

Financial Statements Review

January 1 – December 31, 2022



Valmet's Financial Statements Review

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Orders received increased to EUR 5.2 billion and Comparable EBITA to EUR 533 million in 2022

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.

October–December 2022: Net sales, Comparable EBITA and Comparable EBITA margin increased

- Orders received increased 27 percent to EUR 1,385 million (EUR 1,093 million).
 - Orders received increased in all three segments.
 - Orders received increased in China, Asia-Pacific and North America, remained at the previous year's level in EMEA (Europe, Middle East and Africa), and decreased in South America.
- Net sales increased 28 percent to EUR 1,540 million (EUR 1,199 million).
 - Net sales increased in all three segments.
- Comparable earnings before interest, taxes and amortization (Comparable EBITA) increased 33 percent to EUR 196 million (EUR 147 million).
 - Comparable EBITA increased in the Automation and Services segments and decreased in the Process Technologies segment.
- Comparable EBITA margin was 12.7 percent (12.2%).
- Earnings per share were EUR 0.66 (EUR 0.67). Adjusted earnings per share were EUR 0.80 (EUR 0.69).
- Items affecting comparability amounted to EUR -6 million (EUR 8 million).
- Cash flow provided by operating activities was EUR -13 million (EUR 96 million).

January–December 2022: Net sales and Comparable EBITA increased, but Comparable EBITA margin decreased

- Orders received increased 10 percent to EUR 5,194 million (EUR 4,740 million).
 - Orders received increased in the Automation and Services segments and decreased in the Process Technologies segment.
 - 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.
- Net sales increased 29 percent to EUR 5,074 million (EUR 3,935 million).
 - Net sales increased in all three segments.
- Comparable earnings before interest, taxes and amortization (Comparable EBITA) increased 24 percent to EUR 533 million (EUR 429 million).
 - Comparable EBITA increased in the Automation and Services segments and decreased in the Process Technologies segment.
- Comparable EBITA margin was 10.5 percent (10.9%).
- Earnings per share were EUR 1.92 (EUR 1.98). Adjusted earnings per share were EUR 2.37 (EUR 2.09).

- Items affecting comparability amounted to EUR 17 million (EUR 19 million).
- Cash flow provided by operating activities was EUR 36 million (EUR 482 million).

Dividend proposal

The Board of Directors proposes for the Annual General Meeting a dividend of EUR 1.30 per share for 2022, to be paid in two installments. The proposed dividend equals 68 percent of the net result.

Guidance for 2023

Valmet estimates that net sales in 2023 will increase in comparison with 2022 (EUR 5,074 million) and Comparable EBITA in 2023 will increase in comparison with 2022 (EUR 533 million).

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 2022

"Valmet's orders received increased to EUR 5.2 billion in 2022. Our order backlog amounted to EUR 4.4 billion at the end of 2022, which is EUR 307 million higher than at the end of 2021. Net sales increased and amounted to EUR 5.1 billion. Comparable EBITA increased to EUR 533 million, meaning that we have been able to increase Valmet's Comparable EBITA nine years in a row as an independent company. Valmet's Comparable EBITA margin decreased to 10.5 percent in 2022, as cost inflation impacted the margins. Valmet's goal is to offset the cost inflation through increased productivity, procurement savings and price increases.

In April, we reached a major strategic milestone when the flow control company Neles was merged into Valmet, and we welcomed about 3,000 new colleagues to the company. After the merger completion, Valmet now has a large stable business, and we provide our customers with a unique and competitive offering covering process technologies, automation systems, flow control solutions and services. We are happy with the progress of the integration and the strong start of the new Flow Control business line.

Due to the merger with Neles and good organic growth, the orders received of Valmet's stable business, consisting of Services and Automation, increased to EUR 2.8 billion in 2022 and net sales increased to EUR 2.6 billion. Services and Automation segments contributed EUR 427 million to Valmet's Comparable EBITA in 2022. Valmet's stable business has several benefits: it is recurring and predictable, provides resilience to business cycles, makes Valmet's order intake less cyclical, and the future growth possibilities are good.

Sustainability is fully integrated into Valmet's strategy and operations through the comprehensive Sustainability 360° Agenda. In 2022, Valmet continued to receive recognition for the progress of its sustainability work in various sustainability ratings and was included for the ninth consecutive year in the Dow Jones World and Europe Sustainability Indices and received an A- leadership rating in CDP's Climate ranking.

Global turbulence caused by the war in Ukraine and the economic and political developments is expected to continue. Past years have shown that we at Valmet can adapt well to continuous change and we will continue the work to retain our resiliency also in the future. Valmet has a unique offering supported by favorable megatrends. This gives us confidence going into 2023."

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. The outstanding bridge loan facility was repaid in December 2022.

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 started in the second quarter, and several package orders were received in 2022. Most of the cost synergy actions regarding function costs, common locations and supply chain were implemented already during 2022. 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. Valmet's orders received included approximately EUR 10 million synergy impact in 2022. Approximately EUR 12 million of annual run rate cost synergies were achieved by the end of 2022. Roughly half of the achieved run rate synergies were realized as cost savings in 2022.

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. A second phase was implemented in autumn and resulted in further employee reductions and the closure of one legal entity. 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 2022, Valmet had a total of approximately 30 employees in Russia, working primarily in administration, engineering and maintenance. Valmet does not have production in Russia. Approximately 2 percent of Valmet's 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 figures¹

EUR million	Q4/2022	Q4/2021	Change	2022	2021	Change
Orders received	1,385	1,093	27%	5,194	4,740	10%
Order backlog ²	4,403	4,096	7%	4,403	4,096	7%
Net sales	1,540	1,199	28%	5,074	3,935	29%
Comparable earnings before interest, taxes and amortization (Comparable EBITA)	196	147	33%	533	429	24%
% of net sales	12.7%	12.2%		10.5%	10.9%	
Earnings before interest, taxes and amortization (EBITA)	190	155	23%	550	448	23%
% of net sales	12.3%	12.9%		10.8%	11.4%	
Operating profit (EBIT)	156	143	9%	436	399	9%
% of net sales	10.1%	11.9%		8.6%	10.1%	
Profit before taxes	152	142	7%	431	395	9%
Profit for the period	121	100	22%	338	296	14%
Earnings per share, EUR	0.66	0.67	-1%	1.92	1.98	-3%
Adjusted earnings per share, EUR ³	0.80	0.69	15%	2.37	2.09	13%
Equity per share, EUR ²	13.55	8.87	53%	13.55	8.87	53%
Cash flow provided by operating activities	-13	96		36	482	-93%
Cash flow after investments	-45	71		56	382	-85%
Return on equity (ROE)				18%	24%	
Return on capital employed (ROCE) before taxes				18%	24%	
Equity to assets ratio ²				49%	42%	
Gearing ²				20%	-7%	

¹ The calculation of key figures is presented on page 62.

² At end of period.

³ 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.

Segment key figures

Orders received, EUR million	Q4/2022	Q4/2021	Change	2022	2021	Change
Services	418	387	8%	1,756	1,481	19%
Automation	324	119	>100%	1,081	467	>100%
<i>Flow Control</i>	189	—		576	—	
<i>Automation Systems</i>	135	119	13%	505	467	8%
Process Technologies	644	587	10%	2,356	2,793	-16%
<i>Pulp and Energy</i>	280	237	18%	1,072	1,160	-8%
<i>Paper</i>	364	350	4%	1,285	1,634	-21%
Total	1,385	1,093	27%	5,194	4,740	10%

Net sales, EUR million	Q4/2022	Q4/2021	Change	2022	2021	Change
Services	505	413	22%	1,606	1,360	18%
Automation	363	160	>100%	1,040	412	>100%
<i>Flow Control</i>	191	—		551	—	
<i>Automation Systems</i>	172	160	8%	489	412	19%
Process Technologies	672	626	7%	2,428	2,163	12%
<i>Pulp and Energy</i>	284	302	-6%	1,081	1,022	6%
<i>Paper</i>	388	324	20%	1,347	1,141	18%
Total	1,540	1,199	28%	5,074	3,935	29%

Comparable EBITA, EUR million	Q4/2022	Q4/2021	Change	2022	2021	Change
Services	95	71	33%	237	204	16%
Automation	78	40	93%	190	79	>100%
Process Technologies	38	45	-17%	145	175	-17%
Other	-14	-10	39%	-39	-30	30%
Total	196	147	33%	533	429	24%

Comparable EBITA, % of net sales	Q4/2022	Q4/2021	2022	2021
Services	18.7%	17.2%	14.8%	15.0%
Automation	21.4%	25.2%	18.3%	19.2%
Process Technologies	5.6%	7.2%	6.0%	8.1%
Total	12.7%	12.2%	10.5%	10.9%

EBITA, EUR million	Q4/2022	Q4/2021	Change	2022	2021	Change
Services	94	72	31%	228	210	9%
Automation	71	43	64%	170	83	>100%
Process Technologies	36	44	-16%	134	173	-22%
Other	-11	-4	>100%	18	-18	
Total	190	155	23%	550	448	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-q4> on Thursday, February 2, 2023, at 2:00 p.m. Finnish time (EET). 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:

<http://palvelu.flik.fi/teleconference/?id=1009887>

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 10 percent in 2022

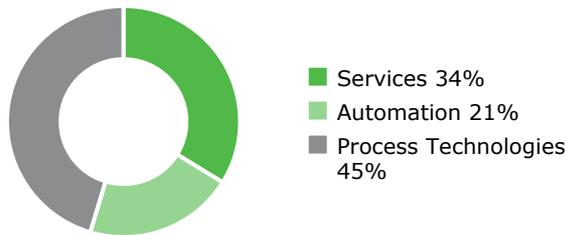
Orders received, EUR million	Q4/2022	Q4/2021	Change	2022	2021	Change
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Automation	324	119	>100%	1,081	467	>100%
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<i>Paper</i>	364	350	4%	1,285	1,634	-21%
Total	1,385	1,093	27%	5,194	4,740	10%

Orders received, comparable foreign exchange rates, EUR million ¹	Q4/2022	Q4/2021	Change	2022	2021	Change
Services	406	387	5%	1,679	1,481	13%
Automation	307	119	>100%	1,021	467	>100%
<i>Flow Control</i>	176	—		530	—	
<i>Automation Systems</i>	131	119	10%	491	467	5%
Process Technologies	633	587	8%	2,319	2,793	-17%
<i>Pulp and Energy</i>	282	237	19%	1,072	1,160	-8%
<i>Paper</i>	351	350	0%	1,247	1,634	-24%
Total	1,346	1,093	23%	5,018	4,740	6%

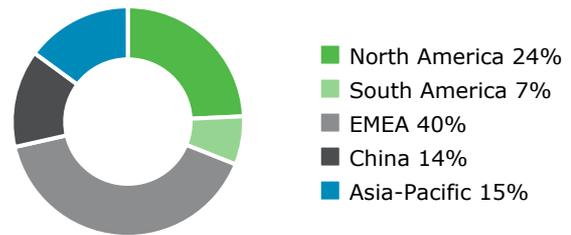
¹ Indicative only. January–December 2022 orders received in euro calculated by applying January–December 2021 average exchange rates to the functional currency orders received values reported by entities.

Orders received, EUR million	Q4/2022	Q4/2021	Change	2022	2021	Change
North America	400	172	>100%	1,260	725	74%
South America	91	253	-64%	353	696	-49%
EMEA	544	564	-3%	2,098	2,022	4%
China	184	52	>100%	711	755	-6%
Asia-Pacific	165	52	>100%	771	544	42%
Total	1,385	1,093	27%	5,194	4,740	10%

Orders received by segment, 2022



Orders received by area, 2022



October–December 2022: Orders received increased in all three segments

Orders received increased 27 percent to EUR 1,385 million (EUR 1,093 million) in October–December. The increase was largely due to Neles, which has been consolidated into Valmet as of April 1, 2022. Orders received increased in all three segments. Stable business (Services and Automation segments) accounted for 54 percent (46%) of Valmet’s orders received.

Orders received increased in China, Asia-Pacific and North America, remained at the previous year's level in EMEA, and decreased in South America. Measured by orders received, the top three countries were the USA, China and Finland, which together accounted for 52 percent of total orders received. South America, China and Asia-Pacific together accounted for 32 percent (33%) 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 39 million in October–December.

During October–December, Valmet received among others an order for an extensive paper machine rebuild in the USA, typically worth between EUR 90 and 120 million, an order for key pulp technology and automation solutions to Finland, typically valued at around EUR 75–100 million, an order for converting two coal-fired boilers to enable biomass combustion in Hungary, valued at approximately EUR 25 million, an order for a flue gas condensing process to a new high-temperature incineration plant in Finland, typically worth over EUR 15 million, an order for a pyrolyzer plant to France and an order to rebuild cooking, fiberline and evaporation plant in India.

January–December 2022: Orders received increased in the Automation and Services segments and decreased in the Process Technologies segment

Orders received increased 10 percent to EUR 5,194 million (EUR 4,740 million) in 2022. 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 55 percent (41%) 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. Measured by orders received, the top three countries were the USA, China and Indonesia, which together accounted for 42 percent of total orders received. South America, China and Asia-Pacific together accounted for 35 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 175 million in year 2022.

In addition to the above-mentioned, in year 2022, Valmet received among others an order for OCC, stock preparation and container board lines with a large scope of automation systems, Industrial Internet solutions and services to the United Kingdom, typically valued at around EUR 150–170 million, 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 a fine paper making line with an extensive scope of automation to China, typically valued at EUR 80–100 million, an order for a combined heat and power plant and a pretreatment system with automation 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 a tissue production line to Mexico.

Order backlog amounted to EUR 4.4 billion and was 7 percent higher than at the end of 2021

Order backlog, EUR million	As at December 31, 2022	As at December 31, 2021	Change	As at September 30, 2022
Total	4,403	4,096	7%	4,672

Order backlog amounted to EUR 4,403 million at the end of the reporting period, which is 6 percent lower than at the end of September 2022 and 7 percent higher than at the end of December 2021. Approximately 20 percent of the order backlog relates to the Services segment, 15 percent to the Automation segment, and 65 percent to the Process Technologies segment (at the end of December 2021, 20%, 5% and 75% respectively). Approximately 75 percent of the order backlog is currently expected to be realized as net sales during 2023 (at the end of December 2021, approximately 70% was expected to be realized as net sales during 2022).

Net sales increased 29 percent in 2022

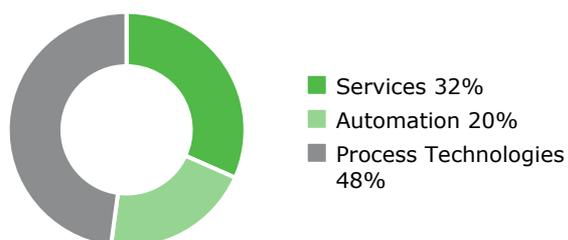
Net sales, EUR million	Q4/2022	Q4/2021	Change	2022	2021	Change
Services	505	413	22%	1,606	1,360	18%
Automation	363	160	>100%	1,040	412	>100%
<i>Flow Control</i>	191	—		551	—	
<i>Automation Systems</i>	172	160	8%	489	412	19%
Process Technologies	672	626	7%	2,428	2,163	12%
<i>Pulp and Energy</i>	284	302	-6%	1,081	1,022	6%
<i>Paper</i>	388	324	20%	1,347	1,141	18%
Total	1,540	1,199	28%	5,074	3,935	29%

Net sales, comparable foreign exchange rates, EUR million¹	Q4/2022	Q4/2021	Change	2022	2021	Change
Services	491	413	19%	1,538	1,360	13%
Automation	345	160	>100%	983	412	>100%
<i>Flow Control</i>	178	—		510	—	
<i>Automation Systems</i>	168	160	5%	473	412	15%
Process Technologies	664	626	6%	2,375	2,163	10%
<i>Pulp and Energy</i>	285	302	-6%	1,070	1,022	5%
<i>Paper</i>	380	324	17%	1,305	1,141	14%
Total	1,501	1,199	25%	4,897	3,935	24%

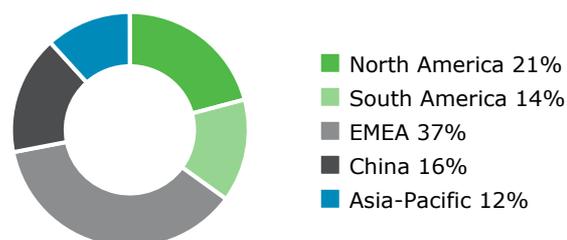
¹ Indicative only. January–December 2022 net sales in euro calculated by applying January–December 2021 average exchange rates to the functional currency net sales values reported by entities.

Net sales, EUR million	Q4/2022	Q4/2021	Change	2022	2021	Change
North America	344	212	63%	1,058	780	36%
South America	199	107	86%	718	384	87%
EMEA	583	536	9%	1,876	1,614	16%
China	230	242	-5%	829	780	6%
Asia-Pacific	184	103	78%	593	377	57%
Total	1,540	1,199	28%	5,074	3,935	29%

Net sales by segment, 2022



Net sales by area, 2022



October–December 2022: Net sales increased 28 percent

Net sales increased 28 percent to EUR 1,540 million (EUR 1,199 million) in October–December, largely due to consolidation of Neles into Valmet as of April 1, 2022. Stable business (Services and Automation segments) accounted for 56 percent (48%) of Valmet's net sales. Net sales increased in all three segments.

Net sales increased in South America, Asia-Pacific, North America and EMEA, and remained at the previous year's level in China. Measured by net sales, the top three countries were the USA, China and Brazil, which together accounted for 44 percent of total net sales. South America, China and Asia-Pacific together accounted for 40 percent (38%) 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 40 million in October–December.

January–December 2022: Net sales increased in all segments and all areas

Net sales increased 29 percent to EUR 5,074 million (EUR 3,935 million) in year 2022. Stable business (Services and Automation segments) accounted for 52 percent (45%) 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 45 percent of total net sales. South America, China and Asia-Pacific together accounted for 42 percent (39%) 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 177 million in year 2022.

Comparable EBITA increased 24 percent but Comparable EBITA margin decreased to 10.5 percent in 2022

Comparable EBITA, EUR million	Q4/2022	Q4/2021	Change	2022	2021	Change
Services	95	71	33%	237	204	16%
Automation	78	40	93%	190	79	>100%
Process Technologies	38	45	-17%	145	175	-17%
Other	-14	-10	39%	-39	-30	30%
Total	196	147	33%	533	429	24%

Comparable EBITA, % of net sales	Q4/2022	Q4/2021	2022	2021
Services	18.7%	17.2%	14.8%	15.0%
Automation	21.4%	25.2%	18.3%	19.2%
Process Technologies	5.6%	7.2%	6.0%	8.1%
Total	12.7%	12.2%	10.5%	10.9%

October–December 2022: Comparable EBITA increased 33 percent and Comparable EBITA margin improved to 12.7 percent

Comparable earnings before interest, taxes and amortization (Comparable EBITA) increased 33 percent to EUR 196 million in October–December, corresponding to 12.7 percent of net sales (EUR 147 million and 12.2%). Items affecting comparability amounted to EUR -6 million (EUR 8 million).

Comparable EBITA of the Services segment increased to EUR 95 million in October–December, corresponding to 18.7 percent of the segment's net sales (EUR 71 million and 17.2%). Comparable EBITA increased due to higher net sales.

Comparable EBITA of the Automation segment increased to EUR 78 million in October–December, corresponding to 21.4 percent of the segment's net sales (EUR 40 million and 25.2%).

Comparable EBITA of the Process Technologies segment decreased to EUR 38 million in October–December, corresponding to 5.6 percent of the segment's net sales (EUR 45 million and 7.2%). Comparable EBITA decreased as margins in some Pulp and Energy projects were impacted by cost inflation.

January–December 2022: Comparable EBITA increased 24 percent

In 2022, Valmet's Comparable EBITA increased 24 percent to EUR 533 million, i.e., 10.5 percent of net sales (EUR 429 million and 10.9%). Items affecting comparability amounted to EUR 17 million (EUR 19 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 237 million in 2022, corresponding to 14.8 percent of the segment's net sales (EUR 204 million and 15.0%). 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 190 million in 2022, corresponding to 18.3 percent of the segment's net sales (EUR 79 million and 19.2%).

Comparable EBITA of the Process Technologies segment decreased to EUR 145 million in 2022, corresponding to 6.0 percent of the segment's net sales (EUR 175 million and 8.1%). Comparable EBITA decreased as margins in some Pulp and Energy projects were impacted by cost inflation.

Operating profit

Operating profit (EBIT) in October–December was EUR 156 million, i.e., 10.1 percent of net sales (EUR 143 million and 11.9%).

Operating profit in 2022 was EUR 436 million, i.e., 8.6 percent of net sales (EUR 399 million and 10.1%).

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 October–December were EUR -4 million (EUR -1 million).

In 2022, net financial income and expenses amounted to EUR -5 million (EUR -3 million).

Profit before taxes and earnings per share

Profit before taxes for October–December was EUR 152 million (EUR 142 million). The profit attributable to owners of the parent in October–December was EUR 121 million (EUR 100 million), corresponding to earnings per share (EPS) of EUR 0.66 (EUR 0.67). Adjusted EPS was EUR 0.80 (EUR 0.69).

In 2022, profit before taxes was EUR 431 million (EUR 395 million). The profit attributable to owners of the parent was EUR 338 million (EUR 296 million), corresponding to an EPS of EUR 1.92 (EUR 1.98). Adjusted EPS was EUR 2.37 (EUR 2.09).

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

In 2022, return on capital employed (ROCE) before taxes was 18 percent (24%) and return on equity (ROE) was 18 percent (24%).

Segments and business lines

Services: Orders received, net sales and comparable EBITA increased in Q4/2022

Services segment	Q4/2022	Q4/2021	Change	2022	2021	Change
Orders received (EUR million)	418	387	8%	1,756	1,481	19%
Net sales (EUR million)	505	413	22%	1,606	1,360	18%
Comparable EBITA (EUR million)	95	71	33%	237	204	16%
Comparable EBITA, %	18.7%	17.2%		14.8%	15.0%	
Personnel (end of period)				6,307	5,958	6%

In October–December, orders received by the Services segment increased 8 percent to EUR 418 million (EUR 387 million). Services accounted for 30 percent (35%) of Valmet's orders received. Orders received increased in North America and South America, and remained at the previous year's level in all other areas. Orders received increased in Pulp and Energy Solutions, Performance Parts, and Rolls, and decreased in Board, Paper and Tissue Solutions, and Fabrics. Changes in foreign exchange rates compared to the exchange rates for the corresponding period in 2021 increased orders received by approximately EUR 12 million.

In 2022, orders received by the Services segment increased 19 percent to EUR 1,756 million (EUR 1,481 million). Services accounted for 34 percent (31%) 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 77 million.

Net sales for the Services segment amounted to EUR 505 million (EUR 413 million) in October–December, corresponding to 33 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 14 million.

In 2022, net sales for the Services segment amounted to EUR 1,606 million (EUR 1,360 million), corresponding to 32 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 68 million.

Comparable EBITA of the Services segment increased to EUR 95 million in October–December, corresponding to 18.7 percent of the segment's net sales (EUR 71 million and 17.2%). Comparable EBITA increased due to higher net sales.

In 2022, comparable EBITA of the Services segment increased to EUR 237 million, corresponding to 14.8 percent of the segment's net sales (EUR 204 million and 15.0%). 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 2022.

Automation: Orders received, net sales and comparable EBITA increased in Q4/2022

Automation segment	Q4/2022	Q4/2021	Change	2022	2021	Change
Orders received (EUR million)	324	119	>100%	1,081	467	>100%
Net sales (EUR million)	363	160	>100%	1,040	412	>100%
Comparable EBITA (EUR million)	78	40	93%	190	79	>100%
Comparable EBITA, %	21.4%	25.2%		18.3%	19.2%	
Personnel (end of period)				4,842	1,986	>100%

In October–December, orders received by the Automation segment more than doubled to EUR 324 million (EUR 119 million) due to the consolidation of Neles into Valmet as of April 1, 2022. Automation accounted for 23 percent (11%) 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 17 million.

In 2022, orders received by the Automation segment increased more than 100 percent to EUR 1,081 million (EUR 467 million) due to the consolidation of Neles into Valmet as of April 1, 2022. Automation segment accounted for 21 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 60 million.

Net sales for the Automation segment amounted to EUR 363 million (EUR 160 million) in October–December, corresponding to 24 percent (13%) 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 18 million.

In 2022, net sales for the Automation segment amounted to EUR 1,040 million (EUR 412 million), corresponding to 20 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 56 million.

Comparable EBITA of the Automation segment increased to EUR 78 million in October–December, corresponding to 21.4 percent of the segment's net sales (EUR 40 million and 25.2%).

In 2022, comparable EBITA of the Automation segment increased to EUR 190 million, corresponding to 18.3 percent of the segment's net sales (EUR 79 million and 19.2%).

Flow Control business line	Q4/2022	Q4/2021	Change	2022	2021	Change
Orders received (EUR million)	189	—		576	—	
Net sales (EUR million)	191	—		551	—	
Personnel (end of period)				2,792	—	

In October–December, orders received by the Flow Control business line amounted to EUR 189 million. Flow Control accounted for 14 percent of Valmet's orders received.

In April–December, orders received by the Flow Control business line amounted to EUR 576 million and accounted for 11 percent of Valmet's orders received in 2022.

Net sales for the Flow Control business line amounted to EUR 191 million in October–December, corresponding to 12 percent of Valmet’s net sales.

In April–December, net sales for the Flow Control business line amounted to EUR 551 million, corresponding to 11 percent of Valmet’s net sales in 2022.

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

Automation Systems business line	Q4/2022	Q4/2021	Change	2022	2021	Change
Orders received (EUR million)	135	119	13%	505	467	8%
Net sales (EUR million)	172	160	8%	489	412	19%
Personnel (end of period)				2,050	1,986	3%

In October–December, orders received by the Automation Systems business line increased 13 percent to EUR 135 million (EUR 119 million) and accounted for 10 percent (11%) of Valmet’s orders received. Orders received increased in North America and China, remained at the previous year’s level in EMEA and Asia-Pacific, and decreased in South America. Orders received increased in both Pulp and Paper, and Energy and Process.

In 2022, orders received by the Automation Systems business line increased 8 percent to EUR 505 million (EUR 467 million). Automation Systems accounted for 10 percent (10%) of Valmet’s orders received. Orders received increased in North America, remained at the previous year’s level in Asia-Pacific, EMEA and China, and decreased in South America. Orders received increased in both Pulp and Paper, and Energy and Process.

Net sales for the Automation Systems business line amounted to EUR 172 million (EUR 160 million) in October–December, corresponding to 11 percent (13%) of Valmet’s net sales.

In 2022, net sales for the Automation Systems business line amounted to EUR 489 million (EUR 412 million), corresponding to 10 percent (10%) of Valmet’s net sales.

Component availability continued at a reduced level and delivery times of certain components were longer during 2022.

Process Technologies: Orders received and net sales increased but comparable EBITA decreased in Q4/2022

Process Technologies segment	Q4/2022	Q4/2021	Change	2022	2021	Change
Orders received (EUR million)	644	587	10%	2,356	2,793	-16%
Net sales (EUR million)	672	626	7%	2,428	2,163	12%
Comparable EBITA (EUR million)	38	45	-17%	145	175	-17%
Comparable EBITA, %	5.6%	7.2%		6.0%	8.1%	
Personnel (end of period)				5,647	5,654	0%

In October–December, orders received by the Process Technologies segment increased 10 percent to EUR 644 million (EUR 587 million). Process Technologies accounted for 46 percent (54%) 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 11 million.

In 2022, orders received by the Process Technologies segment decreased 16 percent to EUR 2,356 million (EUR 2,793 million). Process Technologies accounted for 45 percent (59%) 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 38 million.

Net sales for the Process Technologies segment amounted to EUR 672 million (EUR 626 million) in October–December, corresponding to 44 percent (52%) 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 7 million.

In 2022, net sales for the Process Technologies segment amounted to EUR 2,428 million (EUR 2,163 million), corresponding to 48 percent (55%) 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 53 million.

Comparable EBITA of the Process Technologies segment decreased to EUR 38 million in October–December, corresponding to 5.6 percent of the segment's net sales (EUR 45 million and 7.2%). Comparable EBITA decreased as margins in some Pulp and Energy projects were impacted by cost inflation.

In 2022, comparable EBITA of the Process Technologies segment decreased to EUR 145 million, corresponding to 6.0 percent of the segment's net sales (EUR 175 million and 8.1%). Comparable EBITA decreased as margins in some Pulp and Energy projects were impacted by cost inflation.

Pulp and Energy business line	Q4/2022	Q4/2021	Change	2022	2021	Change
Orders received (EUR million)	280	237	18%	1,072	1,160	-8%
Net sales (EUR million)	284	302	-6%	1,081	1,022	6%
Personnel (end of period)				1,892	1,946	-3%

In October–December, orders received by the Pulp and Energy business line increased 18 percent to EUR 280 million (EUR 237 million). Pulp and Energy accounted for 20 percent (22%) of Valmet's orders received. Orders received increased in Asia-Pacific, North America

and EMEA, and decreased in South America and China. Orders received increased in Energy and decreased in Pulp.

In 2022, orders received by the Pulp and Energy business line decreased 8 percent to EUR 1,072 million (EUR 1,160 million). Pulp and Energy accounted for 21 percent (24%) of all orders received. Orders received increased in North America, Asia-Pacific and EMEA and decreased in South America and China. Orders received increased in Energy and decreased in Pulp.

Net sales for the Pulp and Energy business line amounted to EUR 284 million (EUR 302 million) in October–December, corresponding to 18 percent (25%) of Valmet’s net sales.

In 2022, net sales for the Pulp and Energy business line amounted to EUR 1,081 million (EUR 1,022 million), corresponding to 21 percent (26%) of Valmet’s net sales.

Cost inflation impacted Pulp and Energy’s business environment during 2022. 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 2022.

Paper business line	Q4/2022	Q4/2021	Change	2022	2021	Change
Orders received (EUR million)	364	350	4%	1,285	1,634	-21%
Net sales (EUR million)	388	324	20%	1,347	1,141	18%
Personnel (end of period)				3,755	3,708	1%

In October–December, orders received by the Paper business line remained at the previous year’s level and amounted to EUR 364 million (EUR 350 million). Paper business line accounted for 26 percent (32%) of Valmet’s orders received. Orders received increased in China, North America and Asia-Pacific, and decreased in South America and EMEA. Orders received increased Board and paper, and decreased in all other businesses.

In 2022, orders received by the Paper business line decreased 21 percent to EUR 1,285 million (EUR 1,634 million). Paper accounted for 25 percent (34%) of all orders received. Orders received increased in North America and Asia-Pacific, remained at the previous year’s level in China, and decreased in South America and EMEA. Orders received decreased in all businesses.

Net sales for the Paper business line amounted to EUR 388 million (EUR 324 million) in October–December, corresponding to 25 percent (27%) of Valmet’s net sales.

In 2022, net sales for the Paper business line amounted to EUR 1,347 million (EUR 1,141 million), corresponding to 27 percent (29%) 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 2022. 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 -13 million (EUR 96 million) in October–December and EUR 36 million (EUR 482 million) in 2022. Net working capital totaled EUR -82 million (EUR -673 million) at the end of the reporting period. Change in net working

capital in the statement of cash flows was EUR -188 million (EUR -51 million) in October–December and EUR -399 million (EUR 76 million) in 2022. Payment schedules of large long-term 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. Trade receivables increased and advance payments received from customers were lower in 2022 compared with 2021.

Cash flow after investments totaled EUR -45 million (EUR 71 million) in October–December, and EUR 56 million (EUR 382 million) in 2022.

At the end of December, gearing was 20 percent (-7%) and equity to assets ratio was 49 percent (42%). Interest-bearing liabilities amounted to EUR 809 million (EUR 477 million), and net interest-bearing liabilities totaled EUR 502 million (EUR -88 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 3.3 years, and average interest rate was 2.3 percent at the end of December. 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 277 million (EUR 517 million) and interest-bearing current financial assets totaling EUR 30 million (EUR 47 million).

Valmet's liquidity was secured with a committed revolving credit facility of EUR 300 million, which was undrawn at the end of the reporting period. In October, Valmet utilized the first 1-year extension option and the maturity of the revolving credit facility was extended until October 2025 with 1-year extension option left dependent on the approval of the banks concerned. Liquidity was additionally secured by an uncommitted commercial paper program worth of EUR 300 million, of which EUR 95 million was outstanding at the end of the reporting period. In December, Valmet increased its commercial paper program, originally signed in 2013, from EUR 200 million to EUR 300 million.

In December, the outstanding bridge loan facility of EUR 215 million was repaid and a new term loan of EUR 50 million was withdrawn. The new term loan matures in 2027 with 1-year extension option dependent on the approval of the bank.

Capital expenditure

Gross capital expenditure (excluding business combinations and right-of-use assets) totaled EUR 32 million (EUR 28 million) in October–December, of which maintenance investments were EUR 11 million (EUR 10 million).

In 2022, gross capital expenditure (excluding business combinations and right-of-use assets) totaled EUR 112 million (EUR 97 million), of which maintenance investments amounted to EUR 37 million (EUR 39 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–December 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. The outstanding bridge loan facility was repaid in December 2022.

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.

Research and development

Valmet's research and development (R&D) expenses in 2022 amounted to EUR 95 million, i.e. 1.9 percent of net sales (EUR 82 million and 2.1%). Research and development work is carried out predominantly in Finland and Sweden, within the business lines' R&D organizations and pilot facilities. In addition, research and development takes place within a network of customers, suppliers, research institutes and universities. In the end of 2022, R&D employed 471 people (457 people).

Valmet's R&D work is based on customers' needs, such as improving production and resource efficiency, maximizing the value of raw materials, providing new revenue streams, and developing new innovations and technologies.

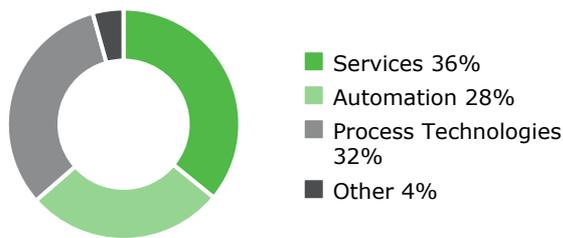
Valmet develops competitive, leading production and automation technologies and services. To enhance raw material, water and energy efficiency in its customers' production processes, Valmet combines digitalization, process technology, flow control, automation systems and services. Valmet also develops solutions for replacing fossil materials with renewable ones and for producing new high-value end products.

Personnel

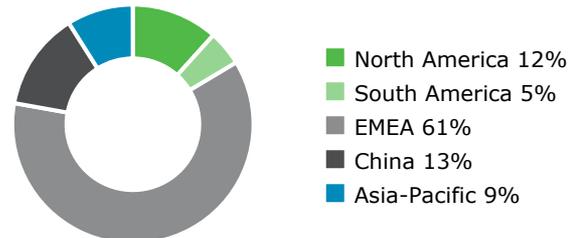
Personnel	As at December 31, 2022	As at December 31, 2021	Change	As at September 30, 2022
Services	6,307	5,958	6%	6,294
Automation	4,842	1,986	>100%	4,862
<i>Flow Control</i>	2,792	—		2,831
<i>Automation Systems</i>	2,050	1,986	3%	2,031
Process Technologies	5,647	5,654	0%	5,615
<i>Pulp and Energy</i>	1,892	1,946	-3%	1,897
<i>Paper</i>	3,755	3,708	1%	3,718
Other	752	648	16%	740
Total	17,548	14,246	23%	17,511

Personnel	As at December 31, 2022	As at December 31, 2021	Change	As at September 30, 2022
North America	2,040	1,500	36%	2,033
South America	833	604	38%	823
EMEA	10,787	9,296	16%	10,768
China	2,323	1,911	22%	2,330
Asia-Pacific	1,565	935	67%	1,557
Total	17,548	14,246	23%	17,511

Personnel by segment as at December 31, 2022



Personnel by area as at December 31, 2022



During 2022, Valmet employed an average of 16,554 people (14,163). The number of personnel at the end of December was 17,548 (14,246). Personnel expenses totaled EUR 1,171 million (EUR 948 million) in 2022, of which wages, salaries and remuneration amounted to EUR 920 million (EUR 750 million).

Changes in Valmet's Executive Team

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

On October 31, 2022, Valmet announced that Emilia Torttila-Miettinen (M.Sc. Eng.) has been appointed Business Line President, Automation Systems at Valmet as of December 1, 2022.

She became a member of Valmet's Executive Team and reports to President and CEO Pasi Laine. Torttila-Miettinen began her career at Valmet in 2003 and her latest position was Vice President, Operations of the Automation Systems business line. During her career, she has gained wide experience in Valmet's automation business by working in different management positions in automation services in 2014–2020 and in product management and engineering positions in 2004–2014.

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. A second phase was implemented in autumn and resulted in further employee reductions and the closure of one legal entity. 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 2022, Valmet had a total of approximately 30 employees in Russia, working primarily in administration, engineering and maintenance. Valmet does not have production in Russia. Approximately 2 percent of Valmet's 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 damages to parts of roll and

headbox manufacturing and preassembly. Operations resumed with some special arrangements, like transferring some of the production to temporary locations. Full production capacity has been reached.

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 2022. 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

As part of continuous development, Valmet renewed its Sustainability360° Agenda in early 2022. The agenda includes environmental, social, and governance (ESG) aspects for sustainability and covers Valmet's entire value chain including the supply chain, own operations, and the use phase of Valmet's technologies. During the year, Valmet saw steady progress in the overall implementation of its renewed sustainability agenda including its Climate Program.

Environment

During 2022, Valmet progressed systematically in the implementation of its Climate Program – Forward to a carbon neutral future. The program is an integral part of Valmet's Sustainability360° Agenda and thus included in the company's strategy and related annual planning. During the year, detailed roadmaps were created and the implementation continued.

To support the implementation of the program Valmet launched comprehensive e-learning courses to give its employees and suppliers insights on climate change and circular economy. Valmet also launched its full-scope product and service offering for CO2 emissions reduction and environmental efficiency, including process technologies, automation, and services.

For managing and improving the environmental efficiency in its own operations, Valmet updated its environmental program with ambitious targets for reducing energy, water and waste for 2030.

In 2022, Valmet also launched Beyond Circularity, a new R&D and innovation project. Through this project, Valmet will enhance its readiness to support the green transition in its customer industries based on the company's technology vision for 2030.

Social

In 2022, Valmet's number of employees grew by more than 3,000 due to the Neles merger.

Valmet continues to use the OurVoice engagement survey to systematically drive engagement. The survey cycle is two-years to allow enough time between surveys to take meaningful action based on the feedback. In the year since the last survey, teams across the company have been working to execute the chosen actions. At the end of 2022, 88% of the action plans were marked complete.

At the end of 2022, Valmet's lost time incident frequency rate (LTIF) for own employees was 1.6 (1.4 at end of 2021), and the total recordable incident frequency rate (TRIF) for own employees was 3.2 (3.1 at the end of 2021).

In 2022, Valmet worked to develop injury prevention, contractor and site safety, and its safety culture. Valmet launched two injury prevention programs on hand safety and working at heights and updated its minimum safety standards on 12 high-risk activities. The number of health, safety and environment (HSE) walks and other activities that promote a strong safety culture and HSE event reporting increased significantly. HSE integration of operations that Valmet acquired during the first half of 2022 and in 2021 continued.

Despite Valmet's efforts and progress in safety, a fatal contractor injury was reported during installation work at Valmet's customer site in Sweden in January, and in December a contractor passed away after an incident during flow control product testing in Valmet's factory in Ambarnath, India. Immediately after both incidents Valmet initiated investigations in cooperation with authorities and other stakeholders. Corrective actions and improvements have been taken, and lessons learned shared globally.

At the end of 2022, Valmet expanded its global social responsibility program initiated in 2020 with new local projects around the world. The program is based on three themes promoting science, nature, and equal opportunities: 'Towards the future with science', 'Protecting the planet for next generations', and 'Equal opportunities for wellbeing'.

Governance

In 2022, the work to further develop the global supplier sustainability management process continued. During the year, Valmet continued its sustainable supply chain practices and conducted 46 sustainable supply chain audits globally. Valmet also piloted a specific audit process for subcontracted site work suppliers to further improve sustainability at customers' sites. The implementation of Valmet's supplier engagement program continued in 2022 by inviting selected suppliers from China and EMEA with the most CO2-intensive operations to join the program.

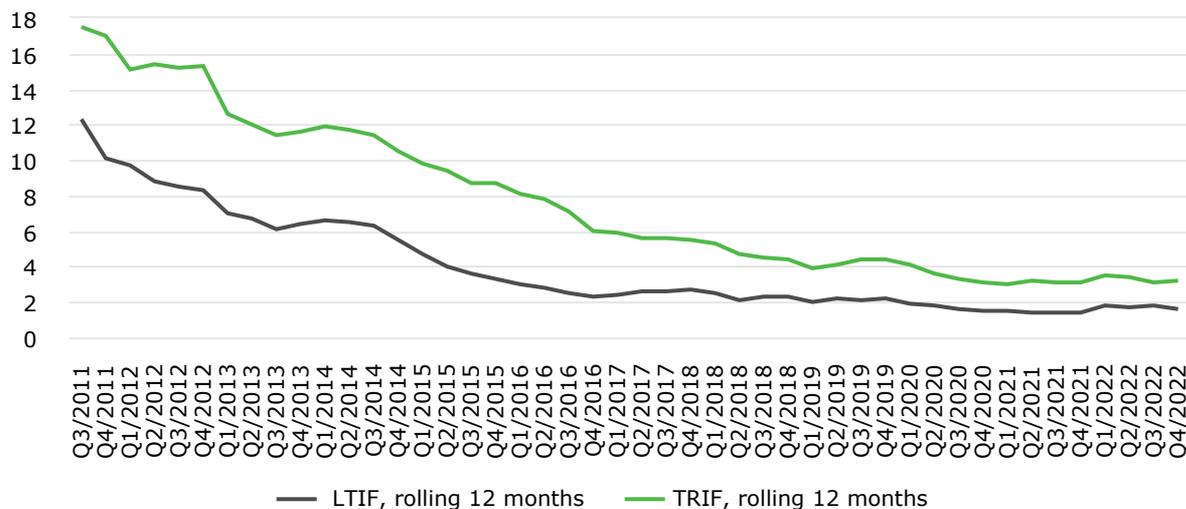
During 2022, Valmet took further steps in its sustainability reporting. Valmet advanced its climate scenario work to evaluate further the financial impacts of climate related risks on Valmet's business environment. In addition, Valmet will report EU Taxonomy alignment figures for the first time as part of its annual reporting for the year 2022.

In 2022, Valmet also continued the work on its social impact assessment and conducted a location-specific social impact assessment in India as part of its due diligence process. The assessment was carried out by an independent third party.

During 2022, 11 locations were added to Valmet's global multi-site certification to the international management system standards for quality (ISO 9001:2015), environment (14001:2015), and health and safety (ISO 45001:2018) bringing the total number of certified locations to 87.

In 2022, Valmet was included in the Dow Jones Sustainability Index (DJSI) for the ninth consecutive year. Valmet's sustainability work was recognized also in other leading sustainability rankings such as the Global Sustainability Yearbook 2022 by S&P Global (Bronze Class), EcoVadis sustainability assessment (Gold medal), MSCI ESG Ratings (AAA) and CDP's Climate ranking (A-).

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 December 31, 2022	As at December 31, 2021
Share capital, EUR	140,000,000	100,000,000
Number of shares	184,529,605	149,864,619
Treasury shares	344,775	393,423
Shares outstanding	184,184,830	149,471,196
Market capitalization, EUR million	4,643	5,653
Number of shareholders	89,056	58,894

Shareholder structure as at December 31, 2022



- Nominee registered and non-Finnish holders 44.9%
- Solidium Oy 10.1%
- Finnish private investors 15.9%
- Finnish institutions, companies and foundations 29.1%

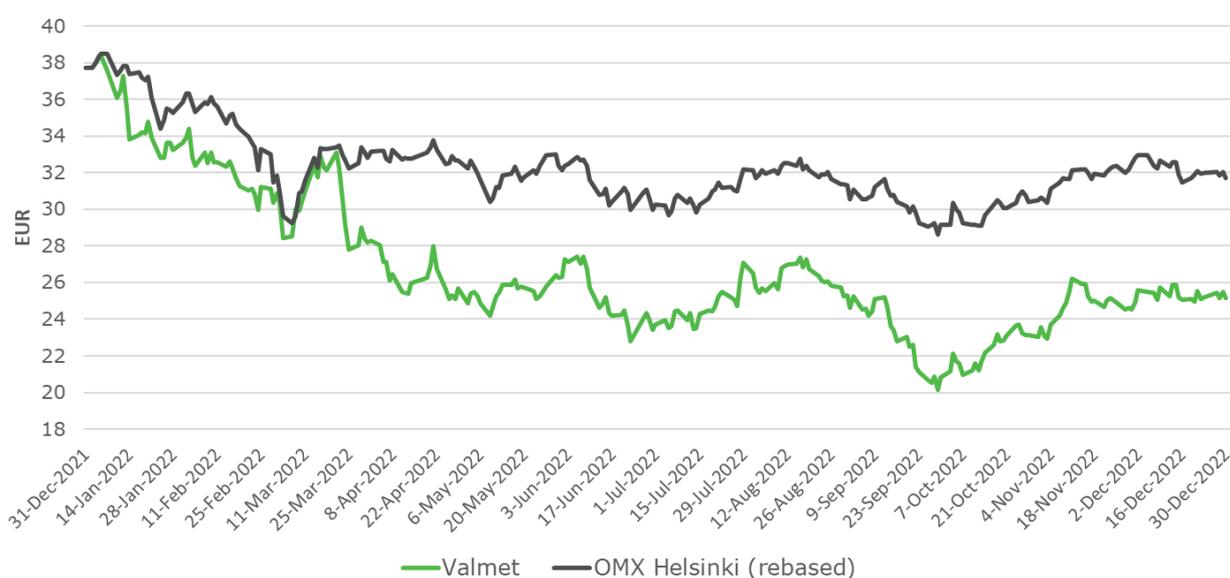
Trading of shares

Trading of Valmet shares on Nasdaq Helsinki	January 1 – December 31, 2022	January 1 - December 31, 2021
Number of shares traded	125,393,868	97,242,422
Total value, EUR million	3,369	3,166
High, EUR	38.59	38.53
Low, EUR	19.95	23.02
Volume-weighted average price, EUR	26.90	32.58
Closing price on the final day of trading, EUR	25.16	37.72

The closing price of Valmet's share on the final day of trading for the reporting period, December 30, 2022, was EUR 25.16, i.e., 33 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 21 million Valmet shares were traded on these three alternative marketplaces in 2022 (Source: www.valmet.com/investors/valmet-share/trading-volumes/).

Development of Valmet's share price, December 31, 2021 – December 31, 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%
Dec 16, 2022	Oras Invest Oy	Above 5%	5.04%	-	5.04%

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 by 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.

In its meeting on December 20, 2022, the Board of Directors of Valmet decided to use the authorization granted by the Annual General Meeting 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 will begin at the earliest on February 6, 2023, and will end at the latest on February 24, 2023. The maximum number of shares to be acquired is 125,000. The shares will be acquired at market price in public trading on Nasdaq Helsinki Ltd.

As at December 31, 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 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		130	
Total gross number of shares earned	360,200 shares	46,370 shares	As at December 31, 2022, a total of 186,585 shares were allotted to participants	As at December 31, 2022, a total of 33,234 shares were allotted to participants

	Long-term incentive plans 2023–2025	
Plan name	Performance Share Plan and Deferred Share Plan	Performance Share Plan
Performance period	2023	2023–2025
Incentive based on	Comparable EBITA as a percentage of net sales, and orders received growth in the stable business	Development of a valuation multiple of Valmet's share in comparison to peer group as well as targets supporting the Company's long-term strategic and financial development
Reward payment	In spring 2024	In spring 2026
Participants		
Performance Share Plan	14	14
Deferred Share Plan	130	
Total gross number of shares earned	The rewards to be paid will correspond to a maximum total of approximately 442,960 Valmet shares	

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.

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.

In its meeting on December 20, 2022, the Board of Directors of Valmet decided to use the authorization granted by the Annual General Meeting 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 will begin at the earliest on February 6, 2023, and will end at the latest on February 24, 2023. The maximum number of shares to be acquired is 125,000. The shares will be acquired at market price in public trading on Nasdaq Helsinki Ltd.

At the end of the reporting period, the Company held 344,775 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 Kempainen, 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/investors/governance/annual-general-meeting/2022/.

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 or 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.

Increasing geopolitical tensions, increase of protectionist and more political regulation, and sanctions may create uncertainty to customers' investment activity and impact Valmet's operations. Changes and uncertainty in future regulation and legislation can have effects, especially on the energy business and the use of data.

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

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 3.3 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 December 31, 2022, Valmet had EUR 1,611 million (EUR 730 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 of a pandemic outbreak or prolonged pandemics, 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 the Company's response to the impacts of the war.

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

Events after the reporting period

On November 9, 2022, Valmet announced that it has entered into an agreement to acquire the U.S. based NovaTech Automation's Process Solutions business. On January 3, 2023, Valmet announced that the acquisition has been completed. The value of the acquisition was

not disclosed. The acquired business specializes in process control and optimization solutions for batch, continuous and hybrid processes. It serves customers mainly in process industries such as food and beverage, pharmaceuticals and chemical products. With a turnover of approximately USD 18 million, it employs 76 people in the United States and the Benelux countries. The acquisition excludes NovaTech Automation's other divisions. The NovaTech Automation Process Solutions business will be integrated to Valmet's Automation Systems business line and will be included in Valmet's financial reporting for the first time in the interim report for January–March, 2023.

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

Guidance for 2023

Valmet estimates that net sales in 2023 will increase in comparison with 2022 (EUR 5,074 million) and Comparable EBITA in 2023 will increase in comparison with 2022 (EUR 533 million).

Market outlook

General economic outlook according to World Bank

Global growth is expected to decelerate sharply to 1.7 percent in 2023, the third weakest pace of growth in nearly three decades. The United States, the euro area and China are all undergoing a period of pronounced weakness, and the resulting spillovers are exacerbating other headwinds faced by emerging market and developing economies. The combination of slow growth, tightening financial conditions and heavy indebtedness is likely to weaken investment and trigger corporate defaults. Further negative shocks, such as higher inflation, even tighter policy, financial stress, deeper weakness in major economies, or rising geopolitical tensions, could push the global economy into recession. (The World Bank Global Economic Prospects, January 2023)

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'.

Board of Director's proposal for the distribution of profit

Valmet Oyj's distributable funds on December 31, 2022, totaled EUR 1,453,506,822.23 of which the net profit for the year 2022 was EUR 309,501,276.62 (according to Finnish Generally Accepted Accounting Standards).

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.30 per share be paid based on the statement of financial position to be adopted for the financial year which ended December 31, 2022, and the remaining part of profit be retained and carried further in the Company's unrestricted equity.

The dividend shall be paid in two installments. The first installment of EUR 0.65 per share shall be paid to shareholders who on the dividend record date of March 24, 2023, are registered in the Company's shareholders' register held by Euroclear Finland Ltd. The dividend shall be paid on April 5, 2023.

The second installment of EUR 0.65 per share shall be paid in October 2023. The second installment shall be paid to shareholders who on the dividend record date are registered in the Company's shareholders' register held by Euroclear Finland Ltd. The dividend record date and payment date shall be resolved by the Board of Directors in its meeting scheduled for September 28, 2023. The dividend record date for the second installment would be October 2, 2023, and the dividend payment date October 12, 2023.

All the shares in the Company are entitled to a dividend except for treasury shares held by the Company on the dividend record date.

In Espoo on February 2, 2023

Valmet's Board of Directors

Consolidated statement of income

EUR million	Q4/2022	Q4/2021	2022	2021
Net sales	1,540	1,199	5,074	3,935
Cost of goods sold	-1,156	-899	-3,857	-2,943
Gross profit	384	300	1,217	992
Selling, general and administrative expenses	-240	-162	-852	-597
Other operating income and expenses, net	10	2	64	—
Share in profits and losses of associated companies, operative investments	2	3	7	3
Operating profit	156	143	436	399
Financial income and expenses, net	-4	-1	-5	-3
Share in profits and losses of associated companies, financial investments	—	—	—	—
Profit before taxes	152	142	431	395
Income taxes	-31	-42	-93	-99
Profit for the period	121	100	338	296
Attributable to:				
Owners of the parent	121	100	338	296
Non-controlling interests	—	—	—	1
Profit for the period	121	100	338	296
Earnings per share attributable to owners of the parent:				
Earnings per share, EUR	0.66	0.67	1.92	1.98
Diluted earnings per share, EUR	0.66	0.67	1.92	1.98

Consolidated statement of comprehensive income

EUR million	Q4/2022	Q4/2021	2022	2021
Profit for the period	121	100	338	296
Items that may be reclassified to profit or loss:				
Cash flow hedges	-8	6	-4	-13
Change in fair value reserve	—	2	-2	2
Currency translation on subsidiary net investments	-54	9	-4	25
Share of other comprehensive income of associated companies accounted for using equity method	-1	1	-1	1
Income tax relating to items that may be reclassified	1	-2	1	2
Total items that may be reclassified to profit or loss	-61	16	-10	17
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	-5	-2	58	14
Share of other comprehensive income of associated companies accounted for using equity method	—	—	1	-1
Income tax relating to items that will not be reclassified	3	-1	-12	-5
Total items that will not be reclassified to profit or loss	-2	-3	47	9
Other comprehensive income for the period	-63	13	38	26
Total comprehensive income for the period	58	112	376	322
Attributable to:				
Owners of the parent	58	112	376	321
Non-controlling interests	—	—	—	1
Total comprehensive income for the period	58	112	376	322

Consolidated statement of financial position

Assets

EUR million	As at December 31, 2022	As at December 31, 2021
Non-current assets		
Intangible assets		
Goodwill	1,611	730
Other intangible assets	1,030	274
Total intangible assets	2,641	1,004
Property, plant and equipment		
Land and water areas	41	25
Buildings and structures	152	123
Machinery and equipment	217	183
Right-of-use assets	105	65
Assets under construction	85	72
Total property, plant and equipment	600	468
Other non-current assets		
Investments in associated companies	15	461
Non-current financial assets	22	22
Deferred tax assets	62	66
Non-current income tax receivables	33	28
Other non-current assets	14	8
Total other non-current assets	145	585
Total non-current assets	3,386	2,057
Current assets		
Inventories		
Materials and supplies	240	94
Work in progress	424	425
Finished products	271	143
Total inventories	934	662
Receivables and other current assets		
Trade receivables	834	644
Amounts due from customers under revenue contracts	485	280
Other current financial assets	89	80
Income tax receivables	45	28
Other receivables	223	150
Cash and cash equivalents	277	517
Total receivables and other current assets	1,953	1,700
Total current assets	2,887	2,363
Total assets	6,273	4,420

Consolidated statement of financial position

Equity and liabilities

EUR million	As at December 31, 2022	As at December 31, 2021
Equity		
Share capital	140	100
Reserve for invested unrestricted equity	1,369	426
Cumulative translation adjustments	-20	-16
Hedge and other reserves	8	13
Retained earnings	999	804
Equity attributable to owners of the parent	2,496	1,326
Non-controlling interests	5	6
Total equity	2,501	1,332
Liabilities		
Non-current liabilities		
Non-current debt	555	195
Non-current lease liabilities	63	37
Employee benefit liabilities	132	189
Non-current provisions	38	25
Other non-current liabilities	8	4
Deferred tax liabilities	238	69
Total non-current liabilities	1,034	520
Current liabilities		
Current debt	155	222
Current lease liabilities	35	22
Trade payables	442	374
Current provisions	181	189
Amounts due to customers under revenue contracts	1,205	1,263
Other current financial liabilities	50	24
Income tax liabilities	79	79
Other current liabilities	591	396
Total current liabilities	2,738	2,569
Total liabilities	3,772	3,088
Total equity and liabilities	6,273	4,420

Consolidated statement of cash flows

EUR million	Q4/2022	Q4/2021	2022	2021
Cash flows from operating activities				
Profit for the period	121	100	338	296
Adjustments				
Depreciation and amortization	57	30	203	120
Financial income and expenses	4	1	5	3
Income taxes	31	42	93	99
Other non-cash items ¹	-8	-10	-73	-22
Change in net working capital	-188	-51	-399	76
Net interests and dividends received	—	2	—	—
Income taxes paid	-30	-17	-131	-91
Net cash provided by (+) / used in (-) operating activities	-13	96	36	482
Cash flows from investing activities				
Capital expenditure on fixed assets	-32	-28	-112	-97
Proceeds from sale of fixed assets	—	1	2	2
Business combinations, net of cash acquired and loans repaid	—	—	117	-15
Investments in associated companies	1	1	13	11
Net cash provided by (+) / used in (-) investing activities	-32	-26	20	-99
Cash flows from financing activities				
Redemption of own shares	—	—	-5	-3
Dividends paid	—	—	-180	-135
Proceeds from non-current debt	50	—	400	100
Repayments of current portion of non-current debt	-215	—	-587	-119
Repayments of lease liabilities	-12	-6	-39	-26
Net proceeds from (+) / repayments of (-) current debt	92	—	96	—
Financial investments	—	-11	23	27
Net cash provided by (+) / used in (-) financing activities	-85	-17	-292	-155
Net increase (+) / decrease (-) in cash and cash equivalents	-130	53	-236	227
Effect of changes in exchange rates on cash and cash equivalents	-16	6	-4	16
Cash and cash equivalents at beginning of period	422	458	517	274
Cash and cash equivalents at end of the period	277	517	277	517

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	—	—	—	—	338	338	—	338
Other comprehensive income for the period	—	—	-4	-4	46	38	—	38
Total comprehensive income for the period	—	—	-4	-4	384	376	—	376
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	—	—	-5	2	—	2
Balance at December 31, 2022	140	1,369	-20	8	999	2,496	5	2,501
Balance at January 1, 2021	100	423	-40	21	633	1,137	6	1,142
Profit for the period	—	—	—	—	296	296	1	296
Other comprehensive income for the period	—	—	24	-9	10	26	—	26
Total comprehensive income for the period	—	—	24	-9	306	321	1	322
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	5	—	5
Balance at December 31, 2021	100	426	-16	13	804	1,326	6	1,332

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 February 2, 2023.

Basis of presentation

These condensed consolidated interim financial statements for the twelve months ended December 31, 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	
	2022	2021	2022	2021
USD (US dollar)	1.0563	1.1851	1.0666	1.1326
SEK (Swedish krona)	10.6258	10.1469	11.1218	10.2503
CNY (Chinese yuan)	7.0836	7.6388	7.3582	7.1947

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 twelve months ended December 31, 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.

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 551 million to net sales and EUR -3 million to the profit of the Group, which includes EUR 83 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 5,239 million and profit for the period amounting to EUR 375 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–December 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	870
Other intangible assets	828
Property, plant and equipment	73
Right-of-use assets	47
Deferred tax asset	34
Other non-current assets	13
Total non-current assets	1,865
Current assets	
Inventories	203
Trade receivables	87
Other current financial assets	1
Other current assets	50
Cash and cash equivalents	130
Total current assets	470
Non-current liabilities	
Non-current lease liabilities	32
Employee benefit liabilities	18
Deferred tax liabilities	211
Total non-current liabilities	261
Current liabilities	
Current debt	384
Current lease liabilities	15
Trade payables	60
Provisions	10
Amounts due to customers under revenue contracts	30
Other current liabilities	100
Total current liabilities	598
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 operating segments and 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	2022	2021	Change
Services	1,756	1,481	19%
Automation	1,081	467	>100%
Process Technologies	2,356	2,793	-16%
Total	5,194	4,740	10%

Net sales, EUR million	2022	2021	Change
Services	1,606	1,360	18%
Automation	1,040	412	>100%
Process Technologies	2,428	2,163	12%
Total	5,074	3,935	29%

Comparable EBITA, EUR million	2022	2021	Change
Services	237	204	16%
Automation	190	79	>100%
Process Technologies	145	175	-17%
Other	-39	-30	30%
Total	533	429	24%

Comparable EBITA, % of net sales	2022	2021
Services	14.8%	15.0%
Automation	18.3%	19.2%
Process Technologies	6.0%	8.1%
Total	10.5%	10.9%

EBITA, EUR million	2022	2021	Change
Services	228	210	9%
Automation	170	83	>100%
Process Technologies	134	173	-22%
Other	18	-18	
Total	550	448	23%

EBITA, % of net sales	2022	2021
Services	14.2%	15.5%
Automation	16.3%	20.1%
Process Technologies	5.5%	8.0%
Total	10.8%	11.4%

Items affecting comparability, EUR million	2022	2021	Change
Services	-9	6	
Automation	-20	4	
Process Technologies	-10	-3	>100%
Other	57	11	>100%
Total	17	19	-7%

Amortization, EUR million	2022	2021	Change
Services	-7	-6	14%
Automation	-84	-11	>100%
Process Technologies	-7	-8	-11%
Other	-16	-24	-32%
Total	-114	-49	>100%

Reconciliation between Comparable EBITA, EBITA and Operating profit

EUR million	2022	2021
Comparable EBITA	533	429
Items affecting comparability in cost of sales		
Expenses related to capacity adjustments	-3	—
Expensing of fair value adjustments recognized in business combinations	-13	-2
Other items affecting comparability ¹	-31	1
Items affecting comparability in selling, general and administrative expenses		
Expenses related to capacity adjustments	-1	—
Expenses related to acquisitions	-11	-6
Other items affecting comparability	-11	—
Items affecting comparability in other operating income and expenses		
Expenses related to capacity adjustments	—	—
Expenses related to acquisitions	—	—
Other items affecting comparability ²	77	10
Items affecting comparability in share in profits and losses of associated companies, operative investments		
Other items affecting comparability	9	16
EBITA	550	448
Amortization included in cost of sales		
Other intangibles	-2	-1
Amortization included in selling, general and administrative expenses		
Intangibles recognized in business combinations	-92	-21
Other intangibles	-18	-14
Amortization included in share in profits and losses of associated companies, operative investments		
Other intangibles	-2	-13
Operating profit	436	399

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 40 countries. Measured by net sales, the top three countries in 2022 were the USA, China and Brazil, which together accounted for 45 percent of total net sales. In 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 565 million in 2022 (EUR 434 million).

Net sales by destination:

2022: EUR 5,074 million

2021: EUR 3,935 million



Gross capital expenditure (excl. business combinations and right-of-use assets) by location:

EUR million	North America	South America	EMEA	China	Asia-Pacific	Total
2022	6	3	80	15	8	112
2021	4	1	83	7	1	97

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 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 process technologies 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 projects.

Net sales by business lines:

EUR million	Q4/2022	Q4/2021	2022	2021
Services	505	413	1,606	1,360
Flow Control	191	—	551	—
Automation Systems	172	160	489	412
Pulp and Energy	284	302	1,081	1,022
Paper	388	324	1,347	1,141
Total	1,540	1,199	5,074	3,935

Timing of revenue recognition:

EUR million	Q4/2022	Q4/2021	2022	2021
Performance obligations satisfied at a point in time	753	539	2,321	1,682
Performance obligations satisfied over time	787	660	2,753	2,253
Total	1,540	1,199	5,074	3,935

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	2022	2021
Carrying value at beginning of the period	280	229
Translation differences	-6	2
Acquired in business combinations	—	—
Revenue recognized in the period	1,179	787
Transfers to trade receivables	-968	-738
Carrying value at end of the period	485	280

Amounts due to customers under revenue contracts:

EUR million	2022	2021
Carrying value at beginning of the period	1,263	1,002
Translation differences	-7	32
Acquired in business combinations	29	5
Revenue recognized in the period	-2,090	-2,230
Consideration invoiced and/or received	2,011	2,454
Carrying value at end of the period	1,205	1,263

EUR million	As at December 31, 2022	As at December 31, 2021
Amounts due to customers under revenue contracts for which revenue is recognized		
Point in time	359	349
Over time	846	913
Carrying value at end of the period	1,205	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 December 31, 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 December 31, 2022, was EUR 4,403 million (EUR 4,096 million).

Net working capital

Valmet's net working capital is typically negative due to advance payments received from customers related to long-term 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 December 31, 2022	As at December 31, 2021	2022 impact
Assets included in net working capital			
Non-current trade receivables	—	1	—
Other non-current assets	14	8	-6
Inventories	934	662	-272
Trade receivables	834	644	-190
Amounts due from customers under revenue contracts	485	280	-205
Derivative financial instruments (assets)	69	43	-26
Other receivables	223	150	-72
Liabilities included in net working capital			
Employee benefits	-132	-189	-57
Provisions	-219	-214	5
Other non-current non-interest-bearing liabilities	-1	-2	-1
Trade payables	-442	-374	68
Amounts due to customers under revenue contracts	-1,205	-1,263	-58
Derivative financial instruments (liabilities)	-56	-26	30
Other current liabilities	-588	-394	194
Total net working capital	-82	-673	-591
Effect of changes in foreign exchange rates			9
Remeasurement of defined benefit plans			55
Change in allowance for doubtful receivables and inventory obsolescence provision			-9
Acquired in business combinations			136
Change in net working capital in the Consolidated statement of cash flows			-399

Intangible assets and property, plant and equipment

Intangible assets

EUR million	2022	2021
Carrying value at beginning of the period	1,004	983
Translation differences	7	13
Capital expenditure	32	29
Acquired in business combinations	1,712	16
Amortization charges for the period	-112	-36
Impairment losses	-2	-1
Other changes and disposals	-1	—
Carrying value at end of the period	2,641	1,004

Property, plant and equipment (excl. right-of-use assets assets)

EUR million	2022	2021
Carrying value at beginning of the period	404	375
Translation differences	-4	10
Capital expenditure	80	68
Acquired in business combinations	74	—
Depreciation charges for the period	-55	-47
Impairment losses	-2	—
Other changes and disposals	-2	-2
Carrying value at end of the period	495	404

Leases

Right-of-use assets

EUR million	2022	2021
Carrying value at beginning of the period	65	66
Translation differences	-1	2
Additions	32	22
Acquired in business combinations	46	2
Depreciation	-34	-24
Other changes	-3	-4
Carrying value at end of the period	105	65

Financial instruments

Derivative financial instruments

As at December 31, 2022	Notional amount	Fair value, assets	Fair value, liabilities	Fair value, net
Forward exchange contracts ¹	3,515	50	-56	-6
Interest rate swaps ¹	125	9	—	9
Electricity forward contracts ²	169	9	—	9
Nickel forward contracts ³	192	1	—	1
Steel scrap forward contracts ³	1,048	—	—	—

As at December 31, 2021	Notional amount	Fair value, assets	Fair value, liabilities	Fair value, net
Forward exchange contracts ¹	3,102	38	-25	13
Interest rate swaps ¹	75	1	-1	-1
Electricity forward contracts ²	171	4	—	4
Nickel forward contracts ³	42	—	—	—

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 December 31, 2022	As at December 31, 2021
Non-current financial assets		
Equity investments at fair value through other comprehensive income	8	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	11	10
Carrying value at end of the period	22	22
Current financial assets		
Interest-bearing financial assets at fair value through other comprehensive income	30	47
Non-interest-bearing financial assets at amortized cost	5	14
Trade receivables at amortized cost	834	644
Derivative financial instruments at fair value through profit or loss	8	10
Derivative financial instruments qualified for hedge accounting	50	23
Cash and cash equivalents at amortized cost	277	517
Carrying value at end of the period	1,205	1,255

EUR million	As at December 31, 2022	As at December 31, 2021
Non-current financial liabilities		
Loans from financial institutions at amortized cost	555	195
Lease liabilities at amortized cost	63	37
Derivative financial instruments at fair value through profit or loss	—	—
Derivative financial instruments qualified for hedge accounting	7	3
Carrying value at end of the period	625	235
Current financial liabilities		
Loans from financial institutions at amortized cost	40	222
Lease liabilities at amortized cost	35	22
Interest-bearing liabilities at amortized cost	115	—
Trade payables at amortized cost	442	374
Derivative financial instruments at fair value through profit or loss	15	8
Derivative financial instruments qualified for hedge accounting	35	15
Carrying value at end of the period	681	642

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	2022	2021
Carrying value at beginning of the period	214	211
Translation differences	-2	2
Additions charged to profit or loss	133	111
Acquired in business combinations	9	2
Used reserve	-92	-64
Reversal of reserve	-44	-48
Carrying value at end of the period	219	214
Non-current	38	25
Current	181	189

Contingencies and commitments

EUR million	As at December 31, 2022	As at December 31, 2021
Guarantees on behalf of Valmet Group	1,521	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

On November 9, 2022, Valmet announced that it has entered into an agreement to acquire the U.S. based NovaTech Automation's Process Solutions business. On January 3, 2023, Valmet announced that the acquisition has been completed. The value of the acquisition was not disclosed. The acquired business specializes in process control and optimization solutions for batch, continuous and hybrid processes. It serves customers mainly in process industries such as food and beverage, pharmaceuticals and chemical products. With a turnover of approximately USD 18 million, it employs 76 people in the United States and the Benelux countries. The acquisition excludes NovaTech Automation's other divisions. The NovaTech Automation Process Solutions business will be integrated to Valmet's Automation Systems business line and will be included in Valmet's financial reporting for the first time in the interim report for January–March, 2023.

Key ratios

	2022	2021
Earnings per share, EUR	1.92	1.98
Diluted earnings per share, EUR	1.92	1.98
Adjusted earnings per share, EUR ¹	2.37	2.09
Equity per share at end of period, EUR	13.55	8.87
Return on equity (ROE), %	18%	24%
Return on capital employed (ROCE) before taxes, %	18%	24%
Equity to assets ratio at end of period, %	49%	42%
Gearing at end of period, %	20%	-7%
Cash flow provided by operating activities, EUR million	36	482
Cash flow after investments, EUR million	56	382
Gross capital expenditure (excl. business combinations and right-of-use assets), EUR million	-112	-97
Additions to right-of-use assets, EUR million	-32	-22
Business combinations, net of cash acquired and loans repaid, EUR million	117	-15
Additions to investments in associated companies	—	—
Depreciation and amortization, EUR million	-203	-120
Amortization	-114	-49
Depreciation, property, plant and equipment (excl. right-of-use assets)	-55	-47
Depreciation, right-of-use assets	-34	-24
Expensing of fair value adjustments recognized in business combinations, net of tax, EUR million	-78	-17
Number of outstanding shares at end of period	184,184,830	149,471,196
Average number of outstanding shares	175,617,981	149,467,939
Average number of diluted shares	175,617,981	149,467,939
Interest-bearing liabilities at end of period, EUR million	809	477
Net interest-bearing liabilities at end of period, EUR million	502	-88

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 EBITA¹:

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 share¹:

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

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):

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

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

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

Equity to assets ratio, %:

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

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

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

Quarterly information

EUR million	Q4/2022	Q3/2022	Q2/2022	Q1/2022	Q4/2021
Net sales	1,540	1,288	1,286	960	1,199
Comparable EBITA	196	136	122	79	147
% of net sales	12.7%	10.5%	9.5%	8.3%	12.2%
Operating profit	156	97	120	63	143
% of net sales	10.1%	7.6%	9.4%	6.5%	11.9%
Profit before taxes	152	98	120	62	142
% of net sales	9.9%	7.6%	9.3%	6.5%	11.8%
Profit for the period	121	71	101	45	100
% of net sales	7.9%	5.5%	7.8%	4.7%	8.3%
Earnings per share, EUR	0.66	0.38	0.55	0.30	0.67
Diluted earnings per share, EUR	0.66	0.38	0.55	0.30	0.67
Adjusted earnings per share, EUR	0.80	0.51	0.68	0.33	0.69
Amortization	-34	-34	-34	-11	-12
Depreciation, property, plant and equipment (excl. right-of-use assets)	-13	-15	-15	-12	-12
Depreciation, right-of-use assets	-9	-9	-9	-6	-6
Expensing of fair value adjustments recognized in business combinations, net of tax, EUR million	-26	-23	-25	-4	-4
Research and development expenses, net	-27	-23	-26	-19	-26
% of net sales	-1.7%	-1.8%	-2.0%	-2.0%	-2.2%
Items affecting comparability:					
in cost of goods sold	-11	-10	-22	-3	—
in selling, general and administrative expenses	-6	-6	-3	-8	-1
in other operating income and expenses, net	9	12	55	1	4
in share in profits and losses of associated companies, operative investments	2	—	1	6	6
Total items affecting comparability	-6	-4	32	-5	8
Gross capital expenditure (excl. business combinations and right-of-use assets)	-32	-29	-27	-24	-28
Additions to right-of-use assets	-16	-6	-7	-3	-8
Business combinations, net of cash acquired and loans repaid	—	1	130	-13	—
Additions to investments in associated companies	—	—	—	—	—
Capital employed, end of period	3,310	3,324	3,244	1,698	1,808
Orders received	1,385	1,178	1,306	1,324	1,093
Order backlog, end of period	4,403	4,672	4,784	4,459	4,096

Quarterly segment information

Orders received, EUR million	Q4/2022	Q3/2022	Q2/2022	Q1/2022	Q4/2021
Services	418	427	460	451	387
Automation	324	306	305	147	119
Process Technologies	644	444	542	727	587
Total	1,385	1,178	1,306	1,324	1,093

Net sales, EUR million	Q4/2022	Q3/2022	Q2/2022	Q1/2022	Q4/2021
Services	505	381	403	317	413
Automation	363	296	292	88	160
Process Technologies	672	610	591	555	626
Total	1,540	1,288	1,286	960	1,199

Comparable EBITA, EUR million	Q4/2022	Q3/2022	Q2/2022	Q1/2022	Q4/2021
Services	95	55	57	30	71
Automation	78	52	50	11	40
Process Technologies	38	36	31	41	45
Other	-14	-7	-15	-3	-10
Total	196	136	122	79	147

Comparable EBITA, % of net sales	Q4/2022	Q3/2022	Q2/2022	Q1/2022	Q4/2021
Services	18.7%	14.3%	14.2%	9.6%	17.2%
Automation	21.4%	17.6%	17.0%	12.1%	25.2%
Process Technologies	5.6%	5.8%	5.2%	7.3%	7.2%
Total	12.7%	10.5%	9.5%	8.3%	12.2%

EBITA, EUR million	Q4/2022	Q3/2022	Q2/2022	Q1/2022	Q4/2021
Services	94	55	49	30	72
Automation	71	48	41	10	43
Process Technologies	36	36	24	38	44
Other	-11	-7	40	-4	-4
Total	190	132	154	74	155

EBITA, % of net sales	Q4/2022	Q3/2022	Q2/2022	Q1/2022	Q4/2021
Services	18.6%	14.4%	12.2%	9.6%	17.3%
Automation	19.6%	16.2%	13.9%	11.3%	27.0%
Process Technologies	5.4%	5.8%	4.0%	6.9%	7.0%
Total	12.3%	10.2%	12.0%	7.7%	12.9%

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

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

Valmet's financial reporting in 2023

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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