



Orders received increased to EUR 1.2 billion and
Comparable EBITA to EUR 52 million

Interim Review, January–March 2020

April 23, 2020

Pasi Laine, President and CEO

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Agenda

Interim Review, January–March 2020

- 1 Q1/2020 in brief
- 2 Development of the business lines
- 3 Financial development
- 4 Dividend proposal, guidance and short-term market outlook



Q1/2020 in brief

Q1/2020 in brief

- Orders received increased to EUR 514 million in stable business¹
- Orders received increased to EUR 697 million in capital business²
- Net sales increased to EUR 821 million
- Order backlog increased to EUR 3.6 billion
- Comparable EBITA increased to EUR 52 million and margin was 6.3%
- Gearing was -22%

GL&V and J&L Fiber Services Inc. have been consolidated into Valmet's financials as of the acquisition dates, i.e. April 1, 2019 and May 1, 2019 respectively.

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 Q1/2020

Orders received
EUR 1,187 million

Net sales
EUR 821 million

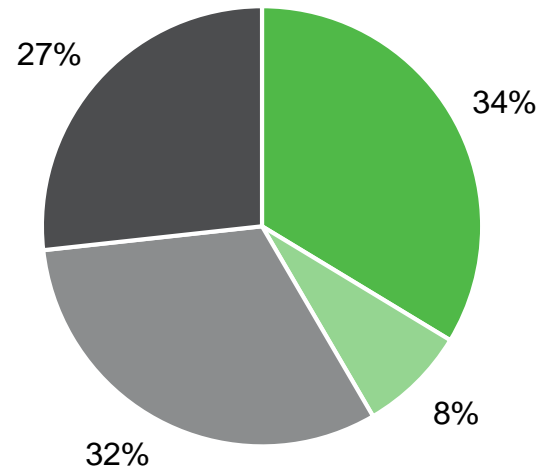
Comparable EBITA
EUR 52 million

Comparable EBITA margin
6.3%

Order backlog
EUR 3,557 million

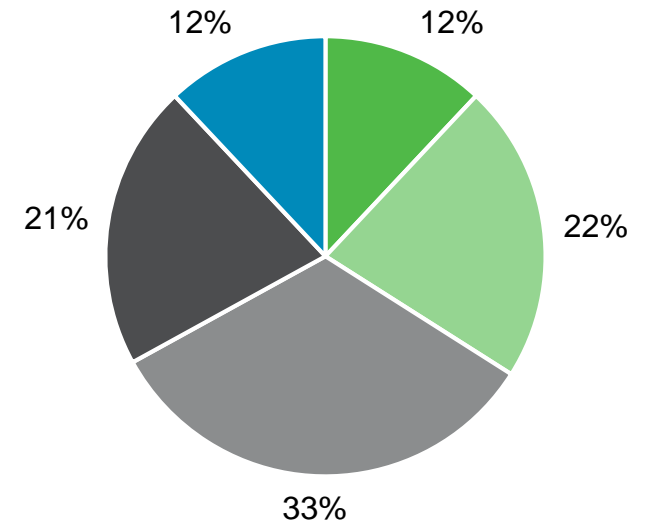
Employees
13,568

Orders received by business line



- Services
- Automation
- Pulp and Energy
- Paper

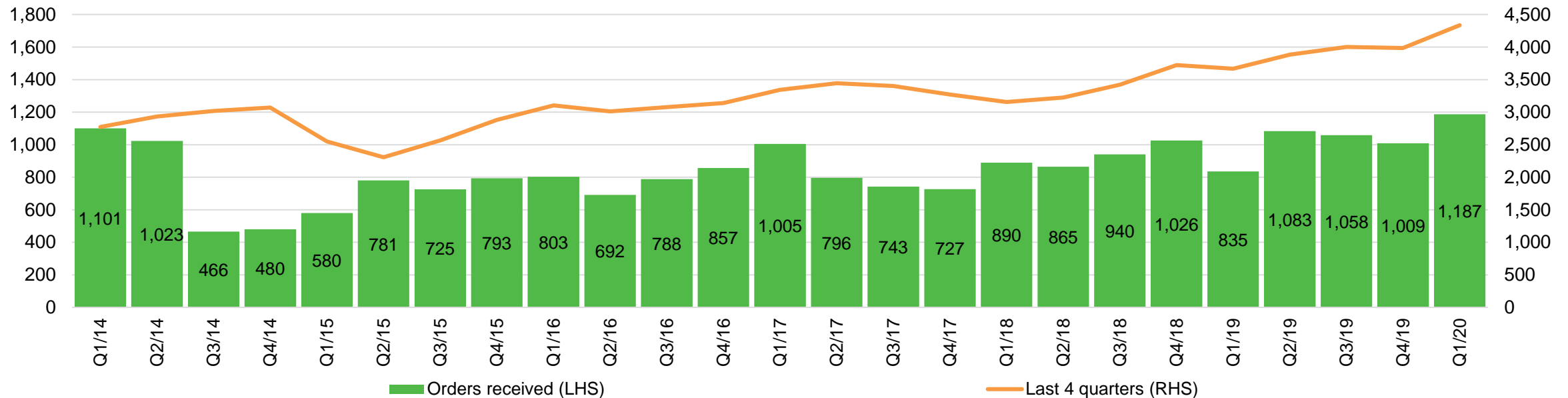
Orders received by area



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

Orders received increased to EUR 1,187 million in Q1/2020

Orders received (EUR million)

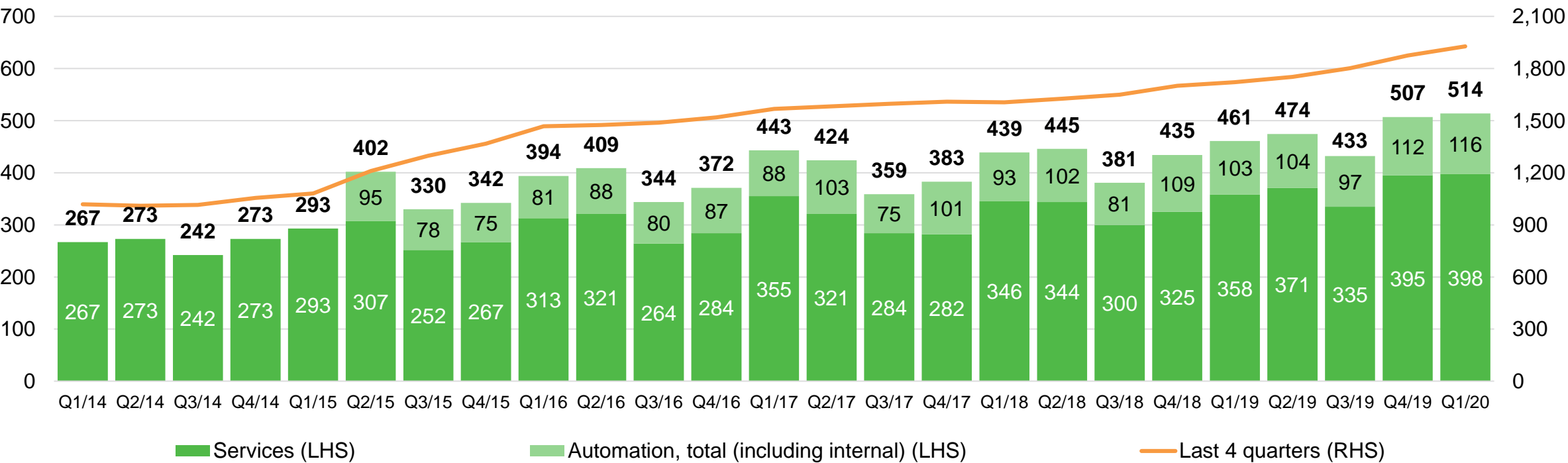


- In stable business¹, orders received increased to EUR 514 million in Q1/2020
- In capital business, orders received increased to EUR 697 million in Q1/2020
- Orders received increased in both developed and emerging markets in Q1/2020
 - South America, China and Asia-Pacific together accounted for 55% of orders received

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

Stable business orders received totaled EUR 1,928 million during last four quarters

Orders received (EUR million) in stable business¹

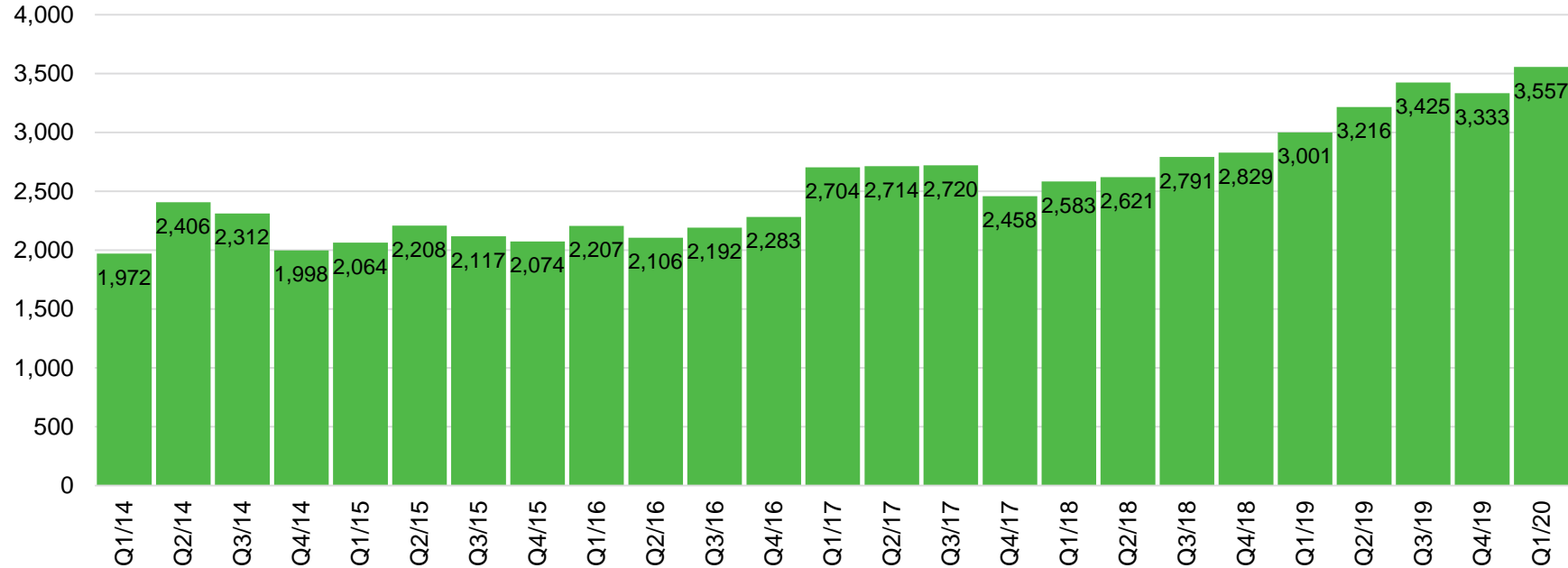


- Total orders received in stable business increased by EUR 53 million in Q1/2020

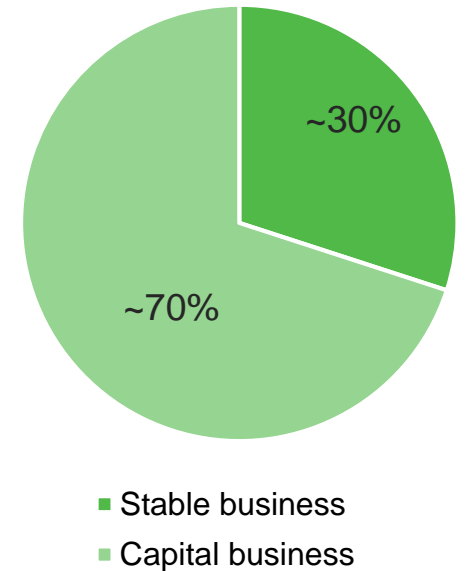
1) Including internal orders received for the Automation business line.

Order backlog at EUR 3,557 million at the end of Q1/2020

Order backlog (EUR million)



Structure of order backlog



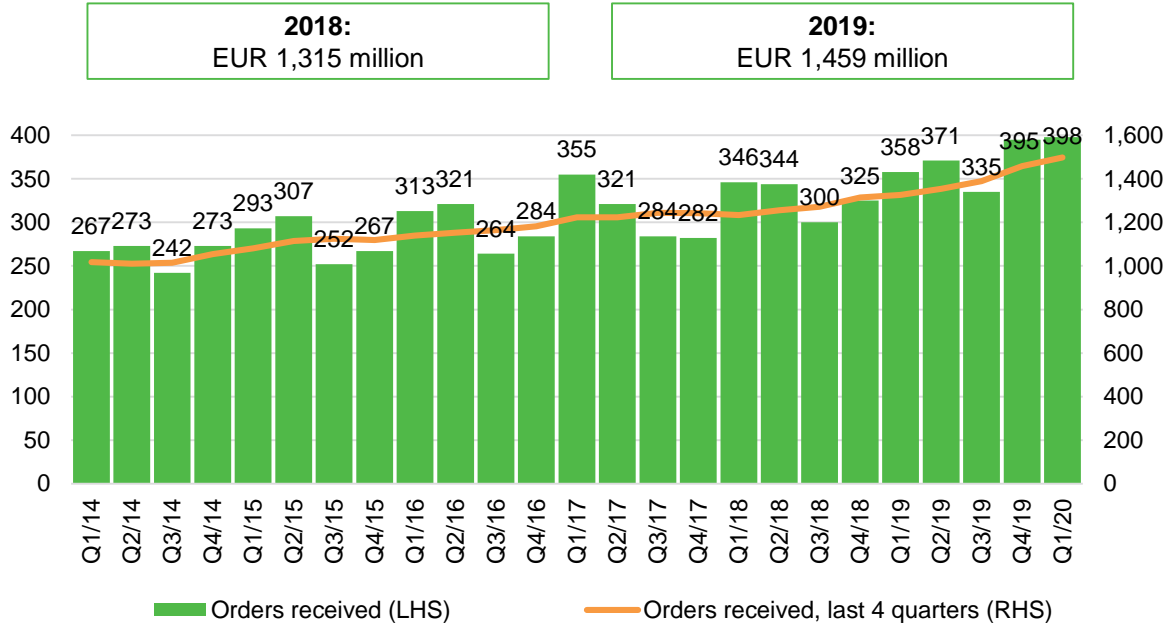
- Order backlog was EUR 223 million higher than at the end of Q4/2019
- Approximately 60% of the order backlog is currently expected to be realized as net sales during 2020 (at the end of Q1/2019, ~65% during 2019)
- Approximately 30% of the order backlog relates to stable business (~30% at the end of Q1/2019)



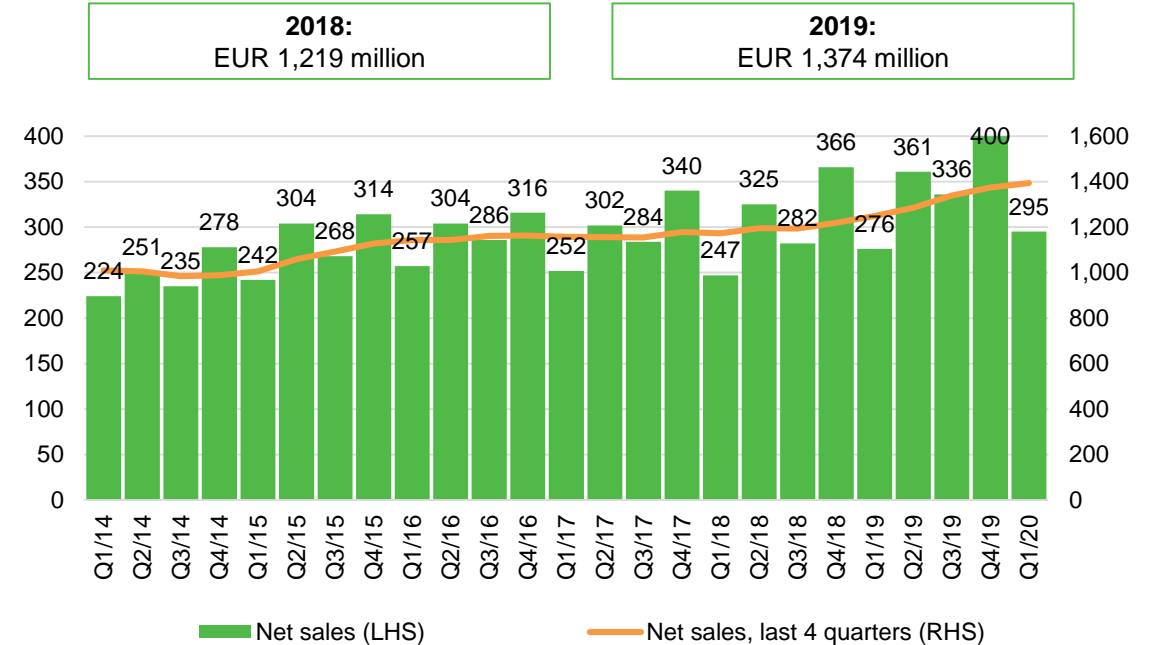
Development of the business lines

Services: Orders received and net sales increased

Orders received (EUR million)



Net sales (EUR million)

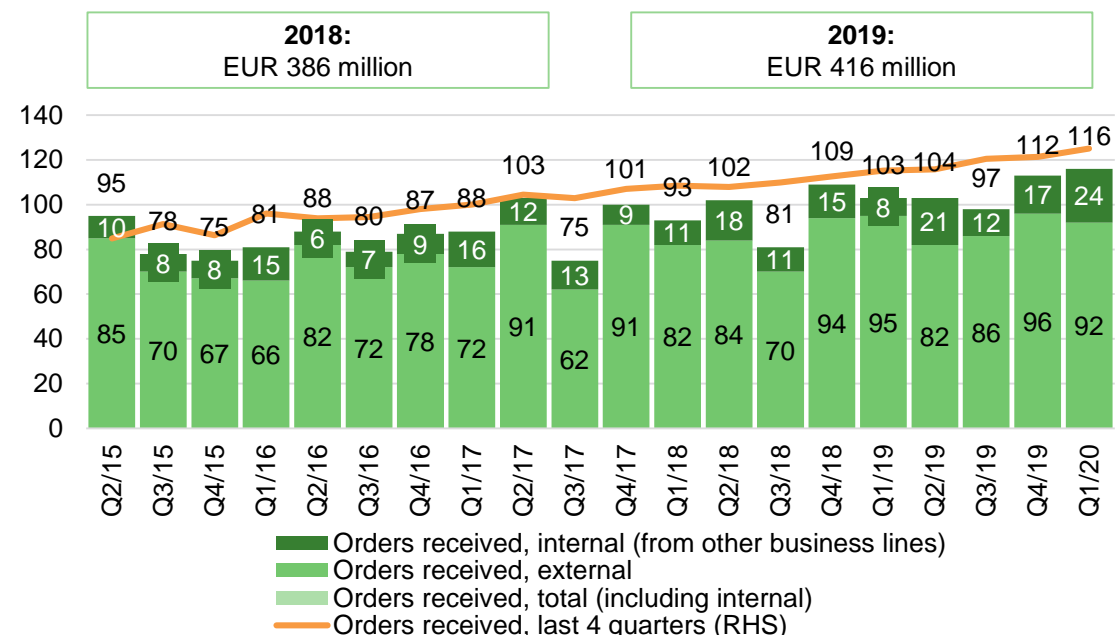


- Orders received increased compared with Q1/2019
 - Orders received of the acquired businesses amounted to EUR 37 million in Q1/2020
 - Orders received increased in all other areas except Asia-Pacific, where orders received remained at the previous year's level
 - Orders received increased in Energy and Environmental, and Performance Parts, remained at the previous year's level in Rolls, and decreased in Mill Improvements, and Fabrics
- Net sales increased compared with Q1/2019
 - Net sales of the acquired businesses amounted to EUR 37 million in Q1/2020
- COVID-19 had a negative impact on net sales in field services, mill improvement projects and energy services

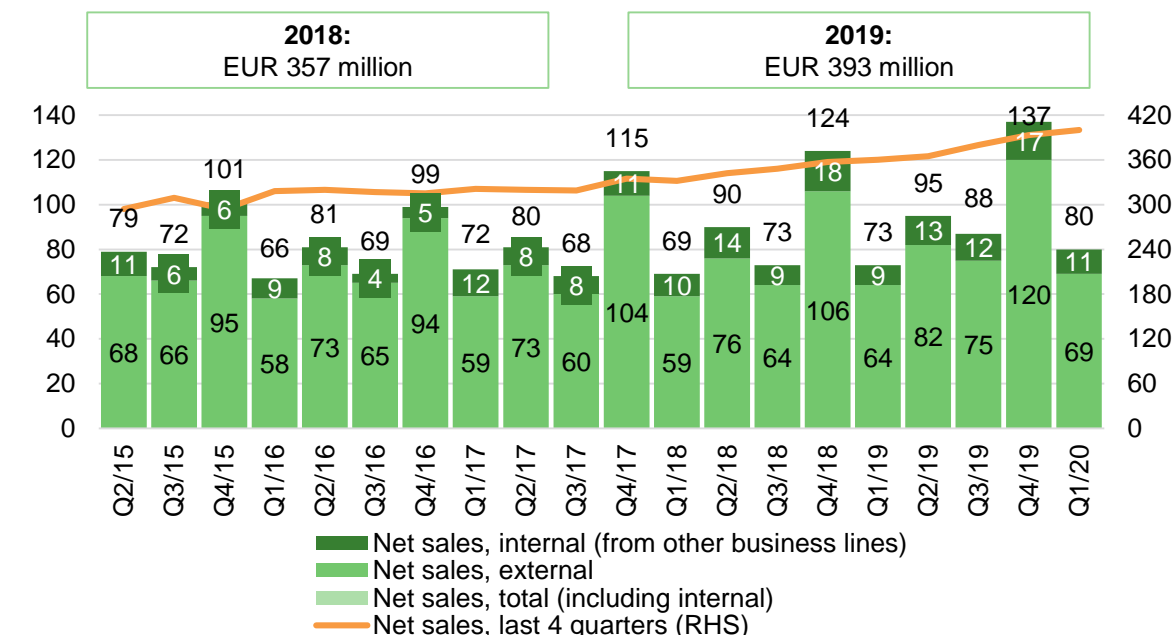


Automation¹: Orders received and net sales increased

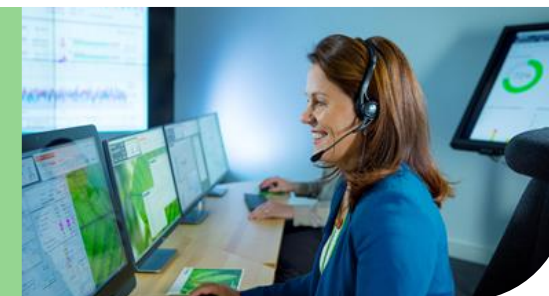
Orders received (EUR million)



Net sales (EUR million)



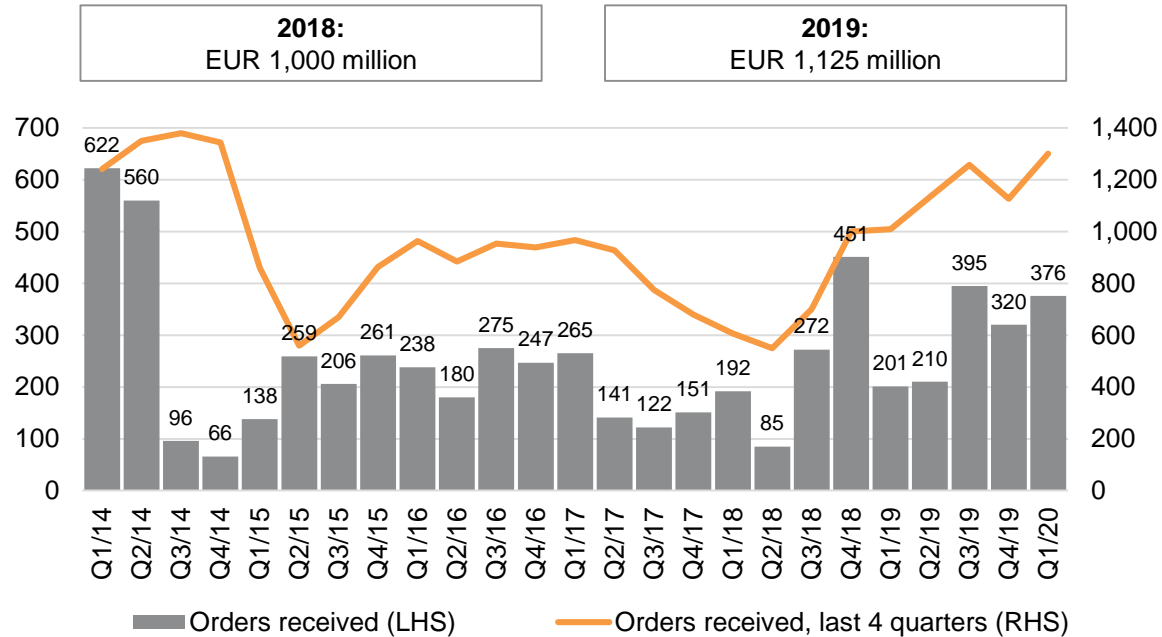
- Orders received increased compared with Q1/2019
 - Orders received increased in South America and China, and decreased in Asia-Pacific, North America and EMEA
 - Orders received increased in both Pulp and Paper, and Energy and Process
- Net sales increased compared with Q1/2019
- COVID-19 caused access restrictions to some customer sites



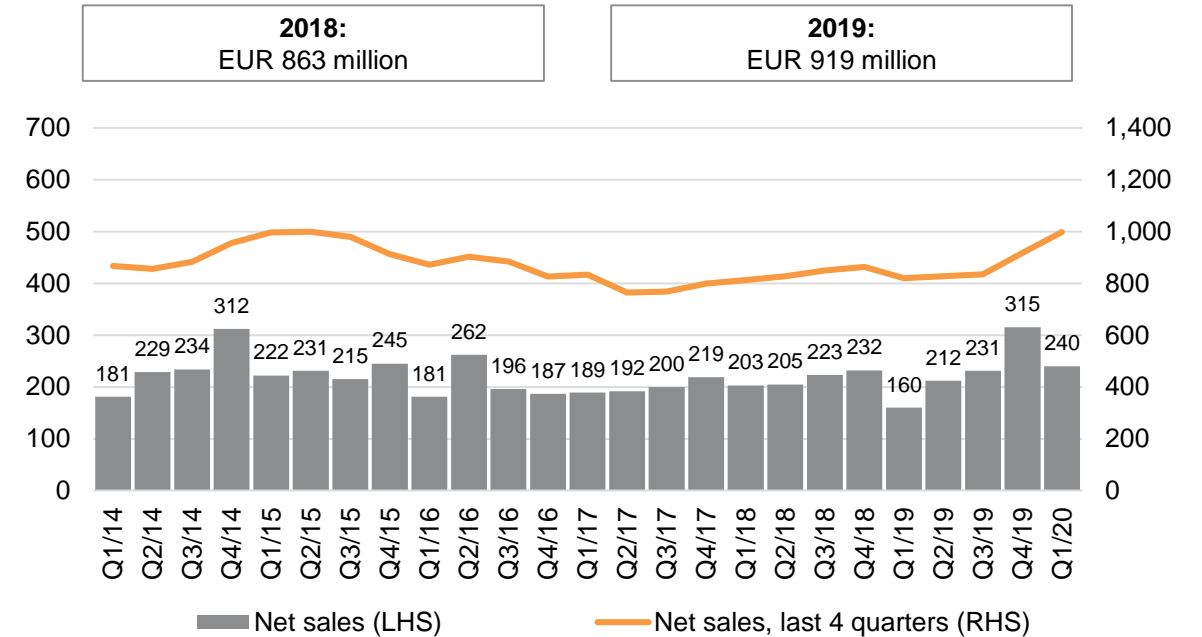
1) Comments refer to orders received and net sales including also internal orders received and internal net sales.

Pulp and Energy: Orders received and net sales increased

Orders received (EUR million)



Net sales (EUR million)

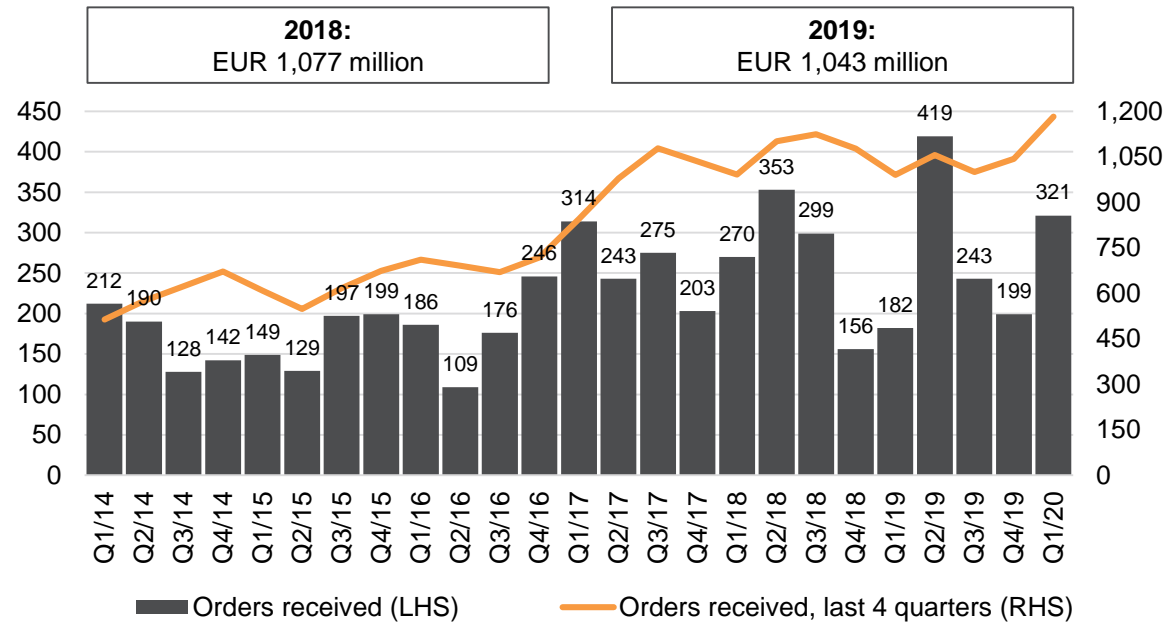


- Orders received increased compared with Q1/2019
 - Orders received increased South America and EMEA, and decreased in Asia-Pacific, North America and China
 - Orders received increased in both Pulp and Energy
 - Marine scrubber orders received totaled EUR 4 million in Q1/2020
- Net sales increased compared with Q1/2019
- COVID-19 caused some customer site closures and led to some delays in the supply chain network

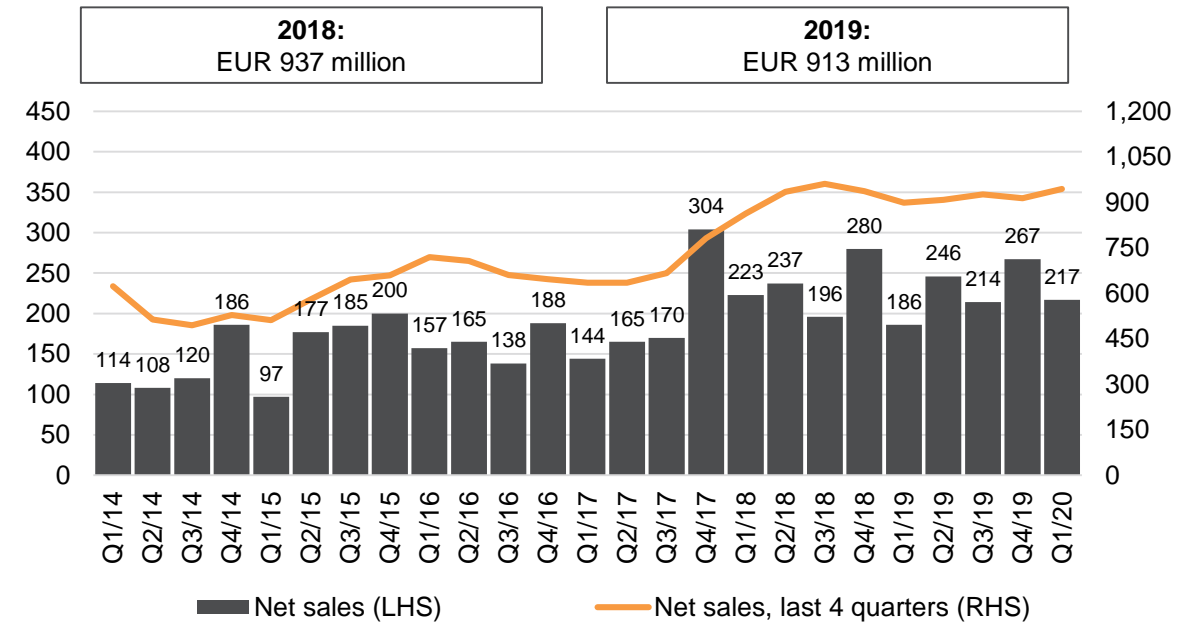


Paper: Orders received and net sales increased

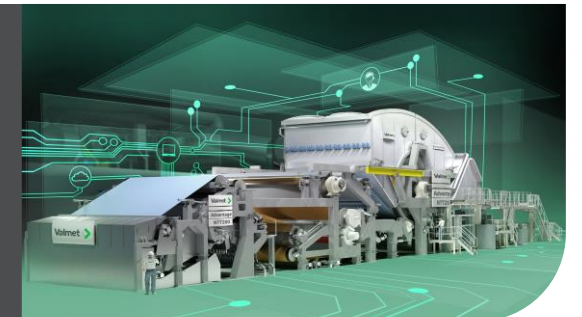
Orders received (EUR million)



Net sales (EUR million)



- Orders received increased compared with Q1/2019
 - Orders received increased in China and EMEA, and decreased in North America, South America and Asia-Pacific
 - Orders received increased in Board and Paper, as well as Tissue
- Net sales increased compared with Q1/2019
- COVID-19 caused some customer site closures and led to some delays in the supply chain network





Financial development

Key figures

EUR million	Q1/2020	Q1/2019	Change	2019
Orders received	1,187	835	42%	3,986
Order backlog ¹	3,557	3,001	19%	3,333
Net sales	821	686	20%	3,547
Comparable EBITA	52	47	9%	316
% of net sales	6.3%	6.9%		8.9%
EBITA	51	49	3%	315
Operating profit (EBIT)	42	43	-1%	281
% of net sales	5.1%	6.2%		7.9%
Earnings per share, EUR	0.20	0.21	-4%	1.35
Return on capital employed (ROCE) before taxes ²	13%	15%		23%
Cash flow provided by operating activities	173	30	>100%	295
Gearing ¹	-22%	-20%		-9%

Items affecting comparability: EUR -1 million in Q1/2020 (EUR 2 million in Q1/2019)

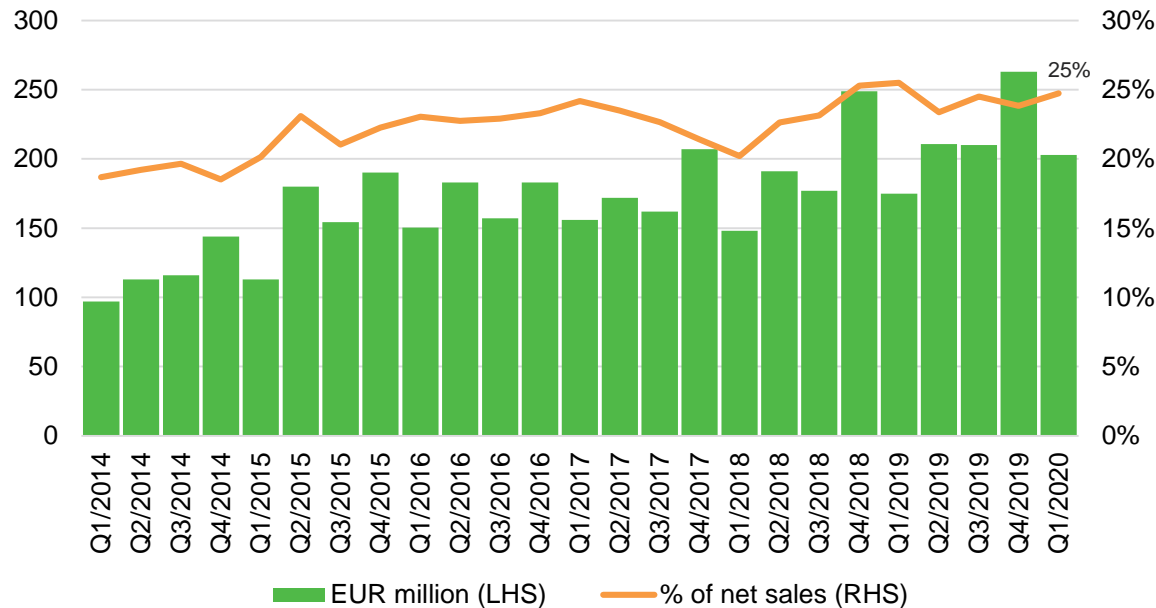
1) At the end of period

2) Annualized

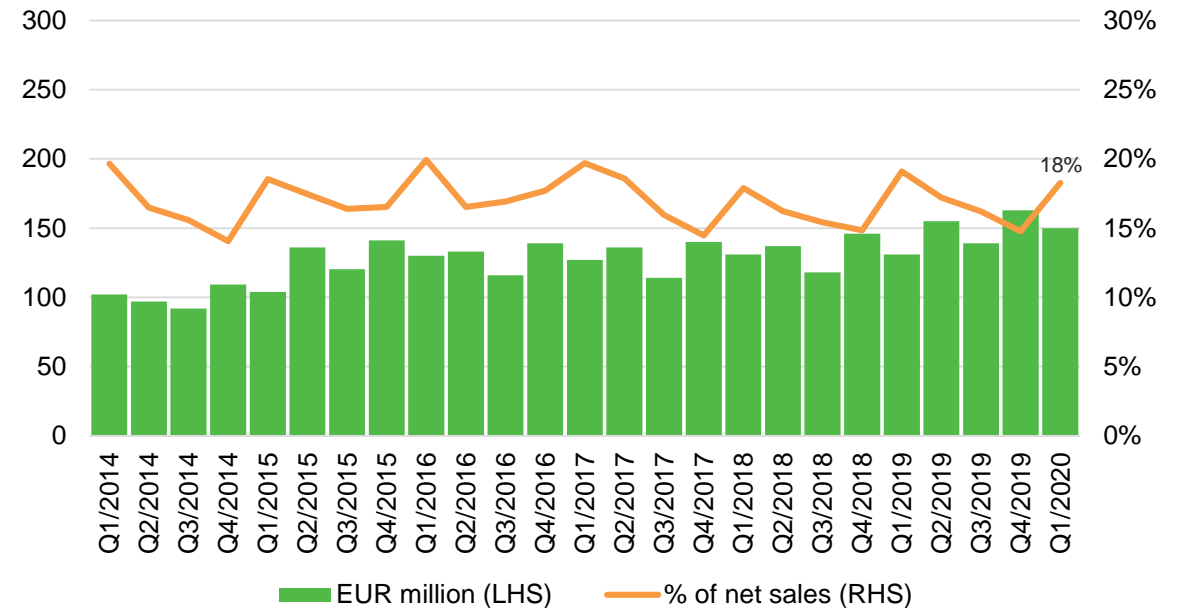


Gross profit and SG&A development

Gross profit (EUR million and % of net sales)



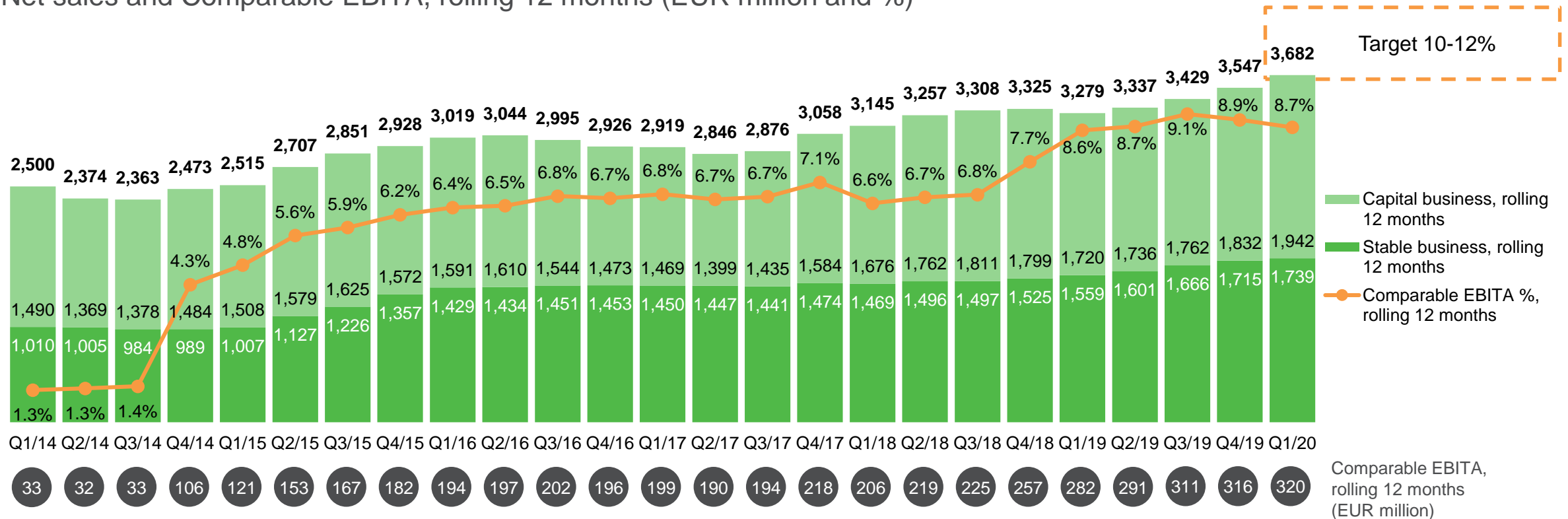
SG&A (EUR million and % of net sales)



- Gross profit was 25% of net sales (26% in Q1/2019)
- Selling, general & administrative (SG&A) expenses increased
 - Over 60% of SG&A increase coming from the acquired businesses
 - SG&A was 18% of net sales (19% in Q1/2019)

Comparable EBITA margin¹ development

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

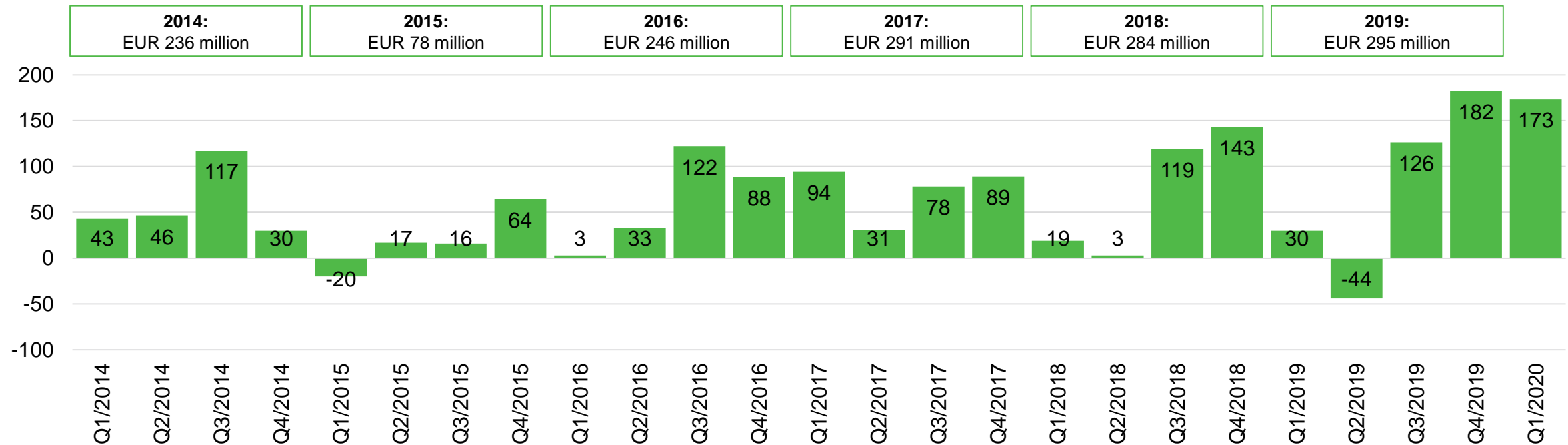


- In Q1/2020, net sales and comparable EBITA increased compared with Q1/2019

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 150 million in Q1/2020
- Cash flow provided by operating activities EUR 173 million in Q1/2020
- CAPEX² EUR 17 million in Q1/2020

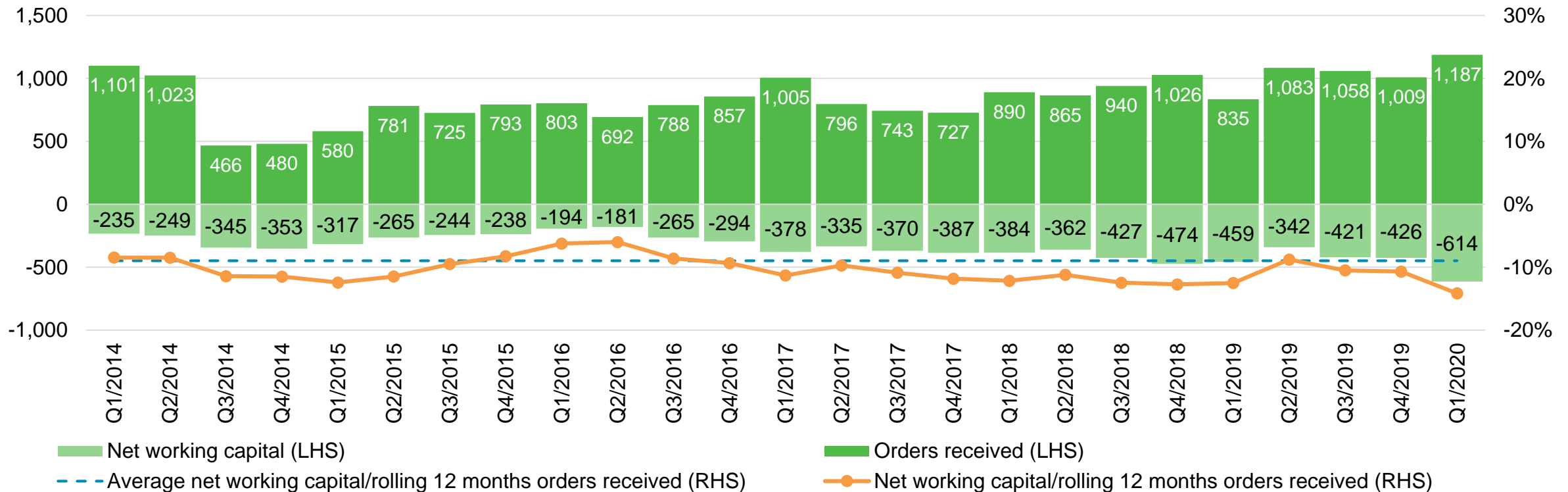
Valmet implemented IFRS 16 – Leases as of January 1, 2019 by applying the simplified transition method and therefore 2018 figures are not restated.

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

2) Excluding business combinations and leased assets.

Net working capital at -14% of rolling 12 months orders received

Net working capital and orders received (EUR million)

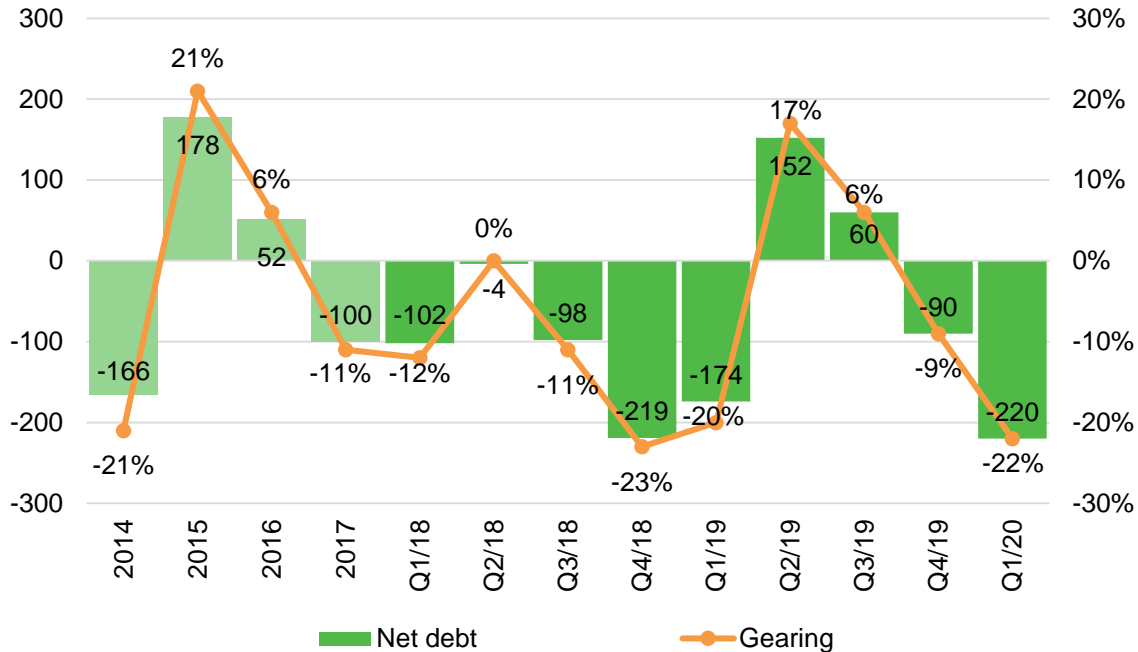


- Net working capital EUR -614 million, which equals -14% of rolling 12 months orders received

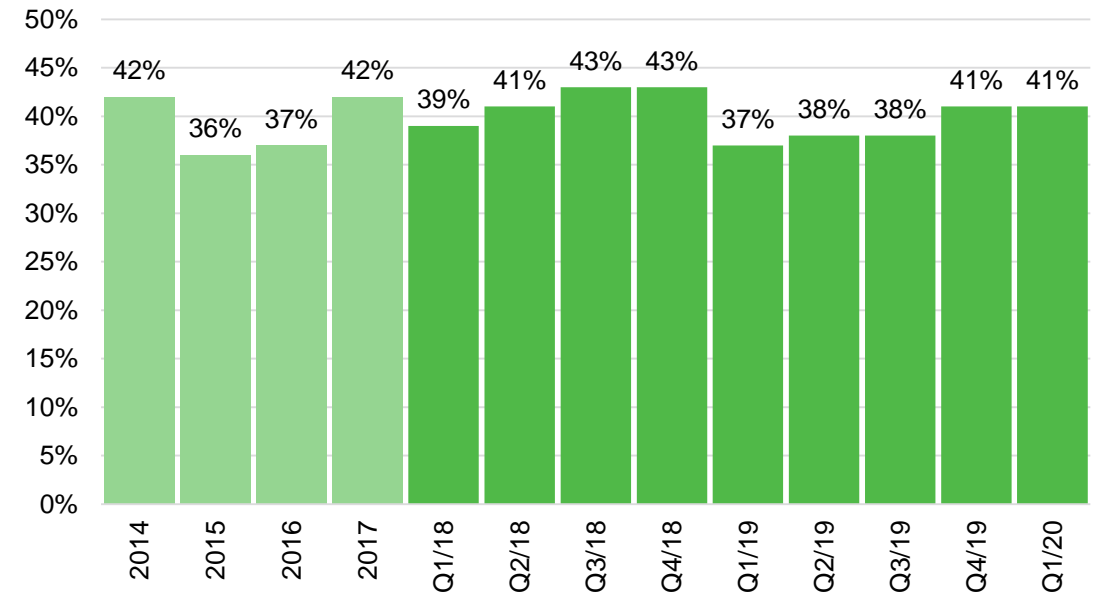
Net working capital excluding non-cash net working capital impact from dividend liability.

Net debt and gearing decreased compared with Q1/2019

Net debt (EUR million) and gearing (%)



Equity to assets ratio (%)

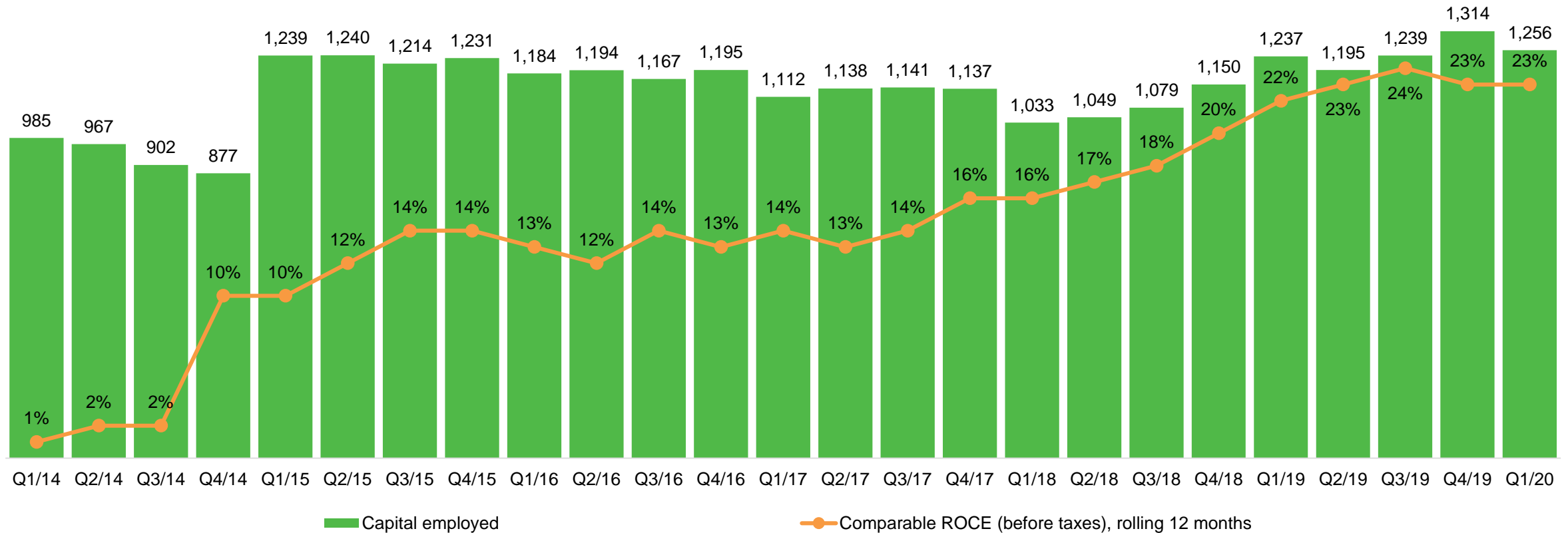


- Gearing (-22%) and net debt (EUR -220 million) decreased compared with Q1/2019
- Equity to assets ratio increased compared with Q1/2019

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.



Dividend proposal, guidance and short-term market outlook

Dividend proposal

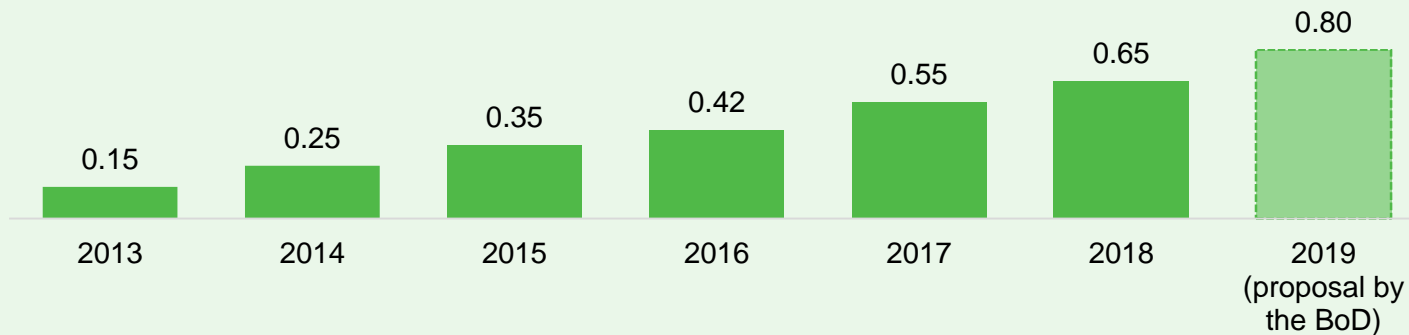
Dividend policy

- Dividend payout at least 50% of net profit

Board of Directors' dividend proposal to the Annual General Meeting

- EUR 0.80 per share

Dividend per share (euro)



Guidance and short-term market outlook

Guidance for 2020

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

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

Upcoming events

Annual General Meeting 2020

June 16, 2020 at 1 p.m. EET
Helsinki, Finland

Half Year Financial Review January–June 2020

July 23, 2020

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