

Orders received amounted close to EUR 1.3 billion  
and Comparable EBITA increased to EUR 153 million  
in the second quarter

Half Year Financial Review, January–June, 2023

*July 26, 2023*

Pasi Laine, President and CEO

Katri Hokkanen, CFO

# Agenda

## Half Year Financial Review, January–June 2023

- 1 Q2/2023 in brief
- 2 Development of the segments and the business lines
- 3 Execution of acquisition strategy
- 4 Financial development
- 5 Guidance and short-term market outlook



# Q2/2023 in brief

# Q2/2023 in brief

- Orders received amounted close to EUR 1.3 billion
- Net sales increased to EUR 1.4 billion
- Order backlog amounted to EUR 4.4 billion
- Comparable EBITA increased to EUR 153 million and margin was 10.8%
- Gearing was 23%

# Valmet in Q2/2023

**Orders received**  
EUR 1,268 million

**Net sales**  
EUR 1,417 million

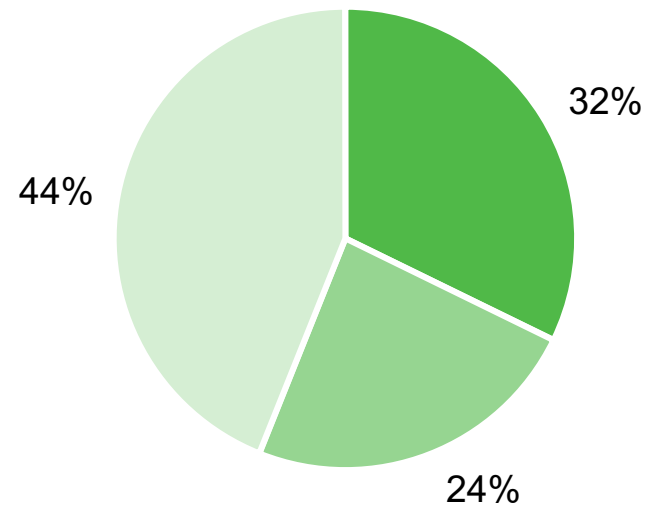
**Comparable EBITA**  
EUR 153 million

**Comparable EBITA margin**  
10.8%

**Order backlog**  
EUR 4,414 million

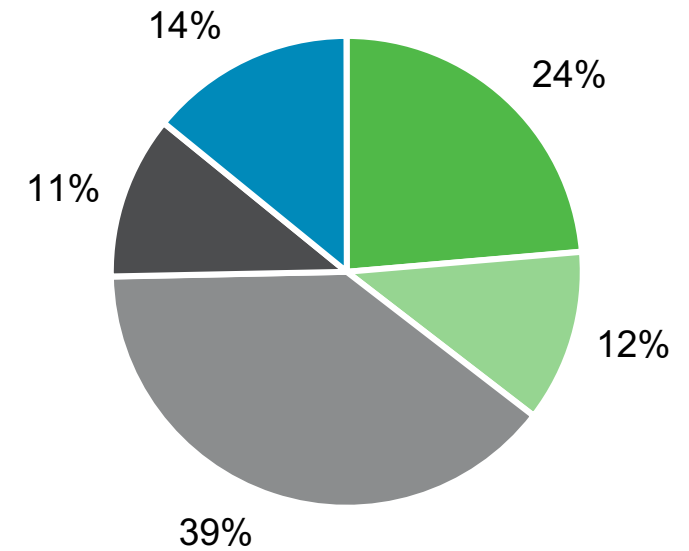
**Employees**  
18,194

Net sales by segment



- Services
- Automation
- Process Technologies

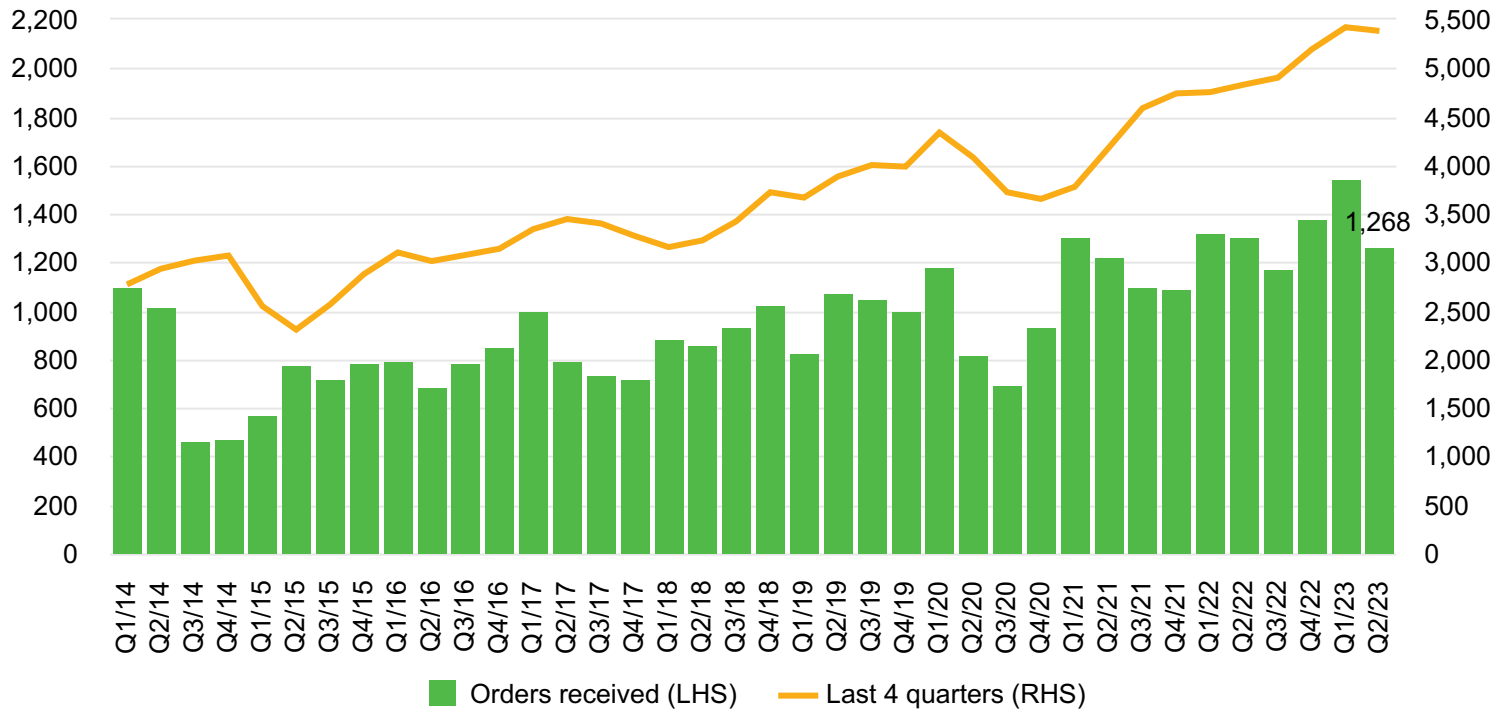
Net sales by area



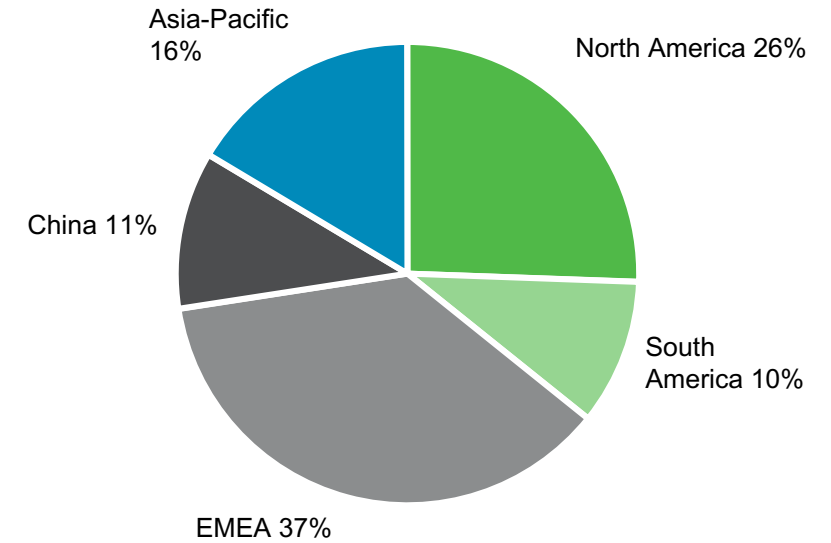
- North America
- South America
- EMEA
- China
- Asia-Pacific

# Orders received amounted to EUR 1,268 million in Q2/2023

Orders received (EUR million)



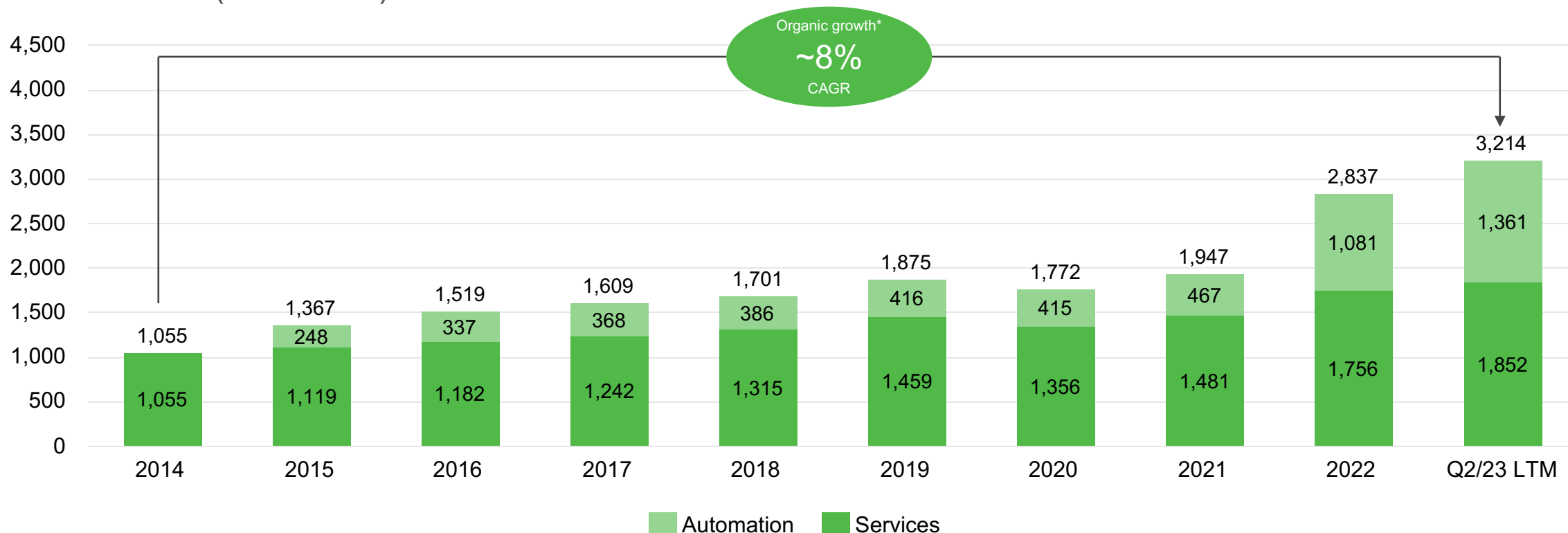
Orders received in H1/2023 by area



- Orders received increased in Asia-Pacific, South America and North America and decreased in China and EMEA in H1/2023 compared with H1/2022
  - South America, China and Asia-Pacific together accounted for 38% of orders received

# Stable business orders received totaled EUR 3,214 million during the last twelve months

Orders received (EUR million) in stable business



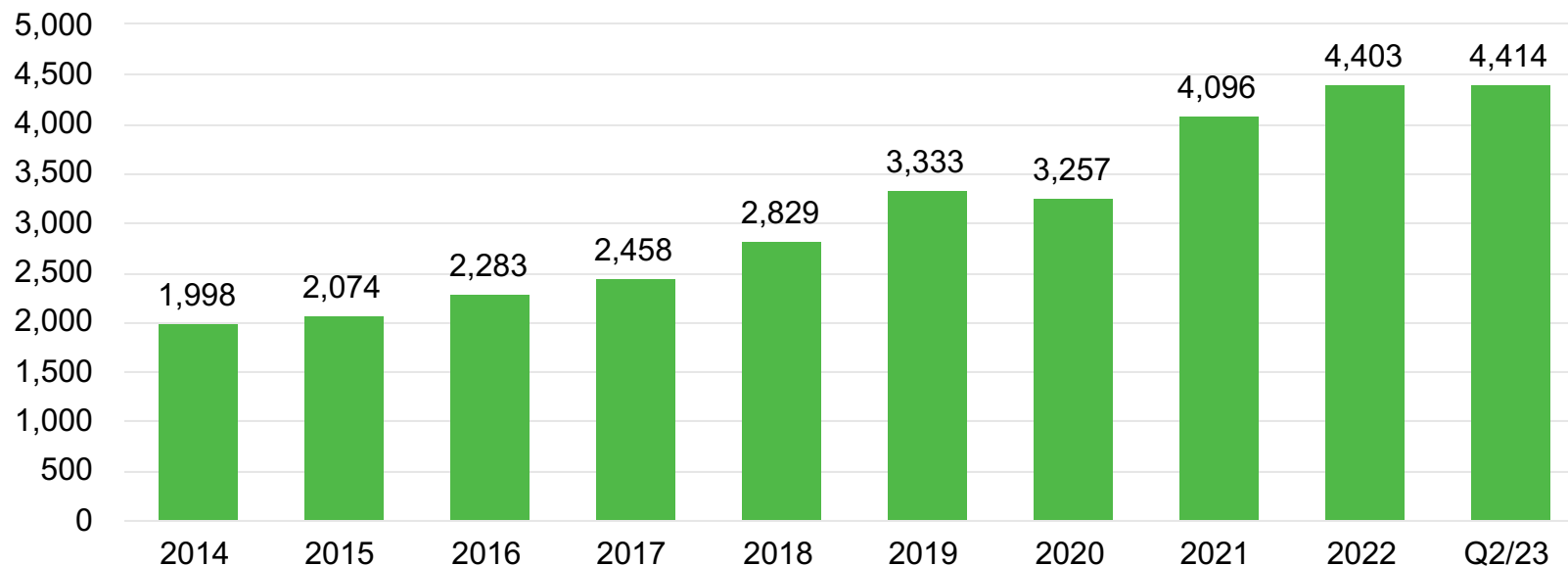
- Orders received in stable business were EUR 6 million higher in Q2/2023 compared with Q2/2022
- Stable business represented 60% of Valmet's orders received during the last twelve months (34% in 2014)

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

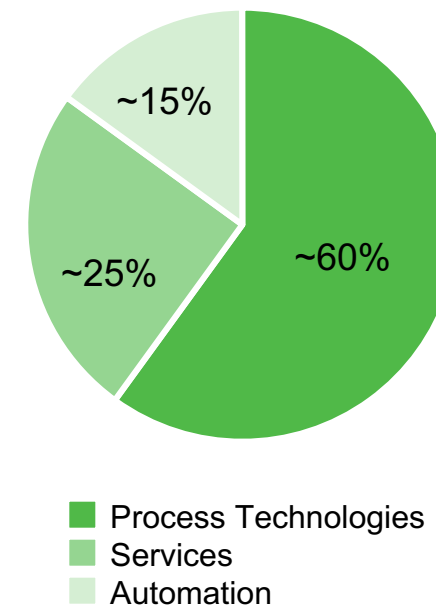
\*Adjusted for acquisitions and foreign exchange rates (in calculating organic growth, Q2/23 LTM orders received in euro translated by applying 2014 average exchange rates). Indicative only.

# Order backlog EUR 4,414 million at the end of Q2/2023

Order backlog (EUR million)




Structure of order backlog by segment



- Order backlog was EUR 11 million higher than at the end of 2022
- Approximately 50% of the order backlog is currently expected to be realized as net sales during 2023 (at the end of Q2/2022, ~50% during 2022)
- Approximately 40% of the order backlog relates to stable business (~35% at the end of Q2/2022)

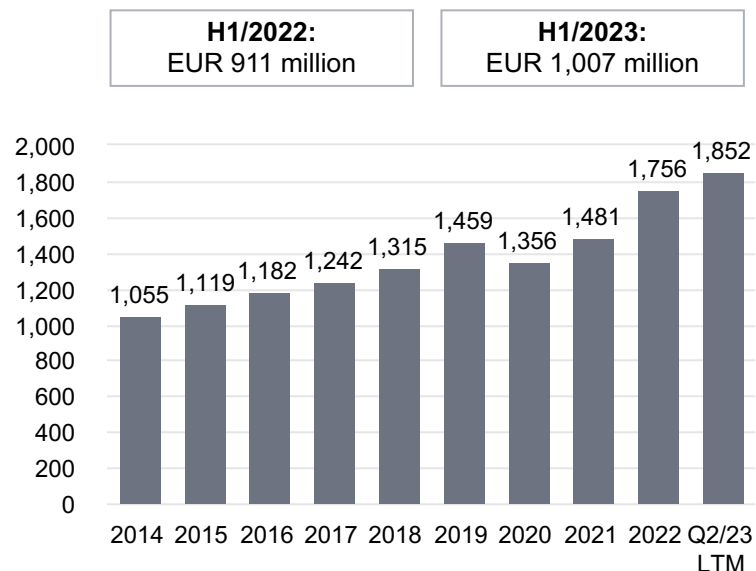




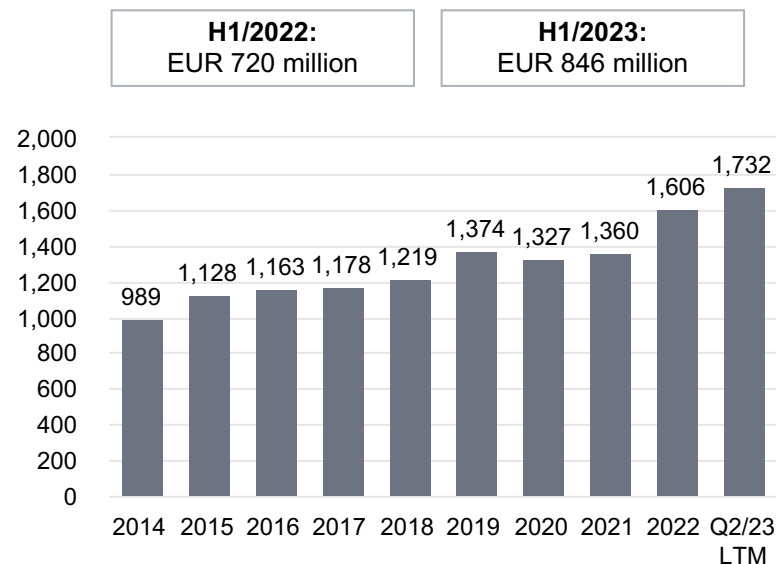
# Development of the segments and the business lines

# Services: Orders received increased to EUR 1,007 million in H1/2023

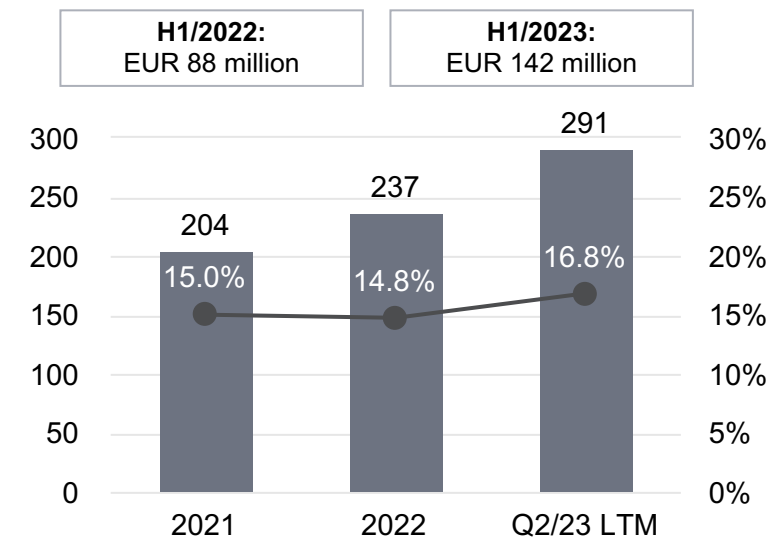
Orders received (EUR million)



Net sales (EUR million)



Comparable EBITA (EUR million and % of net sales)



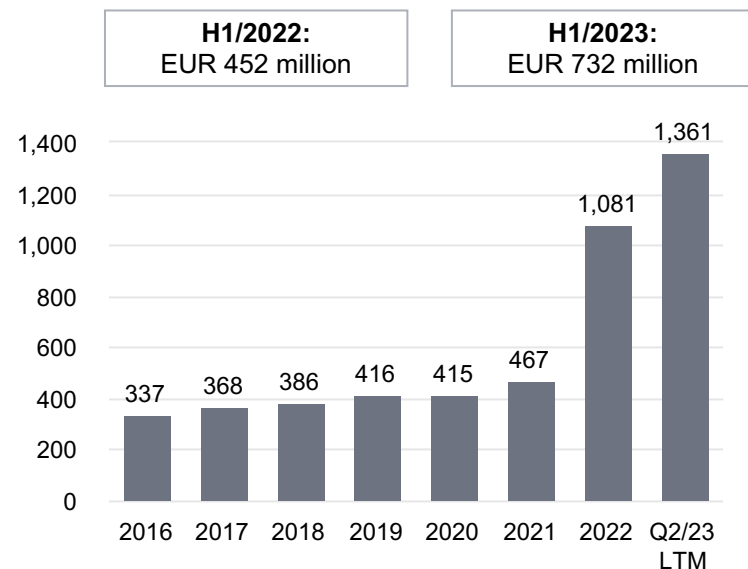
- Orders received increased compared with H1/2022
  - Orders received increased in South America and Asia-Pacific and remained at the previous year's level in all the other areas
  - Orders received increased in Pulp and Energy Solutions and Performance Parts, remained at the previous year's level in Rolls and Fabrics, and decreased in Board, Paper and Tissue Solutions
- Net sales increased compared with H1/2022
- Comparable EBITA increased compared with H1/2022 due to higher net sales
- Services segment was affected by cost inflation, reduced component availability and longer delivery times of certain components in H1/2023



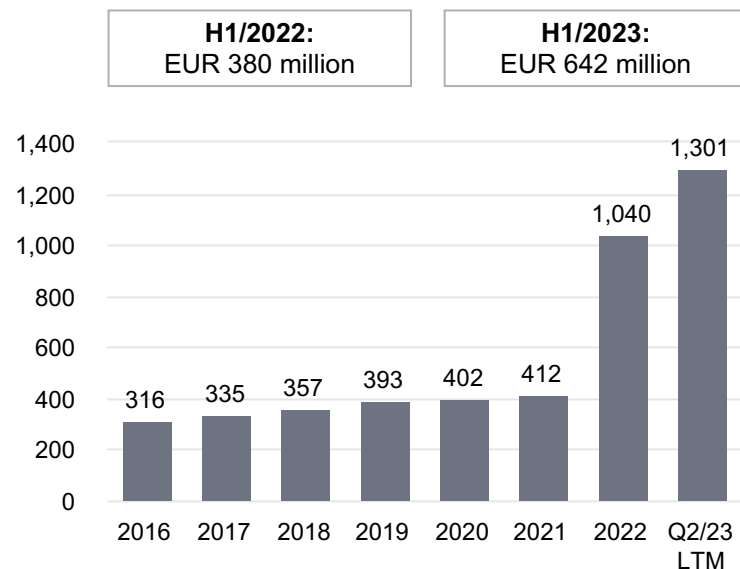
# Automation: Orders received increased to EUR 732 million in H1/2023

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

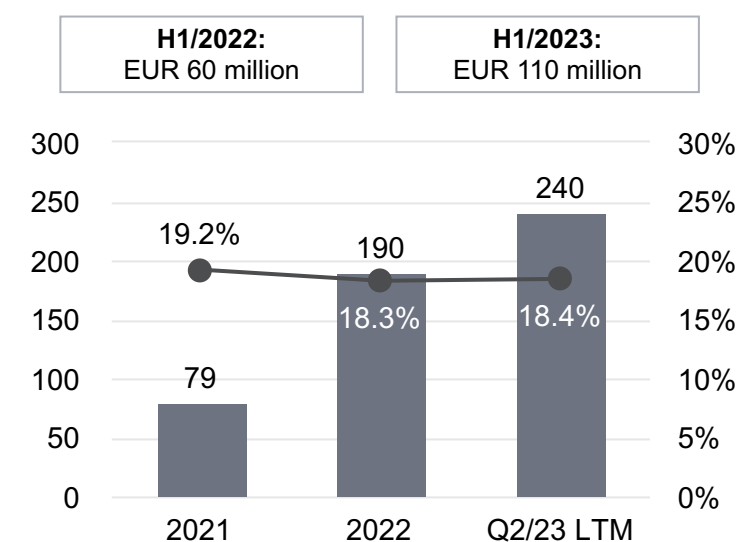
Orders received (EUR million)



Net sales (EUR million)



Comparable EBITA (EUR million and % of net sales)

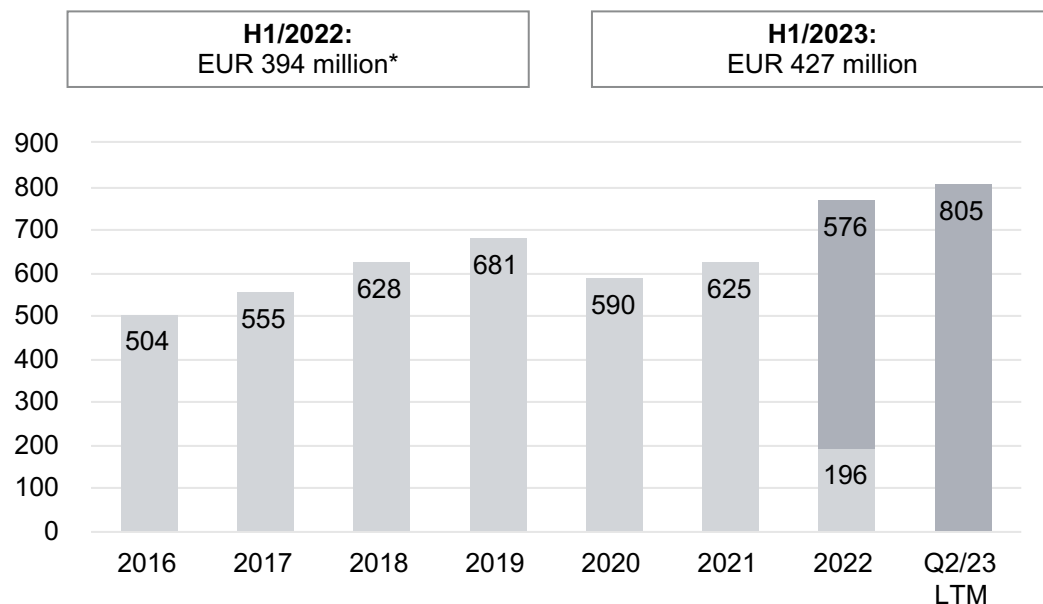


- Orders received increased compared with H1/2022
- Net sales increased compared with H1/2022
- Comparable EBITA increased compared with H1/2022

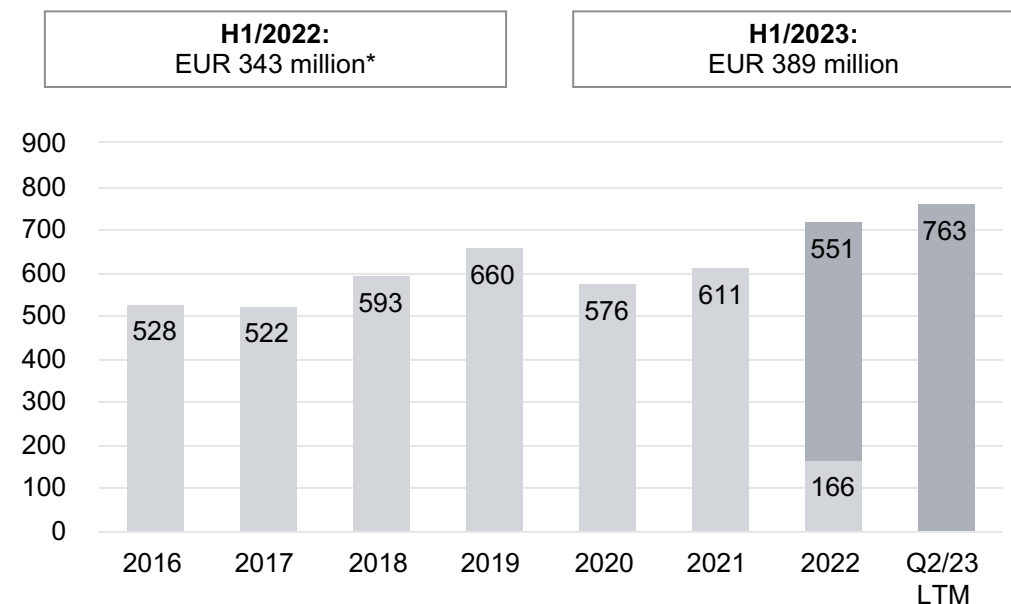


# Flow Control: Orders received amounted to EUR 427 million in H1/2023

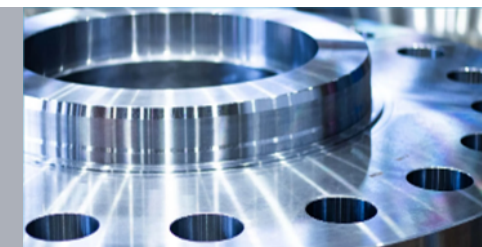
Orders received (EUR million)\*



Net sales (EUR million)\*



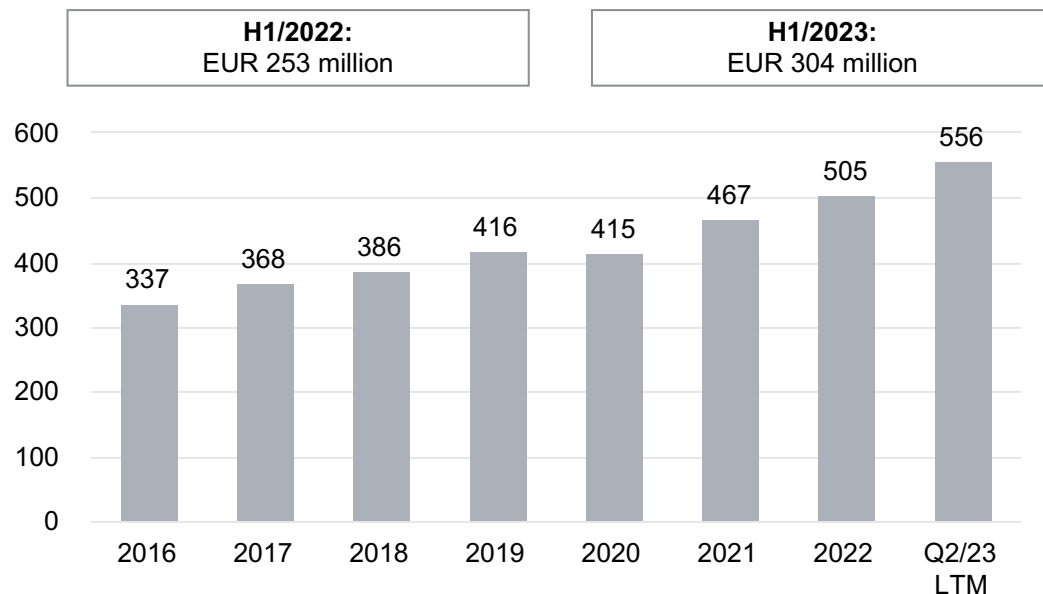
- Orders received amounted to EUR 427 million in H1/2023
- Net sales amounted to EUR 389 million in H1/2023
- Integration of Flow Control into Valmet is proceeding well



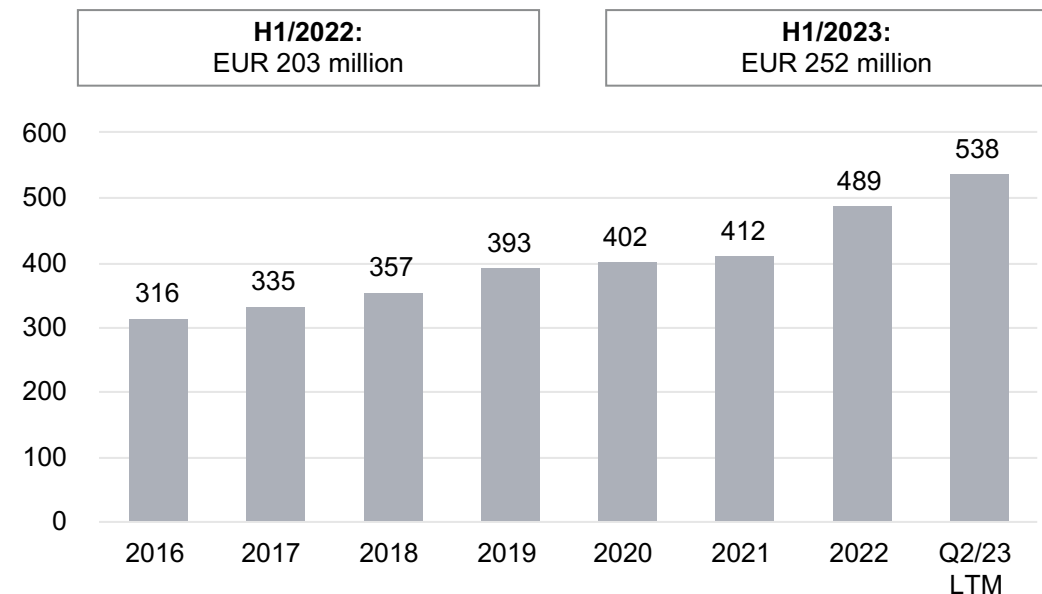
\* 2016–2017 financials based on carve-out numbers; 2018–2019 financials based on Metso’s “Continuing operations” as in 2019 annual report; Q1/2020–Q1/2022 financials as reported in Neles’ Q1/2022 interim review. LTM = Last twelve months

# Automation Systems: Orders received increased to EUR 304 million in H1/2023

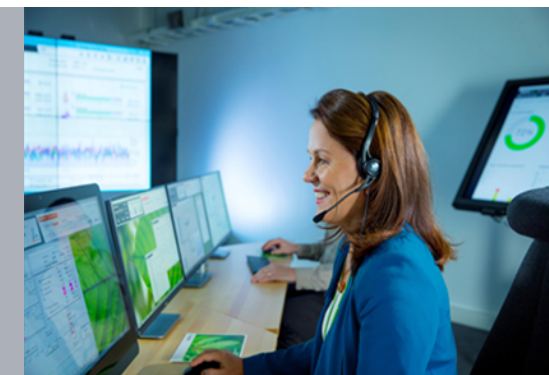
Orders received (EUR million)



Net sales (EUR million)

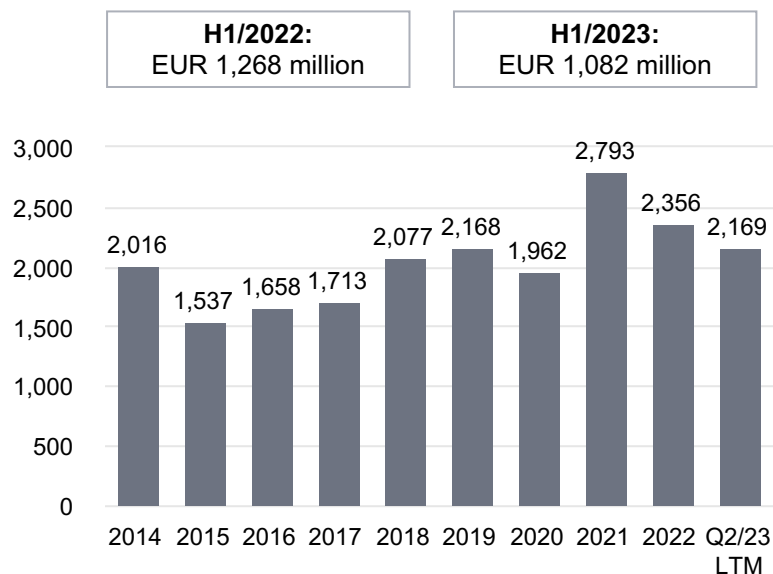


- Orders received increased compared with H1/2022
  - Orders received increased in Asia-Pacific, North America and EMEA and decreased in China and South America
  - Orders received increased in both Pulp and Paper, and Energy and Process
- Net sales increased compared with H1/2022
- Delivery times of certain components were longer during H1/2023

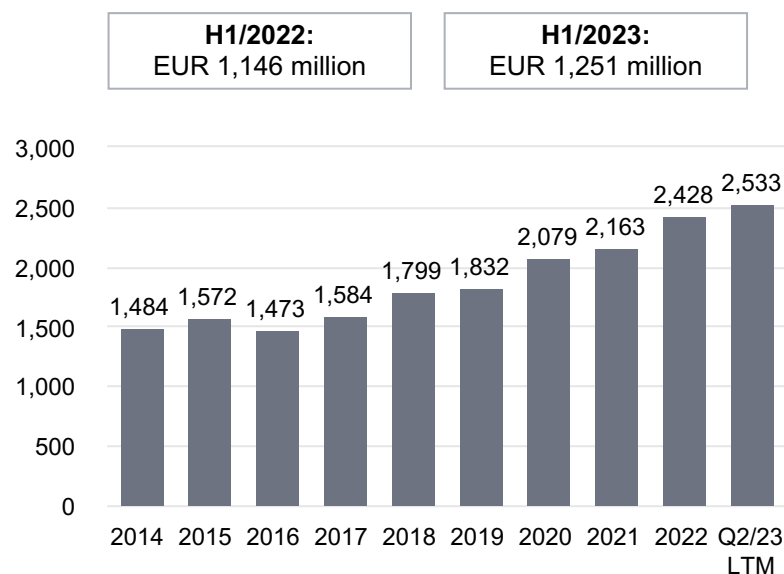


# Process Technologies: Orders received decreased to EUR 1,082 million in H1/2023

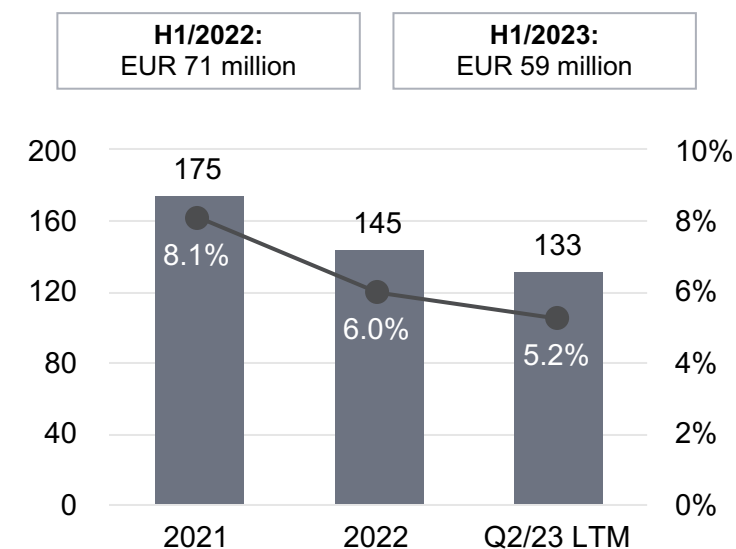
Orders received (EUR million)



Net sales (EUR million)



Comparable EBITA (EUR million and % of net sales)

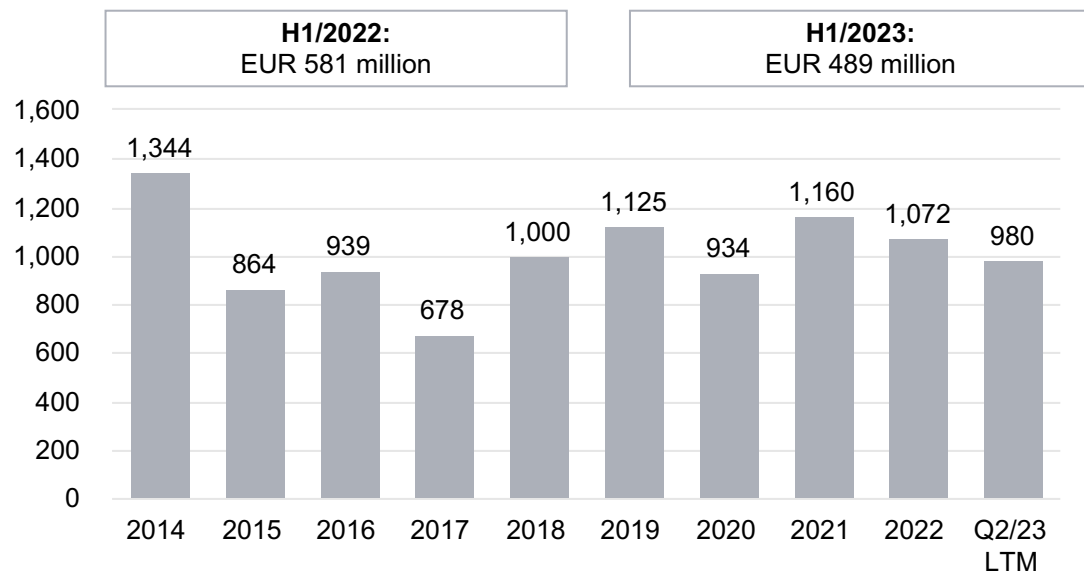


- Orders received decreased compared with H1/2022
- Net sales increased compared with H1/2022
- Comparable EBITA decreased compared with H1/2022, as the margins in some Pulp and Energy projects were impacted by cost inflation

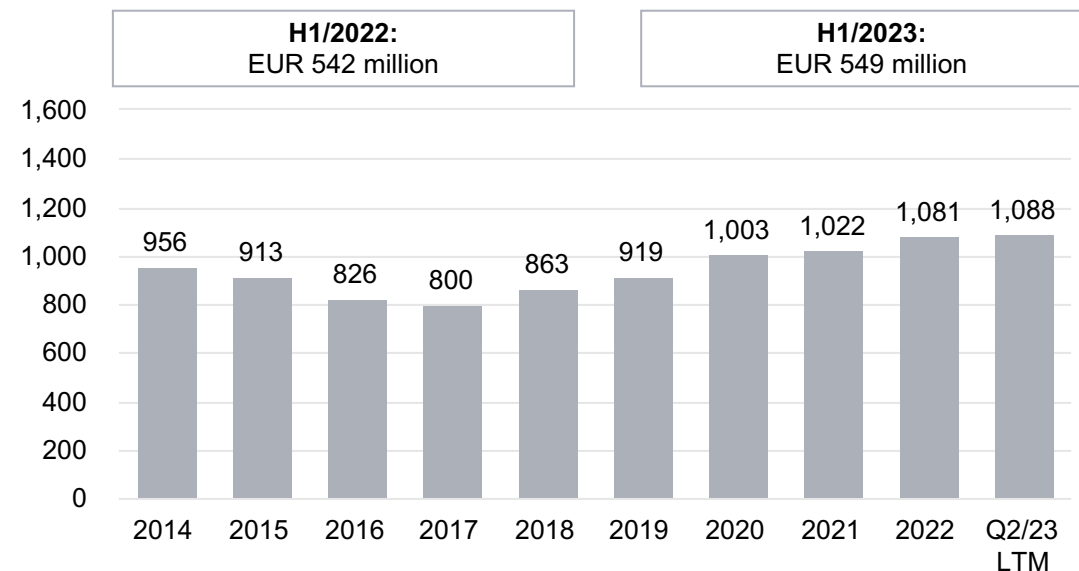


# Pulp and Energy business line: Orders received decreased to EUR 489 million in H1/2023

Orders received (EUR million)



Net sales (EUR million)

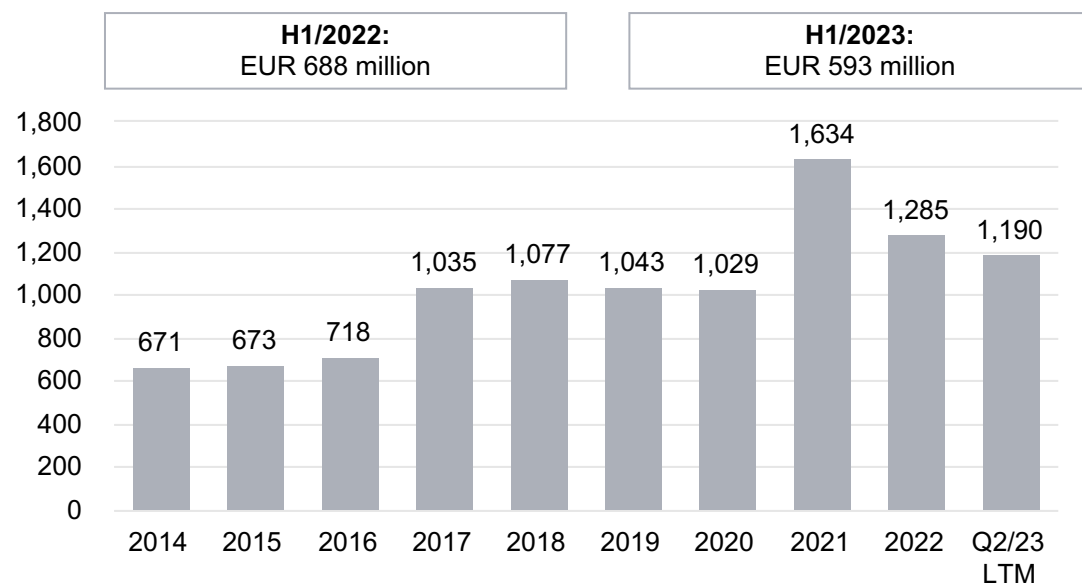


- Orders received decreased compared with H1/2022
  - Orders received increased in China and Asia-Pacific and decreased in North America, EMEA and South America
  - Orders received decreased in both Pulp and Energy
- Net sales remained at the previous year's level compared with H1/2022
- Cost inflation impacted Pulp & Energy's business environment during H1/2023

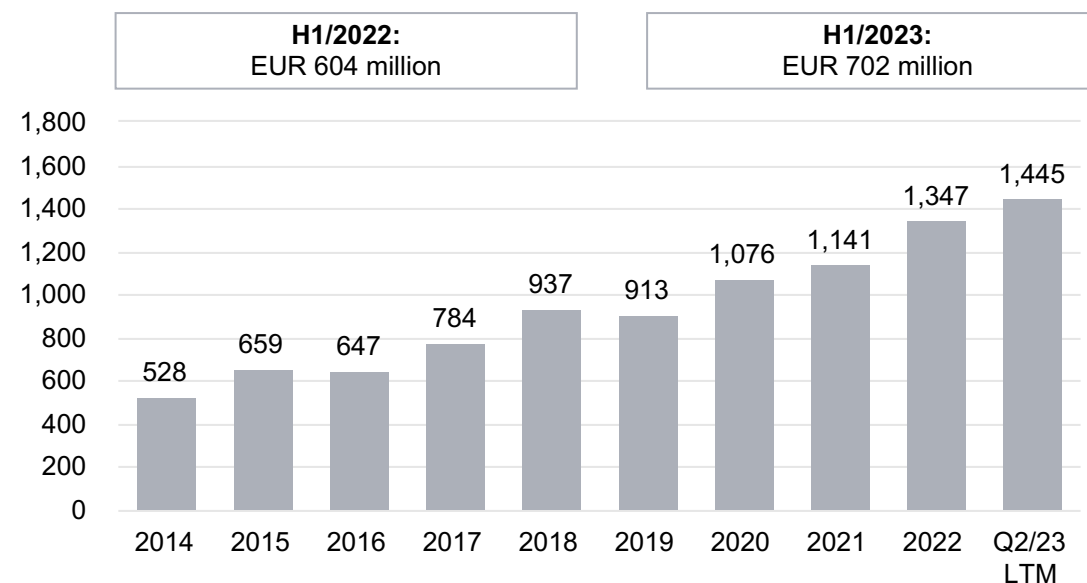


# Paper business line: Orders received decreased to EUR 593 million in H1/2023

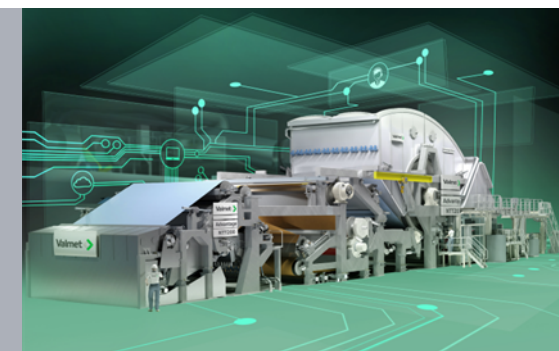
Orders received (EUR million)



Net sales (EUR million)



- Orders received decreased compared with H1/2022
  - Orders received increased in Asia-Pacific, North America and South America and decreased in China and EMEA
  - Orders received increased in Small and Medium size Machines and decreased in all other businesses
- Net sales increased compared with H1/2022
- The fire at Rautpohja factory site in Finland in 2022 impacted Paper business line's operations during H1/2023
- The Paper business line has managed the challenges caused by the fire well







# Execution of acquisition strategy

# Valmet's acquisition strategy

- Opportunities to strengthen Services, Automation and Process Technologies segments through acquisitions
- Selective acquisitions with a clear industrial logic and synergies
- Targeting to support Valmet in reaching financial targets
- Approximately 50 cases evaluated annually
- Ten acquisitions and merger with Neles completed since becoming an independent company in 2014



# Acquisition of Körber's Business Area Tissue

## Acquisition in brief

- Valmet has on July 7, 2023, entered into an agreement to acquire Körber Group's Business Area Tissue
- The enterprise value is approximately EUR 380 million<sup>1</sup>
- The transaction is subject to customary closing conditions and regulatory approvals and the possible earliest date to close the transaction is November 2, 2023
- The acquired business will be integrated into Valmet's Paper business line as a separate business unit
- In Valmet's reporting, the process technology part of the business will be consolidated to Paper business line and the services part to the Services business line

## Körber Group's Business Area Tissue in brief

- Process technologies as well as related services and automation for converting the jumbo reels of tissue paper into final tissue products for consumers and the Away from Home segment
- The broadest offering in the tissue converting industry
- In 2022, net sales amounted to EUR ~305 million and adj. EBITDA margin ~12%
- A strong and growing services business, which accounted for 36% of total net sales in 2022
- HQ in Italy and ~1,170 employees in Italy, Brazil, China, Japan and the U.S.

## Strategic rationale of the acquisition

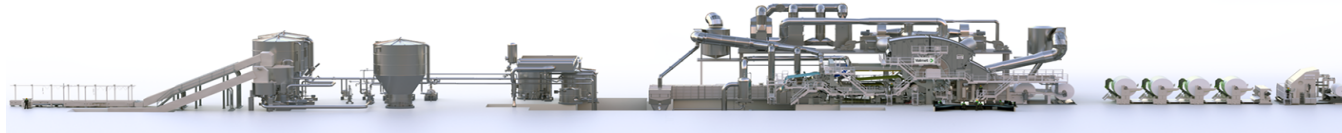
- Creating the markets' widest technology, automation and services offering for the growing tissue industry
- Strengthen both Process Technologies and Services segments
- The combination of Valmet's current tissue offering and the acquired tissue converting is complementary and good strategic fit
- The combination forms a strong basis to create new business opportunities and serve our customers even better
- Valmet estimates that the acquisition will bring sales, service and cost synergies worth of EUR 8 million by the end of 2026

1) On a cash and debt free basis subject to ordinary post-closing adjustments



# Creating the market's widest offering for tissue industry

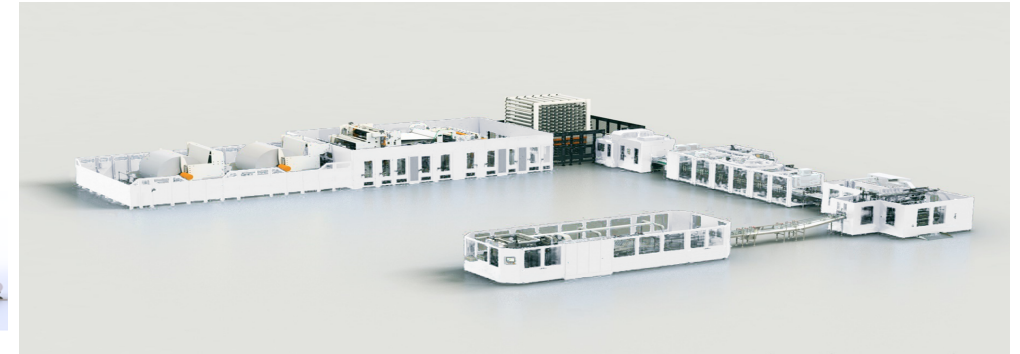
Technologies, services and automation for the entire tissue value chain – from fiber to a finished end product



Stock preparation

Tissue machine

Tissue rewinder



Converting line



- Valmet will have the market's widest portfolio of process technologies, services and automation solutions for the entire tissue value chain
- The leading tissue making and converting technologies combined with Valmet Industrial Internet will enable significant productivity as well as end-product quality improvements for tissue customers
- Both companies are known for high quality, strong customer focus and commitment for creating unique customer value

# Acquisition of the Process Gas Chromatography business of Siemens

## Acquisition in brief

- Valmet entered into an agreement on July 14, 2023, to acquire the Process Gas Chromatography business of Siemens AG
- The enterprise value is EUR 102.5 million<sup>1</sup>
- The acquisition is estimated to be completed on April 1, 2024, at the earliest, upon completion of carve-out measures and customary closing conditions
- The acquired business is planned to be integrated into Valmet's Automation Systems business line as a separate business unit

## Siemens Process Gas Chromatography business in brief

- Gas Chromatographs are used to measure the chemical composition in gases and evaporable liquids in all stages of production
- Market leader in process gas chromatography
- The Maxum brand is widely known in process industries and used extensively by world's leading industrial customers
- In 2022, net sales of the acquired business amounted to approximately EUR 120 million and pro-forma adjusted EBITDA margin was approximately 10%

## Strategic rationale of the acquisition

- The acquired offering complements Valmet's existing automation offering, industry reach and expertise
- The acquisition strengthens Valmet's Automation segment and process automation offering
- The acquisition strengthens Automation Systems business footprint in North America, Asia-Pacific, and Europe



1) On a cash and debt free basis subject to ordinary post-closing adjustments



# Financial development

# Key figures

EUR million	Q2/2023	Q2/2022	Change	Q1–Q2/2023	Q1–Q2/2022	Change
Orders received	1,268	1,306	-3%	2,821	2,631	7%
Order backlog <sup>1</sup>	4,414	4,784	-8%	4,414	4,784	-8%
Net sales	1,417	1,286	10%	2,738	2,246	22%
Comparable EBITA	153	122	25%	286	202	42%
% of net sales	10.8%	9.5%	1.3 pp	10.5%	9.0%	1.5 pp
EBITA	155	154	1%	286	229	25%
Operating profit (EBIT)	136	120	13%	232	183	27%
% of net sales	9.6%	9.4%	0.2 pp	8.5%	8.2%	0.3 pp
Adjusted earnings per share, EUR <sup>2</sup>	0.60	0.68	-12%	1.11	1.05	6%
Earnings per share, EUR	0.54	0.55	-1%	0.92	0.87	5%
Comparable ROCE, LTM <sup>3</sup>				15%	16%	-1 pp
Cash flow provided by operating activities	-37	-85		172	-65	
Net debt to EBITDA <sup>4</sup> ratio				0.77	0.90	
Gearing <sup>1</sup>				23%	22%	1 pp

Items affecting comparability: EUR 2 million in Q2/2023 (EUR 32 million in Q2/2022) and EUR 0 million in Q1–Q2/2023 (EUR 27 million in Q1–Q2/2022).

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	Q2/2023	Q2/2022	Change	Q1–Q2/2023	Q1–Q2/2022	Change
Services	430	460	-6%	1,007	911	11%
Automation	340	305	12%	732	452	62%
Process Technologies	497	542	-8%	1,082	1,268	-15%
Total	1,268	1,306	-3%	2,821	2,631	7%

Net sales, EUR million	Q2/2023	Q2/2022	Change	Q1–Q2/2023	Q1–Q2/2022	Change
Services	457	403	13%	846	720	18%
Automation	338	292	16%	642	380	69%
Process Technologies	623	591	5%	1,251	1,146	9%
Total	1,417	1,286	10%	2,738	2,246	22%

Comparable EBITA, EUR million	Q2/2023	Q2/2022	Change	Q1–Q2/2023	Q1–Q2/2022	Change
Services	80	57	39%	142	88	62%
Automation	61	50	22%	110	60	83%
Process Technologies	30	31	-4%	59	71	-17%
Other	-17	-15		-26	-18	
Total	153	122	25%	286	202	42%

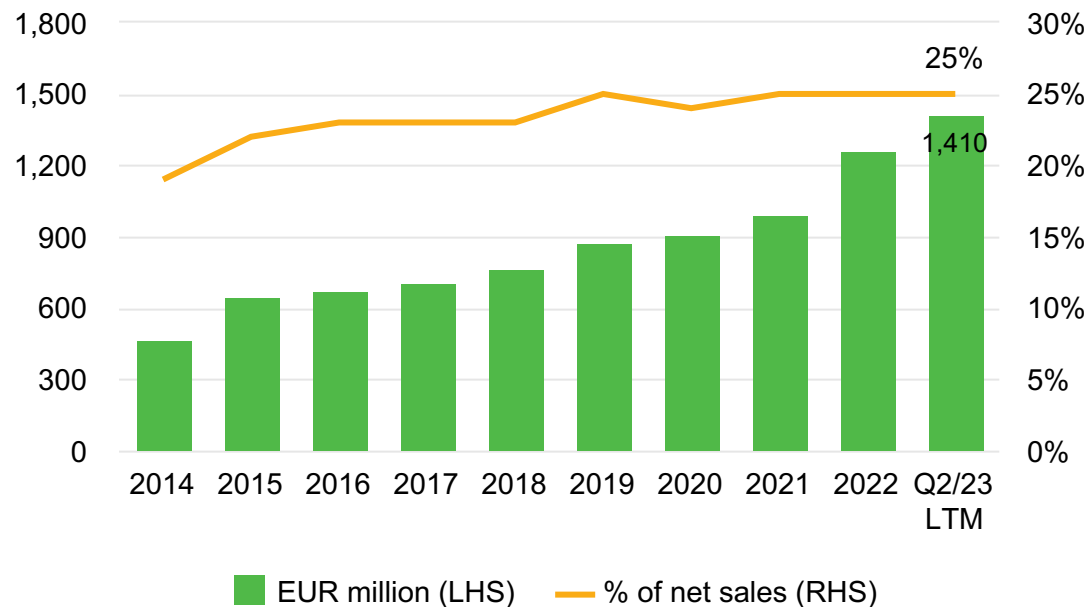
  

Comparable EBITA margin, % of net sales	Q2/2023	Q2/2022	Change	Q1–Q2/2023	Q1–Q2/2022	Change
Services	17.5%	14.2%	3.2 pp	16.8%	12.2%	4.6 pp
Automation	17.9%	17.0%	1.0 pp	17.2%	15.9%	1.3 pp
Process Technologies	4.8%	5.2%	-0.5 pp	4.7%	6.2%	-1.5 pp
Total	10.8%	9.5%	1.3 pp	10.5%	9.0%	1.5 pp

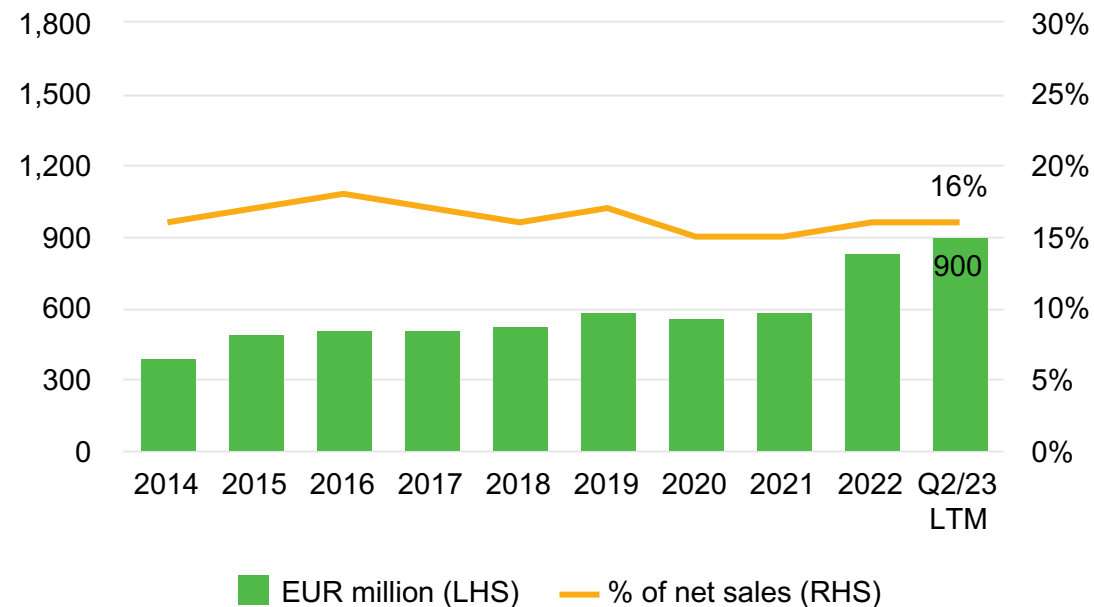


# Comparable gross profit and SG&A expenses development

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



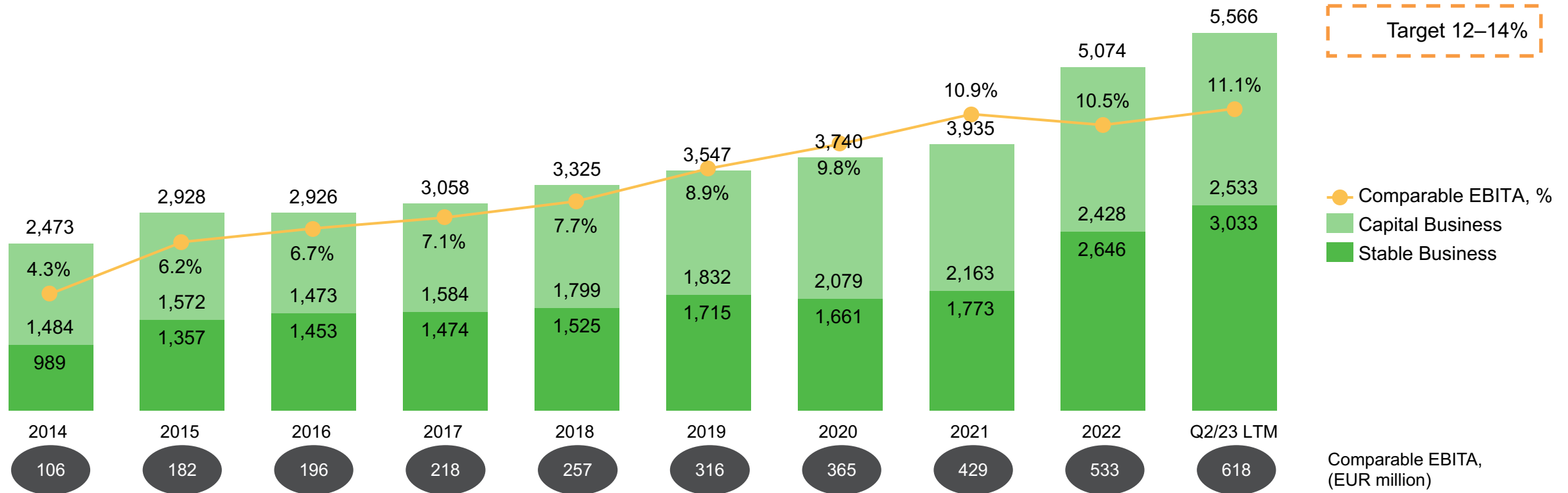
Comparable SG&A expenses  
(EUR million and % of net sales)



- Comparable gross profit was 26% of net sales in Q2/2023 (26% in Q2/2022)
  - Stable business represented 56% of net sales (54% in Q2/2022)
- Comparable SG&A expenses were EUR 4 million lower in Q2/2023 compared with Q2/2022
  - Comparable SG&A expenses were 16% of net sales in Q2/2023 (18% in Q2/2022)

# Comparable EBITA margin development

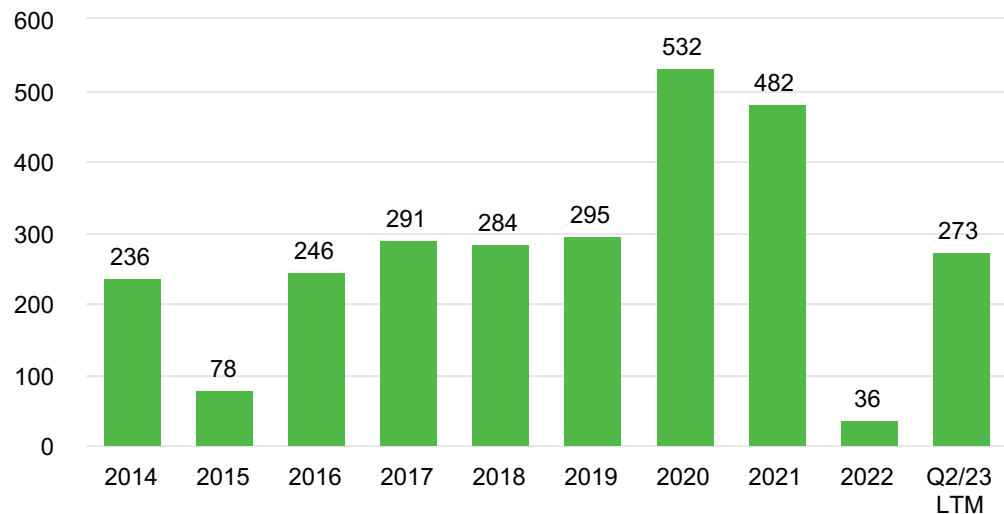
Net sales and Comparable EBITA (EUR million and %)¹



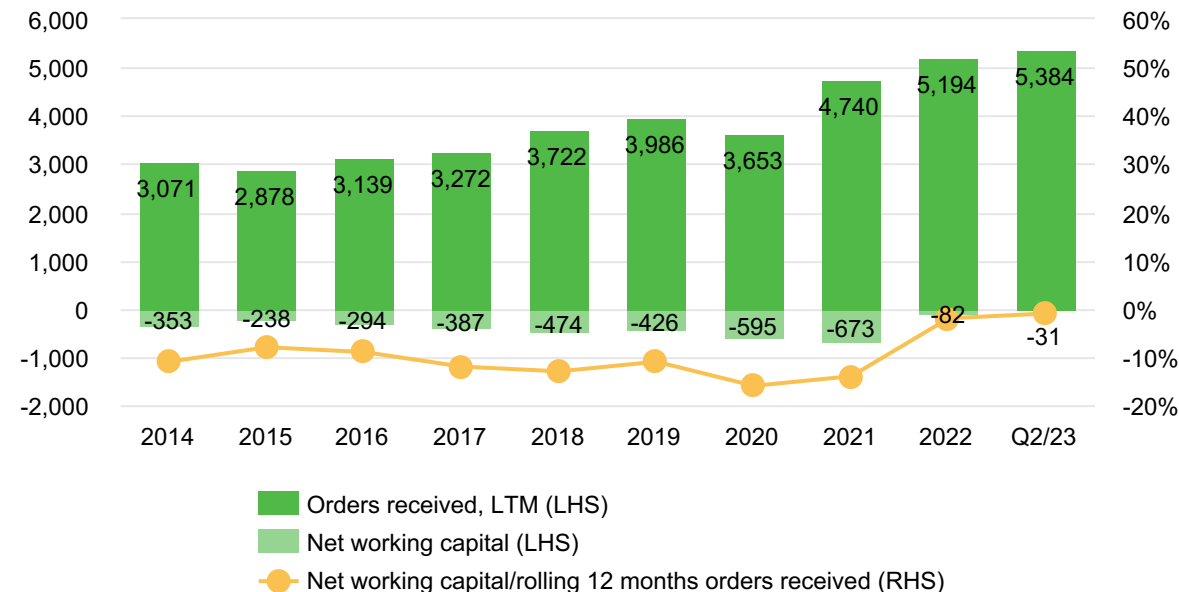
1. Valmet implemented IFRS 15 – Revenue from Contracts with Customers as of January 1, 2018 by applying full retrospective method. 2014–2020 figures have not been restated to reflect Valmet’s current reporting structure. Thus, figures presented are not fully comparable.

# Cash flow provided by operating activities and net working capital

Cash flow provided by operating activities (EUR million)



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



- Cash flow provided by operating activities EUR -37 million in Q2/2023
- CAPEX<sup>2</sup> EUR 37 million in Q2/2023
- Net working capital<sup>1</sup> EUR -31 million, which equals -1% of rolling 12 months orders received
- Change in net working capital<sup>3</sup> EUR -128 million in Q2/2023

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

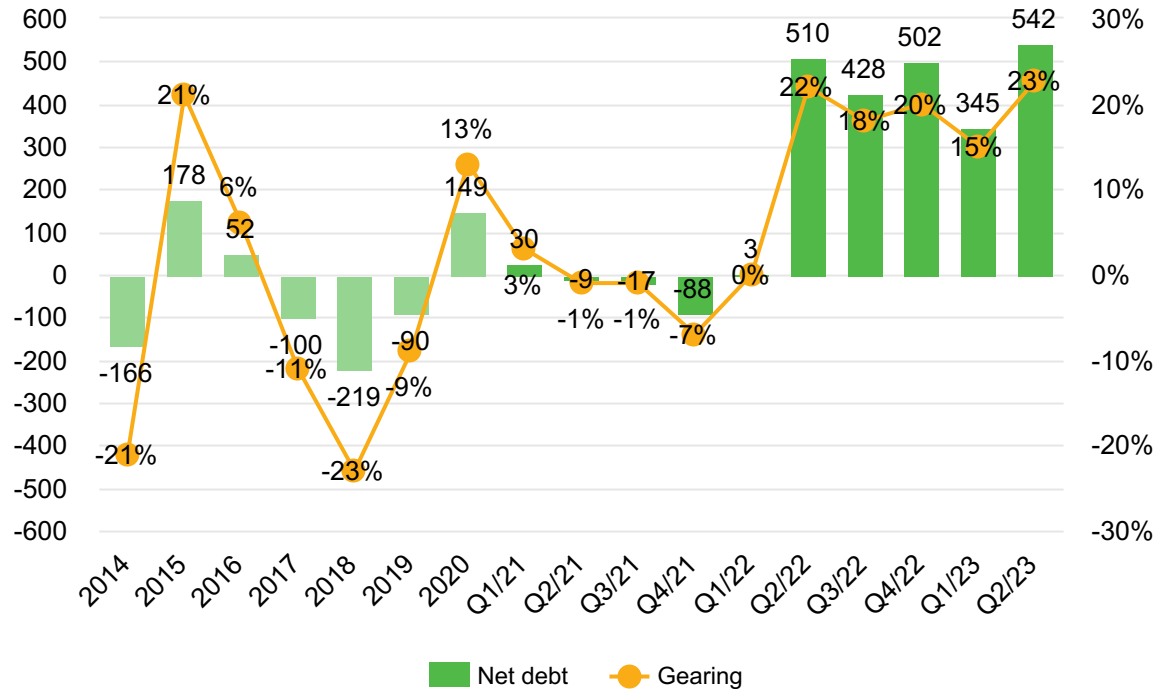
1) Q2/2023 net working capital excludes EUR 120 million non-cash net working capital impact from dividend liability.

2) Excluding right-of-use assets.

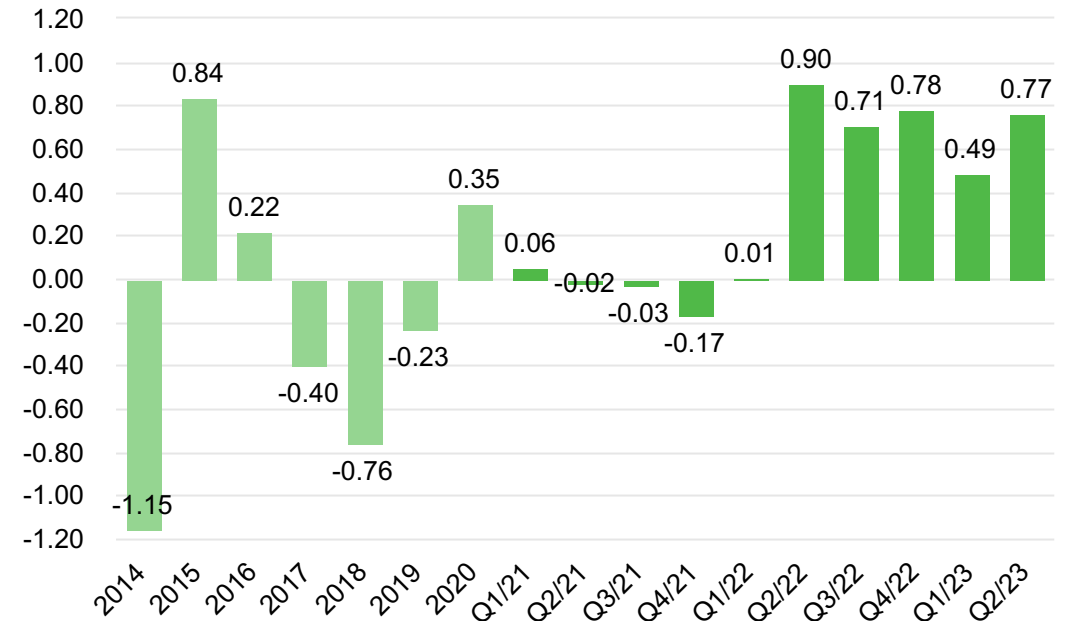
3) Change in net working capital in the consolidated statement of cash flows.

# Net debt and gearing increased compared with Q2/2022

Net debt (EUR million) and gearing (%)



Net debt to EBITDA\* ratio



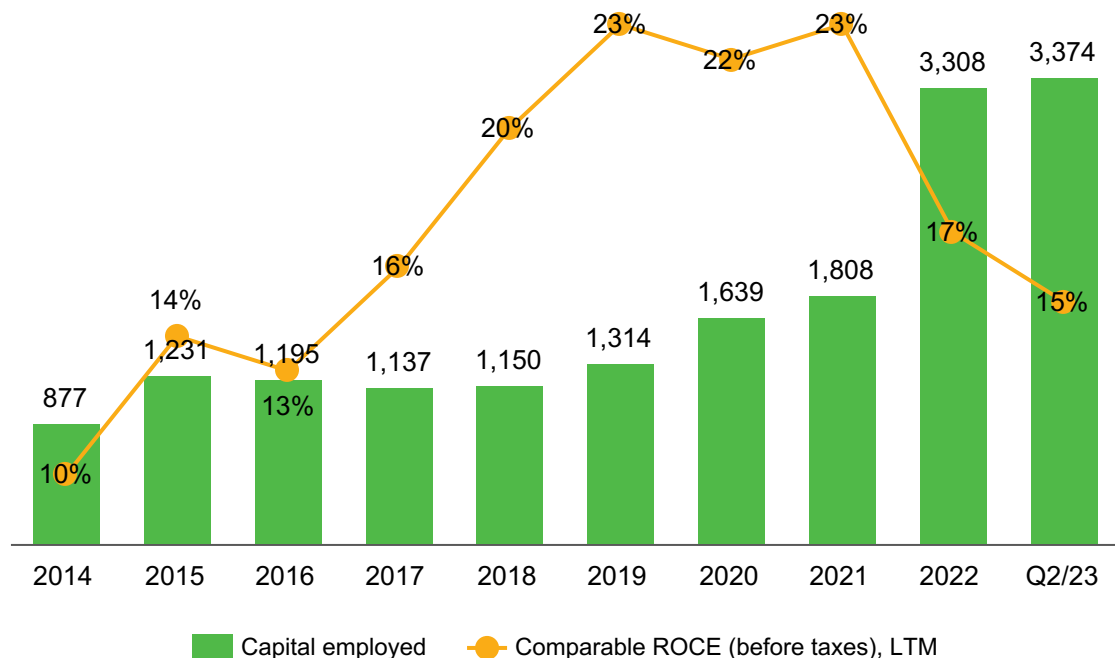
- Gearing (23%) increased and net debt (EUR 542 million) increased compared with Q2/2022
- Net debt to EBITDA\* ratio decreased compared with Q2/2022

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

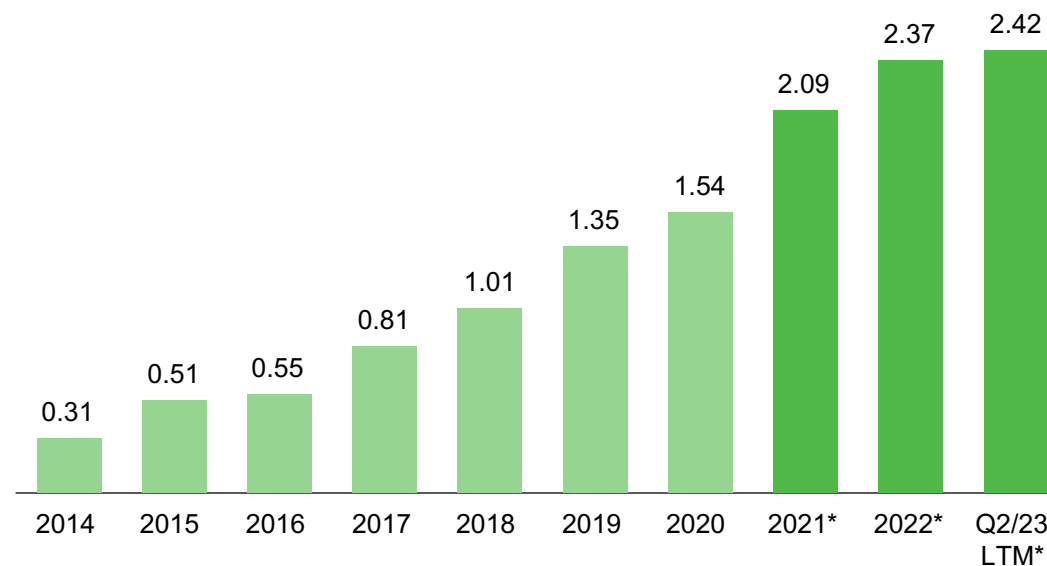
\*Last twelve months (LTM) EBITDA

# Capital employed, Comparable ROCE and EPS

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



Earnings per share (EPS) and Adjusted EPS, EUR



- Integration of Flow Control into Valmet in Q2/2022 increased capital employed, impacting Q2/2023 LTM Comparable ROCE

\*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)

<b>Guidance</b>	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

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



# Interim Review January–September 2023

October 25, 2023

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

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