Interim Review

January 1 – September 30, 2022

Valmet

Valmet's Interim Review January 1 – September 30, 2022

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

Figures in brackets, unless otherwise stated, refer to the comparison period, i.e., the same period of the previous year.

Starting from January 1, 2022, Valmet has a new financial reporting structure consisting of three reportable segments (segments): Services, Automation and Process Technologies. Services segment includes the Services business line. Automation segment includes the Automation Systems business line (previously called Automation), and as of April 1, 2022, also the Flow Control business line. Process Technologies segment includes the Pulp and Energy, and Paper business lines.

July–September 2022: Net sales and Comparable EBITA increased but Comparable EBITA margin decreased

- Orders received increased 6 percent to EUR 1,178 million (EUR 1,107 million).
  - Orders received increased in the Automation and Services segments and decreased in the Process Technologies segment.
  - Orders received increased in South America, North America and China, and remained at the previous year's level in Asia-Pacific and EMEA (Europe, Middle East and Africa).
- Net sales increased 38 percent to EUR 1,288 million (EUR 935 million).
  - Net sales increased in all three segments.
- Comparable earnings before interest, taxes and amortization (Comparable EBITA) increased 27 percent to EUR 136 million (EUR 107 million).
  - Comparable EBITA increased in the Automation and Services segments and decreased in the Process Technologies segment.
- Comparable EBITA margin was 10.5 percent (11.4%).
- Earnings per share were EUR 0.38 (EUR 0.50). Adjusted earnings per share were EUR 0.51 (EUR 0.53).
- Items affecting comparability amounted to EUR -4 million (EUR 0 million).
- Cash flow provided by operating activities was EUR 115 million (EUR 57 million).

January–September 2022: Orders received remained at the previous year's level and Comparable EBITA increased

- Orders received remained at the previous year's level and amounted to EUR 3,809 million (EUR 3,647 million).
  - Orders received increased in the Automation and Services segments and decreased in the Process Technologies segment.
  - Orders received increased in North America, Asia-Pacific and EMEA and decreased in South America and China.
- Net sales increased 29 percent to EUR 3,534 million (EUR 2,736 million).
  - Net sales increased in all three segments.
- Comparable earnings before interest, taxes and amortization (Comparable EBITA) increased 20 percent to EUR 337 million (EUR 282 million).
  - Comparable EBITA increased in the Automation and Services segments and decreased in the Process Technologies segment.

- Comparable EBITA margin was 9.5 percent (10.3%).
- Earnings per share were EUR 1.25 (EUR 1.31). Adjusted earnings per share were EUR 1.56 (EUR 1.40).
- Items affecting comparability amounted to EUR 23 million (EUR 10 million).
- Cash flow provided by operating activities was EUR 49 million (EUR 385 million).

Guidance for 2022 unchanged

Valmet reiterates its guidance issued on April 1, 2022, in which 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).

Short-term market outlook

Valmet reiterates the good short-term market outlook for services, flow control, automation systems, energy, and board and paper, the good/satisfactory short-term market outlook for pulp, and the satisfactory short-term market outlook for tissue.

The short-term market outlook is given for the next six months from the end of the reported period. It is based on customer activity (50%) and Valmet's capacity utilization (50%), and the scale is 'weak–satisfactory–good'.

President and CEO Pasi Laine: Orders received and Comparable EBITA increased in the third quarter

"Valmet's orders received increased to EUR 1.2 billion in the third quarter of 2022. Orders received increased in the Automation and Services segments, and decreased in the Process Technologies segment. Our order backlog amounted to EUR 4,672 million, which is EUR 576 million higher than at the end of 2021.

Net sales increased in all three segments and amounted to EUR 1,288 million. Comparable EBITA increased as well, but Comparable EBITA margin decreased. Comparable EBITA increased in Automation and Services, and decreased in Process Technologies. Cost inflation continued to impact Valmet's margins during the quarter. Valmet's goal is to offset the cost inflation through increased productivity, procurement savings and price increases.

The integration of Flow Control is proceeding well. Even though the merger was completed only six months ago, Flow Control is already a strong part of Valmet. Orders received of Flow Control have developed well. Valmet has today a stronger stable business and a unique, competitive and balanced offering for process industries. With this wide offering we can serve our customers even better than before."

Merger with Neles

On July 2, 2021, Valmet announced that the Boards of Directors of Valmet Oyj and Neles Corporation had signed a combination agreement and a merger plan to combine the two companies through a merger. Both companies held an Extraordinary General Meeting on September 22, 2021, and both EGMs approved the merger. Valmet and Neles had received all competition approvals for the merger of Neles into Valmet on March 21, 2022. Valmet's Annual General Meeting on March 22, 2022, resolved to pay a dividend of EUR 1.20 per share and the Neles Annual General Meeting on March 22, 2022, resolved to pay a dividend of EUR 0.266 per share in accordance with the combination agreement. In addition, Neles' Board of Directors decided on March 22, 2022, on an extra distribution of funds in total of EUR 2.00 per share in accordance with the combination agreement. The dividends and Neles' extra distribution of funds of EUR 2.00 per share were executed on March 31, 2022. The merger of Valmet and Neles was registered with the Finnish Trade Register on April 1, 2022.

On July 2, 2021, Valmet entered into EUR 350 million term loan facilities agreement with Danske Bank A/S and Nordea Bank Abp. The syndication of the term loan facilities was closed on October 20, 2021. The loan was used for refinancing existing indebtedness of Valmet and Neles in connection with the merger. EUR 215 million (originally 301 million) bridge facility agreement originally entered into by Neles was transferred to Valmet in connection with the completion of the merger. The bridge loan facility was used for financing of the extra distribution to shareholders of Neles.

On March 22, 2022, the Boards of Directors of Valmet and Neles approved a loan agreement between the companies concerning the part of the extra distribution of funds of EUR 2.00 per share payable to Valmet. According to the loan agreement, the part of the extra distribution payable to Valmet as a shareholder of Neles was not paid in cash to Valmet in connection with payment of the extra distribution to other shareholders of Neles, but the amount payable to Valmet was recorded as debt owed by Neles to Valmet.

Valmet and Neles were separate listed companies prior to the merger. On April 1, 2022, Valmet announced that the statutory merger of Neles Corporation into Valmet had been registered and the combination of Valmet's and Neles' business operations had been completed. Neles is consolidated into Valmet as of April 1, 2022, and forms Valmet's fifth business line called Flow Control. After the merger, Valmet's business lines are Services, Flow Control, Automation Systems, Paper, and Pulp and Energy. Automation Systems business line was previously called Automation.

The final Shareholders' Meeting of Neles was held on June 22, 2022, in Vantaa. The Shareholders' Meeting adopted the final accounts of Neles in accordance with Chapter 16, Section 17 of the Finnish Companies Act, consisting of the financial statements and annual report for the financial period January 1, 2022–March 31, 2022. The Shareholders' Meeting also resolved on discharging the members of the Board of Directors and the President and CEO of Neles from liability.

Update on the integration of Flow Control into Valmet

The integration of Flow Control (former Neles) into Valmet is proceeding according to the plan. Active sales and marketing of Valmet's whole offering was commenced in the second quarter, and implementation of several cost synergy actions regarding function costs, common locations and supply chain continued during the third quarter. Valmet expects to generate annual run rate synergies of approximately EUR 25 million, of which approximately 60 percent are expected to be achieved by the end of 2023 and approximately 90 percent by the end of 2024.

Russia's invasion of Ukraine and sanctions on Russia

Due to Russia's invasion of Ukraine, Valmet reviewed key contractual obligations, project schedules, and identified risks for projects that are delivered to Russia. Based on the review, Valmet identified projects that it estimates no longer to meet the criteria of a customer contract for revenue recognition purposes, and consequently made a reversal of approximately EUR 80 million to its order backlog during 2022.

On June 3, 2022, Valmet announced that it has initiated employee reductions, which will result in a 50 percent reduction in the number of employees in Russia in the first implementation phase. Consequently, Valmet recorded an expense of approximately EUR 20 million during 2022 for estimated restructuring costs, asset impairments and other exceptional items triggered by Valmet's decision to withdraw from Russia. These costs have been reported in cost of sales, in selling, general and administrative expenses and in other operating expenses, and have been reported as items affecting comparability. Therefore they do not impact Comparable EBITA. At the end of September 2022, Valmet had a total of approximately 60 employees in Russia, working primarily in sales, engineering, maintenance and financial administration. Valmet does not have production in Russia. Approximately 2 percent of Valmet's total net sales came from its Russian operations in 2021.

Valmet will withdraw from Russia completely and will continue to implement the withdrawal in stages as the review of implementation options is fully completed. Valmet complies with all sanctions and export regulations impacting business with Russia and Belarus and monitors the development actively.

Key figures[1]

EUR million	Q3/2022	Q3/2021	Change	Q1–Q3/ 2022	Q1–Q3/ 2021	Change
Orders received	**1,178**	1,107	6%	**3,809**	3,647	4%
Order backlog[2]	**4,672**	4,199	11%	**4,672**	4,199	11%
Net sales	**1,288**	935	38%	**3,534**	2,736	29%
Comparable earnings before interest, taxes and amortization (Comparable EBITA)	**136**	107	27%	**337**	282	20%
% of net sales	**10.5%**	11.4%		**9.5%**	10.3%	
Earnings before interest, taxes and amortization (EBITA)	**132**	107	23%	**360**	293	23%
% of net sales	**10.2%**	11.4%		**10.2%**	10.7%	
Operating profit (EBIT)	**97**	95	3%	**280**	255	10%
% of net sales	**7.6%**	10.1%		**7.9%**	9.3%	
Profit before taxes	**98**	95	3%	**279**	253	10%
Profit for the period	**71**	75	-6%	**217**	197	10%
Adjusted earnings per share, EUR	**0.51**	0.53	-4%	**1.56**	1.40	11%
Earnings per share, EUR	**0.38**	0.50	-24%	**1.25**	1.31	-4%
Equity per share, EUR[2]	**13.22**	8.10	63%	**13.22**	8.10	63%
Cash flow provided by operating activities	**115**	57	>100%	**49**	385	-87%
Cash flow after investments	**88**	19	>100%	**100**	312	-68%
Return on equity (ROE) (annualized)				**15%**	22%	
Return on capital employed (ROCE) before taxes (annualized)				**15%**	21%	
Equity to assets ratio[2]				**47%**	41%	
Gearing[2]				**18%**	-1%	

[1] *The calculation of key figures is presented on page 59.*
[2] *At end of period.*

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%
Flow Control	*189*	–		*387*	–	
Automation Systems	*117*	*109*	*8%*	*371*	*347*	*7%*
Process Technologies	**444**	657	-32%	**1,713**	2,206	-22%
Pulp and Energy	*211*	*145*	*46%*	*792*	*922*	*-14%*
Paper	*233*	*512*	*-54%*	*921*	*1,284*	*-28%*
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%
Flow Control	*183*	–		*360*	–	
Automation Systems	*114*	*91*	*25%*	*317*	*252*	*26%*
Process Technologies	**610**	522	17%	**1,757**	1,537	14%
Pulp and Energy	*256*	*257*	*-1%*	*798*	*720*	*11%*
Paper	*355*	*265*	*34%*	*959*	*817*	*17%*
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, % of net sales	Q3/2022	Q3/2021		Q1–Q3/ 2022	Q1–Q3/ 2021	
Services	**14.3%**	15.5%		**12.9%**	14.1%	
Automation	**17.6%**	20.5%		**16.6%**	15.4%	
Process Technologies	**5.8%**	8.9%		**6.1%**	8.5%	
Total	**10.5%**	11.4%		**9.5%**	10.3%	

EBITA, EUR million	Q3/2022	Q3/2021	Change	Q1–Q3/ 2022	Q1–Q3/ 2021	Change
Services	**55**	50	9%	**134**	139	-3%
Automation	**48**	19	>100%	**99**	40	>100%
Process Technologies	**36**	46	-22%	**98**	129	-24%
Other	**-7**	-8	-17%	**29**	-14	
Total	**132**	107	23%	**360**	293	23%

News conference and webcast for analysts, investors and media

Valmet will arrange a news conference in English as a live webcast at https://valmet.videosync.fi/2022-q3 on Wednesday, October 26, 2022, at 2:00 p.m. Finnish time (EEST). President and CEO Pasi Laine and CFO Katri Hokkanen will be presenting the results.

Recording of the webcast will be available shortly after the event at the same address.

It is possible to take part in the news conference through a conference call by registering through the link below:

https://call.vsy.io/access-9701

After the registration you will be provided phone numbers and a conference ID to access the conference. If you wish to ask a question during the conference, please dial *5 on your telephone keypad to enter the question queue.

All questions should be presented in English.

The event can also be followed on Twitter at www.twitter.com/valmetir.

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Orders received increased 6 percent in Q3/2022

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%
Flow Control	*189*	—		*387*	—	
Automation Systems	*117*	*109*	*8%*	*371*	*347*	*7%*
Process Technologies	**444**	657	-32%	**1,713**	2,206	-22%
Pulp and Energy	*211*	*145*	*46%*	*792*	*922*	*-14%*
Paper	*233*	*512*	*-54%*	*921*	*1,284*	*-28%*
Total	**1,178**	1,107	6%	**3,809**	3,647	4%

Orders received, comparable foreign exchange rates, EUR million[1]	**Q3/2022**	Q3/2021	Change	**Q1–Q3/ 2022**	Q1–Q3/ 2021	Change
Services	**399**	341	17%	**1,273**	1,094	16%
Automation	**285**	109	>100%	**714**	347	>100%
Flow Control	*171*	—		*354*	—	
Automation Systems	*113*	*109*	*5%*	*360*	*347*	*4%*
Process Technologies	**443**	657	-33%	**1,686**	2,206	-24%
Pulp and Energy	*212*	*145*	*46%*	*790*	*922*	*-14%*
Paper	*232*	*512*	*-55%*	*896*	*1,284*	*-30%*
Total	**1,127**	1,107	2%	**3,673**	3,647	1%

[1] *Indicative only. January–September 2022 orders received in euro calculated by applying January–September 2021 average exchange rates to the functional currency orders received values reported by entities.*

Orders received, EUR million	**Q3/2022**	Q3/2021	Change	**Q1–Q3/ 2022**	Q1–Q3/ 2021	Change
North America	**270**	217	25%	**860**	553	56%
South America	**78**	42	86%	**262**	442	-41%
EMEA	**411**	425	-3%	**1,553**	1,458	7%
China	**107**	101	6%	**527**	702	-25%
Asia-Pacific	**312**	322	-3%	**606**	492	23%
Total	**1,178**	1,107	6%	**3,809**	3,647	4%

Orders received by segment, Q1–Q3/2022

Orders received by area, Q1–Q3/2022

July–September 2022: Orders received increased in Automation and Services segments and decreased in Process Technologies segment

Orders received increased 6 percent to EUR 1,178 million (EUR 1,107 million) in July–September. The increase was largely due to Neles, which has been consolidated to Valmet as of April 1, 2022. Orders received increased in the Automation and Services segments and decreased in the Process Technologies segment. Stable business (Services and Automation segments) accounted for 62 percent (41%) of Valmet's orders received.

Orders received increased in South America, North America and China, and remained at the previous year's level in Asia-Pacific and EMEA. Measured by orders received, the top three countries were Indonesia, the USA and Germany, which together accounted for 50 percent of total orders received. South America, China and Asia-Pacific together accounted for 42 percent (42%) of orders received.

Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2021 increased orders received by approximately EUR 51 million in July–September.

During July–September, Valmet received among others an order for a coated board making line with automation and Industrial Internet solutions as well as spare parts and consumables packages to Asia-Pacific, typically valued at around EUR 140–180 million, an order for key process technology for a containerboard machine in Vietnam, typically worth between EUR 20 and 30 million, and an order for a tissue production line to Mexico.

January–September 2022: Orders received remained at the previous year's level

Orders received remained at the previous year's level and amounted to EUR 3,809 million (EUR 3,647 million) in January–September. Orders received increased in the Automation and Services segments and decreased in the Process Technologies segment. Stable business (Services and Automation segments) accounted for 55 percent (40%) of Valmet's orders received.

Orders received increased in North America, Asia-Pacific and EMEA and decreased in South America and China. Measured by orders received, the top three countries were the USA, China and Indonesia, which together accounted for 40 percent of total orders received. South America, China and Asia-Pacific together accounted for 37 percent (45%) of orders received.

Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2021 increased orders received by approximately EUR 136 million during January–September.

In addition to the above-mentioned, during January–September, Valmet received among others an order for OCC, stock preparation and container board lines to the United Kingdom, typically valued at around EUR 150–170 million, an order for a fine paper making line to China, typically valued at EUR 80–100 million, an order for a combined heat and power plant and a pretreatment system to Poland, an order for a fiberline modernization to a pulp mill in Brazil, typically valued at around EUR 25–40 million, and an order for completion of biomass boiler, flue gas cleaning and flue gas condensing system works in Lithuania, with a total maximum value of around EUR 30 million.

Order backlog amounted to EUR 4.7 billion and was 11 percent higher than at the end of September 2021

Order backlog, EUR million	As at September 30, 2022	As at September 30, 2021	Change	As at June 30, 2022
Total	**4,672**	4,199	11%	4,784

Order backlog amounted to EUR 4,672 million at the end of the reporting period, which is at the same level as at the end of June 2022 and 11 percent higher than at the end of September 2021. Approximately 25 percent of the order backlog relates to the Services segment, 15 percent to the Automation segment, and 60 percent to the Process Technologies segment (at the end of September 2021, 20%, 5% and 75% respectively).

Net sales increased 38 percent in Q3/2022

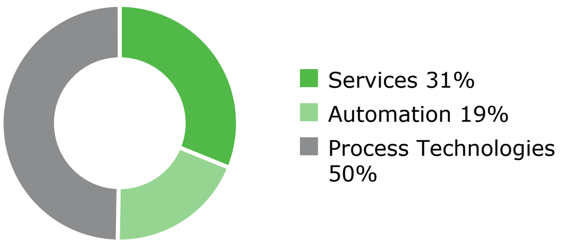
Net sales, EUR million	Q3/2022	Q3/2021	Change	Q1–Q3/ 2022	Q1–Q3/ 2021	Change
Services	**381**	322	18%	**1,101**	947	16%
Automation	**296**	91	>100%	**676**	252	>100%
Flow Control	*183*	–		*360*	–	
Automation Systems	*114*	*91*	*25%*	*317*	*252*	*26%*
Process Technologies	**610**	522	17%	**1,757**	1,537	14%
Pulp and Energy	*256*	*257*	*-1%*	*798*	*720*	*11%*
Paper	*355*	*265*	*34%*	*959*	*817*	*17%*
Total	**1,288**	935	38%	**3,534**	2,736	29%

Net sales, comparable foreign exchange rates, EUR million[1]	Q3/2022	Q3/2021	Change	Q1–Q3/ 2022	Q1–Q3/ 2021	Change
Services	**359**	322	11%	**1,047**	947	11%
Automation	**276**	91	>100%	**638**	252	>100%
Flow Control	*167*	–		*332*	–	
Automation Systems	*109*	*91*	*20%*	*306*	*252*	*21%*
Process Technologies	**591**	522	13%	**1,711**	1,537	11%
Pulp and Energy	*251*	*257*	*-2%*	*786*	*720*	*9%*
Paper	*340*	*265*	*28%*	*925*	*817*	*13%*
Total	**1,226**	935	31%	**3,396**	2,736	24%

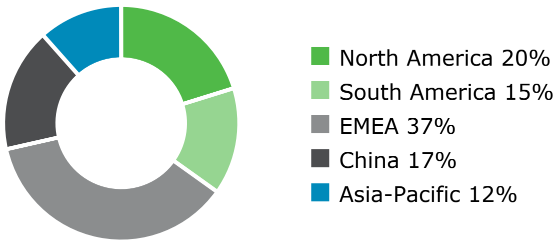
[1] *Indicative only. January–September 2022 net sales in euro calculated by applying January–September 2021 average exchange rates to the functional currency net sales values reported by entities.*

Net sales, EUR million	Q3/2022	Q3/2021	Change	Q1–Q3/ 2022	Q1–Q3/ 2021	Change
North America	**262**	178	48%	**714**	569	26%
South America	**210**	87	>100%	**518**	277	87%
EMEA	**449**	378	19%	**1,293**	1,079	20%
China	**210**	191	10%	**600**	538	11%
Asia-Pacific	**157**	101	55%	**409**	273	49%
Total	**1,288**	935	38%	**3,534**	2,736	29%

Net sales by segment, Q1–Q3/2022



Net sales by area, Q1–Q3/2022



July–September 2022: Net sales increased in all segments

Net sales increased 38 percent to EUR 1,288 million (EUR 935 million) in July–September, largely due to consolidation of Neles into Valmet as of April 1, 2022. Stable business (Services and Automation segments) accounted for 53 percent (44%) of Valmet's net sales. Net sales increased in all three segments.

Net sales increased in all areas. Measured by net sales, the top three countries were the USA, China and Brazil, which together accounted for 46 percent of total net sales. South America, China and Asia-Pacific together accounted for 45 percent (41%) of net sales.

Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2021 increased net sales by approximately EUR 62 million in July–September.

January–September 2022: Net sales increased 29 percent

Net sales increased 29 percent to EUR 3,534 million (EUR 2,736 million) during January–September. Stable business (Services and Automation segments) accounted for 50 percent (44%) of Valmet's net sales.

Net sales increased in all segments and all geographical areas. Measured by net sales, the top three countries were the USA, China and Brazil, which together accounted for 46 percent of total net sales. South America, China and Asia-Pacific together accounted for 43 percent (40%) of net sales.

Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2021 increased net sales by approximately EUR 138 million during January–September.

Comparable EBITA increased 27 percent but Comparable EBITA margin decreased to 10.5 percent in Q3/2022

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, % of net sales	Q3/2022	Q3/2021	Q1–Q3/ 2022	Q1–Q3/ 2021
Services	**14.3%**	15.5%	**12.9%**	14.1%
Automation	**17.6%**	20.5%	**16.6%**	15.4%
Process Technologies	**5.8%**	8.9%	**6.1%**	8.5%
Total	**10.5%**	11.4%	**9.5%**	10.3%

July–September 2022: Comparable EBITA margin decreased in all segments

Comparable earnings before interest, taxes and amortization (Comparable EBITA) increased 27 percent to EUR 136 million in July–September, corresponding to 10.5 percent of net sales (EUR 107 million and 11.4%). Items affecting comparability amounted to EUR -4 million (EUR 0 million).

Comparable EBITA of the Services segment increased to EUR 55 million in July–September, corresponding to 14.3 percent of the segment's net sales (EUR 50 million and 15.5%). Comparable EBITA increased due to higher net sales, but the margin was lower due to cost inflation.

Comparable EBITA of the Automation segment increased to EUR 52 million in July–September, corresponding to 17.6 percent of the segment's net sales (EUR 19 million and 20.5%). Comparable EBITA increased due to consolidation of Neles into Valmet as of April 1, 2022.

Comparable EBITA of the Process Technologies segment decreased to EUR 36 million in July–September, corresponding to 5.8 percent of the segment's net sales (EUR 46 million and 8.9%). Comparable EBITA decreased as margins in some Pulp and Energy projects were impacted by cost inflation.

January–September 2022: Comparable EBITA increased 20 percent but margin decreased to 9.5 percent

In January–September, Valmet's Comparable EBITA increased 20 percent to EUR 337 million, i.e., 9.5 percent of net sales (EUR 282 million and 10.3%). Items affecting comparability amounted to EUR 23 million (EUR 10 million), mainly including a gain of EUR 59 million from remeasurement of Valmet's previously held equity interest in Neles and expenses from Valmet’s withdrawal from Russia.

Comparable EBITA of the Services segment increased to EUR 142 million in January–September, corresponding to 12.9 percent of the segment's net sales (EUR 133 million and

14.1%). Comparable EBITA increased due to higher net sales, but the margin was lower due to cost inflation.

Comparable EBITA of the Automation segment increased to EUR 112 million in January–September, corresponding to 16.6 percent of the segment's net sales (EUR 39 million and 15.4%). Comparable EBITA increased mostly due to consolidation of Neles into Valmet as of April 1, 2022.

Comparable EBITA of the Process Technologies segment decreased to EUR 107 million in January–September, corresponding to 6.1 percent of the segment's net sales (EUR 130 million and 8.5%). Comparable EBITA decreased as margins in some Pulp and Energy projects were impacted by cost inflation.

Operating profit

Operating profit (EBIT) in July–September was EUR 97 million, i.e., 7.6 percent of net sales (EUR 95 million and 10.1%).

Operating profit in January–September was EUR 280 million, i.e., 7.9 percent of net sales (EUR 255 million and 9.3%).

In the second quarter, Valmet recorded a gain of EUR 59 million under other operating income from remeasurement of Valmet's previously held equity interest in Neles.

Net financial income and expenses

Net financial income and expenses in July–September were EUR 0 million (EUR 0 million).

In January–September, net financial income and expenses amounted to EUR -1 million (EUR -2 million).

Profit before taxes and earnings per share

Profit before taxes for July–September was EUR 98 million (EUR 95 million). The profit attributable to owners of the parent in July–September was EUR 71 million (EUR 75 million), corresponding to earnings per share (EPS) of EUR 0.38 (EUR 0.50). Adjusted EPS was EUR 0.51 (EUR 0.53).

In January–September, profit before taxes was EUR 279 million (EUR 253 million). The profit attributable to owners of the parent was EUR 217 million (EUR 196 million), corresponding to an EPS of EUR 1.25 (EUR 1.31). Adjusted EPS was EUR 1.56 (EUR 1.40).

Return on capital employed (ROCE) and return on equity (ROE)

In January–September, the annualized return on capital employed (ROCE) before taxes was 15 percent (21%) and the annualized return on equity (ROE) was 15 percent (22%).

Segments and business lines

Services: Orders received, net sales and comparable EBITA increased in Q3/2022

Services segment	**Q3/2022**	Q3/2021	Change	**Q1–Q3/ 2022**	Q1–Q3/ 2021	Change
Orders received (EUR million)	**427**	341	25%	**1,338**	1,094	22%
Net sales (EUR million)	**381**	322	18%	**1,101**	947	16%
Comparable EBITA (EUR million)	**55**	50	9%	**142**	133	7%
Comparable EBITA, %	**14.3%**	15.5%		**12.9%**	14.1%	
Personnel (end of period)				**6,294**	5,953	6%

In July–September, orders received by the Services segment increased 25 percent to EUR 427 million (EUR 341 million). Services accounted for 36 percent (31%) of Valmet's orders received. Orders received increased in all businesses, and in all geographical areas except for Asia-Pacific, where orders received remained at the previous year's level. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2021 increased orders received by approximately EUR 28 million.

In January–September, orders received by the Services segment increased 22 percent to EUR 1,338 million (EUR 1,094 million). Services accounted for 35 percent (30%) of all orders received. Orders received increased in all businesses and all geographical areas. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2021 increased orders received by approximately EUR 66 million.

Net sales for the Services segment amounted to EUR 381 million (EUR 322 million) in July–September, corresponding to 30 percent (34%) of Valmet’s net sales. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2021 increased net sales by approximately EUR 23 million.

In January–September, net sales for the Services segment amounted to EUR 1,101 million (EUR 947 million), corresponding to 31 percent (35%) of Valmet’s net sales. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2021 increased net sales by approximately EUR 54 million.

Comparable EBITA of the Services segment increased to EUR 55 million in July–September, corresponding to 14.3 percent of the segment's net sales (EUR 50 million and 15.5%). Comparable EBITA increased due to higher net sales, but the margin was lower due to cost inflation.

In January–September, comparable EBITA of the Services segment increased to EUR 142 million, corresponding to 12.9 percent of the segment's net sales (EUR 133 million and 14.1%). Comparable EBITA increased due to higher net sales, but the margin was lower due to cost inflation.

The Services segment was affected by cost inflation, reduced component availability and longer delivery times of certain components in January–September.

Automation: Orders received, net sales and comparable EBITA increased in Q3/2022

Automation segment	**Q3/2022**	Q3/2021	Change	**Q1–Q3/ 2022**	Q1–Q3/ 2021	Change
Orders received (EUR million)	**306**	109	>100%	**758**	347	>100%
Net sales (EUR million)	**296**	91	>100%	**676**	252	>100%
Comparable EBITA (EUR million)	**52**	19	>100%	**112**	39	>100%
Comparable EBITA, %	**17.6%**	20.5%		**16.6%**	15.4%	
Personnel (end of period)				**4,862**	1,973	>100%

In July–September, orders received by the Automation segment more than doubled to EUR 306 million (EUR 109 million) due to the consolidation of Neles into Valmet as of April 1, 2022. Automation accounted for 26 percent (10%) of Valmet's orders received. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2021 increased orders received by approximately EUR 22 million.

In January–September, orders received by the Automation segment increased more than 100 percent to EUR 758 million (EUR 347 million) due to the consolidation of Neles into Valmet as of April 1, 2022. Automation segment accounted for 20 percent (10%) of Valmet's orders received. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2021 increased orders received by approximately EUR 44 million.

Net sales for the Automation segment amounted to EUR 296 million (EUR 91 million) in July–September, corresponding to 23 percent (10%) of Valmet's net sales. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2021 increased net sales by approximately EUR 20 million.

In January–September, net sales for the Automation segment amounted to EUR 676 million (EUR 252 million), corresponding to 19 percent (9%) of Valmet's net sales. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2021 increased net sales by approximately EUR 38 million.

Comparable EBITA of the Automation segment increased to EUR 52 million in July–September, corresponding to 17.6 percent of the segment's net sales (EUR 19 million and 20.5%). Comparable EBITA increased due to consolidation of Neles into Valmet as of April 1, 2022.

In January–September, comparable EBITA of the Automation segment increased to EUR 112 million, corresponding to 16.6 percent of the segment's net sales (EUR 39 million and 15.4%). Comparable EBITA increased mostly due to consolidation of Neles into Valmet as of April 1, 2022.

Flow Control business line	**Q3/2022**	Q3/2021	Change	**Q1–Q3/ 2022**	Q1–Q3/ 2021	Change
Orders received (EUR million)	**189**	–		**387**	–	
Net sales (EUR million)	**183**	–		**360**	–	
Personnel (end of period)				**2,831**	–	

In July–September, orders received by the Flow Control business line amounted to EUR 189 million. Flow Control accounted for 16 percent of Valmet's orders received.

In April–September, orders received by the Flow Control business line amounted to EUR 387 million and accounted for 16 percent of Valmet's orders received.

Net sales for the Flow Control business line amounted to EUR 183 million in July–September, corresponding to 14 percent of Valmet's net sales.

In April–September, net sales for the Flow Control business line amounted to EUR 360 million, corresponding to 14 percent of Valmet's net sales.

Reduced component availability and the lockdowns in China earlier in 2022 caused longer lead times for Flow Control in April–September.

Automation Systems business line	**Q3/2022**	Q3/2021	Change	**Q1–Q3/ 2022**	Q1–Q3/ 2021	Change
Orders received (EUR million)	**117**	109	8%	**371**	347	7%
Net sales (EUR million)	**114**	91	25%	**317**	252	26%
Personnel (end of period)				**2,031**	1,973	3%

In July–September, orders received by the Automation Systems business line increased 8 percent to EUR 117 million (EUR 109 million) and accounted for 10 percent (10%) of Valmet's orders received. Orders received increased in EMEA and North America, remained at the previous year's level in South America, and decreased in Asia-Pacific and China. Orders received increased in Energy and Process, and remained at the previous year's level in Pulp and Paper.

In January–September, orders received by the Automation Systems business line increased 7 percent to EUR 371 million (EUR 347 million). Automation Systems accounted for 10 percent (10%) of Valmet's orders received. 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 for the Automation Systems business line amounted to EUR 114 million (EUR 91 million) in July–September, corresponding to 9 percent (10%) of Valmet's net sales.

In January–September, net sales for the Automation Systems business line amounted to EUR 317 million (EUR 252 million), corresponding to 9 percent (9%) of Valmet's net sales.

Component availability continued at a reduced level and delivery times of certain components were longer during January–September.

Process Technologies: Orders received and comparable EBITA decreased and net sales increased in Q3/2022

Process Technologies segment	**Q3/2022**	Q3/2021	Change	**Q1–Q3/ 2022**	Q1–Q3/ 2021	Change
Orders received (EUR million)	**444**	657	-32%	**1,713**	2,206	-22%
Net sales (EUR million)	**610**	522	17%	**1,757**	1,537	14%
Comparable EBITA (EUR million)	**36**	46	-23%	**107**	130	-18%
Comparable EBITA, %	**5.8%**	8.9%		**6.1%**	8.5%	
Personnel (end of period)				**5,615**	5,612	0%

In July–September, orders received by the Process Technologies segment decreased 32 percent to EUR 444 million (EUR 657 million). Process Technologies accounted for 38 percent (59%) of Valmet's orders received. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2021 increased orders received by approximately EUR 1 million.

In January–September, orders received by the Process Technologies segment decreased 22 percent to EUR 1,713 million (EUR 2,206 million). Process Technologies accounted for 45 percent (60%) of all orders received. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2021 increased orders received by approximately EUR 27 million.

Net sales for the Process Technologies segment amounted to EUR 610 million (EUR 522 million) in July–September, corresponding to 47 percent (56%) of Valmet’s net sales. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2021 increased net sales by approximately EUR 19 million.

In January–September, net sales for the Process Technologies segment amounted to EUR 1,757 million (EUR 1,537 million), corresponding to 50 percent (56%) of Valmet’s net sales. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2021 increased net sales by approximately EUR 46 million.

Comparable EBITA of the Process Technologies segment decreased to EUR 36 million in July–September, corresponding to 5.8 percent of the segment's net sales (EUR 46 million and 8.9%). Comparable EBITA decreased as margins in some Pulp and Energy projects were impacted by cost inflation.

In January–September, comparable EBITA of the Process Technologies segment decreased to EUR 107 million, corresponding to 6.1 percent of the segment's net sales (EUR 130 million and 8.5%). Comparable EBITA decreased as margins in some Pulp and Energy projects were impacted by cost inflation.

Pulp and Energy business line	**Q3/2022**	Q3/2021	Change	**Q1–Q3/ 2022**	Q1–Q3/ 2021	Change
Orders received (EUR million)	**211**	145	46%	**792**	922	-14%
Net sales (EUR million)	**256**	257	-1%	**798**	720	11%
Personnel (end of period)				**1,897**	1,929	-2%

In July–September, orders received by the Pulp and Energy business line increased 46 percent to EUR 211 million (EUR 145 million). Pulp and Energy accounted for 18 percent (13%) of Valmet's orders received. Orders received increased in EMEA, but decreased in all other areas. Orders received increased in both Pulp and Energy.

In January–September, orders received by the Pulp and Energy business line decreased 14 percent to EUR 792 million (EUR 922 million). Pulp and Energy accounted for 21 percent (25%) of all orders received. 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 for the Pulp and Energy business line amounted to EUR 256 million (EUR 257 million) in July–September, corresponding to 20 percent (27%) of Valmet’s net sales.

In January–September, net sales for the Pulp and Energy business line amounted to EUR 798 million (EUR 720 million), corresponding to 23 percent (26%) of Valmet's net sales.

Cost inflation impacted Pulp and Energy's business environment during January–September. 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 January–September.

Paper business line	**Q3/2022**	Q3/2021	Change	**Q1–Q3/ 2022**	Q1–Q3/ 2021	Change
Orders received (EUR million)	**233**	512	-54%	**921**	1,284	-28%
Net sales (EUR million)	**355**	265	34%	**959**	817	17%
Personnel (end of period)				**3,718**	3,683	1%

In July–September, orders received by the Paper business line decreased 54 percent to EUR 233 million (EUR 512 million) and accounted for 20 percent (46%) of Valmet's orders received. Orders received decreased in all geographical areas and in all businesses.

In January–September, orders received by the Paper business line decreased 28 percent to EUR 921 million (EUR 1,284 million). Paper accounted for 24 percent (35%) of all orders received. 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 for the Paper business line amounted to EUR 355 million (EUR 265 million) in July–September, corresponding to 28 percent (28%) of Valmet's net sales.

In January–September, net sales for the Paper business line amounted to EUR 959 million (EUR 817 million), corresponding to 27 percent (30%) of Valmet's net sales.

The fire at Valmet's Rautpohja factory site in Jyväskylä, Finland, in May, COVID-19 and lockdowns in China impacted Paper business line's operations during January–September. The Paper business line has managed the challenges caused by the fire and COVID-19 well.

Cash flow and financing

Cash flow provided by operating activities amounted to EUR 115 million (EUR 57 million) in July–September and EUR 49 million (EUR 385 million) in January–September. Net working capital totaled EUR -265 million (EUR -729 million) at the end of the reporting period. Change in net working capital in the statement of cash flows was EUR -20 million (EUR -49 million) in July–September and EUR -212 million (EUR 135 million) in January–September. Payment schedules of large capital projects have a significant impact on net working capital development. Inventories have increased due to the consolidation of Neles and higher stock levels in response to component supply issues.

Cash flow after investments totaled EUR 88 million (EUR 19 million) in July–September, and EUR 100 million (EUR 312 million) in January–September.

At the end of September, gearing was 18 percent (-1%) and equity to assets ratio was 47 percent (41%). Interest-bearing liabilities amounted to EUR 883 million (EUR 476 million), and net interest-bearing liabilities totaled EUR 428 million (EUR -17 million) at the end of the reporting period. Interest-bearing liabilities increased mainly due to consolidation of Neles.

The average maturity of Valmet's non-current debt was 3.5 years, and average interest rate was 1.3 percent at the end of September. Lease liabilities have been excluded from calculation of these two key performance indicators.

Valmet's liquidity was strong at the end of the reporting period, with cash and cash equivalents amounting to EUR 422 million (EUR 458 million) and interest-bearing current financial assets totaling EUR 32 million (EUR 36 million). Liquidity was additionally secured by a EUR 300 million syndicated revolving credit facility agreement, which expires in 2024 with two 1-year extension options dependent on the approval of the banks concerned, and an uncommitted and unused commercial paper program worth of EUR 200 million.

Capital expenditure

Gross capital expenditure (excluding business combinations and leased assets) totaled EUR 29 million (EUR 22 million) in July–September, of which maintenance investments were EUR 11 million (EUR 9 million).

In January–September, gross capital expenditure (excluding business combinations and leased assets) totaled EUR 80 million (EUR 69 million), of which maintenance investments were EUR 26 million (EUR 30 million).

Acquisitions and disposals

Acquisitions

On March 1, 2022, Valmet announced the acquisition of North American-based Coldwater Seals, Inc., a global provider of consumables and services to the pulp and paper industry. Coldwater operates manufacturing facilities in the United States and Sweden. It manufactures and supplies paper process parts, including suction roll seal strips, ceramics, plastics, doctoring products and other specialty products. Coldwater is the global market leader for suction roll seals and plastic dewatering elements. In the last twelve months preceding the acquisition, the company had net sales of approximately EUR 15 million. The value of the acquisition was not disclosed. The acquired operations employ about 60 people. Coldwater operates globally and has Technical Service Representatives in more than 70 countries.

Disposals

Valmet made no disposals during January–September 2022.

Merger with Neles

On July 2, 2021, Valmet announced that the Boards of Directors of Valmet Oyj and Neles Corporation had signed a combination agreement and a merger plan to combine the two companies through a merger. Both companies held an Extraordinary General Meeting on September 22, 2021, and both EGMs approved the merger. Valmet and Neles had received all competition approvals for the merger of Neles into Valmet on March 21, 2022. Valmet’s Annual General Meeting on March 22, 2022, resolved to pay a dividend of EUR 1.20 per share and the Neles Annual General Meeting on March 22, 2022, resolved to pay a dividend of EUR 0.266 per share in accordance with the combination agreement. In addition, Neles’ Board of Directors decided on March 22, 2022, on an extra distribution of funds in total of EUR 2.00 per share in accordance with the combination agreement. The dividends and Neles' extra distribution of funds of EUR 2.00 per share were executed on March 31, 2022. The merger of Valmet and Neles was registered with the Finnish Trade Register on April 1, 2022.

On July 2, 2021, Valmet entered into EUR 350 million term loan facilities agreement with Danske Bank A/S and Nordea Bank Abp. The syndication of the term loan facilities was closed on October 20, 2021. The loan was used for refinancing existing indebtedness of Valmet and Neles in connection with the merger. EUR 215 million (originally 301 million) bridge facility agreement originally entered into by Neles was transferred to Valmet in connection with the completion of the merger. The bridge loan facility was used for financing of the extra distribution to shareholders of Neles.

On March 22, 2022, the Boards of Directors of Valmet and Neles approved a loan agreement between the companies concerning the part of the extra distribution of funds of EUR 2.00 per share payable to Valmet. According to the loan agreement, the part of the extra distribution payable to Valmet as a shareholder of Neles was not paid in cash to Valmet in connection with payment of the extra distribution to other shareholders of Neles, but the amount payable to Valmet was recorded as debt owed by Neles to Valmet.

Valmet and Neles were separate listed companies prior to the merger. On April 1, 2022, Valmet announced that the statutory merger of Neles Corporation into Valmet had been registered and the combination of Valmet’s and Neles’ business operations had been completed. Neles is consolidated into Valmet as of April 1, 2022, and forms Valmet’s fifth business line called Flow Control. After the merger, Valmet’s business lines are Services, Flow Control, Automation Systems, Paper, and Pulp and Energy. Automation Systems business line was previously called Automation.

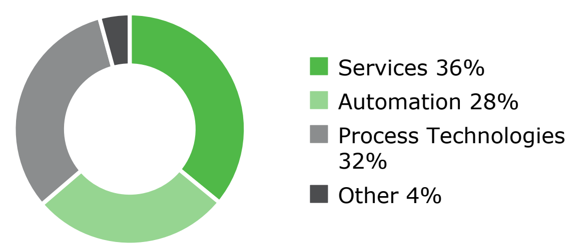
The final Shareholders’ Meeting of Neles was held on June 22, 2022, in Vantaa. The Shareholders’ Meeting adopted the final accounts of Neles in accordance with Chapter 16, Section 17 of the Finnish Companies Act, consisting of the financial statements and annual report for the financial period January 1, 2022–March 31, 2022. The Shareholders’ Meeting also resolved on discharging the members of the Board of Directors and the President and CEO of Neles from liability.

Personnel

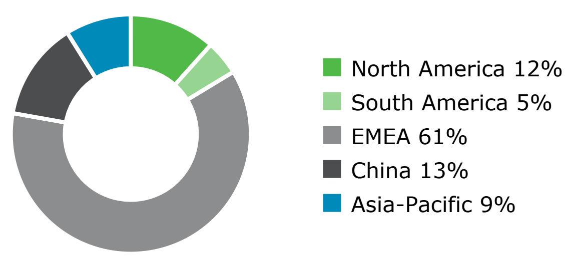
Personnel	As at September 30, 2022	As at September 30, 2021	Change	As at June 30, 2022
Services	**6,294**	5,953	6%	6,344
Automation	**4,862**	1,973	>100%	4,878
Flow Control	*2,831*	–		*2,853*
Automation Systems	*2,031*	*1,973*	*3%*	*2,025*
Process Technologies	**5,615**	5,612	0%	5,672
Pulp and Energy	*1,897*	*1,929*	*-2%*	*1,947*
Paper	*3,718*	*3,683*	*1%*	*3,725*
Other	**740**	641	15%	776
Total	**17,511**	14,179	23%	17,670

Personnel	As at September 30, 2022	As at September 30, 2021	Change	As at June 30, 2022
North America	**2,033**	1,489	37%	2,018
South America	**823**	602	37%	806
EMEA	**10,768**	9,287	16%	11,001
China	**2,330**	1,878	24%	2,296
Asia-Pacific	**1,557**	923	69%	1,549
Total	**17,511**	14,179	23%	17,670

Personnel by segment as at September 30, 2022



Personnel by area as at September 30, 2022



During January–September, Valmet employed an average of 16,254 people (14,149). The number of personnel at the end of September was 17,511 (14,179). Personnel expenses totaled EUR 856 million (EUR 700 million) in January–September, of which wages, salaries and remuneration amounted to EUR 669 million (EUR 550 million).

Changes in Valmet’s Executive Team

Simo Sääskilahti (M.Sc. Eng., M.Sc. Econ.), started as Business Line President, Flow Control, and member of Valmet's Executive Team on April 1, 2022. Sääskilahti held the position of interim President and CEO of Neles in January–March 2022. Prior to that he was CFO of Neles. Valmet announced Sääskilahti's appointment on October 26, 2021.

On April 11, 2022, Valmet announced that Kari Saarinen has resigned from his position as CFO of Valmet. The employment relationship will end in accordance with Saarinen's executive agreement on October 31, 2022, while his working obligation ended at the end of April.

On April 27, 2022, Valmet announced that Katri Hokkanen (M.Sc. Econ.) has been appointed interim CFO at Valmet as of May 1, 2022. She reports to President and CEO Pasi Laine. Hokkanen joined Valmet in 2006 and held the position of Vice President, Finance in Valmet's Pulp and Energy business line prior to being appointed interim CFO. Earlier she has led the finance operations in Valmet's Asia-Pacific Area organization and in the EMEA services business.

On July 27, 2022, Valmet announced that Katri Hokkanen has been appointed CFO at Valmet as of August 1, 2022.

On September 8, 2022, Valmet announced that Sami Riekkola (M.Sc. Eng.) has been appointed Business Line President, Pulp and Energy, at Valmet as of October 1, 2022. Since 2018, Riekkola held the position of Business Line President, Automation Systems, at Valmet. Before this, he worked in various automation positions at Valmet in Europe and Asia. Riekkola will continue as a member of Valmet's Executive Team reporting to President and CEO Pasi Laine. Bertel Karlstedt, who was President of Valmet's Pulp and Energy business line until September 30, 2022, will concentrate on leading ongoing, large customer delivery projects within the Pulp and Energy business line supporting the development of long-term customer relationships as Senior Vice President reporting to Sami Riekkola.

Russia's invasion of Ukraine and sanctions on Russia

Due to Russia's invasion of Ukraine, Valmet reviewed key contractual obligations, project schedules, and identified risks for projects that are delivered to Russia. Based on the review, Valmet identified projects that it estimates no longer to meet the criteria of a customer contract for revenue recognition purposes, and consequently made a reversal of approximately EUR 80 million to its order backlog during 2022.

On June 3, 2022, Valmet announced that it has initiated employee reductions, which will result in a 50 percent reduction in the number of employees in Russia in the first implementation phase. Consequently, Valmet recorded an expense of approximately EUR 20 million during 2022 for estimated restructuring costs, asset impairments and other exceptional items triggered by Valmet's decision to withdraw from Russia. These costs have been reported in cost of sales, in selling, general and administrative expenses and in other operating expenses, and have been reported as items affecting comparability. Therefore they do not impact Comparable EBITA. At the end of September 2022, Valmet had a total of approximately 60 employees in Russia, working primarily in sales, engineering, maintenance and financial administration. Valmet does not have production in Russia. Approximately 2 percent of Valmet's total net sales came from its Russian operations in 2021.

Valmet will withdraw from Russia completely and will continue to implement the withdrawal in stages as the review of implementation options is fully completed. Valmet complies with all sanctions and export regulations impacting business with Russia and Belarus and monitors the development actively.

Organizational changes

Valmet announced on May 23, 2022, that it is initiating personnel negotiations on potential temporary layoffs to adjust production capacity to match the reduced workload at the valve factory in Helsinki. The war in Ukraine and the intensified COVID-19 restrictions in China had reduced the orders at the valve factory. The exceptional situation has particularly impacted the factory's oil and gas projects. The impact of the COVID-19 pandemic in China also continued to cause challenges related to component availability and logistics.

The employees within the scope of the negotiations were those in the Flow Control business line's valve production and related operations in Helsinki, excluding the positioner production unit. The negotiations involved around 340 employees. The layoffs were temporary and lasted a maximum of 90 days.

Fire at the Rautpohja site in Jyväskylä, Finland

A fire broke out at Valmet's Rautpohja factory site in Jyväskylä, Finland, on May 7, 2022. The fire, which started at a workshop during a roll test, caused damage to parts of roll and headbox manufacturing and preassembly. The majority of machine workshops at the Rautpohja factory site suffered only minor damages and temporary disruptions in operations due to the fire.

The impact assessment of the fire is still ongoing, however, Valmet estimates to incur fixed asset expenditure to replace damaged property, plant and equipment. Valmet maintains property damage and business interruption insurance and expects to recover fire-related losses through insurance.

Impacts of the COVID-19 pandemic on Valmet

The COVID-19 pandemic impacted Valmet's operations during January–September. Travel restrictions in Asia and the lockdown in China impacted Valmet's business environment especially during the first half of the year. Services, Flow Control and Automation Systems business lines were affected by reduced component availability and longer delivery times of certain components.

The Pulp and Energy, and Paper business lines have managed the challenges caused by COVID-19 well, and apart from cost inflation, the pandemic has not caused major impacts on the Process Technologies business. The organization has performed well under the new circumstances and found new ways to operate, which can be utilized to improve Valmet's and customers' processes also after the pandemic.

Strategic goals and their implementation

On June 23, 2022, Valmet announced that it adjusts its strategy to include Flow Control and aligns its financial targets with its financial reporting structure.

Valmet's strategy is: Valmet develops and supplies competitive and reliable process technologies, services and automation to the pulp, paper and energy industries. Our automation business covers a wide base of global process industries. We are committed to moving our customers' performance forward with our unique offering and way to serve.

Valmet's mission is converting renewable resources into sustainable results. Valmet's vision is to become the global champion in serving its customers and in moving the industries forward.

Valmet seeks to achieve its strategic targets by continuous improvement and renewal. Valmet has the following Must-Win initiatives: 'Customer excellence', 'Leader in technology and innovation', 'Excellence in processes' and 'Winning team', as well as selected Business Accelerators.

Valmet's product and services offering consists of process technologies that increase the value of the customers' end products, automation systems and flow control solutions, productivity enhancing services, plant upgrades and rebuilds, new cost-efficient equipment and solutions for optimizing raw material and energy usage.

To improve operational excellence, Valmet is in the process of renewing its ERP system. The aim is to improve Valmet's operational capability through process harmonization and standardization, and through renewal and modernization of the ERP platform.

Valmet has an annual strategy process, where, among others, Valmet's strategy, Must-Wins and financial targets are reviewed.

Due to the completion of the merger with Neles, on April 1, 2022, Valmet confirmed its new financial targets that were preliminarily announced on July 2, 2021. Valmet's new target for Comparable EBITA margin is 12–14 percent (previously 10–12%). The new target for Comparable return on capital employed (ROCE) before taxes is at least 15 percent (previously at least 20%). Valmet's other financial targets remained unchanged.

Valmet's financial targets are the following:

Financial targets

- Net sales for Services and Automation segments to grow over two times the market growth
- Net sales for Process Technologies segment to exceed market growth
- Comparable EBITA: 12–14%
- Comparable return on capital employed (ROCE) before taxes: at least 15%
- Dividend payout at least 50% of net profit

Continued focus on improving profitability

Valmet continues to focus on improving profitability through various actions in e.g., sales process management, project management and project execution, in procurement and quality, as well as in technology and R&D.

To improve sales process management, Valmet is focusing on key account management and analyzing the customers' share of wallet. Valmet is targeting market share improvement at key customers and adding focus on sales training. Valmet has also launched 'Valmet's Way to Serve' services concept – a shift towards more unified and customer-oriented services.

Valmet is continuously improving its project management and project execution by training personnel and implementing a Valmet-wide project execution model. By focusing on improving project management and execution, Valmet is targeting continuous improvement of gross profit.

Valmet has set a long-term savings target for procurement. In order to decrease procurement costs, Valmet is focusing on design-to-cost and adding supplier involvement through supplier relationship management. Valmet has also set a target for quality cost savings and is adding focus on root cause analysis of quality deviations. Furthermore, Valmet is continuing to adopt the Lean principles and methodology.

Valmet is constantly focusing on new technologies and R&D to improve product cost competitiveness and performance. The renewal of Valmet's ERP system will increase efficiency once implemented.

Progress in sustainability

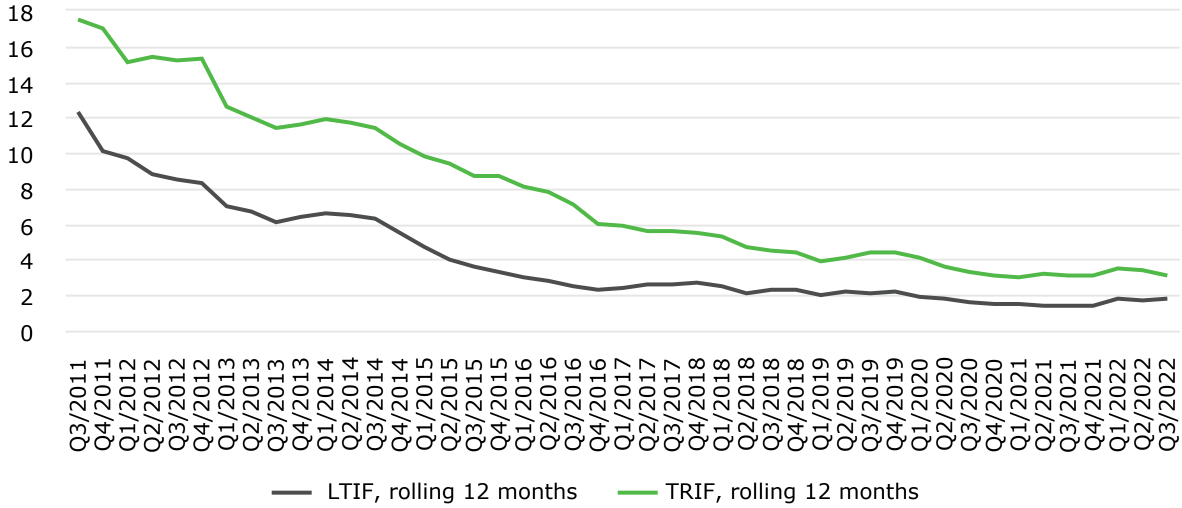
During the third quarter of 2022, Valmet continued to systematically implement its Sustainability360° Agenda. As a continuation to Valmet's internal climate program e-learning launched in the second quarter, Valmet launched a specific e-learning for its suppliers to increase awareness and provide concrete measures for reducing CO_2 emissions in the supply chain.

Valmet continued to run its global training programs, which are designed to strengthen the company's strategic capabilities and accelerate Must-Win execution. In September, Valmet piloted a new global program called 'World class supply chain`. As part of its key people processes, mid-year reviews were conducted with a completion rate of 95% by end of September.

At the end of September, Valmet's lost time incident frequency rate (LTIF) for own employees was 1.8 (1.4 at the end of September 2021), and the total recordable incident frequency rate (TRIF) for own employees was 3.1 (3.1 at the end of September 2021). During the third quarter, Valmet arranged its annual HSE awareness week with local events in Valmet's locations globally. This year, the event focused on Valmet's renewed minimum safety standards and a working at height prevention program for sites and workshops. HSE integration of operations that Valmet acquired during the first half of 2022 and in 2021 also continued.

During the third quarter of 2022, the work to further develop the supplier sustainability risk management process continued. By the end of September, Valmet had conducted in total 34 on-site supplier audits out of the full year target of 40.

Lost time incident frequency (LTIF)[1] and total recordable incident frequency (TRIF)[2], own employees



[1] *LTIF reflects the number of injuries resulting in an absence of at least one work day per million hours worked.*
[2] *LTIF + medical treatment and restricted work cases*

Lawsuits and claims

Several lawsuits, claims and disputes based on various grounds are pending against Valmet in various countries, including product liability lawsuits and claims as well as legal disputes related to Valmet's deliveries. Valmet is also a plaintiff in several lawsuits.

Valmet's management does not expect to the best of its present understanding that the outcome of these lawsuits, claims and disputes will have a material adverse effect on Valmet in view of the grounds currently presented for them, provisions made, insurance coverage in force and the extent of Valmet's total business activities.

Corporate Governance Statement and Remuneration Report

Valmet has published a separate Corporate Governance Statement and a Remuneration Report for 2021, which comply with the recommendations of the Finnish Corporate Governance Code for listed companies. These reports also cover other central areas of corporate governance, and they have been published on Valmet's website, separately from the Report of the Board of Directors, at www.valmet.com/governance.

Shares and shareholders

Share capital, number of shares and shareholders

	As at September 30, 2022	As at September 30, 2021
Share capital, EUR	**140,000,000**	100,000,000
Number of shares	**184,529,605**	149,864,619
Treasury shares	**342,108**	391,086
Shares outstanding	**184,187,497**	149,473,533
Market capitalization, EUR million	**3,844**	4,697
Number of shareholders	**83,976**	58,919

Shareholder structure as at September 30, 2022

Nominee registered and non-Finnish holders 47.9%

Solidium Oy 10.1%

Finnish private investors 15.3%

Finnish institutions, companies and foundations 26.7%

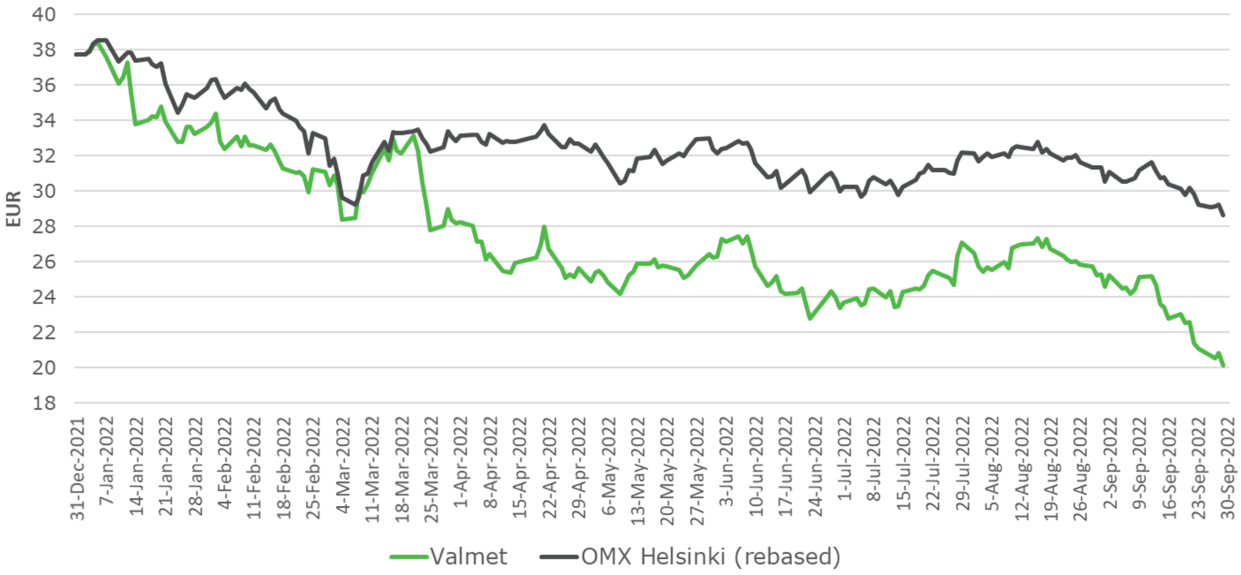
Trading of shares

Trading of Valmet shares on Nasdaq Helsinki	**January 1 – September 30, 2022**	January 1 - September 30, 2021
Number of shares traded	**99,988,176**	76,921,350
Total value, EUR million	**2,758**	2,453
High, EUR	**38.59**	37.95
Low, EUR	**19.95**	23.02
Volume-weighted average price, EUR	**27.62**	31.91
Closing price on the final day of trading, EUR	**20.83**	31.34

The closing price of Valmet's share on the final day of trading for the reporting period, September 30, 2022, was EUR 20.83, i.e., 45 percent lower than the closing price on the last day of trading in 2021 (EUR 37.72 on December 30, 2021).

In addition to Nasdaq Helsinki Ltd, Valmet's shares are also traded on other marketplaces, such as Cboe CXE, Cboe BXE and Turquoise. A total of approximately 18 million Valmet shares were traded on these three alternative marketplaces in January–September (Source: www.valmet.com/investors/valmet-share/trading-volumes/).

Development of Valmet's share price, December 31, 2021 – September 30, 2022



Flagging notifications

During the review period, Valmet received the following flagging notifications referred to in the Securities Market Act.

Transaction date	Shareholder	Threshold	Direct holding, %	Indirect holding, %	Total holding, %
April 1, 2022	Solidium Oy	Below 10%	9.25%	-	9.25%
May 19, 2022	Solidium Oy	Above 10%	10.10%	-	10.10%

More information on flagging notifications can be found at www.valmet.com/flagging-notifications.

Board authorizations regarding share repurchase and share issue

Valmet Oyj's Annual General Meeting on March 22, 2022, authorized Valmet's Board of Directors to decide on the repurchase of a maximum number of 7,500,000 of the Company's own shares in one or several tranches. The Company's own shares may be repurchased otherwise than in proportion to the shareholdings of the shareholders (directed repurchase). The Company's own shares may be repurchased using the unrestricted equity of the Company at a price formed on a regulated market on the official list of Nasdaq Helsinki Ltd on the date of the repurchase or at a price otherwise formed on the market.

The Company's own shares may be repurchased for reasons of developing the Company's capital structure, financing or carrying out acquisitions, investments or other business transactions, or for the shares to be used in an incentive scheme, however so that a maximum of 500,000 shares may be repurchased to be used in an incentive scheme, which corresponds to approximately 0.3 percent of all the shares in the Company. The Board of Directors decides on all other terms related to the repurchasing of the Company's own shares.

Valmet Oyj's Annual General Meeting authorized Valmet's Board of Directors to decide on the issuance of shares as well as the issuance of special rights entitling to shares in one or several tranches. The issuance of shares may be carried out by offering new shares or by transferring treasury shares held by Valmet. Based on this authorization, the Board of Directors may also decide on a directed share issue in deviation from the shareholders' pre-emptive rights and on the granting of special rights. Based on this authorization, a maximum number of 15,000,000 shares may be issued, which corresponds to approximately 10.0 percent of all the shares in Valmet Oyj. The new shares and treasury shares may be issued for consideration or without consideration.

The Board of Directors may decide on all other terms of the issuance of shares and special rights entitling to shares pursuant to Chapter 10(1) of the Finnish Companies Act. The Board of Directors may use this authorization, for example, for reasons of developing the Company's capital structure, in financing or carrying out acquisitions, investments or other business transactions, or for the shares to be used in incentive schemes, however so that the Board of Directors may issue a maximum of 500,000 shares to be used in incentive schemes, which corresponds to approximately 0.3 percent of all the shares in the Company.

The authorizations shall remain in force until the close of the next Annual General Meeting, and they cancel the authorizations granted in the Annual General Meeting of March 23, 2021.

Based on the authorization granted by the Annual General Meeting 2022, on June 21, 2022, Valmet's Board of Directors decided on a directed share issue related to the reward payment of Valmet's long-term share-based incentive plan, Deferred Share Plan, for the discretionary period 2021. In the share issue on June 23, 2022, a total of 868 Valmet's treasury shares were conveyed without consideration to the participants of the plan, in accordance with the terms and conditions of the plan.

As at September 30, 2022, Valmet's Board of Directors had not used any other authorizations given by the Annual General meeting on March 22, 2022.

In its meeting on December 16, 2021, Valmet's Board of Directors decided to use the authorization granted by the Annual General Meeting 2021 to repurchase the Company's own shares. Based on the authorization, the Board decided to initiate a fixed-term share buy-back program for the purpose of acquiring the Company's own shares to meet part of the obligations arising from the LTI Plans and the Restricted Pool incentive. The share acquisitions began on February 9, 2022, and ended on February 22, 2022, and in total 150,000 shares were acquired. The shares were acquired at market price in public trading on Nasdaq Helsinki Ltd.

Based on the authorization granted to the Board of Directors by the Annual General Meeting 2021, Valmet's Board of Directors decided in December 2021 on a directed share issue related to the reward payment of Valmet's share-based long-term incentive plans for the performance period 2021. In the share issue on March 15, 2022, a total of 200,447 Valmet's treasury shares were conveyed without consideration to the participants of the plans, in accordance with the terms and conditions of the plans.

Share-based incentive plans

Valmet's share-based incentive plans are part of the remuneration program for Valmet's key personnel. The aim of the plans is to align the interests of the shareholders and the key employees in order to increase the value of Valmet in the long run, to steer the key employees towards achieving the Company's selected strategic targets, to commit the key employees to the Company, and to offer them a competitive reward plan based on holding the

Company's shares. Any shares to be potentially awarded are, or have been, acquired through public trading, and therefore the incentive plans have no diluting effect on the share value.

Long-term incentive plans – Performance Share Plan and Deferred Share Plan

In its meeting on December 17, 2020, the Board of Directors of Valmet Oyj decided on new share-based long-term incentive plans, a Performance Share Plan and a Deferred Share Plan, for Valmet's key employees.

The Performance Share Plan is directed to the Executive Team members. It includes a three-year performance period parallel to a one-year performance period. Valmet's Board of Directors decides on the predefined performance measures and targets in the beginning of each performance period.

The Deferred Share Plan is directed to other key employees in management positions, and management talents. It includes a one-year performance period. The predefined performance measures and targets are decided by Valmet's Board of Directors and are aligned with the targets of the Performance Share Plan. The Deferred Share Plan is directed to a maximum of 130 participants, of which approximately 80 are key employees in management positions, and approximately 50 are management talents.

The Performance Share Plan includes a recommendation for the members of Valmet's Executive Team to own and hold an amount of Company shares equaling their gross annual base salary (100 percent ownership recommendation). Management shareholding can be found on Valmet's website at www.valmet.com/investors/shareholders/management-shareholding.

	Long-term incentive plans 2021–2023		**Long-term incentive plans 2022–2024**	
Plan name	Performance Share Plan and Deferred Share Plan	Performance Share Plan	Performance Share Plan and Deferred Share Plan	Performance Share Plan
Performance period	2021	2021–2023	2022	2022–2024
Incentive based on	Comparable EBITA as a percentage of net sales, and orders received growth in the stable business	Predefined strategic target	Comparable EBITA as a percentage of net sales, and orders received growth in the stable business	ESG Index, targets linked to implementing Valmet's Climate Program and Sustainability Agenda
Reward payment	In spring 2022	In spring 2024	In spring 2023	In spring 2025
Participants				
Performance Share Plan	13	11	14	13
Deferred Share Plan	110		128	
Total gross number of shares earned	359,982 shares	46,370 shares	The rewards to be paid will correspond to a maximum total of approximately 326,000 Valmet shares	

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At the end of the reporting period, the Company held 342,108 treasury shares related to the share-based incentive programs.

More information about share-based incentive plans can be found in Valmet's Remuneration Report, which is available at www.valmet.com/governance.

Resolutions of Valmet's Annual General Meeting

The Annual General Meeting 2022 was held in Helsinki on March 22, 2022. The Annual General Meeting adopted the Financial Statements for 2021 and discharged the members of the Board of Directors and the President and CEO from liability for the financial year 2021. The Annual General Meeting adopted the remuneration report for governing bodies. The decision is advisory. The Annual General Meeting approved the Board of Directors' proposals concerning authorizing the Board of Directors to decide on repurchasing the Company's own shares and to decide on the issuance of shares and the issuance of special rights entitling to shares.

The Annual General Meeting decided to pay dividends of EUR 1.20 per share for the financial period ended on December 31, 2021.

The Annual General Meeting confirmed the number of Board members as eight, however, before the completion of the merger of Valmet and Neles Corporation (the "Effective Date"), the number of members of the Board of Directors be six. Aaro Cantell, Pekka Kemppainen, Per Lindberg, Monika Maurer, Mikael Mäkinen, and Eriikka Söderström were re-elected as Board members. Jaakko Eskola and Anu Hämäläinen were elected conditionally as new Board members for the term commencing on the Effective Date, and Mikael Mäkinen was re-elected as the Chairman of the Board and Aaro Cantell re-elected as the Vice-Chairman of the Board until the Effective Date from which date on Jaakko Eskola shall act as the Vice-Chairman of the Board. The term of office of the members of the Board of Directors expires at the close of the Annual General Meeting 2023.

PricewaterhouseCoopers Oy was elected as the Company's auditor for a term expiring at the end of the next Annual General Meeting.

Valmet published a stock exchange release on March 22, 2022, concerning the resolutions of the Annual General Meeting and the organizing meeting of the Board of Directors. The stock exchange release and meeting materials can be viewed on Valmet's website at www.valmet.com/agm.

Risks and business uncertainties

Valmet's operations are affected by various strategic, financial, operational and hazard risks. Valmet takes measures to exploit emerging opportunities and to limit the adverse effects of potential threats. The assessment of risks related to sustainable development holds an important role in risk management. If such threats materialized, they could have material adverse effects on Valmet’s business, financial situation and operating result, or on the value of shares and other securities.

The objective of Valmet’s risk management is to ensure the implementation of an effective and successful strategy for achieving both long- and short-term goals. The task of Valmet’s management is to regulate risk appetite.

In assessing risks, Valmet takes into consideration the probability of the risks and their estimated impact on net sales and financial results. Valmet’s management estimates that the Company’s overall risk level is currently manageable in proportion to the scope of its operations and the practical measures available for managing these risks.

Financial uncertainty in the global economy, coupled with fluctuations in exchange rates and tightening financial market regulations, may have an adverse effect on the availability of financing from banks and capital markets and could reduce the investment appetite of Valmet’s customers. Valmet estimates that the high proportion of business derived from stable business (Services and Automation segments) and the geographical diversification will reduce the possible negative effects that market uncertainties may have.

If global economic growth weakens, it might have adverse effects on new projects under negotiation or on projects in the order backlog. Some projects may be postponed, suspended, or canceled. In the case of long-term delivery projects, initial customer advance payments are typically 10–30 percent of the value of the project, and customers make progress payments as the project is implemented. This significantly decreases the risks and financing requirements related to Valmet’s projects. Valmet continually assesses its customers’ creditworthiness and their ability to meet their obligations. As a rule, Valmet does not finance customer projects. If economic growth slows down significantly, the markets for Valmet’s products may shrink, which may lead to, for example, tougher price competition.

Changes and uncertainty in future regulation and legislation can also have critical effects, especially on the energy business.

Large fluctuations in energy prices can affect the global economy. These fluctuations can also affect Valmet and its customers, especially in the energy business.

Should the global issues with component availability and logistics continue, it could have adverse effects on Valmet's business.

Changes in labor costs and the prices of raw materials and components can affect Valmet’s profitability. Raw material and component cost inflation has been high, and wage inflation is continuing. Valmet’s goal is to offset this through increased productivity and price increases. It is possible, however, that tough competition in some product categories will make it difficult to pass on cost increases to product prices. On the other hand, some of Valmet’s customers are raw material producers and their ability to operate and invest may be enhanced by strengthening commodity prices and hampered by declining commodity prices.

To ensure a high level of quality in both production and services, it is important to sustain a high level of competence and talent availability. This includes, for example, maintaining efficient recruitment programs, utilization of existing talent and sharing knowledge globally.

Through acquisitions, Valmet may become exposed to risks associated with new markets and business environments. The actual acquisition process also includes risks. Other risks associated with acquisitions include, but are not limited to, integration of the acquired business, increased financial risk exposure, retention of key personnel and achieving the targets set for the acquired business.

Valmet’s operations, products and services rely largely on data networks, software and digital solutions. Any malfunctions and cybersecurity breaches in such networks, software and solutions as well as potential failures in information system development projects may adversely affect Valmet’s business and financial position and lead to reputational damage.

Management of project business risks important

An important part of Valmet’s business consists of project business. Pulp business projects in particular can be large, thus project-specific risk management is crucial. Key risks related to projects are project cost estimation, scheduling, project risk management, quality and performance risks, and materials management risks. Risk analysis shall, as a minimum, take place for all significant project quotations. The work concerning threat and opportunity assessment continues during the execution phase of the project. Risk management is based on careful planning and continuous, systematic monitoring and evaluation. Project risks are managed by improving and continuously developing project management processes and the related systems.

There may be changes in the competitive situation of Valmet’s individual businesses, such as the emergence of new, cost-effective competition in the markets. Valmet can safeguard its market position by developing its products and services, and through good customer service and local presence.

Availability of financing crucial

Securing the continuity of Valmet’s operations requires sufficient available funding under all circumstances. Valmet estimates that its liquid cash assets and committed credit limits are sufficient to secure its immediate liquidity and to ensure the flexibility of financing. The average maturity of Valmet’s non-current debt, excluding lease liabilities, is 3.5 years. Loan facilities include customary covenants, and Valmet is in clear compliance with the covenants at the balance sheet date.

Net working capital and capital expenditure levels have a key impact on the adequacy of Valmet’s financing. Setting aside investments into the renewal of the ERP system, Valmet does not expect any significant increase in annual capital expenditure and estimates that it is well-positioned to keep capital expenditure approximately at the level of total depreciation.

Of the financial risks that affect Valmet’s profit, currency exchange rate risks are among the most substantial. Exchange rate changes can affect Valmet’s business, although the wide geographical scope of the Company’s operations reduces the impact of any individual currency. Economic insecurity typically increases exchange rate fluctuations. Valmet hedges its currency exposures linked to firm delivery and purchase agreements.

Changes in legislation and the way authorities interpret regulation, for example regarding taxation, can also have an impact on Valmet’s financials.

As at September 30, 2022, Valmet had EUR 1,634 million (EUR 728 million) of goodwill on its statement of financial position. Valmet assesses the carrying value of its goodwill for impairment annually, or more frequently if facts and circumstances indicate that carrying value may not be recoverable. Valmet has not identified any indications of impairment during the reporting period. The principles used for impairment testing are presented in the Financial Statements.

COVID-19 and other pandemics

In case the COVID-19 outbreak will be further prolonged, there could be further adverse impact on Valmet's operations, customer investment activity, project deliveries, supply chain and availability of financing for both Valmet and its customers.

Epidemic outbreaks and potential other pandemics remain a risk to Valmet's operations also after COVID-19. Pandemics might have impact on the supply chain and business operations by increasing the likelihood of interruptions. Valmet's operations are dispersed all around the world, Valmet has a global customer base and our suppliers operate in several countries. This mitigates the overall impacts of risks to Valmet, should there be any disruptions in some isolated country or case.

Valmet currently has a solid order backlog, strong balance sheet and liquidity coupled with a flexible organization, and a structured way to operate in changing circumstances. This will support Valmet in mitigating the global challenges caused by COVID-19 and other pandemics. Valmet also has a Global Incident Management Team (IMT), and regional IMT structure established to manage Valmet's response to pandemics.

Russia's invasion of Ukraine

Russia's invasion of Ukraine causes significant risks and uncertainties to the markets affecting the entire global economic environment and financial markets. If the war is further prolonged or geopolitical tensions increase further, there could be additional adverse impacts on Valmet's operations, customer investment activity, project deliveries, availability and prices of components, supply chain and availability of financing for both Valmet and its customers. Valmet has an Incident Management Team (IMT) to monitor the situation and manage company´s response to the impacts of the war.

Valmet will withdraw from Russia completely. Approximately 2 percent of Valmet's total net sales came from its Russian operations in 2021. Valmet does not have production in Russia.

Events after the reporting period

There have been no subsequent events after the review period that required recognition or disclosure.

Guidance for 2022 unchanged

Valmet reiterates its guidance issued on April 1, 2022, in which 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).

Market outlook

General economic outlook according to IMF

Global economic activity is experiencing a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades. The cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook. Global growth is forecast to slow from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. This is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic. (IMF World Economic Outlook, October 11, 2022)

Short-term market outlook

Valmet reiterates the good short-term market outlook for services, flow control, automation systems, energy, and board and paper, the good/satisfactory short-term market outlook for pulp, and the satisfactory short-term market outlook for tissue.

The short-term market outlook is given for the next six months from the end of the reported period. It is based on customer activity (50%) and Valmet's capacity utilization (50%), and the scale is 'weak–satisfactory–good'.

In Espoo on October 26, 2022

Valmet's Board of Directors

Consolidated statement of income

EUR million	Q3/2022	Q3/2021	Q1–Q3/ 2022	Q1–Q3/ 2021
Net sales	**1,288**	935	**3,534**	2,736
Cost of goods sold	**-981**	-699	**-2,701**	-2,044
Gross profit	**307**	237	**833**	692
Selling, general and administrative expenses	**-215**	-138	**-612**	-435
Other operating income and expenses, net	**5**	-4	**54**	-2
Share in profits and losses of associated companies, operative investments	**1**	—	**6**	—
Operating profit	**97**	95	**280**	255
Financial income and expenses, net	**—**	—	**-1**	-2
Share in profits and losses of associated companies, financial investments	**—**	—	**—**	—
Profit before taxes	**98**	95	**279**	253
Income taxes	**-27**	-19	**-63**	-57
Profit for the period	**71**	75	**217**	197
Attributable to:				
Owners of the parent	**71**	75	**217**	196
Non-controlling interests	**—**	—	**—**	1
Profit for the period	**71**	75	**217**	197
Earnings per share attributable to owners of the parent:				
Earnings per share, EUR	**0.38**	0.50	**1.25**	1.31
Diluted earnings per share, EUR	**0.38**	0.50	**1.25**	1.31

Consolidated statement of comprehensive income

EUR million	**Q3/2022**	Q3/2021	**Q1–Q3/ 2022**	Q1–Q3/ 2021
Profit for the period	**71**	75	**217**	197
Items that may be reclassified to profit or loss:				
Cash flow hedges	**—**	-3	**4**	-18
Change in fair value reserve	**—**	—	**-2**	—
Currency translation on subsidiary net investments	**23**	3	**49**	16
Share of other comprehensive income of associated companies accounted for using equity method	**—**	-1	**—**	—
Income tax relating to items that may be reclassified	**—**	—	**—**	4
Total items that may be reclassified to profit or loss	**23**	—	**51**	2
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	**-15**	-4	**63**	16
Share of other comprehensive income of associated companies accounted for using equity method	**—**	—	**1**	—
Income tax relating to items that will not be reclassified	**3**	1	**-14**	-4
Total items that will not be reclassified to profit or loss	**-13**	-3	**50**	12
Other comprehensive income for the period	**10**	-3	**101**	13
Total comprehensive income for the period	**81**	72	**317**	210
Attributable to:				
Owners of the parent	**81**	72	**317**	209
Non-controlling interests	**—**	—	**—**	1
Total comprehensive income for the period	**81**	72	**317**	210

Consolidated statement of financial position

Assets

EUR million	As at September 30, 2022	As at September 30, 2021	As at December 31, 2021
Non-current assets			
Intangible assets			
Goodwill	**1,634**	728	730
Other intangible assets	**1,061**	274	274
Total intangible assets	**2,695**	1,002	1,004
Property, plant and equipment			
Land and water areas	**41**	25	25
Buildings and structures	**153**	120	123
Machinery and equipment	**215**	180	183
Leased assets	**105**	64	65
Assets under construction	**96**	69	72
Total property, plant and equipment	**610**	458	468
Other non-current assets			
Investments in associated companies	**15**	458	461
Non-current financial assets	**34**	20	22
Deferred tax assets	**65**	70	66
Non-current income tax receivables	**34**	23	28
Other non-current assets	**19**	7	8
Total other non-current assets	**167**	577	585
Total non-current assets	**3,471**	2,038	2,057
Current assets			
Inventories			
Materials and supplies	**205**	82	94
Work in progress	**591**	446	425
Finished products	**298**	148	143
Total inventories	**1,093**	676	662
Receivables and other current assets			
Trade receivables	**688**	552	644
Amounts due from customers under revenue contracts	**437**	243	280
Other current financial assets	**110**	73	80
Income tax receivables	**87**	40	28
Other receivables	**240**	144	150
Cash and cash equivalents	**422**	458	517
Total receivables and other current assets	**1,984**	1,510	1,700
Total current assets	**3,077**	2,186	2,363
Total assets	**6,548**	4,224	4,420

Consolidated statement of financial position

Equity and liabilities

EUR million	**As at September 30, 2022**	As at September 30, 2021	As at December 31, 2021
Equity			
Share capital	**140**	100	100
Reserve for invested unrestricted equity	**1,369**	426	426
Cumulative translation adjustments	**33**	-25	-16
Hedge and other reserves	**14**	7	13
Retained earnings	**879**	704	804
Equity attributable to owners of the parent	**2,436**	1,211	1,326
Non-controlling interests	**6**	6	6
Total equity	**2,441**	1,217	1,332
Liabilities			
Non-current liabilities			
Non-current debt	**505**	195	195
Non-current lease liabilities	**66**	38	37
Post-employment benefits	**136**	187	189
Non-current provisions	**34**	23	25
Other non-current liabilities	**13**	6	4
Deferred tax liabilities	**265**	70	69
Total non-current liabilities	**1,019**	519	520
Current liabilities			
Current debt	**279**	222	222
Current lease liabilities	**33**	22	22
Trade payables	**443**	340	374
Current provisions	**186**	186	189
Amounts due to customers under revenue contracts	**1,353**	1,222	1,263
Other current financial liabilities	**67**	25	24
Income tax liabilities	**115**	62	79
Other current liabilities	**612**	409	396
Total current liabilities	**3,088**	2,488	2,569
Total liabilities	**4,107**	3,007	3,088
Total equity and liabilities	**6,548**	4,224	4,420

Consolidated statement of cash flows

EUR million	Q3/2022	Q3/2021	Q1–Q3/ 2022	Q1–Q3/ 2021
Cash flows from operating activities				
Profit for the period	**71**	75	**217**	197
Adjustments				
Depreciation and amortization	**59**	30	**146**	90
Financial income and expenses	**—**	—	**1**	2
Income taxes	**27**	19	**63**	57
Other non-cash items[1]	**9**	4	**-65**	-19
Change in net working capital	**-20**	-49	**-212**	135
Net interests and dividends received	**1**	-1	**—**	-2
Income taxes paid	**-31**	-21	**-101**	-74
Net cash provided by (+) / used in (-) operating activities	**115**	57	**49**	385
Cash flows from investing activities				
Capital expenditure on fixed assets	**-29**	-22	**-80**	-69
Proceeds from sale of fixed assets	**2**	—	**2**	1
Business combinations, net of cash acquired and loans repaid	**1**	-16	**117**	-15
Investments in associated companies	**—**	—	**12**	10
Net cash provided by (+) / used in (-) investing activities	**-26**	-38	**51**	-74
Cash flows from financing activities				
Redemption of own shares	**—**	—	**-5**	-3
Dividends paid	**-1**	-1	**-180**	-135
Proceeds from non-current debt	**—**	—	**350**	100
Repayments of non-current debt	**—**	—	**-372**	-119
Repayments of lease liabilities	**-11**	-6	**-27**	-19
Change in current debt	**1**	—	**4**	—
Financial investments	**—**	15	**23**	38
Net cash provided by (+) / used in (-) financing activities	**-11**	8	**-207**	-138
Net increase (+) / decrease (-) in cash and cash equivalents	**77**	27	**-106**	174
Effect of changes in exchange rates on cash and cash equivalents	**2**	—	**11**	10
Cash and cash equivalents at beginning of period	**343**	431	**517**	274
Cash and cash equivalents at end of the period	**422**	458	**422**	458

[1] *Includes in Q2/2022 a gain of EUR 59 million from remeasurement of Valmet's previously held equity interest in Neles with no cash flow impact.*

Consolidated statement of changes in equity

EUR million	Share capital	Reserve for invested unrestricted equity	Cumulative translation adjustments	Hedge and other reserves	Retained earnings	**Equity attributable to owners of the parent**	Non-controlling interests	**Total equity**
Balance at January 1, 2022	**100**	**426**	**-16**	**13**	**804**	**1,326**	**6**	**1,332**
Profit for the period	—	—	—	—	217	**217**	—	**217**
Other comprehensive income for the period	—	—	49	2	50	**101**	—	**101**
Total comprehensive income for the period	—	—	49	2	266	**317**	—	**317**
Transactions with owners in their capacity as owners								
Dividends	—	—	—	—	-179	**-179**	-1	**-180**
Issue of ordinary shares as consideration for a business combination, net of transaction costs	40	937	—	—	—	**977**	—	**977**
Purchase of treasury shares	—	—	—	—	-5	**-5**	—	**-5**
Share-based payments, net of tax	—	6	—	—	-6	**—**	—	**—**
Balance at September 30, 2022	**140**	**1,369**	**33**	**14**	**879**	**2,436**	**6**	**2,441**
Balance at January 1, 2021	100	423	-40	21	633	1,137	6	1,142
Profit for the period	—	—	—	—	196	196	1	197
Other comprehensive income for the period	—	—	16	-15	12	13	—	13
Total comprehensive income for the period	—	—	16	-15	208	209	1	210
Transactions with owners in their capacity as owners								
Dividends	—	—	—	—	-135	-135	-1	-135
Purchase of treasury shares	—	—	—	—	-3	-3	—	-3
Share-based payments, net of tax	—	3	—	—	—	2	—	2
Balance at September 30, 2021	100	426	-25	7	704	1,211	6	1,217

Basis of preparation

General information

Valmet Oyj (the "Company" or the "parent company") and its subsidiaries (together "Valmet", "Valmet Group" or the "Group") form a global developer and supplier of technologies, automation and services for the pulp, paper and energy industries.

Valmet Oyj is domiciled in Helsinki, and its registered address is Keilasatama 5, 02150 Espoo, Finland. The Company's shares are listed on Nasdaq Helsinki Ltd.

These condensed consolidated interim financial statements were approved for issue on October 26, 2022.

Basis of presentation

These condensed consolidated interim financial statements for the nine months ended September 30, 2022, have been prepared in accordance with IAS 34 – Interim financial reporting and in conformity with IFRS as adopted by the European Union. The financial information presented in these condensed consolidated interim financial statements has not been audited. These condensed consolidated interim financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2021, which have been prepared in accordance with IFRS.

Valmet Group has applied new standards and interpretations published by IASB that are effective for the first time for financial reporting periods commencing on January 1, 2022. These standards and interpretations did not have a material impact on the results or financial position of the Group, or the presentation of these condensed consolidated interim financial statements.

Except for the above, the accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2021.

In these condensed consolidated interim financial statements, the figures are presented in million euros subject to rounding, which may cause some rounding inaccuracies in aggregate column and row totals.

Key exchange rates

	Average rates		**Period-end rates**	
	Q1–Q3/2022	Q1–Q3/2021	**Q3/2022**	Q3/2021
USD (US dollar)	**1.0637**	1.1972	**0.9748**	1.1579
SEK (Swedish krona)	**10.5179**	10.1436	**10.8993**	10.1683
CNY (Chinese yuan)	**7.0147**	7.7422	**6.9368**	7.4847

Business combinations

Acquisitions of Coldwater

On March 1, 2022, Valmet acquired North American-based Coldwater Seals, Inc, a global provider of consumables and services to the pulp and paper industry. The net sales of Coldwater were approximately EUR 15 million in the last twelve months. The acquired operations employ approximately 60 employees, who are located in Atlanta and Appleton in the United States and Kil in Sweden. The acquired business has been consolidated into the Group financials from the acquisition date onwards.

The acquisition of Coldwater did not have a material impact on the results or financial position of Valmet, or its financial reporting for the nine months ended September 30, 2022.

Merger of Valmet and Neles

On April 1, 2022, Valmet announced that the statutory merger of Neles Corporation into Valmet had been registered and the combination of Valmet's and Neles' business operations had been completed.

Neles delivers mission-critical flow control innovations, technologies, and services for the continuously evolving needs of global process industries, helping customers to improve their process performance and to ensure the safe flow of materials. Net sales of Neles were approximately EUR 611 million in 2021, and Neles employed approximately 2,900 employees. The purpose of the merger was to create a leading company with a unique, competitive and balanced total offering for process industries globally.

The merger was accounted for as a business combination in accordance with the acquisition method of accounting, with Valmet determined as the acquirer of Neles. As Valmet held an equity interest in Neles prior to the merger, the merger was accounted for as a business combination achieved in stages. The total merger consideration consists of the fair value of the shares issued as merger consideration, the fair value of Valmet's previously held equity interest in Neles, and the effect from the settlement of pre-existing relationship between Valmet and Neles. Net cash inflow associated with the business combination consist of cash and cash equivalents acquired, amounting to EUR 130 million.

Neles' shareholders, excluding Valmet as well as Neles with respect to treasury shares held by Neles, received as merger consideration 0.3277 new shares in Valmet for each share they held in Neles on the merger completion date. A total of 34,664,986 new shares were issued as merger consideration, for which the fair value was determined, based on the listed share price as at March 31, 2022, of 28.21 EUR, to be EUR 978 million.

Valmet's previously held equity interest in Neles was remeasured to fair value at the merger date. The fair value of Valmet's previously held equity interest was EUR 411 million, and a gain of EUR 59 million was recognized in Other operating income in the Consolidated Statement of Income.

The settlement of pre-existing relationship consists of the elimination of a EUR 89 million receivable arising from Neles' extra distribution of funds, netted with the elimination of EUR 1 million of trade payables.

The components of the merger consideration transferred and their fair values are summarized in the following table.

EUR million	As at April 1, 2022
Shares issued as merger consideration	**978**
Fair value of Valmet's previously held equity interest in Neles	**411**
Settlement of pre-existing relationship	**87**
Total merger consideration	**1,476**

Neles has been consolidated into Valmet as of April 1, 2022. Fair values of assets acquired, liabilities assumed, and goodwill recognized at the date of acquisition is summarized in the following table. The net assets acquired are denominated in euro. The accounting for the business combination is based on provisional amounts and is not final.

Goodwill arising from the business combination is attributable to the assembled workforce, value of geographic presence and future customers, technologies and products, and synergies expected to be derived from the combined businesses. The goodwill arising from the merger is not expected to be tax-deductible.

From the merger completion date, the acquired business has contributed EUR 360 million to net sales and has not had a material impact to the profit of the Group, which includes EUR 56 million amortization of intangibles and inventory fair-value step-up recognized at acquisition.

If the acquisition had occurred on January 1, 2022, management estimates that Valmet's Consolidated Statement of Income would show net sales of EUR 3,698 million and profit for the period amounting to EUR 255 million, with the assumption that the fair value adjustments as at the merger completion date would have been the same if the merger had occurred on January 1, 2022.

Acquisition related costs of EUR 10 million have been charged to Selling, general and administrative expenses in the Consolidated Statement of Income in January–September 2022.

Fair values of assets acquired and liabilities assumed and goodwill at the date of acquisition:

EUR million	**As at April 1, 2022**
Non-current assets	
Goodwill	**878**
Other intangible assets	**830**
Property, plant and equipment	**78**
Leased assets	**47**
Deferred tax asset	**24**
Other non-current assets	**13**
Total non-current assets	**1,869**
Current assets	
Inventories	**202**
Trade receivables	**86**
Other current financial assets	**1**
Other current assets	**48**
Cash and cash equivalents	**130**
Total current assets	**466**
Non-current liabilities	
Non-current lease liabilities	**35**
Post-employment benefits	**18**
Deferred tax liabilities	**213**
Total non-current liabilities	**267**
Current liabilities	
Current debt	**384**
Current lease liabilities	**12**
Trade payables	**60**
Provisions	**9**
Amounts due to customers under revenue contracts	**30**
Other current liabilities	**98**
Total current liabilities	**593**
Net assets acquired	**1,476**

Reportable segments and geographic information

The Group's Chief Operating Decision Maker (CODM) is the President and CEO of Valmet. Valmet has three reportable segments for financial reporting purposes: Services, Automation and Process Technologies. Corporate functions are presented as Other.

The Services segment provides customers with flexible and fit-for-purpose services throughout the lifecycle to improve process performance and reliability. The Automation segment delivers automation solutions ranging from single measurements to mill- or plant-wide process automation systems, and mission-critical flow control technologies and services for the process industries. The Process Technologies segment provides technology solutions for pulp and energy production, as well as for biomass conversion and emission control, and complete production lines, machine rebuilds and process components for board, tissue and paper production.

Valmet adopted its current financial reporting structure on January 1, 2022. The financial reporting structure was revised to reflect Valmet's new operational model, in anticipation of the forthcoming integration of Neles into Valmet, and is aligned with the way the CODM evaluates the operational performance of the segments and allocates resources. Previously Valmet had one reportable segment. Valmet has restated segment information for comparative periods. Accounting policies of the segments are the same as those used in preparing the consolidated interim financial statements.

One key indicator of performance reviewed by the CODM is Earnings before interest, taxes and amortization (EBITA). Performance is also assessed through Comparable EBITA, i.e., with EBITA excluding certain items of income and expense that reduce the comparability of Valmet's performance from one period to another. The alternative performance measures of EBITA and Comparable EBITA are published by Valmet as part of regulated financial information to enable users of the financial information to prepare more meaningful analysis on Valmet's performance. Items affecting comparability consist of income and expenses arising from activities that amend the capacity of Valmet's operations, such as restructuring costs, and gains or losses on sale of businesses or non-current assets, and income and expenses incurred outside Valmet's normal course of business, such as impairment charges and income and expenses recorded as a result of settlement payments to/from third parties (e.g., penalties incurred as a result of tax audits or settlements to closed lawsuits) as well as income and expenses arising from changes in legislation expected to affect Valmet temporarily only (e.g., customs or other tariffs imposed by authorities on Valmet's products).

Orders received, EUR million	**Q1–Q3/ 2022**	Q1–Q3/ 2021	Change	2021
Services	**1,338**	1,094	22%	1,481
Automation	**758**	347	>100%	467
Process Technologies	**1,713**	2,206	-22%	2,793
Total	**3,809**	3,647	4%	4,740

Net sales, EUR million	**Q1–Q3/ 2022**	Q1–Q3/ 2021	Change	2021
Services	**1,101**	947	16%	1,360
Automation	**676**	252	>100%	412
Process Technologies	**1,757**	1,537	14%	2,163
Total	**3,534**	2,736	29%	3,935

Comparable EBITA, EUR million	Q1–Q3/ 2022	Q1–Q3/ 2021	Change	2021
Services	**142**	133	7%	204
Automation	**112**	39	>100%	79
Process Technologies	**107**	130	-18%	175
Other	**-25**	-20	25%	-30
Total	**337**	282	20%	429

Comparable EBITA, % of net sales	Q1–Q3/ 2022	Q1–Q3/ 2021	2021
Services	**12.9%**	14.1%	15.0%
Automation	**16.6%**	15.4%	19.2%
Process Technologies	**6.1%**	8.5%	8.1%
Total	**9.5%**	10.3%	10.9%

EBITA, EUR million	Q1–Q3/ 2022	Q1–Q3/ 2021	Change	2021
Services	**134**	139	-3%	210
Automation	**99**	40	>100%	83
Process Technologies	**98**	129	-24%	173
Other	**29**	-14		-18
Total	**360**	293	23%	448

EBITA, % of net sales	Q1–Q3/ 2022	Q1–Q3/ 2021	2021
Services	**12.2%**	14.7%	15.5%
Automation	**14.6%**	15.7%	20.1%
Process Technologies	**5.6%**	8.4%	8.0%
Total	**10.2%**	10.7%	11.4%

Items affecting comparability, EUR million	Q1–Q3/ 2022	Q1–Q3/ 2021	Change	2021
Services	**-8**	6		6
Automation	**-14**	1		4
Process Technologies	**-9**	-1	>100%	-3
Other	**54**	5	>100%	11
Total	**23**	10	>100%	19

Amortization, EUR million	Q1–Q3/ 2022	Q1–Q3/ 2021	Change	2021
Services	**-5**	-4	11%	-6
Automation	**-57**	-8	>100%	-11
Process Technologies	**-5**	-6	-10%	-8
Other	**-12**	-18	-32%	-24
Total	**-80**	-37	>100%	-49

Reconciliation between Comparable EBITA, EBITA and Operating profit

EUR million	Q1–Q3/ 2022	Q1–Q3/ 2021
Comparable EBITA	**337**	282
Items affecting comparability in cost of sales		
Expenses related to capacity adjustments	**—**	—
Expensing of fair value adjustments recognized in business combinations	**-9**	-2
Other items affecting comparability[1]	**-26**	1
Items affecting comparability in selling, general and administrative expenses		
Expenses related to capacity adjustments	**-1**	—
Expenses related to acquisitions	**-10**	-5
Other items affecting comparability	**-6**	—
Items affecting comparability in other operating income and expenses		
Expenses related to capacity adjustments	**—**	—
Expenses related to acquisitions	**-2**	—
Other items affecting comparability[2]	**70**	6
Items affecting comparability in share in profits and losses of associated companies, operative investments		
Other items affecting comparability	**8**	11
EBITA	**360**	293
Amortization included in cost of sales		
Other intangibles	**-1**	-1
Amortization included in selling, general and administrative expenses		
Intangibles recognized in business combinations	**-63**	-15
Other intangibles	**-13**	-10
Amortization included in share in profits and losses of associated companies, operative investments		
Other intangibles	**-2**	-11
Operating profit	**280**	255

[1] *Includes in 2022 expenses from Valmet’s withdrawal from Russia and expenses related to the fire at Valmet’s Rautpohja factory site in Jyväskylä, Finland.*

[2] *Includes in 2022 a gain of EUR 59 million from remeasurement of Valmet's previously held equity interest in Neles, expenses from Valmet’s withdrawal from Russia, and income and expenses related to the fire at Valmet’s Rautpohja factory site in Jyväskylä, Finland.*

Entity-wide information

Valmet has operations globally in over 35 countries. Measured by net sales, the top three countries in January–September 2022 were the USA, China and Brazil, which together accounted for 46 percent of total net sales. In January–September 2021, the top three countries were China, the USA and Finland, which together accounted for 46 percent of total net sales. Net sales for Finland (the country of domicile) amounted EUR 423 million in January–September 2022 (EUR 274 million).

Net sales by destination:

Q1–Q3/2022: EUR 3,534 million

Q1–Q3/2021: EUR 2,736 million

Gross capital expenditure (excl. business combinations and leased assets) by location:

EUR million	North America	South America	EMEA	China	Asia-Pacific	Total
Q1–Q3/2022	**4**	**2**	**59**	**10**	**5**	**80**
Q1–Q3/2021	2	1	59	5	1	69

Revenue

Valmet’s revenue is reported on and monitored by management in business line, segment and area dimension. Paper, and Pulp and Energy business lines’ revenue is derived from large long-term capital projects, for which revenue is mostly recognized over time based on the cost-to-cost method. Service business line’s revenue arises from large volume of short-term contracts with relatively low individual value, for which revenue is mainly recognized at a point in time. Flow Control business line's valves equipment sales are recognized at a point in time. Automation business line’s revenue consists of long-term contracts and short-term service contracts. The nature of long-term contracts, and therefore also the revenue recognition method, is similar to capital projects although with average contract values being lower. Revenue for short-term service contracts is recognized at a point in time. Nature of revenue in each area in any given reporting period is driven by volume and size of ongoing capital projects.

Net sales by business lines:

EUR million	Q3/2022	Q3/2021	Q1–Q3/ 2022	Q1–Q3/ 2021
Services	**381**	322	**1,101**	947
Flow Control	**183**	—	**360**	—
Automation	**114**	91	**317**	252
Pulp and Energy	**256**	257	**798**	720
Paper	**355**	265	**959**	817
Total	**1,288**	935	**3,534**	2,736

Timing of revenue recognition:

EUR million	Q3/2022	Q3/2021	Q1–Q3/ 2022	Q1–Q3/ 2021
Performance obligations satisfied at a point in time	**601**	412	**1,568**	1,143
Performance obligations satisfied over time	**687**	523	**1,966**	1,594
Total	**1,288**	935	**3,534**	2,736

In order to mitigate credit risk and compensate for contract costs incurred upfront, Valmet regularly requires advance payments from its customers. During the reporting period Valmet had not entered into any material contracts where the period between when Valmet transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or more. Neither were there any ongoing projects from previous reporting periods for which the former would apply.

The creditworthiness of a customer is verified before entering into a contract. However, if a risk of non-payment arises after contract inception, the probability of collection of consideration is re-evaluated and if assessed improbable, recognition of revenue is discontinued. An allowance for non-collectability of open receivables and contract assets is established as concluded appropriate.

Valmet receives payments from customers based on invoicing schedules as set out in the customer contracts. Changes in contract assets and liabilities are due to Valmet's performance under the contracts. Amounts due from customers under revenue contracts primarily relate to Valmet's right to consideration for work completed but not yet invoiced at the reporting date. These assets are transferred to trade receivables when right to consideration becomes unconditional, which is typically at the time when Valmet has contractual right to issue an invoice. Significant part of amounts due to customers relate to advance consideration received from customers in long-term capital contracts for which revenue is recognized over time. These amounts are recognized as revenue as (or when) Valmet performs under the contracts.

Following tables provide specification of movements in amounts due from customers under revenue contracts and amounts due to customers under revenue contracts over the reporting period. Revenue recognized in the period also includes revenue recognized related to performance obligations satisfied in previous periods, the amount of which however is insignificant.

Amounts due from customers under revenue contracts:

EUR million	Q1–Q3/ 2022	Q1–Q3/ 2021	2021
Carrying value at beginning of the period	**280**	229	229
Translation differences	**-2**	1	2
Acquired in business combinations	**—**	—	—
Revenue recognized in the period	**803**	469	787
Transfers to trade receivables	**-644**	-455	-738
Carrying value at end of the period	**437**	243	280

Amounts due to customers under revenue contracts:

EUR million	Q1–Q3/ 2022	Q1–Q3/ 2021	2021
Carrying value at beginning of the period	**1,263**	1,002	1,002
Translation differences	**33**	22	32
Acquired in business combinations	**30**	5	5
Revenue recognized in the period	**-1,623**	-1,618	-2,230
Consideration invoiced and/or received	**1,650**	1,811	2,454
Carrying value at end of the period	**1,353**	1,222	1,263

EUR million	As at September 30, 2022	As at September 30, 2021	As at December 31, 2021
Amounts due to customers under revenue contracts for which revenue is recognized			
Point in time	**431**	364	349
Over time	**922**	858	913
Carrying value at end of the period	**1,353**	1,222	1,263

Valmet typically issues contractual product warranties under which it guarantees the mechanical functioning of equipment delivered during the agreed warranty period. Valmet does not issue service-type warranties.

As at September 30, 2022, Valmet had no costs to obtain or fulfill contracts capitalized under IFRS 15.

The aggregate amount of transaction price allocated to unsatisfied or partially satisfied performance obligations as at September 30, 2022, was EUR 4,672 million (EUR 4,199 million).

Net working capital

Valmet's net working capital is typically negative due to advance payments received from customers related to long-term capital projects. Net working capital does not include non-operative items such as taxes, interest-bearing assets and liabilities, or other items related to funding of the Group's operations.

EUR million	As at September 30, 2022	As at September 30, 2021	As at December 31, 2021	Q1–Q3/ 2022 impact
Assets included in net working capital				
Non-current trade receivables	**—**	1	1	**—**
Other non-current assets	**19**	7	8	**-11**
Inventories	**1,093**	676	662	**-431**
Trade receivables	**688**	552	644	**-44**
Amounts due from customers under revenue contracts	**437**	243	280	**-157**
Derivative financial instruments (assets)	**100**	44	43	**-57**
Other receivables	**240**	144	150	**-90**
Liabilities included in net working capital				
Post-employment benefits	**-136**	-187	-189	**-53**
Provisions	**-221**	-209	-214	**6**
Other non-current non-interest-bearing liabilities	**-2**	-3	-2	**—**
Trade payables	**-443**	-340	-374	**70**
Amounts due to customers under revenue contracts	**-1,353**	-1,222	-1,263	**91**
Derivative financial instruments (liabilities)	**-78**	-28	-26	**51**
Other current liabilities	**-609**	-408	-394	**215**
Total net working capital	**-265**	-729	-673	**-408**
Effect of changes in foreign exchange rates				**10**
Remeasurement of defined benefit plans				**62**
Change in allowance for doubtful receivables and inventory obsolescence provision				**-10**
Acquired in business combinations				**135**
Change in net working capital in the Consolidated statement of cash flows				**-212**

Intangible assets and property, plant and equipment

Intangible assets

EUR million	Q1–Q3/2022	Q1–Q3/2021	2021
Carrying value at beginning of the period	**1,004**	983	983
Translation differences	**26**	9	13
Capital expenditure	**23**	21	29
Acquired in business combinations	**1,722**	16	16
Amortization charges for the period	**-78**	-27	-36
Impairment losses	**-1**	—	-1
Other changes and disposals	**-1**	—	—
Carrying value at end of the period	**2,695**	1,002	1,004

Property, plant and equipment (excl. leased assets)

EUR million	Q1–Q3/2022	Q1–Q3/2021	2021
Carrying value at beginning of the period	**404**	375	375
Translation differences	**7**	6	10
Capital expenditure	**56**	48	68
Acquired in business combinations	**81**	—	—
Depreciation charges for the period	**-42**	-35	-47
Impairment losses	**-1**	—	—
Other changes and disposals	**-1**	—	-2
Carrying value at end of the period	**505**	394	404

Leases

Leased assets

EUR million	Q1–Q3/2022	Q1–Q3/2021	2021
Carrying value at beginning of the period	**65**	66	66
Translation differences	**1**	1	2
Additions	**17**	14	22
Acquired in business combinations	**49**	3	2
Depreciation	**-25**	-18	-24
Other changes	**-1**	-1	-4
Carrying value at end of the period	**105**	64	65

Financial instruments

Derivative financial instruments

As at September 30, 2022	**Notional amount**	**Fair value, assets**	**Fair value, liabilities**	**Fair value, net**
Forward exchange contracts[1]	**3,742**	**73**	**-78**	**-4**
Interest rate swaps[1]	**125**	**8**	**—**	**8**
Electricity forward contracts[2]	**180**	**18**	**—**	**18**
Nickel forward contracts[3]	**276**	**1**	**—**	**—**
Steel scrap forward contracts[3]	**1,275**	**—**	**—**	**—**

As at September 30, 2021	Notional amount	Fair value, assets	Fair value, liabilities	Fair value, net
Forward exchange contracts[1]	2,993	41	-27	15
Interest rate swaps[1]	75	—	-2	-1
Electricity forward contracts[2]	182	2	—	2
Nickel forward contracts[3]	54	—	—	—

[1] *Notional amount and fair values in EUR million.*
[2] *Notional amount in GWh and fair values in EUR million.*
[3] *Notional amount in metric tons and fair values in EUR million.*

The notional amounts give an indication of the volume of derivative contracts entered into, but do not provide an indication of the exposure to risk.

Classification of financial assets and liabilities:

EUR million	As at September 30, 2022	As at September 30, 2021
Non-current financial assets		
Equity investments at fair value through other comprehensive income	**9**	9
Equity investments at fair value through profit or loss	**2**	2
Loan receivables at amortized cost	**—**	1
Loan receivables at fair value through profit or loss	**—**	—
Derivative financial instruments at fair value through profit or loss	**—**	—
Derivative financial instruments qualified for hedge accounting	**22**	7
Carrying value at end of the period	**34**	20
Current financial assets		
Interest-bearing financial assets at fair value through other comprehensive income	**32**	36
Non-interest-bearing financial assets at amortized cost	**5**	6
Trade receivables at amortized cost	**688**	552
Derivative financial instruments at fair value through profit or loss	**22**	15
Derivative financial instruments qualified for hedge accounting	**56**	22
Cash and cash equivalents at amortized cost	**422**	458
Carrying value at end of the period	**1,226**	1,088

EUR million	As at September 30, 2022	As at September 30, 2021
Non-current financial liabilities		
Loans from financial institutions at amortized cost	**505**	195
Lease liabilities at amortized cost	**66**	38
Derivative financial instruments at fair value through profit or loss	**—**	—
Derivative financial instruments qualified for hedge accounting	**10**	3
Carrying value at end of the period	**582**	236
Current financial liabilities		
Loans from financial institutions at amortized cost	**255**	222
Lease liabilities at amortized cost	**33**	22
Interest-bearing liabilities at amortized cost	**24**	—
Trade payables at amortized cost	**443**	340
Derivative financial instruments at fair value through profit or loss	**21**	9
Derivative financial instruments qualified for hedge accounting	**46**	17
Carrying value at end of the period	**822**	609

For those financial assets and liabilities, which have been recognized at fair value in the Consolidated statement of financial position, the measurement hierarchy and valuation methods described below have been applied.

Level 1

Quoted unadjusted prices at reporting date in active markets. Valmet level 1 financial instruments include equity investments classified as financial assets at fair value through other comprehensive income.

Level 2

The fair value of financial instruments in Level 2 is determined using valuation techniques. These techniques utilize observable market data readily and regularly available. Valmet level 2 financial instruments include over-the-counter (OTC) derivatives classified as financial assets and liabilities at fair value through profit or loss or derivatives qualified for hedge accounting and all other financial assets and liabilities except for equity investments.

Level 3

A financial instrument is categorized into Level 3 if the calculation of the fair value cannot be based on observable market data. Valmet level 3 financial instruments include equity investments classified as financial assets at fair value through profit or loss.

Provisions

EUR million	**Q1–Q3/2022**	Q1–Q3/2021	2021
Carrying value at beginning of the period	**214**	211	211
Translation differences	**2**	1	2
Additions charged to profit or loss	**108**	81	111
Acquired in business combinations	**8**	2	2
Used reserve	**-78**	-43	-64
Reversal of reserve	**-33**	-44	-48
Carrying value at end of the period	**221**	209	214
Non-current	**34**	23	25
Current	**186**	186	189

Contingencies and commitments

EUR million	**As at September 30, 2022**	As at September 30, 2021	As at December 31, 2021
Guarantees on behalf of Valmet Group	**1,594**	1,397	1,406

The most significant commitments and contingencies of Valmet relate to guarantees provided by Valmet Oyj, its subsidiaries and financial institutions to customers and suppliers in the ordinary course of business, as disclosed in the above table.

Events after the reporting period

There have been no subsequent events after the review period that required recognition or disclosure.

Key ratios

	Q1–Q3/2022	Q1–Q3/2021
Earnings per share, EUR	**1.25**	1.31
Diluted earnings per share, EUR	**1.25**	1.31
Adjusted earnings per share, EUR[1]	**1.56**	1.40
Equity per share at end of period, EUR	**13.22**	8.10
Return on equity (ROE), % (annualized)	**15%**	22%
Return on capital employed (ROCE) before taxes, % (annualized)	**15%**	21%
Equity to assets ratio at end of period, %	**47%**	41%
Gearing at end of period, %	**18%**	-1%
Cash flow provided by operating activities, EUR million	**49**	385
Cash flow after investments, EUR million	**100**	312
Gross capital expenditure (excl. business combinations and leased assets), EUR million	**-80**	-69
Additions to leased assets, EUR million	**-16**	-14
Business combinations, net of cash acquired and loans repaid, EUR million	**117**	-15
Additions to investments in associated companies	**—**	—
Depreciation and amortization, EUR million	**-146**	-90
Amortization	**-80**	-37
Depreciation, property, plant and equipment (excl. leased assets)	**-42**	-35
Depreciation, leased assets	**-25**	-18
Expensing of fair value adjustments recognized in business combinations, net of tax, EUR million	**-52**	-13
Number of outstanding shares at end of period	**184,187,497**	149,473,533
Average number of outstanding shares	**172,730,220**	149,466,320
Average number of diluted shares	**172,730,220**	149,466,320
Interest-bearing liabilities at end of period, EUR million	**883**	476
Net interest-bearing liabilities at end of period, EUR million	**428**	-17

[1] *Adjusted earnings per share (Adjusted EPS) is a new alternative performance measure that excludes the impact of fair value adjustments arising from business combinations, net of tax. Adjusted EPS enables users of the financial information to prepare more meaningful analysis on Valmet's performance and is presented with comparatives from Q2/2022 onwards.*

Formulas for calculation of indicators

In addition to financial performance indicators as defined by IFRS, Valmet publishes certain other widely used measures of performance that can be derived from figures in the Consolidated statement of income and Consolidated statement of financial position, as well as notes thereto. The formulas for calculation of these alternative performance measures are presented below.

EBITA:
Operating profit + amortization

Comparable EBITA[1]:
Operating profit + amortization +/- items affecting comparability

Earnings per share:

$$\frac{\text{Profit attributable to shareholders of the Company}}{\text{Average number of shares outstanding during period}}$$

Diluted earnings per share:

$$\frac{\text{Profit attributable to shareholders of the Company}}{\text{Average number of diluted shares during period}}$$

Adjusted earnings per share[1]:

$$\frac{\text{Profit attributable to shareholders of the Company - expensing of fair value adjustments recognized in business combinations, net of tax}}{\text{Average number of shares outstanding during period}}$$

Equity per share:

$$\frac{\text{Equity attributable to owners of the parent}}{\text{Number of outstanding shares at end of period}}$$

Return on equity (ROE), % (annualized):

$$\frac{\text{Profit for the period}}{\text{Total equity (average for period)}} \times 100$$

Return on capital employed (ROCE) before taxes, % (annualized):

$$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Balance sheet total - non-interest-bearing liabilities (average for period)}} \times 100$$

Comparable return on capital employed (ROCE) before taxes, %[1] (annualized):

$$\frac{\text{Profit before taxes + interest and other financial expenses +/- items affecting comparability}}{\text{Balance sheet total - non-interest-bearing liabilities (average for period)}} \times 100$$

Equity to assets ratio, %:

$$\frac{\text{Total equity}}{\text{Balance sheet total - amounts due to customers under revenue contracts}} \times 100$$

Gearing, %:

$$\frac{\text{Net interest-bearing liabilities}}{\text{Total equity}} \times 100$$

Net interest-bearing liabilities:
Non-current debt + non-current lease liabilities + current debt + current lease liabilities - cash and cash equivalents - other interest-bearing assets

[1]*Alternative performance measure also calculated on a rolling 12-month basis.*

Quarterly information

EUR million	Q3/2022	Q2/2022	Q1/2022	Q4/2021	Q3/2021
Net sales	**1,288**	1,286	960	1,199	935
Comparable EBITA	**136**	122	79	147	107
% of net sales	**10.5%**	9.5%	8.3%	12.2%	11.4%
Operating profit	**97**	120	63	143	95
% of net sales	**7.6%**	9.4%	6.5%	11.9%	10.1%
Profit before taxes	**98**	120	62	142	95
% of net sales	**7.6%**	9.3%	6.5%	11.8%	10.1%
Profit for the period	**71**	101	45	100	75
% of net sales	**5.5%**	7.8%	4.7%	8.3%	8.1%
Earnings per share, EUR	**0.38**	0.55	0.30	0.67	0.50
Diluted earnings per share, EUR	**0.38**	0.55	0.30	0.67	0.50
Adjusted earnings per share, EUR	**0.51**	0.68	0.33	0.69	0.53
Amortization	**-34**	-34	-11	-12	-12
Depreciation, property, plant and equipment (excl. leased assets)	**-15**	-15	-12	-12	-12
Depreciation, leased assets	**-9**	-9	-6	-6	-6
Expensing of fair value adjustments recognized in business combinations, net of tax, EUR million	**-23**	-25	-4	-4	-4
Research and development expenses, net	**-23**	-26	-19	-26	-16
% of net sales	**-1.8%**	-2.0%	-2.0%	-2.2%	-1.7%
Items affecting comparability:					
in cost of goods sold	**-10**	-22	-3	—	-1
in selling, general and administrative expenses	**-6**	-3	-8	-1	-3
in other operating income and expenses, net	**12**	55	1	4	—
in share in profits and losses of associated companies, operative investments	**—**	1	6	6	4
Total items affecting comparability	**-4**	32	-5	8	—
Gross capital expenditure (excl. business combinations and leased assets)	**-29**	-27	-24	-28	-22
Additions to leased assets	**-6**	-7	-3	-8	-5
Business combinations, net of cash acquired and loans repaid	**1**	130	-13	—	-16
Additions to investments in associated companies	**—**	—	—	—	—
Capital employed, end of period	**3,324**	3,244	1,698	1,808	1,693
Orders received	**1,178**	1,306	1,324	1,093	1,107
Order backlog, end of period	**4,672**	4,784	4,459	4,096	4,199

Quarterly segment information

Orders received, EUR million	**Q3/2022**	Q2/2022	Q1/2022	Q4/2021	Q3/2021
Services	**427**	460	451	387	341
Automation	**306**	305	147	119	109
Process Technologies	**444**	542	727	587	657
Total	**1,178**	1,306	1,324	1,093	1,107

Net sales, EUR million	**Q3/2022**	Q2/2022	Q1/2022	Q4/2021	Q3/2021
Services	**381**	403	317	413	322
Automation	**296**	292	88	160	91
Process Technologies	**610**	591	555	626	522
Total	**1,288**	1,286	960	1,199	935

Comparable EBITA, EUR million	**Q3/2022**	Q2/2022	Q1/2022	Q4/2021	Q3/2021
Services	**55**	57	30	71	50
Automation	**52**	50	11	40	19
Process Technologies	**36**	31	41	45	46
Other	**-7**	-15	-3	-10	-8
Total	**136**	122	79	147	107

Comparable EBITA, % of net sales	**Q3/2022**	Q2/2022	Q1/2022	Q4/2021	Q3/2021
Services	**14.3%**	14.2%	9.6%	17.2%	15.5%
Automation	**17.6%**	17.0%	12.1%	25.2%	20.5%
Process Technologies	**5.8%**	5.2%	7.3%	7.2%	8.9%
Total	**10.5%**	9.5%	8.3%	12.2%	11.4%

EBITA, EUR million	**Q3/2022**	Q2/2022	Q1/2022	Q4/2021	Q3/2021
Services	**55**	49	30	72	50
Automation	**48**	41	10	43	19
Process Technologies	**36**	24	38	44	46
Other	**-7**	40	-4	-4	-8
Total	**132**	154	74	155	107

EBITA, % of net sales	**Q3/2022**	Q2/2022	Q1/2022	Q4/2021	Q3/2021
Services	**14.4%**	12.2%	9.6%	17.3%	15.5%
Automation	**16.2%**	13.9%	11.3%	27.0%	21.0%
Process Technologies	**5.8%**	4.0%	6.9%	7.0%	8.8%
Total	**10.2%**	12.0%	7.7%	12.9%	11.4%

Items affecting comparability, EUR million	**Q3/2022**	Q2/2022	Q1/2022	Q4/2021	Q3/2021
Services	**—**	-8	—	1	—
Automation	**-4**	-9	-1	3	—
Process Technologies	**—**	-7	-2	-2	-1
Other	**—**	56	-2	6	—
Total	**-4**	32	-5	8	—

Amortization, EUR million	**Q3/2022**	Q2/2022	Q1/2022	Q4/2021	Q3/2021
Services	**-2**	-2	-2	-1	-1
Automation	**-27**	-27	-3	-3	-3
Process Technologies	**-2**	-2	-2	-2	-2
Other	**-4**	-4	-5	-6	-5
Total	**-34**	-34	-11	-12	-12

Valmet´s financial reporting in 2023

February 2, 2023 - Financial Statements Review for 2022
April 26, 2023 - Interim Review for January–March 2023
July 26, 2023 - Half Year Financial Review for January–June 2023
October 25, 2023 - Interim Review for January–September 2023

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