

Orders received increased to EUR 1.3 billion and  
Comparable EBITA to EUR 80 million in the first  
quarter

Interim Review, January–March 2021

*April 22, 2021*

Pasi Laine, President and CEO

Kari Saarinen, CFO

# Agenda

Interim Review, January–March 2021

- 1 Q1/2021 in brief
- 2 Development of the business lines
- 3 Valmet's Climate Program: Forward to a carbon neutral future
- 4 Financial development
- 5 Guidance and short-term market outlook



# Q1/2021 in brief

# Q1/2021 in brief

- Orders received remained at the previous year's level at EUR 508 million in stable business<sup>1</sup>
- Orders received increased to EUR 825 million in capital business<sup>2</sup>
- Net sales remained at the previous year's level at EUR 858 million
- Order backlog amounted to EUR 3.7 billion
- Comparable EBITA increased to EUR 80 million and margin was 9.4%
- Gearing was 3%

PMP Group has been consolidated into Valmet's financials as of October 1, 2020.

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 Q1/2021

**Orders received**  
EUR 1,312 million

**Net sales**  
EUR 858 million

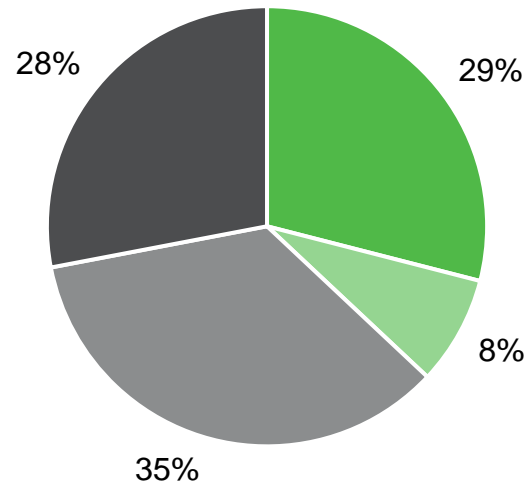
**Comparable EBITA**  
EUR 80 million

**Comparable EBITA margin**  
9.4%

**Order backlog**  
EUR 3,709 million

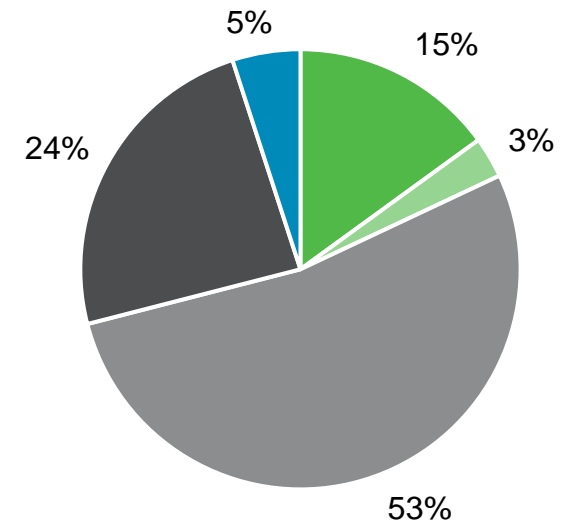
**Employees**  
14,026

Orders received by business line



- Services
- Automation
- Pulp and Energy
- Paper

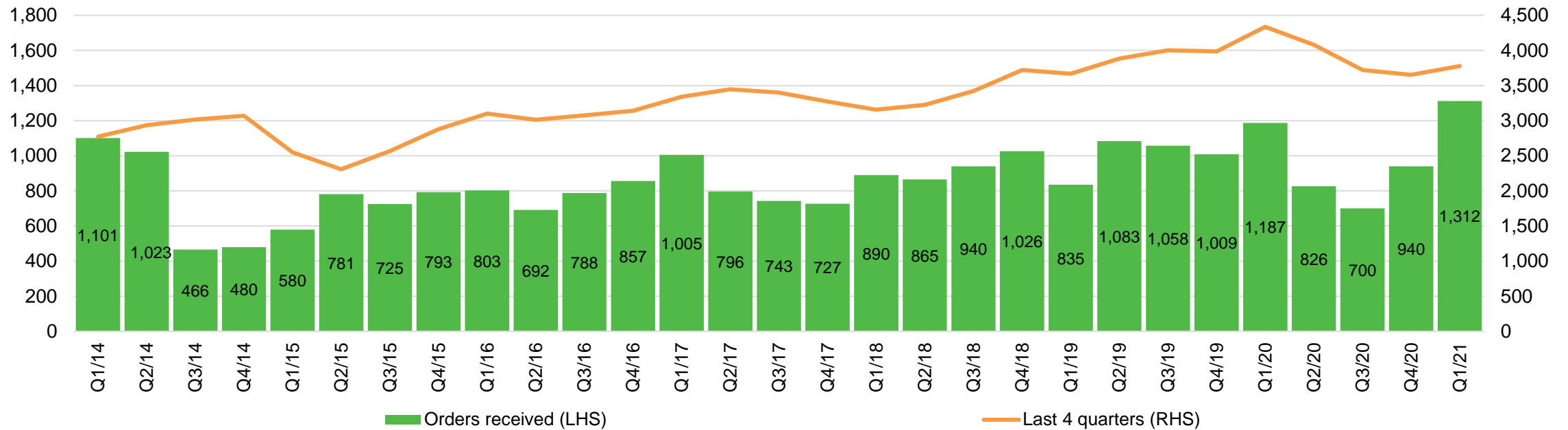
Orders received by area



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

# Orders received increased to EUR 1,312 million in Q1/2021

Orders received (EUR million)

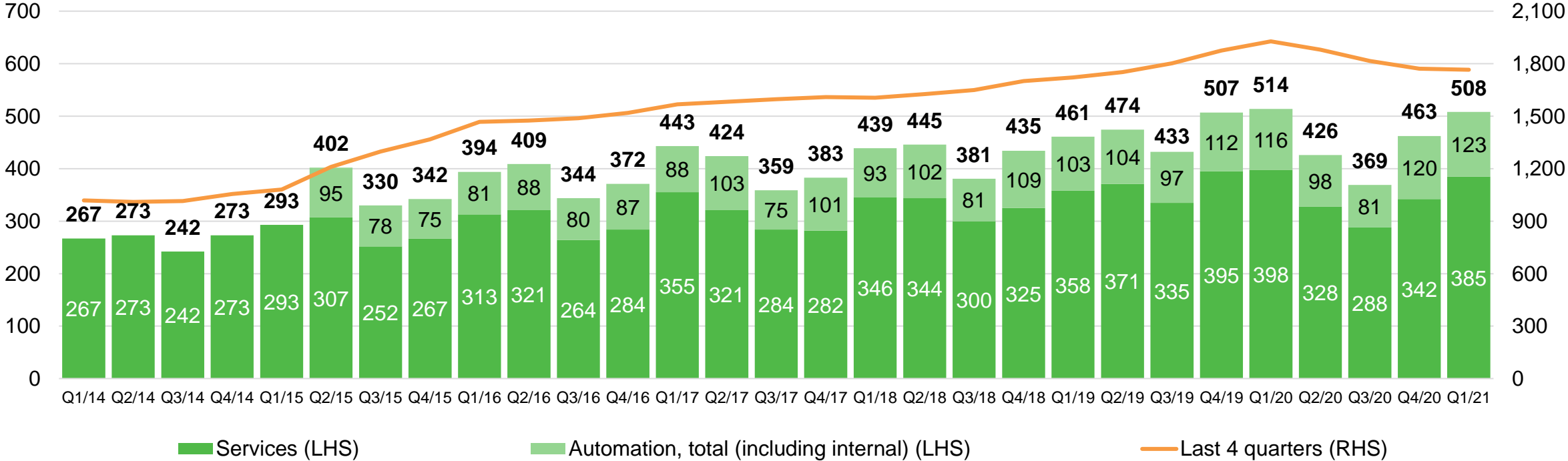


- In stable business<sup>1</sup>, orders received remained at the previous year's level at EUR 508 million in Q1/2021
- In capital business, orders received increased to EUR 825 million in Q1/2021
- Orders received increased in developed markets and decreased in emerging markets during Q1/2021
  - South America, China and Asia-Pacific together accounted for 32% of orders received

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

# Stable business orders received totaled EUR 1,765 million during the last four quarters

Orders received (EUR million) in stable business<sup>1</sup>



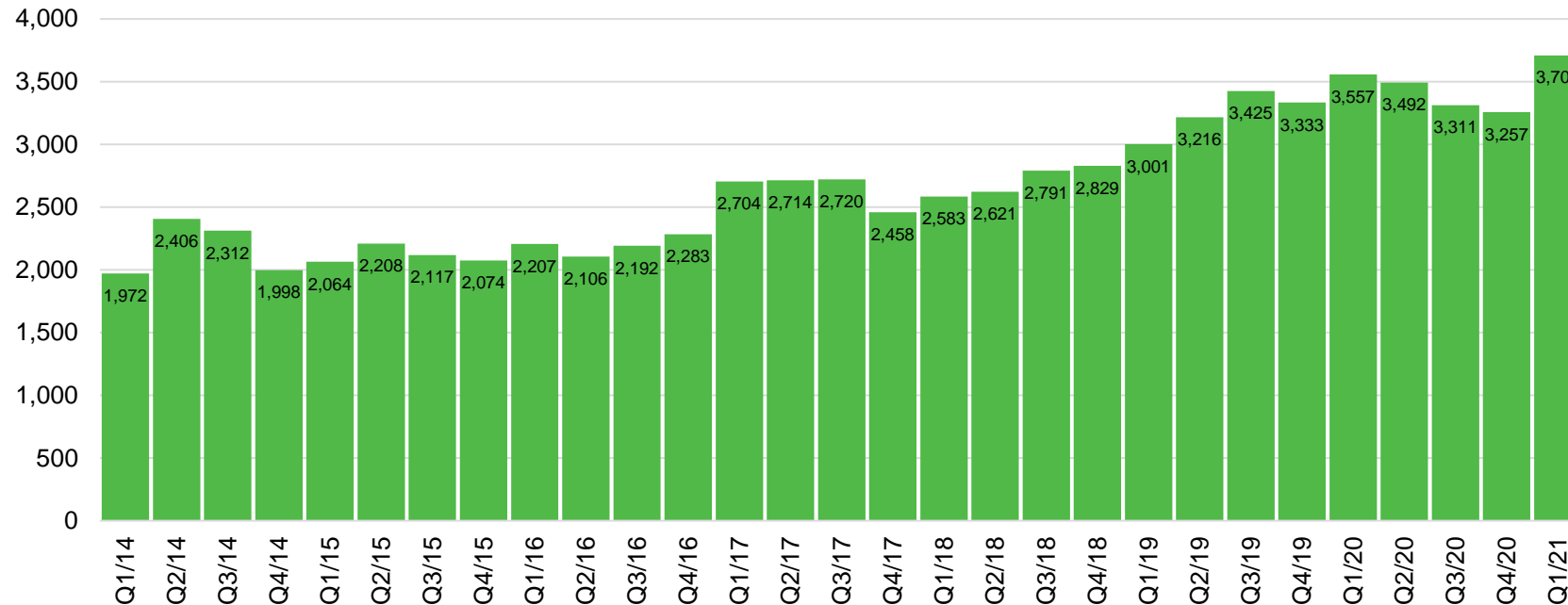
- Total orders received in stable business were EUR 7 million lower compared with Q1/2020

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

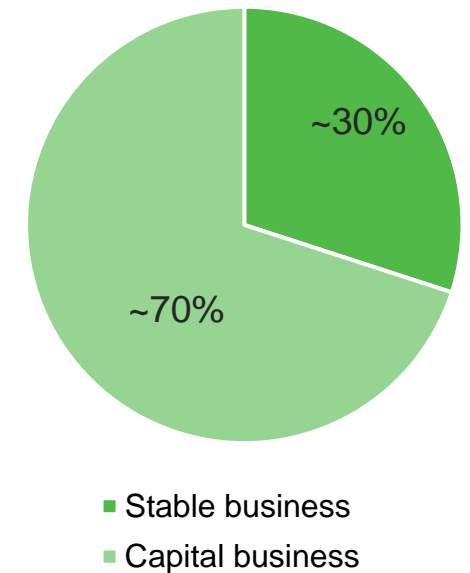


# Order backlog EUR 3,709 million at the end of Q1/2021

Order backlog (EUR million)



Structure of order backlog



- Order backlog was EUR 452 million higher than at the end of Q4/2020
- Approximately 65% of the order backlog is currently expected to be realized as net sales during 2021 (at the end of Q1/2020, ~60% during 2020)
- Approximately 30% of the order backlog relates to stable business (~30% at the end of Q1/2020)

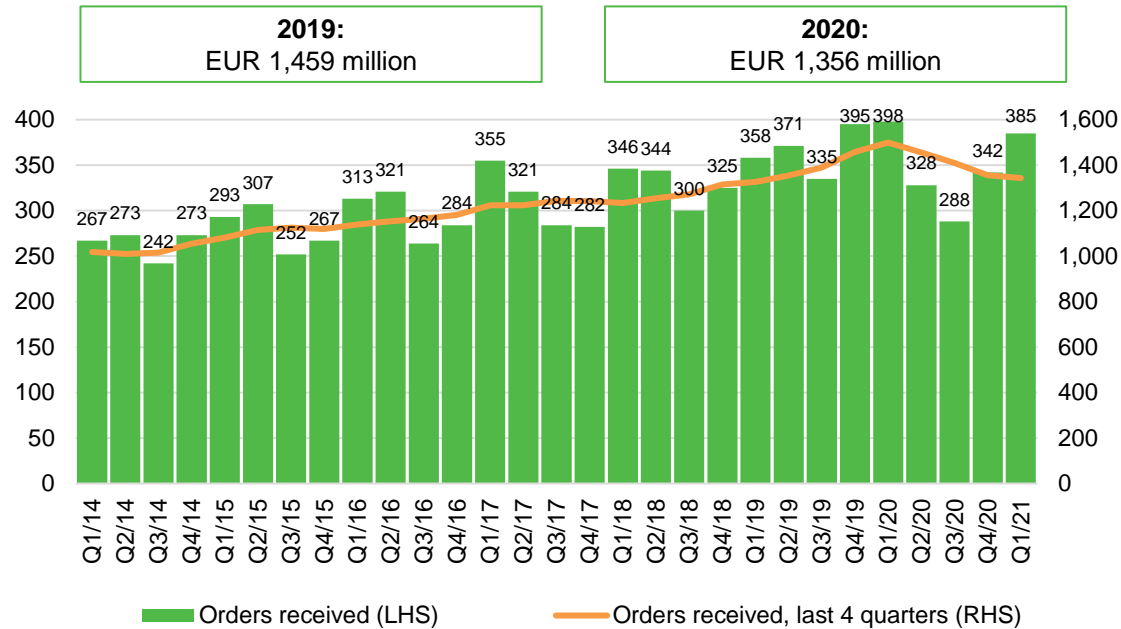




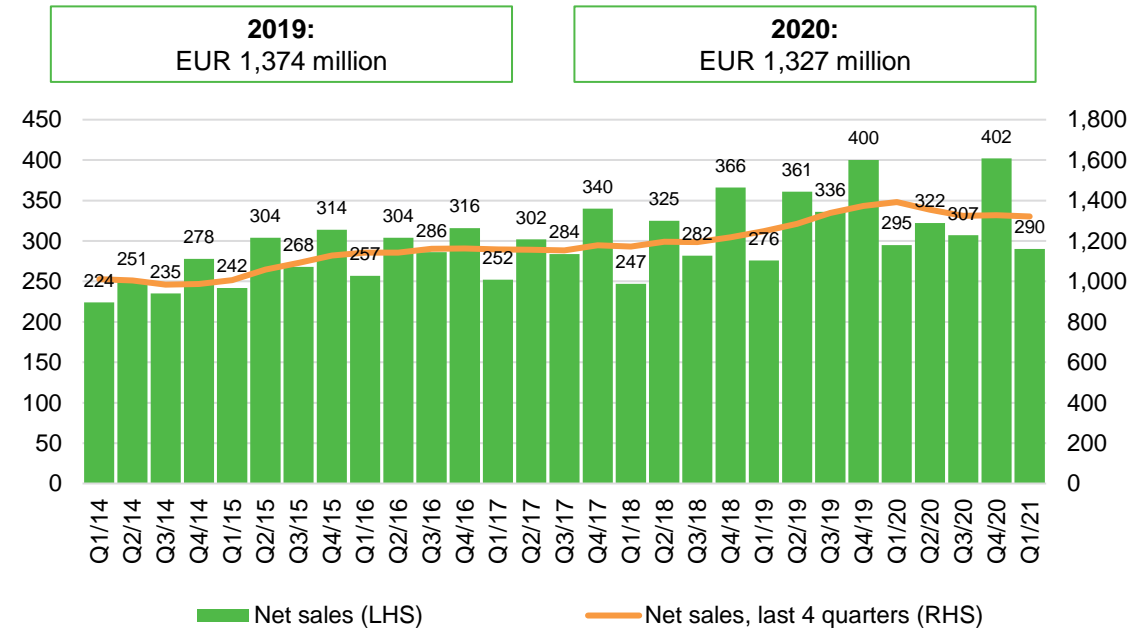
# Development of the business lines

# Services: Orders received remained at the previous year's level at EUR 385 million in Q1/2021

Orders received (EUR million)



Net sales (EUR million)

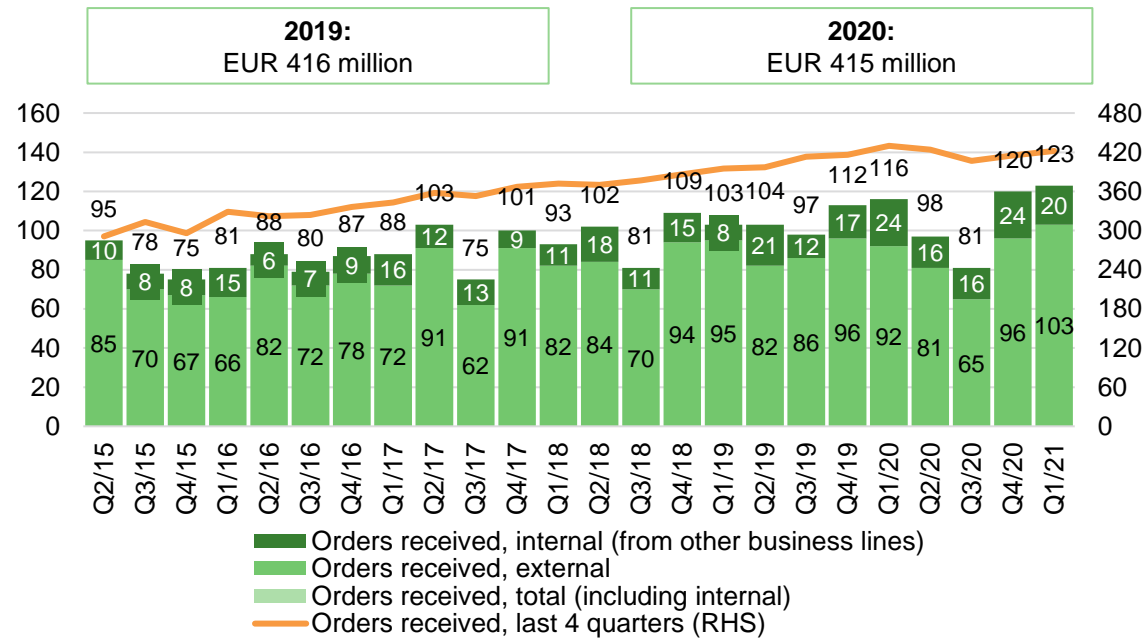


- Orders received remained at the previous year's level compared with Q1/2020
  - Orders received increased in China, remained at the previous year's level in North America and Asia-Pacific, and decreased in South America and EMEA
  - Orders received increased in Rolls, remained at the previous year's level in Performance Parts, and Board, Paper and Tissue Solutions, and decreased Pulp and Energy Solutions and Fabrics
- Net sales remained at the previous year's level compared with Q1/2020
- Despite COVID-19 related travel restrictions and lower capacity utilization in graphical paper mills, Services' orders received and net sales remained at the previous year's level compared with Q1/2020

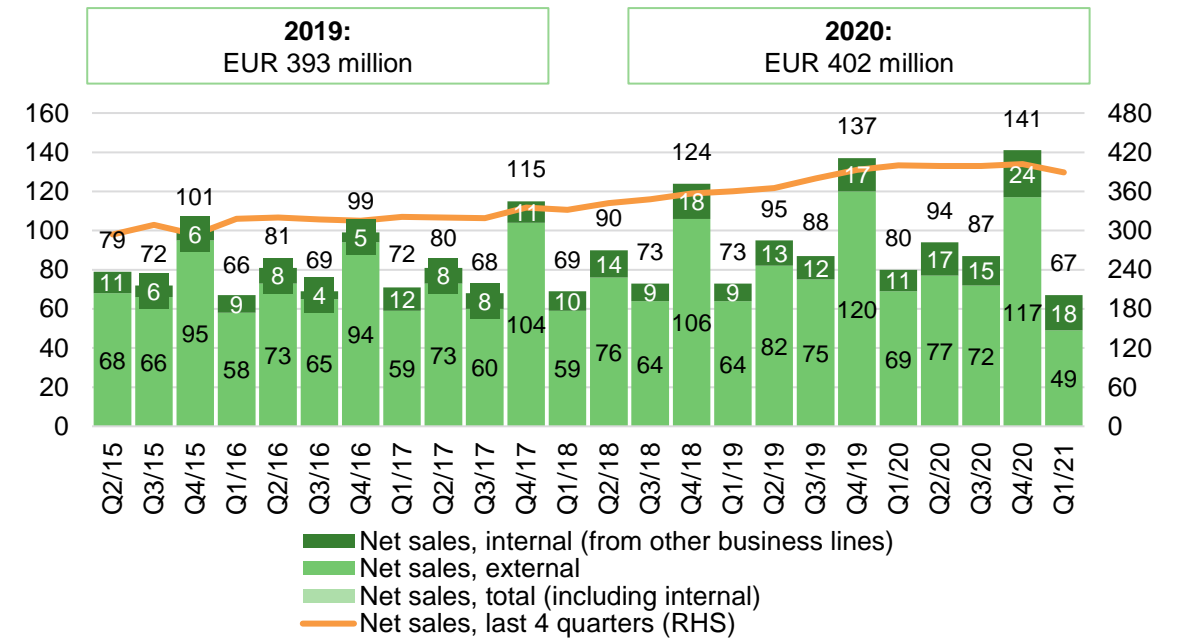


# Automation<sup>1</sup>: Orders received increased to EUR 123 million in Q1/2021

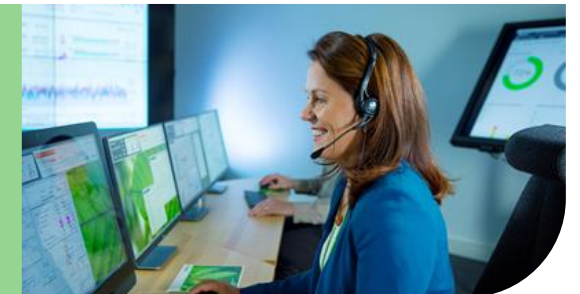
Orders received (EUR million)



Net sales (EUR million)



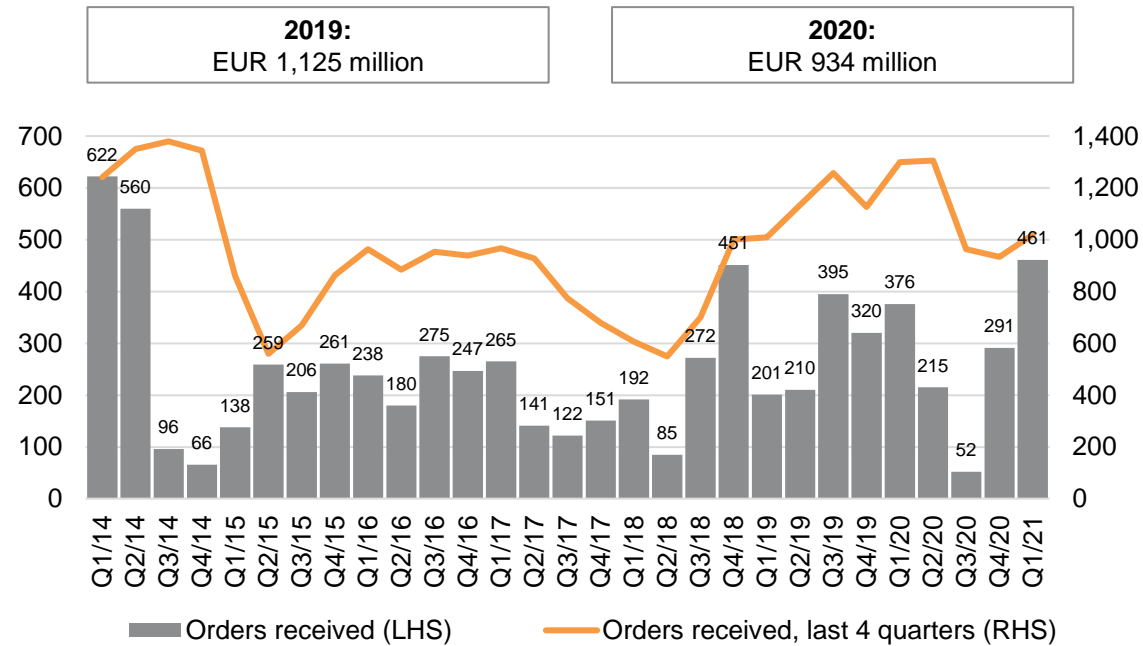
- Orders received increased compared with Q1/2020
  - Orders received increased in EMEA and decreased in South America, North America, Asia-Pacific and China
- Net sales decreased compared with Q1/2020
- COVID-19 caused access restrictions to some customer sites



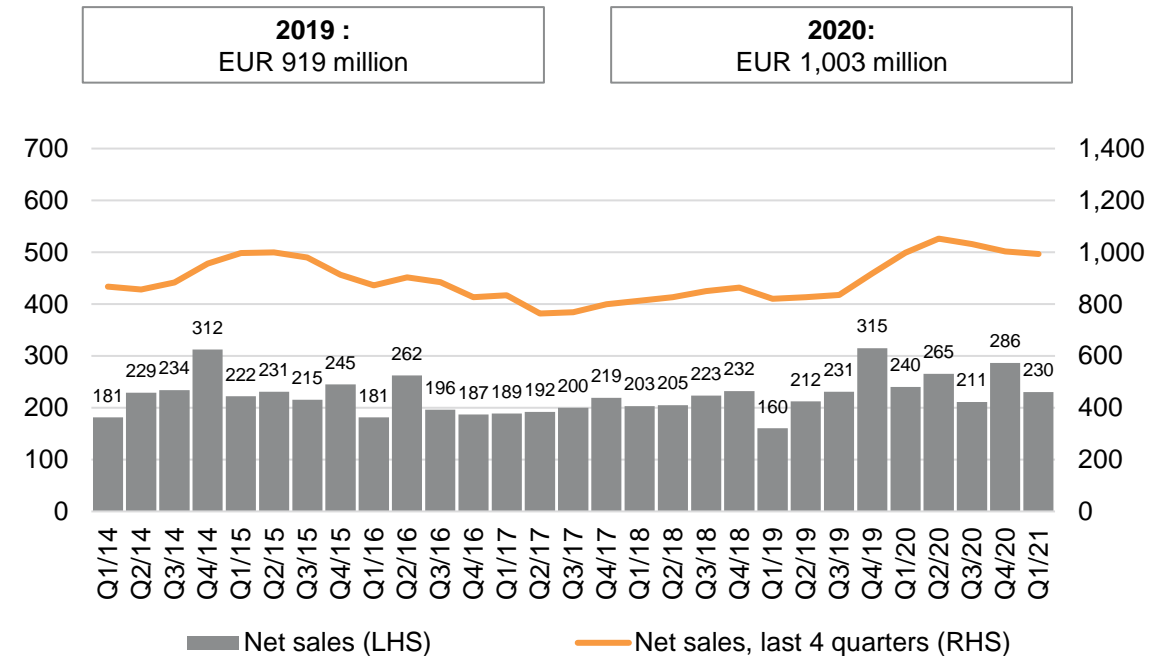
1) Comments refer to orders received and net sales including also internal orders received and internal net sales.

# Pulp and Energy: Orders received increased to EUR 461 million in Q1/2021

Orders received (EUR million)



Net sales (EUR million)

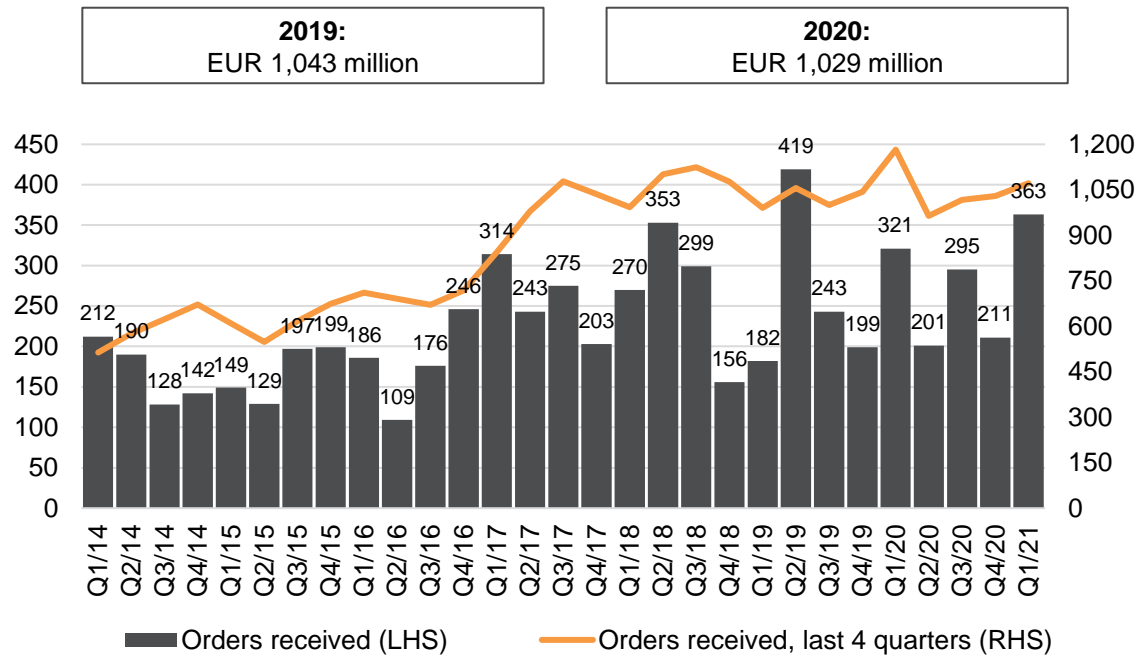


- Orders received increased compared with Q1/2020
  - Orders received increased in North America, EMEA and China, and decreased in South America and Asia-Pacific
  - Orders received increased in Pulp and decreased in Energy
- Net sales remained at the previous year's level compared with Q1/2020
- Pulp and Energy business line has managed challenges caused by COVID-19 well, and therefore the pandemic did not cause major impacts on its operations in Q1/2021

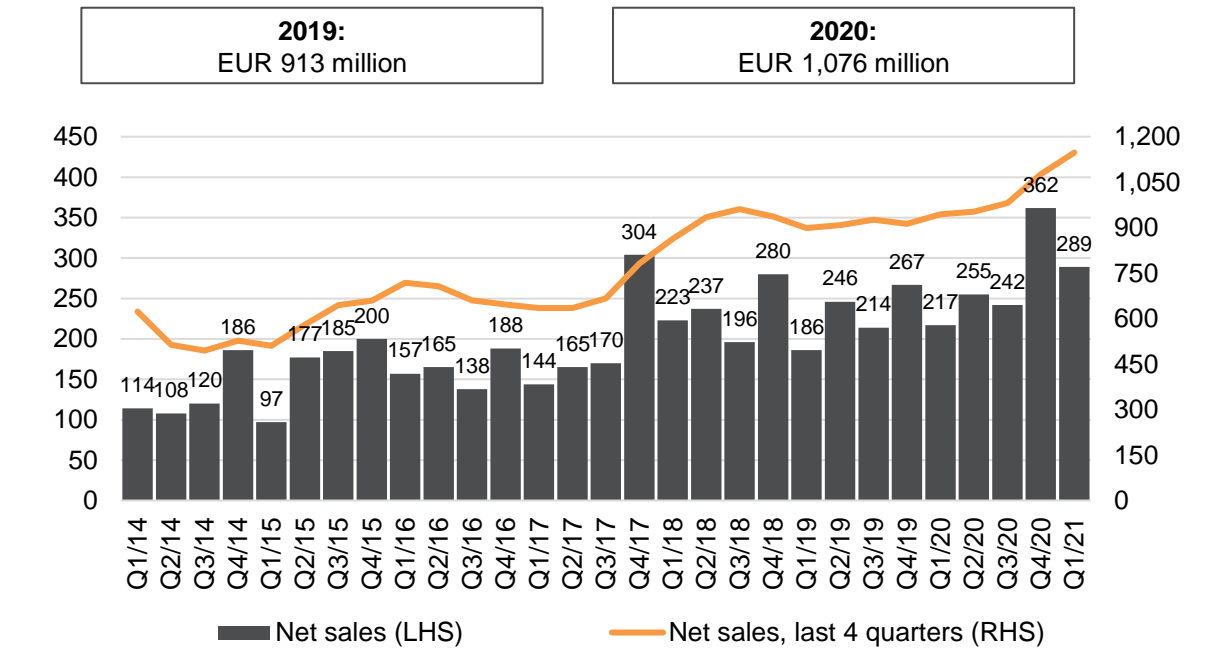


# Paper: Orders received increased to EUR 363 million in Q1/2021

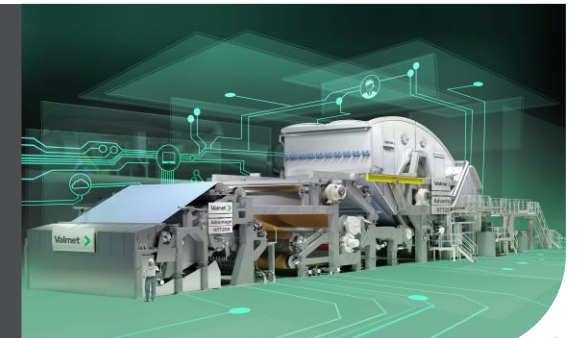
## Orders received (EUR million)



## Net sales (EUR million)



- Orders received increased compared with Q1/2020
  - Orders received increased in all areas except Asia-Pacific, where orders received decreased
  - Orders received increased in Stock Preparation and Recycled Fiber, as well as in Tissue and remained at the previous year's level in Board and Paper
  - Small and Medium size Machines (the acquired PMP Group) contributed EUR 10 million to orders received
- Net sales increased compared with Q1/2020
  - Small and Medium size Machines (the acquired PMP Group) contributed EUR 21 million to net sales
- Paper business line has managed challenges caused by COVID-19 well, and therefore the pandemic did not cause major impacts on its operations in Q1/2021





# Valmet's Climate Program: Forward to a carbon neutral future

# Valmet's Climate Program: Forward to a carbon neutral future

## Targets by 2030 for the entire value chain

### SUPPLY CHAIN

**-20%**

CO<sub>2</sub> emission reduction

### OWN OPERATIONS

**-80%**

CO<sub>2</sub> emission reduction

### USE PHASE OF VALMET'S TECHNOLOGIES

**-20%**

Further reduced energy use  
of Valmet's current technologies

**100%**

Carbon neutral production

- Valmet's new Climate Program sets credible targets and concrete actions for 2030 for the entire value chain
- Program is aligned with the Paris Climate Agreement's 1.5-degree pathway and UN Sustainable Development Goals and Valmet is in process to send its climate targets for the Science Based Targets Initiative for validation

## Main actions to reach targets by 2030

- Target CO<sub>2</sub> emission reductions from supply chain
- Reduce energy usage and use renewable fuels and CO<sub>2</sub> free electricity and district heating in own locations
- Improve energy efficiency of our existing process technology offering by 20%
- Develop existing and new technologies to enable carbon neutral production for our customers



# Financial development



# Key figures

EUR million	Q1/2021	Q1/2020	Change	2020
Orders received	<b>1,312</b>	1,187	11%	3,653
Order backlog <sup>1</sup>	<b>3,709</b>	3,557	4%	3,257
Net sales	<b>858</b>	821	5%	3,740
Comparable EBITA	<b>80</b>	52	55%	365
% of net sales	<b>9.4%</b>	6.3%		9.8%
EBITA	<b>89</b>	51	75%	355
Operating profit (EBIT)	<b>76</b>	42	81%	319
% of net sales	<b>8.9%</b>	5.1%		8.5%
Earnings per share, EUR	<b>0.38</b>	0.20	92%	1.54
Return on capital employed (ROCE) before taxes <sup>2</sup>	<b>20%</b>	13%		22%
Cash flow provided by operating activities	<b>148</b>	173	-14%	532
Gearing <sup>1</sup>	<b>3%</b>	-22%		13%

Items affecting comparability: EUR 8 million in Q1/2021 (EUR -1 million in Q1/2020)

Valmet's investment in Neles had a positive impact on EBITA of EUR 3.7 million in Q1/2021

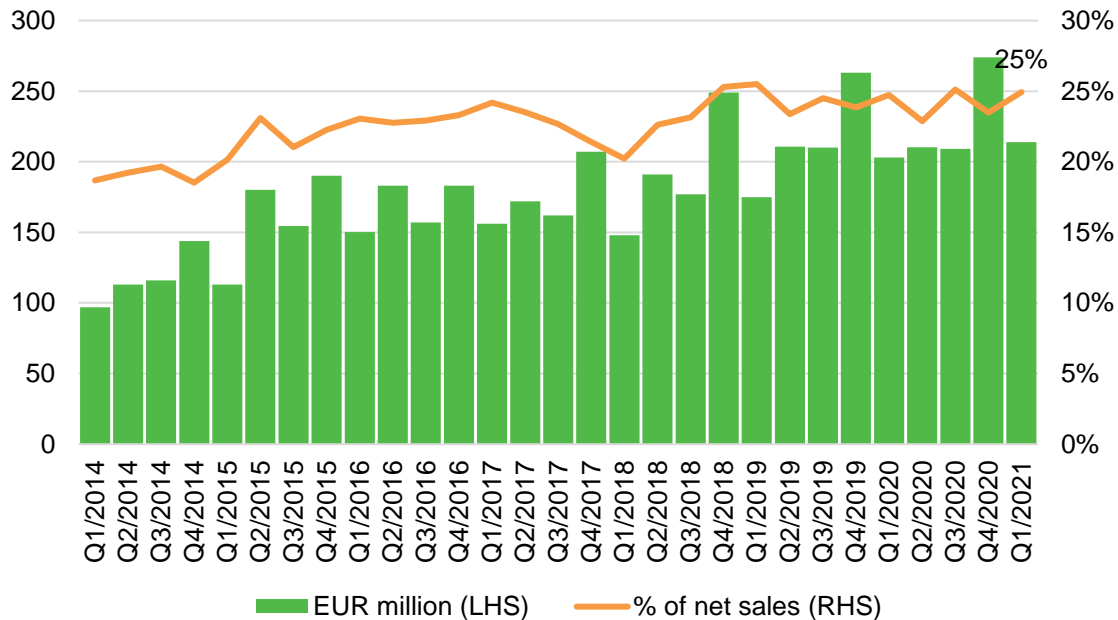
Valmet's investment in Neles had a positive impact on operating profit of EUR 0.2 million in Q1/2021

1) At end of period

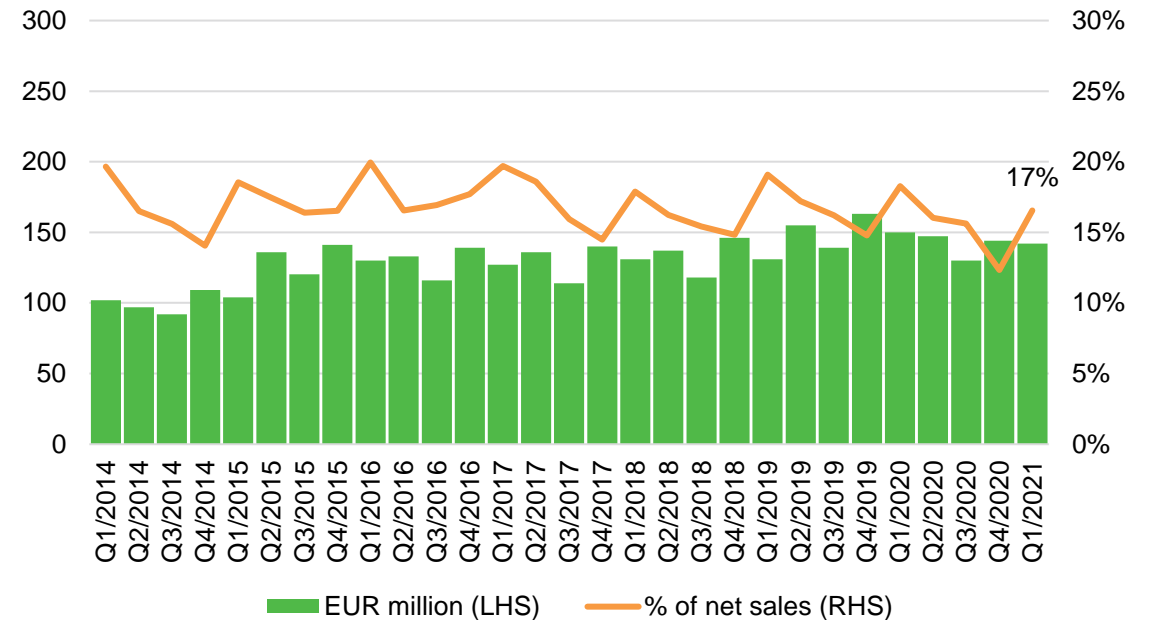
2) Annualized

# Gross profit and SG&A development

Gross profit (EUR million and % of net sales)



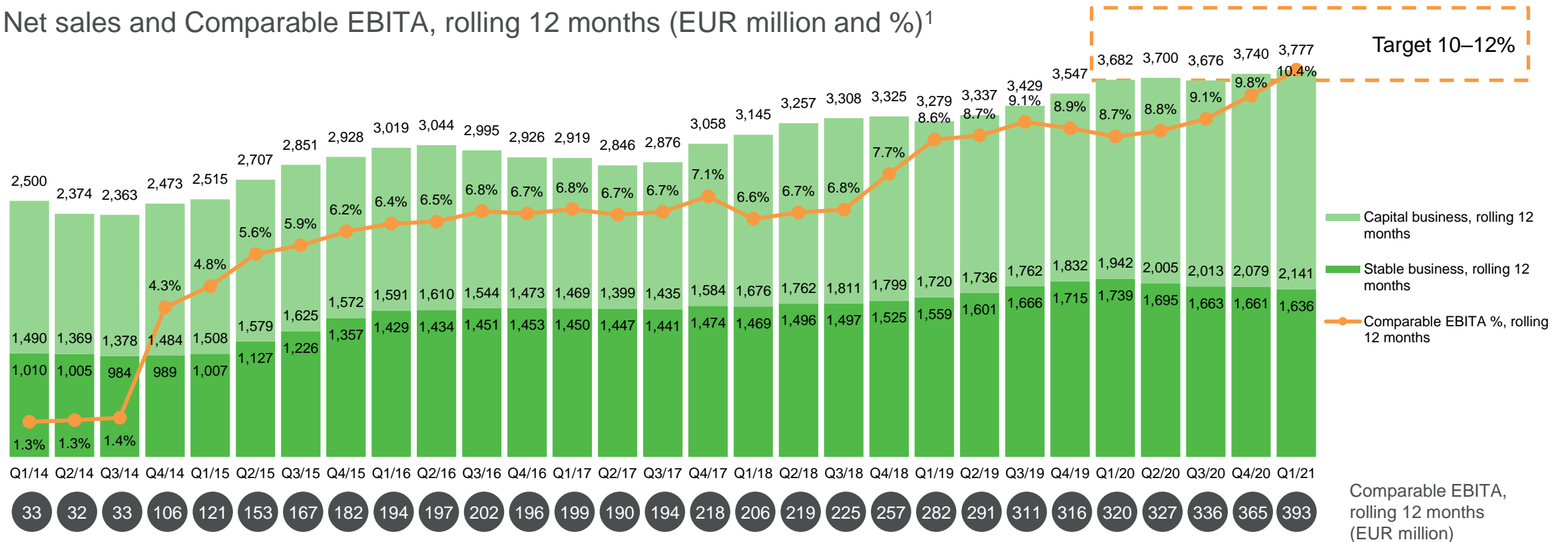
SG&A (EUR million and % of net sales)



- Gross profit was 25% of net sales (25% in Q1/2020)
  - Stable business represented 40% of net sales (44% in Q1/2020)
- Selling, general & administrative (SG&A) expenses decreased 5%
  - SG&A was 17% of net sales (18% in Q1/2020)

# Comparable EBITA margin<sup>1</sup> target level reached for the first time

Net sales and Comparable EBITA, rolling 12 months (EUR million and %)<sup>1</sup>

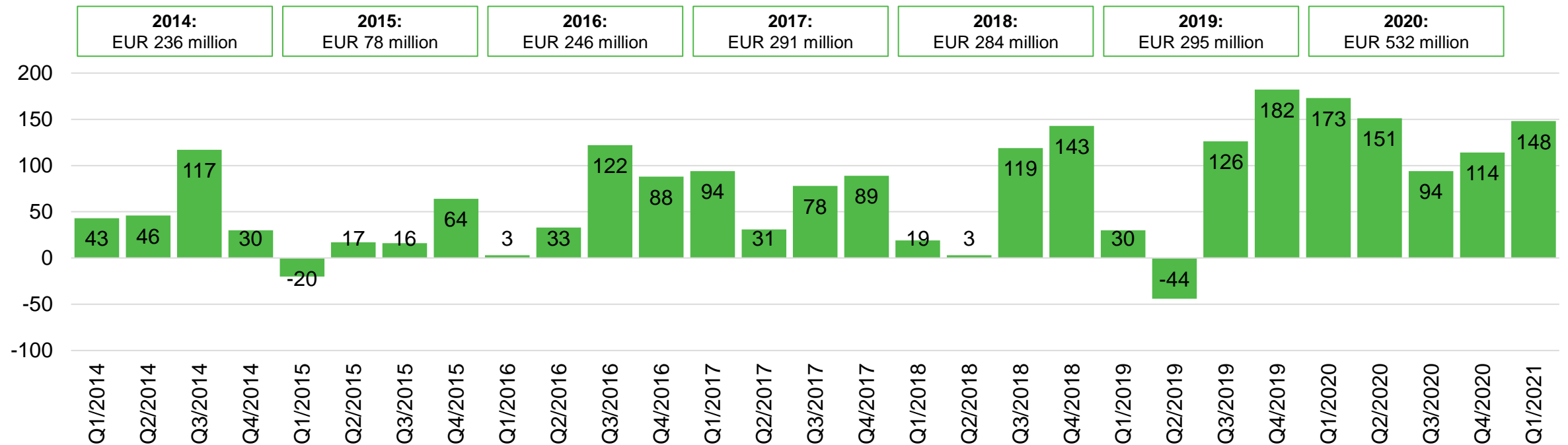


- In Q1/2021, net sales remained at the previous year's level and Comparable EBITA increased compared with Q1/2020

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 and CAPEX

Cash flow provided by operating activities (EUR million)



- Change in net working capital<sup>1</sup> EUR 104 million in Q1/2021
- Cash flow provided by operating activities EUR 148 million in Q1/2021
- CAPEX<sup>2</sup> EUR 24 million in Q1/2021

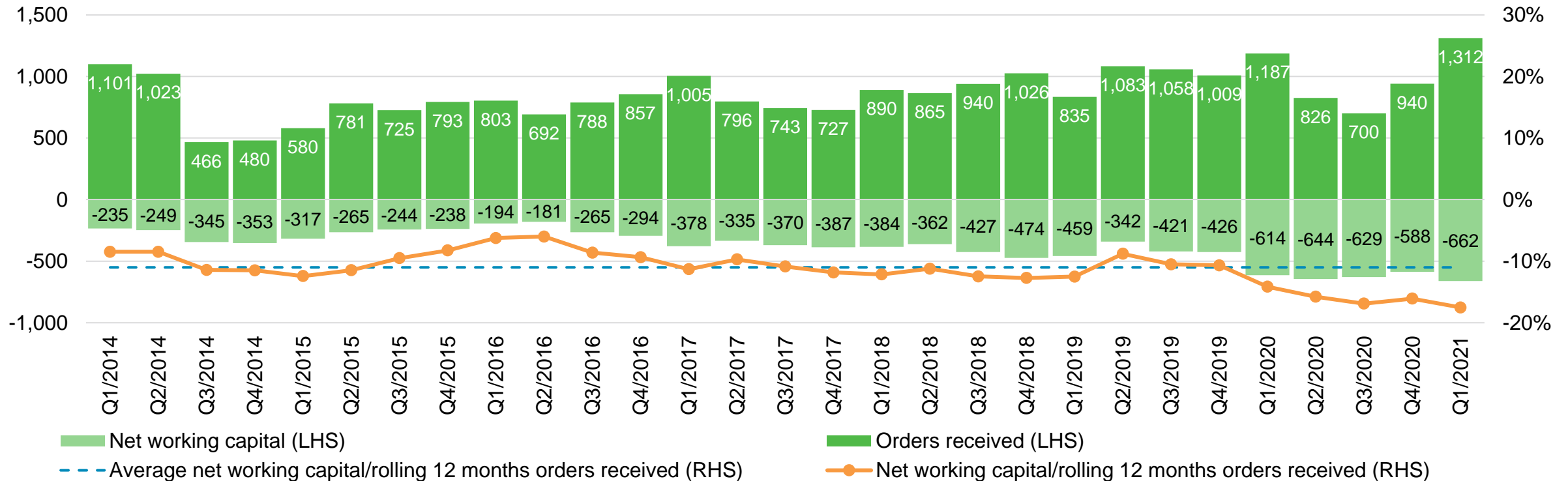
Valmet implemented IFRS 16 – Leases as of January 1, 2019 by applying the simplified transition method and therefore 2018 figures are not restated.

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

2) Excluding leased assets.

# Net working capital at -18% of rolling 12 months orders received

Net working capital<sup>1</sup> and orders received (EUR million)

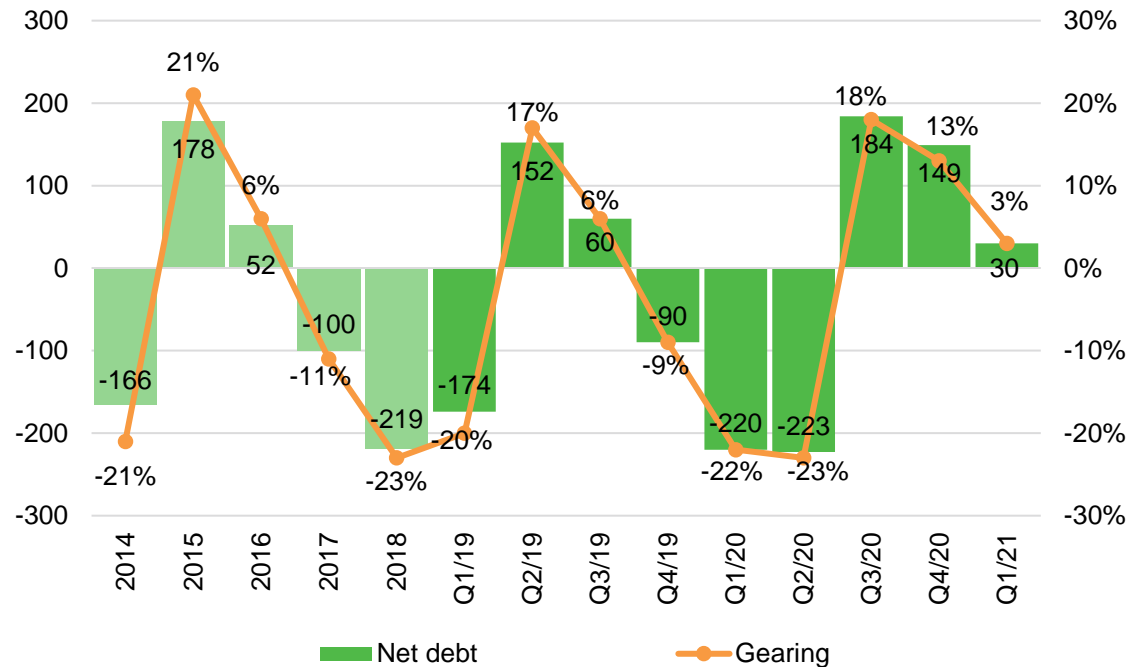


• Net working capital EUR -662 million, which equals -18% of rolling 12 months orders received

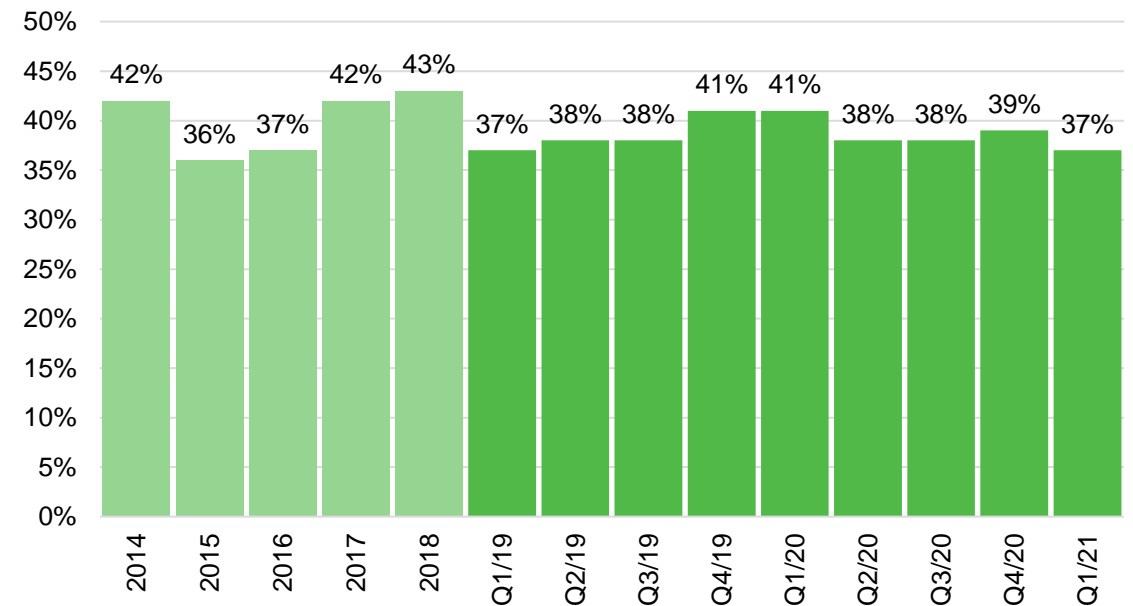
1) Net working capital excluding non-cash net working capital impact from dividend liability.

# Net debt and gearing increased compared with Q1/2020

Net debt (EUR million) and gearing (%)



Equity to assets ratio (%)

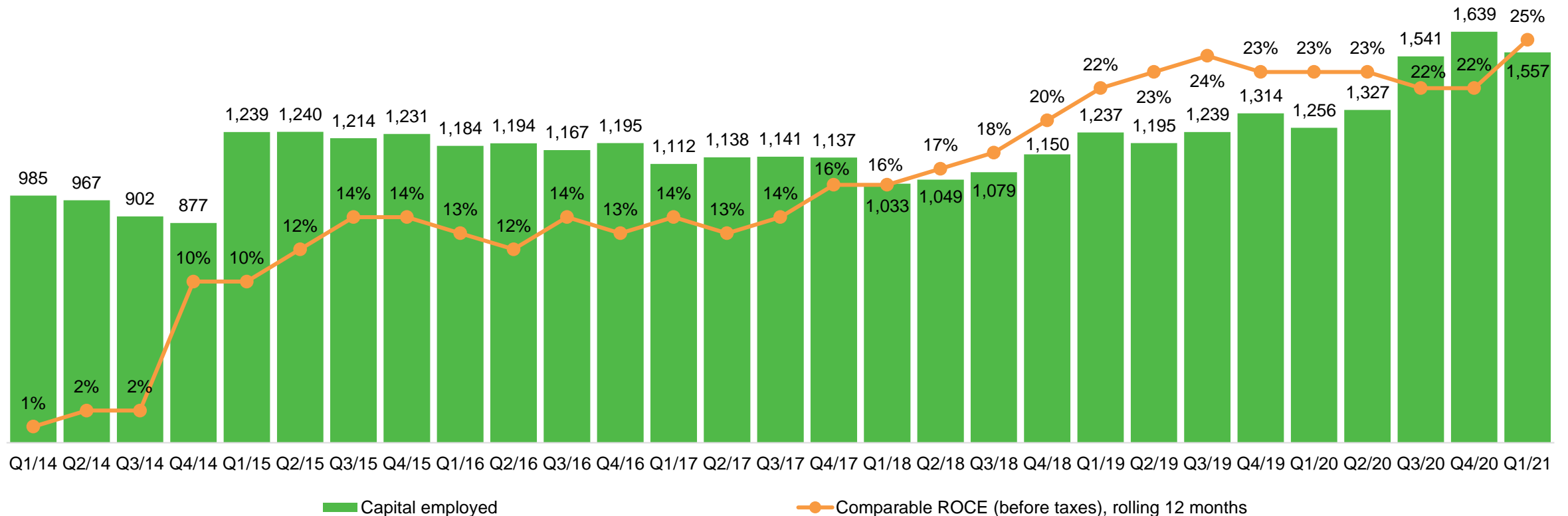


- Gearing (3%) and net debt (EUR 30 million) increased compared with Q1/2020
- Equity to assets ratio decreased compared with Q1/2020

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

# Capital employed and Comparable ROCE

Capital employed (EUR million) and Comparable return on capital employed (ROCE), before taxes<sup>1</sup> (%)



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 2021 (as announced on April 16, 2021)

<b>Guidance</b>	Valmet estimates that net sales in 2021 will increase in comparison with 2020 (EUR 3,740 million) and Comparable EBITA in 2021 will increase in comparison with 2020 (EUR 365 million).
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## Short-term market outlook

		Q2/2020	Q3/2020	Q4/2020	Q1/2021
Services		Satisfactory / Weak	Satisfactory / Weak	Satisfactory / Weak	Satisfactory
Automation		Good / Satisfactory	Good / Satisfactory	Good	Good
Pulp and Energy	Pulp	Good	Good	Good	Good
	Energy	Satisfactory	Satisfactory	Weak	Weak
Paper	Board and Paper	Good	Good	Good	Good
	Tissue	Satisfactory	Satisfactory	Good	Good

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–June 2021

July 22, 2021

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