increased in South America, remained at the previous year's level in EMEA and Asia-Pacific and decreased in China and North America
 - Orders received increased in Pulp and Energy Solutions, remained at the previous year's level in Performance Parts, and decreased in Board, Paper and Tissue Solutions, Fabrics and Rolls
- Net sales increased compared with Q1–Q3/2022
- Comparable EBITA increased compared with Q1–Q3/2022 due to higher net sales
- Services segment was affected by cost inflation and longer delivery times of certain components in Q1–Q3/2023



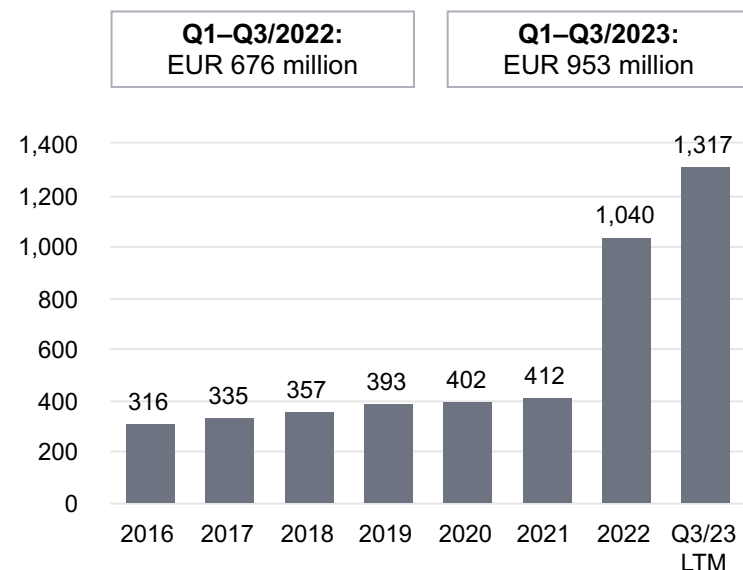
Automation: Orders received increased to EUR 1,021 million in Q1–Q3/2023

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

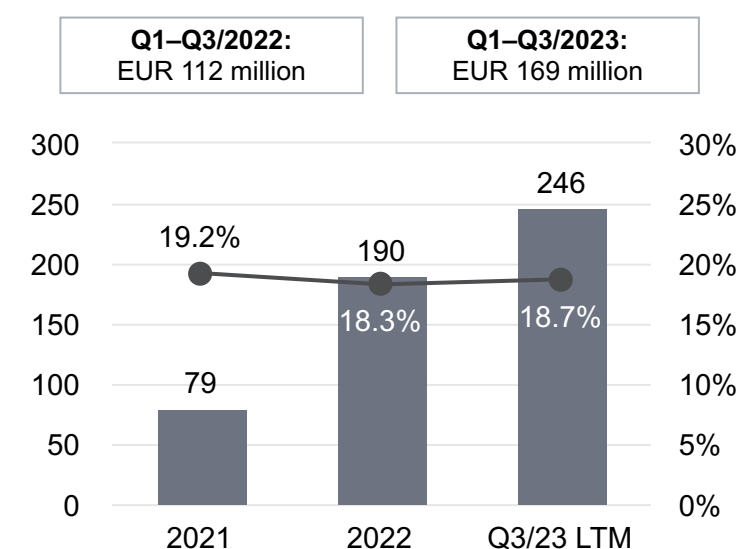
Orders received (EUR million)



Net sales (EUR million)



Comparable EBITA (EUR million and % of net sales)

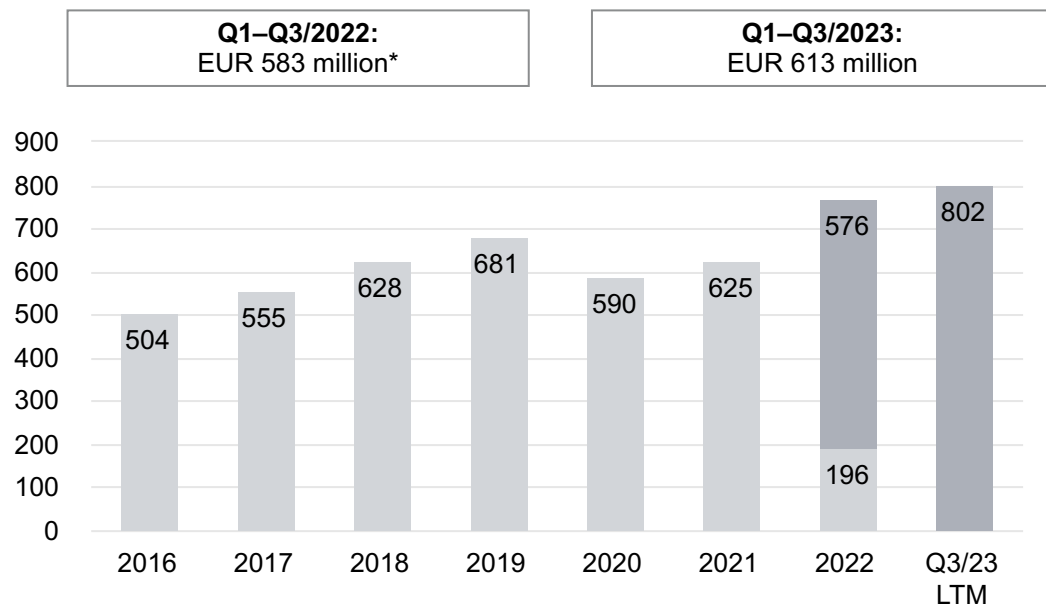


- Orders received increased compared with Q1–Q3/2022
- Net sales increased compared with Q1–Q3/2022
- Comparable EBITA increased compared with Q1–Q3/2022

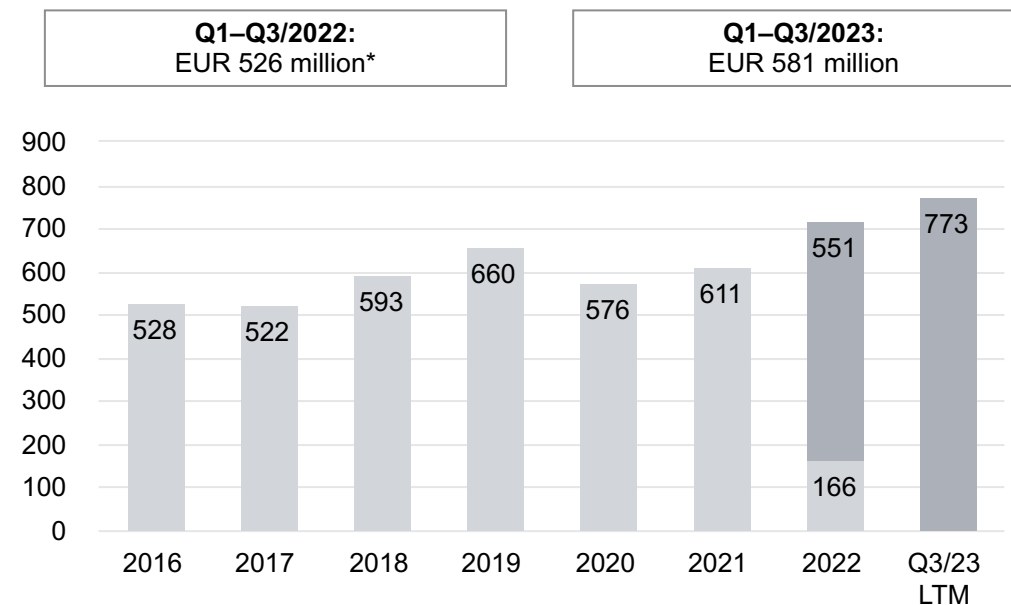


Flow Control: Orders received amounted to EUR 613 million in Q1–Q3/2023

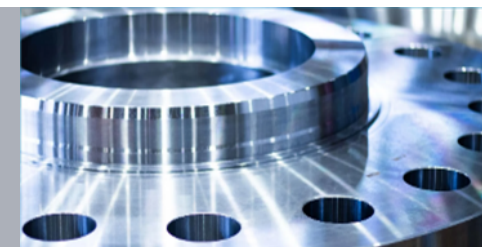
Orders received (EUR million)*



Net sales (EUR million)*



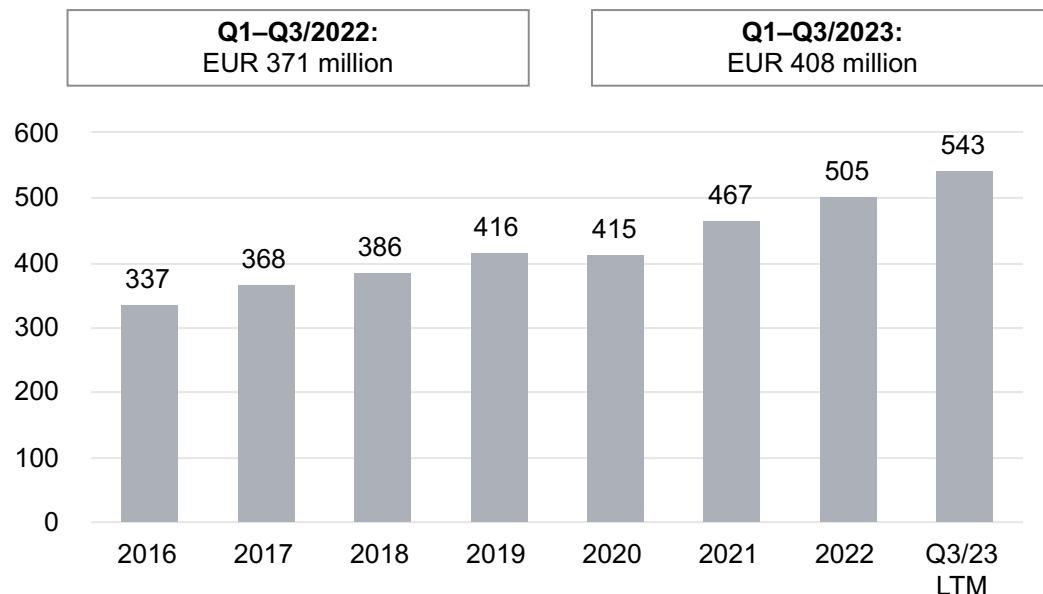
- Orders received amounted to EUR 613 million in Q1–Q3/2023
- Net sales amounted to EUR 581 million in Q1–Q3/2023
- Integration of Flow Control into Valmet is proceeding well



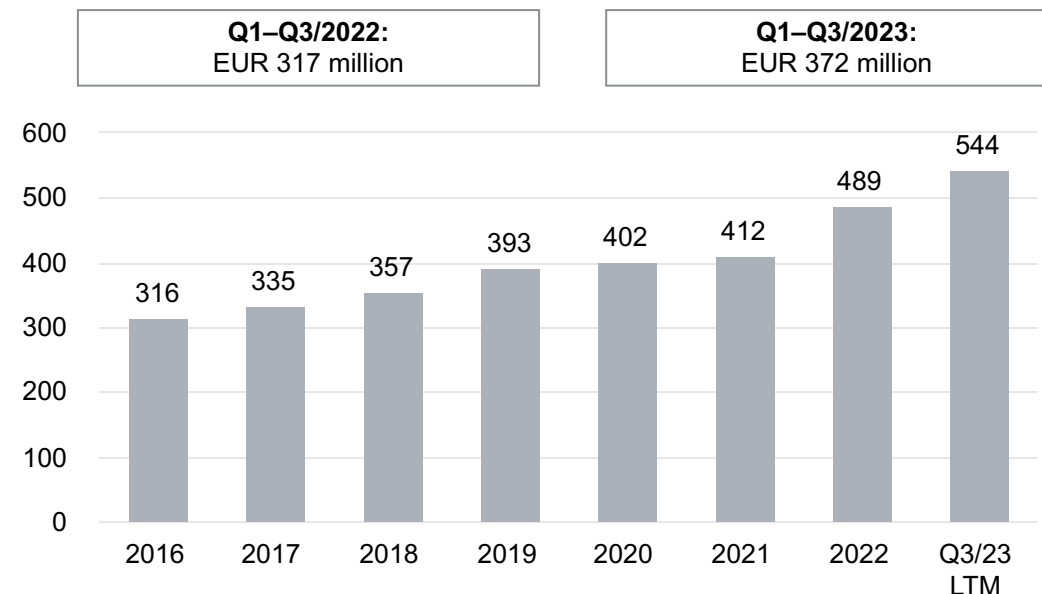
* 2016–2017 financials based on carve-out numbers; 2018–2019 financials based on Metso’s “Continuing operations” as in 2019 annual report; Q1/2020–Q1/2022 financials as reported in Neles’ Q1/2022 interim review. LTM = Last twelve months

Automation Systems: Orders received increased to EUR 408 million in Q1–Q3/2023

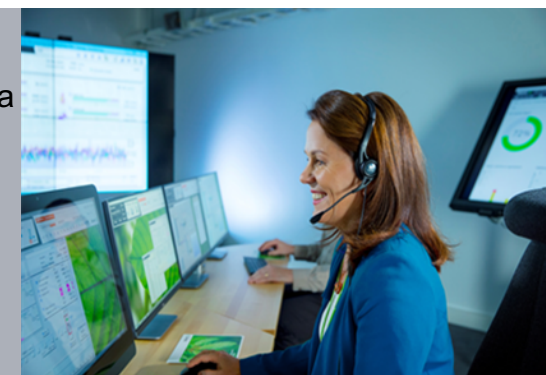
Orders received (EUR million)



Net sales (EUR million)

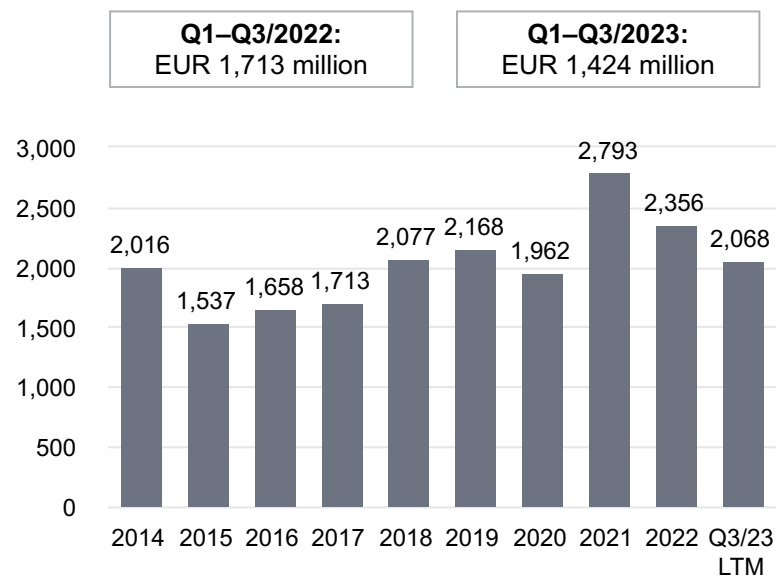


- Orders received increased compared with Q1–Q3/2022
 - Orders received increased in North America and Asia-Pacific, remained at the previous year's level in EMEA and China and decreased in South America
 - Orders received increased in both Pulp and Paper, and Energy and Process
- Net sales increased compared with Q1–Q3/2022
- Delivery times of certain components were longer during Q1–Q3/2023

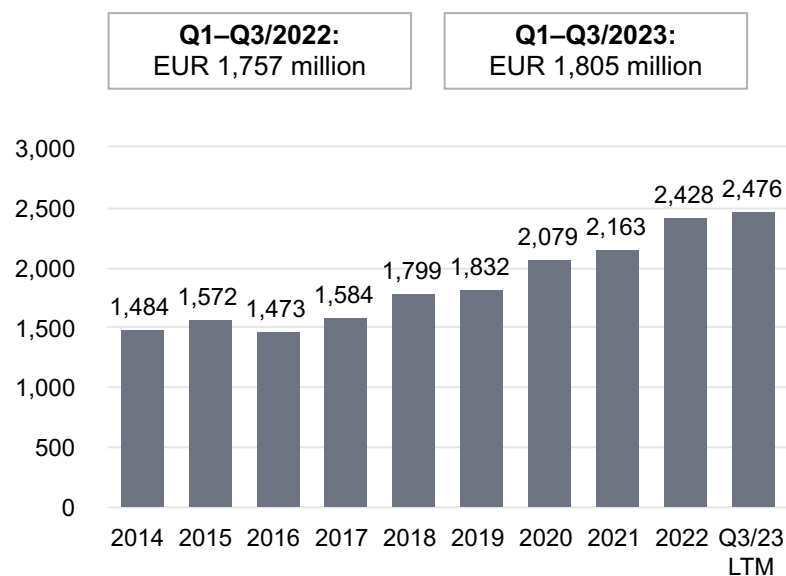


Process Technologies: Orders received decreased to EUR 1,424 million in Q1–Q3/2023

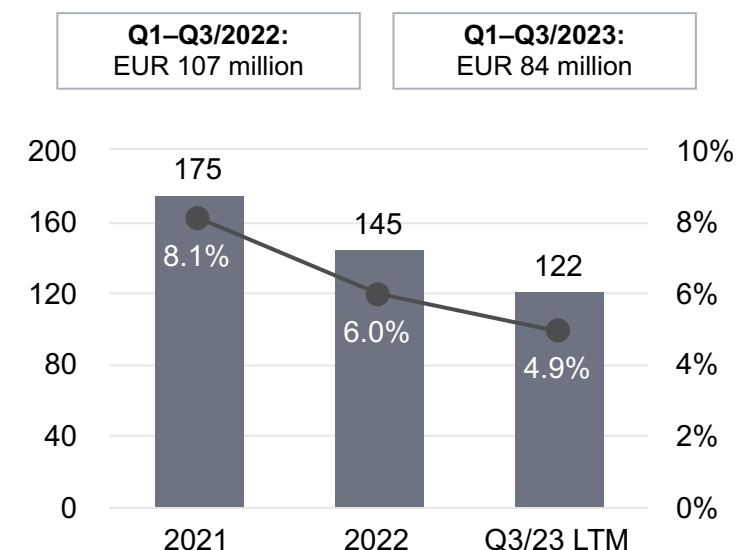
Orders received (EUR million)



Net sales (EUR million)



Comparable EBITA (EUR million and % of net sales)

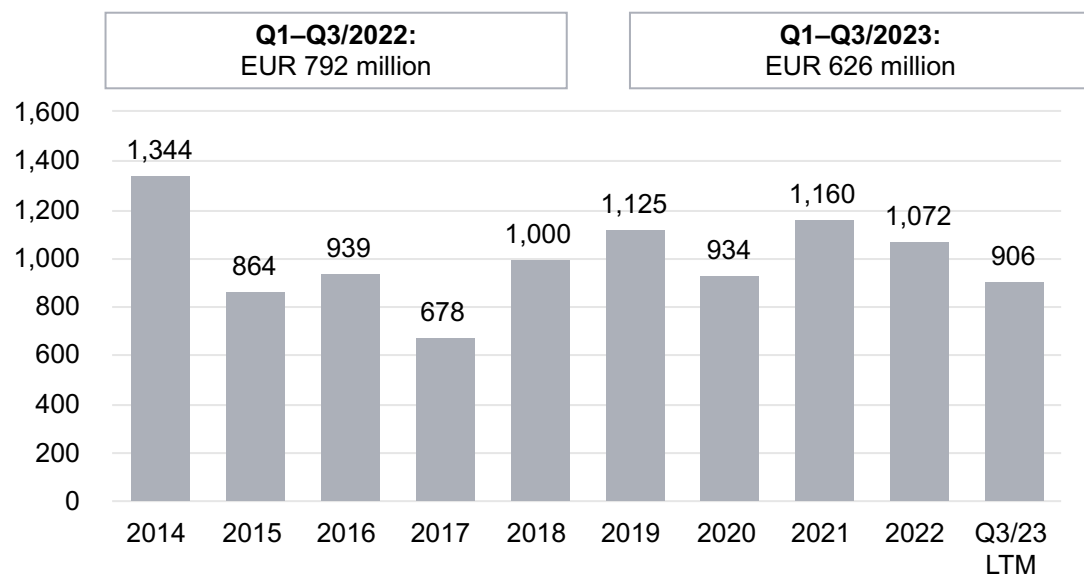


- Orders received decreased compared with Q1–Q3/2022
- Net sales remained at the previous year's level compared with Q1–Q3/2022
- Comparable EBITA decreased compared with Q1–Q3/2022, as the margins in some Pulp and Energy projects were impacted by cost inflation.

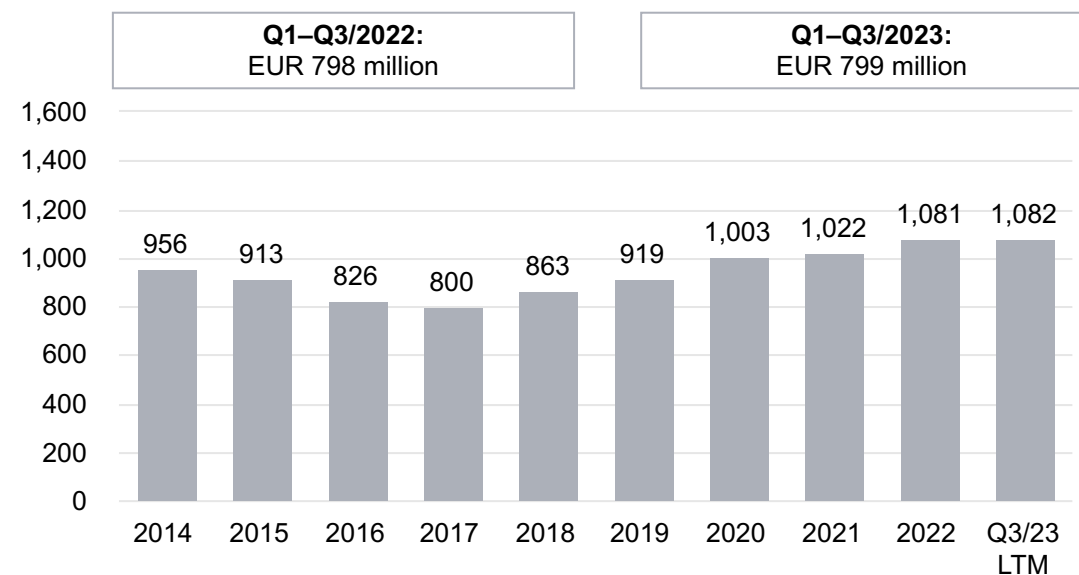


Pulp and Energy business line: Orders received decreased to EUR 626 million in Q1–Q3/2023

Orders received (EUR million)



Net sales (EUR million)

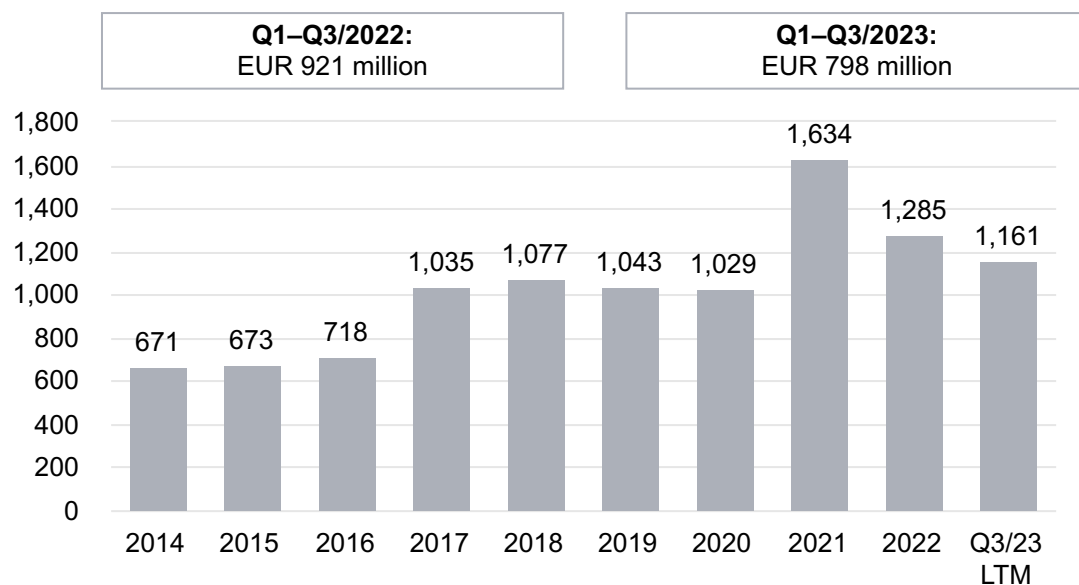


- Orders received decreased compared with Q1–Q3/2022
 - Orders received increased in China and Asia-Pacific, remained at the previous year's level in South America and decreased in EMEA and North America
 - Orders received decreased in both Pulp and Energy
- Net sales remained at the previous year's level compared with Q1–Q3/2022
- Cost inflation impacted Pulp & Energy's business environment during Q1–Q3/2023

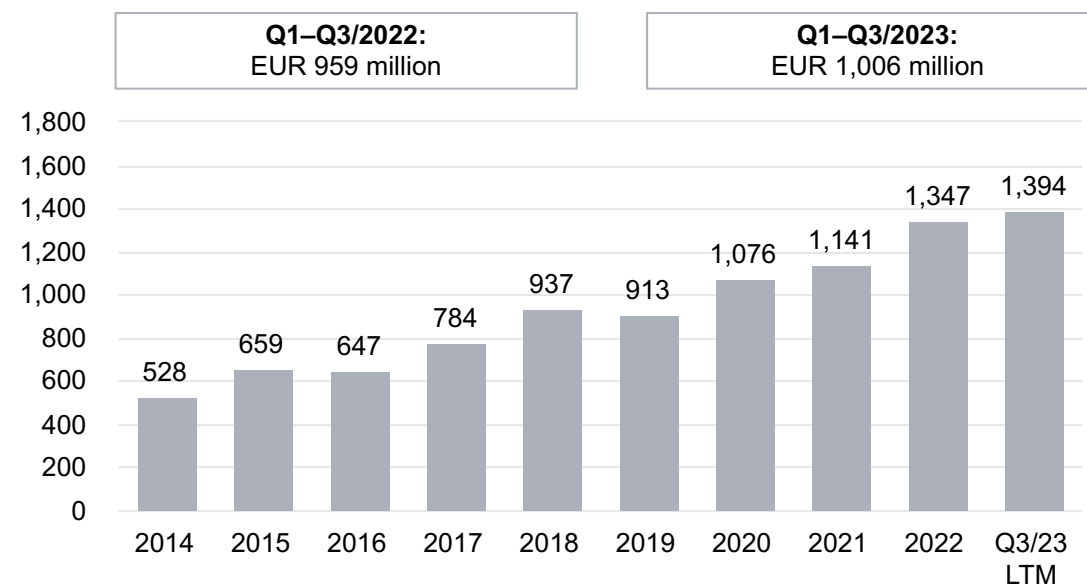


Paper business line: Orders received decreased to EUR 798 million in Q1–Q3/2023

Orders received (EUR million)



Net sales (EUR million)



- Orders received decreased compared with Q1–Q3/2022
 - Orders received increased in North America and South America and decreased in EMEA, Asia-Pacific and China
 - Orders received increased in Small and Medium size Machines and decreased in all other businesses
- Net sales remained at the previous year's level compared with Q1–Q3/2022
- The fire at Rautpohja factory site in Finland in 2022 impacted Paper business line's operations during Q1–Q3/2023





Progress of Valmet's Climate Program

Valmet's Climate Program has progressed well

The target to enable carbon neutral production for pulp and paper industry customers achieved seven years ahead of schedule

Targets by 2030 for the entire value chain

SUPPLY CHAIN

- 20%

CO₂ emission reduction¹

- The target to engage 30 most relevant suppliers in terms of CO₂ emissions reached and exceeded
- Today already 45 suppliers engaged to the program
- Engagement of more suppliers continues with high focus

OWN OPERATIONS

- 80%

CO₂ emission reduction¹

- Roadmaps proceeding for
 - purchasing of CO₂ free electricity
 - replacing fossil fuels in locations
 - implementing energy efficiency improvements in locations
 - reducing business travel flights
 - promoting low carbon commuting

USE PHASE OF VALMET'S TECHNOLOGIES

- 20%

Further reduced energy use of Valmet's current technologies

- Continuous R&D work to further enhance energy efficiency of existing technology offering

100%

Carbon neutral production process for pulp and paper industry customers

- We have reached this target seven years ahead of schedule

¹) Baseline 2019



Financial development

Key figures

EUR million	Q3/2023	Q3/2022	Change	Q1–Q3/2023	Q1–Q3/2022	Change
Orders received	980	1,178	-17%	3,801	3,809	0%
Order backlog ¹	4,133	4,672	-12%	4,133	4,672	-12%
Net sales	1,295	1,288	1%	4,033	3,534	14%
Comparable EBITA	150	136	11%	437	337	29%
% of net sales	11.6%	10.5%	1.1 pp	10.8%	9.5%	1.3 pp
EBITA	147	132	11%	433	360	20%
Operating profit (EBIT)	127	97	30%	359	280	28%
% of net sales	9.8%	7.6%	2.2 pp	8.9%	7.9%	1.0 pp
Adjusted earnings per share, EUR ²	0.52	0.51	3%	1.63	1.56	5%
Earnings per share, EUR	0.47	0.38	21%	1.38	1.25	10%
Comparable ROCE, LTM ³				16%	16%	-1 pp
Cash flow provided by operating activities	57	115	-50%	229	49	>100%
Net debt to EBITDA ⁴ ratio				0.74	0.71	
Gearing ¹				21%	18%	4 pp

Items affecting comparability: EUR -4 million in Q3/2023 (EUR -4 million in Q3/2022) and EUR -4 million in Q1–Q3/2023 (EUR 23 million in Q1–Q3/2022).

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	Q3/2023	Q3/2022	Change	Q1–Q3/2023	Q1–Q3/2022	Change
Services	349	427	-18%	1,356	1,338	1%
Automation	289	306	-6%	1,021	758	35%
Process Technologies	343	444	-23%	1,424	1,713	-17%
Total	980	1,178	-17%	3,801	3,809	0%

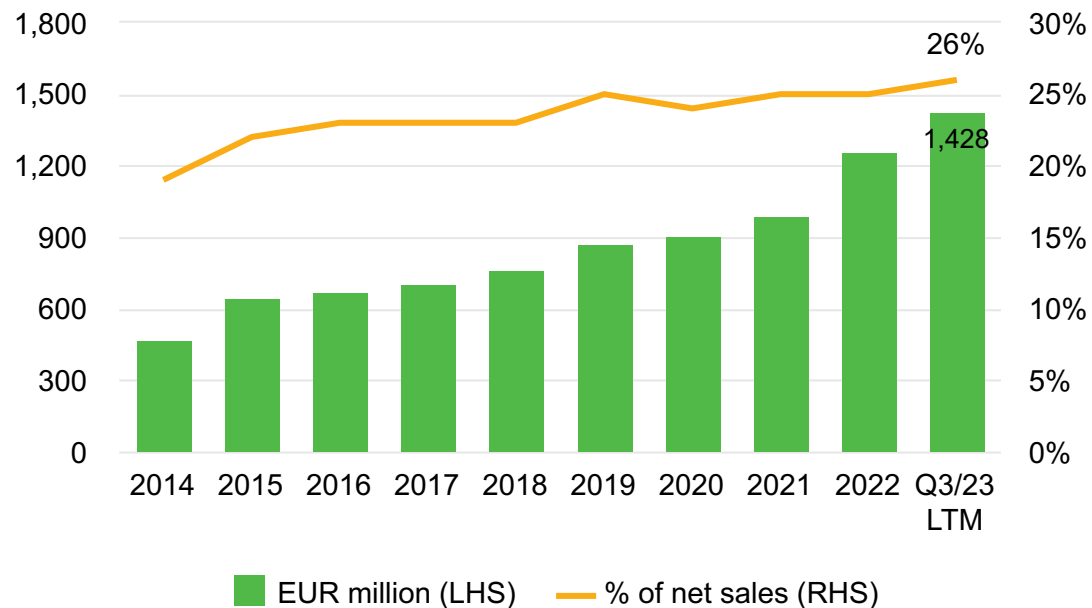
Net sales, EUR million	Q3/2023	Q3/2022	Change	Q1–Q3/2023	Q1–Q3/2022	Change
Services	429	381	13%	1,275	1,101	16%
Automation	312	296	5%	953	676	41%
Process Technologies	554	610	-9%	1,805	1,757	3%
Total	1,295	1,288	1%	4,033	3,534	14%

Comparable EBITA, EUR million	Q3/2023	Q3/2022	Change	Q1–Q3/2023	Q1–Q3/2022	Change
Services	79	55	45%	221	142	55%
Automation	58	52	12%	169	112	50%
Process Technologies	25	36	-31%	84	107	-21%
Other	-12	-7	72%	-37	-25	52%
Total	150	136	11%	437	337	29%

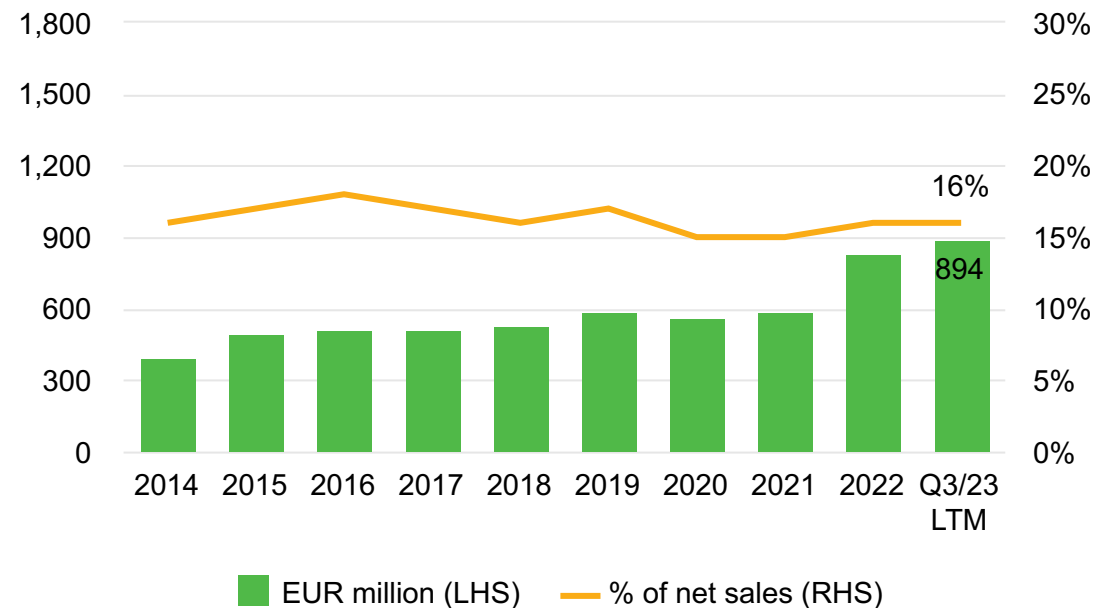
Comparable EBITA margin, % of net sales	Q3/2023	Q3/2022	Change	Q1–Q3/2023	Q1–Q3/2022	Change
Services	18.4%	14.3%	4.0 pp	17.3%	12.9%	4.4 pp
Automation	18.7%	17.6%	1.2 pp	17.7%	16.6%	1.1 pp
Process Technologies	4.5%	5.8%	-1.4 pp	4.7%	6.1%	-1.4 pp
Total	11.6%	10.5%	1.1 pp	10.8%	9.5%	1.3 pp

Comparable gross profit and SG&A expenses development

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



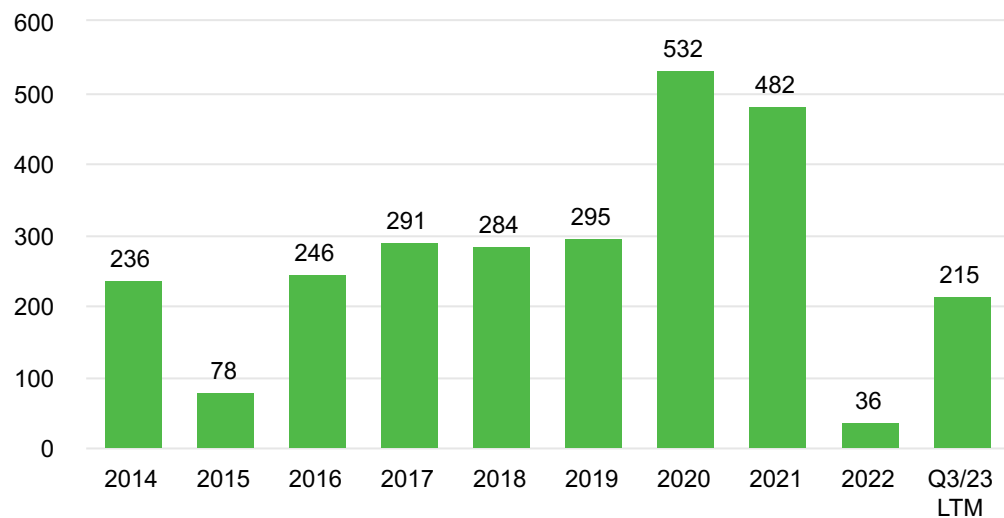
Comparable SG&A expenses
(EUR million and % of net sales)



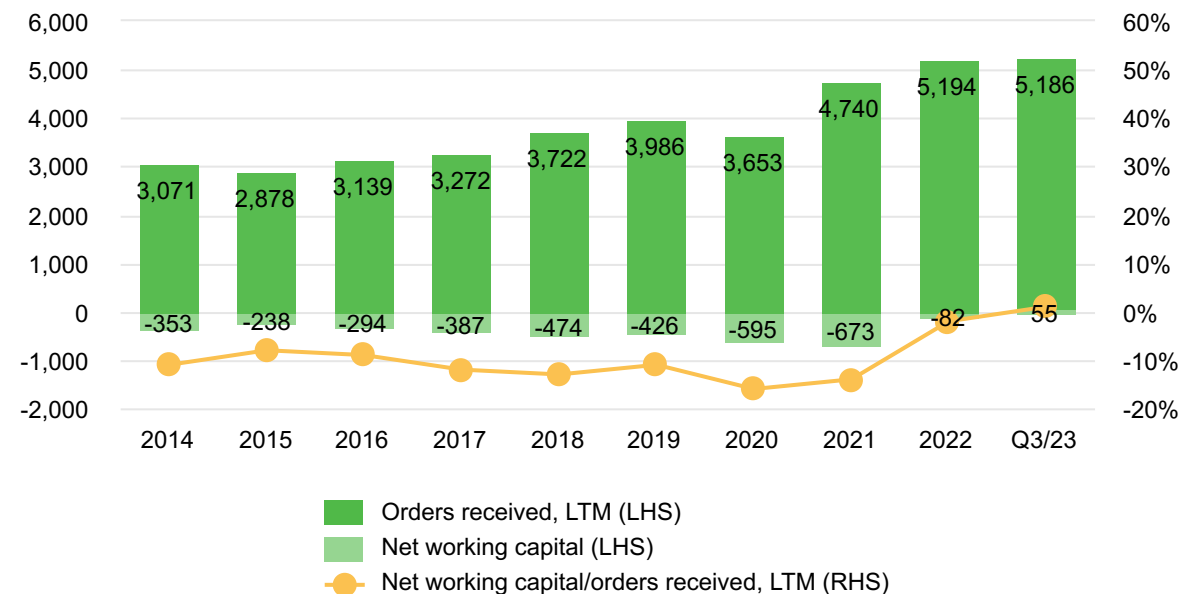
- Comparable gross profit was 25.9% of net sales in Q3/2023 (24.6% in Q3/2022)
 - Stable business represented 57% of net sales (53% in Q3/2022)
- Comparable SG&A expenses were EUR 6 million lower in Q3/2023 compared with Q3/2022
 - Comparable SG&A expenses were 16% of net sales in Q3/2023 (16% in Q3/2022)

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 57 million in Q3/2023
- CAPEX² EUR 27 million in Q3/2023
- Net working capital¹ EUR 55 million, which equals 1% of rolling 12 months orders received
 - Valmet's business mix contains more stable business, which typically ties up more net working capital than Process Technologies
 - Valmet's net working capital has increased compared to the end of 2022 both in Process Technologies and in stable business
- Change in net working capital³ EUR -85 million in Q3/2023

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

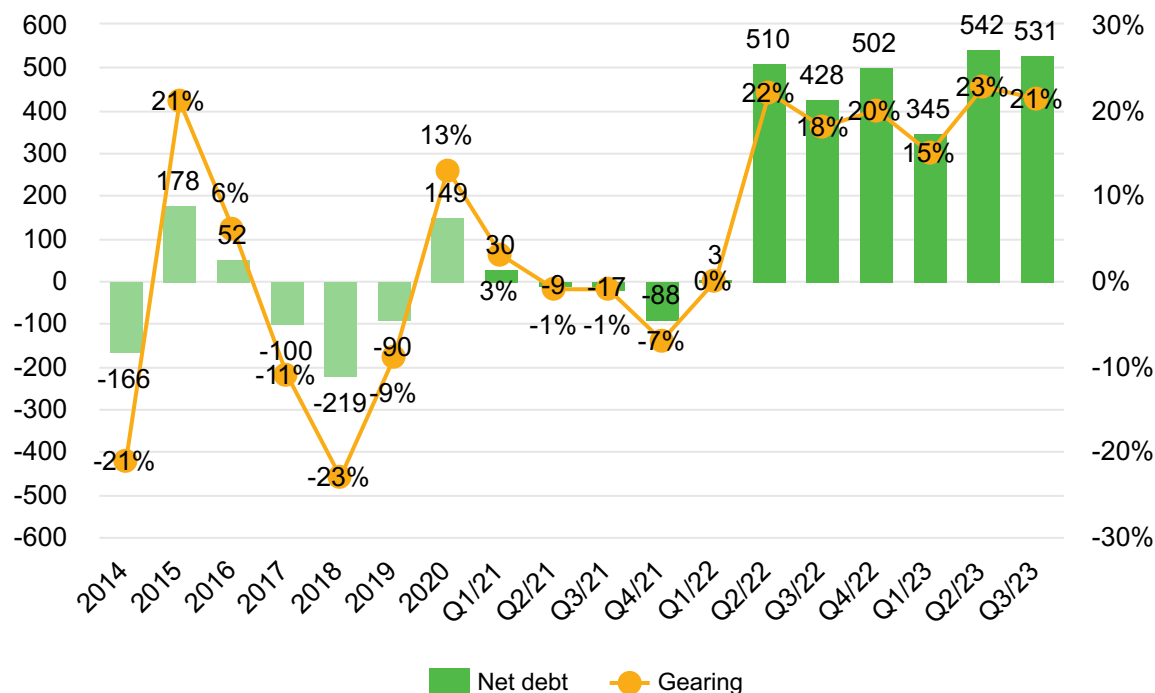
1) Q3/2023 net working capital excludes EUR 120 million non-cash net working capital impact from dividend liability.

2) Excluding right-of-use assets.

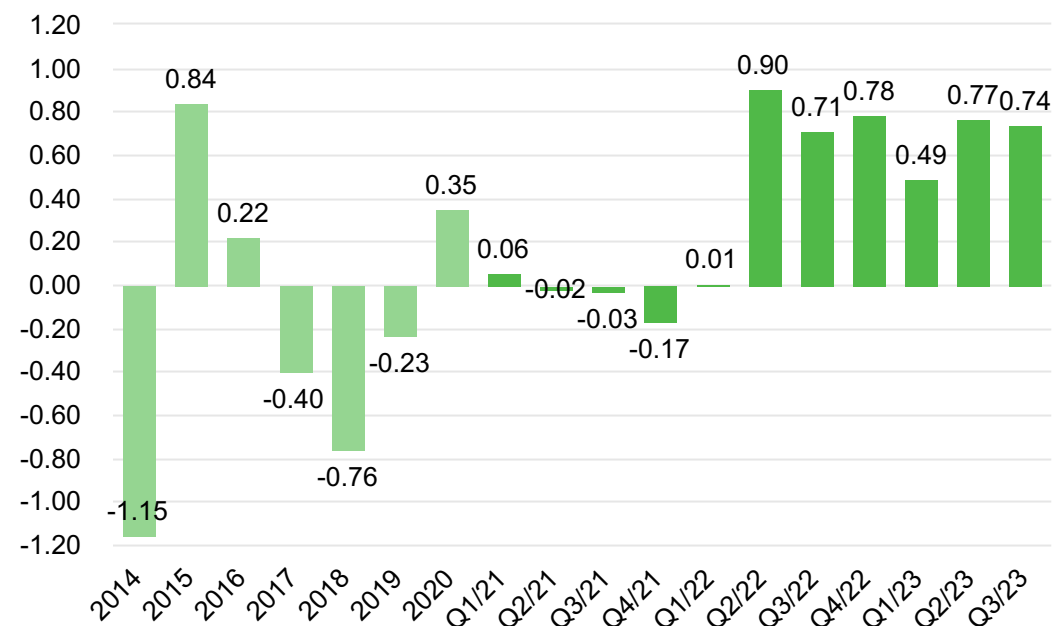
3) Change in net working capital in the consolidated statement of cash flows.

Net debt and gearing increased compared with Q3/2022

Net debt (EUR million) and gearing (%)



Net debt to EBITDA* ratio



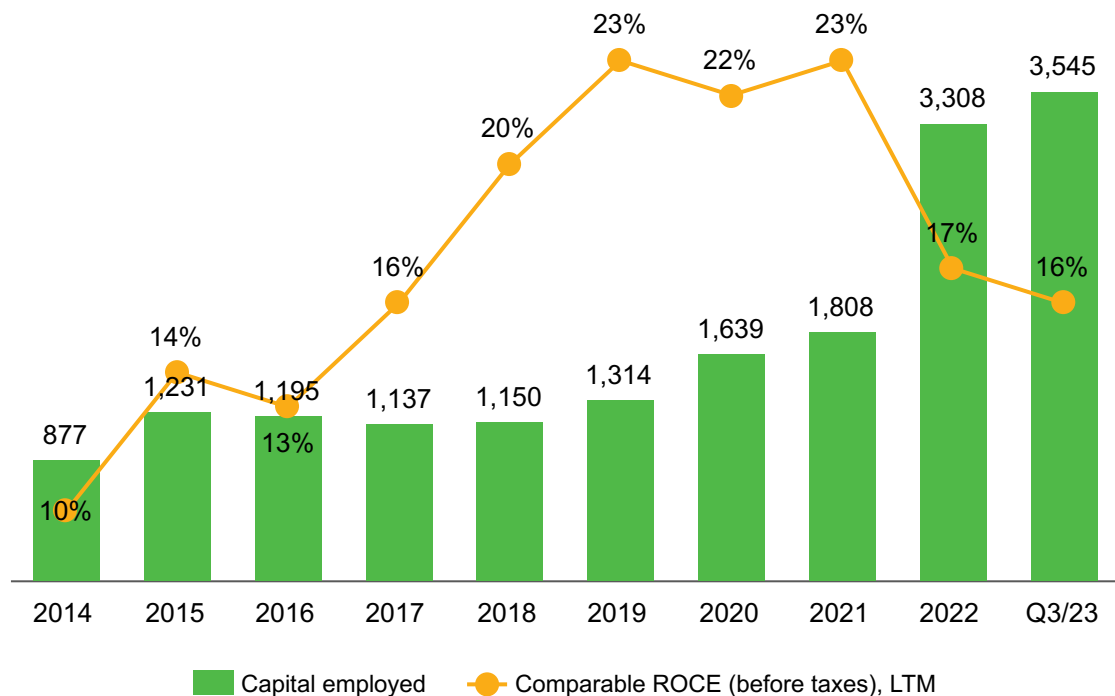
- Gearing (21%) increased and net debt (EUR 531 million) increased compared with Q3/2022
 - The increase in net debt and gearing in Q2/2022 is mainly related to the integration of Flow Control into Valmet
- Net debt to EBITDA* ratio remained at the previous year's level compared with Q3/2022
- The average interest rate of Valmet's total debt was 3.6% at the end of Q3/2023

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

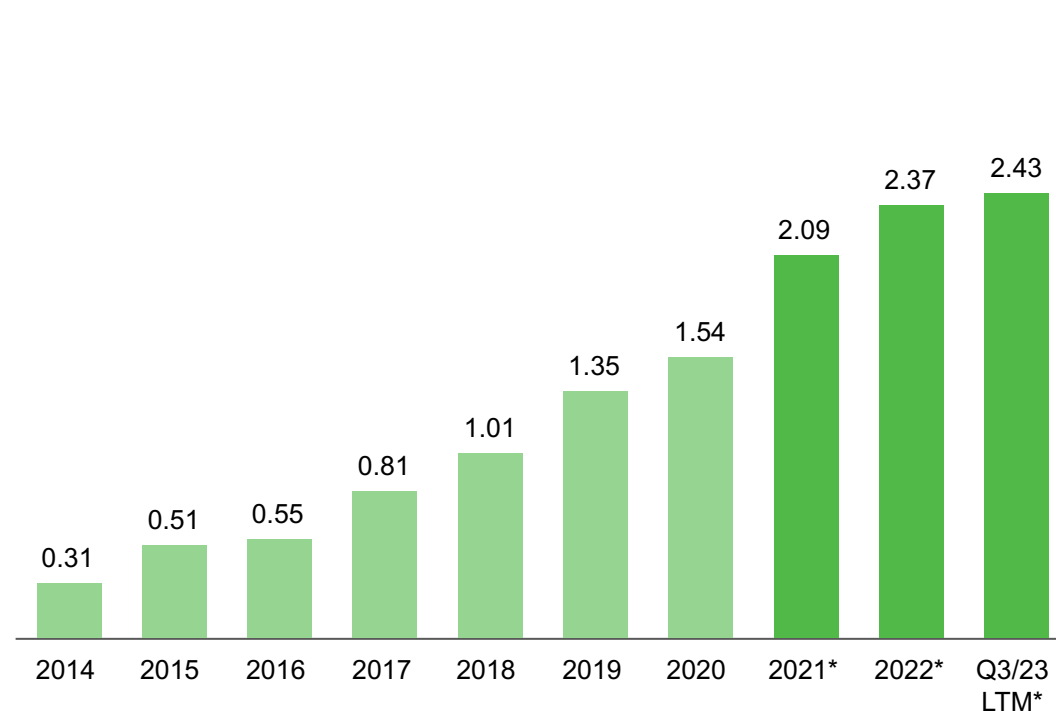
Capital employed, Comparable ROCE and EPS

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



- Integration of Flow Control into Valmet in Q2/2022 increased capital employed

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

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

Financial Statements Review 2023

February 7, 2024

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