



Valmet – unique offering with  
process technology, automation  
and services

Roadshow presentation  
March 2022

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# Agenda

## Valmet roadshow presentation

1 Valmet in brief

2 Investment highlights

3 Financials

4 Conclusion



# Valmet in brief

# We have strong market shares, unique offering and over 220 years of history

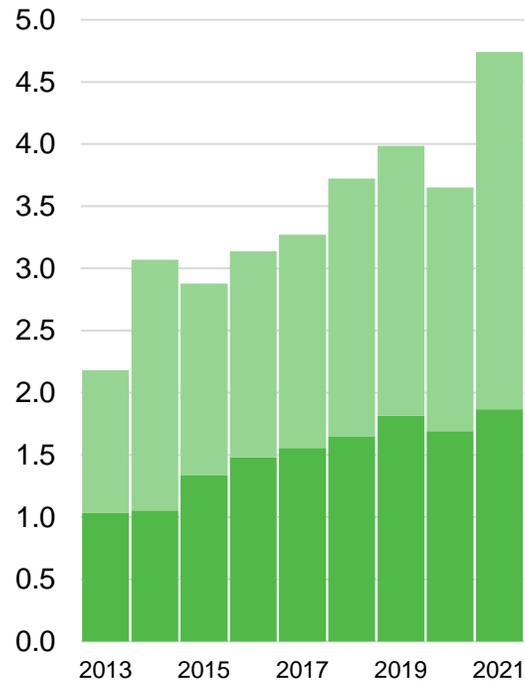
 <p><b>Paper</b></p> <p>Market position <b>#1</b></p> <p>Market share <b>~50%</b></p>	 <p><b>Pulp and Energy</b></p> <p>Market position <b>#1–3</b></p> <p>Market share <b>~20–45%</b></p>	 <p><b>Automation</b></p> <p>Market position <b>#1–3</b></p> <p>Market share <b>~25%</b></p>	 <p><b>Services</b></p> <p>Market position <b>#1–2</b></p> <p>Market share <b>~17–18%</b></p>
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**Valmet's road to becoming a global market leader**

- 1797 onwards**  
Tamfelt, Beloit, KMW, Sunds Defibrator
- 1951**  
Valmet
- 1968–1996**  
Several M&As, e.g. KMW (1986), Wärtsilä paper finishing machinery (1987), Tampella Papertech (1992)
- 1999**  
Metso created through the merger of Valmet and Rauma
- Key acquisitions**  
Beloit Technology (2000), Kvaerner Pulping & Kvaerner Power (2006), Tamfelt (2009)
- End of 2013**  
Demerger to create Valmet and Metso
- Acquisitions**  
Automation (2015), GL&V (2019), J&L (2019), PMP (2020)

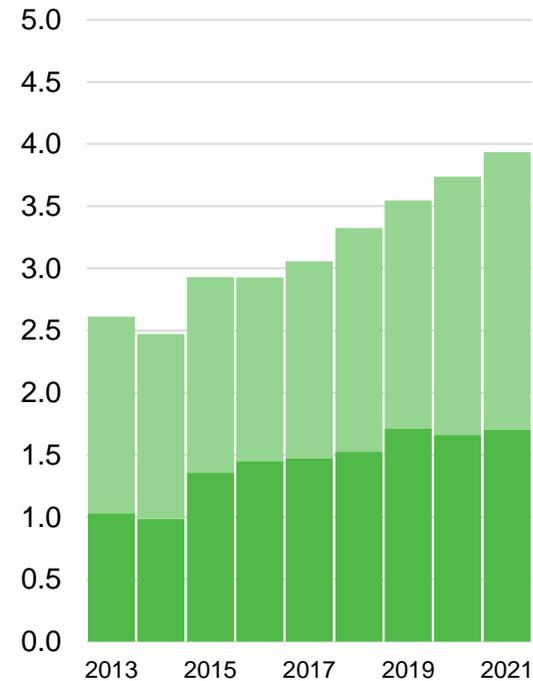
# Valmet's development since 2013

Orders received  
(EUR billion)



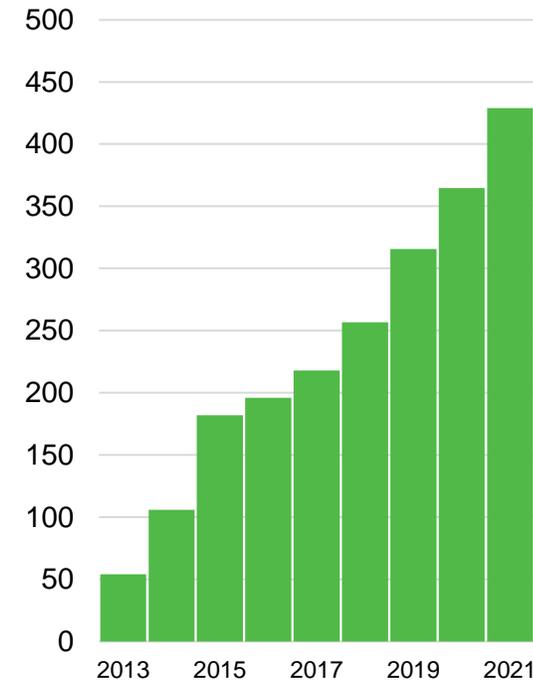
■ Pulp and Energy, and Paper business lines  
■ Services and Automation business lines

Net sales  
(EUR billion)



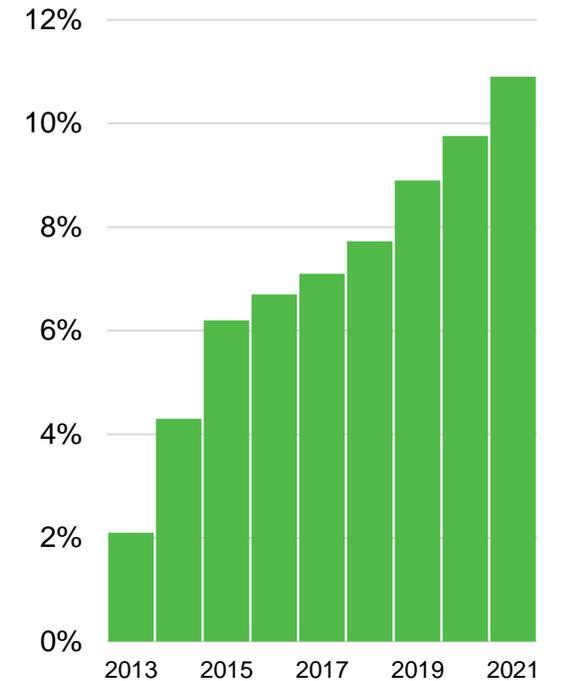
■ Pulp and Energy, and Paper business lines  
■ Services and Automation business lines

Comparable EBITA  
(EUR million)



■ Comparable EBITA

Comparable EBITA margin  
(%)



■ Comparable EBITA margin

2013 figures on carve-out basis

# Key figures in 2021

**Orders received**  
EUR 4,740 million

**Net sales**  
EUR 3,935 million

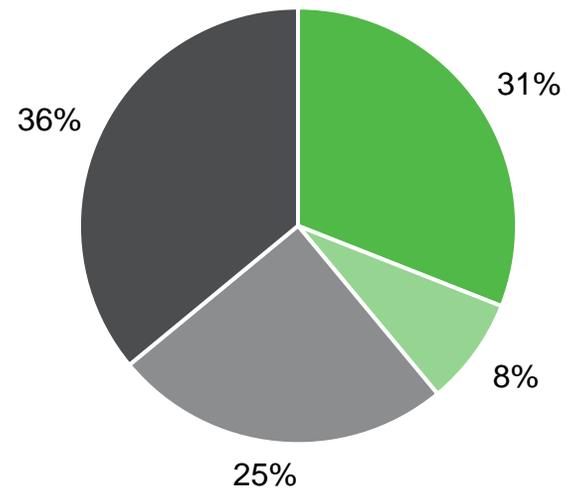
**Comparable EBITA**  
EUR 429 million

**Comparable EBITA margin**  
10.9%

**Order backlog**  
EUR 4,096 million

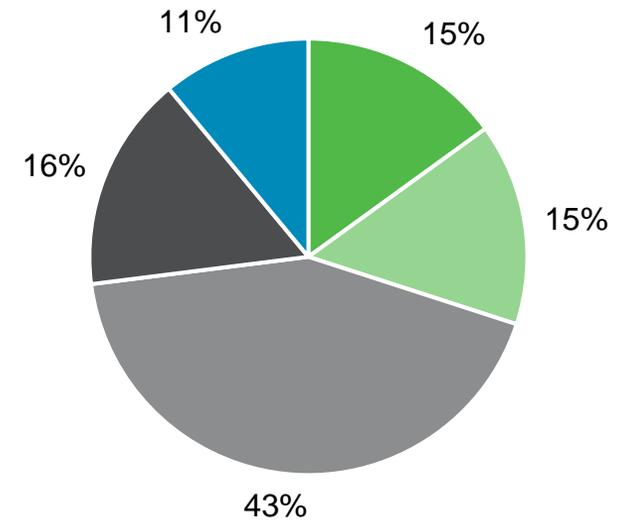
**Employees**  
14,246

Orders received by business line



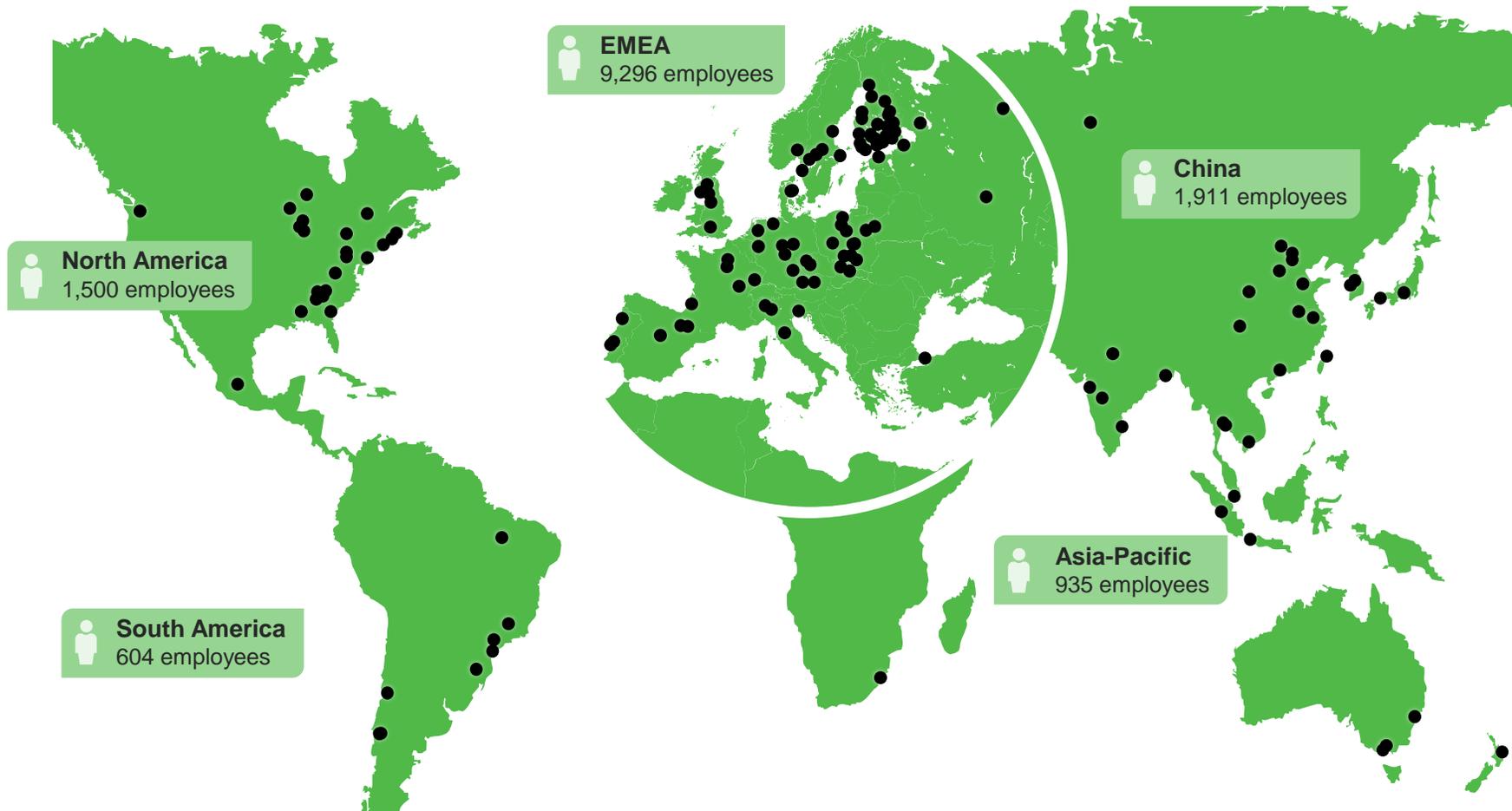
- Services
- Automation
- Pulp and Energy
- Paper

Orders received by area



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

# Strong, global presence is a good platform for growth



~100  
service centers



98  
sales offices



43  
production units



16  
R&D centers



8  
Performance Centers



# Process technology, services and automation

Valmet's unique offering differentiates the company from its competitors



# Significant, customer focused research and development work

## R&D focus areas

- Advanced and competitive technologies and services
- Raw material, water and energy efficiency
- Promotion of renewable materials

**16**

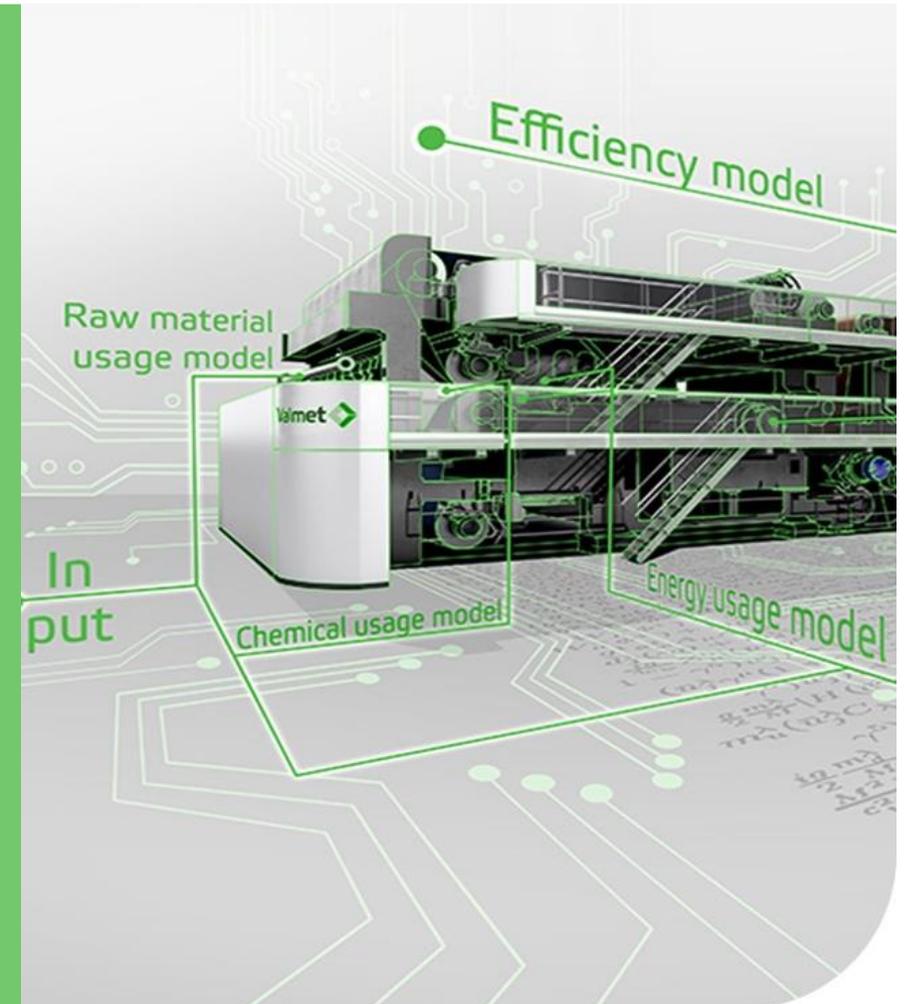
research and  
development  
centers



EUR **82** million  
R&D spending  
in 2021  
(2.1% of net sales)



**~1,300**  
protected  
inventions



# Acknowledged leader in sustainability

360° approach to sustainability across value chain

## Good sustainability ratings

- In Dow Jones Sustainability Index for the eighth consecutive year
- AAA rating in the MSCI ESG Ratings assessment 2021
- Bronze Class 2022 Sustainability Award
- Achieved B rating in CDP's climate program ranking 2021



Member of  
**Dow Jones  
Sustainability Indices**  
Powered by the S&P Global CSA



**Sustainability Award  
Bronze Class 2022**  
**S&P Global**



**MSCI  
ESG RATINGS**  
**AAA**  
CCC B BB BBB A AA AAA



# 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 approved by the Science Based Targets Initiative (SBTi)

### 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 targets

## Growth

Net sales for stable business to grow over two times the market growth

Net sales for capital business to exceed market growth

## Profitability

Comparable EBITA:  
10–12%

## ROCE

Comparable return on capital employed (ROCE) before taxes<sup>1</sup>: >20%

## Dividend policy

Dividend payout at least 50% of net profit

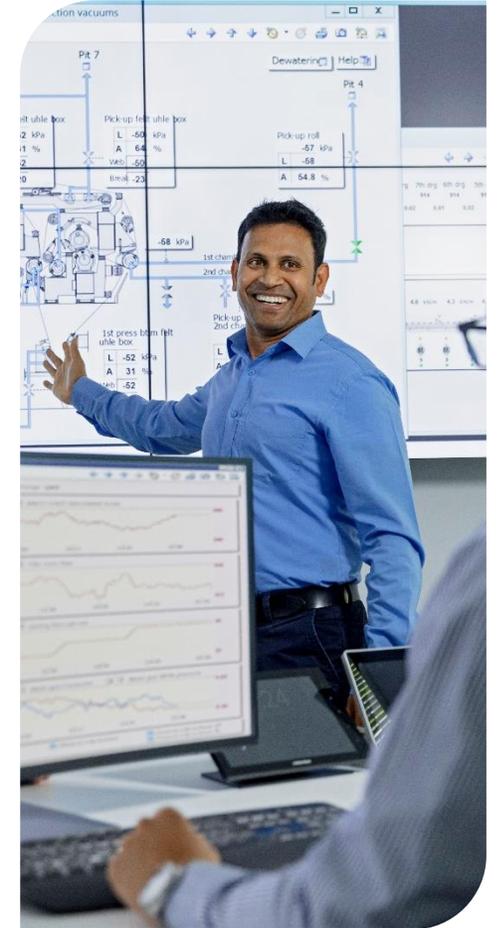
1) Comparable ROCE before taxes = (profit before taxes + interests and other financial expenses +/- items affecting comparability) / (balance sheet total - non-interest-bearing liabilities (average for the period))



# Investment highlights

# Investment highlights

- 1 Strong position in the growing market of converting renewables
- 2 Widest technology and services offering combined with automation excellence
- 3 Services: The widest offering and strong geographical presence
- 4 Automation: Maximizing efficiency and safety of our customers
- 5 Paper: World-class technology for packaging and hygiene needs
- 6 Pulp and Energy: Strong business with high market share and flexible cost structure
- 7 Systematically building the future



# Strong position in the growing market of converting renewables



Paper

#1 0.4 ~ -2%  
EUR bn p.a.

Increasing role of digital media decreases demand for print papers  
Demand for technology driven efficiency improvements  
Need for specialty papers

5% of net sales



Board

#1 1.0 ~ 2-3%  
EUR bn p.a.

World trade, e-commerce and emerging markets growth drive packaging  
Demand for light weight board  
Shift from plastic packaging to renewable materials  
Conversions from paper to board

16% of net sales



Tissue

#1 0.7 ~ 3-4%  
EUR bn p.a.

Rise in purchasing power and living standards  
Urbanization and improved hygiene  
Fast economic growth in emerging markets  
Demand for higher quality  
Consumers' higher hygiene habits

9% of net sales



Pulp

#1-2 1.5 ~ 1%  
EUR bn p.a.

Growing demand for sustainable packaging, tissue, hygiene products and textiles  
Increasing environmental awareness and stricter regulations  
Fiber-based plastic replacement  
Demand for second generation bioethanol

19% of net sales



Energy

#1-3 2.0 ~ 1%  
EUR bn p.a.

Decarbonization in energy production  
Biomass and residual waste used in heat and process steam production  
Tightening air emissions legislation and stricter directives

8% of net sales



Automation

#1-3 2.1 ~ 1%  
EUR bn p.a.

Aging machines and installed automation systems  
Investments in new pulp and paper production lines and industrial decarbonization  
Demand for raw material savings, process efficiencies and sustainability  
Demand for Industrial Internet based solutions driven by customer digitalization

9% of net sales



Services

#1-2 8.0 ~ 1-2%  
EUR bn p.a.

Increasing pulp, tissue, board and energy production  
Customer demand for resource efficiency, productivity, end-product quality, industrial internet services and reduced environmental impact  
Customer focus on core, decreasing own resources and outsourcing of non-core operations  
Size and gradual aging of installed base and capacity increases  
Closures and conversions of non-competitive production lines

35% of net sales

# Market position | Estimated market size for current offering (EUR) | Anticipated long-term market growth

For paper, board and tissue market position and estimated market size calculated as average during 2018-2020. For pulp, energy and automation the market position and estimated market size calculated based on 2020 figures. For services, the market position calculated from 2020 and estimated market size once the market recovers from the temporary negative impact of COVID on customer operations and services demand

# Widest technology and services offering combined with automation excellence

- Paper**
  - Board, paper and tissue production lines
  - Rebuilds
  - Stand-alone products
- Pulp**
  - Wood and pulp handling
  - Fiber processing
  - Recovery
- Energy**
  - Heat and power generation
  - Air emission control
  - Biofuels



- Services**
  - Spare parts and components
  - Maintenance and shutdown services
  - Outsourcing services
  - Production consumables
  - Process support and optimization
- Automation**
  - Distributed Control Systems (DCS)
  - Quality Management Systems (QMS)
  - Analyzers and measurements
  - Industrial Internet solutions

# Services: The widest offering and strong geographical presence

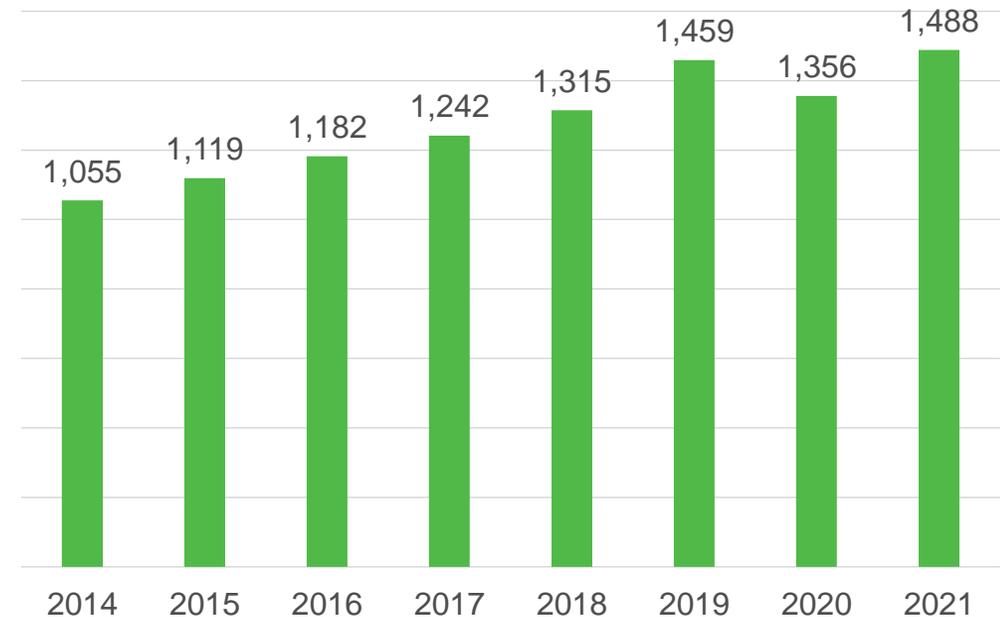
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## Services business line

- Widest offering to support customers' all service needs
- Benefits from growing installed base
- Strong geographical presence close to customers
- Steady increase in market share from 13% in 2014 to 17-18% in 2020
- Targeting to grow with the market and by winning further market share
- Opportunities to win new customers and increase share of wallet with existing customers

## Services business line

Orders received (EUR million)



Organic growth  
~4%  
CAGR in  
2014-2019

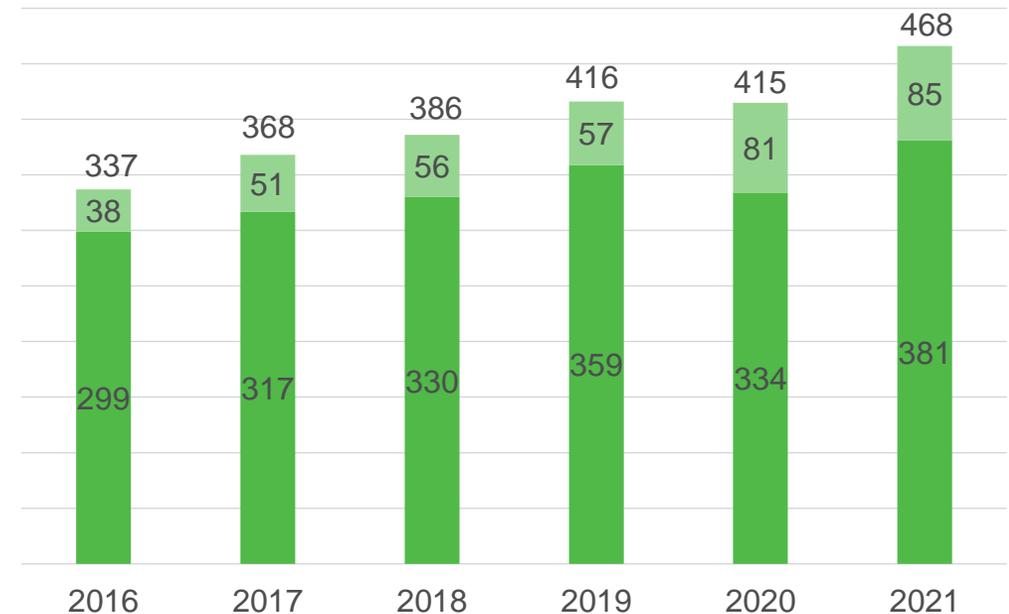
# Automation: Maximizing efficiency and safety of our customers

## Automation business line

- Solutions range from single measurements to plant-wide process automation systems
- Designed to maximize safety, sustainability and efficiency of customers' businesses
- Securing future competitiveness with R&D
- Strong track record since acquired to Valmet in 2015
- Several drivers for future growth
  - Increasing direct sales to customers
  - Package sales with Valmet's capital equipment
  - Replacing competitors' installed base and entering new industries
  - Growing in automation services

## Automation business line

Orders received (EUR million)



Organic growth  
~7%  
CAGR

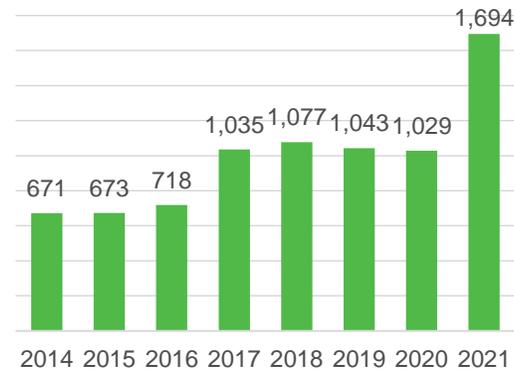
# Paper: World-class technology for packaging and hygiene needs 5

## Paper business line

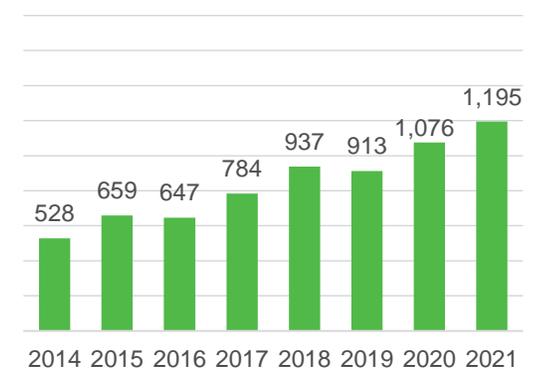
- Offering includes world-leading technology and products for board, tissue and paper making
- Long-term growth supported by favorable megatrends
  - Growing e-commerce and packaging needs
  - Increasing demand for hygiene products
- High market share
- Technological advantage and excellent references
- R&D targeted to introduce new products and improve the existing offering
- Flexible organization and low capacity cost provides resilience to market fluctuations

### Paper business line

Orders received (EUR million)



Net sales (EUR million)



Capacity costs	2015	2020
EUR million	270	301
% of net sales	41%	28%

	Market share	Market position
Board	~50%	#1
Tissue	~35%	#1
Paper	~50%	#1

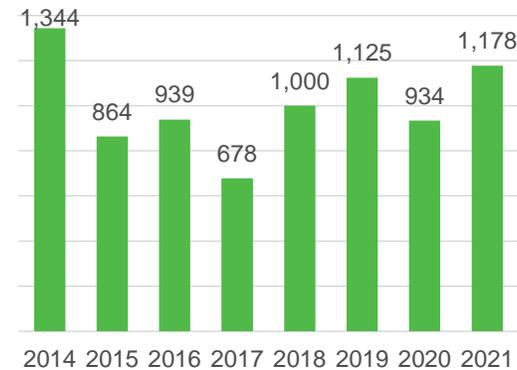
# Pulp and Energy: Strong business with high market share and flexible cost structure

## Pulp and Energy business line

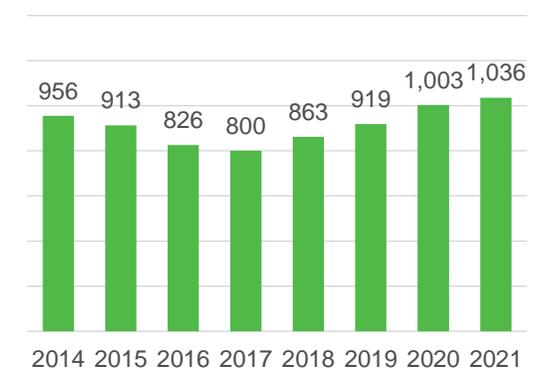
- Offering includes full pulp mills and energy solutions for biomass and emission control
- Long-term growth supported by favorable megatrends
  - Growing demand for sustainable packaging and hygiene products and textiles
  - Replacing plastic with fiber-based materials
- High market share
- Technological advantage by focusing on R&D
- Flexible organization and low capacity cost provides resilience to market fluctuations
- Yearly variations in orders received are typical due to timing of large orders

### Pulp and Energy business line

Orders received (EUR million)



Net sales (EUR million)



Capacity costs	2015	2020
EUR million	218	196
% of net sales	24%	20%

	Market share	Market position
Pulp	~45%	#1-2
Energy	~20%	#1-3

# Systematically building the future



## Customer

Valmet's way to serve:  
Lifecycle collaboration  
between the customer  
and Valmet

Add value to customers  
through Industrial  
Internet solutions

Ensure strong market  
position in capital  
business

Continue to increase  
market share in the  
stable business



## Technology

Develop new products  
and technologies

Improve product cost  
competitiveness

Increase material and  
energy efficiency and  
further develop solutions  
to reduce carbon  
footprint



## Process

Continue to improve  
project management  
and project execution

Valmet's climate  
program targeting to  
reduce emissions in the  
whole value chain

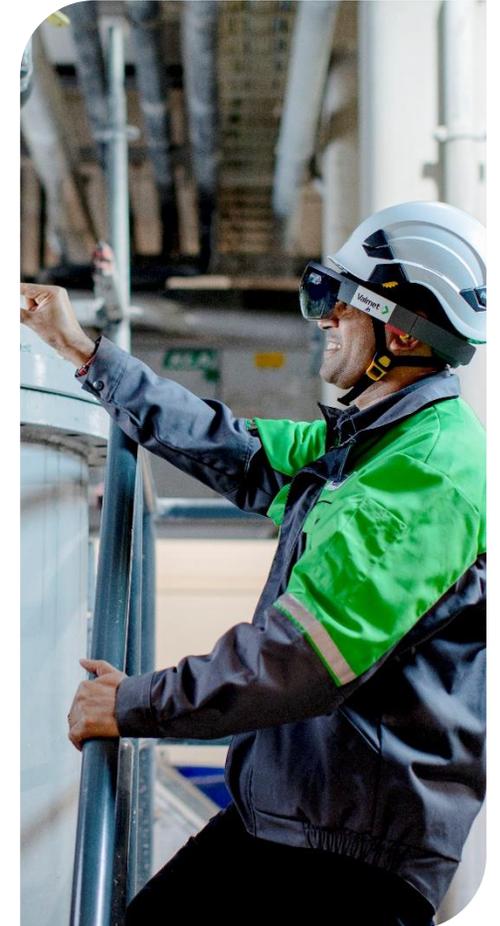


## People

Continuous development  
of employees through  
training programs

Building capabilities  
globally

Continue to improve  
safety and lower LTIF<sup>1</sup>



1) LTIF = Lost time incident frequency.



# Financials

# Key figures

EUR million	Q4/2021	Q4/2020	Change	2021	2020	Change
Orders received	<b>1,093</b>	940	16%	<b>4,740</b>	3,653	30%
Order backlog <sup>1</sup>	<b>4,096</b>	3,257	26%	<b>4,096</b>	3,257	26%
Net sales	<b>1,199</b>	1,167	3%	<b>3,935</b>	3,740	5%
Comparable EBITA	<b>147</b>	146	0%	<b>429</b>	365	18%
% of net sales	<b>12.2%</b>	12.5%		<b>10.9%</b>	9.8%	
EBITA	<b>155</b>	147	6%	<b>448</b>	355	26%
Operating profit (EBIT)	<b>143</b>	135	6%	<b>399</b>	319	25%
% of net sales	<b>11.9%</b>	11.6%		<b>10.1%</b>	8.5%	
Earnings per share, EUR	<b>0.67</b>	0.67	-1%	<b>1.98</b>	1.54	28%
Return on capital employed (ROCE) before taxes <sup>2</sup>				<b>24%</b>	22%	
Cash flow provided by operating activities	<b>96</b>	114	-15%	<b>482</b>	532	-9%
Gearing <sup>1</sup>				<b>-7%</b>	13%	

Items affecting comparability: EUR 8 million in Q4/2021 (EUR 0 million in Q4/2020), EUR 19 million in 2021 (EUR -10 million in 2020)

Valmet's investment in Neles had a positive impact on EBITA of EUR 4.3 million in Q4/2021 and EUR 14.2 million in 2021

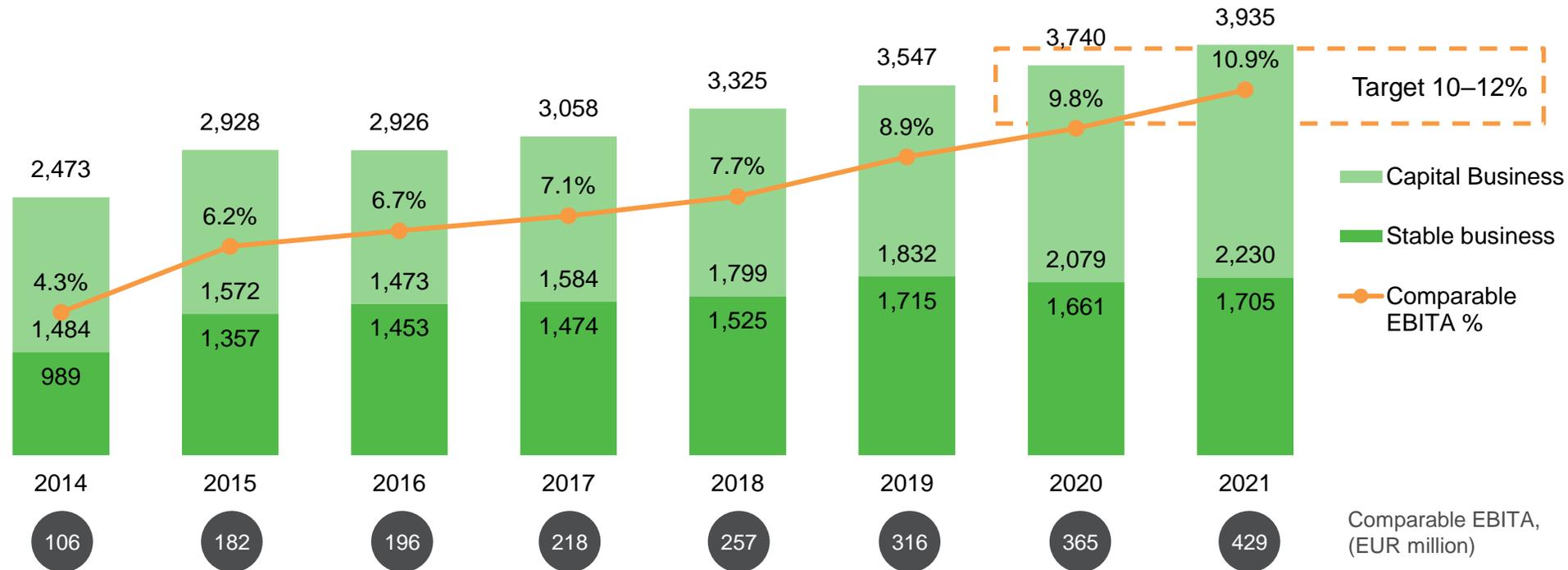
Valmet's investment in Neles had a positive impact on operating profit of EUR 1.8 million in Q4/2021 and EUR 1.1 million in 2021

1) At end of period

2) Annualized

# Comparable EBITA margin<sup>1</sup> at target level

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



- In Q4/2021, net sales and Comparable EBITA remained at the previous year's level compared with Q4/2020

1) 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.

# Guidance and short-term market outlook

## Guidance for 2022

<b>Guidance</b> 	Valmet estimates that 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).
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## Short-term market outlook

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

# Dividend proposal

## Dividend policy

- Dividend payout at least 50% of net profit

## Board of Directors' dividend proposal to the Annual General Meeting

- EUR 1.20 dividend per share, which represents 61% payout ratio

## Dividend per share (euro)

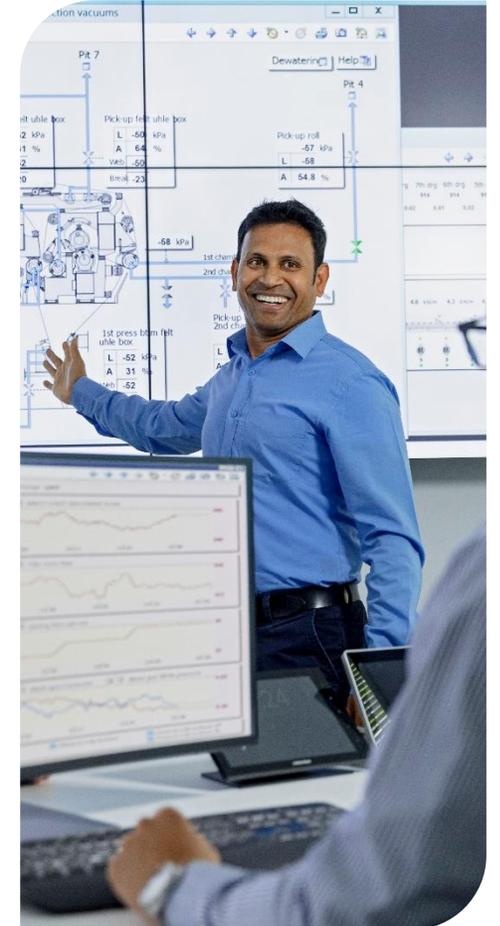




# Conclusion

# Conclusion

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# Important notice

It should be noted that certain statements herein which are not historical facts, including, without limitation, those regarding expectations for general economic development and the market situation, expectations for growth, profitability and investment willingness, expectations for company development, growth and profitability and the realization of synergy benefits and cost savings, and statements preceded by “anticipates”, “believes”, “estimates”, “expects”, “foresees” or similar expressions, are forward-looking statements. Since these statements are based on current decisions and plans, estimates and projections, they involve risks and uncertainties which may cause the actual results to materially differ from the results currently expressed. Such factors include, but are not limited to:

- 1) general economic conditions, including fluctuations in exchange rates and interest levels which influence the operating environment and profitability of customers of the company or economic growth in the company’s principal geographic markets.
- 2) industry conditions, intensity of competition situation, especially potential introduction of significant technological solutions developed by competitors, financial condition of the customers and the competitors of the company,
- 3) the company’s own operating factors, such as the success of production, product development and project management and the efficiencies therein including continuous development and improvement
- 4) the success of pending and future acquisitions and restructuring.

