

Orders received increased to EUR 1.2 billion and  
Comparable EBITA to EUR 136 million in the third  
quarter

Interim Review, January–September 2022

*October 26, 2022*

Pasi Laine, President and CEO

Katri Hokkanen, CFO

# Agenda

## Interim Review, January–September 2022

- 1 Q3/2022 in brief
- 2 Development of the segments and the business lines
- 3 Financial development
- 4 Guidance and short-term market outlook



# Q3/2022 in brief

# Q3/2022 in brief

- Orders received increased to EUR 1.2 billion
- Net sales increased to EUR 1.3 billion
- Order backlog amounted to EUR 4.7 billion
- Comparable EBITA increased to EUR 136 million and margin was 10.5%
- Gearing was 18%

# Valmet in Q3/2022

**Orders received**  
EUR 1,178 million

**Net sales**  
EUR 1,288 million

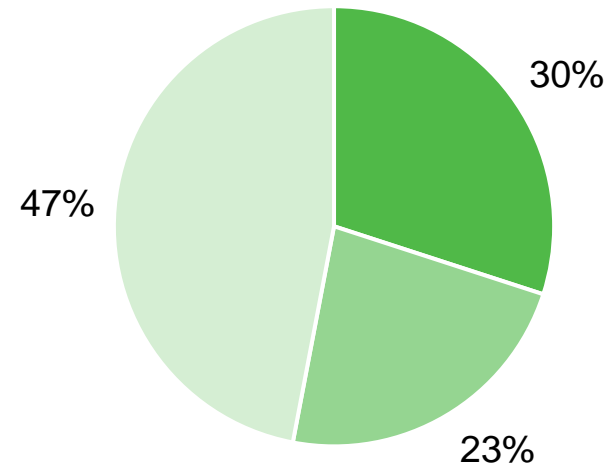
**Comparable EBITA**  
EUR 136 million

**Comparable EBITA margin**  
10.5%

**Order backlog**  
EUR 4,672 million

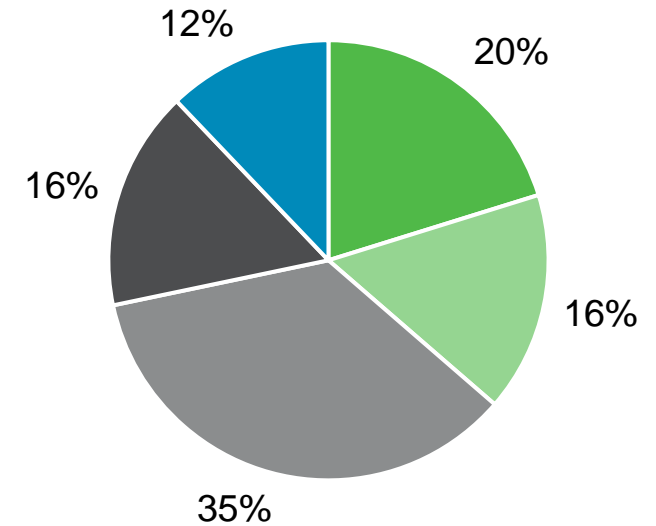
**Employees**  
17,511

Net sales by segment



- Services
- Automation
- Process Technologies

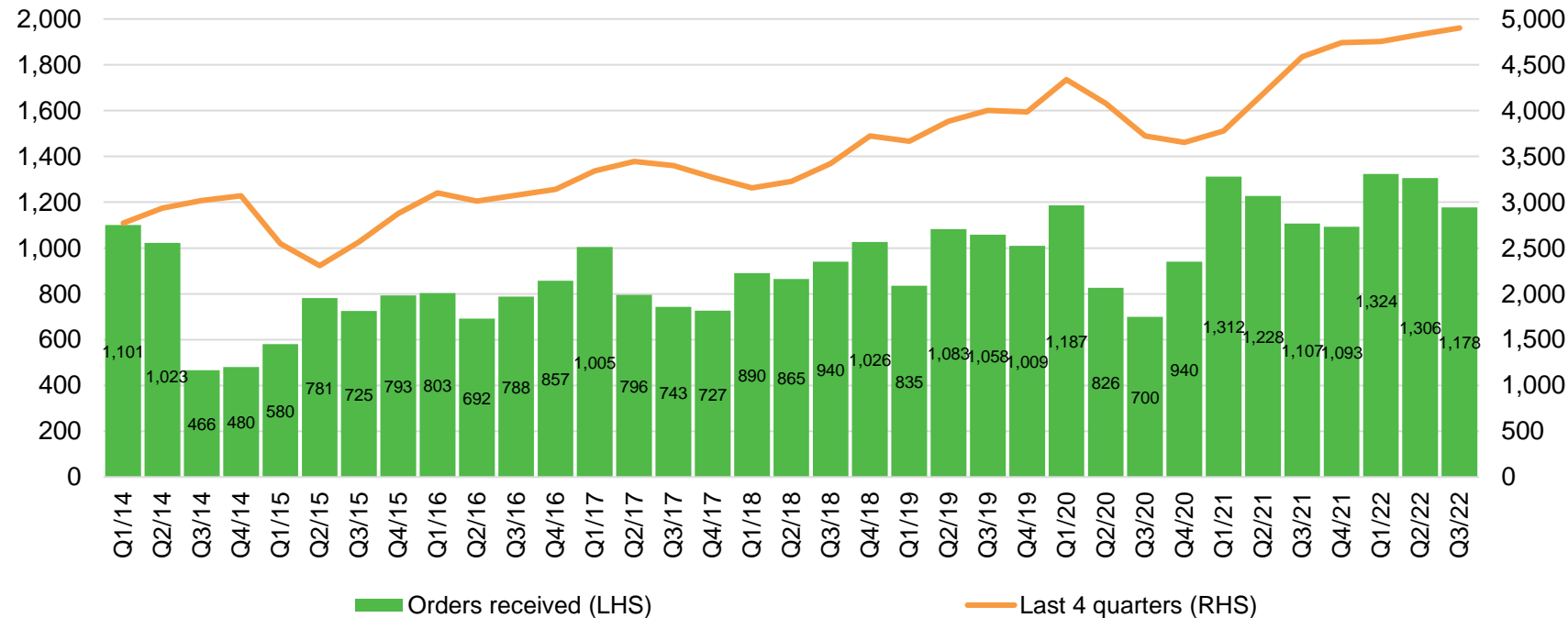
Net sales by area



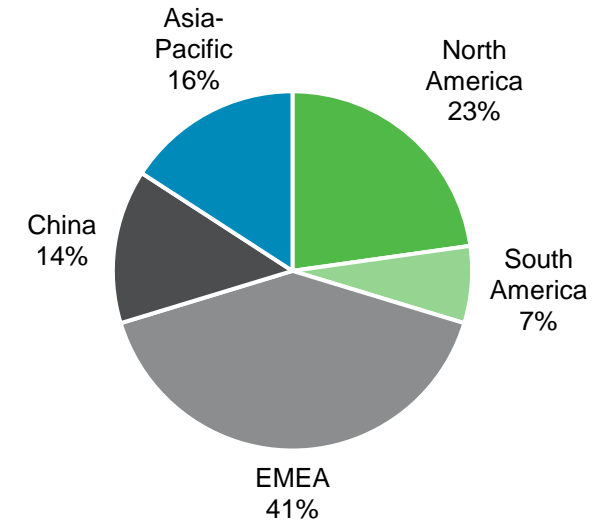
- North America
- South America
- EMEA
- China
- Asia-Pacific

# Orders received increased to EUR 1,178 million in Q3/2022

Orders received (EUR million)



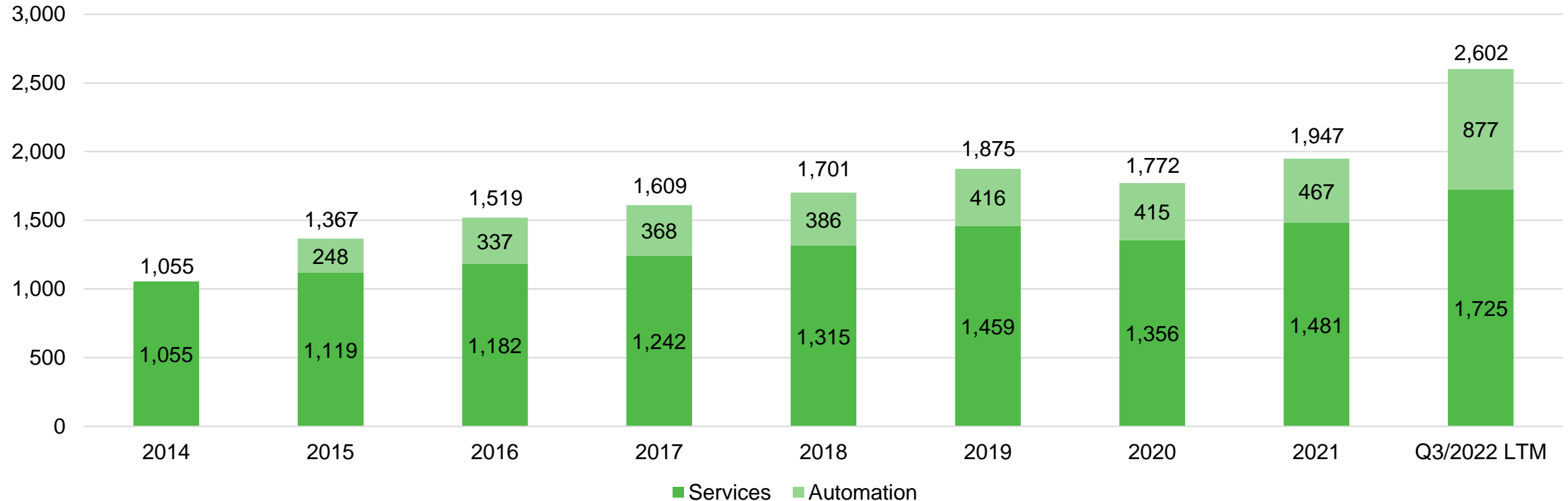
Orders received in Q1–Q3/2022 by area



- Orders received increased in North America, Asia-Pacific and EMEA and decreased in South America and China in Q1–Q3/2022 compared with Q1–Q3/2021
  - South America, China and Asia-Pacific together accounted for 37% of orders received

# Stable business orders received totaled EUR 2,602 million during the last twelve months

Orders received (EUR million) in stable business

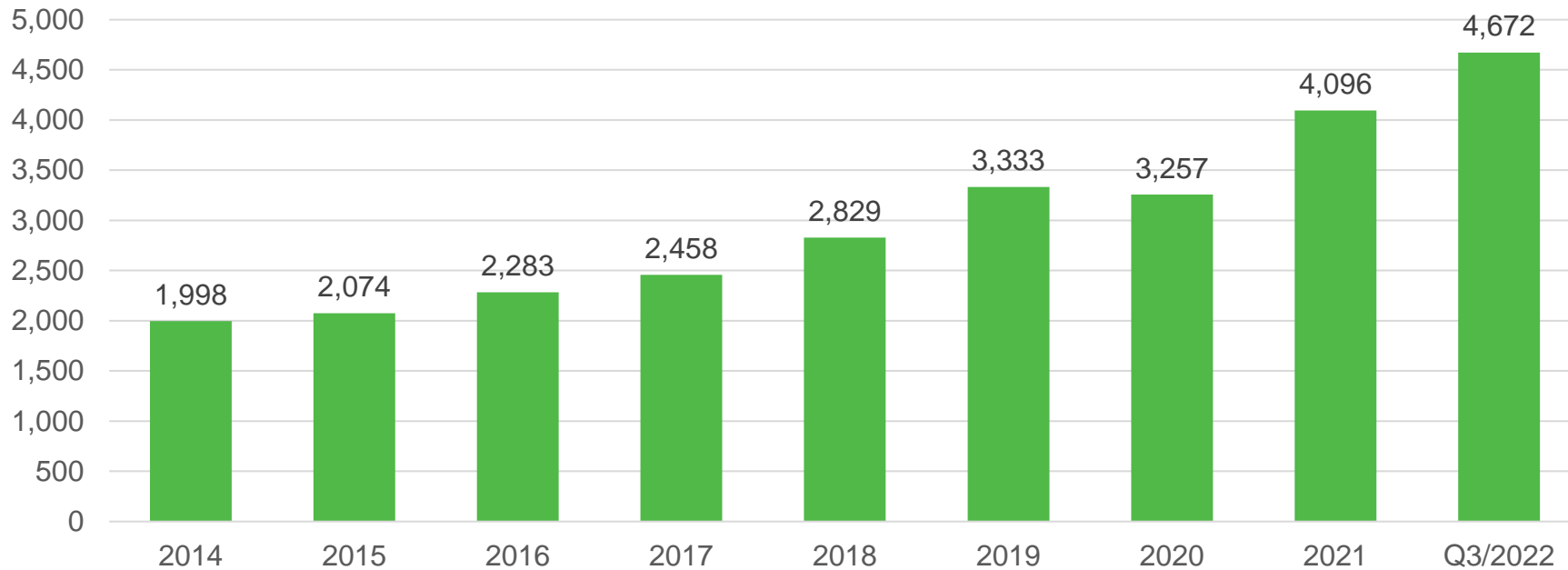


- Total orders received in stable business were EUR 283 million higher in Q3/2022 compared with Q3/2021

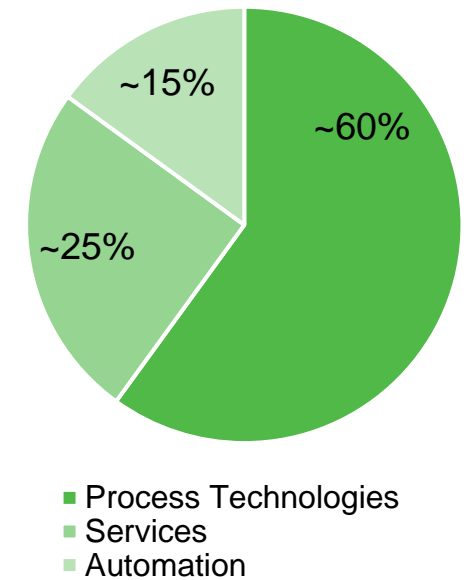
2014-2020 figures have not been restated and 2015-2020 figures include internal orders received for the Automation Systems business line.

# Order backlog EUR 4,672 million at the end of Q3/2022

Order backlog (EUR million)




Structure of order backlog by segment



- Order backlog was EUR 576 million higher than at the end of 2021
- Approximately 40% of the order backlog relates to stable business (~25% at the end of Q3/2021)

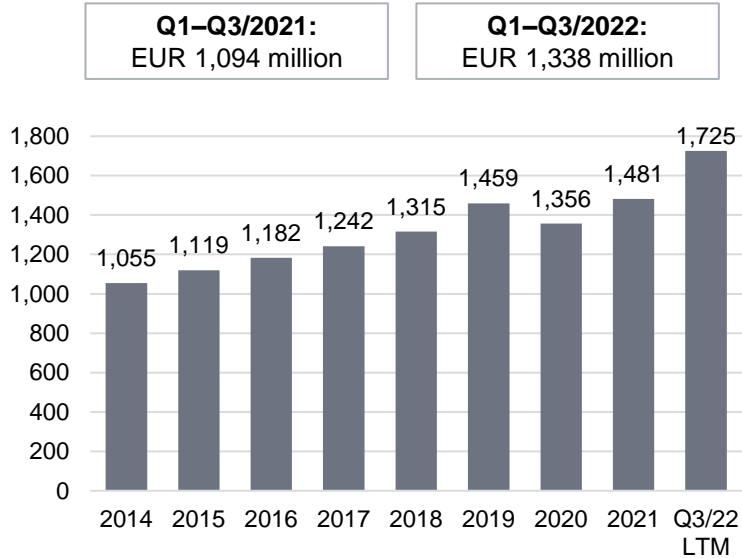




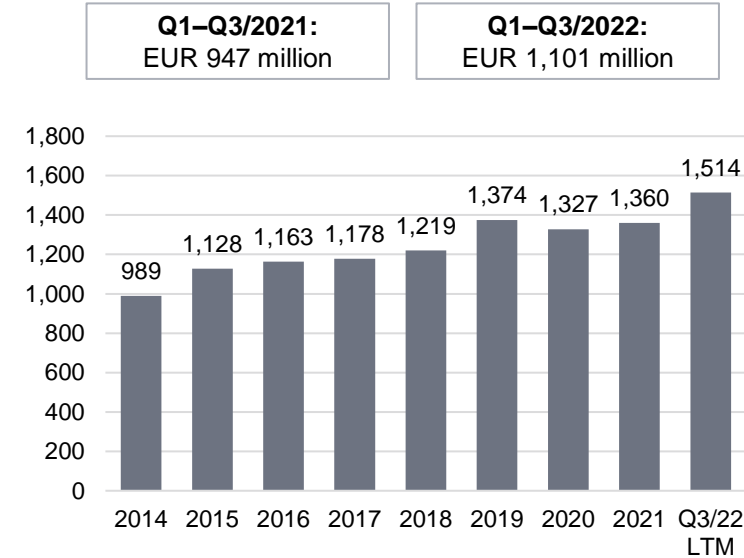
## Development of the segments and the business lines

# Services: Orders received increased to EUR 1,338 million in Q1–Q3/2022

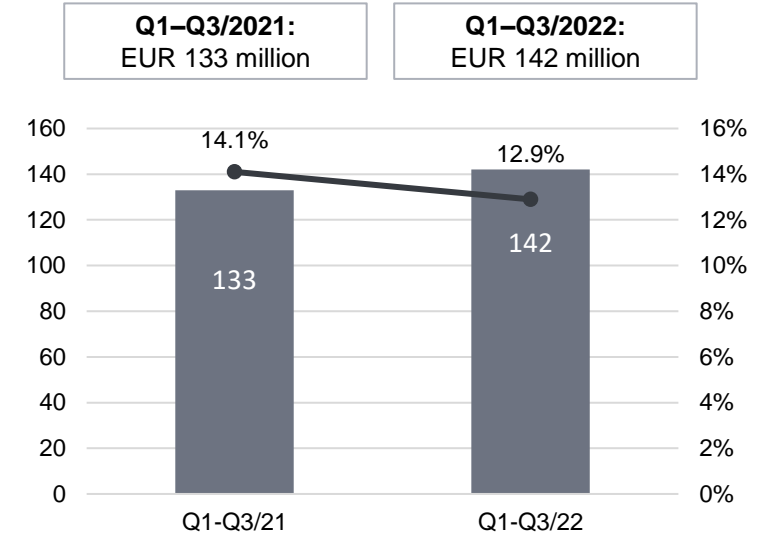
Orders received (EUR million)



Net sales (EUR million)



Comparable EBITA (EUR million and % of net sales)



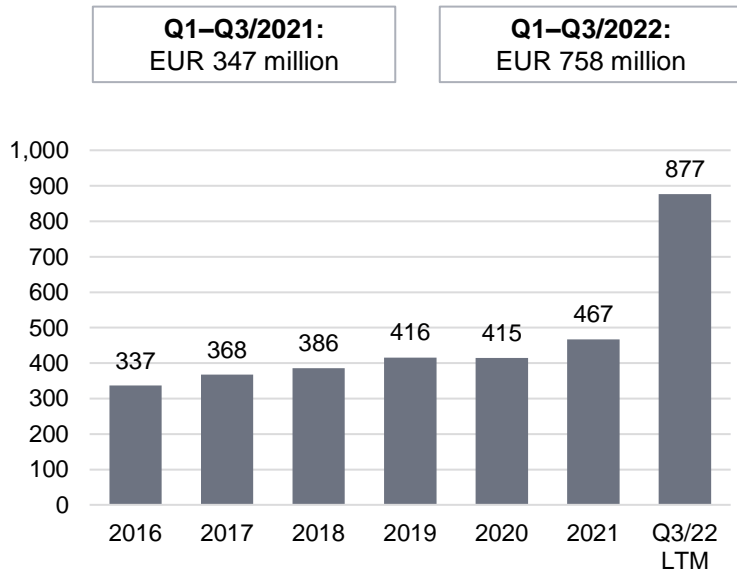
- Orders received increased compared with Q1–Q3/2021
  - Orders received increased in all geographical areas
  - Orders received increased in all businesses
- Net sales increased compared with Q1–Q3/2021
- Comparable EBITA increased compared with Q1–Q3/2021 due to higher net sales, but the margin was lower due to cost inflation
- Services segment was affected by cost inflation, reduced component availability and longer delivery times of certain components in Q1–Q3/2022



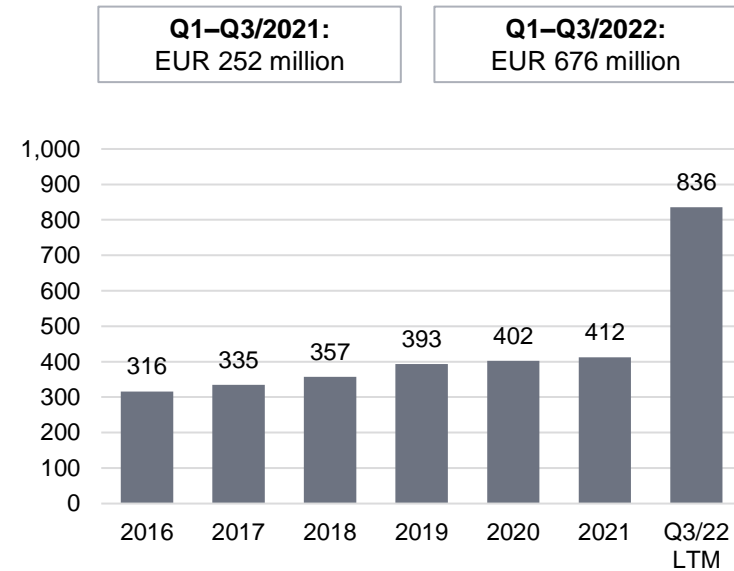
# Automation: Orders received increased to EUR 758 million in Q1–Q3/2022

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

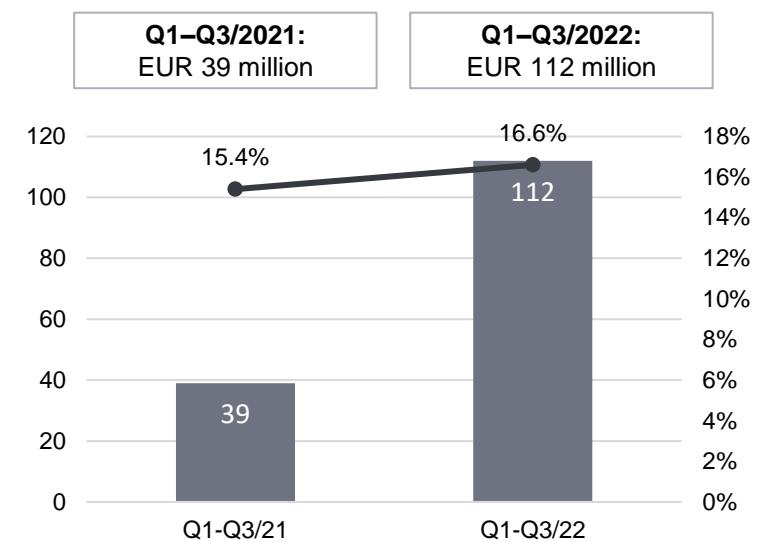
Orders received (EUR million)



Net sales (EUR million)



Comparable EBITA (EUR million and % of net sales)

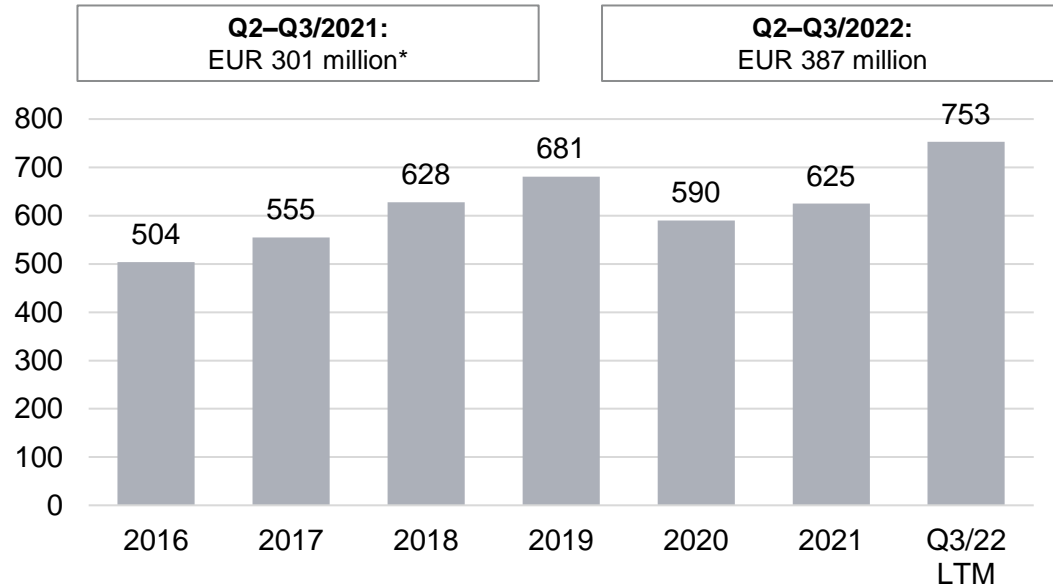


- Orders received increased compared with Q1–Q3/2021
- Net sales increased compared with Q1–Q3/2021
- Comparable EBITA increased compared with Q1–Q3/2021 mostly due to consolidation of Flow Control into Valmet

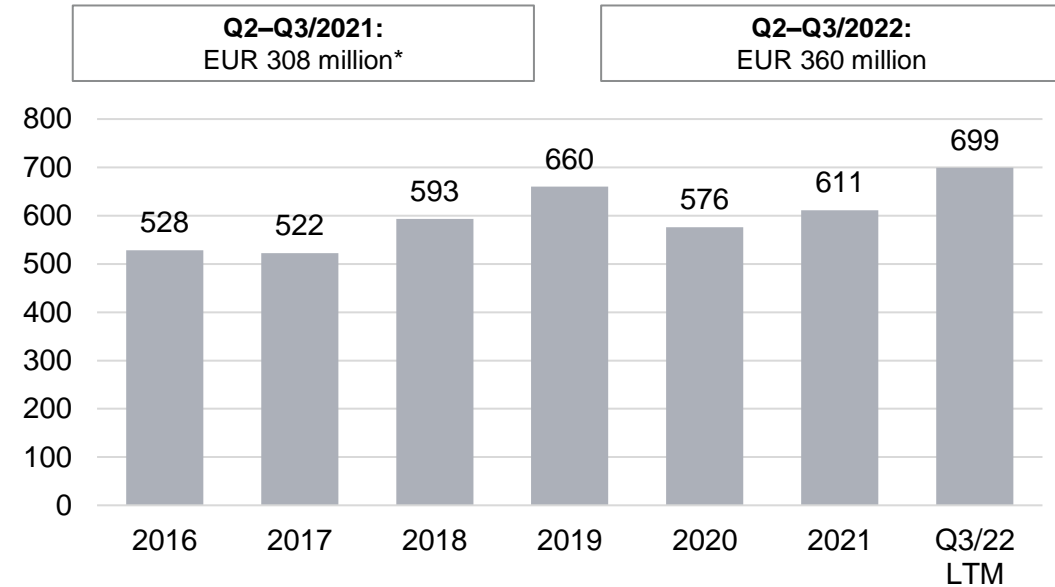


# Flow Control: Orders received amounted to EUR 387 million in Q2–Q3/2022

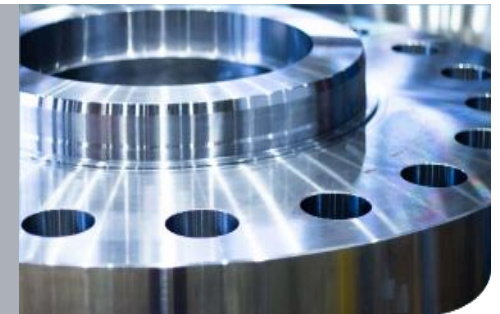
Orders received (EUR million)\*



Net sales (EUR million)\*



- Orders received amounted to EUR 387 million in Q2–Q3/2022
  - Orders received increased\* in South America, North America, EMEA and China, and decreased in Asia-Pacific
- Net sales amounted to EUR 360 million in Q2–Q3/2022
- Reduced component availability and the lockdowns in China earlier in 2022 caused longer lead times for Flow Control in Q3/2022
- 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.

# Automation Systems: Orders received increased to EUR 371 million in Q1–Q3/2022

Orders received (EUR million)

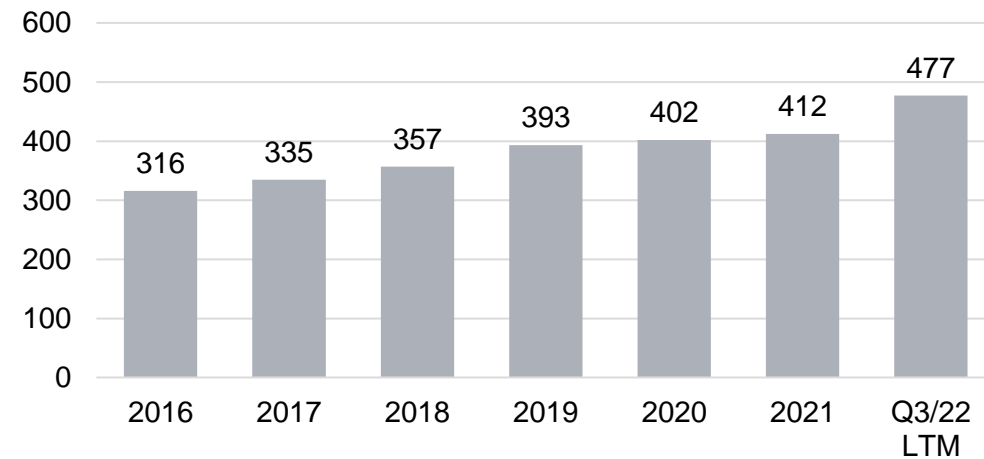
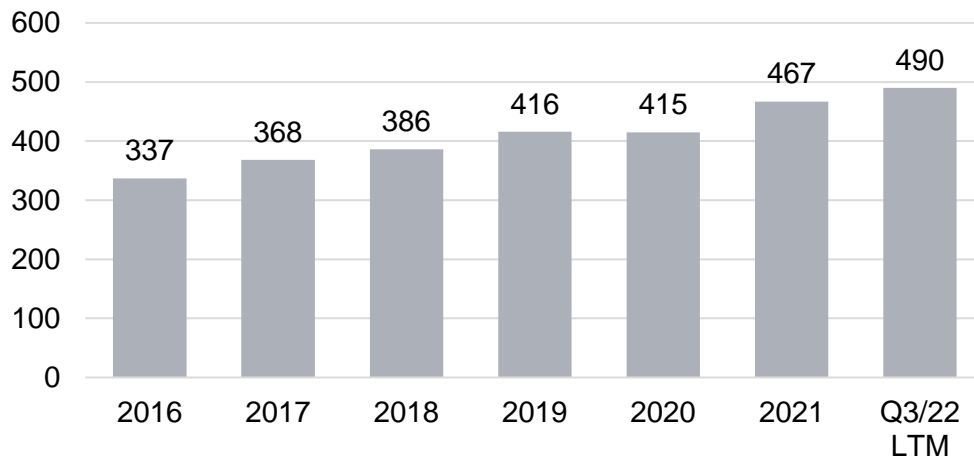
Net sales (EUR million)

**Q1–Q3/2021:**  
EUR 347 million

**Q1–Q3/2022:**  
EUR 371 million

**Q1–Q3/2021:**  
EUR 252 million

**Q1–Q3/2022:**  
EUR 317 million

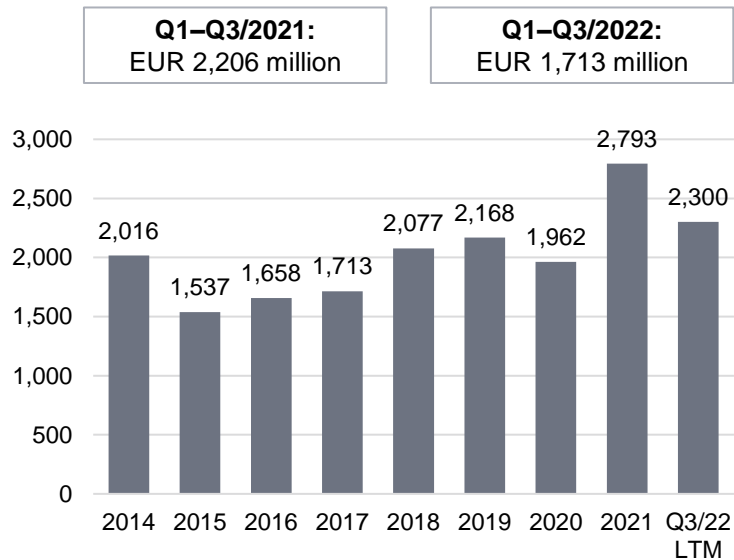


- Orders received increased compared with Q1–Q3/2021
  - Orders received increased in North America and Asia-Pacific, remained at the previous year's level in EMEA, and decreased in South America and China
  - Orders received increased in Energy and Process, and remained at the previous year's level in Pulp and Paper
- Net sales increased compared with Q1–Q3/2021
- Component availability continues at a reduced level and delivery times of certain components were longer during Q1–Q3/2022

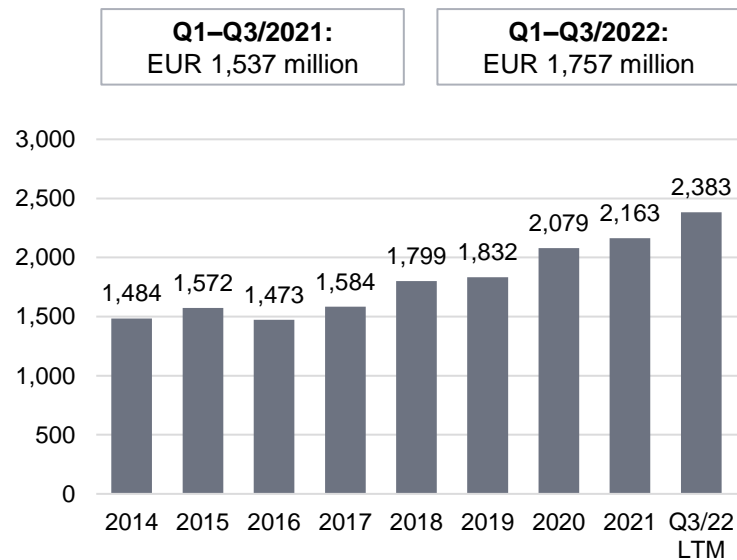


# Process Technologies: Orders received decreased to EUR 1,713 million in Q1–Q3/2022

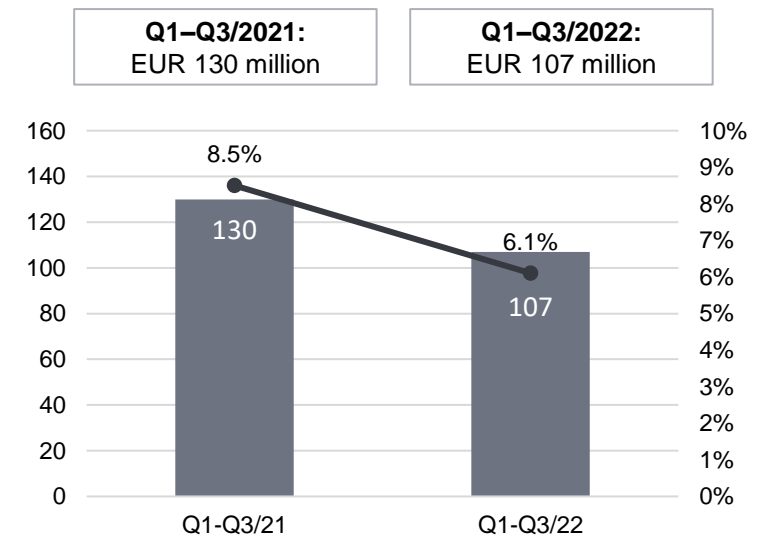
Orders received (EUR million)



Net sales (EUR million)



Comparable EBITA (EUR million and % of net sales)

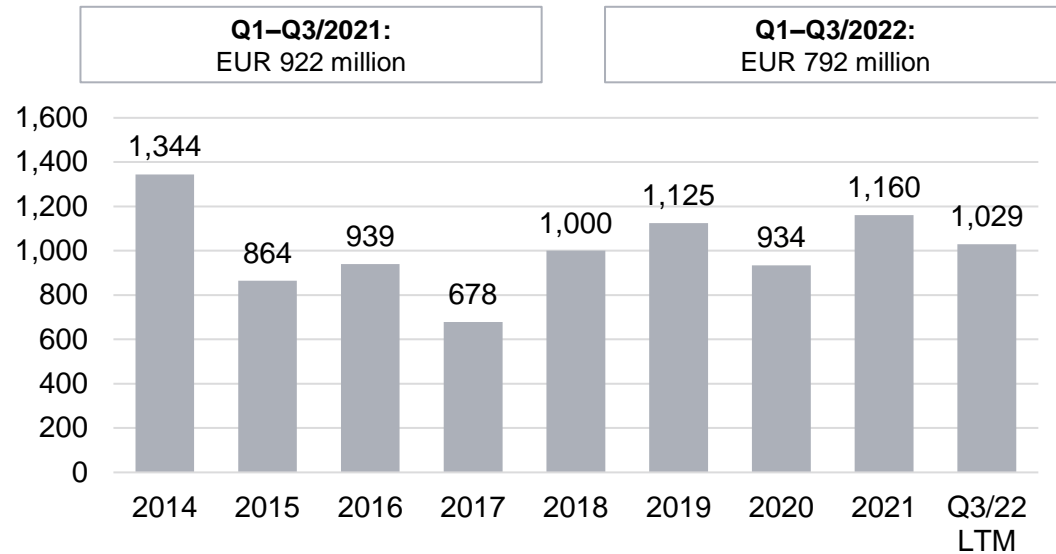


- Orders received decreased compared with Q1–Q3/2021
- Net sales increased compared with Q1–Q3/2021
- Comparable EBITA decreased compared with Q1–Q3/2021, as the margins in some Pulp and Energy projects were impacted by cost inflation

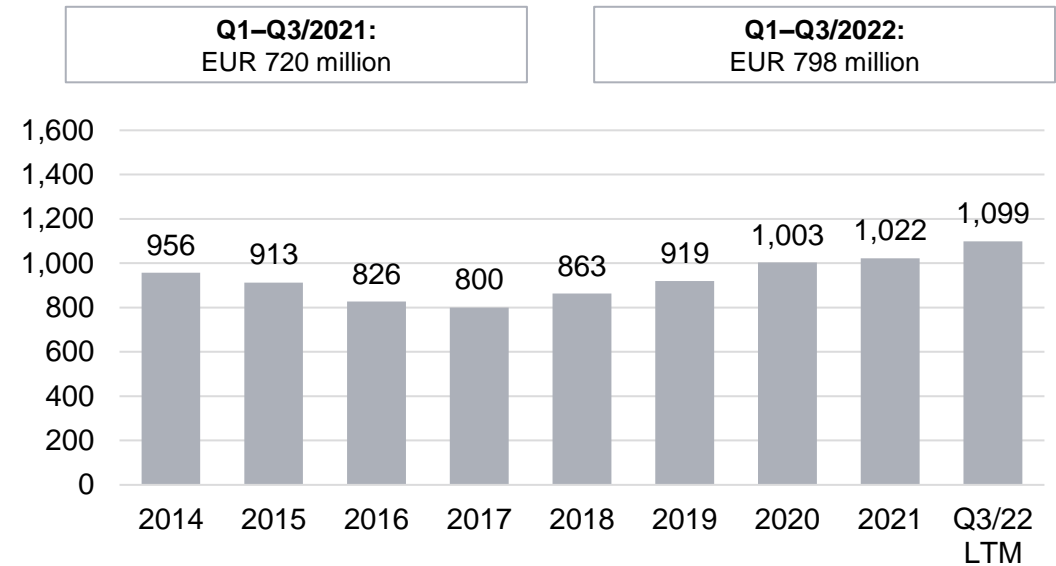


# Pulp and Energy business line: Orders received decreased to EUR 792 million in Q1–Q3/2022

Orders received (EUR million)



Net sales (EUR million)

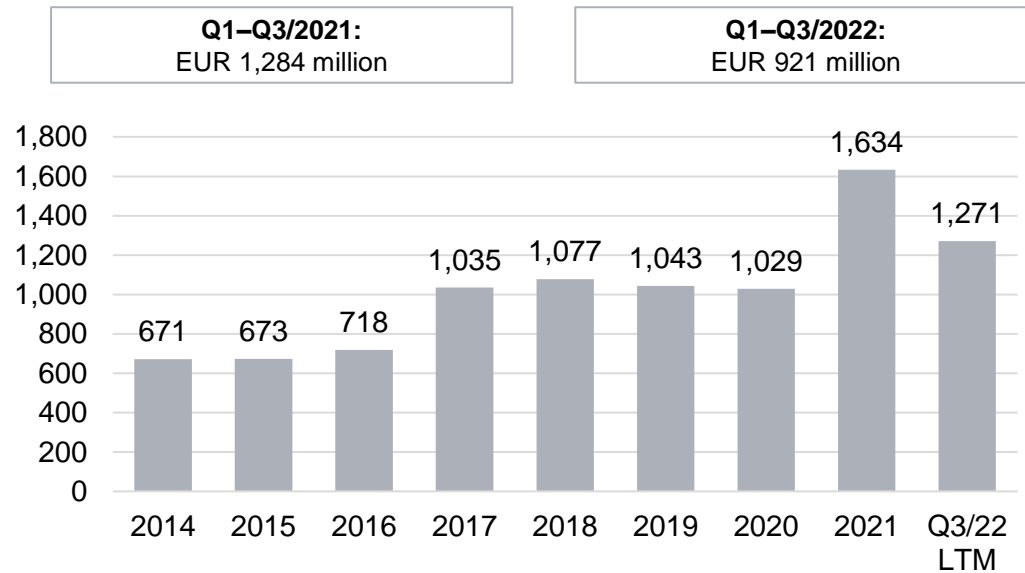


- Orders received decreased compared with Q1–Q3/2021
  - Orders received increased in North America and Asia-Pacific, and decreased in China, South America and EMEA
  - Orders received increased in Energy and decreased in Pulp
- Net sales increased compared with Q1–Q3/2021
- Cost inflation impacted Pulp & Energy’s business environment during Q1–Q3/2022
- The Pulp and Energy business line has managed the challenges caused by COVID-19 well, and the pandemic did not cause major impacts on its operations during Q1–Q3/2022

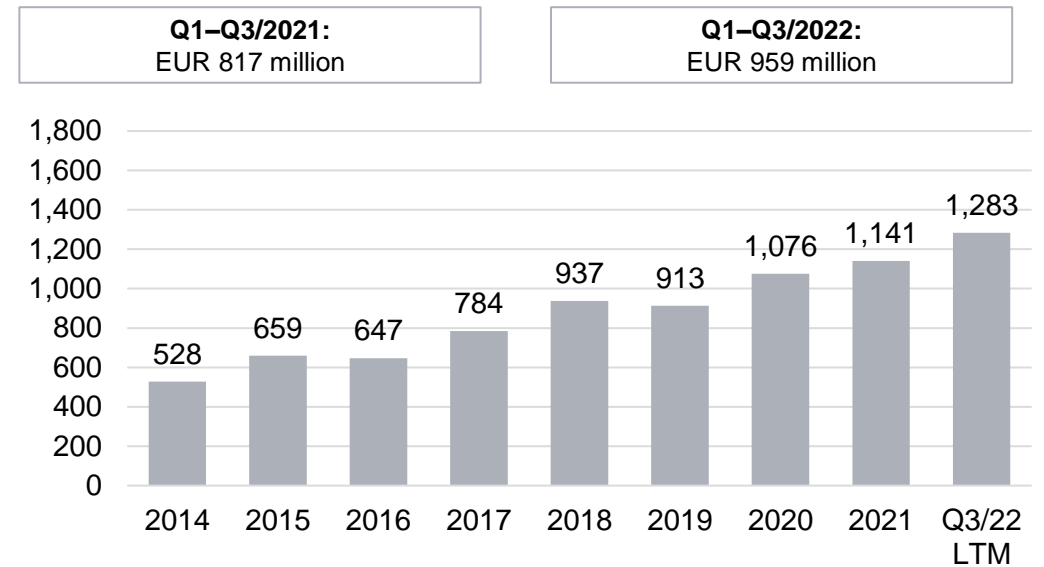


# Paper business line: Orders received decreased to EUR 921 million in Q1–Q3/2022

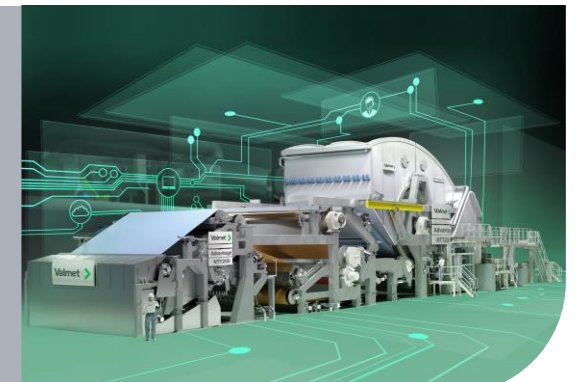
Orders received (EUR million)



Net sales (EUR million)



- Orders received decreased compared with Q1–Q3/2021
  - Orders received increased in Asia-Pacific and North America, and decreased in South America, China and EMEA
  - Orders received remained at the previous year's level in Stock preparation, and decreased in all other businesses
- Net sales increased compared with Q1–Q3/2021
- The fire at Rautpohja factory site in Finland, COVID-19 and lockdowns in China impacted Paper business line's operations during Q1–Q3/2022
- The Paper business line has managed the challenges caused by the fire and COVID-19 well







# Financial development

# Key figures

EUR million	Q3/2022	Q3/2021	Change	Q1–Q3/2022	Q1–Q3/2021	Change
Orders received	<b>1,178</b>	1,107	6%	<b>3,809</b>	3,647	4%
Order backlog <sup>1</sup>	<b>4,672</b>	4,199	11%	<b>4,672</b>	4,199	11%
Net sales	<b>1,288</b>	935	38%	<b>3,534</b>	2,736	29%
Comparable EBITA	<b>136</b>	107	27%	<b>337</b>	282	20%
% of net sales	<b>10.5%</b>	11.4%	-0.9 pp	<b>9.5%</b>	10.3%	-0.8 pp
EBITA	<b>132</b>	107	23%	<b>360</b>	293	23%
Operating profit (EBIT)	<b>97</b>	95	3%	<b>280</b>	255	10%
% of net sales	<b>7.6%</b>	10.1%	-2.6 pp	<b>7.9%</b>	9.3%	-1.4 pp
Adjusted earnings per share, EUR <sup>2</sup>	<b>0.51</b>	0.53	-4%	<b>1.56</b>	1.40	11%
Earnings per share, EUR	<b>0.38</b>	0.50	-24%	<b>1.25</b>	1.31	-4%
Return on capital employed (ROCE) before taxes <sup>3</sup>				<b>15%</b>	21%	-6 pp
Cash flow provided by operating activities	<b>115</b>	57	100%	<b>49</b>	385	-87%
Gearing <sup>1</sup>				<b>18%</b>	-1%	19 pp

Items affecting comparability: EUR -4 million in Q3/2022 (EUR 0 million in Q3/2021) and EUR 23 million in Q1-Q3/2022 (EUR 10 million in Q1-Q3/2021).

1) At end of period

2) Adjusted earnings per share is an alternative performance measure that excludes the impact of fair value adjustments arising from business combinations, net of tax

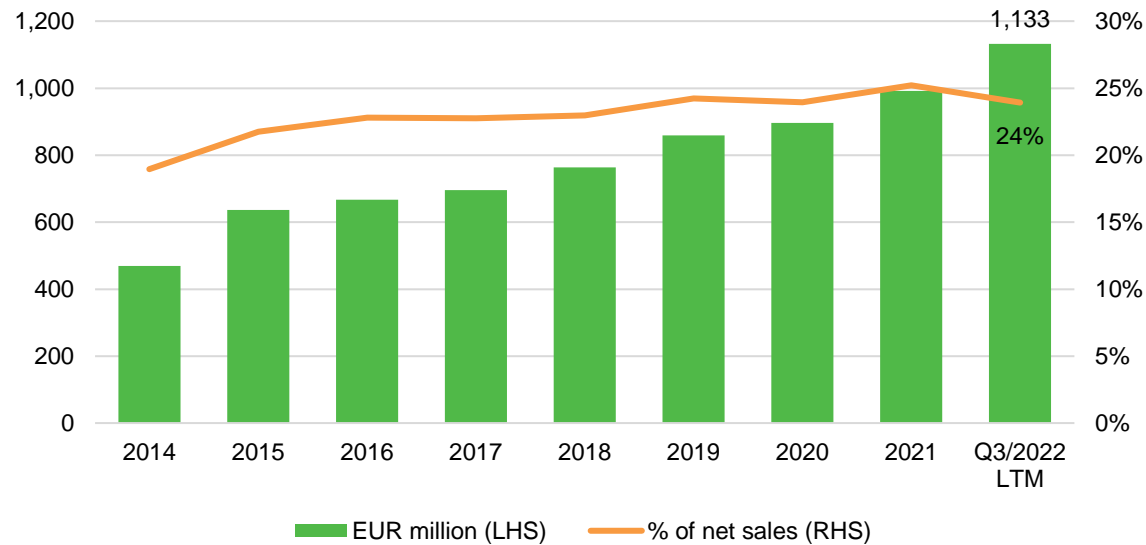
3) Annualized

# Segment key figures

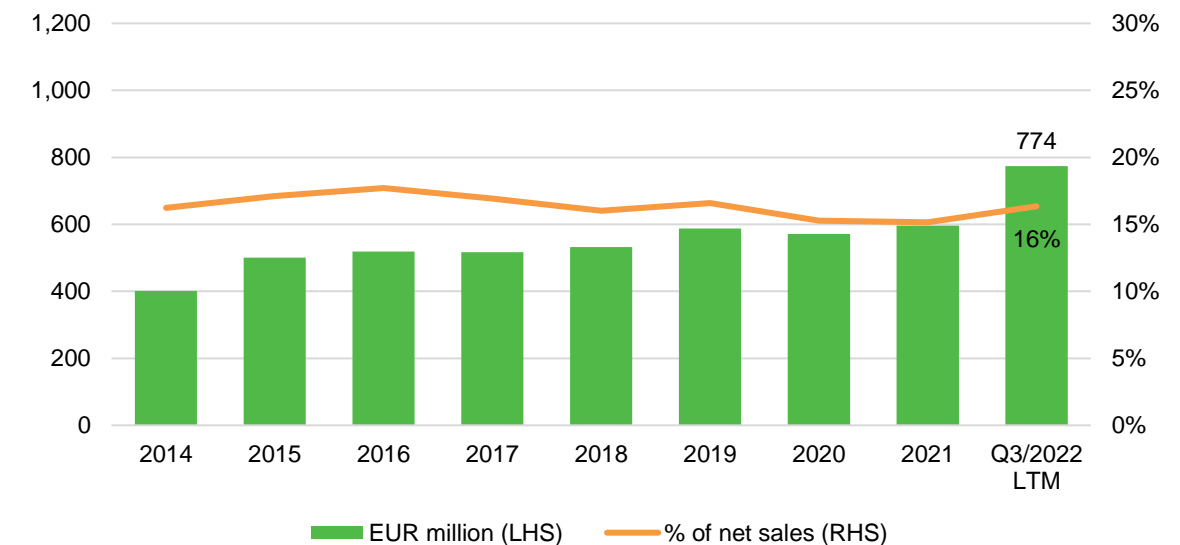
Orders received, EUR million	Q3/2022	Q3/2021	Change	Q1–Q3/2022	Q1–Q3/2021	Change
Services	427	341	25%	1,338	1,094	22%
Automation	306	109	>100%	758	347	>100%
Process Technologies	444	657	-32%	1,713	2,206	-22%
Total	1,178	1,107	6%	3,809	3,647	4%
Net sales, EUR million	Q3/2022	Q3/2021	Change	Q1–Q3/2022	Q1–Q3/2021	Change
Services	381	322	18%	1,101	947	16%
Automation	296	91	>100%	676	252	>100%
Process Technologies	610	522	17%	1,757	1,537	14%
Total	1,288	935	38%	3,534	2,736	29%
Comparable EBITA, EUR million	Q3/2022	Q3/2021	Change	Q1–Q3/2022	Q1–Q3/2021	Change
Services	55	50	9%	142	133	7%
Automation	52	19	>100%	112	39	>100%
Process Technologies	36	46	-23%	107	130	-18%
Other	-7	-8	-16%	-25	-20	25%
Total	136	107	27%	337	282	20%
Comparable EBITA margin, % of net sales	Q3/2022	Q3/2021	Change	Q1–Q3/2022	Q1–Q3/2021	Change
Services	14.3%	15.5%	-1.2 pp	12.9%	14.1%	-1.1 pp
Automation	17.6%	20.5%	-2.9 pp	16.6%	15.4%	1.2 pp
Process Technologies	5.8%	8.9%	-3.0 pp	6.1%	8.5%	-2.4 pp
Total	10.5%	11.4%	-0.9 pp	9.5%	10.3%	-0.8 pp

# Gross profit and SG&A development

Gross profit (EUR million and % of net sales)



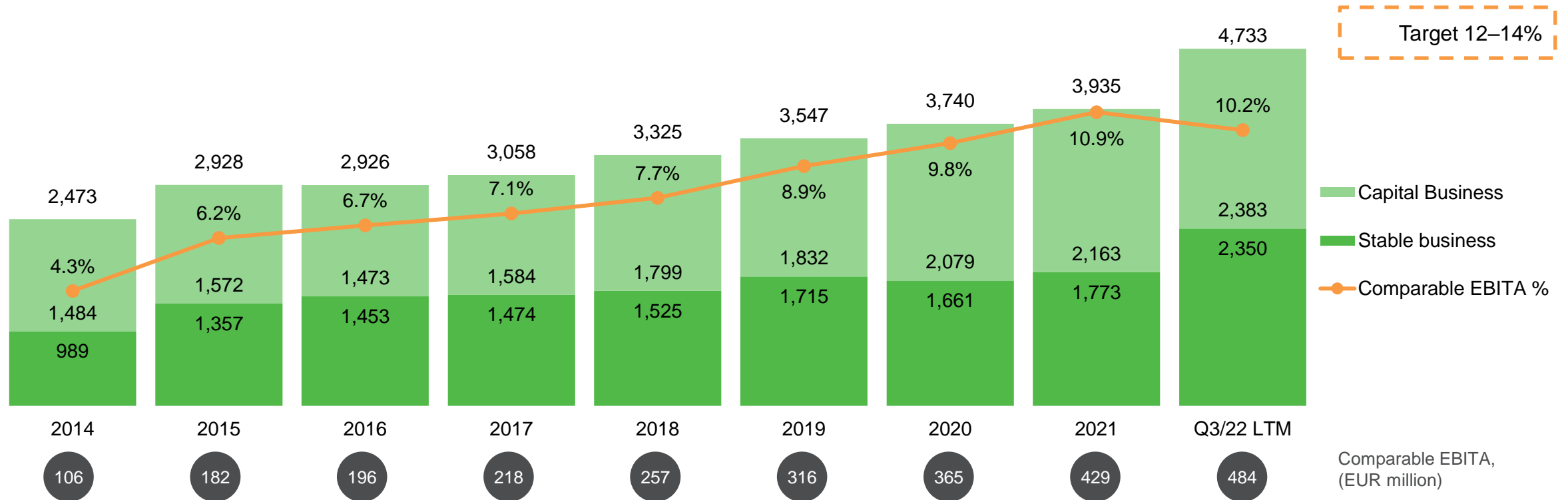
SG&A (EUR million and % of net sales)



- Gross profit was 24% of net sales in Q3/2022 (25% in Q3/2021)
  - Stable business represented 53% of net sales (44% in Q3/2021)
- Selling, general & administrative (SG&A) expenses were EUR 77 million higher in Q3/2022 compared with Q3/2021
  - SG&A of the Flow Control business line were EUR 54 million in Q3/2022
  - SG&A was 17% of net sales in Q3/2022 (15% in Q3/2021)

# Comparable EBITA margin development

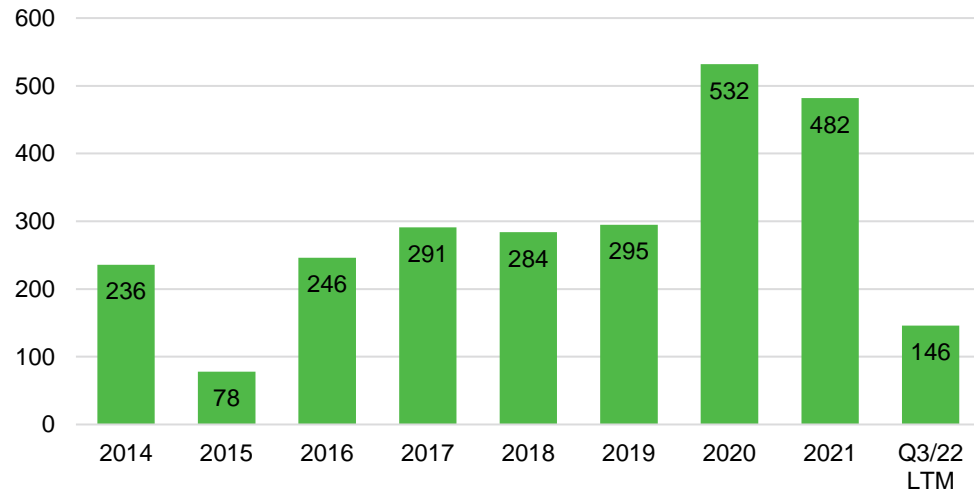
Net sales and Comparable EBITA (EUR million and %)<sup>1</sup>



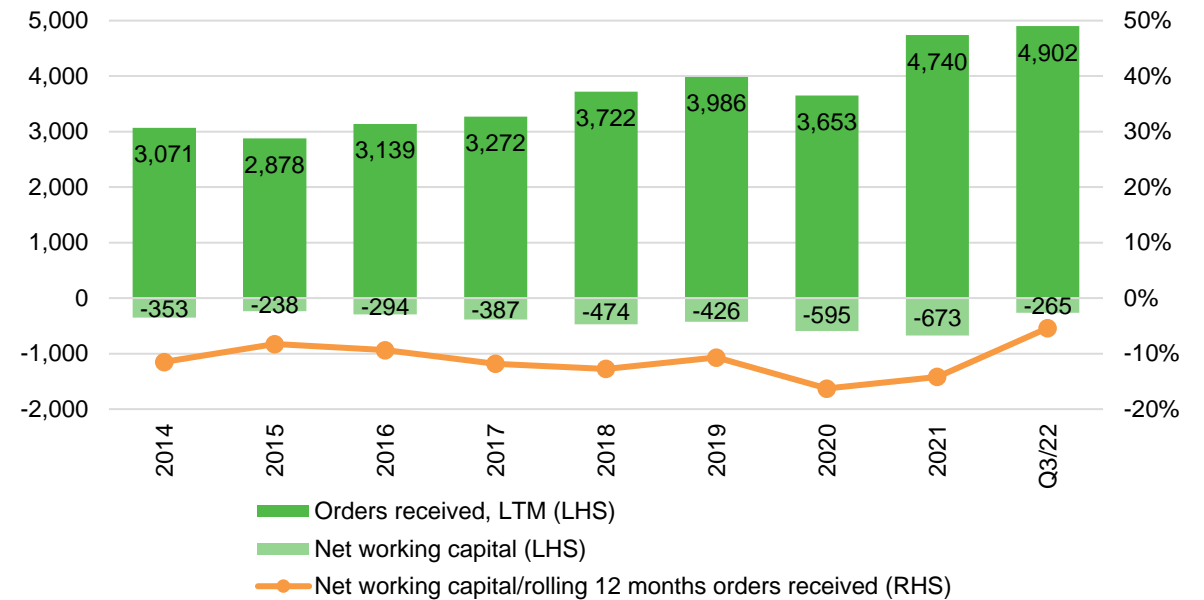
1) Valmet implemented IFRS 15 – Revenue from Contracts with Customers as of January 1, 2018 by applying full retrospective method. 2014–2020 figures have not been restated to reflect Valmet’s current reporting structure. Thus, figures presented are not fully comparable.

# 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 115 million in Q3/2022
- CAPEX<sup>1</sup> EUR 29 million in Q3/2022
- Net working capital EUR -265 million, which equals -5% of rolling 12 months orders received
  - Inventories have increased due to the consolidation of Flow Control and higher stock levels in response to component supply issues
  - Valmet's estimated net working capital would have on average been approximately -7% of rolling 12 months orders received, if Flow Control would have been consolidated into Valmet as of January 1, 2016<sup>2</sup>
- Change in net working capital<sup>3</sup> EUR -20 million in Q3/2022

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

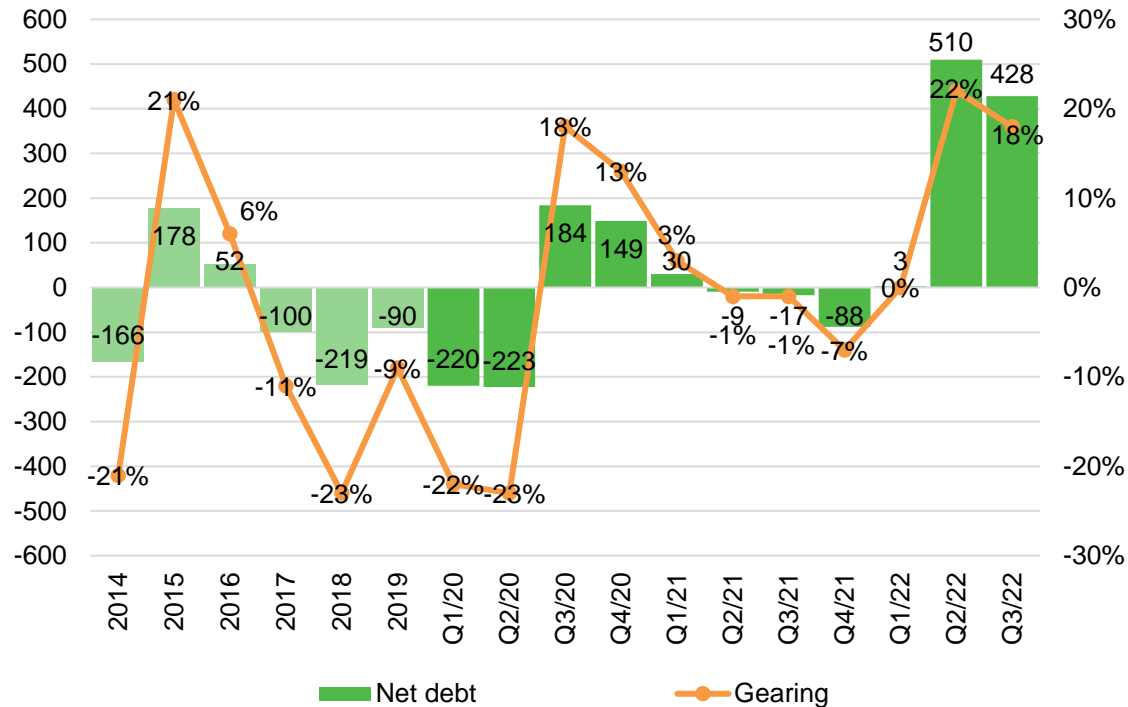
1) Excluding leased assets.

2) Illustrative combined company figures.

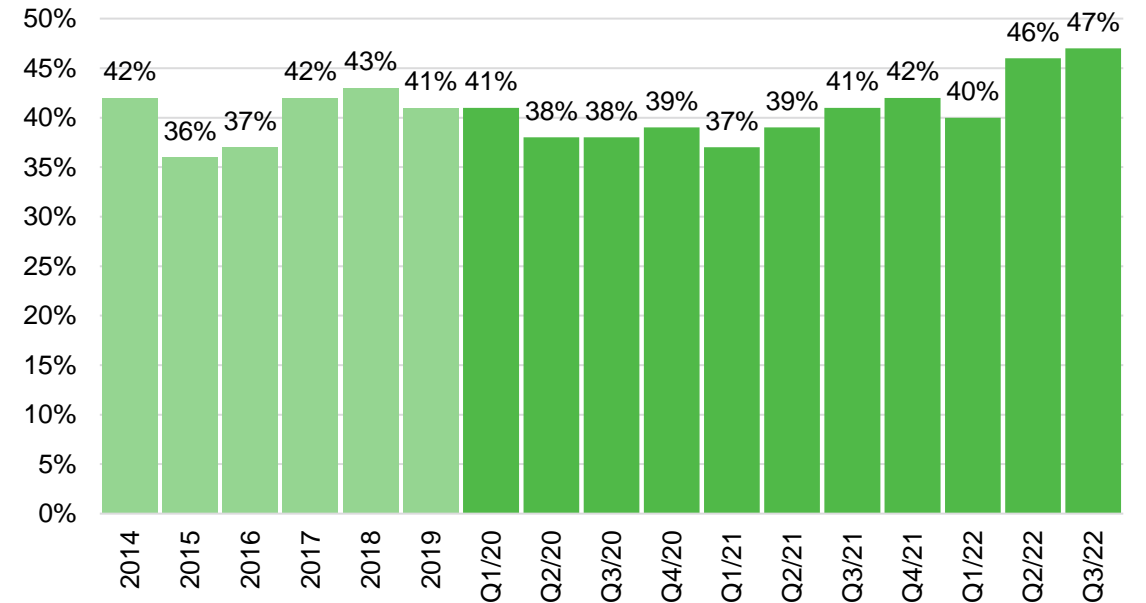
3) Change in net working capital in the consolidated statement of cash flows.

# Net debt and gearing increased compared with Q3/2021

Net debt (EUR million) and gearing (%)



Equity to assets ratio (%)

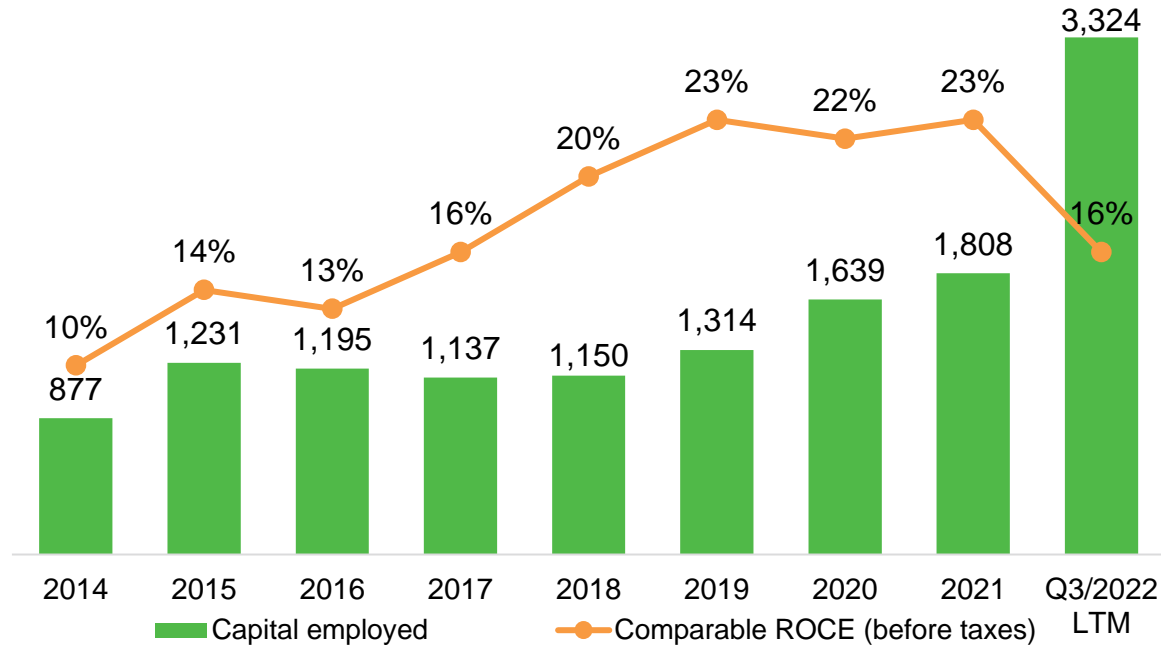


- Gearing (18%) and net debt (EUR 428 million) increased compared with Q3/2021
  - Interest-bearing liabilities increased mainly due to consolidation of Flow Control into Valmet in Q2/2022
- Equity to assets ratio increased compared with Q3/2021

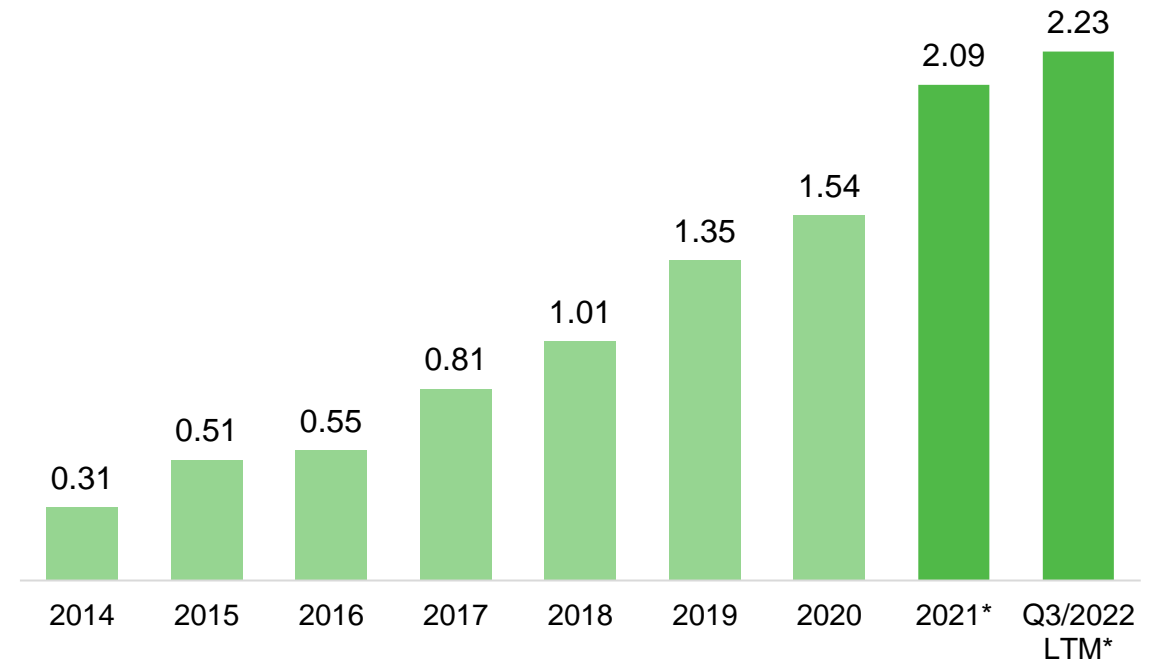
Valmet implemented IFRS 16 – Leases as of January 1, 2019 by applying the simplified transition method and therefore 2018 figures are not restated.

# Capital employed, Comparable ROCE and EPS

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



Earnings per share (EPS) and Adjusted EPS, EUR



- Comparable ROCE decreased to 16%
- Capital employed was EUR 1,516 million higher than at the end of 2021
  - Total merger consideration for Neles amounted to EUR 1,476 million in Q2/2022

\*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.





# Guidance and short-term market outlook

# 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

		Q4/2021	Q1/2022	Q2/2022	Q3/2022
<b>Services</b>		Good	Good	Good	Good
<b>Automation</b>	Flow Control	Good	Good	Good	Good
	Automation Systems	Good	Good	Good	Good
<b>Pulp and Energy</b>	Pulp	Good	Good	Good / Satisfactory	Good / Satisfactory
	Energy	Satisfactory	Satisfactory	Good	Good
<b>Paper</b>	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

## Financial Statements Review 2022

February 2, 2023

[www.valmet.com/investors](http://www.valmet.com/investors)

## Site visit to Flow Control's production unit

November 29, 2022

Vantaa, Finland

## Save the date: Valmet's CMD 2023

March 8, 2023

Espoo, Finland

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